Dated: 6 Nov 2025

Aditya Birla Fashion and Retail (ABFRL) – REDUCE

Q2FY26 Result Update

Current Market Price (CMP)	Fair Value (FV)
Rs84	**Rs.78**

Rationale:

- Q2FY26: Profitability remains under pressure.
- ABFRL posted revenue growth of 12.6% yoy, with Pantaloons revenue increasing 5.5% yoy and ethnic portfolio revenue increasing 15% yoy.
- Sharp margin improvement required for turnaround in profitability.
- Pantaloons remains in reorganization mode, posts 5.5% yoy revenue growth.
- We model in weaker margins in Pantaloons and a longer path to profitability for other businesses.
- We have a REDUCE rating on the name, with a December 2027 SoTP-based FV of Rs78 (previously Rs81).

Positives:

- Company expects growth to revive only from FY27 onward.
- Ethnic business reported decent 15% yoy growth.
- ABFRL’s debt decreased to Rs1720cr, as of September 2025.

Negatives:

- Reported EBITDA of Rs68.8 cr with EBITDA margin of 3.5%, a contraction of 110 bps yoy.
- Profitability of various segments of ABFRL remains under pressure.
- Margin was lower than estimates, given higher than-expected other expenses.
- Pantaloons had two store closures in Q2 and exited the quarter with 403 stores.

(EBITDA: Earnings before interest depreciation and tax, SoTP: Sum of the parts)

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	**Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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NA	–	**Not Available or Not Applicable.** The information is not available for display or is not applicable
NM	–	**Not Meaningful.** The information is not meaningful and is therefore excluded.
NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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