



VISIT NOTE

ADITYA BIRLA FASHION AND RETAIL

Growth arsenal in place

India Equity Research | Retail



We recently met Mr. Ashish Dikshit (MD) and Mr. Jagdish Bajaj (CFO) of Aditya Birla Fashion and Retail (ABFRL). Their key perspectives are: i) management confident of low double-digit revenue growth in *Lifestyle*, backed by product rejuvenation (focus on male casuals, women & kids portfolio) & integration with e-commerce channels; ii) *Pantaloons* to clock mid-teens growth with 75-80bps YoY margin expansion p.a. over the next three years; iii) cumulative FY20 losses in other brands (*People*, *Forever21*, innerwear, foreign brands) pegged at ~INR1.2-1.3bn; and iv) innerwear business to turnaround by FY23 with revenue of ~INR5bn. Given management's sharpened focus on expansion, prudent capital allocation and ramp-up of innerwear, we retain 'BUY' with TP of INR260.

Lifestyle brands: New initiatives in place to fuel growth

With an eye on propelling its *Lifestyle* business, management has taken several fresh initiatives, key being: a) revamped product mix; b) integrated with e-commerce platforms; c) developed an omni-channel strategy; and d) shortened inventory cycle. We perceive these as potent steps to propel the business. Management estimate these, along with store expansion, to aid low double-digit revenue growth in FY20/21E.

Pantaloons gaining traction; other brands on strong wicket

ABFRL expects various measures effected—better product planning, inventory control, cost rationalisation and improving customer engagement—to give a leg up to *Pantaloons*. Given the burgeoning demand, management estimates it to clock mid-teens growth in FY20. Cumulative losses in *People*, *Forever21*, innerwear and foreign brands are expected to dip by INR150-200mn in FY20 and by INR250-300mn each in FY21 and FY22. By FY23, management expects these losses to be eliminated. However, losses in the new ethnic wear businesses could be ~INR200-300mn p.a.

Outlook and valuation: Bright prospects; maintain 'BUY'

Sustained revival in organised retail formats, prudent store expansion, strategic changes in *Forever21* and focus on innerwear and new brands instill confidence in ABFRL's growth. We retain 45x 12 months forward PE (10% discount to Trent), as we roll-forward to June 2021, yielding a TP of INR260. The stock is trading at 36.2x FY22E P/E. We maintain 'BUY/SO'.

Financials

	(INR mn)			
Year to March	FY19	FY20E	FY21E	FY22E
Revenues (INR mn)	81,177	92,332	103,759	116,595
Rev. growth (%)	13.2	13.7	12.4	12.4
EBITDA (INR mn)	5,540	13,942	16,186	18,422
Adjusted Profit (INR mn)	3,212	1,893	3,839	5,009
Adjusted Diluted EPS (INR)	4.2	2.5	5.0	6.5
Diluted P/E (x)	56.4	95.7	47.2	36.2
EV/EBITDA (x)	35.7	15.0	12.4	10.3
ROAE (%)	25.5	12.4	21.2	22.2

EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Outperform
Risk Rating Relative to Sector	Low
Sector Relative to Market	Overweight

MARKET DATA (R: ADIA BO, B: ABFRL IN)

CMP	: INR 231
Target Price	: INR 260
52-week range (INR)	: 250 / 180
Share in issue (mn)	: 773.7
M cap (INR bn/USD mn)	: 179 / 2,565
Avg. Daily Vol.BSE/NSE('000)	: 649.9

SHARE HOLDING PATTERN (%)

	Current	Q2FY20	Q1FY20
Promoters *	59.1	59.1	59.1
MF's, FI's & BK's	20.8	20.8	18.8
FII's	9.7	9.7	9.8
Others	10.4	10.4	12.3
* Promoters pledged shares (% of share in issue)	:	NIL	

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Retail Index
1 month	(1.4)	7.0	7.7
3 months	(1.0)	7.9	8.6
12 months	9.2	12.4	(0.8)

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Meeting with ABFRL management: Key takeaways

(a) *Lifestyle* brands: Change in tack boosting growth

(1) On growth

SSSG and revenue growth of ABFRL's *Lifestyle* business remained tepid during FY15, FY16 and FY17 with SSSG of 0%, 0.1% and -6.7%, respectively. This translated into revenue growth of 15.8%, 6.5% and 3.4% for the said years. At that time, the key area of concern for management was sluggish growth in the male formal segment and the nascent issue of aggressive discounting by e-commerce players.

