

JUBILANT FOODWORKS

New CEO begins with a bang

India Equity Research | Retail

Jubilant FoodWorks' (JFL) Q1FY18 revenue and EBITDA surpassed our estimates. Key positives were: i) 6.5% spurt in SSG (highest since Q1FY16) aided by *Every Day value*; and ii) 224bps EBITDA margin expansion aided by cost rationalisation (133bps YoY dip in employee cost, 117bps YoY fall in other expenses) and higher SSG. We estimate 313bps EBITDA margin improvement driven by 7.9% SSG in FY18. The company estimates to cut Dunkin losses by half in FY18 (closed 9 stores in Q1FY18). Further, JFL aims to sustain focus on value-for-money offerings across Domino's and Dunkin' Donuts. The improvement in numbers coincides with change of guard—new CEO Mr. Pratik Pota. Maintain 'HOLD'.

Value offering drives SSG spurt

SSG of 6.5% YoY on a soft base of 3.2% YoY dip was due to the *Every Day value* strategy and closure of non-profitable stores—19 Domino's stores shut since Q3FY17. We estimate 7.9% and 8.5% YoY SSG in FY18 and FY19, respectively, aided by the company's focus on value offerings, product innovation and enhancing customer experience. Staff cost (% of revenue) fell 133bps YoY (improvement since Q1FY6).

Q1FY18 conference call: Key takeaways

Every Day value improved the frequency of existing customers and also attracted new customers. Losses in Dunkin' business dented EBITDA margin; however, the impact was lower at 145bps in Q1FY18 compared to 255bps in Q1FY17. JFL expects gross margin to remain under slight pressure due to inflation in raw material cost, especially cheese. However, the company will compensate the gross margin loss with lower discounts (estimates 21bps improvement in gross margin in FY18). Employee count per store improved from 22 in Q4FY17 to 21 in Q1FY18. Mr. Sachin Sharma, CFO, has resigned for personal reason.

Outlook and valuations: Improving; maintain 'HOLD'

We expect Q1FY18 to be strong across retailers. The new CEO Mr. Pratik Pota is expected to drive higher SSG through value offering strategy and closure of non-profitable stores. We maintain 'HOLD/SP' with target price of INR1,383. At CMP, the stock is trading at 61.1x FY18E and 46.0x FY19E EPS.

Financials		(INR mn)						
Year to March	Q1FY18	Q1FY17	% change	Q4FY17	% change	FY17	FY18E	FY19E
Revenue	6,788	6,089	11.5	6,128	10.8	25,461	28,249	31,308
EBIDTA	796	577	37.8	605	31.5	2,466	3,620	4,361
Adjusted profit	238	190	25.5	168	254.8	756	1,373	1,824
Adj. diluted EPS	3.6	2.9	25.3	2.6	41.9	11.5	20.8	27.7
Dil. P/E (x)						111.0	61.1	46.0
EV / EBITDA (x)						33.7	22.5	18.2
ROAE (%)						9.6	15.9	18.7

EDELWEISS 4D RATINGS	
Absolute Rating	HOLD
Rating Relative to Sector	Performer
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Underweight

MARKET DATA (R: , B: JUBI IN)

CMP	: INR 1,273
Target Price	: INR 1,383
52-week range (INR)	: 1,299 / 761
Share in issue (mn)	: 66.0
M cap (INR bn/USD mn)	: 84 / 1,305
Avg. Daily Vol.BSE/NSE('000)	: 0.0

SHARE HOLDING PATTERN (%)

	Current	Q2FY17	Q1FY17
Promoters *	45.0	45.0	45.0
MF's, FI's & BK's	13.3	12.4	10.9
FII's	28.9	29.4	31.8
Others	12.8	13.3	12.3
* Promoters pledged shares (% of share in issue)			17.32

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Retail Index
1 month	35.7	3.4	2.6
3 months	28.8	8.5	5.6
12 months	11.0	16.1	25.3

