

**Business yet to bottom out, price probably has!**

- ABFRL's Q4FY23 standalone revenue and GP were in-line. However, EBITDA was subdued led by tepid margin in core lifestyle business and persistent investments in new ventures. Revenue/GP grew by 21.5/19.2% YoY. EBITDA was -39% driven by higher rent and significantly higher A&P spend.
- Lifestyle is steady growth and FCF engine. Pantaloons can see margin boosts with improvement in through-put, while others (innerwear, youth and western wear, super-premium brands, Reebok, Ethnic etc) can provide strong growth. But, with number of business under growth/incubation stage and significant step-up in investments to support this businesses, earnings would continue to remain volatile. These coupled with large investments in TCNS (Rs 15.75bn cash and dilution of ~5.5%) and weak sales momentum, if any in core Lifestyle/Pantaloons to significantly weigh on BS.
- That said, ABFRL's steep stock price correction of 30% in 12m and 45% from peak factors the concern. Stock may go through time correction but absolute price correction may be limited, if any. Reiterate BUY with revised TP of Rs 245 @ 12x EV/EBITDA for Lifestyle/Pantaloons and 1x EV/Sales for new businesses. Growth and margin sustenance in core Lifestyle/Pantaloons and profitable scale-up in others is key for re-rating. Potential fund infusion from GIC (by Nov'23) @ Rs 289/sh would be another near-term trigger.

**Healthy top-line and GP.....!**

Lifestyle business revenue/EBITDA grew by 14.4/-27.9% YoY. Pantaloons was +18.2/-13.4% YoY. Other businesses revenue was Rs 5.5bn, +106% YoY and EBITDA Rs -650mn vs. Rs 80mn.

**.....margin nosedives.**

EBITDA was impacted with (1) rental expense rising 53% yoy driven by strong store additions, (2) higher marketing spends (up ~2.2X yoy) and (3) strategic investments for new ventures such as TMRW, Tasva. This led to 330 bps miss in EBITDA margin print of 6.7%. Net loss of Rs2 bn was higher than our expectations, driven by EBITDA miss as well as larger number of store additions in 4Q, which drove finance (up 59% yoy) and depreciation costs (up 31% yoy).

**Q4FY23 Result (Rs Mn)**

Particulars	Q4FY23	Q1FY22	YoY (%)	Q3FY23	QoQ (%)
Revenue	28,797	28,748	26.1	35,888	(19.8)
Total Expense	26,869	24,063	40.7	31,532	(14.8)
EBITDA	1,928	4,684	(48.3)	4,356	(55.7)
Depreciation	3,485	2,703	30.6	3,175	9.7
EBIT	(1,557)	1,982	(246.5)	1,181	(231.8)
Other Income	364	311	36.2	269	35.2
Interest	1,422	944	59.0	1,321	7.6
EBT	(2,615)	1,349	(701.3)	129	(2128.8)
Tax	(646)	411	(607.5)	62	(1138.7)
RPAT	(1,945)	944	(709.8)	112	(1835.4)
APAT	(1,945)	944	(709.8)	112	(1835.4)
			(bps)		(bps)
Gross Margin (%)	55.8	55.8	5	54.6	114
EBITDA Margin (%)	6.7	16.3	(965)	12.1	(544)
NPM (%)	(6.8)	3.3	(815)	0.3	(707)
Tax Rate (%)	24.7	30.4	(456)	48.3	(2355)
EBIT Margin (%)	(5.4)	6.9	(1006)	3.3	(870)

CMP	Rs 195		
Target / Upside	Rs 245 / 26%		
NIFTY	18,348		
<b>Scrip Details</b>			
Equity / FV	Rs 9,488mn / Rs 10		
Market Cap	Rs 185bn		
	USD 2.2bn		
52-week High/Low	Rs 360 / 184		
Avg. Volume (no)	3,347,780		
Bloom Code	ABFRL IN		
<b>Price Performance</b>			
1M	3M	12M	
Absolute (%)	(11)	(16)	(29)
Rel to NIFTY (%)	(17)	(21)	(42)
<b>Shareholding Pattern</b>			
	Sep'22	Dec'22	Mar'23
Promoters	56.1	55.5	55.5
MF/Banks/FIs	19.4	19.1	18.9
FIs	14.1	14.6	14.4
Public / Others	10.4	10.9	11.3

**Valuation (x)**

	FY23E	FY24E	FY25E
P/E	(278.3)	(61.3)	(77.8)
EV/EBITDA	17.3	16.7	14.1
ROE (%)	(1.9)	(7.4)	(5.0)
RoACE (%)	4.2	2.7	3.7

**Estimates (Rs bn)**

	FY23E	FY24E	FY25E
Revenue	124.2	146.8	167.7
EBITDA	14.9	16.0	19.3
PAT	(0.7)	(3.0)	(2.4)
EPS (Rs.)	(0.7)	(3.2)	(2.5)

