

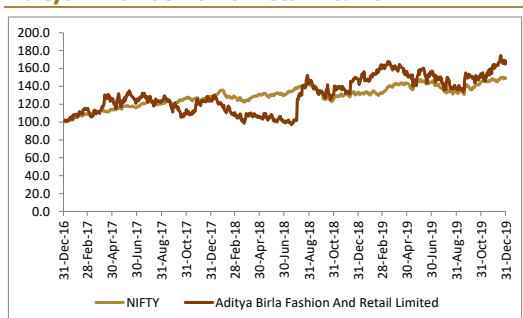
Market statistics as on January 08, 2020

Stock price (Rs.)	237.70
Shares O/S (Bn)	0.77
Market Cap (Rs. Bn)	181.65
P/E (x)	56.5
52 Week High(Rs.)	247.3
52 Week Low (Rs.)	179.7
Price/Book	12.2

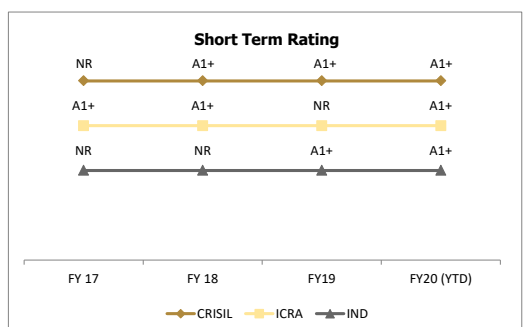
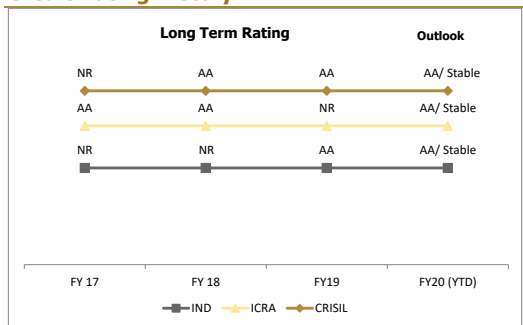
Shareholding pattern as on Sept 30, 2019

Promoter & Promoter Group	59.1%
Domestic Institutions	20.3%
Foreign Institutions	9.7%
Others	10.9%

Aditya Birla Fashion & Retail Ltd vs. NIFTY



Credit Rating History



Financial Performance

Particulars	1HFY20	1HFY19	Rs. Bn % chg
Revenue	43.73	39.21	11.54
EBITDA	6.53	2.57	154.60
Margin (%)	14.94	6.54	-60.25
PAT	0.19	0.48	-
Margin (%)	0.44	1.23	-

Source: Company Reports;
As per INDAS wherever applicable

Credit Drivers:

- **Strong parentage and experienced management:** Aditya Birla Fashion and Retail Limited (ABFRL) is India's largest branded apparel player, with a diverse product portfolio and brand offerings across various price points from value to luxury segments. The Aditya Birla group has 59.10% stake in ABFRL.
- **Strong Market Position:** ABFRL operates in a highly competitive environment in organized retail space. It has healthy business profile backed by strength of apparel brands of Madura division-Louis Philippe, Van Heusen, Allen Solly and Peter England. Pantaloons segment has a strong brand image and pan-India presence.
- **Acquisition of the Pantaloons Segment strengthened pan India presence:** ABFRL emerged after the consolidation of the branded apparel businesses of Aditya Birla Group with Pantaloons Fashion and Retail in May 2015 which has strengthened its pan-India presence.
- **Leadership position in menswear apparel via Madura:** Madura Garments has a leading position in the menswear apparel segment, driven by the strength of its unique brands; these brands are present across the various price spectrums and have a strong distribution network. Madura has a strong and steady 5 year CAGR of 9%. Growth has slowed down over the past two years due to weakness in economy however outlook remains positive.
- **Moderate debt structure and healthy liquidity profile:** Financial flexibility emanates from the strong promoter backing. The group continues to extend need based support. ABFRL has adequate liquidity.

