

GIC picks up 7.5% stake in Aditya Birla Fashion & Retail for ₹2,195 cr

FE BUREAU
New Delhi, May 24

GIC, SINGAPORE'S SOVEREIGN wealth fund, is acquiring a 7.5% equity stake in Aditya Birla Fashion and Retail (ABFRL) for ₹2,195 crore, the company said in a release on Tuesday. The investment will be made by way of preferential equity and warrants.

In the first tranche, GIC will invest ₹770 crore, while the remaining ₹1,425 crore will be infused within 18 months. After the investment, Aditya Birla Group will hold a controlling stake of 51.9% in the company.

The capital infusion will strengthen ABFRL's balance sheet. The company had de-leveraged significantly in Q3FY22 and taken on debt in Q4FY22, primarily due to the build-up of inventory for summer. Analysts expect debt levels to stay within manageable limits in the current year.

"All of ABFRL's businesses will be operationally profitable in FY2023, though Pantaloons and ethnic wear businesses may require funds for growth. We believe cash flows from Madura business will suffice and ABFRL can close FY2023 with debt levels similar to that of March 2022," analysts at Kotak Institutional Equities wrote after the company's Q4FY22 results.

The company plans to use the fresh funds to grow the existing business and for emerging high-growth business models.



Analysts are confident about the company's prospects, which would be fuelled by enhancements to the product portfolio, forays into new consumer spaces and an expansion of the network. The recovery of the offline channel in the current year as the economy opens up is expected to boost sales across segments.

ABFRL is expected to grow its network of stores, especially in Tier-2 and 3 towns, and roll out new product categories to cater to buyers' preference for casual and active wear. Small-town markets are seeing brisk business, analysts said, as aspirations and purchasing power both rise. There is also a perceptible shift from unorganised to branded products.

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growing middle class, favourable demographics, rising disposable incomes and aspiration for brands. "ABFRL has become one of the leading players in this market through its diversified portfolio of strong brands, wide distribution and an established business model and is well-positioned to benefit from this opportunity," Birla said.

ABFRL's online and other commerce channels have seen a pick-up in momentum and most of the Madura and Pantaloons stores are now functional online and offline.

The company ended FY22 with revenues of ₹8,162 crore, a growth of 55%. Operating profit margins for the year expanded nearly 300 bps to 13.5% driving up the Ebitda by 98% to ₹1099.9 crore. The company's losses narrowed to ₹121 crore from ₹735 crore in FY21.