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## Earning call KTA

### Business highlights and outlook

- Value segment is facing larger headwinds vs. premium and luxury segment. Gradual softening of demand after Oct'22 (post festive season).
- Ecommerce growth has normalized to pre-covid levels.
- High demand for quality retail space across players. Retail leasing double in all major cities
- Global brands are expanding their retail footprint.
- The management indicated that the slowdown seems to be broad-based due to overall slowdown in discretionary consumption across categories other than apparel. However, value segments along with tier 2+ towns are facing more headwinds in view of inflationary pressures. Athleisure and lounge wear experienced sluggish growth due to return-to-office sentiment.
- **On a steady state basis, Madura operates at 17-19% margins. Pantaloons operates at ~17-18% margins. Ethnic (Tasva) and TMRW (D2C) margins will be less predictable as investments are ongoing. The company will invest Rs200-300 mn per quarter in TMRW.**

### Lifestyle segment

- **Slower growth in wholesale:** In the Lifestyle brands, the company is converting its 'buy and sell' model to 'consignment' model to enable better replenishment and superior management of inventory. Hence, the weakness in the wholesale channel is a one-off. It has been completed for Van Heusen, Allen Solly and Louis Philippe. Some stores of Peter England are pending conversion. The changed model is working capital neutral as inventory gets offset by security deposit by the franchisee partner.
- The decline in wholesale channel of 21% YoY was off-set by higher sales in retail channel, +31% YoY and E-com, +49% YoY. Women's business grew 70% yoy in FY2023.
- EBITDA margin came in weaker at 14.7% (lower 859 bps yoy) due to enhanced investments in brand building, normalization of rental costs and some exceptional gains in 4QFY22. The company continued its marketing spends. Super-app was launched for all Lifestyle brands.

### Pantaloons

- SSSG was 13% on soft base. Weakness in demand from smaller towns and inflationary pressure leading to low consumer offtake post Diwali have continued to impact value and masstige segment. EBITDA declined 13% YoY. EBITDA margin came in at 8.9% (versus 14.5% in 3QFY23) due to negative operating leverage.
- Store additions: Pantaloons opened 40-50 stores in FY24 (54 in FY23).

### Reebok

- Reebok got integrated into ABFRL w.e.f. Oct'22. Reebok currently operates completely through franchisee model in India currently. However, ABFRL is looking to operate some company-owned stores once it is integrated. ABFRL will also re-visit the geographies and strengthen and has started to work on improvising the product range. In this backdrop, Reebok forayed into new product categories—cricket, tennis and badminton. The company is investing in organizational setup costs, network expansion of retail stores, replenishment systems and warehousing; this will kick in the next few quarters.
- During Q3FY23, Reebok reported revenue/EBITDA of Rs 340/-130mn respectively. Excluding the royalty, Reebok is close to break-even. Hence, Reebok would take 9-12m for break-even and another 9-12m to reach double-digit EBITDA margin. Brand has potential and historically did Rs 3.5-4bn of revenues p.a. Business would need some investments for revitalizing the brand.

### Innerwear

Innerwear & athleisure segment achieved revenue growth of 33% YoY in FY23 led by network expansion but athleisure continued to witness soft growth as the WFH category has faded.

The innerwear segment is clocking ~Rs 5bn+ annual revenues in FY23. It aims to grow it to Rs 10bn in the next 2-2.5 years. Mgmt has guided ~Rs 15bn revenues by FY26. During Q3FY23, ABFRL launched its first-ever national television & digital campaign for Innerwear segment.

### Tasva

- As per the management, Tasva will take at least 18 months of investments. It continued with aggressive store expansion, taking store count to 51 (added 19 in 4Q). Eventually, Tasva will move to FOFO model from current COCO model. It currently has 6-7 FOFO stores.

### D2C business

- ABFRL set-up a platform for foraying into large \$100bn opportunity size by 2025 direct-to-consumer business. ABFRL has thus set-up a new subsidiary under the brand 'TMRW' towards building a portfolio of distinct, new-age, digital brands across categories in fashion, beauty and other allied lifestyle segments.
- The D2C portfolio will be built through organic and inorganic means. TMRW has signed definite agreements to acquire 8 brands out of which 7 are acquired and integrated. This venture will initially be funded through ABFRL's internal accruals. ABFRL plans to invest ~Rs 4-5bn of which it has invested ~Rs 2.5-3bn till date and would deploy the rest shortly. At an appropriate time, the company will look to bring in external capital to accelerate the growth journey.
- The D2C business will likely witness some cash burn in the initial stages of operations.

### High inventory and Working Capital

- ABFRL is in a high growth phase. That requires high level of inventory, which will hover around 120 days of sales. However, with payable days to remaining high which has been part of its business model, the net working capital investments to be limited.

