

# Aditya Birla Lifestyle Brands

## Recovery remains steady; maintain BUY

ABLBL's recovery across segments remains steady. Weeding off unprofitable stores seems largely behind in Lifestyle brands (LB), and early signs of a pick-up in expansion are visible (59 net stores in Q3FY26 vs a muted H1FY26). Channel checks suggest demand till mid-February remained healthy, post which a moderation was witnessed. Online/MBO channels are expected to outpace Retail in Q4. However, as expansion picks up in FY27 (300-350 gross/200-250 net adds), Retail channel should mean-revert to double-digit growth, in our view. We expect mid-single-digit SSSG over FY26-28. We pencil an 80bps improvement in LB EBITDAM (on a low base) to 9.8% in FY28. In emerging brands (EB), the F21 drag is now behind and from here on, we expect EB (AE, VH Innerwear and Reebok) to grow at >20% over FY26-28 with EBITDAM expanding from near break-even to ~4.5%. We maintain our FY27/28 EBITDA estimates and our BUY rating with an SOTP-based TP of INR155/sh (implying ~20x FY28 EV/EBITDA). Note: At CMP, the stock is trading at ~12x FY28 EV/EBITDA (pre-IND-AS 116).

- Lifestyle brands recovery remains steady:** Channel checks suggest demand momentum until mid-February was healthy, post which some moderation was witnessed. EOS sales remained healthy. While there are signs of Retail channel recovery (as expansion has picked up), Online/MBO channels are expected to outpace Retail in Q4. We expect store expansion to pick up decisively in FY27 (management expects to achieve 250 net adds vs HSIE: 170 stores). This, coupled with mid-single-digit SSSG, is likely to ensure low-double-digit growth in LB in FY27.
- F21 drag in Emerging Brands (EB) is now behind:** The EB portfolio (comprising American Eagle, Reebok, and VH Innerwear) now seems to be at an inflection point in terms of growth and margins. The introduction of lower price points (per channel checks) has helped induce traction across MBOs for innerwear products. The F21 drag in EB is now behind. Hence, the EB portfolio now seems to be well placed to spur growth while improving margins. We pencil in >20% revenue growth over FY26-28 with EBITDAM expanding from near break-even to ~4.5%.
- Risk-reward favorable:** Most of the pain points in the portfolio have been churned out and now it is all about execution. The ask from core - Lifestyle brands remain low as the franchise is now available at ~12x FY28 EV/EBITDA. We maintain our FY27/28 EBITDA estimates and our BUY rating with an SOTP-based TP of INR155/sh (implying ~20x FY28 EV/EBITDA).

### Financial summary (INR mn)

	FY25	FY26E	FY27E	FY28E
Net Sales (INR mn)	78,300	83,550	94,880	1,06,117
Pre-IND AS EBITDA (INR mn)	5,508	6,465	8,000	9,404
APAT (INR mn)	1,579	1,769	3,181	4,214
EPS (INR/sh)	1.3	1.4	2.6	3.5
P/E (x)	70	63	35	26
EV/EBITDA (x)	22	18	13	11
EV/Revenue (x)	2	1	1	1
Pre Ind-AS RoE (ex-goodwill,%)	14.3	10.5	12.9	12.8
Pre Ind-AS RoIC (ex-goodwill,%)	11.1	10.6	12.2	13.3
Pre Ind-AS RoCE (ex-goodwill,%)	11.4	9.7	11.5	11.9

Source: Company, HSIE Research

BUY

CMP (as on 24 Mar 2026)	INR 92
Target Price	INR 155
NIFTY	22,912

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 185	INR 155
	FY27E	FY28E
EBITDA %	-	-

### KEY STOCK DATA

Bloomberg code	ABLBL IN
No. of Shares (mn)	1,221
MCap (INR bn) / (\$ mn)	112/1,198
6m avg traded value (INR mn)	333
52 Week high / low	INR 176/90

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(25.2)	(32.3)	-
Relative (%)	(11.9)	(22.9)	-

### SHAREHOLDING PATTERN (%)

	Sep-25	Dec-25
Promoters	46.60	46.60
FIs & Local MFs	11.48	17.06
FPIs	21.59	16.25
Public & Others	20.33	20.09
Pledged Shares	0	0