Abneesh Roy
+91 22 6620 3141
abneesh.roy@edelweissfin.com

Rajiv Berlia
+91 22 6623 3377
rajiv.berlia@edelweissfin.com

Alok Shah
+91 22 6620 3040
alok.shah@edelweissfin.com

July 17, 2017

Table 1: Trends at a glance

Period	Dominos			Dunkin Donuts				Consolidated					
	SSG	Dominos stores added	City / Town Coverage	Average OLO contribution to delivery sales	Mobile ordering as % of OLO	Total Dunkin Donuts Stores	Dunkin Donuts new store additions	Gross margin	Staff costs (% of revenues)	Rent (as % of revenues)	EBITDA margin	PAT margin	Number of employees
Q2FY13	19.8	26	NA	NA	NA	NA	NA	74.0	20.5	8.0	17.2	9.5	18,451
Q3FY13	16.1	37	NA	NA	NA	NA	NA	74.3	18.2	8.0	17.4	9.8	20,659
Q4FY13	7.7	24	NA	NA	NA	NA	NA	73.9	19.4	9.1	16.7	8.9	19,734
Q1FY14	6.3	26	NA	NA	NA	14	NA	74.1	19.0	8.8	16.8	8.6	21,070
Q2FY14	6.6	30	132	18.0	12	19	5	73.2	19.5	8.4	15.0	7.6	21,899
Q3FY14	(2.6)	47	142	16.0	15	21	2	73.3	18.5	8.9	14.8	7.4	26,153
Q4FY14	(3.4)	47	150	18.0	16	26	5	75.3	21.2	9.9	12.8	5.8	24,969
Q1FY15	(2.4)	35	154	21.8	22	31	5	74.6	20.8	9.8	12.4	5.8	25,780
Q2FY15	(5.3)	36	167	27.0	21	37	6	74.7	21.3	9.9	12.2	5.8	26,818
Q3FY15	1.9	41	184	27.0	21	46	9	74.8	20.8	9.6	13.1	6.3	29,465
Q4FY15	6.6	38	196	29.0	23	54	8	75.3	21.7	10.1	12.9	5.8	27,108
Q1FY16	4.6	35	208	33.0	28	59	5	75.7	22.3	10.6	11.8	4.8	28,684
Q2FY16	3.2	39	216	36.0	30	66	7	76.1	23.7	10.2	10.8	4.1	29,169
Q3FY16	2.0	40	225	36.0	38	70	4	77.0	23.8	10.1	12.0	5.0	30,328
Q4FY16	2.9	36	235	41.0	38	71	1	76.5	23.6	11.0	11.5	4.5	27,719
Q1FY17	(3.2)	23	243	44.0	41	77	7	76.8	23.0	11.8	9.5	3.1	27,662
Q2FY17	4.2	32	250	47.0	54	73	1	74.8	22.6	10.9	9.7	3.2	28,321
Q3FY17	(3.3)	32	259	49.0	56	73	1	74.9	23.1	11.1	9.7	3.0	27,971
Q4FY17	(7.5)	18	264	51.0	68	63	(10)	76.9	23.2	13.2	9.9	2.7	26,604
Q1FY18	6.5	13	264	51.0	69	55	1	76.4	21.7	11.6	11.7	3.5	27,369

Source: Company, Edelweiss research

Jubilant Foodworks: Q1FY18 conference call takeaways

Same store sales growth

- JFL reported 6.5% YoY SSG aided by *Every Day value* offer.
- *Every Day value* offer increased the frequency of existing customers and also attracted new customers. A few existing customers upgraded from *Pizza Mania* to core pizza.
- However, the company is yet to see strong uplift in consumer sentiments.
- SSG in delivery business is driven by increase in frequency of existing customers.
- SSG in walk-ins is driven by new customers and existing customers upgrading from *Pizza Mania* to core pizza.
- The company has sharpened focus on value for money. In April, it launched *Every Day value* in medium size pizzas.
- SSG was aided by order and transaction size. However, transaction size aided SSG more than increase in orders.

Store count

- JFL closed 5 Domino's Pizza stores and 9 Dunkin' Donut stores in Q1FY18.
- The company had 1,125 Domino's stores and 55 Dunkin' Donut stores in Q1FY18.
- 2 Domino's stores were merged while 1 store in MP was shut due to muted mall performance.
- The company has maintained its store addition guidance of 40-50 new stores in FY18.

GST benefit

- JFL has passed the GST benefit to customers. The company has seamlessly migrated to GST without any impact.
- As for input tax credit benefit, the company will pass on the input tax credit benefit as well in the form of value to customers.

Gross margin

- Gross margin will remain under pressure due to inflation in raw material costs, especially cheese.
- However, the company will compensate the loss in gross margin with lower discounts.

