



DALAL & BROACHA
STOCK BROKING PVT. LTD.

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Quarterly Update @ Dalal & Broacha

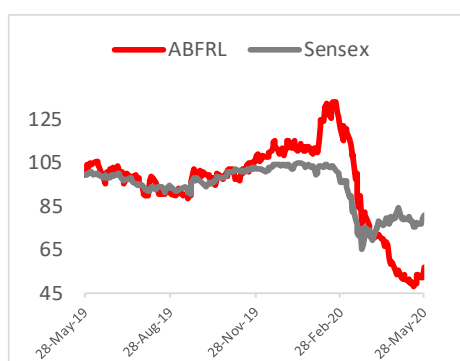
BUY

Current Price	118
Target Price	141
Upside/Downside	19%
52W range	97/285

Key Share Data

Market Cap (Rs.bn)	91.59
Market Cap (US\$ mn)	1205.12
No of o/s shares (mn)	773.95
Face Value	10
Monthly Avg. vol(BSEgrew byNSE)	
Nos'000	2477.92
BSE Code	535755
NSE Code	ABFRL
Bloomberg	ABFRL:IN

Price performance



% Shareholding	Mar-20	Dec-19
Promoters	59.07	59.09
Public	40.35	40.53
Others	0.58	0.38
Total	100.0	100.0

All Numbers are on Pre-IND-AS 116 basis and thus are comparable on a YOY basis Results in line with estimates

Revenue de grew by 5.1% yoy to Rs. 25624.6mn
RM as a % of sales stands at 48.7% v/s 50.1% YoY and 47% QoQ
As a % of sales (Pre-IND AS 116)

Rent: 17.6% v/s 14.6% YoY and 13.7% QoQ

Other Expenses 21.7% v/s 19.7% yoy

Employee Costs grew by 16.9% YoY to Rs. 2748.70mn

EBITDA loss: of Rs. 569.4mn v/s profit of Rs. 1245mn YoY/ **margins** stood at (-)3.1% v/s 6.5% YoY

Depreciation de grew by 18.8% YoY to Rs. 592.1mn

Finance Costs grew by 42% YoY to Rs. 643.2mn

Loss before tax of Rs. 1665.1mn as against profit of Rs. 351.4mn

Loss After Tax at Rs. 1286.30mn v/s profit of Rs.2026.40mn (Tax rate: stands at (-) 23% v/s (-) 564% ; Deferred tax benefit of Rs. 378.8mn in current quarter and Rs. 1939.6mn in the base quarter (Q4FY19)

FY20

Revenue: grew by 7.7% to Rs. 87425.3mn

EBITDA: de-grew by 16% to Rs. 4654.5mn/**margins** stood at 5.3% v/s 6.8%

PBT: de grew by 62% to Rs. 565.3mn (Interest cost increased by 13% to Rs. 2123.1mn)
Loss after tax: stood at Rs. 782.80mn v/s profit of Rs. 3212.20mn (Deferred tax reversal of Rs. 1348.10mn in FY20 and Deferred tax benefit of Rs. 1721.20 in the base quarter)

SEGMENTS:

1. **Madura Fashion & Lifestyle (MFL):** 65.5% of Sales / Sales de grew by 7% yoy to Rs. 12290mn.

A. **Lifestyle Business:** Sales de grew by 5% to Rs. 10720mn; added 66 **stores** (YTD+273, total 2253, total area 2.83mn sq ft);

EbitdaM% 6.16% vs 14.93% yoy

B. **Fast Fashion:** Sales de grew by 49% yoy to Rs. 410mn; **EBITDA loss** of Rs. 340mn v/s loss of Rs. 50 mn

C. **Others Businesses:** (super premium brands & innerwear): sales +8% yoy to Rs. 1160mn (**Total touchpoints** at 20,000)

Operating loss of Rs. 320mn to Rs. 240mn

2. **Pantaloons:** 34.5% of Sales

Sales de grew by 1.1% yoy to Rs.6260mn, **LTL growth** of negative of 11.7%

Shut 1 store in the quarter (YTD 34, total 342; total area 4.36mn sq ft);

