



Results (standalone) above estimates with Retail business of Madhura Lifestyle growing 25% over Pre Pandemic (i.e. Q2FY20)

- **Revenue** grew 96% YoY to Rs 19960mn (QoQ +158%) over Q2FY20 *-13%*
Retail business in Madhura Lifestyle grew by 25% YoY over pre-covid levels
- **EBIDTA** at Rs 3146.5mn v/s Rs 634.1 mn YoY and loss of Rs 1618mn QoQ (Over Q2FY20 -9%)
- **EBIDTA margins** stood at 15.8% v/s 6.2% YoY, -20.9% QoQ (over Q2FY20 15.1%)
- **Raw Mat to Revenue** 47.4% v/s 52.6% YoY and 50.4% QoQ (Q2FY20 was 49.7%)
- **Employee cost** increased by 13% YoY to Rs 2592.6mn +13.4% QoQ
- **Rent Expenses to Revenue** was 2.6% v/s 0 YoY (concession for Q2FY22@ Rs 709.4mn (including Rs 143mn for periods after Sept 21 v/s Rs 651.5mn in Q2FY21 including Rs 381.6mn for periods after Sept 20.)
- Other Expenses to revenue stood at 21.3% v/s 25% YoY and 40.9% QoQ
- **PBT** stood at Rs 197.3mn v/s loss of Rs 2424mn YoY and loss of Rs 4489.3mn QoQ (PBT Q2FY20 was 358.3mn)
- **PAT** stood at Rs 140.9mn v/s loss of Rs 1812.8mn YoY and loss of Rs 355.2mn QoQ

Outlook:

- Retail business of Madhura witnesses +25% growth over pre-pandemic. Other business to return to normalcy.
- Pantaloons which has 58% dependence from malls store should improve significantly on QoQ basis
- Festive sale(i.e. Puja and Diwali) grow over Pre-pandemic period

Financial Summary

Y/E Mar (Rs mn)	FY19	FY20*	FY21*	FY22E*	FY23E*
Netsales	81,177	87,425	51,811	74,948	106,545
Adjusted net profit	3,212	(1,439)	(6,496)	(1,029)	1,833
EPS (Rs)	4	(2)	(7)	(1)	2
growth (%)	173	NA	351	(84)	(278)
P/E (x)	69	NA	NA	(262)	147
P/B (x)	16	21	10	10	9
EV/EBITDA (x)	42	22	50	32	19
D/E	1	2	0.4	0.5	0.4
RoCE (%)	13	12	NA	3	14
RoE (%)	22	NA	NA	(4)	6

*- Post IND-AS 116

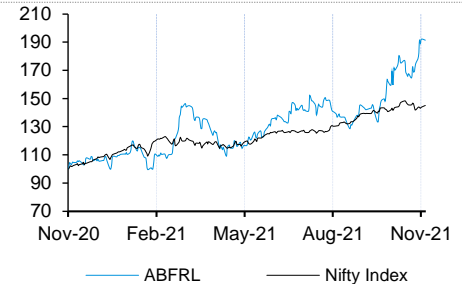
Rating	TP (Rs)	Up/Dn (%)
ACCUMALATE	321	11

Market data

Current price	Rs	289
Market Cap (Rs.Bn)	(Rs Bn)	271
Market Cap (US\$ Mn)	(US\$ Mn)	3,635
Face Value	Rs	10
52 Weeks High/Low	Rs	300 / 144
Average Daily Volume	('000)	1,645
BSE Code		535755
Bloomberg		ABFRL.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Sep-21	Jun-21
Promoters	56.13	56.13
Public	43.34	43.34
Others	0.53	0.53
Total	100	100

Source: BSE

Kunal Bhatia
(022) 67141442
kunal.bhatia@dalal-broacha.com

Segments

A. TOTAL MADHURA SEGMENT +97% YoY to Rs 13910mn (+151% QoQ | -5% over Pre Pandemic levels) || EBIDTA Rs 1880mn v/s Rs 390mn YoY

