

December 28, 2020

What's in store for retail sector...

Marred by store closures and several lockdown restrictions, the retail sector was among the worst hit in CY20. After a washout in Q1FY21, gradual opening of stores and surge in pent up demand translated into a sustained improvement in recovery rates. The revenue recovery trajectory improved from a mere 25% in July to ~70% in October. Online/e-commerce sales were the key catalyst in revenue recovery (~1.5x of pre-Covid sales) wherein share to overall sales has more than doubled (earlier ~5%). As per our channel checks, festive season demand has been healthy and the momentum continued to sustain for entire Q3FY21. The management's stance of normalisation by Q4FY21, Q1FY22E seems to be on track but probable re-imposition of lockdown restrictions may pose near term challenges. We remain structurally positive on the long term growth story of the retail space but a sharp run-up in stock prices factors in the near term green shoots for most retail stocks.

Key trends in H1FY21

The key takeaways in the retail sector during the period were:

- a) focus on minimising cash burns through significant rationalisation of overheads (**Exhibit: 1**),
- b) better working capital management resulting in higher release of cash in H1FY21 (**Exhibit: 2**),
- c) controlled capex through optimum store additions (**Exhibit: 3**)
- d) agility through higher focus on omni channel play,
- e) categories such as jewellery, open footwear, athleisure wear recovered at a swifter pace compared to apparels and other accessories

Outlook

The Indian retail market is poised to grow at a CAGR of 10% to cross the US\$1 trillion mark by CY26. Companies with healthy balance sheets and strong brand patronage are likely to capture market share from unorganised players. In our retail coverage universe, we expect overall revenues to decline 16% in FY21E with Avenue Supermarts, Relaxo, Page, TTK Prestige and Titan registering comparatively lower decline in revenues. Fashion retailers are expected to report revenue decline of 35-45% in FY21E. For FY20-23, we expect overall revenues to grow at a CAGR of 15%. Companies have revisited their cost structures post the pandemic and have targeted certain cost savings to be structural in nature. This would translate into better margin profile for retail players. Hence, we pencil in earnings CAGR of 21% in FY20-23E. Store addition momentum is expected to pick up pace from H2FY21 onwards with equivalent focus sustaining in digital space.

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Key Financial Summary

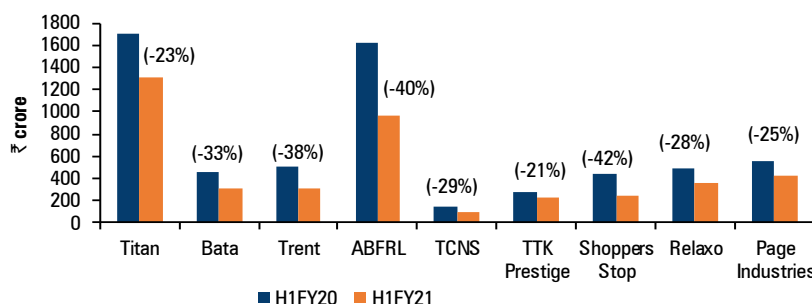
Company	Old		CMP	New		Upside
	Target Price	Rating		Target Price	Rating	(%)
Titan	1,410	BUY	1,510	1,660	HOLD	9.9
Bata	1,400	HOLD	1,600	1,680	HOLD	5.0
Trent	785	BUY	692	820	BUY	18.5
ABFRL	210	BUY	165	210	BUY	27.3
Avenue Supermarts	2,300	BUY	2,670	2,765	HOLD	3.6
TCNS Clothing	475	BUY	456	540	BUY	18.4
TTK Prestige	6,900	BUY	6,120	7,100	BUY	16.0
Relaxo	765	BUY	805	890	HOLD	10.6
Page Indus	24,500	HOLD	27,600	26,985	HOLD	(2.2)
Shoppers Stop	205	HOLD	205	228	HOLD	11.2

Source: Company, ICICI Direct Research.

Significant cost rationalisation minimises losses

During the pandemic, most companies focused on controlling costs including natural cost savings such as reduction in marketing & promotional activities, travel, etc. Companies have secured 20-30% fixed cost reduction for the year through rental re-negotiations, rationalising of staff overheads and shutting down unviable stores. As per management commentary of various companies, part of the cost savings implemented in H1FY21 would be sustainable on the back of cautious decisions on various cost items and move towards digital activities including marketing.

Exhibit 1: Significant curtailment of overhead expenses (YoY)