Dunkin Store

- Losses in Dunkin' business dented EBITDA margin; however, the impact was lower at 145bps in Q1FY18 compared to 255bps in Q1FY17.
- At the store level, JFL is hopeful of being profitable by the next year.
- The company will focus on cost efficiency by doing the following: i) closure of most unprofitable stores; ii) rental renegotiation of existing stores; iii) sharper marketing efforts & use of digital marketing; iv) reduced corporate overheads; v) lower discounts and move to Every Day value; and vi) eyeing smaller store format resulting in lower rentals.
- JFL will drive top line through value donuts and coffee combo.

Cost efficiency

- Rent has declined due to: a) store days have remained flat QoQ; and b) operating leverage in Q1FY18 due to better SSG.
- Store closure has also helped slightly in lower rental cost.
- Effective manpower count has improved from 22 employees per store in Q4FY17 to 21 in Q1FY18.

Other key takeaways

- Expected tax rate in FY18 is 34%.
- INR90mn depreciation one off due to store closures.
- Mr. Sachin Sharma, CFO, has resigned for personal reasons.
- Sri Lanka business reported 25% YoY growth aided by 8.9% SSG in Q1FY18.
- **Reimaging store:** Any reimaging of store requires INR1.3-1.5mn capex per store and results in shutdown of 1-2 days for the company.

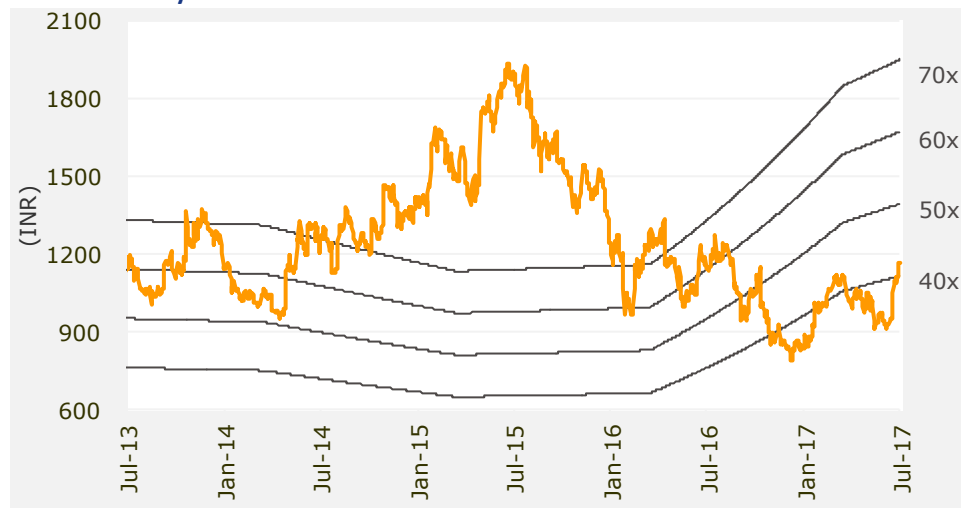
Outlook and valuations: Improving; maintain 'HOLD'

In our view, delayed recovery in SSG over the medium term seems not just cyclical, but also structural. JFL had hiked prices 6.8% in FY16, but given subdued consumer sentiments is unlikely to initiate substantial price hikes in the coming 12 months. Domino's has not clocked double-digit SSG for quite some time now.

Over the long term, we expect JFL's SSG to be aided by its market dominance, play on urban revival and sturdy brand equity. International performance of Domino's offers hope given that in the past 5 quarters in the US, it clocked double-digit growth, which came post 6-8 years of single-digit SSG. Globally, the company is experiencing an unprecedented 22-year record of positive quarterly SSG.

We expect Q1FY18 to be strong across retailers. The new CEO Mr. Pratik Pota is expected to drive higher SSG through value offering strategy and closure of non-profitable stores. We maintain '**HOLD/SP**' with target price of INR1,383 (50x FY19E EPS) due to the following reason: a) 7.9% and 8.5% SSG in FY18E and FY19E, respectively; and b) 313bps and 111bps YoY EBITDA margin improvement in FY18E and FY19E, respectively, aided by cost rationalisation and loss reduction in Dunkin' by half.

