



## **Aditya Birla Fashion and Retail Limited: Sales and Distribution**

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### **ABSTRACT**

Research work is about the ABFRL company is well established and one the highly reputed biggest conglomerate companies in India. The research topic is about the History of the company and how the ABFRL formed by merging two independent entities of the Aditya Birla Group's retail business units. The rank positions earned by the company, its holdings and reputation.

In this research we study about the SWOT analysis of the company and how it operates its supply chain function across the country with better and optimized model. So, it is also one of the reasons that it has core competency in sales and distribution department. Also, this research had the financial analysis of the company from FY 2014 to end of the first wave of Covid-19 i.e., to FY 2020.

### **Introduction**

Aditya Birla group is a multinational conglomerate company. Which has around 1.2 lakh human resource which operates more than 40 countries across the world and Aditya Birla group reviews its half of the revenue from the foreign countries and Aditya Birla Fashion and Retail Limited (ABFRL) had around 3,978 stores across the country, around 33,353 multiple outlets and around 6,725 sales department stores are working across the India.



Aditya Birla group was one of the most ranked company in Indo Pacific region. Birla group was topped with first rank and awarded as best corporate retail company which is awarded by the Nielson's corporate image it hosted by Nielson company (ABFRL) is the one of the business unit of Aditya Birla Group which mainly focuses on the fashion Products like Clothing, Shoes, leather products such as the belts, handbags, leather shoes, and goggles, etc.

“Aditya Birla Fashion and Retail Limited” (ABFRL) before its merge it had been working as two different entities. they are “Pantaloons Fashion and Retail” (PFRL) and “Madhura Fashion and Lifestyle” (MFL). After 2015 these two different fashion brands where merged and brought together to make single nuclear company has “Aditya Birla fashion and retail limited”.

Present day the competition for the retail goods is very high, so to return in this competitive world the companies need to provide good quality products at lower price and products must be in accordance with the taste and preference of the consumer. ABFRL conducted the survey to ensure the test and preference of the consumer for purchase of fashion products. They have taken variables as (price of the product, income of the consumer, quality of the product and satisfaction level).

### **Global holdings of Aditya Birla group:**

- Aditya Birla group is number one in production of viscose fiber.

- Aditya Birla group comes at first position in production of carbon black.
- Aditya Birla group is fifth position in production of acrylic fibers.

#### **Position of Aditya Birla group in India:**

- Aditya Birla group is one of the top fashion retailers in India.
- Aditya Birla group is the second biggest sellers of the viscose filament in our country.
- Aditya Birla group top speed list in production of chloralkaline.
- Aditya Birla group also has good holdings in telecom and insurance industries.
- Aditya Birla group is also best known for its retail supply chain.

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### **Vision & Mission**

#### **Vision:**

Vision of ABFRL is to become a globally well recognized fashion multinational company, developing the standards for quality of fashion products, and providing the products which are innovative and sustainable to the consumer.

#### **Mission:**

- Deliver the best quality products which are stylish and modern according to the taste and preference of the consumer. which are affordable to all customers.
- Continuous innovation on developing the new products which are suitable to new generation and improving the service quality according to their needs.
- Building a strong relationship between the well-established international brands and expanding the portfolio in international market.
- Encouraging the employees with providing better work environment giving them personal space for individual growth & relationship building with another employee.
- Developing communication and technology-based skill in employees which are required for present generation and also for their career growth.
- Running the business ethically by respecting the regional culture, tradition and values, and involve in the social work and making contribution to the society for better future.

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### **Literature Review**

- (Sample Citation) Johnson, B. C. (2020). Exploring the impact of celebrity endorsements on brand equity: A study of ABFRL's brand partnerships. *International Journal of Brand Management*, 35(2), 145-163.

From the above research paper, the topic about Brand collaboration endorsement of the ABFRL was analyzed and made the insights on that.

- (Sample Citation) Smith, A. (2019). The role of digital marketing in fashion retail: A case study of Aditya Birla Fashion and Retail Limited. *Journal of Fashion Marketing*, 10(3), 221-238.

From this above research topic, the points like digital marketing and initiative took by the ABFRL was clearly explained.