To counter competition and expand its offerings, ABFRL has revamped its portfolio with a wide range of casuals, footwear and accessories across all four brands. Initially, offerings of many of the company's *Lifestyle* brands such as *Louis Phillippe* and *Van Heusen* were perceived to be largely formal. However, management took cognizance of feedback and has worked hard to improve its casual wear offerings. Case in point is display of casual wear clothing in store windows, which helps change customers' perception.

Moreover, the kids wear portfolio within *Allen Solly* and women's wear portfolio in *Van Heusen* have been gaining traction. This, management attributes to improvement in brand communication and sourcing of quality designs. The change in product assortment mix has been critical in boosting superior growth the brands have clocked recently. Given the country's changing demographics and the rising population of Indian youth, **management firmly believes that each of the brands are positioned to chart a strong growth trajectory and have a revenue growth potential of low double digit with steady margin expansion in the coming time.**

Along with these, **tie-up with e-commerce platforms has worked in favour of ABFRL's brands.** Improving relationship with the e-commerce players and integrating the e-commerce channel into core strategy have helped grow *Lifestyle* brands. This is a marked change from earlier strategy of employing e-commerce for inventory liquidation rather than using it as a growth channel. Management believes that the change in strategy will continue to help the business given the rise in popularity and the traction seen in the e-commerce channel. E-commerce continues to be the fastest growing channel—share of business is high single digit. Thrust is on selling value for money and full price products.

While focus on e-commerce has helped the business, management will continue to expand ABFRL's EBO network and expects brick-and-mortar stores to perform well. With better integration with digital channels, **physical stores are also acting as delivery channels for the online orders expediting the turnaround time to deliver the online orders. The company is also working to improve its omni-channel strategy which too is helping clock superior growth.**

Fig 1: Differentiated offering as you login four brands of ABFRL



Source: Company website, Edelweiss research

(2) New strategy to shorten and shorten inventory cycle

Initially, ABFRL used to host two tradeshows every year, wherein traders and dealers from across the country were invited at Bengaluru to look at samples. Basis their liking, traders and dealers would then place orders. However, post the tradeshows, communication with the dealers used to be very limited. Hence, the supply used to happen on the dealers' initial forecasts and opportunity to factor in any correction was very limited.

Now, management has moved to organising digital tradeshows, which has streamlined the communication with dealers and has decreased the ordering cycle from an annual/semi-annual basis to a monthly basis. In digital tradeshows, every month a catalogue is sent to the procurement partners through digital channels and the orders are collected accordingly. **Due to this adoption of the monthly cycle, the inventory build-up is likely to decline and make the capital allocation more efficient.**

With the inventory cycle shifting to a monthly interval, the business is likely to benefit from a stable and sustainable growth trajectory and reduction in balance sheet burden. Further, ABFRL is also asking its partner wholesalers to stock-up goods which other wholesalers from nearby areas are ordering, thereby cross-pollinating between wholesalers in same region and reducing the delivery time.

(3) Peter England Red: Tapping into tier III and IV demand

ABFRL has rolled out a new format—*Peter England Red*—for its *Peter England* brand stores in tier III and IV markets. The new format is primarily aimed at tapping burgeoning demand in these markets for *Peter England* products. The store size for the new format is typically 800-2,000 sq ft much smaller than the normal format. **In the new format, ABFRL only bears the inventory risk as these stores run on the franchise model.** It, however, gets the deposit for inventory given to franchisees. Management is helping franchisees in sales and promotions to encourage entrepreneurship in tier III and IV markets. **We believe this format could see good traction in the coming time and could also help in the omni-channel strategy ABFRL is looking to grow.**



(4) ABFRL on scale growth path despite slowdown winds

ABFRL remains optimistic on potential growth in apparel. Irrespective of the current slowdown, **management is confident of clocking low double digit revenue growth in FY20 bolstered by healthy SSSG and store expansion pace.** On the cost front, most of the spending pertaining to investments to develop the omni-channel medium and integrating existing stores has been done. **Hence, management does not expect any material increase in operating costs and has kept EBITDA guidance intact.**