About the Company:

ABFRL is a part of USD 44.3 billion Aditya Birla Group. Spanning retail space of 7.5 million sq. ft. (as on March 31, 2019), it is India's first billion-dollar pure-play fashion powerhouse with an elegant bouquet of leading fashion brands and retail formats. The Company has a network of 2714 stores, presence across approximately 18000 multi-brand outlets with 5000+ point of sales in department stores across India. The company has merged with the Madura division (earlier a division of Aditya Birla Nuvo Ltd). ABFRL emerged after the consolidation of the branded apparel businesses of Aditya Birla Group comprising ABNL's Madura Fashion division and ABNL's subsidiaries — Pantaloons Fashion and Retail (PFRL) and Madura Fashion & Lifestyle (MFL) in May 2015. Post the consolidation, PFRL was renamed Aditya Birla Fashion and Retail Ltd.

Industry Outlook:

The apparel market for India is expected to grow at CAGR of 9% from USD 51 Billion in FY18 to USD 65.8 Billion in FY21; backed by greater purchasing power leading to higher discretionary spends, better access to products, higher brand awareness, rising urbanization and increasing digitization. The share of organized retailing in apparel swelled from 14% in FY 2007 to 24% in FY 2017-18. Over the past decade, organized retail has not only captured new and incremental demand, but has also successfully shifted demand away from unorganized retail. Over the next three years, while branded apparel is projected to grow at CAGR of 19%, organized retail is expected to outpace it with growth of 21%.

Additionally, though the per capita spend of apparel in India is expected to increase from USD 38 in FY 2017-18 to USD 66 in FY 2025-26, it will still be lower than other developed and emerging markets, ushering apparel players into a phase of robust growth. Menswear still occupies larger share of apparel market at 41%, while women's wear contributes 38%. However, women's wear across other countries constitutes 55% to 60% of total apparel market, highlighting the opportunity that exists for Indian market. The industry continued with its rapid growth this fiscal, led by aggressive expansion by value and mass fashion players, strengthening of foreign brands and strong growth of e-commerce players.

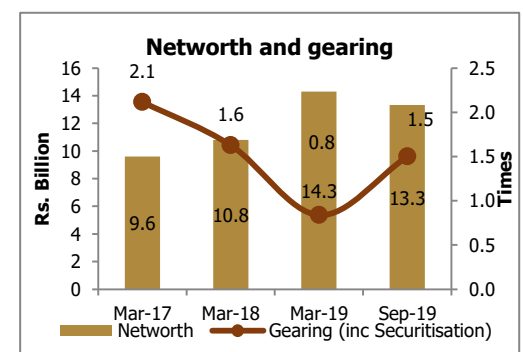
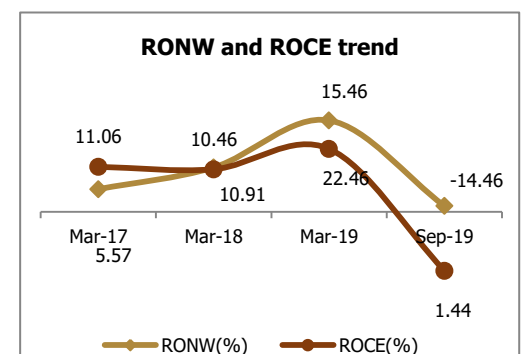
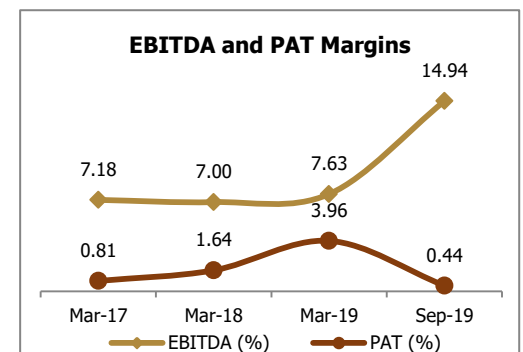
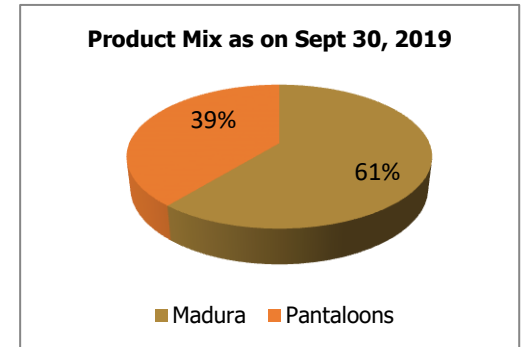
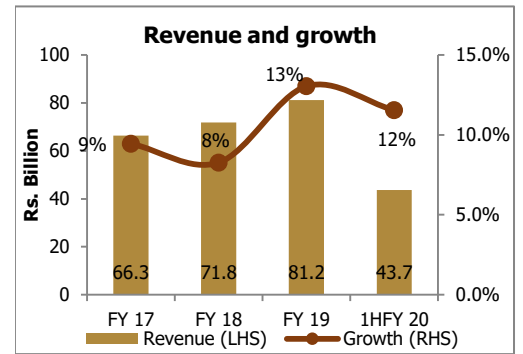
Key Credit Drivers:

