



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Result Update@ Dalal & Broacha

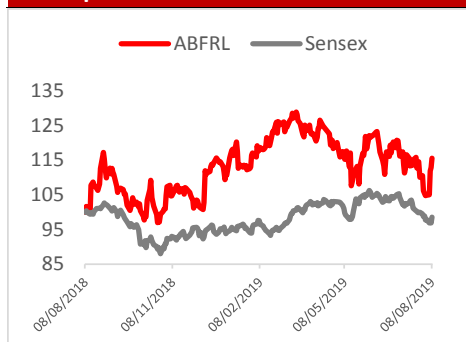
BUY

Current Price	206
52 Week Range	161/237
Target Price	246
Upside	20%

Key Share Data

Market Cap (Rs.bn)	151.06
Market Cap (US\$ mn)	2142.69
No of o/s shares (mn)	771.72
Face Value	10
Monthly Avg. vol(BSEgrew byNSE)	
Nos'000	619.50
BSE Code	535755
NSE Code	ABFRL
Bloomberg	ABFRL:IN

Price performance



% Shareholding

	Jun-19	Mar-19
Promoters	59.10	59.24
Public	40.90	40.76
Others	0	0
Total	100.0	100.0

Financials (Rs. Mn)

Year	Op Income	% Growth	EBIDTA	OPM%	PAT	% Growth	EPS	PE (x)	ROE%	ROCE%
FY17	66,028.6	9.4%	4,374.9	6.6%	535.0	148.0%	0.7	292.4	6%	8%
FY18	71,720.7	8.6%	4,682.8	6.5%	1,177.9	120.2%	1.5	133.0	11%	8%
FY19E	81,177.2	13.2%	5,540.7	6.8%	3,212.2	172.7%	4.2	48.2	22%	13%
FY20E	94,462.4	16.4%	7,493.1	7.9%	2,996.8	-6.7%	3.9	51.6	17%	19%
FY21E	1,07,977.8	14.3%	9,706.9	9.0%	5,404.2	80.3%	7.0	28.6	24%	23%

ABFRL Q1FY20 Results were above expectations on profitability front

Revenue grew by 7.9% yoy to Rs. 20654.6mn

RM as a % of sales stands at 45.9% as against 48.1% due to increase in share of private labels in Pantaloons from 62% to 64%

As a % of sales (Pre-IND AS 116)

Rent 14.6% as against 14.5%

Other Expenses 19.7% as against 19.3% yoy

Rent (post IND-ASD 116): down 53.9% to Rs. 1222.6mn as against Rs.2652.8mn

Employee Costs grew by 19.5% yoy to Rs. 2601.3mn

EBITDA (Post IND-AS 116): grew by 175.9% to Rs. 3140.6mn/Margins at 15.2% as against 5.9%

EBITDA (Pre IND-AS 116): grew by 25% to Rs. 1423.4mn/Margins at 6.9% as against 5.9%

Depreciation (Post IND-AS 116) grew by 179.7% to Rs. 2022.2mn

Depreciation (Pre IND-AS 116) -ve 17.5% to Rs. 596.5mn

Finance Costs(Post IND-As 116) grew by 112% yoy to Rs. 941.9mn

Finance Costs(Pre IND-AS 116) -ve 1.5% yoy to Rs. 437.4

PBT (post IND-AS 116) grew by 527.5% yoy to Rs. 351.4mn

PBT (pre IND-AS 116) grew by 845% yoy to Rs. 529.2mn

Tax rate on PBT pre IND-AS 116 26% as against 0%

PAT Post-IND-AS 116 grew by 285% yoy to Rs.215.60mn

PAT Pre-IND-AS 116 grew by 602.5% to Rs. 393.40mn

EPS on PAT pre IND-AS 116 Rs. 0.51 as against Rs. 0.07 yoy.

