Result Update

Q1 FY26

Aditya Birla Fashion and Retail Ltd.

Institutional Research

Aditya Birla Fashion and Retail Ltd.

Speciality Retail | Q1FY26 Result Update **20th August 2025**

Margin expands despite moderate revenue growth

In Q1FY26, the demerged Aditya Birla Fashion & Retail Ltd. (ABFRL) achieved a growth of 6.5% QoQ / up 9.4% YoY consolidated revenue growth, reaching Rs. 18,315 million, driven by strong performance in Ethnic, TMRW and Luxury portfolio. Revenue for the Pantaloons business declined by 1% YoY due to the Eid shift and store closures (405 stores in June 2025 from 417 stores in June 2024), intending to shift focus on Metro and Tier 1 cities, which offer high growth potential. At the same time, Pantaloons' EBITDA margin contracted by 52 bps YoY to 17.1% in Q1FY26. The company's overall Ethnic business saw a revenue growth of 24% YoY to Rs. 7,546 million, primarily led by designer brands. The company's consolidated EBITDA for the quarter declined by 45.5% QoQ / up 24.7% YoY to Rs. 1,117 million, with an EBITDA margin of 6.1%, down 582 bps QoQ / up 75 bps YoY. The margin improved annually due to sharp margin expansion in Ethnic segments. However, the company posted a net loss of Rs. 2,337 million in Q1FY25, from a loss of Rs. 2,379 million in Q1FY25.

Valuation and Outlook

ABFRL, a company within the Aditya Birla group that operates a branded apparel business, successfully completed the demerger, effective May 1, 2024. Following the demerger, there are two companies: Aditya Birla Lifestyle Brands Limited (ABLBL), which marked its marked the operational start in Q1FY26, which comprise Lifestyle brands, American Eagle, Van Heusen, and Reebok, and the demerged ABFRL, includes Pantaloons, as well as Designer Ethnic brands such as Sabyasachi, MASABA, Tarun Tahiliani, and TMRW. The demerged ABFRL managed to register revenue growth of 9.4% YoY, driven by strong wedding season and healthy brand performance. Although revenue growth was modest this quarter, the demerged ABFRL's margin sequentially expanded due to margin expansion in the Ethnic segments. The company's strategy emphasises improving margins rather than just pursuing revenue growth. The company is strategically expanding its Pantaloons outlet in metro and tier 1 cities, providing potential for high growth in the coming years. This strategy enables the company not only to improve its market presence but also to maintain its profitability growth. Looking ahead, post-merger, the company has set an ambitious growth plan to boost its sales driven by digital transformation and improve its EBITDA margin, driven by premiumization in Pantaloons and operational leverage through scaling up its Ethnic business. Overall, ABFRL's strategic initiatives, such as entering markets with high growth potential, position the company for long-term growth. However, profitability improvement and debt management will be key triggers to watch.

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Key Highlights

Particulars (Rs. Mn)	Q1FY26	Q4FY25	Q1FY25	YoY (%)	QoQ (%)
Net Sales	18,315	17,195	16,742	9.4%	6.5%
COGS	7,812	6,330	7,830	-0.2%	23.4%
Gross Profit	10,502	10,865	8,912	17.8%	-3.3%
Gross margin (%)	57.3%	63.2%	53.2%	411 bps	-584 bps
EBITDA	1,117	2,049	896	24.7%	-45.5%
OPM (%)	6.1%	11.9%	5.3%	75 bps	-582 bps
Net Profit	-2,337	-1,609	-2,379	NM	NM

Source: Company, BP Equities Research

Sector Outlook **Positive**

Stock

CMP (Rs.)	77
BSE code	535755
NSE Symbol	ABFRL
Bloomberg	ABFRL IN
Reuters	PNTA.BO

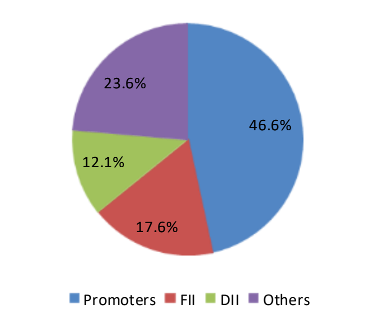
Key Data

Nifty	24,981
52 Week H/L (Rs,)	364/71
O/s Shares (Mn)	1,220
Market Cap (Rs. bn)	94
Face Value (Rs.)	10