EBITDA loss of Rs. 380mn v/s loss of Rs. 130mn

Financials (Rs. Mn)

Year	Op Income	% Growth	EBIDTA	OPM%	PAT	% Growth	EPS	PE (x)	ROE%	ROCE%
FY18	71,720.7	8.6%	4,682.8	6.5%	1,177.9	120.2%	1.5	133.0	11%	8%
FY19	81,177.2	13.2%	5,540.7	6.8%	3,212.2	172.7%	4.2	28.4	22%	13%
FY20	87,425.3	7.7%	4,654.5	5.3%	(782.8)	-124.4%	(1.0)	(116.7)	-7%	8%
FY21e	67,387.3	-22.9%	2,689.1	4.0%	(1,575.2)	101.2%	(2.0)	(58.0)	-13%	2%
FY22e	95,238.1	41.3%	6,444.2	6.8%	1,496.0	-195.0%	1.9	61.0	11%	11%

EBITDA numbers are Pre-INDAS 116



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COVID-19 Impact

- 1) **Overall Financials:** sales loss of Rs. 3390mn leading to GPM loss of Rs. 2000mn which directly fell through to EBITDA as time was too less for any corrective action. Loss in sales led to higher inventory of Rs. 1700mn.
- 2) **Financials growth excluding COVID-19: Revenue** would grow by 13%, **EBITDA** growth of 1% (**one time loss of Rs. 280mn due to people transition**), **PBT** would de grow by 10%.
- 3) **Lifestyle business:** Jan & Feb LTL stood at 10% and sales growth of 7%. Rental negotiations have taken place as soon as lockdown was implemented
- 4) **Pantaloons** Jan & Feb LTL stood at 9.5% and sales growth of 19%, new store openings got delayed due to lockdown

Rights issue

- 1) of Rs. 10bn announced with decision on type of instrument, issue price and other terms be decided subsequently
- 2) Funds will largely be used for repayment of existing debt and interest cost, optimizing working capital structure and fund working capital requirements
- 3) promoter & promoter group participation will be to extent of their rights entitlement and reserved subscription towards additional equity shares if the rights issue is under subscribed
- 4) Timeline for the rights issue is within 80-90 days.

Conference Call Key Takeaways:

Measures taken to Counter COVID-19 Blues & Create a healthier Balance Sheet

- 1) Transition from a **largely fixed cost model to a more variable model**/negotiations with landlords are on-going currently
- 2) **Employees:** due to social distancing, number of employees allowed to work in any particular store are less and thus those employees will be shifted to other business verticals thereby improving reducing costs by almost 30% on a unit basis.
- 3) **Capex** of Rs. 3.5bn to Rs. 4bn **will be reduced by 60-70%** and the spending will mostly occur towards end of H2FY21 depending on the situation that time.
- 4) **Inventory reduction:** company plans to gradually reduce their unsold inventory and efficiently manage inventory at store levels depending on the need as and when all stores open.
- 5) **Advertisements, Travel** and other such costs can be reduced immediately and significantly which will bring in cost savings
- 6) **Debt level and reduction:** Gross debt stands at Rs. 27.76bn, Cash bank and investments in total stand at Rs. 4.35bn. With costs savings above mentioned, inventory and capex reductions, company aims to keep debt levels in FY21 at FY20 levels excluding proceeds from rights issue. In FY21, the company has no long term debt repayments
- 7) **Rights issue proceeds of Rs. 10bn to be largely used for debt repayments.**
- 8) **store re-opening:** currently over **1300 EBO (80+ Pantaloons and balance MFL brand stores) are open**, more will gradually open as more relaxations are given. Company sells their products through 25,000 MBO's/they are opening up gradually.