### Net Debt

- Net debt as of Mar'23 increased to Rs 14.2bn from Rs 3.4bn in Dec'22 and Rs 2.5bn YoY. These is despite Rs 7.7bn investments from GIC. Net debt was higher than expected due to higher-than-expected inventories, investments in subsidiaries (TMRW) etc.

### Capex

- ABFRL ended with capex of ~Rs 7bn in FY23 and has guided for similar capex in FY24.

### A&P spend

- A&P spend in branded business of MFL should be ~2.5-3% of revenue. Pantaloons should be ~4% of revenue. A&P spend to remain elevated for the short term (next 1-2 quarters) especially in the new business segments. Overall ad-spends will remain in the historical range over the next few quarters.

### Store additions

- ~70-75% of network expansion in Madura comes from franchisee model. In Pantaloons, it is ~15-20%.

**Exhibit 1: Actual vs. Estimates**

Particulars (Rs mn)	Actual	Estimate	Variance (%/bps)	Remarks
<b>Madura</b>	<b>19,270</b>	<b>18,968</b>	<b>1.6</b>	
- Lifestyle	15,350	15,930	(3.6)	
- Others	3,920	3,038	29.0	
<b>Pantaloons</b>	<b>7,980</b>	<b>8,151</b>	<b>(2.1)</b>	
(-) Intersegment	-740	-542	36.4	
<b>Revenue</b>	<b>26,510</b>	<b>26,577</b>	<b>(0.3)</b>	
Revenue	26,513	26,577	(0.2)	
Gross Profit	14,199	14,114	0.6	
GP Margin (%)	53.6	53.1	45 bps	
EBITDA	2,253	3,146	(28.4)	
EBITDA Margin (%)	8.5	11.8	(334 bps)	
APAT	(1,281)	(492)	160.6	
AEPS (Rs)	(1.2)	(0.5)	(73 bps)	

Source: DART, Company

**Exhibit 2: Change in Estimates**

Particulars (Rs mn)	FY24E			FY25E			Remarks
	Old	New	Chg %	Old	New	Chg %	
Madura	90,465	91,157	0.8	100,884	101,786	0.9	
- Lifestyle	74,280	73,685	(0.8)	81,463	80,820	(0.8)	
- Others	16,184	17,472	8.0	19,421	20,966	8.0	
Pantaloons	46,522	47,596	2.3	52,763	53,748	1.9	
(-) Inter-segment	(3,425)	(3,469)	1.3	(3,841)	(4,277)	11.4	
Standalone Revenue	133,561	135,284	1.3	149,806	151,256	1.0	
Ethnic/Others		11,520			16,449		
Consolidated Revenue	133,561	146,804	9.9	149,806	167,705	11.9	
Revenue	133,561	146,804	9.9	149,806	167,705	11.9	
Gross Profit	71,765	80,807	12.6	81,058	91,893	13.4	
GP Margin (%)	53.7	55.0	134 bps	54.1	54.8	69 bps	
EBITDA	20,778	16,047	(22.8)	24,861	19,256	(22.5)	
EBITDA Margin(%)	15.6	10.9	(467 bps)	16.6	11.5	(512 bps)	
APAT	4,312	(2,927)	(167.9)	7,612	(2,266)	(129.8)	
AEPS (Rs)	4.3	(2.7)	(163.0)	7.5	(2.1)	(128.0)	

Source: DART, Company

**Exhibit 3: Consolidated Abridged Cash Flows**

Particulars	FY19	FY20	FY21	FY22	FY23
PBT	1,491	(329)	(8,375)	(1,449)	(824)
D&A	2,823	8,853	9,628	9,970	12,270
Finance costs	1,850	4,223	5,028	3,576	4,826
Other adjustments	249	(112)	(3,718)	(2,577)	(714)
Chg in WC	(937)	(6,126)	8,528	241	(9,118)
Tax	(196)	(65)	(28)	(164)	25
<b>Cash generation from operations</b>	<b>5,280</b>	<b>6,444</b>	<b>11,062</b>	<b>9,598</b>	<b>6,464</b>
Capex	(2,792)	(2,644)	(1,299)	(3,185)	(6,708)
Investments in subsidiaries/JVs	-	(2,367)	(3,718)	14	(1,757)
Repayment of lease liabilities	-	(5,886)	(4,061)	(5,609)	(8,910)
Interest paid	(1,098)	(4,243)	(4,759)	(3,097)	(5,327)
<b>Cash utilization</b>	<b>(3,889)</b>	<b>(15,140)</b>	<b>(13,837)</b>	<b>(11,876)</b>	<b>(22,702)</b>
<b>Net cash generation</b>	<b>1,391</b>	<b>(8,696)</b>	<b>(2,774)</b>	<b>(2,279)</b>	<b>(16,237)</b>
Chg in borrowings	(1,554)	10,720	(19,820)	(1,477)	14,254
Equity raise	9	72	22,388	2,476	7,728
<b>Cash generation from financing</b>	<b>(1,545)</b>	<b>10,792</b>	<b>2,568</b>	<b>1,000</b>	<b>21,982</b>
<b>Chg in C&amp;CE</b>	<b>(154)</b>	<b>2,096</b>	<b>(207)</b>	<b>(1,279)</b>	<b>5,745</b>