(b) Pantaloons

(1) Broad growth contours

When ABFRL had acquired the *Pantaloons* brand, they had essentially acquired the brand but not the way of running the business. Earlier the thought process was to manage the back-end costs to confirm to the selling price, for instance if a product was sold for INR499, the costs in the back-end were managed so as to maintain the margins on that selling price. Now, since there is **increased focus on product planning, benchmarking, and better control over the inventory,** the company is much more confident of the *Pantaloons* format and its ability to sell inventory. With the format being largely stabilized now, the next step is to ramp up the store expansion. The company is geared up to open 65 Pantaloons stores in FY21 and approx. 70-75 stores every year going ahead. The format's store size has also been revamped to 8,000-10,000 sq. ft from 10,000-13,000 sq ft earlier to improve the return metrics. **The company has also consolidated a few brands in Pantaloons recently, to promote the value-for-money product range.**

The large format stores continue to perform well and the management is witnessing good traction in those stores. Even the new medium-format stores continue to do well both in large as well as small cities. Even the stores which are located in prime areas, carry products across multiple price points to cater to different customer segments. In order to improve the customer engagement, customers who purchase above a threshold amount receive a telephonic call inviting them for the preview of the new range of clothing or the EOSS. The company is taking initiatives to improve the customer experience which is likely to benefit them in the longer run.

(2) Launch of new brand identity – Is this also for Pantaloons?

ABFRL is working to launch a **new brand identity which will be rolled out in March at the Palladium Mall, in Mumbai.** The company has increased the ad and marketing spends for the launch of its new brand identity which is expected to position the brand more as a contemporary fashion brand.

(3) Overall

On growth front, the **management expects Pantaloons to clock mid-teens YoY growth in FY20 with a 75-80 bps YoY margin expansion.** Of the 308 stores, 240 stores are being counted in the SSSG growth and the performance of those stores has been good. This will aid the company-level SSSG to remain robust. Sales from new stores across all formats have also been good in FY20 so far. Both these factors are likely to help achieve guided revenue growth of 14-15%. **Further, the company remains confident of approx. 75bps YoY gross margin expansion p.a. over next 2-3 years.**



From a capital employed standpoint, the overall capital employed in Pantaloons so far is INR15bn, but part of it also pertains to goodwill. However, if goodwill were to be knocked off, the **effective capital employed is approx. INR5bn. For FY20, Pantaloons is expected to clock an EBIT of INR2bn, thereby yielding approx. 40% return on capital employed.** Thus, the company continues to remain aggressive on steady store expansion trajectory coupled with better capital efficiency.

(c) **Other businesses**

Cumulative losses in the other brands (*People*, *Forever21*, innerwear and foreign brands) will be approx. INR1.2-1.3bn. These losses will gradually reduce by INR150-200mn in FY20, and by INR250-300mn in each FY21 and FY22. By FY23, the management expects these losses to get over.

1. People

People is being developed as a private label under the Pantaloons brand. *People* stores will either be taken over by *Lifestyle*, or by the new initiative of Madura called '*StyleUp*'. **Before this integration gets completed, there could be some interim write-off but from FY21, management expects the *People* brand to become profitable.** Revenue of *People* was in excess of INR1bn for FY19.

2. Forever21

In *Forever21*, ABFRL has negotiated with the parent entity to have control over local sourcing and over the selection of clothing as per ABFRL's requirement. The objective now will be to improve the product offering and turn the format profitable. As of now, ABFRL does not have the authority to place *Forever21* products in any of its other formats and hence existing *Forever21* stores will continue to operate until there are changes made in the agreement. The company, however, has downsized store sizes, which has helped reduce rental cost and improve operating efficiency. Currently, *Forever21* store count stands at 20 across India.

3. Innerwear

The innerwear segment clocked revenues of INR1.9bn in FY19 and the management expects the segment to clock revenue of INR3bn in FY20. By FY22, the management expects the innerwear segment to have INR5bn topline. Of the total sales, athleisure category would be approx. 40%. The company remains optimistic of achieving EBITDA breakeven once the revenue touches INR5bn.