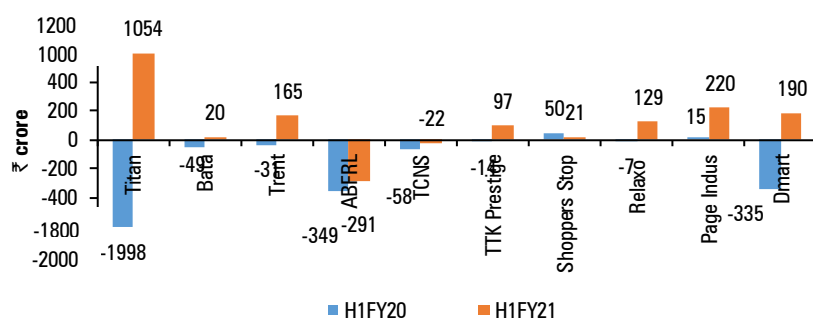


Source: ICICI Direct Research

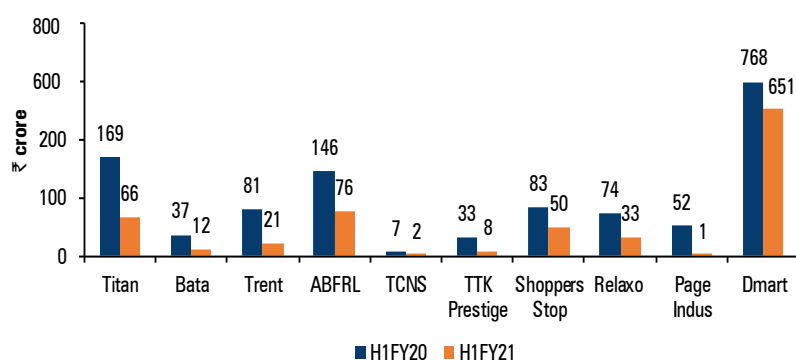
Better inventory management; calibrated capex decisions

Companies have significantly focused on reducing working capital and freeing up cash through redeployment of Spring-Summer 2020 inventory and reducing fresh buys. Furthermore, companies have curtailed new store openings (except for those in pipeline) and materially minimised discretionary capex.

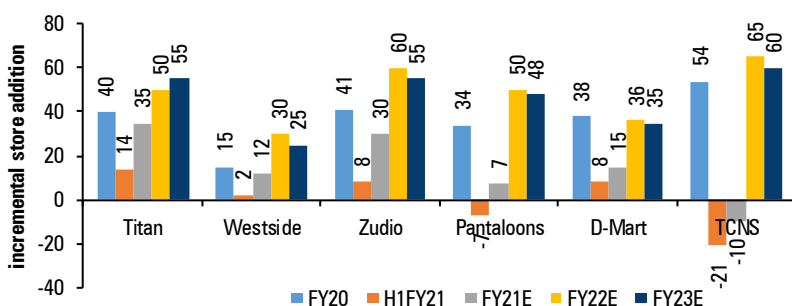
Exhibit 2: Changes in working capital YoY



Source: ICICI Direct Research

Exhibit 3: Lower capex incurred by companies in H1FY21 vs. H1FY20


Source: ICICI Direct Research

Exhibit 4: Store addition trend to pick up pace from H2FY21 onwards


Source: ICICI Direct Research

We expect healthy store addition momentum to resume from FY22E onwards, post slowdown in addition pace in FY21. Focus on increasing penetration in non-metro cities is expected to sustain, going forward. Furthermore, favourable new rental rates may lead to improvement in operating metrics per store

Strengthening online channel to align with consumer trends

The pandemic has dramatically shifted more consumer traffic to digital commerce space. Companies have stepped up the pace with accelerated digital investments and integrating online and offline channels. Robust traction was witnessed in the e-commerce space with revenues for many players doubling (on a low base) either through their own website or through leveraging strong partnerships with e-commerce leaders like Myntra, Amazon and Flipkart.

Key insights of specific players:

TCNS Clothing: Online channel growing rapidly, tracking towards 2X against pre-Covid levels in Q3FY21, with own website at 3X. October registered highest ever sales.

TCNS omni-channel strategies



Source: Company, ICICI Direct Research

Aditya Birla Fashion & Retail: E-commerce continued its robust growth, contribution up 3x over last year in H1. Rapidly scaling Omni channel coverage - Hyperlocal deliveries, buy online ship from store and WhatsApp commerce. Pantaloons Pop shops are yielding good results. The company expects share of e-commerce space to double to 13% in FY21 (vs. 6% in FY20).

Trent: Post lockdown relaxation, e-commerce sales grew 50% for Westside. To strengthen its e-commerce channel, Trent launched 'westside.com', in addition to sales via Tata Cliq. While current share of e-com is miniscule (<5%) it is targeting to reach 10% of overall sales in medium term through sustained investments.

Bata India: The company has rolled out a full suite of omni-channel solutions, allowing home delivery across 900+ stores (vs. 400 stores in FY19) in 1300 cites. Furthermore, it has provided customers an option to shop via WhatsApp chat with neighboured stores. Currently e-commerce contributes ~4-5% of overall sales and the management expects the share to reach double digit gradually.

Titan Company: The company launched 'Endless Aisle' concept giving consumers access to its inventory through help of video demonstrations, WhatsApp chats, Try at home and virtual appointments. The alternative channels have witnessed strong traction for Tanishq and Carat Lane.

Avenue Supermarts: Closed down two D-mart stores converted them to fulfilment centres (FC) to scale up its e-commerce business ('D-Mart Ready'). Further, it has expanded its ecommerce operations in select pin codes of Pune.

Shoppers Stop: Commenced journey from a large offline retailer to a truly omni-channel organisation. Online sales grew by 50%+ YoY with share of e-commerce touch 7.8% of overall sales in Q2FY21. Pin code coverage stood at 26,600 (vs. 1600 in Q2FY19), while mobile app downloads touched the 10 million mark vs. 0.5 million in Q2FY19.

Festive season to aid revenue recovery...trends indicate decent recovery

We believe the revenue recovery trajectory will improve significantly in Q3FY21E on the back of a strong festive season. Revenue recovery rate for apparel players had already reached ~ 70% in October. We expect the rate to have improved further during the festive season (November). The recovery rate was even swifter in non-metro cities, wherein companies during the festive season reported growth on a YoY basis. Categories such as ethnic wear and formal wear have also picked up pace owing to the onset of the wedding season. We expect the recovery rate for most players to reach pre-Covid levels by Q4FY21E.