SEGMENTS:

1. **Madura Fashion & Lifestyle (MFL)**: 58% of Sales / 40% of EBIDTA/Sales grew by 12% yoy to Rs.12354.42mn

A. **Lifestyle Business**: Sales grew by 6% to Rs. 10060mn; 3.2% LTL growth; added 77 stores (YTD grew by 77, total 2057, total area 2.63mn sq ft);

EbidtaM% 9.34% as against 8.15% yoy

B. **Fast Fashion**: Sales de grew by 10% yoy to Rs. 800mn;

Operating Losses increased by 50% to Rs.90 mn

C. **Others Businesses**: (super premium brands & innerwear): sales grew by 76% yoy to Rs. 1250mn (grew by 67% in Innerwear) (9th Consecutive quarter with 50%grew by growth led by growth in Innerwear business);

Operating loss reduced from Rs. 250mn to Rs. 220mn

2. **Pantaloons**: 42% of Sales / 60% of EBIDTA

Sales grew by 9% yoy to Rs.8900mn, grew by 4% LTL growth

added 6 stores (YTD 6, total 314; total area 4.07mn sq ft);

EBITDA grew by 12% to Rs. 870mn ; despite a 34% higher spending in marketing YoY

EbidtaM% of 9.78% as against 9.59% yoy

**ABFRL Conference call KTA**

1. 77 stores opened in Madhura Lifestyle were across the 4 brands/management aims at 400 net additions, current store count at 2507 /opened 100th Peter England small format store in less than 1 year
2. Robust growth in Innerwear business is mainly led by men's innerwear, women innerwear still very small/
3. Current reach in Innerwear business stands at 14000 outlets/aim to reach 16000 outlets by FY20 end
4. Women innerwear currently being sold only in 1500 outlets/will selectively expand further in this network as per demand/aim to open 60 EBO by year end
5. Maintaining breakeven target in innerwear business by FY21
6. Shift of People brand from Fashion to Pantaloons has started/will become part of private brand once under pantaloons/people brand store count as of 31st March, 2019 is 94
7. Retail Channel grew by 10% on back of 3.2% LTL growth/ Wholesale channel de grew by 2%/E-Commerce channel in Lifestyle business grew by 42%
8. Women's wear in lifestyle business grew by 48%
9. Private Label share increased by 200 bps to 64% in Pantaloons/Managed to achieve 9.8% EBITDA margin despite 34% higher marketing spends YoY
10. Opened 6 stores this quarter/company aims to open 70 stores by year end, current store count is 314
11. Ethnic wear contributes 70% to Women wear/ Women is 37% of overall Indian retail industry, expected to increase to 41% by 2025/thus ethnic will constitute 26% to overall retail industry
12. Bought 100% stake for a consideration of Rs.1610mn in 'Jaypore' to enter the ethnic wear market/current store count is 2 with sq.ft of 1200-1300/aim to open standalone stores with a sq.ft of 2000-3000 sq.ft
13. Bought 51% stake in Shantanu and Nikhil, a premium ethnic wear brand for a consideration of Rs. 600mn/will open stores of ~1000 sq.ft going forward

Outlook: Pantaloons improves performance through superior product mix and store openings. We believe this will further improve with levers such as increase in private share label in Pantaloons to 75% in next 2-3 years from 64% this quarter. Further, the company's entry into Indian Ethnic wear provides future levers for growth seeing the immense opportunity in India.

Valuation at CMP of Rs. 206, on P/E basis, the stock is valued at 52x FY20E EPS of Rs. 3.9 and 29x FY21E EPS of Rs.7. on SOTP based valuation for, on EV/EBITDA basis we assign a 20x multiple to FY21e EBITDA of Rs. 6636.54mn to Madura Lifestyle and 15x multiple to FY21e EBITDA of Rs. 3790.85mn, arriving at a target price of Rs.245 i.e. upside of 20%. We maintain **BUY**.