Source: DART, Company

**Exhibit 4: Consolidated Quarterly P&L**

Particulars (Rs Mn)	Q4FY22	Q3FY23	Q4FY23	Chg YoY (%)	Chg QoQ (%)	FY22	FY23	Chg YoY (%)
<b>Net Sales</b>	<b>22,828</b>	<b>35,888</b>	<b>28,797</b>	<b>26.1</b>	<b>(19.8)</b>	<b>81,362</b>	<b>124,179</b>	<b>52.6</b>
RM Costs	10,109	16,284	12,738	26.0	(21.8)	37,202	55,520	49.2
<b>Gross Profit</b>	<b>12,719</b>	<b>19,604</b>	<b>16,059</b>	<b>26.3</b>	<b>(18.1)</b>	<b>44,161</b>	<b>68,659</b>	<b>55.5</b>
Employees cost	3,068	4,230	4,141	34.9	(2.1)	11,585	15,634	34.9
Rent	1,403	2,716	2,147	53.0	(21.0)	3,932	8,970	128.1
Other expenses	4,517	8,302	7,844	73.6	(5.5)	17,644	29,120	65.0
Total expenses	8,989	15,248	14,131	57.2	(7.3)	33,161	53,723	62.0
<b>EBITDA</b>	<b>3,730</b>	<b>4,356</b>	<b>1,928</b>	<b>(48.3)</b>	<b>(55.7)</b>	<b>10,999</b>	<b>14,936</b>	<b>35.8</b>
D&A	2,668	3,175	3,485	30.6	9.7	9,970	12,270	23.1
EBIT	1,062	1,181	(1,557)	(246.5)	(231.8)	1,029	2,666	159.1
Other income	279	315	388	39.1	23.2	1,029	1,233	19.8
Interest costs	895	1,321	1,422	59.0	7.6	3,507	4,724	34.7
PBT	446	174	(2,592)	(680.7)	(1,586.8)	(1,449)	(824)	(43.1)
Tax	127	62	(646)	(607.5)	(1,138.7)	(266)	(230)	(13.5)
<b>APAT</b>	<b>319</b>	<b>112</b>	<b>(1,945)</b>	<b>(709.8)</b>	<b>(1,835.4)</b>	<b>(1,184)</b>	<b>(595)</b>	<b>(49.8)</b>

Source: DART, Company

**Exhibit 5: Consolidated Margin Analysis**

% of Revenue	Q4FY22	Q3FY23	Q4FY23	Chg YoY (bps)	Chg QoQ (bps)	FY22	FY23	Chg YoY (bps)
RM Costs	44.3	45.4	44.2	(5)	(114)	45.7	44.7	(101)
<b>Gross Profit</b>	<b>55.7</b>	<b>54.6</b>	<b>55.8</b>	<b>5</b>	<b>114</b>	<b>54.3</b>	<b>55.3</b>	<b>101</b>
Employees cost	13.4	11.8	14.4	94	259	14.2	12.6	(165)
Rent	6.1	7.6	7.5	131	(11)	4.8	7.2	239
Other expenses	19.8	23.1	27.2	745	411	21.7	23.4	176
Total Other expenses	39.4	42.5	49.1	969	658	40.8	43.3	251
<b>EBITDA</b>	<b>16.3</b>	<b>12.1</b>	<b>6.7</b>	<b>(965)</b>	<b>(544)</b>	<b>13.5</b>	<b>12.0</b>	<b>(149)</b>
D&A	11.7	8.8	12.1	41	325	12.3	9.9	(237)
EBIT	4.7	3.3	(5.4)	(1,006)	(870)	1.3	2.1	88
Other income	1.2	0.9	1.3	13	47	1.3	1.0	(27)
Interest costs	3.9	3.7	4.9	102	126	4.3	3.8	(51)
PBT	2.0	0.5	(9.0)	(1,095)	(948)	(1.8)	(0.7)	112
Tax	0.6	0.2	(2.2)	(280)	(242)	(0.3)	(0.2)	14
<b>APAT</b>	<b>1.4</b>	<b>0.3</b>	<b>(6.8)</b>	<b>(815)</b>	<b>(707)</b>	<b>(1.5)</b>	<b>(0.5)</b>	<b>98</b>
Tax as % of PBT	28.5	35.7	24.9	(359)	(1,075)	18.3	27.9	953