Source : BSE

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### Estimate changes

(INR mn)	FY26E			FY27E			FY28E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	83,550	83,550	-	94,880	94,880	-	1,06,117	1,06,117	-
Gross Profit	49,638	49,638	-	56,797	56,797	-	63,895	63,895	-
Gross Profit Margin (%)	59.4	59.4	0 bps	59.9	59.9	0 bps	60.2	60.2	0 bps
EBITDA	6,465	6,465	-	8,000	8,000	-	9,404	9,404	-
EBITDA margin (%)	7.7	7.7	0 bps	8.4	8.4	0 bps	8.9	8.9	0 bps

Source: Company, HSIE Research

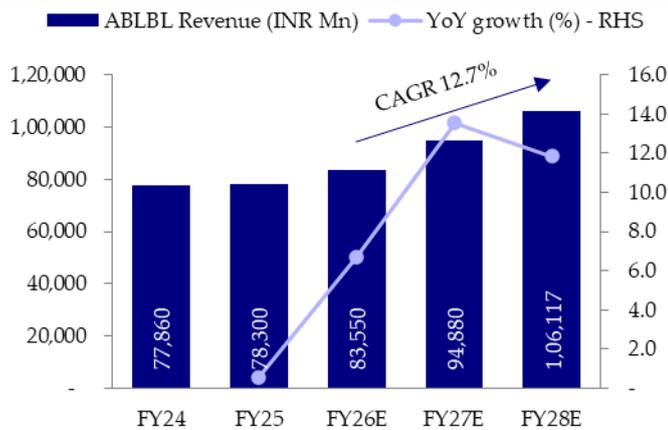
### Our SOTP suggests a fair value of INR155/sh (Mar-28)

INR mn	Revenue	EBITDA	Methodology	Multiple (x)	EV
Lifestyle Brands	86,498	8,477	EV/EBITDA*	20	1,72,502
Emerging Brands	19,620	927	EV/Revenue	1	19,620
<b>Total EV</b>	<b>1,06,117</b>	<b>9,404</b>		<b>20.4</b>	<b>1,92,122</b>
Net Debt					3,309
<b>Equity Value</b>					<b>1,88,813</b>
<b>Equity Value/share</b>					<b>155</b>
No. of shares (#)					1,221
<b>CMP</b>					<b>92</b>
Upside/(Downside; %)					68.2