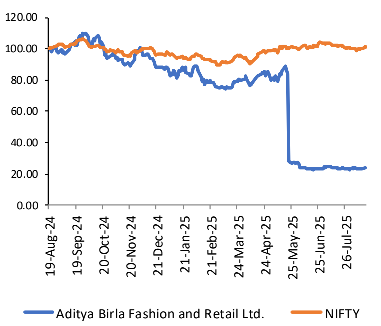
Average Volume

3 months	1,36,08,950
6 months	84,27,240
1 year	61,44,270

Share Holding Pattern (%)



Relative Price Chart



Note: This is the adjusted share price of the demerged ABFRL, following the separation of its new entity ABLBL, which has been listed separately on Indian stock exchanges since June 23, 2025.

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Key Concall Highlights

- The apparel market in Q1FY26 saw selective growth pockets, mainly driven by increased wedding -related demand, while overall market sentiment remained cautious with gradual recovery.

- Pantaloons' revenue declined by 1% YoY, impacted by Eid timing and store closures.

- Pantaloons is being repositioned from value retail to a mid-premium segment, with a strategic focus on metros and Tier I cities. In the past 15 months, Pantaloons closed more than 50 stores. Currently, the company has a network of 405 Pantaloons stores as of June 2025, down from 417 stores in June 2024.

- The company added three Style Up stores in Q1FY26, bringing its total to 49 stores. Further, the management plans to add 40 to 50 stores in FY26.

- The ethnic business segment saw a 25% YoY growth, led by the designer portfolio, which grew by 79% YoY.

- TMRW reported robust 38% YoY revenue growth in Q1FY26, driven by expanded product portfolio, enhanced focus on D2C channels and impactful brand-building initiatives.

- During the quarter, TMRW also secured its first external investment of Rs 437 crores from ServiceNow Ventures, whose advanced AI and automation capabilities will further strengthen the platform’s tech backbone.

- TMRW maintains presence in approximately 185-190 cities and plans to raise capital exceeding $100 million to fund growth.

“The capex for FY26 was guided to be around Rs. 500 crores, which includes a one-time investment for its Galeries Lafayette, which is expected to open towards the end of this year.”

“The total gross debt at the standalone level is about Rs. 750 crores, while cash reserves stand at Rs. 1,900 crores. Debt in ethnic subsidiaries and the TMRW business stood at ~Rs. 200 crores and Rs. 400 crores respectively. The debt of TMRW is expected to be offset by the ongoing fundraising.”

Key Financials						
YE March (Rs. mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Net Sales	**81,362**	**1,24,179**	**1,39,959**	**73,547**	**83,222**	**1,09,098**
Growth %	55.0%	52.6%	12.7%	-47.5%	13.2%	31.1%
EBIDTA	**10,999**	**15,017**	**14,656**	**12,559**	**7,778**	**12,063**
Growth%	98.0%	36.5%	-2.4%	-14.3%	-38.1%	55.1%
Net Profit	**-1,184**	**-595**	**-7,359**	**-4,558**	**-5,674**	**-3,929**
Growth %	NM	NM	NM	NM	NM	NM
Diluted EPS	**-1.2**	**-0.4**	**-6.5**	**-3.1**	**-3.8**	**-2.4**
Profitability & Valuation						
EBIDTA (%)	**13.5%**	**12.1%**	**10.5%**	**17.1%**	**9.3%**	**11.1%**
NPM (%)	-1.5%	-0.5%	-5.3%	-6.2%	-6.8%	-3.6%
ROE (%)	**NM**	**NM**	**NM**	**NM**	**NM**	**NM**
P/E (x)	NM	NM	NM	NM	NM	NM
Market Cap/Sales (x)	**1.2 x**	**0.8 x**	**0.7 x**	**1.3 x**	**1.1 x**	**0.9 x**

Source: Company, Bloomberg

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Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification:

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