Source: DART, Company

**Exhibit 6: Consolidated Segment-wise Revenue**

Particulars	Q4FY22	Q3FY23	Q4FY23	Chg YoY (%)	Chg QoQ (%)	FY22	FY23	Chg YoY (%)
Lifestyle	13,420	18,730	15,350	14.4	(18.0)	45,220	66,070	46.1
Pantaloons	6,750	11,590	7,980	18.2	(31.1)	26,260	40,780	55.3
Others	3,180	5,930	6,200	95.0	4.6	11,700	20,240	73.0
Inter-segment	(520)	(360)	(740)	42.3	105.6	(1,830)	(2,930)	60.1
<b>Total</b>	<b>22,830</b>	<b>35,890</b>	<b>28,790</b>	<b>26.1</b>	<b>(19.8)</b>	<b>81,350</b>	<b>124,160</b>	<b>52.6</b>

Source: DART, Company

**Exhibit 7: Consolidated Segment-wise EBITDA (incl. other Income)**

Particulars	Q4FY22	Q3FY23	Q4FY23	Chg YoY (%)	Chg QoQ (%)	FY22	FY23	Chg YoY (%)
Lifestyle	3,120	3,120	3,120	3,120	3,120	7,890	10,940	38.7
Pantaloons	820	820	820	820	820	3,680	6,330	72.0
Others	10	10	10	10	10	460	(1,050)	(328.3)
Inter-segment	70	70	70	70	70	20	20	-
<b>Total</b>	<b>4,020</b>	<b>4,020</b>	<b>4,020</b>	<b>4,020</b>	<b>4,020</b>	<b>12,050</b>	<b>16,240</b>	<b>34.8</b>

Source: DART, Company

**Exhibit 8: Segment-wise EBITDA Margin (%)**

Particulars	Q4FY22	Q3FY23	Q4FY23	Chg YoY (bps)	Chg QoQ (bps)	FY22	FY23	Chg YoY (bps)
Lifestyle	23.2	16.9	14.7	(859)	(227)	17.4	16.6	(89)
Pantaloons	6.1	9.0	4.6	(148)	(434)	8.1	9.6	144
Others/ Inter-segment	0.4	(6.1)	(10.4)	(1,082)	(434)	4.7	(6.1)	(1,073)
<b>Total</b>	<b>17.6</b>	<b>13.0</b>	<b>8.0</b>	<b>(958)</b>	<b>(499)</b>	<b>14.8</b>	<b>13.1</b>	<b>(173)</b>

Source: DART, Company

**Exhibit 9: Operating KPIs – Madura Lifestyle**

(Rs Mn)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Chg YoY (%)	Chg QoQ (%)
<b>Madura</b>								
Total EBOs	3,036	3,091	3,112	3,197	3,036	3,546	14.7	16.8
- net additions	119	55	21	85	(161)	510		
MBOs	26,744	28,585	30,787	31,734	32,589	33,535	17.3	2.9
Department SISs	6,751	6,515	6,381	6,491	6,048	6,723	3.2	11.2
<b>Lifestyle brands</b>								
EBOs	2,488	2,522	2,527	2,561	2,601	2,650	5.1	1.9
Area in Sqft (mn)	3.2	3.2	3.3	3.3	3.4	3.6	9.6	3.3
Average Store Size (Sq ft)	1,270	1,284	1,289	1,278	1,321	1,340	4.3	1.4
<b>Channel-wise Revenue</b>								
Wholesale	3,740	4,190	3,150	4,620	3,740	3,310	(21.0)	(11.5)
Retail	8,340	6,160	7,930	7,340	10,120	8,090	31.3	(20.1)
Others	3,810	3,070	4,120	4,850	4,870	3,950	28.7	(18.9)
<b>Total</b>	<b>15,890</b>	<b>13,420</b>	<b>15,200</b>	<b>16,810</b>	<b>18,730</b>	<b>15,350</b>	<b>14.4</b>	<b>(18.0)</b>
<b>Mix (%)</b>								
Wholesale	23.5	31.2	20.7	27.5	20.0	21.6	(966)	160
Retail	52.5	45.9	52.2	43.7	54.0	52.7	680	(133)
Others	24.0	22.9	27.1	28.9	26.0	25.7	286	(27)
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>-</b>	<b>-</b>

Source: DART, Company

**Exhibit 10: Operating KPIs – Pantaloons**

(Rs Mn)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Chg YoY (%)	Chg QoQ (%)
No of stores	361	377	375	396	406	431	14.3	6.2
Net new stores	14	16	(2)	21	10	25		
Retail space (mn sq ft)	4.5	4.7	4.9	4.9	5.2	5.4	13.9	2.6
Average Store Size	13,044	13,040	13,010	13,205	13,209	13,271	1.8	0.5
Rev/Sqft p.a. (Rs)	9,055	5,492	8,398	8,369	8,644	5,580	1.6	(35.4)