The company is confident of the superiority of their product and hence the procurement cost for the product is also high. Thus, **economies of scale are imperative for achieving the break even.** While scale plays a critical role to make operating profits, product distribution is key for achieving scale in the innerwear business. **Currently, the Van Heusen brand innerwear is present in over 18,000 outlets (Page Industries' Jockey is present across 50,000 outlets).** The company has already made upfront investments for scaling the innerwear segment and has the requisite infrastructure to scale the inner wear business to make it INR10bn category for ABFRL. Thus, all incremental revenues will only aid in segment getting benefit of operating leverage.



4. International brands

Though international brands are doing well, they continue to incur minor losses. **Management expects this segment to turnaround by FY21.**

(d) Ethnic wear: Recent acquisitions

ABFRL's recent acquisitions *Jaypore* and *Santanu & Nikhil* provide huge growth potential and management is focusing on both the brands. **During the scale up, management pegs initial losses from both the businesses at ~INR200-300mn.** So broadly, the quantum of losses which are likely to reduce in *People*, *Innerwear* or *Forever21* will be offset by losses in the ethnic wear business. **Hence, at the aggregate level, overall losses of businesses other than Madura and Pantaloons are likely to remain in the INR1.2-1.3bn range.**

(e) Balance sheet

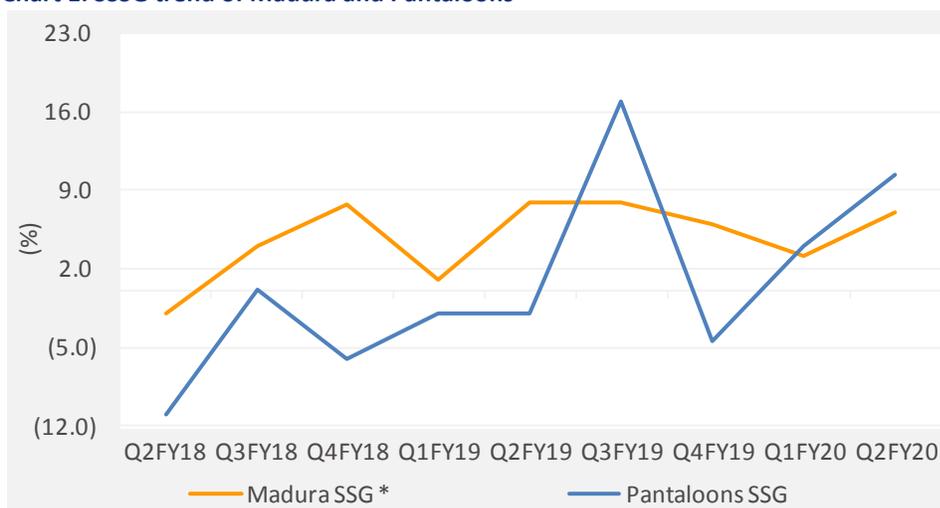
The overall **debt level has gone up from INR17bn in FY19 to INR23.2bn as at H1FY20**, due to the rapid store expansion of Pantaloons and a one-time cost of shifting to a monthly inventory cycle. Going ahead, company does not expect absolute debt levels to inch up materially. However, expect company level EBITDA (expect EBITDA of approx. INR6bn by FY21) to improve which will improve the interest coverage levels.