Key company specific trends:

Titan Company: The company witnessed robust traction during the festive season wherein the jewellery division reported 15% sales growth (secondary sales) in the comparable festive season. Recovery is also visible in share of studded ratio that was impacted materially. Recovery rate for watches and wearable division reached 90% during the festive season. Overall guidance to reach normalcy levels by Q4FY21 seems well on track.

Bata India: Aligning with the current demand scenario, Bata has tweaked its product portfolio with launch of collections such as fitness-at-home, Easy-wash & Work-from-Home. This has resulted in a faster pick-up in volumes with recovery rate reaching 70-80% in November vs. 50% in Q2FY21. The management expects normalcy to be reached by Q1FY22E.

Trent Ltd: Recovery rate for Westside and Zudio has improved significantly from mere 38% in July to 70% in October. Consumer sentiments further improved during the festive season and the management remains cautiously optimistic on the outlook for accelerating profitability in H2FY21E.

TTK Prestige: Festive season demand has been quite strong (~15% growth in October) and growth rate continues to be healthy in November as well. The supply chain issues faced in Q2FY21 are largely behind and capacities are operating at optimum utilisation levels.

Relaxo Footwear: As most people are working from home, sales of sandals, flip flops have seen a significant surge in demand. Relaxo being a dominant player in the aforesaid categories (80% of sales) has witnessed a swift recovery in volumes and captured market share from unorganised players in Q2FY21 (2% YoY volume growth). On festive demand trends, healthy traction has been seen in October in most regions except Kerala.

Page Industries: The revenue trajectory has been on an upward trend on a MoM basis, with August sales reaching pre-Covid levels while from September it witnessed double digit growth. The momentum is expected to sustain running into the festive season. Athleisure segment continues to outperform innerwear category as reflected in higher blended ASPs.

Aditya Birla Fashion & Retail: Overall sales are expected to reach 70-80% in Q3FY21, with normalcy expected to be reached by Q4FY21E. Lifestyle brands (which predominantly cater to formal wear) have created multiple innovative products such as anti-viral garments, Work-from-home lines, Athleisure, etc. Van Heusen innerwear and athleisure wear has already reached pre-Covid levels.

Revenue recovery rate trajectory (YoY)				
Company	Q1FY21	Q2FY21	Q3FY21E	Q4FY21E
Titan	27%	89%	110-115%	110-115%
ABFRL	15%	45%	70-75%	100-105%
Trent	13%	55%	80-85%	110-115%
TCNS	12%	45%	70-75%	100-105%
Shoppers Stop	6%	35%	60-65%	80-85%
Bata	15%	51%	70-75%	90-95%
Relaxo	56%	93%	105-110%	115-120%
Page	34%	95%	110-115%	110-115%
TTK	48%	103%	110-115%	115-120%
D-Mart	67%	89%	110-115%	115-120%

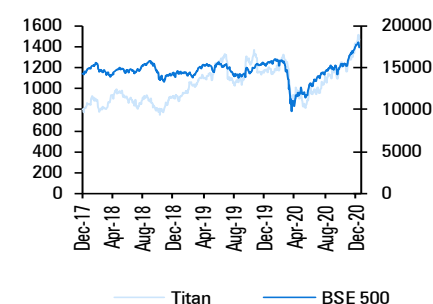
Source: ICICI Direct Research, Estimated

Company-wise performance and outlook

Titan Company (TITIND)

The overall recovery rate for the jewellery division had risen to 98% in Q2FY21, mainly driven by a surge in demand for plain gold jewellery, gold coins. The company witnessed robust traction during the festive season, wherein Titan witnessed ~15% sales growth for the jewellery division (secondary sales). The healthy growth revival depicts the inherent strength of the Tanishq brand and continuous focus on market share gains. Furthermore, a revival in share of studded ratio augurs well for overall margin profile. The watches and wearable division also witnessed reasonable traction with recovery rate during the festive season reaching 90% (Q2FY21: 70%). Given the better than anticipated recovery, we revise our earnings estimates upwards for FY21-23E. We build in revenue and earnings CAGR of 14% and 19%, respectively, in FY20-23E, mainly driven by growth in jewellery segment (15% CAGR). RoCE is expected to revert back to 30%+ levels by FY23E. **The stock price has appreciated ~ 27% since our last result update. Hence, we downgrade the stock from BUY to HOLD with a revised target price of ₹ 1660 (58.0x FY23E EPS, previous TP: ₹ 1410). We continue to remain structurally positive on the stock and await better entry points.**

Price performance



Key Risk

- 1) Re-imposition of lockdown restrictions leading to store closures or restricted movement of people negatively impacting store footfalls leading to lower in-store sales
- 2) Faster than expected recovery in studded ratio can aid in improving the margin profile