Lifestyle Business

- 1) **January and February 2020 LTL growth stood at 10%** with 7% revenue growth due to strong wedding season.
- 2) **Peter England Red** stores crossed the 200 mark, 30 store openings got delayed due to lockdown/the pilot is currently only in 5 states with 50 stores each/These stores have opened in Tier 4 and 5 cities and towns as well



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3) Women and kid's wear continued to gain significant traction in the market

4) **Channel Growth for Q4FY20:** Wholesale (38% of revenues): de grew by 7%, Retail (43% of revenues): grew by 7%, Others (E-Commerce) (19% of revenues): de grew by 3% YoY

Pantaloons

1) **January and February 2020 witnessed LTL growth of 9.5% and sales growth of 19%** led by a strong EOSS. Due to lockdown, LTL dropped to negative 11.5% due to zero sales in last 15 days of March 2020.

2) **FY20 Update:** YTD till February 2020, sales growth of 14.6% on back of LTL growth of 6.8%/34 store additions/ Successfully completed the transition of People brand to Pantaloons from Fast Fashion.

3) **Store additions:** 11 stores were due to open in Q4FY20 which got delayed due to on-set of lockdown in 2nd half of March 2020, they will be opened as and when construction activity resumes

Innerwear

1) **Innerwear business** grew by 40% YoY in FY20/grew by over 70% in H1FY20 with growth tapering from December 2019 onwards/reached a total of 20,000 touch points

2) **Innerwear business:** Women innerwear business continues to gain acceptance and traction in the market. "Athleisure" segment is picking up pace and can be another growth driver in the future.

Outlook and Valuation: Q4FY20 financials were adversely affected due to the sudden lockdown which took place in the 2nd half of March 2020. Impact on the company was higher compared to peers due to its large dependence on the fixed cost model with a low element of variability. Company has changed their objectives from growth to strengthening their balance sheet and reduce the debt burden by taking up various cost rationalisation initiatives and a Rights issue of Rs. 10bn. De-leveraging their balance sheet is a positive move, but financial disruption due to the on-going lockdown and gradual opening of their store network (EBO & MBO) will put pressure on their profitability in the short term. We remain positive on the long term prospects of the company and their debt reduction status will be watched closely.

At CMP of Rs. 118, the stock on P/E and EV/EBITDA basis is trading at 61x and 16.9x (higher due to losses in other business) respectively on FY22e EPS of Rs. 1.9 and EBITDA of Rs. 6444.2mn respectively. **We value the company on SOTP basis, assigning an FY22e EV/EBITDA multiple of 15x to EBITDA of Rs. 5436.11 for Madura lifestyle business and 15x to EBITDA of Rs. 2984.03mn to Pantaloons business. We arrive at a target price of Rs. 141, i.e. an upside of 19%. We maintain BUY for the stock.**



Quarterly Snapshot

Particulars	Q4FY19	Q4FY20	YoY(%)	FY19	FY20	YoY(%)
Revenue	19153.1	18174.30	-5.1%	81177.20	87425.30	7.7%
Other Income	242.4	139.6	-42.4%	647.8	521.6	-19.5%
Total	19395.5	18313.9	-5.6%	81825	87946.9	7.5%
Total RM cost	8997.7	8855.90	-1.6%	39249.70	42057.60	7.2%
Gross profit	10155.4	9318.4	-8.2%	41927.5	45367.7	8.2%
Employee Benefit expense	2351.4	2748.70	16.9%	9130.20	10584.00	15.9%
Rent	2793.7	3191.50	14.2%	11103.50	12468.40	12.3%
Other expenses	3765.3	3947.6	4.8%	16153.1	17660.8	9.3%
Total	17908.1	18743.7	4.7%	75636.5	82770.8	9.4%
Operating Profit	1245	-569.4	-145.7%	5540.7	4654.5	-16.0%
Depreciation	729.2	592.1	-18.8%	2823.3	2487.7	-11.9%
EBIT	758.2	-1021.9	-234.8%	3365.2	2688.4	-20.1%
Finance Cost	453	643.2	42.0%	1874.2	2123.1	13.3%
PBT	305.2	-1665.1	-645.6%	1491	565.3	-62.1%
Less: taxes	-1721.2	-378.8		-1721.2	1348.1	
PAT	2026.4	-1286.3	-163.5%	3212.2	-782.8	-124.4%
EPS	2.63	-1.66		4.16	-1.01	
% of sales						
RM	47.0%	48.7%		48.4%	48.1%	
GPM	53.0%	51.3%		51.6%	51.9%	
Rent	14.6%	17.6%		13.7%	14.3%	
Other expenses	19.7%	21.7%		19.9%	20.2%	
Tax expenses	-564.0%	22.7%		-115.4%	238.5%	
OPM	6.5%	-3.1%		6.8%	5.3%	