Table 1: Trends at a glance

	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20
Madura										
Revenues (INRmn)	10,500	11,190	11,380	11,610	11,040	12,630	13,450	13,190	12,110	14,630
- Lifestyle brands	8,910	9,770	9,830	10,150	9,450	10,900	11,370	11,320	10,060	12,540
- Fast Fashion	1,200	970	990	810	880	880	1,020	800	800	750
- Other businesses	390	450	560	650	710	840	1,060	1,070	1,250	1,340
Revenues growth (%)	24.7	(4.4)	7.9	11.1	5.1	12.9	18.2	13.6	9.7	15.8
- Lifestyle brands	14.4	(7.3)	8.1	11.7	6.1	11.6	15.7	11.5	6.5	15.0
- Fast Fashion	207.7	10.2	(13.9)	(20.6)	(26.7)	(9.3)	3.0	(1.2)	(9.1)	(14.8)
- Other businesses	62.5	55.2	80.6	91.2	82.1	86.7	89.3	64.6	76.1	59.5
EBITDA (INR mn)	370	1,020	840	1,490	460	1,130	1,010	1,400	630	1,370
- Lifestyle brands	640	1,300	1,150	1,660	770	1,400	1,320	1,690	940	1,580
- Fast Fashion	(140)	(120)	(230)	(50)	(60)	(100)	(120)	(50)	(90)	-
- Other businesses	(130)	(160)	(80)	(120)	(250)	(170)	(190)	(240)	(220)	(210)
EBITDA growth (%)										
- Lifestyle brands	16.4	(5.8)	32.2	16.9	20.3	7.7	14.8	1.8	22.1	12.9
EBITDA margin (%)	3.5	9.1	7.4	12.8	4.2	8.9	7.5	10.6	5.2	9.4
- Lifestyle brands	7.2	13.3	11.7	16.4	8.1	12.8	11.6	14.9	9.3	12.6
- Fast Fashion	(11.7)	(12.4)	(23.2)	(6.2)	(6.8)	(11.4)	(11.8)	(6.3)	(11.3)	-
- Other businesses	(33.3)	(35.6)	(14.3)	(18.5)	(35.2)	(20.2)	(17.9)	(22.4)	(17.6)	(15.7)
EBIT (INRmn)	140	430	490	1,063	137	836	668	994	495	1,044
EBIT growth (%)	(50.7)	(52.0)	31.8	23.1	(1.9)	94.3	36.2	(6.5)	260.1	24.9
Innerwear revenue growth (%)		NA	NA	NA	~100% (revenue doubled YoY in FY19)				67.0	67.0
Innerwear distribution (no. of outlets)		3,400	6,000	6,700	8,600	9,500	12,000	14,000	16,000	18,000
Innerwear distribution growth YoY (%)		NA	NA	NA	NA	179.4	100.0	109.0	86.0	89.5
Key metrics										
EBO's (Nos.)	1,862.0	1,893	1,906	1,818	1,838	1,897	1,959	1,980	2,057	2,096
SSG (%)	21.0	(2.0)	4.0	7.7	1.0	8.0	8.0	6.0	3.2	7.0
Pantaloons										
Revenues (INRmn)	7,310	7,400	7,500	6,410	8,130	7,870	9,610	6,330	8,900	9,150
Revenues growth (%)	27.4	1.8	12.5	9.4	11.2	6.4	28.1	(1.2)	9.5	16.3
EBITDA (INR mn)	460	350	650	270	780	520	880	130	870	640
EBITDA growth (%)	76.9	(32.7)	80.6	92.9	69.6	48.6	35.4	(51.9)	11.5	23.1
EBIT (INRmn)	100	10	290	(177)	387	133	541	(193)	741	500
EBITDA margin (%)	6.3	4.7	8.7	4.2	9.6	6.6	9.2	2.1	9.8	7.0
EBIT margin (%)	1.4	0.1	3.9	(2.8)	4.8	1.7	5.6	(3.1)	8.3	5.5
SSG (%)	14.0	(11.0)	0.1	(6.0)	(2.0)	(2.0)	17.0	(4.4)	4.1	10.4
Store count (Nos.)	188	243	256	275	282	288	302	308	314	331

Chart 1: SSG trend of Madura and Pantaloons



Source: Company, Edelweiss research



Company Description

In May 2015, ABFRL came into being following consolidation of ABNL's branded apparel business of Madura and Pantaloons. Post consolidation, Pantaloons was renamed Aditya Birla Fashion and Retail (ABFRL). ABFRL brings with it learnings and businesses of 2 renowned Indian fashion icons/brands, Madura and Pantaloons. This amalgamation has helped ABFRL emerge as India's No. 1 fashion lifestyle entity.

Madura has a vast retail network comprising exclusive outlets, premium multi-brand and department stores – total presence of >1,900 stores. Four of its brands are among India's top fashion names, with MRP sales in excess of INR10bn each. Pantaloons brand is now present in 78 plus Indian cities/towns through 302 stores. Forever21 is a fashion retailer of women's, men's and kids clothing and accessories and is known for offering the hottest, most current fashion trends at great value to consumers. Its innerwear business has achieved strong distribution reach in its first year of operation itself.