- (Sample Citation) Johnson, B. C. (2020). Exploring the impact of celebrity endorsements on brand equity: A study of ABFRL's brand partnerships. *International Journal of Brand Management*, 35(2), 145-163.

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### **Supply Chain Management**

- **Sourcing and Procurement:** ABFRL procure its raw materials and products from within the country and foreign countries from various suppliers in bulk to meet its customer's demand. By negotiation they reduce the cost of incur without compromising of qualities of the product.
- **Manufacturing and Production:** ABFRL have its own well-established network of supply chain which moves the products at any corner of the country efficiently within the provided time. It will happen because ABFRL have own warehouses at different locations to look after the inventories which help them in ease movement of logistics from one place to another place.
- **Distribution and Logistics:** ABFRL has always keep extra stock well in advance to avoid the shortage of the products in future, it also uses the inventory forecasting system to predict the future demand of the products in accordance with that they decide the weather is there need to

procure the materials or not. if there is excess of material in the godown then to ensure fast moving of the products they offer discount on purchase of such products for fast moving.

- **Retail Operations:** ABFRL has retail store across the India as well as in foreign countries which helps it in visual merchandising and public advertisement of the company. along with that it also helps in selling of products in local region physically which provides customers to shopping experience.
- **Inventory Management:** ABFRL forecast the demand of the products in future which helps it in maintaining the inventory level, unexpected seasonal trends and changes in the customers taste and preferences for the future sales.
- **Demand Forecasting:** ABFRL uses the real time sales of products which helps in managing the supply chain and easy tracking of the products which delivering to the customers and forecast the demand of the products in future which helps it in maintaining the inventory level
- **Sustainability and Ethical Practices:** sustainability and ethical business practices are very important in the corporate to build the customer loyalty and trust. It also helps in building the goodwill of the company.
- **Online Presence:** To sustain in present competitive world company must be ready in all the angles to counter rivalries, so for that it is must needed for the company that it also should sell their products through online also. so, ABFRL also has its own website where it sells all kind of products of different brands.
- **Customer Relationship Management:** Management of customer relation is also as important as of other activities, to keep good customer relation it must surprise the its loyal customers with gifts, coupons and offers.

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## SWOT Analysis

### Strength:

- **Diverse Brand Portfolio:** ABFRL sells more than 33 thousand brands from across the world i.e., brands from both India and other foreign countries. It also sells Internationally well recognized brands like Pantaloons, Allen Solly, Van Heusen, and Peter England and some of them were also acquired by the ABFRL like Allen Solly. So, which helps it to sell the wide range of products from affordable to luxurious products.
- **Extensive Retail Network:** ABFRL has its own thousands of warehouses, godown, and distribution centers across the country which helps in ensuring the smooth supply of logistics from one place to the another. ABFRL has retail store across the India as well as in foreign countries which helps it in visual merchandising and public advertisement of the company. along with that it also helps in selling of products in local region physically which provides customers to shopping experience.
- **Strong Parent Company:** Aditya Birla Group is the parent company of ABFRL which is the conglomerate international corporate. Which helps in growth and development of the company by continuously providing financial and human recourse support.
- **Fashion Design and Innovation:** ABFRL has skilled fashion designers who are continuously work on research and development of development of modern, innovative fashion clothes as per the needs, taste and preferences of the current generation youth.

### Weakness:

- **High Competition:** Indian market is highly competitive than any other country because of its different cultural, ritual and traditional background along with those well-established rivalries like, reliance trends, Myntra, Ajio and other online fashion e-commerce companies are threat to the company.
- **Dependence on Indian Market:** Even though ABFRL is well established in the market but it is highly dependent on the regional market which can be vulnerable to the company in coming time.

### Opportunity:

- **E-commerce Growth:** Nowadays increase in the popularity on trust on the e-commerce industry give an opportunity of ABFRL to expand itself in this field because e-commerce is the future of Marketing and selling of products.
- **Expansion into Tier II and III Cities:** Peoples in metro cities are more aware of the fashion products and luxurious products which gives more profit margin to the company. So, ABFRL can invest and expand its stores in urban areas.
- **International Expansion:** ABFRL sells almost all globally recognized brands in its store and their stores also doing very well in overseas countries. So, it can expand their branches in more and more countries.