1. Madhura Lifestyle Brands +118% YoY to Rs 11560mn (+166% QoQ | -8% Pre Pandemic levels) || EBIDTA Rs 1880mn v/s Rs 390mn YoY. Margin 16.3% v/s 7.3% YoY and 17.4% pre pandemic

- **Wholesale +258% YoY to Rs 2580mn (+285% QoQ) || business still 57% below pre-covid levels by 57%**
- **Retail +114% YoY to Rs 5060mn (+164% QoQ) || business grew +25% YoY over Q2FY20 Pre-Covid**
- **Others +76% YoY to Rs 3920mn (+123% QoQ)**

KTA's

- Deeper penetration into smaller towns with asset light formats
- Growing Allen Solly Tribe, LP Athleisure & Active
- Launched Premium casual wear "Louis" || Denim Labs from Van Heusen || Peter England kids (age group 5 to 15)
- Womens wear +2.5x YoY growth
- PE red cross 350+ stores || AS Prime @ 30 stores
- Wholesale channel expected to recover in Q3
- Ecom 2x YoY and Own Brands 2.5x || Omni channel revenue 3x

2. Other Madhura business which includes innerwear +34% YoY to Rs 2350mn (+96% QoQ | +12% Pre pandemic) || EBIDTA Rs 240mn -8% YoY. EBIDTA margins 10.2% v/s 14.86% YoY and 17.16% Pre pandemic

- Innerwear +41% YoY and +46% over Pre Pandemic || Women wear +55% YoY
- Innerwear Outlets @ 23000+ || added +1300 MBO's || 54 exclusive brand stores, plan to reach 100 EBO by FY22end || Ecom +71% YoY
- Forever 21 Revenue 1.5x YoY
- American Eagle LTL +24% , revenue 2x of pre pandemic levels, EBIDTA +ve
- Super Premium Revenue +60% over pre pandemic , highest ever EBIDTA achieved

B. PANTALOON +80% YoY to Rs 6650mn (+202% QoQ | -27% Prepandemic levels) || EBIDTA +76%YoY to Rs 1250mn. EBIDTA margins 18.8% v/s 19.24% v/s 15.9%

- New Store net additions QoQ +5 (+40 expected in H2), 6 iconic stores relaunched (4 in kolkatta and 2 in Hydrebad) || getting back to add 100+ stores every year
- Private label portfolio strengthened
- launched premium Athleisure and Premium Women's Ethnic
- Omni channel grew 2x
- Own Brands : MFL : Others @ 65:8:27 v/s 70:7:23 YoY

C. Ethnic Subsidiaries

- Strong recovery witnesses with positive EBIDTA
- Revenue Rs 580mn +511% YoY || EBIDTA Rs 10mn v/s loss of Rs 40mn YoY and loss of Rs 70mn pre-pandemic
- launched "Marigold Lane" Premium Ethnic wear brand || **New Men's premium brand too being launched this month in collaboration with Tarun Tahiliani**
- JAYPORE Revenue +50% YoY
- Shantanu and Nikhil Revenue 3x YoY
- SABYASACHI Revenue @ 91% of Pre-Covid levels, new store launched in Dubai

Conference Call Key Takeaways

- End of festive season Puja period and Diwali period sales cross pre-pandemic
- Industry: 36% higher expenditure on clothing and footwear between July and August
- H1FY22 recovery @ 65% H2 recovery should be better
- Net debt levels further reduced to Rs 4.5bn as on date. Medium to long-term debt levels to be maintained @ 1 to 1.5x EBIDTA
- Net working Capital to Sales in case of Pantaloon would be high to mid-single digit and in-case of Madhura Lifestyle would be 13 to 14%. These might marginally worsen once normalcy comes back but not significant.
- Gross margins improved on account of a) retail share in lifestyle brand increased b) E-com share too increased c) Mark-downs reduced
- 30% stores now Omni-enabled
- E-commerce grew by 74% own brand websites in Madhura grew by 2.5x End of festive season Puja period and Diwali period sales cross pre-pandemic

- 58% of Pantaloon sales is dominated by malls || Pantaloons organic business improved as private label share increased on account of new category launches such as saree, home and new casual wear.
- Athleisure and Innerwear business continue to grow 40 to 50%.
- Casual wear expanded with launch premium casual-wear of Louis Phillipe. Casual wear contributed ~52% of Madhura Lifestyle
- Peter England kids will help the company to penetrate into kids apparel which is 12% of apparel industry growing at 5.9% CAGR, dominated by un-organized
- Jaypore (ethnic) to open 6 stores in Q3Fy22, online business received good traction.
- Target to add 100+ ethnic stores by next 1 year.