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Particulars	Q1FY19	Q1FY20 (Post I	Q1FY20 (PRE-IND AS 116)
Revenue from Operations	19135.2	20654.6	20654.6
less: Excise Duty	0	0	0
Net Sales	19135.2	20654.6	20654.6
<i>Growth</i>		<i>7.9%</i>	<i>7.9%</i>
Other Income	84.7	175.1	139.7
Total	19219.9	20829.7	20794.3
<i>Growth</i>		<i>8.4%</i>	<i>8.2%</i>
Expenses			
cost of materials consumed	1438.4	1829.8	1829.8
Purchase of stock in trade	8802.6	7068.1	7068.1
Changes in inventories of stock in trade	-1029.1	585.1	585.1
COGS	9211.9	9483	9483
<i>% of sales</i>	<i>48.1%</i>	<i>45.9%</i>	<i>45.9%</i>
<i>Growth</i>		<i>2.9%</i>	<i>2.9%</i>
Employee Benefit Expense	2176.1	2601.3	2601.3
<i>% of sales</i>	<i>11.4%</i>	<i>12.6%</i>	<i>12.6%</i>
<i>Growth</i>		<i>19.5%</i>	<i>19.5%</i>
Other Expenses	3956	4207.1	4207.1
<i>% of sales</i>	<i>20.7%</i>	<i>20.4%</i>	<i>20.4%</i>
<i>Growth</i>		<i>6.3%</i>	<i>6.3%</i>
Rent	2652.8	1222.6	2939.8
<i>% of sales</i>	<i>13.9%</i>	<i>5.9%</i>	<i>14.2%</i>
<i>Growth</i>		<i>-53.9%</i>	<i>10.8%</i>
Total	17996.80	17514.00	19231.20
<i>% of sales</i>	<i>94.1%</i>	<i>84.8%</i>	<i>93.1%</i>
<i>Growth</i>		<i>-2.7%</i>	<i>6.9%</i>
EBITDA excluding other income	1138.4	3140.6	1423.4
EBIDTA MARGINS	5.9%	15.2%	6.9%
<i>Growth</i>		<i>175.9%</i>	<i>25.0%</i>
EBITDA including other income	1223.1	3315.7	1563.1
<i>% of sales</i>	<i>6.4%</i>	<i>15.9%</i>	<i>7.5%</i>
<i>Growth</i>		<i>171.1%</i>	<i>27.8%</i>
Depreciation	723.0	2022.4	596.5
<i>Growth</i>		<i>179.7%</i>	<i>-17.5%</i>
EBIT	500.1	1293.3	966.6
Finance costs	444.1	941.9	437.4
<i>Growth</i>		<i>112.1%</i>	<i>-1.5%</i>
PBT and JV and Exceptional items	56	351.4	529.2
<i>% of sales</i>	<i>0%</i>	<i>2%</i>	<i>3%</i>
<i>Growth</i>		<i>527.5%</i>	<i>845.0%</i>
exceptional items	0	0	0
PBT	56	351.4	529.2
<i>Growth</i>		<i>527.5%</i>	<i>845.0%</i>
Tax Expense			
Current tax	0	74	74
Deferred tax	0	61.8	61.8
Total	0	135.8	135.8
<i>Tax Rate</i>	<i>0%</i>	<i>39%</i>	<i>26%</i>
PAT	56.00	215.60	393.40
<i>NPM</i>	<i>0.3%</i>	<i>1.0%</i>	<i>1.9%</i>
<i>Growth</i>		<i>285.0%</i>	<i>602.5%</i>
Extra ordinary item	0.00		
Other Comprehensive Income	34.8	-54.3	
Total Comprehensive Income	90.80	161.30	393.40
Minority Interest	0.00	0.00	0.00
NPAT	56.00	215.60	393.40
<i>NPM</i>	<i>0.3%</i>	<i>1.0%</i>	<i>1.9%</i>
<i>Growth</i>		<i>285.0%</i>	<i>602.5%</i>
Adjusted PAT	56.00	215.60	393.40
Equity	7717.2	7717.2	7717.2
Face Value	10	10	10
Number of Shares	771.72	771.72	771.72
Basic EPS Calculated	0.07	0.28	0.51

**Valuation:**

Madura Lifestyle	FY21
Sales	55304.47
EBITDA	6636.54
<i>Margins</i>	12%
EV/EBITDA (x)	20
EV	132730.7
Pantaloons	FY21
Sales	42120.60
EBITDA	3790.85
<i>Margins</i>	9%
EV/EBITDA (x)	15
EV	56862.80
Total EV	189593.52
less: Debt	7482.3
Add: Cash	7736.61
Total	189847.84
Number of shares	773.48
Target Price	245
CMP	206
% Upside	19%



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