

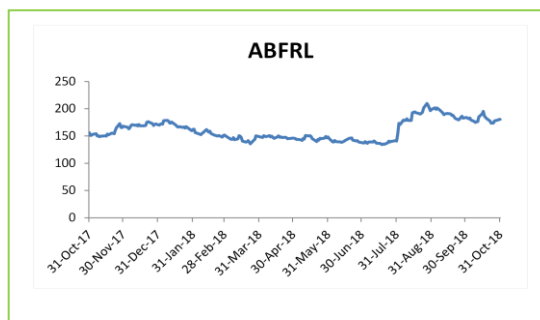
November 2, 2018

<b>Rating:</b>	<b>BUY</b>
Ticker:	ABFRL
CMP:	Rs.189
Target:	Rs. 220
Upside:	16%

Key Stock Data	
Sector	Departments
No. of shares	77.1 Crs
FV (Rs)	10
MCAP (Rs)	14,616 Crs
MCAP (\$)	20 Crs

Key Financials (Rs. in Crs)			
Y/E March	FY18 A	FY19 E	FY20 E
Revenue	7214	8296	9540
EBITDA	501	1252	1535
PAT	118	627	801
EPS /sh.	1.52	2.15	2.47
BV /sh.	14	18	20
P/BV (x)	13.35	10.39	9.35
PE (x)	123	86.89	75.56

Shareholding Pattern	
Promoters	59.2%
FII's	10.5%
DII's	16.1%
Others	14.1%



Research Analyst  
 Foram Parekh  
[Foram.parekh@indiabulls.com](mailto:Foram.parekh@indiabulls.com)

## Aditya Birla Fashion & Retail Ltd. - ABFRL

### 1QFY19 Result Update

The Company reported good set of 1QFY19 numbers on all counts on a yearly as well as on a quarterly basis. The topline of the company grew by 8% Y-o-Y and 9% Q-o-Q to Rs.1,921 Crs in 1QFY19 as against Rs.1776 Crs in 1QFY18. EBITDA for the quarter grew by 50% Y-o-Y to Rs. 122 Crs in 1QFY19 as against Rs.82 Crs in 1QFY18. PAT for the quarter jumped to a profit of Rs. 5 Crs in 1QFY19 as against a loss of Rs. 20 Crs in 1QFY18. EBITDA Margin increased by 177bps Y-o-Y to 6.37% as against 4.60% in 1QFY18. PAT Margin increased to 0.29% in 1QFY19 from a contraction of 1.15% in 1QFY18.

### Focus on Modern and Traditional ware

The company aims to focus on its men's-innerwear sales network. A large proportion of the growth is expected to come from the distribution channel. At present, Van Heusen men's innerwear retail through its approximate 9000 MBOs (Multi Brand outlets), will also start to sell the Van Heusen's women innerwear under the above 9000 MBOs. The company has been rapidly expanding its MBOs and aims at 13,000 by FY19-end.

### Outlook & Valuations

Aditya Birla Fashion and Retail (ABFRL) is one of the largest branded clothing players with 5 brands clocking more than Rs. 1000 Crs sales each. ABFRL has now ventured into fast fashion via Forever 21 and innerwear under the Van Heusen brand thereby now housing full bouquet of segments in the apparel category. We believe ABFRL we continue to report a CAGR of 15% on Topline over the next two years of FY18-20E. ABFRL's MCAP/Sales is currently trading at 1.5x on FY20E basis. Considering the leadership Madhura brand has, we would like to allot a MCAP/Sales of 2x on FY20 basis to arrive at a target price of Rs. 220 per share.

### Quarterly Financial Highlight Table (Rs. In Crs)

Particulars	1QFY19	4QFY18	1QFY18	Q/Q	Y/Y	FY2018
Revenue	1921	1764	1776	9%	8%	7214
EBITDA	122	174	82	-30%	50%	501
PAT	5.6	113	-20	-95%	NA	118
EPS	0.07	1.46	-0.26	-95%	NA	1.52
EBITDA M	6.37%	9.86%	4.60%	(349 bps)	177 bps	7%
PAT M	0.29%	6.41%	-1.15%	(612 bps)	(86 bps)	2%