Investment Theme

Aditya Birla Fashion and Retail (ABFRL) is one of the largest branded clothing players with 5 brands clocking >INR10bn sales each. ABFRL has ventured into fast fashion via Forever 21 and innerwear under the Van Heusen brand thereby now housing full bouquet of segments in the apparel category. Anchored by these potent growth boosters, we estimate ABFRL to post revenue CAGR over FY19-21 of 9.2% and 23.1% RoE by FY21.

Key Risks

Slow GDP revival leading to lower traction in discretionary spending

While foreign brands such as Zara, Tommy Hilfiger, etc., have already established themselves, other brands such as H&M, GAP, among others, are venturing in the Indian market thereby heightening competition.



Financial Statements

Key Assumptions

Year to March	FY19	FY20E	FY21E	FY22E
Macro				
GDP(Y-o-Y %)	6.8	5.0	5.8	6.5
Inflation (Avg)	3.4	4.3	4.8	5.0
Repo rate (exit rate)	6.3	5.2	4.5	5.0
USD/INR (Avg)	70.0	71.5	71.0	70.0
Company				
Revenue growth Pantaloon	11.6	14.3	13.5	12.5
Revenue growth Madura	12.6	12.2	11.5	12.1
SSSG growth - Pantaloon (%)	1.4	4.5	5.0	5.0
SSSG growth EBOs - Madura (%)	5.3	5.5	6.0	6.0
Net Store addition - Pantaloon	33.0	48.0	48.0	48.0
Net Store addition - Madura	167.0	150.0	-	-
Forever 21 (revenue growth %)	(10.1)	1.3	-	-
Pantaloons - EBITDA as % of sales	7.2	2.3	3.9	4.2
Madura - EBITDA as % of sales	8.0	24.3	24.1	100.0
Tax rate (%)	(115.5)	22.0	-	-
Capex (INR mn)	2,792	3,700	4,200	4,700
Debtor days	30	32	32	32
Inventory days	168	175	175	175
Payable days	205	210	210	210
Cash conversion cycle	(7)	(3)	(3)	(3)
Dep. (% gross block)	14.3	53.0	48.5	45.5

Income statement

(INR mn)

Year to March	FY19	FY20E	FY21E	FY22E
Net revenue	81,177	92,332	103,759	116,595
Materials costs	39,250	44,504	49,908	55,965
Gross profit	41,927	47,828	53,851	60,629
Employee costs	9,130	10,341	11,414	12,825
Rent and lease expenses	11,104	5,078	5,603	6,296
Other Expenses	16,153	18,466	20,648	23,086
EBITDA	5,540	13,942	16,186	18,422
Depreciation	2,823	8,205	8,997	10,063
EBIT	2,717	5,737	7,189	8,359
Less: Interest Expense	1,874	4,010	4,150	4,150
Add: Other income	647.79	700.00	800.00	800.00
Profit Before Tax	1,491	2,427	3,839	5,009
Less: Provision for Tax	(1,721)	534	-	-
Reported Profit	3,212	1,893	3,839	5,009
Adjusted Profit	3,212	1,893	3,839	5,009
Shares o/s (mn)	769	769	769	769
Diluted shares o/s (mn)	769	769	769	769
Adjusted Diluted EPS	4.2	2.5	5.0	6.5

Common size metrics

Year to March	FY19	FY20E	FY21E	FY22E
Rent and lease expenses	13.7	5.5	5.4	5.4
Materials costs	48.4	48.2	48.1	48.0
EBITDA margins	6.8	15.1	15.6	15.8
Net Profit margins	4.0	2.1	3.7	4.3

Growth ratios (%)

Year to March	FY19	FY20E	FY21E	FY22E
Revenues	13.2	13.7	12.4	12.4
EBITDA	18.2	151.7	16.1	13.8
Adjusted Profit	171.3	(41.0)	102.8	30.5
EPS	171.3	(41.0)	102.8	30.5