Strong parentage and experienced management: The Aditya Birla group has 59.10% stake in ABFRL as on September 30, 2019. Being a part of the Aditya Birla Group, ABFRL enjoys financial flexibility and receives operational support from the Group. ABFRL is India's largest branded apparel player, with a diverse product portfolio and brand offerings across various price points from value to luxury segments. The Madura division of ABFRL is the largest branded menswear player in India and the Pantaloons division is one of the leading players in the value fashion segment as well as the largest branded womenswear retailer in India. Pantaloons segment benefits from the experience of ABG in consumer facing business. The experience and expertise of the group has aided in creating successful brands in retail businesses and helped Pantaloons to turn around its operations. The extensive experience of the management team facilitates superior execution capabilities, thereby driving growth in revenues and profitability.

Strong Market Position: ABFRL operates in a competitive environment in organized retail space. It has healthy business profile backed by strength of apparel brands of Madura division-Louis Philippe, Van Heusen, Allen Solly and Peter England. Pantaloons segment has a strong brand image and pan-India presence. Innerwear is a large and attractive market, currently under penetrated in the premium branded segment. ABFRL forayed into this space with the launch of Van Heusen innerwear for men in mid of FY18. ABFRL expects this segment to become an important growth driver in the coming few years. ABFRL recognizes the need for adoption of digitalisation to ensure internal transformation and external market readiness. It has taken initiatives across Data analytics, In-store digitization and marketing to ensure shifts in ways of doing business. The digital architecture is built around strong analytics framework, which gives a single customer view across physical and digital mediums, assisting in faster decision making. ABFRL is also pursuing In-store digitization through virtual stores and Omni-channel initiatives, while also exploring additional functionalities.

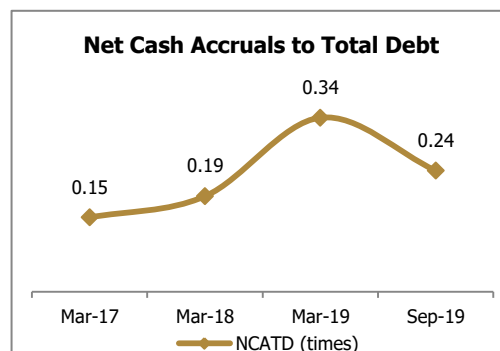
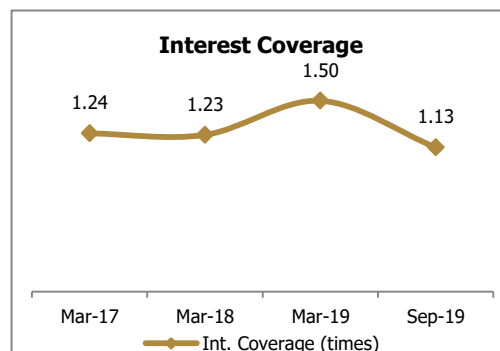
Acquisition of the Pantaloons Segment strengthened pan India presence: ABFRL emerged after the consolidation of the branded apparel businesses of Aditya Birla Group — Pantaloons Fashion and Retail (PFRL) in May 2015. Post the consolidation, PFRL was renamed Aditya Birla Fashion and Retail Ltd. In the last few years, ABFRL expanded its presence in casual wear through brand extensions and also gained a strong position in the fast growing value fashion segment through Pantaloons. The business segment turned EBIT positive in FY18. The division has a good geographical mix of stores across the country. The strong growth prospect of the women's wear segment is expected to benefit the Pantaloons division. ABFRL is targeting tier 2 and 3-Pantaloons and added 66 new stores to its network in last two years and entered many new Tier 2 and Tier3 markets.