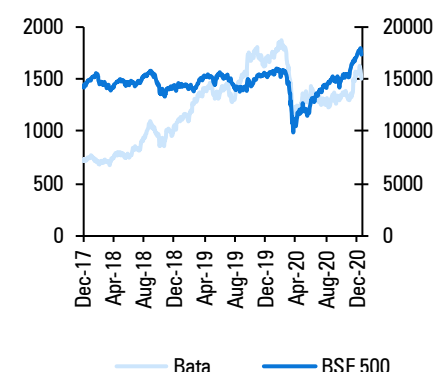
Exhibit 5: Financial summary

(₹ Crore)	FY19	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E)
Net Sales	19,778.5	21,051.5	18,846.1	26,642.1	31,088.7	13.9
EBITDA	2,136.5	2,466.6	1,429.5	3,203.7	3,830.4	15.8
PAT	1,404.2	1,501.4	750.0	2,103.7	2,541.0	19.2
EPS (₹)	15.8	16.9	8.4	23.7	28.6	
P/E (x)	94.8	88.7	177.6	63.3	52.4	
EV/Sales (x)	6.7	6.3	7.1	5.0	4.3	
EV/EBITDA (x)	61.8	54.1	93.4	41.6	34.6	
RoCE (%)	32.3	28.7	14.2	31.8	32.0	
RoE (%)	23.1	22.5	10.6	23.9	24.0	

Source: Company, ICICI Direct Research

Bata India (BATIND):

In a bid to strengthen its wholesale distribution channel (~12% of revenues), Bata has significantly ramped up its touch-points with the company now servicing ~30,000 multi-branded outlets (MBOs). This enables it to leverage its brand strength in Tier III-V towns. Apart from MBOs, Bata will continue penetrating in newer towns through franchise operated stores (opened 200th store in Q2FY21). It has reiterated its vision of opening 500 franchise stores by 2023 and reaching in towns with population of less < 2 lakh. The overall recovery rate has been on an upward trend on a weekly basis. We expect the recovery rate to reach 70-80% of pre-Covid levels by Q3FY21E. The management remains cautiously optimistic of reaching pre-Covid levels by the first quarter of FY22E. Unfavourable product mix (shift towards casual category) may lead to deterioration in gross margins in the near term. However, cost rationalisation initiatives will benefit the company over the longer term. Bata continues to have a healthy balance sheet having surplus cash of ~₹ 800 crore as on H1FY21. We revise our earnings estimates upwards by 5-8% in FY22-23E. We reiterate our **HOLD rating on the stock with a revised target price of ₹ 1680 (42.0x FY23E EPS, previous TP: ₹ 1400).**

Price performance**Key Risk**

- 1) Re-imposition of lockdown restrictions leading to store closures or restricted movement of people negatively impacting store footfalls leading to lower in-store sales
- 2) Faster-than-expected recovery in fashion and formal footwear could lead to higher realisations and improvement in margin profile

Exhibit 6: Financial summary

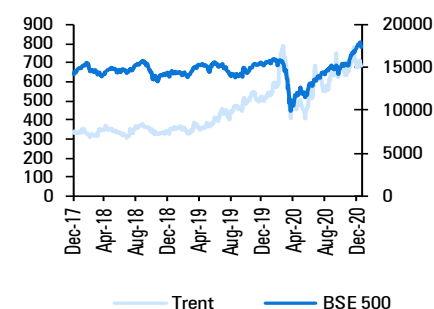
₹ crore	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E)
Net Sales	3,053.5	1,810.1	3,243.7	3,747.7	7.1%
EBITDA	829.8	271.5	906.6	1,062.5	8.6%
PAT	327.0	-11.8	419.5	514.4	16.3%
P/E (x)	62.1	-	48.4	39.5	
EV/Sales (x)	6.3	10.7	5.9	5.1	
EV/EBITDA (x)	23.3	71.4	21.1	17.8	
RoCE (%)	28.2	-0.1	28.8	30.8	
RoE (%)	17.2	-0.6	19.7	21.3	

Source: Company, ICICI Direct Research

Trent Ltd (TRENT)

Among apparel players in our coverage universe, Trent outperformed other players with sales reaching 55% of pre-Covid levels (vs. peers: 40-45%) in Q2FY21. Given the inherent strength of the brands, the recovery rate has reached ~70% in October. We expect the rate to have further improved during the festive season. Over the years, Westside has delivered a healthy performance with consistent SSSG (8-10% over the last seven years) and higher share of private label portfolio (99%) yielding superior gross margins. Trent's value fashion brand Zudio, has grown multi-fold from ₹ 144 crore in FY18 to ₹ 507 crore as on FY20, translating into robust CAGR of 88%. In FY20, the company doubled Zudio stores from 40 to 81 whereas revenue grew 2.5x, indicating strong SSSG. The fact that Zudio is not promoted as Westside or a Tata brand signifies the inherent strength of the business model. With consumers expected to down trade, Zudio can be a beneficiary given its shaper price points offerings (two-third of products priced < ₹ 500) and scalability of the brand (average store size ~6000 sq ft, one-third of Westside store). Healthy balance sheet (cash & investments worth ₹ 630.7 core as on September 2020), is expected to assist in accelerated store expansion strategy for FY21-23E (we pencil in ~180 store additions between Westside and Zudio). **We build in revenue and EBITDA CAGR of 16% and 17% CAGR in FY20-23E. We maintain BUY with a revised target price of ₹ 820 (previous TP: ₹ 785).**

Price performance



Key Risk

- 1) Re-imposition of lockdown restrictions leading to store closures or restricted movement of people negatively impacting store footfalls leading to lower in-store sales
- 2) Delay in store rollout could lead to lower than estimated revenues