Chart 1: JFL's 1-year forward PE band



Source: Bloomberg, Edelweiss research

Financial snapshot

(INR mn)

Year to March	Q1FY18	Q1FY17	% change	Q4FY17	% change	FY17	FY18E	FY19E
Net revenues	6,788	6,089	11.5	6,128	10.8	25,461	28,249	31,308
Staff costs	1,471	1,400	5.0	1,423	3.3	5,845	6,127	6,731
Rent	789	718	10.0	808	(2.3)	2,986	3,268	3,583
Cost of goods sold	1,605	1,414	13.5	1,418	13.2	6,160	6,775	7,543
Other expenses	2,127	1,979	7.5	1,874	13.5	8,003	8,458	9,090
EBITDA	796	577	37.8	605	31.5	2,466	3,620	4,361
Depreciation	462	326	41.7	438	5.5	1,512	1,700	1,778
EBIT	334	251	32.7	167	99.7	954	1,920	2,583
Other income	30	31	(2.8)	36	(16.2)	145	160	180
Interest								
Add: Prior period items								
Add: Exceptional items				(122)	(100.0)	(122)		
Profit before tax	364	282	28.9	81	348.2	978	2,080	2,763
Provision for taxes	125	92	35.8	14	799.1	305	707	939
Minority interest								
Associate profit share								
Reported net profit	238	190	25.5	67	254.8	673	1,373	1,824
Adjusted Profit	238	190	25.5	168	41.9	756	1,373	1,824
Adjusted Diluted EPS	3.6	2.9	25.3	2.6	41.9	11.5	20.8	27.7
As % of net revenues								
COGS	23.6	23.2		23.1		24.2	24.0	24.1
Employee cost	21.7	23.0		23.2		23.0	21.7	21.5
Rent	11.6	11.8		13.2		11.7	11.6	11.4
Other expenses	31.3	32.5		30.6		31.4	29.9	29.0
Total expenses	88.3	90.5		90.1		90.3	87.2	86.1
EBITDA	11.7	9.5		9.9		9.7	12.8	13.9
Reported net profit	3.5	3.1		2.7		3.0	4.9	5.8
Tax rate	34.4	32.7		17.2		31.2	34.0	34.0

Change in Estimates

	FY18E			FY19E			Comments
	New	Old	% change	New	Old	% change	
Net Revenue	28,249	27,436	3.0	31,308	29,700	5.4	SSG improvement aided by value offering
EBITDA	3,620	3,479	4.1	4,361	4,030	8.2	Cost rationalization across various cost line items
EBITDA Margin	12.8	12.7		13.9	13.6		
Adjusted Profit After Tax	1,373	1,383	(0.7)	1,824	1,695	7.6	Tax rate changed from 31% to 34% in FY18 and FY19
Net Profit Margin	4.9	5.0		5.8	5.7		
Capex	1,323	1,290	2.6	1,223	1,190	2.8	

Company Description

JFL is one of the largest QSR companies in India and is also one of the fastest growing multi-national fast food chains. The company, part of the Jubilant Bhartia Group, was founded in 1995 and opened its first store in January 1996. The company offers both dine-in and delivery options. JFL commands 72% market share in the organised Indian pizza market (as per Euromonitor). The master franchise agreement with Dominos International is till 2024 and is renewable for another 10 years. The company also has exclusive rights for developing and operating Dunkin' Donuts restaurants in India.

Investment Theme

Over the long term, we expect JFL's SSG to be aided by likely recovery in urban sentiments due to strong Central government. Also JFL will benefit due to new Government's strong focus on improving urban infrastructure and creating 100 new cities. In the medium term industry is expected to go through a rough patch. We expect competitive intensity by online players (Swiggy, Zomato) and PE funded food players will remain an overhang. Also, promotional and marketing spends will be continue to be high as the environment remains subdued.

Key Risks

Delay in recovery in consumer discretionary spends.

Increase in competition from players across the food space – in dine, online.

Response to Dunkin' Donuts might be lower than expectations.

Demand for pizzas in smaller towns needs to be monitored.

Financial Statements

Key Assumptions

Year to March	FY16	FY17	FY18E	FY19E
Macro				
GDP(Y-o-Y %)	7.2	6.5	7.1	7.7
Inflation (Avg)	4.9	4.5	4.0	4.5
Repo rate (exit rate)	6.8	6.3	5.8	5.8
USD/INR (Avg)	65.0	67.5	66.0	66.0
Company				
SSSG (%)	3.1	(2.5)	7.9	8.5
Stores additions	150	105	43	43
Total stores - Dominos	1,026	1,117	1,160	1,203
Dunkin' Donuts				
Stores additions	17	15	15	15
Total stores DD	71	86	101	116
Raw Material (% net rev)	23.7	24.2	24.0	24.1
Employee cost (% of rev)	23.6	23.0	21.7	21.5
Rent as % of sales	10.5	11.7	11.6	11.4
Financial assumptions				
Other exp (% net rev)	31.0	31.4	29.9	29.0
Tax rate (%)	32.9	31.2	34.0	34.0
Capex (INR mn)	2,108	2,347	1,323	1,223
Debtor days	2	2	2	2
Inventory days	31	31	31	31
Payable days	171	171	171	171
Cash conversion cycle	(138)	(138)	(138)	(138)
Int rate on debt (%)	10.0	10.0	10.0	10.0
Dep. (% gross block)	8.9	10.1	10.4	10.1