Leadership position in menswear apparel via Madura: Madura Garments business has a leading position in the menswear apparel segment, driven by the strength of its unique brands; these brands are present across the various price spectrums and have a strong distribution network. Madura has a strong and steady 5 year CAGR of 9%. Growth has slowed down over the past two years due to weakness in economy however outlook remains positive. The segment is expected to grow at a rate of 15-20% over the next 3 years, driven by expanding footprint of apparel retailers targeting tier 2 and tier 3 cities. Madura has a strong designing team which focuses on extending its established franchise of brands into other segments and accessories. This has led to diversification of revenue from mainline men's apparel segment. The loss making brand Forever 21 is expected to breakeven in FY20. The diversification of brands helps ABFRL withstand a slowdown in discretionary consumer spending.



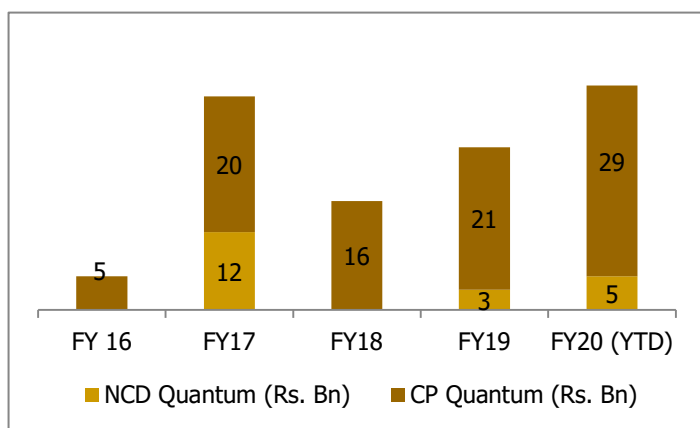
Improved Operational Efficiency: Aditya Birla Fashion and Retail posts strong performance in 1H FY20 despite tough market conditions; Revenue up 12%, EBITDA surges by 154% YoY on weak base and despite rise in marketing spends in line with its endeavor to strengthen existing brands. On full year basis in FY19, the EBITDA increased to 24% YoY (Rs 6.19 billion Vs Rs 5.01 billion) and revenue grew 13% YoY (Rs 81.2 billion Vs Rs 71.8 billion) compared to FY18, which is 15% growth adjusted for Ind AS. ABFRL reported 173% higher PAT of Rs 3.2 billion (including deferred tax asset of Rs 1.9 billion) vs Rs 1.18 billion which included deferred tax asset of Rs 0.69 billion in FY18. The strong operating performance was across all its business segments; (both Lifestyle and Pantaloon's) achieved through strong like-to-like growth and rapid channel expansion.

Moderate debt structure and healthy liquidity profile: Financial flexibility emanates from the strong promoter support. The financial flexibility also benefits from the healthy cash generation from Madura division and the expectation of gradual reduction in leverage metrics going forward. The retail business is expected to be the focus area for Birla group. ABFRL has adequate liquidity. After the merger of Madura division with ABFRL, the company has been generating cash profits of over 3 billion as compared to cash losses of Rs 511 million in FY15. The cash profits are expected to further improve over the medium term as the losses from new businesses reduce over the medium term. The improved cash accruals will be utilized to fund its annual capex plans of around Rs 3 billion, besides part funding debt payments. ABFRL liquidity profile is also supported by the Aditya Birla Group's strong franchise with the lending community which enables it to raise funds from multiple sources. The financial flexibility will enable ABFRL to refinance its upcoming debt obligations at attractive rates of interest.



