

# Pick of the week



## Aditya Birla Fashion and Retail (ABFRL)

### Recommendation

Buy

### Time Period

12 Months

### Current Price

₹166

### Target Price

₹200

### Potential Upside

20.5%

### Investment Argument

- Company witnessed faster recovery across both Madura and Pantaloons in Q3FY21. The company highlighted that 300+ stores were opened in 9MFY21. Pantaloons e-commerce sales grew 2.3x yoy on the back of stronger assortment and own site grew at 50% yoy.
- Higher revenues and higher cost savings led to healthy EBITDA margin of 18%. EBITDA was boosted by operating leverage, lower ad spends, corporate travel and employee expenses. ABFRL was able to save Rs1030 cr of fixed cost in 9MFY21 of which Rs157 cr of savings accrued in 3QFY21.
- ABFRL generated ~Rs590 cr cash in 3QFY21. Net debt currently stands at Rs58 cr as funds were received from Flipkart Group (~Rs1500 cr) and rights issue (Rs750 cr in 9MFY21).
- The company could close FY21 with debt of Rs250-300 cr as it would have to assume debt in order to fund the Sabyasachi acquisition (~Rs.400 cr). This will still be a remarkable improvement over March 2020 debt levels of Rs2500 cr.
- The deleveraging story remains intact. Higher earnings estimates and roll-forward to March 2023 drives higher Sum of Parts based Fair Value of Rs. 200.