Exhibit 7: Financial summary

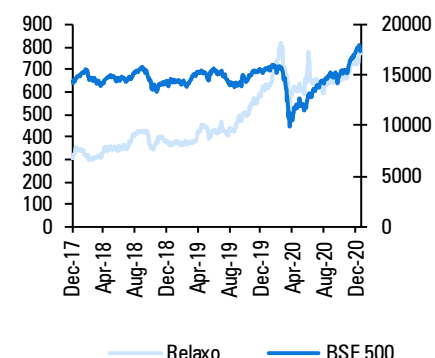
(₹ Crore)	FY19	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E)
Net Sales	2,630.2	3,486.0	2,508.2	4,533.7	5,380.6	15.6%
EBITDA	227.7	544.0	186.9	720.9	871.7	17.0%
PAT	97.0	122.8	(84.3)	264.2	333.6	39.5%
EV/Sales (x)	8.9	7.1	9.9	5.5	4.6	
EV/EBITDA (x)	102.9	45.7	132.7	34.4	28.3	
RoCE (%)	10.1	15.9	4.4	20.5	22.4	
RoE (%)	5.9	5.1	-3.7	10.7	12.3	

Source: Company, ICICI Direct Research

Relaxo Footwear (RELFOO):

As most people are working from home, sales of sandals, flip flops have seen a significant surge in demand. Relaxo being a dominant player in the aforesaid categories (80% of revenues) through its strong portfolio of brands ('Flite', 'Bahamas', 'Hawaii') has witnessed a swift recovery in volumes and captured market share from unorganised players in H1FY21. While sale of shoes continues to be laggards (sports, canvas), green shoots are visible with gradual opening up of the economy. Over the years, Relaxo has maintained balance sheet prudence with controlled working capital cycle (NWC days: 65 days), healthy asset turns of 2.5x and generating RoCE of 20%+. Relaxo has significantly strengthened its liquidity position as on H1FY21 with cash and investment worth ₹ 256 crore. We revise our earnings estimates upwards by 3-5% in FY22-23E, and build in earnings CAGR of 18% in FY20-23E. **The stock price has appreciated ~20% since our last result update. Hence, we downgrade the stock from BUY to HOLD with a revised target price of ₹ 890 (60x FY23E EPS, previous TP: ₹ 765). We would prefer to await better entry points at lower levels from a long term holding perspective.**

Price performance



Key Risk

- 1) Inability to pass on any significant increase in raw material price (crude oil based products like EVA, PU and rubber) can negatively impact margins of the company
- 2) Faster than expected revenue recovery due to enhanced consumer preference for open footwear can lead to higher than expected revenue growth

Exhibit 8: Financial summary

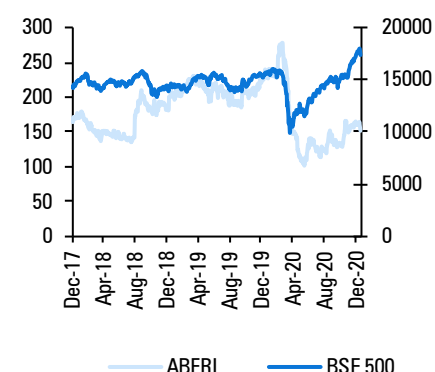
₹ crore	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E)
Net Sales	2,410.5	2,220.5	2,922.4	3,376.6	11.9%
EBITDA	409.0	386.4	534.8	621.3	15.0%
Adjusted PAT	226.3	204.0	312.5	368.1	17.6%
P/E (x)	88.8	98.5	64.3	54.6	
EV/Sales (x)	8.3	9.0	6.8	5.9	
EV/EBITDA (x)	49.2	51.8	37.3	31.9	
RoCE (%)	23.9	19.7	25.5	25.8	
RoE (%)	17.8	14.1	18.6	18.8	

Source: Company, ICICI Direct Research

Aditya Birla Fashion & Retail (ADIFAS):

Overall revenue recovery rate reached ~ 45% in Q2FY21, with 95% of stores operational by end of September. It has reiterated its stance of reaching revenue recovery rate of 70-80% by Q3FY21E and achieving normalcy levels by Q4FY21E. The focus on correcting the cost structure will be pursued during the remainder of the year. On the balance sheet front, capital infusion worth ₹ 2245 crore (initial two tranches of rights issue: ₹ 746 crore, preferential allotment: ₹ 1500 crore) would strengthen the b/s and result in a significant decline in debt by ~₹ 1760 crore to ₹ 1012 crore (D/E: 0.4x vs. 2.1x) in FY21E. The same would lead to a substantial reduction in interest outflow, going forward. With steady FCF generation from FY22E onwards, we expect debt/EBITDA ratio to decline to 0.7x by FY23E (6.0x in FY20). **We believe that with its strong brand patronage and large distribution reach it will be able to revive its revenue growth post normalisation of scenario. We reiterate our BUY rating with target price of ₹ 210 (2.0x EV/sales FY23E).**

Price performance



Key Risk

- 1) Re-imposition of lockdown restrictions leading to store closures or restricted movement of people negatively impacting store footfalls leading to lower in-store sales of discretionary products
- 2) Delay in store roll out can negatively impact estimated revenues.