## Investment Rationale

### 1. Introducing Van Heusen women’s innerwear

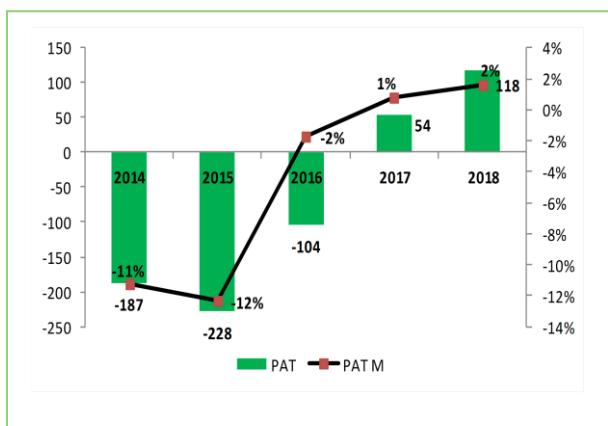
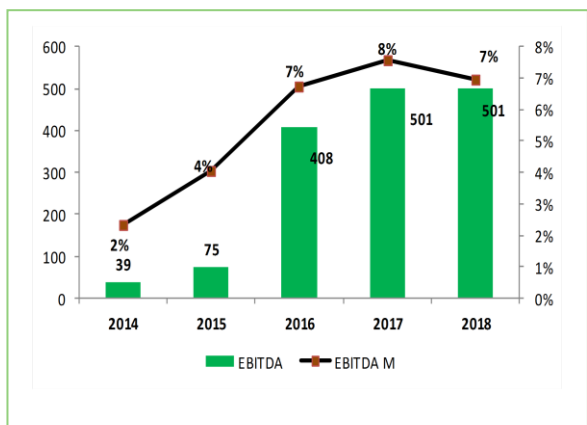
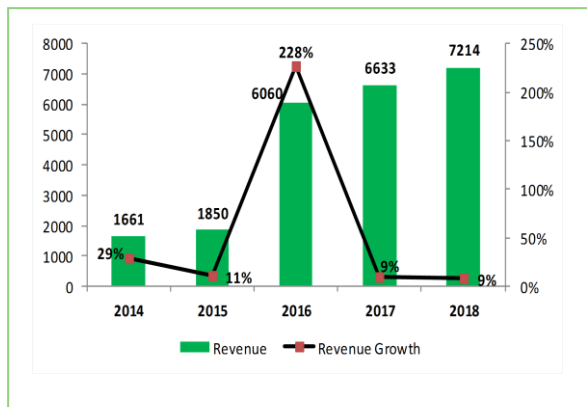
After Van Heusen’s successful venture in the men’s innerwear, the company is all set to venture into women’s innerwear segment. As women’s innerwear currently dominates 65% of the total market and is growing at a faster rate of 15% vs 8% of the men’s innerwear, we feel it is a very good opportunity for the brand. Van Heusen women’s innerwear targets the mid-premium segment with three collections mainly Cotton Sensation, Luxe and Glam, each designed to offer differentiated products to the various consumer segments. The company had undertaken an extensive study to identify pain points and innerwear preferences of 3,000 women. This has been incorporated into the product designing and manufacturing.

### 2. Aiming good top-line in innerwear segment

Management expects its innerwear division to grow 2x in FY19 to `2,000 m primarily by its foray into women’s innerwear and rapid expansion in its points of sales. By FY19-end Van Heusen innerwear will retail in 35-40 EBOs and ~13,000 MBOs. Due to the great investments in the innerwear division, it is expected to continue suffering losses for a few years. However, the losses will be peak in FY19, and then gradually reduce as its scale grows.

### 3. Stellar Pantaloons performance

ABFL’s pantaloons business reported a stellar set of 1QFY19 numbers. Pantallons top-line for Q1FY19 grew by 11% on a yearly basis. It’s EBITDA reported a jump of good 71% Y-o-Y driven chiefly by higher gross margins and better cost efficiencies. Pantaloons are undergoing aggressive marketing expense as it wants to counter acute competition in the segment. Pantaloons have currently 282 stores in operations under the 3217 sq. ft. as on 1QFY19 as against 218 stores in 1QFY8 under the 3801 sq. ft.



November 2, 2018

In May 2015, ABFRL came into being following consolidation of ABNL's branded apparel business of Madura and Pantaloons.

This amalgamation has helped ABFRL emerge as India's No. 1 fashion lifestyle entity.

Madura has a vast retail network comprising exclusive outlets, premium multi-brand and department stores – total presence of more than 1,800 stores.