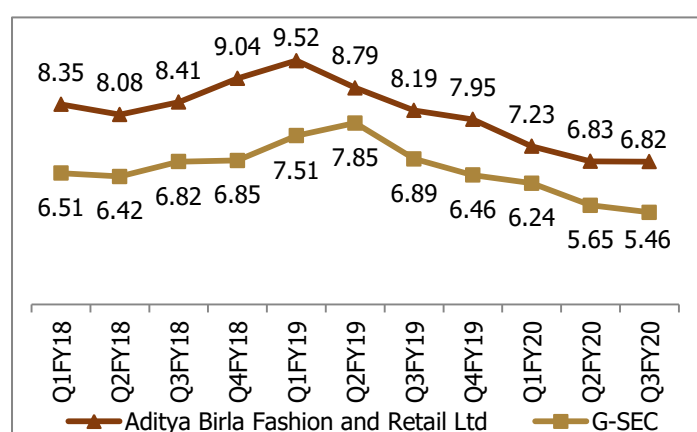
Company Management			
Name	Designation	Name	Designation
Mr. K M Birla	Chairman	Mr. Bharat Patel	Independent Director
Mr. Ashish Dikshit	Managing Director	Ms. Sukanya Kripalu	Independent Director
Mr. Jagdish Bajaj	CFO	Mr. Arun Thiagarajan	Independent Director
Mr. Vishak Kumar	CEO, Madura Fashion & Lifestyle	Mr. Sanjeeb Chaudhuri	Independent Director

NCD & CP Issuances over 4 years



Source: NSDL, Prime Database

Credit spread over 3 Year G-Sec:



Source: Thomson Reuters

Latest Issuance:

Name	Type	Date	Tenor	Coupon (%)	Quantum (Rs. Bn)
Aditya Birla Fashion and Retail Limited	Unsecured	11 November 2019	3 Years	0	5

Other Information:

Auditors | M/s. S R B C & CO LLP

Financials: (Consolidated as per IND AS)
Profit & Loss Statement

Particulars (in Bn)	FY17	FY18	FY19
INCOME :			
Gross Sales	66.33	71.81	81.18
Net Sales	66.03	71.72	81.18
EXPENDITURE :			
Increase/Decrease in Stock	0.00	0.00	0.00
Raw Material Consumed	30.06	36.36	41.53
Power & Fuel Cost	1.11	1.21	1.29
Employee Cost	7.06	7.72	9.13
Other Manufacturing Expenses	3.45	3.69	3.58
General and Administration Expenses	15.60	15.63	16.57
Selling and Distribution Expenses	3.22	3.76	4.95
Miscellaneous Expenses	0.72	0.73	0.48
Less: Expenses Capitalised	0.00	0.00	0.00
Total Expenditure	61.25	66.64	75.26
Operating Profit (Excl OI)	4.78	5.09	5.91
Other Income	0.38	0.33	0.65
Operating Profit	5.16	5.41	6.56
Interest	2.21	2.12	2.25
PBDT	2.96	3.29	4.31
Depreciation	2.42	2.81	2.82
Profit Before Taxation & Exceptional Items	0.54	0.49	1.49
Profit Before Tax	0.54	0.49	1.49
Provision for Tax	0.00	-0.69	-1.72
Profit After Tax	0.54	1.18	3.21

Key Ratios

Particulars	FY17	FY18	FY19
Operational & Financial Ratios			
Earnings Per Share (Rs)	0.69	1.53	4.15
DPS(Rs)	0.00	0.00	0.00
Book Value (Rs)	12.36	13.96	18.12
Margin Ratios			
PBIDTM (%)	7.79	7.54	8.08
PATM (%)	0.81	1.64	3.96
Performance Ratios			
ROA (%)	1.11	2.20	5.34
ROE (%)	5.77	11.60	25.92
ROCE (%)	9.52	8.76	12.28
Efficiency Ratios			
Receivable days	21.04	25.51	30.09
Inventory Days	78.19	79.35	81.21
Payable days	111.04	113.84	126.94
Growth Ratio			
Net Sales Growth(%)	9.43	8.62	13.19
Core EBITDA Growth(%)	17.47	4.82	21.20
PAT Growth(%)	148.75	120.17	172.71
Financial Stability Ratios			
Total Debt/Equity(x)	2.15	1.73	1.22
Current Ratio(x)	0.83	0.84	0.81
Quick Ratio(x)	0.28	0.30	0.35
Interest Coverage Ratio	1.24	1.23	1.66