### Threat:

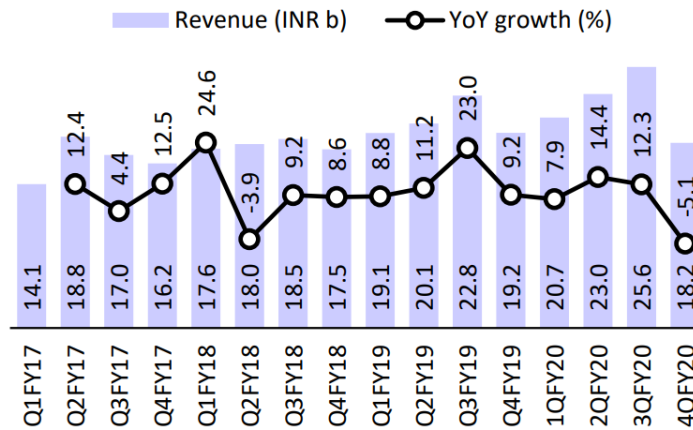
- **Economic Fluctuations:** Due to the fluctuation in the currency exchange rate and inflation there is significant effect on the lifestyle of the people which badly affect their buying preference, frequency, and taste and preference eventually reduction in the sales of the product.

- **Changing Consumer Preferences:** Due to increased competition day by day, there is development of new products taking place due to high spending on research and development, and innovation. Because of these new trends and stylish products are entering the market. Because of that taste and preference of the consumers also changing frequently. So, surviving in this competitive market become difficult.
- **Supply Chain Disruptions:** Any kind of disruption in the supply chain is adversely affect the ABFRL's business because supply chain is its core competency, if any changes will happen then ABFRL's whole business will get affected.

**Methodology**

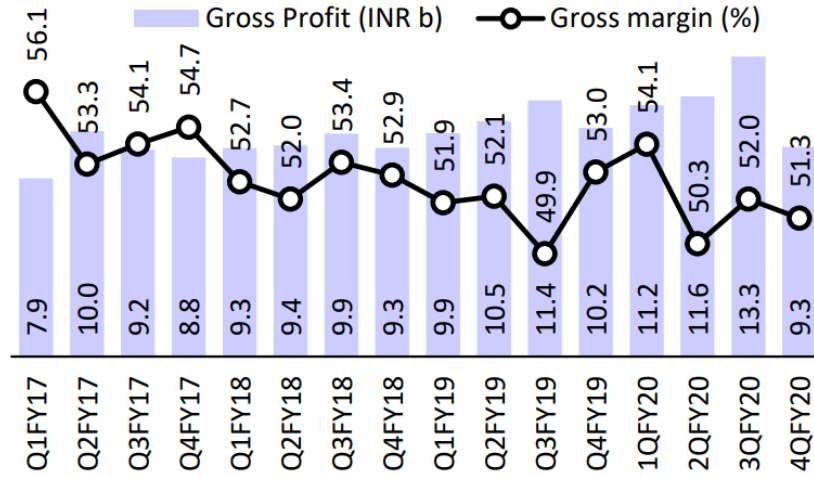
The data which going to discuss in this research is about the financial statements of ABFRL company. in this we are going to analyze the Revenue, Gross profit, EBITDA, Profit after the tax, P/E ratio, ROI and total No. of store across the country from Fiscal Year 2017 to the Fiscal Year 2020 Quarterly based. And how it is affected their revenue and PAT.

**P/L Account Quarterly Basis:**

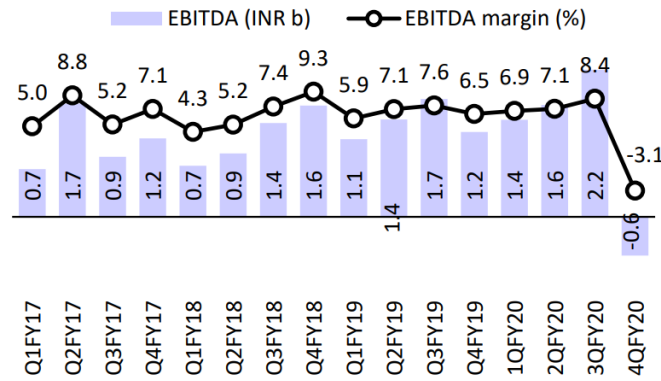


From the above we can clearly understand that increase the revenue from 14.1 to 18.2 from FY 2017 to 2020 with around 29% of growth but we can also see that there is significant negative effect of Covid-19 on the revenue with negative growth of -5.1%