Source: DART, Company

**Exhibit 11: Consolidated Revenue Assumptions**

Particulars (Rs mn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Lifestyle	36,510	38,660	43,040	46,260	27,500	45,220	66,070	73,685	80,820
Pantaloons	25,520	28,620	31,940	35,140	18,590	26,260	40,780	47,596	53,748
Others	4,640	6,030	7,720	8,520	7,240	11,700	20,240	28,992	37,415
Inter-segment	(340)	(1,490)	(1,080)	(2,050)	(830)	(1,830)	(2,930)	(3,469)	(4,277)
<b>Total</b>	<b>66,330</b>	<b>71,820</b>	<b>81,620</b>	<b>87,870</b>	<b>52,500</b>	<b>81,350</b>	<b>124,160</b>	<b>146,804</b>	<b>167,705</b>
<b>Mix %</b>									
Lifestyle	55.0	53.8	52.7	52.6	52.4	55.6	53.2	50.2	48.2
Pantaloons	38.5	39.8	39.1	40.0	35.4	32.3	32.8	32.4	32.0
Others	7.0	8.4	9.5	9.7	13.8	14.4	16.3	19.7	22.3
Inter-segment	(0.5)	(2.1)	(1.3)	(2.3)	(1.6)	(2.2)	(2.4)	(2.4)	(2.6)
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>						
<b>Chg YoY %</b>									
Lifestyle	5.9	11.3	7.5	(40.6)	64.4	46.1	11.5	9.7	
Pantaloons	12.1	11.6	10.0	(47.1)	41.3	55.3	16.7	12.9	
Others	30.0	28.0	10.4	(15.0)	61.6	73.0	43.2	29.1	
Inter-segment	338.2	(27.5)	89.8	(59.5)	120.5	60.1	18.4	23.3	
<b>Total</b>	<b>8.3</b>	<b>13.6</b>	<b>7.7</b>	<b>(40.3)</b>	<b>55.0</b>	<b>52.6</b>	<b>18.2</b>	<b>14.2</b>	

Source: DART, Company

**Exhibit 12: Consolidated EBITDA Assumptions**

Particulars (Rs Mn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Lifestyle	4,230	4,760	5,190	7,970	3,390	7,890	10,940	12,574	13,994
Pantaloons	1,260	1,710	2,310	5,620	2,750	3,680	6,330	7,578	8,692
Others	(730)	(1,460)	(1,310)	(820)	130	480	(1,110)	(4,105)	(3,430)
<b>Consol EBITDA</b>	<b>4,760</b>	<b>5,010</b>	<b>6,190</b>	<b>12,770</b>	<b>6,270</b>	<b>12,050</b>	<b>16,160</b>	<b>16,047</b>	<b>19,256</b>
<b>Mix %</b>									
Lifestyle	11.6	12.3	12.1	17.2	12.3	17.4	16.6	17.1	17.3
Pantaloons	4.9	6.0	7.2	16.0	14.8	14.0	15.5	15.9	16.2
Others	(15.7)	(24.2)	(17.0)	(9.6)	1.8	4.1	(5.5)	(14.2)	(9.2)
<b>Blended</b>	<b>7.2</b>	<b>7.0</b>	<b>7.6</b>	<b>14.5</b>	<b>11.9</b>	<b>14.8</b>	<b>13.0</b>	<b>10.9</b>	<b>11.5</b>
<b>Chg YoY %</b>									
Lifestyle	88.9	95.0	83.8	62.4	54.1	65.5	67.7	78.4	72.7
Pantaloons	26.5	34.1	37.3	44.0	43.9	30.5	39.2	47.2	45.1
Others	(15.3)	(29.1)	(21.2)	(6.4)	2.1	4.0	(6.9)	(25.6)	(17.8)
<b>Blended</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Chg YoY %</b>									
Lifestyle	12.5	9.0	53.6	(57.5)	132.7	38.7	14.9	11.3	
Pantaloons	35.7	35.1	143.3	(51.1)	33.8	72.0	19.7	14.7	
Others	100.0	(10.3)	(37.4)	(115.9)	269.2	(331.3)	269.8	(16.4)	
<b>Blended</b>	<b>5.3</b>	<b>23.6</b>	<b>106.3</b>	<b>(50.9)</b>	<b>92.2</b>	<b>34.1</b>	<b>(0.7)</b>	<b>20.0</b>	