Quarterly Performance Analysis (standalone)

Exhibit 1

Particulars Rs Mns	Q2FY22	Q2FY21	Growth	Q1FY22	Growth
Revenue from Operations	19960.2	10185.9	96.0	7740.2	157.9
Other Income	221.8	756.9	(70.7)	241.5	(8.2)
COGS	9462.8	5353.6	76.8	3902.9	142.5
<i>% of sales</i>	47.4%	52.6%		50.4%	
Employee Benefit Expense	2592.6	1651.7	57.0	2287.2	13.4
<i>% of sales</i>	13%	16%		30%	
Other Expenses	4248.1	2546.5	66.8	3168.1	34.1
<i>% of sales</i>	21.3%	25.0%		40.9%	
Rent	510.2	0		0	
<i>% of sales</i>	2.6%	0.0%		0.0%	
Total	16813.7	9551.8	76.0	9358.2	79.7
<i>% of sales</i>	84%	94%		121%	
EBITDA excluding other income	3146.5	634.1	396.2	-1618	(294.5)
<i>EBITDA MARGINS</i>	<i>16%</i>	<i>6%</i>		<i>-21%</i>	
EBITDA including other income	3368.3	1391	142.1	-1376.5	(344.7)
Depreciation	2310.6	2375.4	(2.7)	2274.9	1.6
Finance costs	860.4	1439.8	(40.2)	837.9	2.7
exceptional items		0			
PBT	197.3	-2424.2	(108.1)	-4489.3	(104.4)
Tax	56.4	-611.4		-1137.1	
<i>Tax Rate</i>	<i>29%</i>	<i>25%</i>		<i>25%</i>	
PAT	140.9	-1812.8	(107.8)	-3352.2	(104.2)
<i>NPM</i>	<i>1%</i>	<i>-17%</i>		<i>-42%</i>	
NPAT	140.9	-1812.8	(107.8)	-3352.2	(104.2)
Adjusted PAT	140.9	-1812.8	(107.8)	-3352.2	(104.2)
Equity	9375.2	7735	21.2	9150.8	2.5
Face Value	10	10		10	
Number of Shares	937.52	773.5	21.2	915.08	2.5
Basic EPS Calculated	0.15	-2.34	-106.41	-3.66	(104.1)

Source: Dalal & Broacha Research, Company

Valuation & Outlook

Particulars (Rs. Bn)	FY23
Lifestyle Business	
Sales	56624
EBITDA	9626
Margins	17.0%
EV/EBITDA (x)	20
EV	192522
Pantaloons	
Sales	40433
EBITDA	6671
Margins	17%
EV/EBITDA (x)	18
EV	120087
Other Business	
Sales	9488
EV/Sales (x)	3
EV	23719
Ethnic wear	
Sales	3344
EV/Sales (x)	2
EV	6688
Total EV	
Total EV	343015
Debt + Lease Liability	44510
Cash	2305
Equity Value	300809
No of shares	938
Per share	321
CMP	287
Upside (%)	11%

Source: Dalal & Broacha Research, Company

Valuation:

At CMP of Rs 288 ABFRL (standalone) on EV/EBIDTA basis trades at 32x and 19x FY22e and FY23e. We have re-worked our numbers (as well as increased multiples) and value the company on SOTP basis and as such arrive at a **target price of Rs. 321**, i.e. upside of 11%. We maintain "**Accumulate**" from a long-term perspective as consolidation in this industry by bigger players is bound to happen.