Exhibit 9: Financial summary (Pre-Ind AS 116)

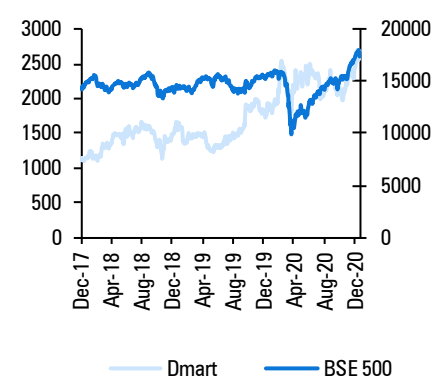
(₹ Crore)	FY19	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E)
Net Sales	8,117.7	8,742.5	4,938.8	8,885.3	10,100.2	5%
EBITDA	554.1	465.5	(491.8)	539.4	680.1	13%
PAT*	321.2	(80.5)	(741.4)	205.3	323.7	
EV/Sales (x)	1.8	1.7	3.3	1.8	1.6	
EV/EBITDA (x)	26.0	32.8	-	29.9	23.2	
RoCE (%)	10.7	6.5	(17.4)	8.6	11.7	
RoE (%)	22.5	-6.0	-26.0	6.2	8.9	

Source: Company, ICICI Direct Research

Avenue Supermarts (AVESUP):

D-Mart's core 'food & FMCG' segment (currently ~77% of sales) has reverted to the growth path with positive trajectory seen across all stores in September. Discretionary categories (GM & apparels) are currently laggards owing to subdued demand but are gradually picking up pace. In the first half of FY21, the company incurred capex worth ₹ 651 crore (vs. ₹ 768 crore in H1FY20) and added eight new stores (vs. 13 additions in H1FY20). It has also shut two stores and converted them to fulfilment centres (FC) to scale up its e-commerce business ('D-Mart Ready'). Further, it has expanded its e-commerce operations in select pin codes of Pune. Trends indicate enhanced focus on e-commerce owing to change in industry dynamics with grocery e-commerce industry gaining significant traction during the pandemic. Of the total QIP proceeds (₹ 4078 crore), the company has utilised ₹ 1213 crore mainly towards retirement in total debt (~₹ 700 crore). Robust liquidity position expected to provide impetus to store addition pace (mainly from FY22E onwards). **We revise our earnings estimates upwards and build in earnings CAGR of 25% in FY20-23E. The stock price has appreciated ~34% since our last update. We believe the near terms positives are also factored in. Hence, we downgrade the stock from BUY to HOLD with a revised target price of ₹ 2765 (45.0x FY23E EV/EBITDA, previous TP: ₹ 2300).**

Price performance



Key Risk

- 1) Lower rollout of stores due to delay in implementation of expansion plans
- 2) Faster than expected revenue recovery in high margin general merchandise products can lead to improvement in margin profile

Exhibit 10: Financial summary

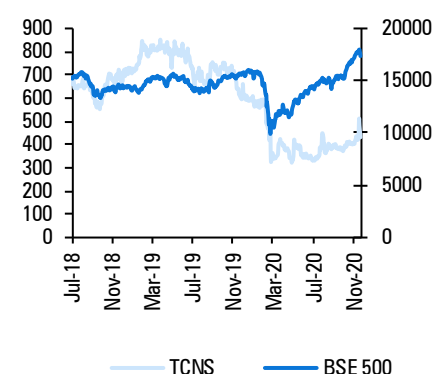
	FY19	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E)
Net Sales	20,004.5	24,870.2	23,968.7	34,816.7	43,501.0	20.5%
EBITDA	1,633.3	2,128.3	1,510.0	3,063.9	3,915.1	22.5%
PAT	902.4	1,301.0	951.8	1,995.5	2,517.4	24.6%
P/E (x)	184.7	132.9	181.7	86.7	68.7	
EV/Sales (x)	8.4	6.8	7.1	4.9	3.9	
EV/EBITDA (x)	102.3	79.7	112.4	55.6	43.6	
RoCE (%)	23.4	16.4	10.8	19.2	20.6	
RoE (%)	16.2	11.7	7.9	14.2	15.2	

Source: Company, ICICI Direct Research

TCNS Clothing (TCNCLO):

TCNS has established a strong foothold in women's ethnic wear through its multi reach distribution model and differentiated offerings via its three home grown brands ('W', 'Aurelia' and 'Wishful'). The revenue recovery rate is on an upward trajectory with sales reaching 45% of pre-Covid levels in Q2FY21 and ~70% in October. Online sales continue to grow swiftly with October registering highest ever sales. Emphasis on minimising cash burns are on track with TCNS securing full year rental savings of ~30% YoY, and potential annualised savings of 15-20% for employee expenses in FY21E. It continues to have healthy cash reserves worth ₹ 110 crore (₹ 170 crore in FY20) and additional unutilised bank limits as on H1FY21. TCNS will be redeploying SS20 merchandise over the next season, significantly reducing fresh buys. Working capital release coupled with reduction in cash burns will translate into positive operating cashflows from Q3FY21E onwards. Being a net cash positive company (₹ 110 crore cash & investment), TCNS would be better positioned to tide over the current turbulent market scenario. **We are positive on the long term outlook, considering the company's strong brand franchise and healthy operating metrics. We expect TCNS to generate healthy RoIC of ~ 25% by FY23E. We maintain BUY rating on the stock with a revised target price of ₹ 540 (30.0x FY23E EPS, previous TP: ₹ 475).**

Price performance



Key Risk

- 1) Re-imposition of lockdown restrictions leading to store closures or restricted movement of people negatively impacting store footfalls leading to lower in-store sales of discretionary products
- 2) Higher discounting to liquidate old season inventory could pressurise gross margins

Exhibit 11: Financial summary (pre-Ind-AS 116)

