

# Aditya Birla Fashion & Retail ₹177

## Fashion Is Expression Of Success...!!! Buy



July 21, 2017

### Company Background

Aditya Birla Fashion & Retail Ltd (ABFRL) was formed in May 2015 after the consolidation of the branded apparel businesses of Aditya Birla Group comprising Madura Fashion division and Pantaloons Fashion and Retail and Madura Fashion & Lifestyle. ABFR brings together the learnings and businesses of two renowned Indian fashion icons, Madura Fashion & Lifestyle and Pantaloons Fashion & Retail. The consolidation created India's largest pure play Fashion and Lifestyle Company with a strong bouquet of leading fashion brands and retail formats bringing India's #1 branded menswear and womenswear players together. ABFR is India's #1 Fashion Lifestyle entity with a combined revenue of Rs.6,060 crore for FY16, growing at a rate in excess of 25% and EBITDA of Rs.409 crore for FY16 that has been surging at an impressive rate of almost 30% over the last five years. The company houses comman on over 120 brands both domestic and global and has names like Louis Philippe, Van Heusen, Allen Solly, Peter England in its fold. It has also deviated from core apparell category and extended its brands to new categories – including sport swear, footwear, bags and accessories.

### Key Highlights

- ➔ By 2018, the Indian retail sector is likely to grow at a CAGR of 13 % to reach \$ 950 bn. India has occupied a remarkable position in global retail rankings; and has high market potential, low economic & moderate political risk.
- ➔ By 2020, food & grocery segment is expected to account for 66 % of the total revenues in the sector, followed by apparel segment. The passage of GST will also come out as a positive development for the retail Industry in India.
- ➔ ABFRL altogether hosts India's largest fashion network with over 7000 points of sale across over 375 cities & towns, which include 2,000+ exclusive brand outlets. With 16 mn Loyalty Members as of FY'17. It is creating more than 20,000 new designs every year.
- ➔ Between FY15-20, organised retail in India is expected to witness a CAGR of 24.57 per cent. Organised retail is expected to account for 24 per cent of the overall retail market by 2020.

### Key Financials

Year Ended 31 <sup>st</sup>	Mar 14	Mar 15	Mar 16
Revenue (INR mn)	16,663.4	18,535.1	60,726.6
Rev. growth (%)	23.58	11.23	227.63
EBITDA (INR mn)	1,384.1	506.1	775.9
Net profit (INR mn)	(1,877.3)	(2,281.4)	(1,041.4)
Shares outstanding (mn)	93.3	93.3	773.1
EPS (INR)	0.0	0.0	0.0
EPS growth (%)	0.00	0.00	0.00
P/E (x)	0.00	0.00	0.00
RONW (%)	0.00	0.00	0.00
ROCE (%)	0.00	0.00	0.00

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### Info Codes

Reuters	: PNTA.BO
Bloomberg	: ABFRL IN
NSE	: ABFRL
BSE	: 535755

### Market Data

52 Wk Range (₹)	: 127/189
Shares in Issue (mn)	: 773.1
Market. Cap ( bn)	: 136.45
BSE 2 Wk Avg Vol	: 99000

### Share Holding Pattern (%)

Promoters Holding	: 59.33
Public & Others	: 10.76
Corporate Holding	: 03.34
Foreign Institution	: 11.58
Institutions	: 14.99

### Investment Theme

ABFRL altogether hosts India's largest fashion network with over 7000 points of sale across over 375 cities and towns, which include more than 2,000 exclusive ABFRL brand outlets. With 16 million Loyalty Members as of FY'17, ABFRL has a strong bouquet of loyalty programmes in India. ABFRL boasts of creating more than 20,000 new designs every year. By 2018, the Indian retail sector is likely to grow at a CAGR of 13 % to reach \$ 950 bn. India's retail sales are quite significant & among emerging & developed nations; the country is ranked third. India is the 5th largest retail market in the world. Retailing in India accounts for over 10% of the country's GDP & around 8% of the employment. Between FY 2015-20, organised retail in India is expected to witness a CAGR of 24.57 %. India's economy is an outperformer.

**ABFRL is India's No 1. Fashion Lifestyle entity...!!!**

## Financial Statements

## Income Statement

(₹ mn)

Year end	Mar 14	Mar 15	% Chg	Mar 16	% Chg
Net Sales	16,612.1	18,507.3	11.4	60,600.5	227.4
Other Income	51.3	27.8	(45.8)	119.5	329.9
Change in Stocks	375.0	644.2	71.8	2,322.1	260.5
Raw Material Con.	9,897.6	10,649.8	7.6	29,871.2	180.5
Employee Exp.	1,497.1	1,836.9	22.7	5,968.9	224.9
Indirect Taxes	0.0	0.0	0.0	6.6	0.0
Other Exp.	5,137.6	5,916.7	15.2	23,016.5	289.0
Operating Exp.	16,532.3	18,403.4	11.3	58,863.2	219.8
Operating Profit	506.1	775.9	53.3	4,178.9	438.6
Total Interest	1,293.4	1,222.8	(5.5)	1,840.0	50.5
Gross Profit	(787.3)	(446.9)	(43.2)	2,338.9	(623.4)
Net Dep.	1,090.0	1,834.5	68.3	3,380.3	84.3
Total Taxation	0.0	0.0	0.0	0.0	0.0
Net Profit/Loss	(1,877.3)	(2,281.4)	21.5	(1,041.4)	(54.4)