Peer Comparison as on March 31, 2018

Particulars (in Bn)	ABFRL	Trent Ltd	Future Retail
Total Income	81.18	26.71	203.56
PAT	3.21	1.06	7.27
Net Worth	14.29	16.47	38.30
Debt	20.26	4.94	26.57
EBITDA margin (%)	8.08	10.57	5.21
ROE (%)	25.92	6.57	18.99
ROCE (%)	12.28	11.18	14.69
Leverage (times)	1.22	0.30	0.69

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Balance Sheet

Particulars (in Bn)	FY17	FY18	FY19
EQUITY AND LIABILITIES			
Share Capital	7.71	7.72	7.73
Shareholder's Funds	9.58	10.93	14.29
Long-Term Borrowings	12.71	11.88	7.24
Other Non-current liabilities	2.49	2.13	0.26
Total Non-Current Liabilities	15.20	14.01	7.49
Current Liabilities	0.00	0.00	0.00
Trade Payables	14.58	20.09	23.99
Other Current Liabilities	2.53	5.20	12.19
Short Term Borrowings	7.61	5.70	4.74
Short Term Provisions	0.86	0.71	0.87
Total Current Liabilities	25.58	31.71	41.80
Total Liabilities	50.36	56.65	63.58
ASSETS			
Non-Current Assets	0.00	0.00	0.00
Net Block	24.87	25.82	25.55
Capital Work in Progress	0.25	0.46	0.22
Other Fixed Assets	0.00	0.00	0.00
Non Current Investments	0.00	0.04	0.04
Long Term Loans & Advances	3.33	3.39	3.56
Other Non Current Assets	0.55	0.43	0.51
Total Non-Current Assets	29.00	30.15	29.89
Current Assets - Loans & Advances	0.00	0.00	0.00
Currents Investments	0.00	0.00	0.00
Inventories	14.31	16.91	19.21
Sundry Debtors	4.52	5.52	7.87
Cash and Bank	0.50	0.73	0.57
Other Current Assets	0.66	0.79	1.99
Short Term Loans and Advances	1.37	2.55	4.05
Total Current Assets	21.36	26.50	33.69
Miscellaneous Expenses not written off	0.00	0.00	0.00
Total Assets	50.36	56.65	63.58
Total Debt (Long Term Plus Short Term)	20.45	18.61	17.03

Cash flow Statement

Particulars (in Bn)	FY17	FY18	FY19
Profit Before Tax	0.54	0.49	1.49
Adjustment	4.32	4.71	4.92
Changes In working Capital	-0.57	0.76	-0.94
Cash Flow after changes in Working Capital	4.28	5.96	5.47
Interest Paid	0.00	0.00	0.00
Tax Paid	-0.03	-0.01	-0.20
Other Direct Expenses paid	0.00	0.00	0.00
Extra & Other Item	0.00	0.00	0.00
Cash From Operating Activities	4.25	5.95	5.28
Cash Flow from Investing Activities	-4.46	-3.25	-2.77
Cash from Financing Activities	0.51	-2.47	-2.66
Net Cash Inflow / Outflow	0.30	0.23	-0.15
Opening Cash & Cash Equivalents	0.19	0.50	0.73
Cash & Cash Equivalent on Amalgamation / Take over / Merger	0.00	0.00	0.00
Cash & Cash Equivalent of Subsidiaries under liquidations	0.00	0.00	0.00
Translation adj. on reserves / op cash balances frgn subsidiaries	0.00	0.00	0.00
Effect of Foreign Exchange Fluctuations	0.00	0.00	0.00
Closing Cash & Cash Equivalent	0.50	0.73	0.57

Information Source: Ace Equity, Company Reports, IBEF, NSDL, Prime Database, Bloomberg, Thomson Reuters, Rating Agencies, CRISIL