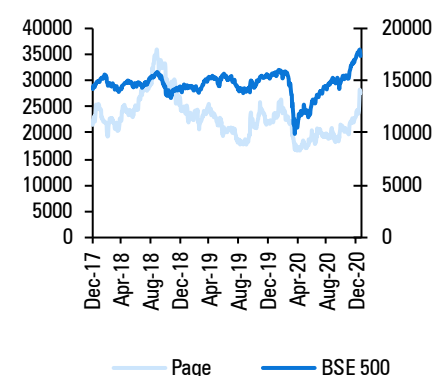
₹ crore	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E)
Net Sales	1,148.7	676.3	1,223.8	1,425.6	7.5%
EBITDA	81.2	-75.0	150.6	182.3	31.0%
Net Profit	53.8	-68.8	98.8	117.7	29.8%
P/E (x)	52.1	-	29.1	24.4	
EV/Sales (x)	2.3	3.9	2.2	1.8	
EV/EBITDA (x)	32.4	-	17.8	14.4	
RoCE (%)	10.6	-14.6	18.2	18.6	
RoE (%)	7.9	-11.0	13.5	13.8	

Source: Company, ICICI Direct Research

Page Industries (PAGIND):

The company registered a revenue recovery of ~95% in Q2FY21. The recovery rate is encouraging given the fact that Page has a material presence in metro cities (~60%). Athleisure segment continues to outperform as reflected in higher blended ASPs (up ~11% YoY). September witnessed double digit topline growth with momentum expected to sustain in Q3FY21E. E-commerce channels have seen significant growth with both own website and third party platforms revenue share increasing. The Jockey junior segment would continue be the key focus area as the segment continues to see healthy traction. Currently, the kids segment is distributed through ~8000+ touchpoints. We believe the kids wear segment could scale up quickly through leveraging jockey's existing strong distribution network. **Page continues to have a robust liquidity position with cash & cash equivalents increasing 132% QoQ (~5x YoY) to ₹ 401.3 crore mainly owing to optimisation of working capital. New initiatives (focus on kids wear segment, implementation of auto replenishment system), robust balance sheet would enable Page to navigate through a tough macro environment. The stock price has risen ~ 26% since our last result update. We maintain HOLD rating with a revised target price of ₹ 26985 (53.0x FY23E EPS, previous TP: ₹ 24500).**

Price performance



Key Risk

- 1) Inability to pass on any significant increase in raw material price (cotton) can negatively impact margins of the company
- 2) Faster than expected revenue recovery can lead to higher than estimated revenue growth

Exhibit 12: Financial summary

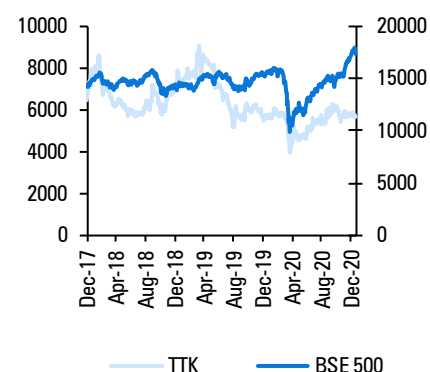
₹ crore	FY20A	FY21E	FY22E	FY22E	CAGR (FY20-23E)
Net Sales	2,945.4	2,582.5	3,445.1	3,973.2	10.5%
EBITDA	532.6	402.4	728.6	847.5	16.7%
PAT	343.2	243.2	483.7	567.9	18.3%
P/E (x)	89.7	126.6	63.6	54.2	
EV/Sales (x)	10.4	11.8	8.9	7.7	
EV/EBITDA (x)	57.6	76.0	41.9	35.9	
RoCE (%)	55.7	33.5	56.7	56.6	
RoE (%)	41.9	25.8	43.5	43.4	

Source: Company, ICICI Direct Research

TTK Prestige (TTKPRE):

The management remained upbeat on the demand outlook with trajectory across categories sustaining double digit topline growth. Festive season demand has been quite strong (~15% growth in October) and growth rate continues to be healthy in November as well. The supply chain issues faced in Q2FY21 are largely behind and capacities are operating at optimum utilisation levels. In a bid to cater to the healthy domestic and export demand, the company is adding incremental manufacturing lines (for cooker and cookware) which would translate into 15-20% increase in capacity. The company's new capacity is expected to be operational from Q1FY22E onwards. TTK Prestige has taken 4-6% price hikes on certain product categories to offset increase in RM prices. Over the years, the company has maintained balance sheet prudence with stringent control on working capital cycle. **We maintain our estimates and build in revenue and earnings CAGR of 9% and 14%, respectively, in FY20-23E, with higher RoIC of ~30% in FY23E. TTKP continues to be virtually debt free and has substantial free cash worth ₹ ~470 crore. We reiterate our BUY rating on the stock with a target price of ₹ 7100 (36.0x FY23E EPS, previous TP: ₹ 6900).**

Price performance



Key Risk

- 1) Any adverse movement in RM prices (aluminium/steel) and company's inability to pass on the same could negatively impact margins
- 2) Re-imposition of lockdown restrictions leading to store closures or restricted movement of people negatively impacting store footfalls