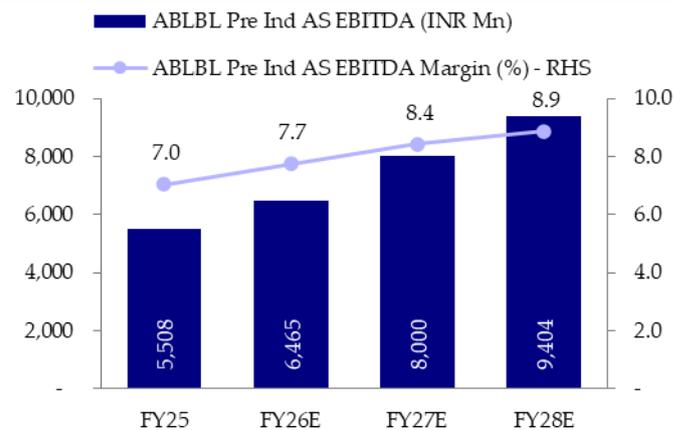
Source: HSIE Research

## Focus Charts

**We build in overall ~13% revenue CAGR and ~110bps EBITDAM (Pre-Ind-AS) expansion over FY26-28E**

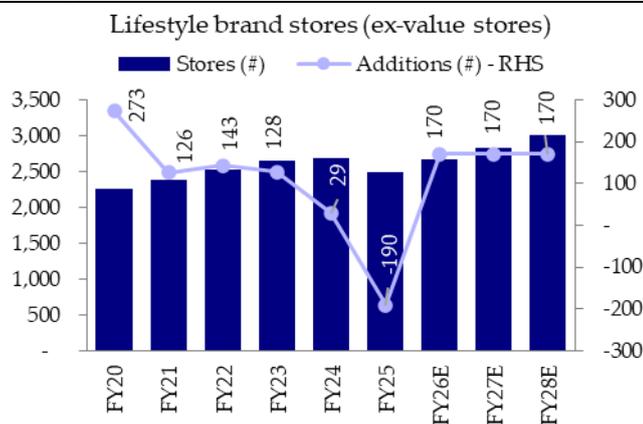


Source: Company, HSIE Research

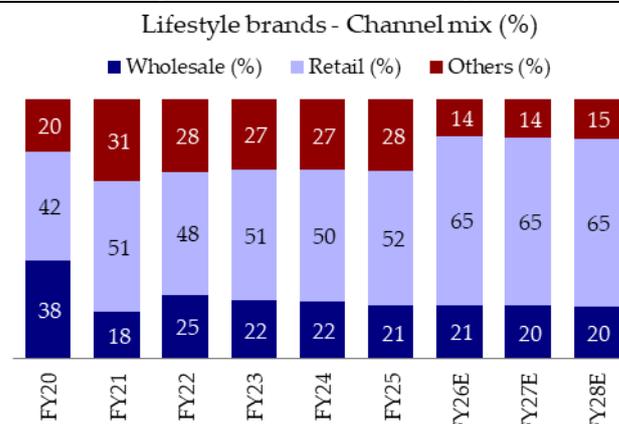


Source: Company, HSIE Research

**We expect retail channel to contribute most to the revenue mix in LB, led by 170 stores adds annually over FY26-28E**

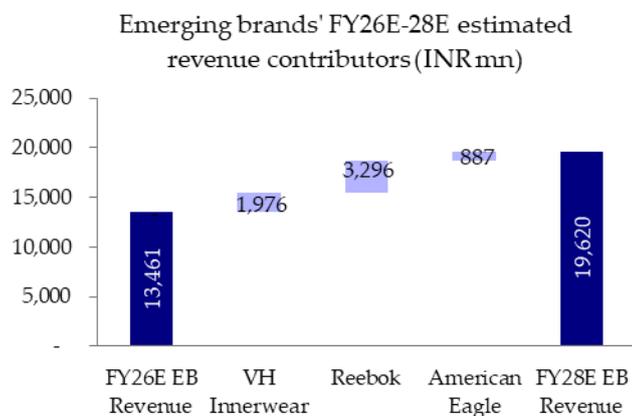


Source: Company, HSIE Research



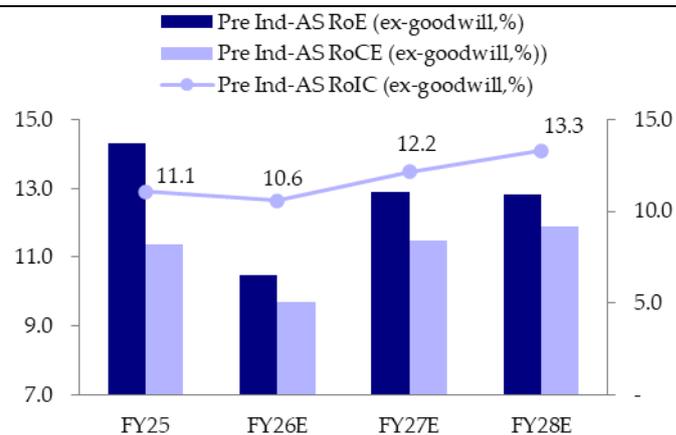
Source: Company, HSIE Research. Note: Company has reclassified channel mix from FY26 onwards.

**We expect VH innerwear and Reebok to drive most of the revenue expansion in EB over FY26-28**



Source: Company, HSIE Research

**Expect RoIC to hit ~13% by FY28**



Source: Company, HSIE Research

### Income statement

Year End (March)	FY25	FY26E	FY27E	FY28E
<b>Net Revenues</b>	<b>78,300</b>	<b>83,550</b>	<b>94,880</b>	<b>1,06,117</b>
Growth (%)	0.6	6.7	13.6	11.8
Material Expenses	32,720	33,912	38,083	42,222
Employee Expense	9,184	9,358	10,532	11,779
Rent Expense	7,647	7,770	8,729	9,742
Advertisement Expense	2,584	3,760	4,744	5,253
Other Expenses	14,247	15,367	17,109	19,324
<b>EBITDA</b>	<b>11,918</b>	<b>13,384</b>	<b>15,683</b>	<b>17,798</b>
<b>EBITDA Growth (%)</b>	<b>10.1</b>	<b>12.3</b>	<b>17.2</b>	<b>13.5</b>
<b>EBITDA Margin (%)</b>	<b>15.2</b>	<b>16.0</b>	<b>16.5</b>	<b>16.8</b>
<b>Pre IND AS EBITDA</b>	<b>5,508</b>	<b>6,465</b>	<b>8,000</b>	<b>9,404</b>
<b>Pre IND AS EBITDA Growth (%)</b>		<b>17.4</b>	<b>23.7</b>	<b>17.6</b>
<b>Pre Ind AS EBITDA Margin (%)</b>	<b>7.0</b>	<b>7.7</b>	<b>8.4</b>	<b>8.9</b>
Depreciation	7,057	8,003	8,517	9,401
<b>EBIT</b>	<b>4,860</b>	<b>5,380</b>	<b>7,166</b>	<b>8,397</b>
<b>EBIT - Pre IND AS</b>	<b>3,441</b>	<b>4,126</b>	<b>5,166</b>	<b>6,012</b>
Other Income (Including EO Items)	(206)	426	1,005	1,176
Interest	3,820	3,892	3,919	3,941
Interest - Pre IND AS	1,943	1,865	1,700	1,522
<b>PBT</b>	<b>834</b>	<b>1,915</b>	<b>4,251</b>	<b>5,632</b>
Total Tax	238	559	1,070	1,417
<b>RPAT</b>	<b>596</b>	<b>1,356</b>	<b>3,181</b>	<b>4,214</b>
Exceptional Gain/(loss)	(983)	(413)	-	-
<b>Adjusted PAT</b>	<b>1,579</b>	<b>1,769</b>	<b>3,181</b>	<b>4,214</b>
<b>APAT Growth (%)</b>	<b>(7.7)</b>	<b>12.0</b>	<b>79.8</b>	<b>32.5</b>
<b>Adjusted EPS (Rs)</b>	<b>1.3</b>	<b>1.4</b>	<b>2.6</b>	<b>3.5</b>
<b>EPS Growth (%)</b>	<b>(23.2)</b>	<b>12.0</b>	<b>79.8</b>	<b>32.5</b>