Source: DART, Company

**Exhibit 13: Valuation Summary**

Business Segment	Value (Rs Mn)		Multiple	Value (Rs Mn)		Value/Sh (Rs)	
	FY24E	FY25E		FY24E	FY25E	FY24E	FY25E
Lifestyle (EBITDA)	12,574	13,994	12.0	150,890	167,927	140	155
Pantaloons (EBITDA)	7,578	8,692	12.0	90,934	104,305	84	97
TCNS (EBITDA)	1,754	2,420	12.0	21,046	29,037	19	27
New businesses (Revenue)							
- Ethnic	8,595	12,033	1.0	8,595	12,033	8	11
- Atleisure, Reebok etc	17,472	20,966	1.0	17,472	20,966	16	19
- D2C	2,925	4,416	1.0	2,925	4,416	3	4
- Intersegment	(3,469)	(4,277)	1.0	(3,469)	(4,277)	(3)	(4)
<b>Enterprise Value</b>				<b>288,393</b>	<b>334,407</b>	<b>267</b>	<b>310</b>
(-) Net debt				(21,840)	(26,361)	(20)	(24)
(-) Lease Liabilities				(44,542)	(43,731)	(41)	(40)
<b>Sub total</b>				<b>(66,382)</b>	<b>(70,092)</b>	<b>(61)</b>	<b>(65)</b>
<b>Equity Value</b>				<b>222,011</b>	<b>264,315</b>	<b>206</b>	<b>245</b>

Source: DART, Company

**Exhibit 14: Sensitivity of TP to various EV/EBITDA multiples**

EV/EBITDA (x)	Target Price (Rs)	
	FY24E	FY25E
10	165	198
12	206	245
15	266	314
18	327	384

Source: DART, Company

## Financial Performance

### Profit and Loss Account

(Rs Mn)	FY22A	FY23E	FY24E	FY25E
<b>Revenue</b>	<b>81,362</b>	<b>124,179</b>	<b>146,804</b>	<b>167,705</b>
<b>Total Expense</b>	<b>70,363</b>	<b>109,243</b>	<b>130,757</b>	<b>148,449</b>
COGS	37,202	55,520	65,997	75,812
Employees Cost	11,585	15,634	17,834	19,034
Other expenses	21,576	38,090	46,926	53,603
<b>EBIDTA</b>	<b>10,999</b>	<b>14,936</b>	<b>16,047</b>	<b>19,256</b>
Depreciation	9,970	12,270	14,638	15,877
<b>EBIT</b>	<b>1,029</b>	<b>2,666</b>	<b>1,409</b>	<b>3,379</b>
Interest	3,507	4,724	6,439	7,389
Other Income	1,006	1,165	990	841
Exc. / E.O. items	23	68	86	107
<b>EBT</b>	<b>(1,449)</b>	<b>(824)</b>	<b>(3,955)</b>	<b>(3,062)</b>
Tax	(266)	(230)	(1,028)	(796)
RPAT	(1,184)	(595)	(2,927)	(2,266)
Minority Interest	0	0	0	0
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>(1,207)</b>	<b>(663)</b>	<b>(3,012)</b>	<b>(2,373)</b>

### Balance Sheet

(Rs Mn)	FY22A	FY23E	FY24E	FY25E
<b>Sources of Funds</b>				
Equity Capital	9,383	9,488	10,801	10,801
Minority Interest	0	0	0	0
Reserves & Surplus	18,350	23,945	35,325	33,059
<b>Net Worth</b>	<b>27,733</b>	<b>33,433</b>	<b>46,126</b>	<b>43,860</b>
Total Debt	50,761	83,268	90,981	90,742
Net Deferred Tax Liability	152	27	27	27
<b>Total Capital Employed</b>	<b>78,646</b>	<b>116,728</b>	<b>137,134</b>	<b>134,629</b>

### Applications of Funds

Net Block	60,580	84,138	104,082	103,631
CWIP	1,026	1,457	1,530	1,606
Investments	9,115	13,118	13,935	14,827
<b>Current Assets, Loans &amp; Advances</b>	<b>53,345</b>	<b>71,701</b>	<b>79,641</b>	<b>83,846</b>
Inventories	29,296	42,144	47,811	52,321
Receivables	7,564	8,864	11,284	13,809
Cash and Bank Balances	1,182	6,927	7,332	3,540
Loans and Advances	71	100	0	0
Other Current Assets	9,127	11,757	13,213	14,176
<b>Less: Current Liabilities &amp; Provisions</b>	<b>45,420</b>	<b>53,685</b>	<b>62,054</b>	<b>69,280</b>
Payables	34,106	38,461	44,262	49,186
Other Current Liabilities	11,314	15,224	17,792	20,095
<i>sub total</i>				
Net Current Assets	7,925	18,016	17,587	14,566
<b>Total Assets</b>	<b>78,646</b>	<b>116,728</b>	<b>137,134</b>	<b>134,629</b>