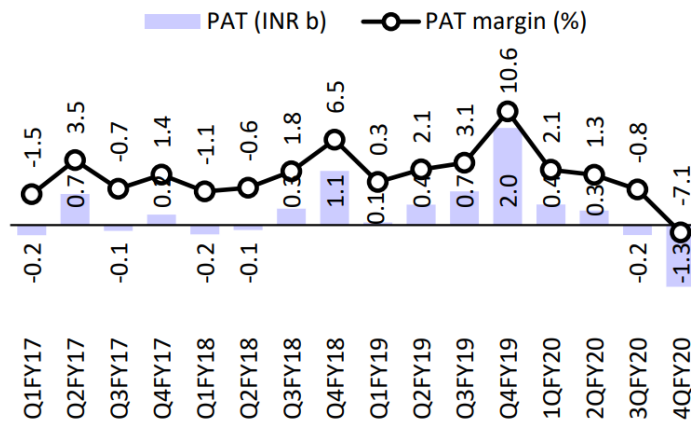
Y/E March	FY19				FY20				FY19	FY20
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
<b>Revenue</b>	<b>19,135</b>	<b>20,073</b>	<b>22,816</b>	<b>19,153</b>	<b>20,655</b>	<b>22,972</b>	<b>25,625</b>	<b>18,174</b>	<b>81,177</b>	<b>87,425</b>
YoY Change (%)	8.8	11.2	23	9.2	7.9	14.4	12.3	-5.1	13.2	7.7
Total Expenditure	17,997	18,645	21,086	17,908	19,231	21,329	23,466	18,744	75,637	82,770
<b>EBITDA</b>	<b>1,138</b>	<b>1,428</b>	<b>1,729</b>	<b>1,245</b>	<b>1,424</b>	<b>1,642</b>	<b>2,158</b>	<b>-569</b>	<b>5,541</b>	<b>4,655</b>
Change, YoY (%)	52.3	53.4	25.6	-23.7	25.1	15	24.8	-145.7	18.3	-16
Depreciation	723	691	680	729	596	660	639	592	2,823	2,488
Interest	444	497	480	453	437	519	523	643	1,874	2,123
Other Income	85	187	134	242	315	131	112	140	648	697
<b>PBT</b>	<b>56</b>	<b>427</b>	<b>703</b>	<b>305</b>	<b>705</b>	<b>594</b>	<b>1,108</b>	<b>-1,665</b>	<b>1,492</b>	<b>741</b>
Tax	0	0	0	-1,721	275	289	1,315	-379	-1,721	1,500
Rate (%)	0	0	0	-564	39	48.7	118.7	22.7	-115.4	202.4
<b>Reported PAT</b>	<b>56</b>	<b>427</b>	<b>703</b>	<b>2,026</b>	<b>430</b>	<b>305</b>	<b>-207</b>	<b>-1,286</b>	<b>3,213</b>	<b>-759</b>
<b>Adj PAT</b>	<b>56</b>	<b>427</b>	<b>703</b>	<b>87</b>	<b>430</b>	<b>551</b>	<b>856</b>	<b>-1,286</b>	<b>1,273</b>	<b>551</b>
YoY Change (%)	NM	NM	105.3	-80.4	667.8	29	21.8	-1,582.40	157.7	-56.7



