Flipkart sells ABFRL stake in ₹582-cr deal

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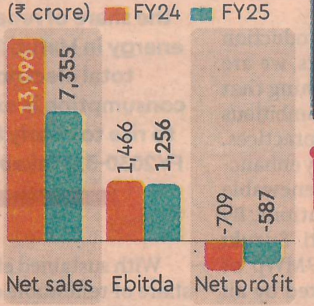
WALMART-OWNED FLIPKART ON Wednesday sold its entire 6% stake in Aditya Birla Fashion & Retail (ABFRL) in a ₹582-crore bulk deal.

Following the stake sale, shares of Aditya Birla Fashion & Retail (ABFRL) plunged 10.69% to close at ₹76.79 on the BSE. On the NSE, the scrip slumped 10.37% to ₹77.08.

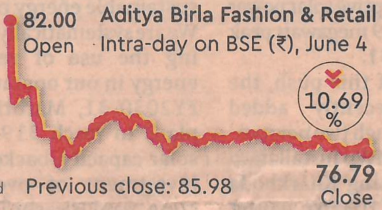
Flipkart Investments had offered to sell its entire 73.17 million shares at a floor price of ₹79.50 per share, which was at a 7.5% discount to the last closing price of ₹85.98 on the BSE, according to a term sheet viewed by *FE*. Goldman Sachs was the sole book runner to the deal.

In the last few weeks, a number of promoters, private equity funds and large investors pared their stakes in companies, taking advantage of the rebound in the equity markets, experts said.

Prime Database data show that in May alone, promoters and other large investors sold shares worth ₹43,400 crore. Included in this list was BAT trimming its stake (25.4%) in ITC by 2.5% for ₹12,927 crore.



Source: Bloomberg; numbers are consolidated



Shares of ABFRL have fallen around 11% in the last one year. The company recently demerged Madura Fashion & Lifestyle business into a separate entity, called Aditya Birla Lifestyle Brands (ABLBL), which is likely to list by June-end.

ABLBL will house prominent brands such as Louis Philippe, Van Heusen, Allen Solly, Peter England, Reebok, and others, including casual wear lines like American Eagle and Forever 21, as well as the innerwear segment under Van Heusen. ABFRL will retain brands such as Pantaloons, Sabyasachi and Collective.

The company reported net sales of ₹7,355 crore and a net loss of ₹587 crore for FY25.

In an earnings call last week, ABFRL said it would incur a capital expenditure of ₹500 crore in FY26 to turn around loss-making businesses such as TCNS Clothing, which owns women's ethnic wear brand W, Tasva, a men's wedding and occasion wear brand, and digital-to-consumer entity TMRW. The company would also likely raise funds which are to be used in the turnaround process.

The firm indicated that the largest increase in margins would come from turning around its loss-making businesses. Excluding TMRW, ABFRL would likely turn Ebitda-positive in FY26.

"The largest uptake in margins will come from turning the businesses which are currently negative Ebitda and taking away from profitability – TCNS being the largest, Tasva the second, and TMRW being the other," Ashish Dikshit, managing director, ABFRL, said in the investor call.

Dikshit said while every business in the company would achieve profitability by FY27, TMRW would take one more year to turn profitable.