Exhibit 13: Financial summary

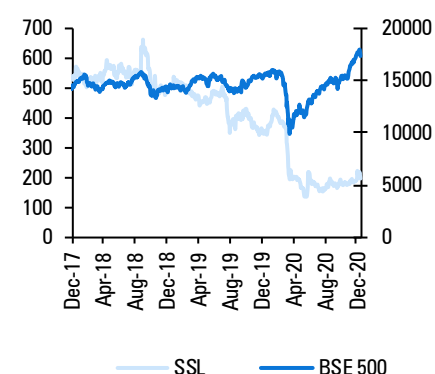
(₹ Crore)	FY19	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E)
Net Sales	2,106.9	2,073.0	2,029.7	2,352.6	2,654.5	8.6%
EBITDA	292.0	263.5	247.9	330.5	380.8	13.1%
PAT	192.4	184.5	170.7	234.9	273.7	14.0%
EPS (₹)	138.7	133.0	123.1	169.4	197.3	
P/E (x)	43.5	45.4	49.0	35.6	30.6	
EV/Sales (x)	4.0	4.0	4.1	3.5	3.1	
EV/EBITDA (x)	28.6	31.6	33.4	25.0	21.5	
RoCE (%)	21.8	17.1	14.1	17.9	18.8	
RoE (%)	16.5	14.1	12.0	14.9	15.6	

Source: Company, ICICI Direct Research

Shoppers Stop (SHOSTO)

Marred by store closures, high operating fixed costs, losses for SSL bloated to ₹ 200 crore in H1FY21 vs. loss of ₹ 38.0 crore in H1FY20. Hence, negative FCF of ₹ 256 crore translated to gross debt rising 30% to ₹ 283.7 crore. To strengthen the b/s, the company has proposed a right issue worth ₹ 300 crore. Also, SSL is aiming to cut costs by ~ ₹ 450 crore in FY21E (achieved ₹ 315 crore cost savings in H1FY21). The management expects the recovery rate to pick up pace in the festive season. The management highlighted that certain stores in the eastern region saw revenue recovery rate of ~75% owing to festive season. We expect FY21E to be a washout year with revenue de-growth of ~47% YoY. Among positives, Venugopal Nair (CEO - Westside at Trent since January 2020) has been appointed MD & CEO for three years with effect from November 6, 2020. **SSL has a stringent working capital policy with negative working capital days. Infusion of capital through right issue and FCF generation by FY23E will translate into retirement of debt worth ~₹ 150.0 crore. We maintain HOLD rating on the stock with a target price of ₹ 228 (7.0x FY23E EV/EBITDA, previous TP: ₹ 205).**

Price performance



Key Risk

- 1) Re-imposition of lockdown restrictions leading to store closures or restricted movement of people negatively impacting store footfalls leading to lower in-store sales of discretionary products
- 2) Higher-than-expected share of private labels can lead to better than estimated margin profile

Exhibit 14: Financial summary

(₹ Crore)	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E)
Net Sales	3,381.0	1,795.1	3,284.6	3,630.1	2.4%
EBITDA	549.4	64.9	577.0	649.6	5.7%
PAT	(140.9)	(293.8)	19.4	44.0	
EV/Sales (x)	1.1	2.4	1.3	1.2	
EV/EBITDA (x)	6.9	65.1	7.5	6.5	
RoCE (%)	4.7	(13.8)	8.0	9.7	
RoE (%)	-103.1	-205.6	11.9	21.3	

Source: Company, ICICI Direct Research

Exhibit 15: ICICI Direct coverage universe (Retail)

Sector / Company	CMP			M Cap	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating		FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E
Bata India	1,600	1,680	Hold	20,600	25.4	-0.9	32.6	62.9	NA	49.0	23.3	71.4	21.1	28.2	-0.1	28.8	17.2	-0.6	19.7
Titan Company	1,510	1,660	Hold	1,33,168	16.9	8.4	23.7	89.3	178.7	63.7	54.1	93.4	41.6	28.7	14.2	31.8	22.5	10.6	23.9
Trent	692	820	Buy	22,430	3.5	-2.4	7.4	200.3	NA	93.1	45.7	132.7	34.4	15.9	4.4	20.5	5.1	-3.7	10.7
ABFRL	165	210	Buy	12,770	-1.0	-7.9	2.2	NA	NA	75.4	32.8	-	29.9	6.5	-17.4	8.6	-6.0	-26.0	6.2
TTK Prestige	6,120	7,100	Buy	8,438	133.0	123.1	169.4	46.0	49.7	36.1	31.6	33.4	25.0	17.1	14.1	17.9	14.1	12.0	14.9
Page Industries	27,600	26,985	Hold	30,785	307.7	218.1	433.7	89.7	126.6	63.6	57.6	76.0	41.9	55.7	33.5	56.7	41.9	25.8	43.5
Avenue Supermarts	2,670	2,765	Hold	1,72,955	20.1	14.7	30.8	132.9	181.7	86.7	79.7	112.4	55.6	16.4	10.8	19.2	11.7	7.9	14.2
Relaxo Footwear	805	890	Hold	20,906	9.1	8.2	12.6	88.3	97.9	63.9	49.2	51.8	37.3	23.9	19.7	25.5	17.8	14.1	18.6
TCNS Clothing	456	540	Buy	2,803	8.8	-11.1	15.7	52.1	NA	29.1	32.4	NA	17.8	10.6	-14.6	18.2	7.9	-11.0	13.5
Shoppers Stop	205	228	Hold	2,217	-16.0	-26.9	1.8	NA	NA	115.7	6.9	65.1	7.5	4.7	-13.8	8.0	###	-205.6	11.9

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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