ABFRL has now ventured into fast fashion via Forever 21 and innerwear under the Van Heusen brand thereby now housing full bouquet of segments in the apparel category.

## Company Background

In May 2015, ABFRL came into being following consolidation of ABNL's branded apparel business of Madura and Pantaloons. Post consolidation, Pantaloons was renamed Aditya Birla Fashion and Retail (ABFRL). ABFRL brings with it learnings and businesses of 2 renowned Indian fashion icons/brands, Madura and Pantaloons. This amalgamation has helped ABFRL emerge as India's No. 1 fashion lifestyle entity. Madura has a vast retail network comprising exclusive outlets, premium multi-brand and department stores – total presence of more than 1,800 stores. Four of its brands are among India's top fashion names. Pantaloons brand is now present in 78 plus Indian cities/towns through 282 stores.

## Risk & Concerns

1. Slow GDP revival leading to lower traction in discretionary spending
2. Local foreign brands such as Zara, Tommy Hilfiger, etc., have already established themselves, other brands such as H&M, GAP, among others, are venturing into the Indian market thereby heightening competition.
3. Implementation of GST with anticipated tax neutral rate of 18% could lead to higher tax outgo of 5-7% for branded apparel players.

## Outlook & Valuations

Aditya Birla Fashion and Retail (ABFRL) is one of the largest branded clothing players with 5 brands clocking more than Rs. 1000 Crs sales each. ABFRL has now ventured into fast fashion via Forever 21 and innerwear under the Van Heusen brand thereby now housing full bouquet of segments in the apparel category. We believe ABFRL will continue to report a CAGR of 15% on Topline over the next two years of FY18-20E. ABFRL's MCAP/Sales is currently trading at 1.5x on FY20E basis. Considering the leadership Madura brand has, we would like to allot a MCAP/Sales of 2x on FY20 basis to arrive at a target price of Rs. 220 per share.

November 2, 2018

Analyst Stock Rating	
<b>Ratings</b>	<b>Expected absolute returns over 12 months</b>
BUY	>15%
HOLD	10- 15%
REDUCE	<10%

**Research Analyst:**Foram Parekh – Fundamental Analyst – Equity Email: [foram.parekh@indiabulls.com](mailto:foram.parekh@indiabulls.com)

Indiabulls Ventures Limited is a SEBI Registered Research Analyst having registration number: INH100004906

**Disclosure:**

We /I,Foram Parekh, Mba author(s) hereby certify that all of the views expressed in this research report accurately reflect my/our views about the subject issuer(s) or securities. We/I, also certify that no part of our/my compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or Indiabulls Ventures Limited does not have any financial interest in the subject company. Also Research Analyst or his relative or Indiabulls Ventures Limited or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative Indiabulls Ventures Limited or its associate does not have any material conflict of interest.

**Disclaimer:**

This document has been prepared by Indiabulls Ventures Limited (IVL), for use by the recipient as information only and is not for circulation or public distribution. This document is published in accordance with Regulation 18 of the SEBI (Research Analysts) Regulations, 2014 & IVL research analysts have adhered to the code of conduct under Regulation 24 (2) of the SEBI (Research Analysts) Regulations, 2014. IVL researches, aggregates and faithfully reproduces information available in public domain and other sources, considered to be reliable and makes them available for the recipient through this document. However, IVL make no representations or warranties of any kind, express or implied, about the completeness, accuracy, reliability, suitability or availability, error, omissions with respect to the information contained in this document. Recipients should be aware that past performance is not necessarily a guide for future performance & value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities/financial instruments. Nothing in this document constitutes investment, legal, accounting and/or tax advice or a representation that any investment or strategy is suitable or appropriate to recipients' specific circumstances. Anything contained in, not contained in, assumed to be implied, warranted, excluded from being warranted or vaguely alluded to shall not be attributed to, blamed upon, or otherwise associated with IVL nor IVL shall be responsible, accountable, discountable, or in presence or absence thereof for any liability arising from the use of this document. IVL, its directors and/or employees doesn't accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research.

IVL directors/employees and its clients may have holdings in the stocks mentioned in the document. This report is based on technical, fundamental and derivative analysis on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals.

Indiabulls Ventures Limited : [www.indiabulls.com](http://www.indiabulls.com)

**Corporate Office:** Indiabulls Ventures Limited, Indiabulls Finance Center, Tower 1, 8th floor, SenapatiBapatMarg, Elphinstone Road (W), Mumbai – 400013.