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Quarterly Snapshot (EBITDA as per company presentation, includes other income)

ABFRL	All amounts in Rs. Mn unless specified									
Particulars	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	FY19	FY20
Sales										
Madhura										
Lifestyle brands	9450	10900	11370	11320	10060	12540	12950	10720	43040	46270
growth	6%	12%	16%	12%	6%	15%	14%	-5%		7.5%
Fast Fashion	880	880	1020	800	800	750	890	410	3580	2850
growth	-27%	-9%	2%	-1%	-9%	-15%	-13%	-49%		-20.4%
Other Businesses	710	840	1060	1070	1250	1340	1480	1160.00	3680	5230
growth	82%	87%	89%	65%	76%	60%	40%	8%		42.1%
Total Madhura	11040	12620	13450	13190	12110	14630	15320	12290	50300	54350
growth	5%	13%	18%	14%	10%	15.9%	13.9%	-6.8%		8.1%
Pantaloons	8130	7870	9610	6330	8900	9150	10830	6260	31940	35140
growth	11%	6%	28%	-1%	9%	16.3%	12.7%	-1.1%		10.0%
Total Sales	19170	20490	23060	19520	21010	23780	26150	18550	82240	89490
growth	8%	10%	22%	8%	10%	16%	13%	-5%		8.8%
Elimination	0	-430	-240	-380	-340	-810	-520	-380	-1050	-2050
Total	19170	20060	22820	19140	20670	22970	25630	18170	81190	87440
growth	8%	11%	23%	9%	8%	15%	12%	-5%		
EBITDA										
Madhura										
Lifestyle brands	770	1400	1320	1690	940	1580	1380	660	5180	4560
growth	20%	37%	15%	2%	22%	13%	5%	-61%		-12.0%
Fast Fashion	-60	-100	-120	-50	-90	0	-40	-340	-330	-470
growth	-57%	-17%	-48%	0%	50%	-100%	-67%	580%		42.4%
Other Businesses	-250	-170	-190	-240	-220	-210	-210	-320	-850	-960
growth	79%	0%	73%	100%	-12%	24%	11%	33%		12.9%
Total Madhura	460	1130	1010	1400	630	1370	1130	0	4000	3130
growth	28%	55%	25%	-6%	37%	21%	12%	-100%		-21.8%
Pantaloons	780	520	880	-130	870	640	1090	-380	2050	2220
growth	70%	49%	35%	-148%	12%	23%	24%	192%		8.3%
Elimination	-20	-40	-30	-40	60	-230	30	-40	-130	-180
Total	1220	1610	1860	1230	1560	1780	2250	-420	5920	5170
growth	51%	64%	28%	-29%	28%	11%	21%	-134%		-12.7%
Margins										
Madhura										
Lifestyle brands	8.15%	12.84%	11.61%	14.93%	9.34%	12.60%	10.66%	6.16%	12.04%	9.86%
Fast Fashion	-6.82%	-11.36%	-11.76%	-6.25%	-11.25%	0.00%	-4.49%	-82.93%	-9.22%	-16.49%
Other Businesses	-35.21%	-20.24%	-17.92%	-22.43%	-17.60%	-15.67%	-14.19%	-27.59%	-23.10%	-18.36%
Pantaloons	9.59%	6.61%	9.16%	-2.05%	9.78%	6.99%	10.06%	-6.07%	6.42%	6.32%
Madhura Brands Contribution										
Lifestyle	85.60%	86.37%	84.54%	85.82%	83.07%	85.71%	84.53%	87.23%	85.57%	85.13%
Fast Fashion	7.97%	6.97%	7.58%	6.07%	6.61%	5.13%	5.81%	3.34%	7.12%	5.24%
Others	6.43%	6.66%	7.88%	8.11%	10.32%	9.16%	9.66%	9.44%	7.32%	9.62%