Financial

P&L (Rs mn)	FY19	FY20	FY21	FY22E	FY23E	Cash Flow St. (Rs. mn)	FY19	FY20	FY21	FY22E	FY23E
Net Sales	81,177.2	87,425.3	51,811.4	74,947.6	106,544.7	Net Profit	3,212.2	(1,439.0)	(6,496.2)	(1,029.2)	1,832.7
						Add: Dep. & Amort.	2,823.3	8,768.2	9,450.0	9,380.1	11,194.4
						Minority Interest	-	-	-	-	-
Cost of sales	75,636.5	75,171.6	45,868.1	65,337.0	90,195.2	Cash profits	6,035.5	7,329.2	2,953.8	8,350.8	13,027.0
						(Inc)/Dec in					
Operating Profit	5,540.7	12,253.7	5,943.3	9,610.6	16,349.5	-Sundry debtors	(2,347.5)	(536.0)	1,177.9	(2,016.1)	(3,895.5)
Depreciation	2,823.3	8,768.2	9,450.0	9,380.1	11,194.4	-Inventories	(2,300.8)	(4,281.2)	6,064.7	(3,104.3)	(5,737.7)
PBIT	2,717.4	3,485.5	(3,506.7)	230.5	5,155.1	-Loans/advances	(9.1)	(20.5)	14.7	(4.8)	(8.6)
Other income	647.8	650.9	726.4	877.2	955.6	-Current Liab and Provisions	11,115.9	(2,210.5)	(1,983.2)	5,087.7	8,648.7
Interest	1,874.2	4,227.3	4,983.9	3,217.6	3,660.6	- Other Assets	(2,729.0)	(572.7)	(1,808.8)	(822.4)	(934.0)
						- Non Current security Deposit	(197.3)	(277.3)	(47.5)	(97.6)	(309.1)
Profit before tax	1,491.0	(90.9)	(7,764.2)	(2,109.9)	2,450.1	Change in working capital	3,532.2	(7,898.2)	3,417.8	(957.5)	(2,236.2)
Exceptional and Extra Ordinary share of profit/loss in JV	-	-	-	-	-	CF from Oper. activities	9,567.7	(569.0)	6,371.6	7,393.3	10,790.8
PBT (Post Extra Ordinary)	1,491.0	(90.9)	(7,764.2)	(2,109.9)	2,450.1						
Provision for tax	(1,721.2)	1,348.1	(1,268.0)	(1,080.7)	617.4	CF from Inv. activities	(4,265.7)	(7,009.3)	(17,411.1)	(11,046.7)	(10,949.7)
Reported PAT	3,212.2	(1,439.0)	(6,496.2)	(1,029.2)	1,832.7	CF from Fin. activities	(5,455.8)	9,654.9	10,034.2	4,471.3	(0.0)
MI	-	-	-	-	-	Cash generated/(utilised)	(153.8)	2,076.6	(1,005.4)	818.0	(158.8)
Adjusted PAT	3,212.2	(1,439.0)	(6,496.2)	(1,029.2)	1,832.7	Cash at start of the year	727.9	574.1	2,650.7	1,645.4	2,463.3
						Cash at end of the year	574.1	2,650.7	1,645.4	2,463.3	2,304.5
							574.1	2,650.7	1,645.4	2,463.3	2,304.5
Balance Sheet	FY19	FY20	FY21E	FY22E	FY23E	Ratios	FY19	FY20	FY21	FY22E	FY23E
Equity capital	7,734.8	7,739.8	9,150.5	9,375.2	9,375.2	OPM	6.8	14.0	11.5	12.8	15.3
Reserves	6,554.0	3,119.2	17,695.3	18,927.7	20,760.4	NPM	3.9	(1.6)	(12.4)	(1.4)	1.7
Net worth	14,288.8	10,859.0	26,845.8	28,302.9	30,135.6	Tax rate	(115.4)	(1,483.1)	16.3	51.2	25.2
Minority Interest	-	-	-	-	-	Growth Ratios (%)					
Non Current Liabilities	10,126.7	29,259.3	29,642.0	35,814.4	39,984.9	Net Sales	13.2	7.7	(40.7)	44.7	42.2
						Operating Profit	18.3	121.2	(51.5)	61.7	70.1