## 4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Mar 13	Mar 14	Mar 15	Mar 16
<b>SOURCES OF FUNDS</b>	<b>25,389.7</b>	<b>16,784.0</b>	<b>17,168.7</b>	<b>29,016.5</b>
Equity Share capital	10.1	933.0	933.0	7,731.2
Equity Application Money	8,463.2	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	(778.0)	4,861.7	2,522.7	1,705.7
Secured Loans	7,434.9	7,504.6	7,126.5	8,857.2
Unsecured Loans	10,259.5	3,484.7	6,586.5	10,722.4
<b>USES OF FUNDS</b>	<b>25,389.7</b>	<b>16,784.0</b>	<b>17,168.7</b>	<b>29,016.5</b>
Gross Block	18,808.0	19,836.1	20,980.1	36,190.5
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	2,435.4	3,504.4	5,186.6	12,973.4
Net Block	16,372.6	16,331.7	15,793.5	23,217.1
Capital Work in Progress	135.5	248.5	37.7	253.5
Investments	8,000.0	59.9	0.0	0.0
Current Assets	3,689.2	4,122.7	4,777.2	19,993.4
Less : Current Liabilities	3,433.1	4,748.3	4,255.8	17,167.8
Total Net Current Assets	256.1	(625.6)	521.4	2,825.6
Misc. Expenses not writtenoff	625.5	769.5	816.1	2,720.3
<b>NOTE</b>				
Book Value of Unquoted Investments	8,000.0	59.9	0.0	0.0
Market Value of Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	0.4	61.8	110.2	381.2
Dividend (%)	0.0	0.0	0.0	0.0

**Quarterly Income Sheets**

(₹ mn)

Quarter Ended	Jun 16	Sep 16	Dec 16	Mar 17
Net Sales	13,964.8	18,662.1	16,989.5	16,149.3
Cost Of Sales	13,418.8	17,129.0	16,112.8	15,009.6
Operating Profit	546.0	1,533.1	876.7	1,139.7
Other Income	212.7	185.9	78.6	173.6
Adjusted PBDIT	758.7	1,719.0	955.3	1,313.3
Financial Expenses	450.7	470.9	428.1	436.9
Depreciation	516.2	599.2	651.2	658.1
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	(208.2)	648.9	(124.0)	218.3
Tax Charges	0.0	0.0	0.0	0.0
Reported Profit	(208.2)	648.9	(124.0)	218.3
Extra Ordinary Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	(208.2)	648.9	(124.0)	218.3

**52 Week Index Relative Percentage Appreciation**

**Aditya Birla Fashion & Retail vs SENSEX**
**Risks Associated**

- Lack of quality, retail real estate supply, non-supportive FDI policy, economic backdrop, regulatory issues are some of the factors acting as an impediment to the spread of organised retail in India. Since it is a capital intensive industry, access to capital also plays an important part for expansion in the space.
- Entry of foreign players in the market & e-retailers have intensified competition. Retailers have low switching costs, which make the supplier power low. Larger retailers can easily switch to different suppliers.
- Entry as a retailer is quite simple. However, players need to establish strong distribution channels & achieve economies of scale to compete. Threat of substitute products is low however, customers may purchase products from local store instead of purchasing from a retailer.
- Retailers provide more variety in private level brands to compete with other brands. Innovation, aggressive retail mix & everyday low pricing strategy help to get edge over supplier's brand.

**Scope of Growth**

- By 2018, the Indian retail sector is likely to grow at a CAGR of 13 % to reach \$ 950 bn. India has occupied a remarkable position in global retail rankings; the country has high market potential, low economic risk, and moderate political risk.
- India's net retail sales are quite significant among emerging and developed nations the country is ranked third. India is the 5th largest retail market in the world. Retailing in India accounts for over 10% of the country's Gross Domestic Product and around 8% of the employment.

### In a Nutshell

ABFRL altogether hosts India's largest fashion network with over 7000 points of sale across over 375 cities and towns, which include more than 2,000 exclusive brand outlets. It boasts of creating more than 20,000 new designs every year. For FY 2016-17, revenue of INR 6,633 crore growing at a rate of 10 % and EBITDA of INR 476 crore for FY'17 that has grown at 18 % over the last year. Women and Youth have emerged as two important new demographic segments driving demand for younger, casual and more fashionable products. Women's wear business has been gaining prominence and demand for casual wear was seen to be growing faster than the industry. The base of loyal customers for the Company continued to grow with more repeat business being generated by these loyal customers. Today, the Company has over 13 mn loyal customers who are the ambassadors of Company's products. The company has taken strategic calls to expand in these areas (Tier II/ III cities) in response to these growing opportunities. India's net retail sales are quite significant among emerging and developed nations; the country is ranked third. India is the 5th largest retail market in the world. Retailing in India accounts for over 10% of the country's Gross Domestic Product and around 8% of the employment. Overall, given its high growth potential, India compares favourably with global peers among foreign investors. With investment of around \$ 511.76 bn, the first half of 2016 witnessed the highest annual private equity in the retail sector, since 2008. The overall retail market in India is expected to grow at 12% per annum, driven by growing urbanization, rising income, younger demographics and rising aspirations of the middle class.

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### Rating Interpretation

**Buy** : Expected to appreciate 20% or more over 12-months

**Accumulate** : Expected to appreciate 10% to 20% over 12-months

**Trade Buy** : Expected to appreciate more than 10% over 45-days

**Reduce** : Expected to depreciate up to 10% over 12-months

**Sell** : Expected to depreciate 10% or more over 12-months

**Trade Sell** : Expected to depreciate more than 10% over 45-days

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