Balance sheet		(INR mn)			
As on 31st March	FY19	FY20E	FY21E	FY22E	
Share capital	7,735	7,728	7,728	7,728	
Reserves & Surplus	6,554	8,447	12,286	17,295	
Shareholders' funds	14,289	16,175	20,014	25,023	
Total Borrowings	17,029	38,000	37,250	37,250	
Long Term Liabilities	2,889	2,889	2,889	2,889	
Sources of funds	31,573	54,431	57,520	62,528	
Gross Block	12,523	15,023	18,023	21,523	
Net Block	6,959	19,497	13,755	7,462	
Capital work in progress	224	224	224	224	
Intangible Assets	18,596	18,596	18,596	18,596	
Total Fixed Assets	25,779	38,317	32,575	26,282	
Non current investments	42	42	42	42	
Cash and Equivalents	574	10,263	17,975	28,447	
Inventories	19,213	20,909	23,929	26,833	
Sundry Debtors	7,866	7,853	9,097	10,222	
Loans & Advances	4,921	4,921	4,921	4,921	
Other Current Assets	5,183	5,442	5,714	6,000	
Current Assets (ex cash)	37,182	39,125	43,660	47,975	
Trade payable	23,986	25,298	28,714	32,199	
Other Current Liab	8,018	8,018	8,018	8,018	
Total Current Liab	32,004	33,316	36,733	40,218	
Net Curr Assets-ex cash	5,178	5,809	6,927	7,757	
Uses of funds	31,573	54,431	57,520	62,528	
BVPS (INR)	18.6	21.0	26.0	32.5	

Free cash flow		(INR mn)			
Year to March	FY19	FY20E	FY21E	FY22E	
Reported Profit	3,212	1,893	3,839	5,009	
Interest (Net of Tax)	4,038	3,128	4,150	4,150	
Others	(3,860)	182	(800)	(800)	
Less: Changes in WC	937	372	846	544	
Operating cash flow	5,276	13,036	15,340	17,877	
Less: Capex	2,792	3,700	4,200	4,700	
Free Cash Flow	2,484	9,336	11,140	13,177	

Peer comparison valuation

Name	Market cap (USD mn)	EV / EBITDA (x)		EV / Sales (x)		ROAE (%)	
		FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Aditya Birla Fashion and Retail Ltd	2,565	14.7	12.2	2.2	1.9	12.4	21.2
Future Lifestyle Fashions Limited	1,165	9.5	7.3	1.5	1.2	7.6	11.7
Shoppers Stop	507	8.3	7.2	1.4	1.2	10.2	21.8
Titan Company	14,593	42.3	33.1	5.2	4.4	25.1	28.7
TRENT LTD	2,969	39.0	29.1	6.2	5.1	10.6	13.9
Median		14.7	12.2	2.2	1.9	10.6	21.2
AVERAGE		22.7	17.8	3.3	2.8	13.2	19.5

Source: Edelweiss research

Profitability and efficiency ratios					
Year to March	FY19	FY20E	FY21E	FY22E	
ROAE (%)	25.5	12.4	21.2	22.2	
ROACE (%)	11.1	15.1	14.3	15.3	
Inventory Days	168	175	175	175	
Debtors Days	30	32	32	32	
Payable Days	205	210	210	210	
Cash Conversion Cycle	(7)	(3)	(3)	(3)	
Current Ratio	1.2	1.5	1.7	1.9	
Gross Debt/EBITDA	3.1	2.7	2.3	2.0	
Gross Debt/Equity	1.2	2.3	1.9	1.5	
Adjusted Debt/Equity	1.2	2.3	1.9	1.5	
Interest Coverage Ratio	1.4	1.4	1.7	2.0	

Operating ratios					
Year to March	FY19	FY20E	FY21E	FY22E	
Total Asset Turnover	2.6	2.1	1.9	1.9	
Fixed Asset Turnover	3.2	2.9	2.9	4.0	
Equity Turnover	6.4	6.1	5.7	5.2	