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Valuation Matrix

Madura Lifestyle	FY22
Sales	49419.22
EBITDA	5436.11
<i>Margins</i>	11%
EV/EBITDA (x)	15
EV	81541.71
Pantaloons	FY22
Sales	37300.38
EBITDA	2984.03
<i>Margins</i>	8%
EV/EBITDA (x)	15
EV	44760.46
Total EV	126302.16
less: Debt	20628
Add: Cash	3097.83
Total	108771.99
Number of shares	773.95
Target Price	141
CMP	118
% Upside	19%



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ABFRL Ltd Financial data											
P&L (Rs mn)	FY18	FY19	FY20	FY21E	FY22E	Cash Flow St. (Rs. mn)	FY18	FY19	FY20	FY21E	FY22E
Net Sales	71,720.7	81,177.2	87,425.3	67,387.3	95,238.1	Net Profit	1,177.9	3,212.2	(782.8)	(1,575.2)	1,496.0
Cost of sales	67,037.9	75,636.5	82,770.8	64,698.2	88,794.0	Add: Dep. & Amort.	2,805.2	2,823.3	2,487.7	2,653.2	3,149.9
Operating Profit	4,682.8	5,540.7	4,654.5	2,689.1	6,444.2	Minority Interest	-	-	-	-	-
Depreciation	2,805.2	2,823.3	2,487.7	2,653.2	3,149.9	Cash profits	3,983.1	6,035.5	1,704.9	1,078.1	4,645.9
PBIT	1,877.6	2,717.4	2,166.8	35.8	3,294.3	(Inc)/Dec in					
Other income	328.1	647.8	521.6	512.1	559.3	-Sundry debtors	(996.6)	(2,347.5)	(536.0)	1,925.7	(2,656.3)
Interest	1,716.0	1,874.2	2,123.1	2,123.1	1,853.5	-Inventories	(2,599.5)	(2,300.8)	(4,281.2)	1,339.3	(1,328.7)
Profit before tax	489.7	1,491.0	565.3	(1,575.2)	2,000.0	-Loans/advances	(3.0)	(9.1)	(20.5)	(8.8)	(9.6)
Exceptional and Extra Ordinary share of profit/loss in JV	-	-	-	-	-	-Current Liab and Provisions	8,364.1	11,115.9	(2,210.5)	(4,622.3)	6,532.1
PBT (Post Extra Ordinary)	489.7	1,491.0	565.3	(1,575.2)	2,000.0	- Other Assets	(881.6)	(2,729.0)	(572.7)	(999.4)	(909.5)
Provision for tax	(688.2)	(1,721.2)	1,348.1	-	504.0	- Non Current security Deposit	(376.3)	(197.3)	(277.3)	42.8	(233.9)
Reported PAT	1,177.9	3,212.2	(782.8)	(1,575.2)	1,496.0	Change in working capital	3,507.1	3,532.2	(7,898.2)	(2,322.7)	1,394.2
MI	-	-	-	-	-	CF from Oper. activities	7,490.2	9,567.7	(6,193.3)	(1,244.6)	6,040.1
Adjusted PAT	1,177.9	3,212.2	(782.8)	(1,575.2)	1,496.0	CF from Inv. activities	(4,446.8)	(4,265.7)	(25,402.3)	(1,000.0)	(3,000.0)
						CF from Fin. activities	(2,562.1)	(5,455.8)	8,998.4	2,652.0	(3,000.0)
						Cash generated/(utilised)	481.3	(153.8)	(22,597.2)	407.4	40.1
						Cash at start of the year	246.6	727.9	574.1	2,650.4	3,057.8
						Cash at end of the year	727.9	574.1	2,650.4	3,057.8	3,097.8
