

Aditya Birla Fashion targets break-even for most brands

TMRW & ETHNICS TO FUEL 11-12% CAGR OUTLOOK

ADITYA BIRLA FASHION and Retail (ABFRL) reported a better-than-expected operational performance in 1QFY26, with revenue up 9% y-o-y (driven by Ethnics and TMRW) and Ebitda rising 25% y-o-y (about 22% beat). The improvement was supported by a sharp 16-24pp margin expansion in Ethnics and Luxury Retail. The company's digital-first brand house, TMRW has raised about ₹440 crore from ServiceNow Ventures for an about 11% stake, valuing the business at about ₹4,000 crore. The capital will be deployed to accelerate growth through increased brand investments and offline expansion for key brands.

The management remains ambitious on long-term growth for the demerged Aditya Birla Fashion and Retail, targeting break-even for most brands by FY27 (except TMRW). An improved execution towards sustaining profitability and meeting these targets remain key to re-rating.

We raise our FY26-27E Ebitda by 9-10%, driven by better profitability in Ethnic and Luxury Retail. We build in a CAGR of 11%/12% in revenue/Ebitda over FY25-28E for Aditya Birla Fashion and Retail, driven by robust growth and improved profitability in TMRW and Ethnic. However, we still expect Aditya Birla Fashion and Retail to report losses over FY25-28E.

We value the company on the SOTP basis. We assign EV/Ebitda multiple of 11x to Pantaloon and EV/sales of 1x to other businesses of Aditya Birla Fashion and Retail (demerged) on Sep/27E. We reiterate our neutral rating, with an unchanged target price of ₹85.

Aditya Birla Fashion and Retail (demerged) provides a diversified play across several high-growth segments in apparel retail. However, over the last few years, the company's profitability and valuations have been hurt by investments in several new businesses, which are currently in the build-out phase and are loss-making.

After the recent fund raise, demer-



FINANCIALS & VALUATIONS (₹ cr)

V/E Mar	FY26E	FY27E
Sales	8,070	8,980
Ebitda	690	790
Adj. PAT	-740	-710
Ebitda Margin (%)	8.5	8.8
Adj. EPS (₹)	-6.0	-5.8
BV/Sh. (₹)	59.9	52.9
Ratios		
Net D/E	0.3	0.3
RoE (%)	-11.4	-12.3
RoCE (%)	-2.8	-2.2
Valuations		
P/E (x)	-12.4	-13.0
EV/Ebitda (x)	16.9	14.9
EV/Sales (x)	1.4	1.3
Div. Yield (%)	-	-

related concerns have been addressed. However, a profitable scale-up of value fashion, branded ethnic wear and a turnaround in TMRW remain a key medium-term monitorable.

Revenue grew 9% y-o-y to ₹3,830 crore (about 2% beat), driven by strong performance in Ethnics (up 25% y-o-y) and TMRW (up 18% y-o-y). Pantaloon's revenue declined about 1% y-o-y owing to the impact of last year's store rationalisation and flat LTI due to a shift in the festive period. Gross profit grew 18% y-o-y to ₹1,050 crore as gross margin expanded about 410bp y-o-y to 27.3%.

MUTUAL AS CREW