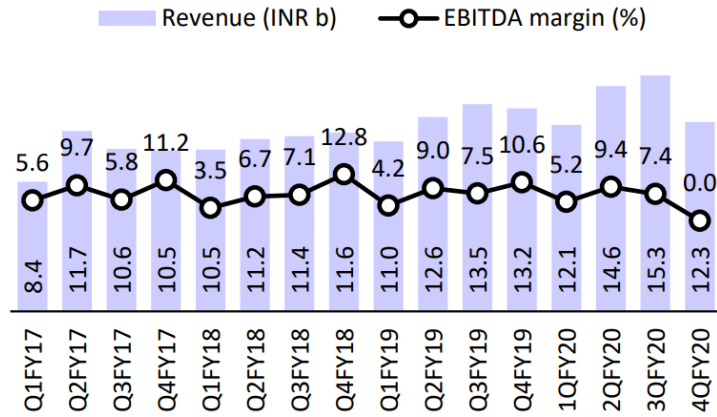
From above Graph we can clearly analyze that there is increase in the Gross profit from 7.9 Billion INR to 9.3 Billion INR with 17.2% increment. But Covid-19 affected the business badly and there is decrease in Gross profit with 22.5% decline in the gross revenue.



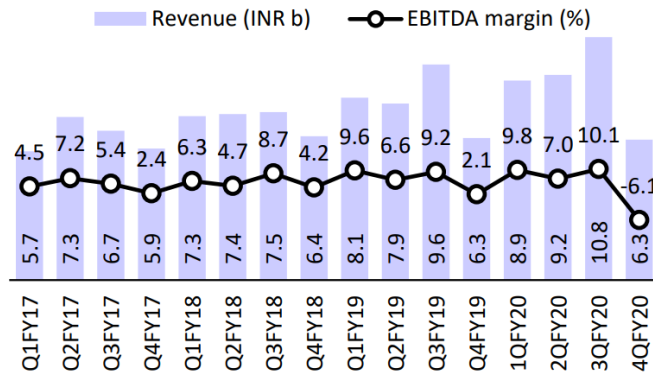
EBITDA was increased from 0.7 billion INR to 2.2 billion INR from Q1 of FY 2017 to Q3 of FY 2020 but suddenly EBITDA was fall to - 0.6 billion INR which is happened because of the disruption caused by Covid-19 pandemic.



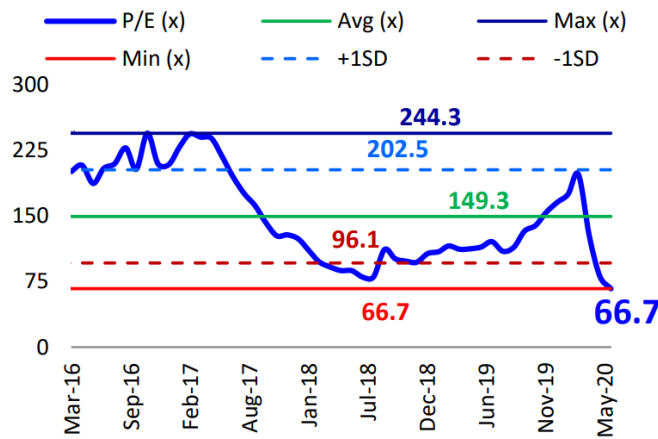
PAT of ABFRL was always fluctuating Air by air in Q1 of FY 2017 PAT was -0.2 billion INR but it was grown to 2 billion INR by Q4 of FY 2019 but due to Kuwait 19 pandemic and adversely affected the pat and by the end of Q4 of FY 2020 it had a loss of -1.3 billion INR.



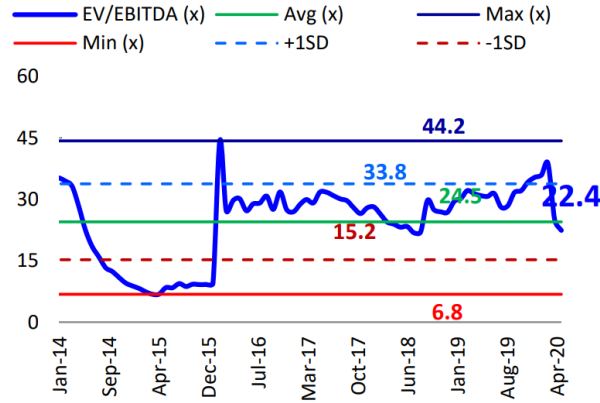
Revenue from “Madhura fashion and Lifestyle” (MFL) was increased from 8.4 billion INR to 12.3 billion INR in just 4 years of period that is from Q1 of FY 2017 to Q4 of FY 2020 with 46% of growth rate.