							727.9	574.1	(22,023.1)	3,057.8	3,097.8
							(0.0)	(0.0)	(24,673.5)	(0.0)	0.0
Balance Sheet	FY18	FY19	FY20	FY21E	FY22E	Ratios	FY18	FY19	FY20	FY21E	FY22E
Equity capital	7,716.9	7,734.8	7,739.5	7,739.5	7,739.5	OPM	6.5	6.8	5.3	4.0	6.8
Reserves	3,214.2	6,554.0	3,119.2	4,196.0	5,692.1	NPM	1.6	3.9	(0.9)	(2.3)	1.6
Net worth	10,931.1	14,288.8	10,858.7	11,935.5	13,431.6	Tax rate	(140.5)	(115.4)	238.5	-	25.2
Minority Interest	-	-	-	-	-	Growth Ratios (%)					
Non Current Liabilities	14,697.1	10,126.7	29,259.3	29,453.8	26,663.5	Net Sales	8.6	13.2	7.7	(22.9)	41.3
Current Liabilities	31,710.2	41,795.2	56,771.3	51,954.4	58,276.8	Operating Profit	7.0	18.3	(16.0)	(42.2)	139.6
						PBIT	(3.7)	44.7	(20.3)	(98.3)	9,095.3
						PAT	120.2	172.7	(124.4)	101.2	(195.0)
CAPITAL EMPLOYED	57,338.4	66,210.7	96,889.3	93,343.8	98,371.9	Per Share (Rs.)					
Non Current Assets	30,835.4	32,519.1	55,380.7	53,801.1	54,018.8	Net Earnings (EPS)	1.53	4.2	(1.0)	(2.0)	1.9
Fixed Assets	7,685.9	7,182.7	29,123.5	27,470.3	27,320.4	Cash Earnings (CPS)	(2.1)	0.5	(4.2)	1.4	6.0
Non Current Investments	42.1	42.1	1,700.1	1,700.1	1,700.1	Dividend	-	-	-	-	-
Non Current tax assets	187.5	162.0	222.5	222.5	222.5	Book Value	14.2	18.5	14.0	15.4	17.4
Long Term Loans and Advances	29.0	30.8	34.3	36.0	37.8	Free Cash Flow	3.9	6.9	(40.8)	(2.9)	3.9
Other NON Current Assets	1,091.4	1,159.1	764.8	879.5	1,011.4	Valuation Ratios					
Goodwill	18,596.0	18,596.0	18,596.0	18,596.0	18,596.0	P/E(x)	77.3	28.4	(116.7)	(58.0)	61.0
Deferred Tax Assets	688.2	2,633.8	1,949.6	1,949.6	1,949.6	P/B(x)	8.3	6.4	8.4	7.7	6.8
Security Deposits	2,515.3	2,712.6	2,989.9	2,947.1	3,180.9	EV/EBITDA(x)	23.0	18.5	24.1	41.6	16.9
Current Assets	26,503.0	33,691.6	41,508.6	39,542.7	44,353.1	Div. Yield(%)	-	-	-	-	-
Current investments	-	-	-	-	-	FCF Yield(%)	3.3	5.8	(34.6)	(2.5)	3.3
Inventories	16,912.0	19,212.8	23,494.0	22,154.7	23,483.4	Return Ratios (%)					
Trade Receivables	5,518.4	7,865.9	8,401.9	6,476.2	9,132.4	ROE	11%	22%	-7%	-13%	11%
Cash and Bank Balances	727.9	574.1	2,650.4	3,057.8	3,097.8	ROCE	8%	13%	8%	2%	11%
Short Term Loans and Advances	46.9	54.2	71.2	78.3	86.2						
Other Current Assets	3,297.8	5,984.6	6,891.1	7,775.8	8,553.3						
CAPITAL DEPLOYED	57,338.4	66,210.7	96,889.3	93,343.8	98,371.9						



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