E – Estimates

**Important Ratios**

Particulars	FY22A	FY23E	FY24E	FY25E
<b>(A) Margins (%)</b>				
Gross Profit Margin	54.3	55.3	55.0	54.8
EBIDTA Margin	13.5	12.0	10.9	11.5
EBIT Margin	1.3	2.1	1.0	2.0
Tax rate	18.3	27.9	26.0	26.0
Net Profit Margin	(1.5)	(0.5)	(2.0)	(1.4)
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	45.7	44.7	45.0	45.2
Employee	14.2	12.6	12.1	11.3
Other	26.5	30.7	32.0	32.0
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	1.8	2.5	2.0	2.1
Interest Coverage	0.3	0.6	0.2	0.5
Inventory days	131	124	119	114
Debtors days	34	26	28	30
Average Cost of Debt	7.3	7.0	7.4	8.1
Payable days	153	113	110	107
Working Capital days	36	53	44	32
FA T/O	1.3	1.5	1.4	1.6
<b>(D) Measures of Investment</b>				
AEPS (Rs)	(1.3)	(0.7)	(3.2)	(2.5)
CEPS (Rs)	9.2	12.2	12.3	14.2
DPS (Rs)	0.0	0.0	0.0	0.0
Dividend Payout (%)	0.0	0.0	0.0	0.0
BVPS (Rs)	29.2	35.2	48.6	46.2
RoANW (%)	(4.4)	(1.9)	(7.4)	(5.0)
RoACE (%)	3.1	4.2	2.7	3.7
RoAIC (%)	1.4	2.8	1.2	2.6
<b>(E) Valuation Ratios</b>				
CMP (Rs)	195	195	195	195
P/E	(152.9)	(278.3)	(61.3)	(77.8)
Mcap (Rs Mn)	184,540	184,540	184,540	184,540
MCap/ Sales	2.3	1.5	1.3	1.1
EV	228,013	258,973	268,188	271,742
EV/Sales	2.8	2.1	1.8	1.6
EV/EBITDA	20.7	17.3	16.7	14.1
P/BV	6.7	5.5	4.0	4.2
Dividend Yield (%)	0.0	0.0	0.0	0.0
<b>(F) Growth Rate (%)</b>				
Revenue	55.0	52.6	18.2	14.2
EBITDA	98.3	35.8	7.4	20.0
EBIT	(125.2)	159.1	(47.2)	139.8
PBT	(82.7)	(43.1)	379.7	(22.6)
APAT	(83.6)	(45.1)	354.3	(21.2)
EPS	(83.6)	(45.1)	354.3	(21.2)

E – Estimates

**Cash Flow**

Particulars	FY22A	FY23E	FY24E	FY25E
<b>Profit before tax</b>	<b>(1,449)</b>	<b>(824)</b>	<b>(4,040)</b>	<b>(3,169)</b>
Depreciation & w.o.	9,970	12,270	14,638	15,877
Net Interest Exp	3,484	4,724	6,439	7,389
Direct taxes paid	(164)	25	1,028	796
Change in Working Capital	241	(9,118)	(1,074)	(771)
Non Cash	(2,577)	(714)	0	0
<b>(A) CF from Operating Activities</b>	<b>9,505</b>	<b>6,362</b>	<b>16,991</b>	<b>20,123</b>
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(3,185)	(6,708)	(7,073)	(5,076)
<b>Free Cash Flow</b>	<b>6,320</b>	<b>(346)</b>	<b>9,918</b>	<b>15,046</b>
(Inc.)/ Dec. in Investments	(2,330)	2,836	(16,285)	(1,014)
Other	0	0	0	0
<b>(B) CF from Investing Activities</b>	<b>(5,515)</b>	<b>(3,872)</b>	<b>(23,358)</b>	<b>(6,091)</b>
Issue of Equity/ Preference	2,476	7,609	15,706	107
Inc./ (Dec.) in Debt	960	9,883	7,753	572
Interest exp net	(3,097)	(5,327)	(6,439)	(7,389)
Dividend Paid (Incl. Tax)	0	0	0	0
Other	(5,609)	(8,910)	(10,247)	(11,114)
<b>(C) CF from Financing</b>	<b>(5,270)</b>	<b>3,255</b>	<b>6,772</b>	<b>(17,824)</b>
Net Change in Cash	(1,279)	5,745	405	(3,792)
<b>Opening Cash balances</b>	<b>2,461</b>	<b>1,182</b>	<b>6,927</b>	<b>7,332</b>
<b>Closing Cash balances</b>	<b>1,182</b>	<b>6,927</b>	<b>7,332</b>	<b>3,540</b>

E – Estimates

**Notes**

### DART RATING MATRIX

Total Return Expectation (12 Months)

<b>Buy</b>	> 20%
<b>Accumulate</b>	10 to 20%
<b>Reduce</b>	0 to 10%
<b>Sell</b>	< 0%

### Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
May-22	BUY	360	267
May-22	BUY	360	271
Aug-22	BUY	396	278
Nov-22	BUY	443	329
Feb-23	BUY	385	252

\*Price as on recommendation date

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