Revenue of PFRL was increases from 5.7 billion INR to 10.8 billion INR from Q1 of FY 2017 to Q3 of FY 2020. But it was fall to 6.3 billion INR in single quarter with 41.5% of decline rate.



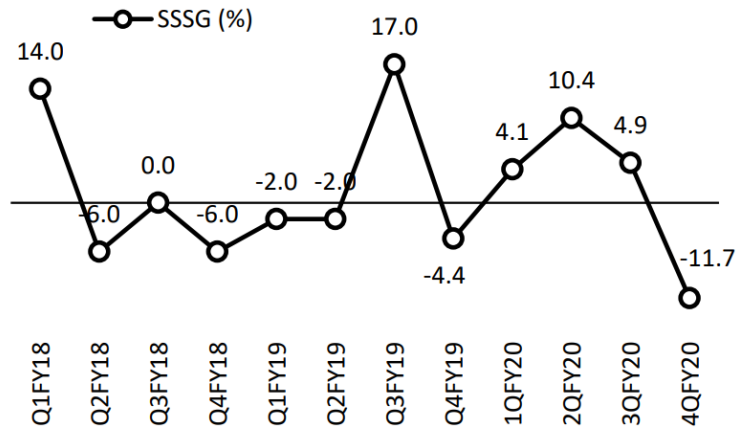
Earnings per Share i.e., (EPS) was decreased from ₹202 to ₹66 from March of 2016 to May of 2020.



EBITDA/sale was decreased from 33.8 million to 22.4 million from FY 2014 to FY 2020.

**Key Performance Indicator:**

Key performance indicators											
Y/E March	FY19				FY20				FY19	FY20	FY20
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE
<b>Pantaloons</b>											
SSSG (%)	-2%	-2%	17%	-4%	4%	10%	5%	-12%	1%	3%	-13%
Store Adds	7	6	14	6	6	17	12	-1	33	34	15
Total Stores	282	288	302	308	314	331	343	342	308	342	358
EBITDA Margin (%)	9.6	6.6	9.2	2.1	9.8	7	10.1	-6.1	7.2	6.3	2.1
<b>Lifestyle Business</b>											
SSSG (%)	NA	8	8	6	3.2	7	15	-6	-0.8	6.8	-14
EBO Stores	1,838	1,897	1,959	1,980	2,057	2,117	2,187	2,253	1,980	2,253	2230
- New stores	25	59	62	21	77	60	70	66	167	273	43
Value Stores	391	391	410	426	449	427	469	446	426	446	475
- New stores	14	0	19	16	23	-22	42	-23	49	20	6
EBITDA Margin (%)	4.2	9	7.5	10.6	5.2	9.4	7.4	0	8	5.8	7.2
Gross Margins (%)	51.9	52.1	49.9	53	51.9	50.3	52	51.3	51.6	51.9	53.5
EBITDA Margins (%)	5.9	7.1	7.6	6.5	6.9	7.1	8.4	-3.1	6.8	5.3	4.1
PAT Margins (%)	0.3	2.1	3.1	0.5	2.1	2.4	3.3	-7.1	1.6	0.6	-1.7



SSSG means growth in the sales of the products from the same store in same region from previous year. SSSG was larger affected and decrease from the growth of 14% to -11.7% from Q1 of FY 2018 to Q4 of FY 2020.

## Conclusion

From the above financial analysis of the ABFRL we come to know that even if sales are pretty good but the company still struggling to gain profit in PAT along with that Covid-19 pandemic also adversely affected its sales. So, because of those sales and revenue had negative growth.

## References and Bibliography

- Tandel, J. (2019). Expansion in Infant Wear Category-Allen Solly Junior, Company-(Aditya Birla Fashion & Retail Limited) Allen Solly Junior.
- (Sample Citation) Johnson, B. C. (2020). Exploring the impact of celebrity endorsements on brand equity: A study of ABFRL's brand partnerships. *International Journal of Brand Management*, 35(2), 145-163.
- (Sample Citation) Smith, A. (2019). The role of digital marketing in fashion retail: A case study of Aditya Birla Fashion and Retail Limited. *Journal of Fashion Marketing*, 10(3), 221-238.