Current Liabilities	41,795.2	56,771.3	41,138.8	44,335.7	54,007.9	PBIT	44.7	28.3	(200.6)	(106.6)	2,136.2
						PAT	172.7	(144.8)	351.4	(84.2)	(278.1)
CAPITAL EMPLOYED	66,210.7	96,889.6	97,626.6	108,453.0	124,128.4	Per Share (Rs.)					
						Net Earnings (EPS)	4.2	(1.9)	(7.1)	(1.1)	2.0
Non Current Assets	32,519.1	55,380.7	60,904.1	66,159.8	71,569.2	Cash Earnings (CPS)	0.5	(13.2)	3.2	8.9	13.9
						Dividend	-	-	-	-	-
Fixed Assets	7,182.7	29,123.5	26,813.6	29,756.7	34,706.0	Book Value	18.5	14.0	29.3	30.2	32.1
Non Current Investments	42.1	1,700.1	6,895.3	7,938.9	7,938.9	Free Cash Flow	6.9	(9.8)	(12.1)	(3.9)	(0.2)
Non Current tax assets	162.0	222.5	215.5	192.6	192.6						
Long Term Loans and Advances	30.8	34.3	25.9	19.4	20.4						
Other NON Current Assets	1,159.1	764.8	2,108.1	2,229.9	2,380.0						
Goodwill	18,596.0	18,596.0	18,596.0	18,596.0	18,596.0						
Deferred Tax Assets	2,633.8	1,949.6	3,212.3	4,291.3	4,291.3						
Security Deposits	2,712.6	2,989.9	3,037.4	3,135.0	3,444.1						
Current Assets	33,691.6	41,508.9	36,722.5	42,293.2	52,559.2	Valuation Ratios					
						P/E(x)	69.3	(154.9)	(40.6)	(262.3)	147.3
Current investments	-	-	2,995.3	1,892.9	1,892.9	P/B(x)	15.6	20.5	9.8	9.5	9.0
Inventories	19,212.8	23,494.0	17,429.3	20,533.6	26,271.3	EV/EBIDTA(x)	42.3	21.9	50.0	31.9	19.1
Trade Receivables	7,865.9	8,401.9	7,224.0	9,240.1	13,135.6	Div. Yield(%)	-	-	-	-	-
Cash and Bank Balances	574.1	2,650.7	1,645.4	2,463.3	2,304.5	FCF Yield(%)	2.4	(3.4)	(4.2)	(1.4)	(0.1)
Short Term Loans and Advances	54.2	71.2	64.9	76.2	83.8						
Other Current Assets	5,984.6	6,891.1	7,363.6	8,087.1	8,871.0	Return Ratios (%)					
						ROE	22%	-13%	-24%	-4%	6%
Capital Deployed	66,210.7	96,889.6	97,626.6	108,453.0	124,128.4	ROCE	13%	12%	-7%	3%	14%

Source: Dalal & Broacha Research, Company

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Name	Designation	Email	Phone	Sector
Mr.Kunal Bhatia	Head of Research	kunal.bhatia@dalal-broacha.com	022 67141442	Retail FMCG Logistics
Mrs.Charulata Gaidhani	Sr.Analyst	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma Healthcare
Mr.Mayank Babla	Sr.Analyst	mayank.babla@dalal-broacha.com	022 67141412	IT Telecom Media
Mr.Avinash Tanawade	Sr.Analyst	avinash.tanawade@dalal-broacha.com	022 67141449	BFSI
Mr.Akshay Ashok	Sr.Analyst	akshay.ashok@dalal-broacha.com	022 67141486	BFSI
Mr.Bhavya Gandhi	Associate	bhavya.gandhi@dalal-broacha.com	022 67141444	Midcaps
Mr.Miraj Shah	Associate	miraj.shah@dalal-broacha.com	022 67141489	FMCG Retail

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021 .

Tel: 91-22- 2282 2992 | E-mail: equity.research@dalal-broacha.com