### Balance sheet

Year End (March)	FY25	FY26E	FY27E	FY28E
<b>SOURCES OF FUNDS</b>				
Share Capital - Equity	12,203	12,203	12,203	12,203
Reserves	562	2,611	6,514	9,039
<b>Total Shareholders' Funds</b>	<b>12,765</b>	<b>14,814</b>	<b>18,717</b>	<b>21,242</b>
<b>Preference Share Capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Long Term Debt	774	774	774	774
Short Term Debt	8,748	7,248	5,248	3,248
<b>Total Debt</b>	<b>9,522</b>	<b>8,022</b>	<b>6,022</b>	<b>4,022</b>
<b>Net Deferred Taxes</b>	<b>(1,299)</b>	<b>(1,299)</b>	<b>(1,299)</b>	<b>(1,299)</b>
<b>Other Non-current Liabilities &amp; Provns</b>	<b>27,987</b>	<b>30,004</b>	<b>32,071</b>	<b>34,224</b>
<b>TOTAL SOURCES OF FUNDS</b>	<b>48,975</b>	<b>51,541</b>	<b>55,511</b>	<b>58,189</b>
<b>APPLICATION OF FUNDS</b>				
Net Block	11,281	11,849	12,135	12,089
CWIP	130	130	130	130
Other Non-current Assets	24,255	21,450	18,748	15,843
<b>Total Non-current Assets</b>	<b>35,667</b>	<b>33,429</b>	<b>31,012</b>	<b>28,062</b>
Inventories	21,088	22,890	25,943	28,957
Debtors	13,221	13,734	15,545	17,328
Other Current Assets	9,808	10,575	12,009	13,431
<b>Cash &amp; Equivalents</b>	<b>1,708</b>	<b>4,713</b>	<b>9,335</b>	<b>13,225</b>
<b>Total Current Assets</b>	<b>45,825</b>	<b>51,912</b>	<b>62,831</b>	<b>72,940</b>
Creditors	21,213	22,204	25,163	28,085
Other Current Liabilities & Provns	11,303	11,597	13,169	14,729
<b>Total Current Liabilities</b>	<b>32,517</b>	<b>33,800</b>	<b>38,332</b>	<b>42,814</b>
<b>Net Current Assets</b>	<b>13,308</b>	<b>18,112</b>	<b>24,499</b>	<b>30,127</b>
<b>Others</b>				
<b>TOTAL APPLICATION OF FUNDS</b>	<b>48,975</b>	<b>51,541</b>	<b>55,511</b>	<b>58,189</b>