Valuation parameters					
Year to March	FY19	FY20E	FY21E	FY22E	
Adj. Diluted EPS (INR)	4.2	2.5	5.0	6.5	
Y-o-Y growth (%)	171.3	(41.0)	102.8	30.5	
Adjusted Cash EPS (INR)	7.8	13.1	16.7	19.6	
Diluted P/E (x)	55.3	93.8	46.3	35.4	
P/B (x)	12.4	11.0	8.9	7.1	
EV / Sales (x)	2.4	2.2	1.9	1.6	
EV / EBITDA (x)	35.0	14.7	12.2	10.1	



Additional Data

Directors Data

Mr. Pranab Barua	Non-Executive Director	Mr. Sushil Agarwal	Non-Executive Director
Mr. ArunThiagarajan	Non Executive - Independent Director	Mr. Bharat Patel	Non Executive - Independent Director
Ms. Sukanya Kripalu	Non Executive - Independent Director	Mr. Sanjeeb Chaudhuri	Non Executive - Independent Director
Mr. Ashish Dikshit	Managing Director		

Auditors - M/s SRBC & Co. LLP

**as per last annual report*

Holding – Top10

	Perc. Holding		Perc. Holding
Birla group holdings	22.17	Grasim industries lt	11.29
Igh holdings pvt ltd	10.99	Umang commercial co	8.4
Hindalco industries	5.81	Reliance capital tru	5.08
Uti asset management	2.76	Mirae asset global i	2.3
Franklin resources	1.99	Sundaram asset manag	1.53

**in last one year*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
No Data Available				

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
No Data Available			

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Aditya Birla Fashion and Retail Ltd	BUY	SO	L	Avenue Supermarts Limited	REDUCE	SU	H
Future Lifestyle Fashions Limited	BUY	SP	L	Future Retail	BUY	SP	H
Jubilant Foodworks	BUY	SP	M	Shoppers Stop	BUY	SP	M
Titan Company	BUY	SP	L	TRENT LTD	BUY	SP	H
V-MART Retail	BUY	SP	M	Wonderla Holidays	BUY	SP	M

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return





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Aditya Narain

Head of Research

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Coverage group(s) of stocks by primary analyst(s): Retail

Aditya Birla Fashion and Retail Ltd, Avenue Supermarts Limited, Future Lifestyle Fashions Limited, Future Retail, Jubilant Foodworks, Shoppers Stop, TRENT LTD, Titan Company, V-MART Retail, Wonderla Holidays

Recent Research

Date	Company	Title	Price (INR)	Recos
12-Jan-20	Avenue Supermarts	Commendable performance; stake sale overhang remains; <i>Result Update</i>	1,877	Reduce
07-Jan-20	Retail	Softness persists; focus on winners; <i>Q3FY20 result preview</i>		
20-Nov-19	Retail	Basketful for leaders; <i>Result Review</i>		

Distribution of Ratings / Market Cap

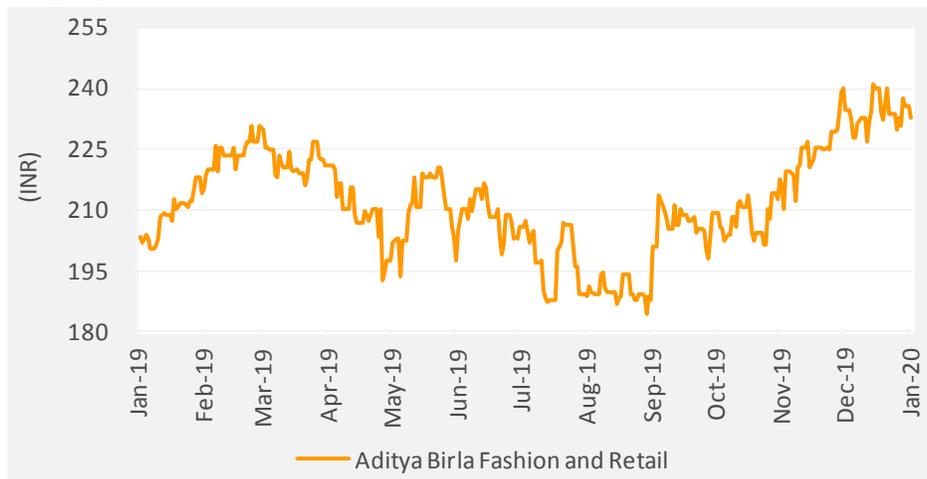
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



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