Source: Company, HSIE Research

### Cash flow statement

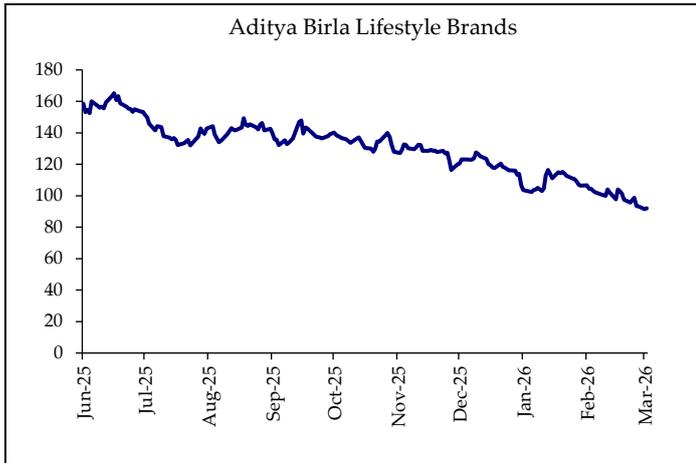
Year ending March	FY25	FY26E	FY27E	FY28E
Reported PBT	834	2,328	4,251	5,632
Non-operating & EO Items	(234)	(1,252)	(1,005)	(1,176)
Interest Expenses	3,820	3,892	3,919	3,941
Depreciation	7,886	8,003	8,517	9,401
Working Capital Change	(828)	(1,799)	(1,765)	(1,738)
Tax Paid	(36)	(559)	(1,070)	(1,417)
<b>OPERATING CASH FLOW ( a )</b>	<b>11,442</b>	<b>10,613</b>	<b>12,848</b>	<b>14,643</b>
Capex	(2,435)	(2,906)	(3,119)	(3,347)
Free Cash Flow (FCF)	9,006	7,707	9,729	11,296
Investments	2,446	-	-	-
Non-operating Income	58	839	1,005	1,176
<b>INVESTING CASH FLOW ( b )</b>	<b>69</b>	<b>(2,067)</b>	<b>(2,114)</b>	<b>(2,170)</b>
Debt Issuance/(Repaid)	(7,772)	(5,392)	(5,919)	(5,941)
FCFE	1,234	2,315	3,810	5,355
Share Capital Issuance	1	-	-	-
Dividend	-	-	-	(2,441)
Others	(4,532)	(150)	(192)	(200)
<b>FINANCING CASH FLOW ( c )</b>	<b>(12,304)</b>	<b>(5,541)</b>	<b>(6,112)</b>	<b>(8,582)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>(793)</b>	<b>3,005</b>	<b>4,622</b>	<b>3,890</b>
EO Items, Others	1,324	-	-	-
Closing Cash & Equivalents	531	3,535	8,157	12,047

### Key ratios

	FY25	FY26E	FY27E	FY28E
<b>PROFITABILITY (%)</b>				
GPM	58.2	59.4	59.9	60.2
EBITDA Margin	15.2	16.0	16.5	16.8
EBIT Margin	6.2	6.4	7.6	7.9
APAT Margin	0.8	1.6	3.4	4.0
RoE	12.4	12.8	19.0	21.1
RoIC (or Core RoCE)	8.7	8.5	11.2	13.4
RoCE	9.7	9.2	11.2	12.3
RoE*	9.1	7.6	10.3	10.8
RoIC*	9.0	8.7	10.2	11.2
RoCE*	9.3	8.1	9.9	10.4
<b>EFFICIENCY</b>				
Tax Rate (%)	13.1	24.0	25.2	25.2
Fixed Asset Turnover (x)	6.6	5.6	5.3	5.0
Inventory (days)	98	100	100	100
Debtors (days)	62	60	60	60
Other Current Assets (days)	46	46	46	46
Payables (days)	99	97	97	97
Other Current Liab & Provsns (days)	53	51	51	51
Cash Conversion Cycle (days)	54	59	58	58
Net Debt (Rs mn)	7,814	3,309	(3,313)	(9,203)
Net D/E (x)	0.6	0.2	(0.2)	(0.4)
Interest Coverage (x)	1.3	1.4	1.8	2.1
<b>PER SHARE DATA (Rs)</b>				
EPS	1.3	1.4	2.6	3.5
CEPS	7.1	8.0	9.6	11.2
Dividend	-	-	-	2.0
Book Value	10.5	12.1	15.3	17.4
<b>VALUATION</b>				
P/E (x)	70.3	62.8	34.9	26.4
P/BV (x)	8.7	7.5	5.9	5.2
EV/EBITDA (x)	21.6	17.7	13.5	10.8
EV/Revenues (x)	1.5	1.4	1.1	1.0
OCF/EV (%)	9.6	9.3	11.9	14.4
FCF/EV (%)	7.6	6.7	9.0	11.1
FCFE/Mkt Cap (%)	1.1	2.1	3.4	4.8

Source: Company, HSIE Research

**Price Movement**



**Rating Criteria**

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: >10% Downside return potential

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