Income statement

(INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Net revenue	24,102	25,461	28,249	31,308
Materials costs	5,701	6,160	6,775	7,543
Other operating expenses	7,461	8,003	8,458	9,090
Employee costs	5,684	5,845	6,127	6,731
Rent and lease expenses	2,539	2,986	3,268	3,583
EBITDA	2,718	2,466	3,620	4,361
Depreciation	1,243	1,512	1,700	1,778
EBIT	1,475	954	1,920	2,583
Add: Other income	113.27	144.85	160.00	180.00
Add: Exceptional items	-	(122)	-	-
Profit Before Tax	1,588	978	2,080	2,763
Less: Provision for Tax	522	305	707	939
Reported Profit	1,066	673	1,373	1,824
Exceptional Items	-	(84)	-	-
Adjusted Profit	1,066	756	1,373	1,824
Shares o/s (mn)	66	66	66	66
Diluted shares o/s (mn)	66	66	66	66
Adjusted Diluted EPS	16.2	11.5	20.8	27.7
Dividend per share (DPS)	0.4	2.5	5.1	6.8

Common size metrics

Year to March	FY16	FY17	FY18E	FY19E
Rent and lease expenses	10.5	11.7	11.6	11.4
Materials costs	23.7	24.2	24.0	24.1
Other operational exp	31.0	31.4	29.9	29.0
Staff costs	23.6	23.0	21.7	21.5
EBITDA margins	11.3	9.7	12.8	13.9
Net Profit margins	4.4	3.0	4.9	5.8

Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	16.2	5.6	11.0	10.8
EBITDA	3.4	(9.3)	46.8	20.4
Adjusted Profit	(13.5)	(29.1)	81.6	32.8
EPS	(13.6)	(29.1)	81.6	32.8

Balance sheet		(INR mn)			
As on 31st March	FY16	FY17	FY18E	FY19E	
Share capital	658	659	659	659	
Reserves & Surplus	7,023	7,497	8,466	9,752	
Shareholders' funds	7,681	8,157	9,125	10,411	
Long Term Liabilities	165	165	165	165	
Def. Tax Liability (net)	678	678	678	678	
Sources of funds	8,524	9,000	9,968	11,254	
Gross Block	12,068	14,323	15,596	16,769	
Net Block	7,790	8,606	8,257	7,736	
Capital work in progress	252	252	252	252	
Intangible Assets	265	285	257	223	
Total net fixed assets	8,307	9,143	8,766	8,211	
Non current investments	2,094	2,117	2,117	2,117	
Cash and Equivalents	1,222	763	2,629	4,507	
Inventories	538	500	641	630	
Sundry Debtors	125	132	153	163	
Loans & Advances	256	256	256	256	
Other Current Assets	15	15	15	15	
Current Assets (ex cash)	933	903	1,065	1,063	
Trade payable	2,935	2,829	3,511	3,548	
Other Current Liab	1,097	1,097	1,097	1,097	
Total Current Liab	4,032	3,926	4,608	4,644	
Net Curr Assets-ex cash	(3,099)	(3,023)	(3,543)	(3,581)	
Uses of funds	8,524	9,000	9,968	11,254	
BVPS (INR)	116.6	123.7	138.4	157.9	

Free cash flow		(INR mn)			
Year to March	FY16	FY17	FY18E	FY19E	
Reported Profit	1,066	673	1,373	1,824	
Less: Changes in WC	125	99	(520)	(38)	
Operating cash flow	2,120	1,940	3,433	3,459	
Less: Capex	2,108	2,347	1,323	1,223	
Free Cash Flow	12	(406)	2,110	2,236	

Cash flow metrics					
Year to March	FY16	FY17	FY18E	FY19E	
Operating cash flow	2,120	1,940	3,433	3,459	
Investing cash flow	(2,014)	(2,194)	(1,163)	(1,043)	
Financing cash flow	(177)	(197)	(405)	(537)	
Net cash Flow	(71)	(451)	1,865	1,879	
Capex	(2,108)	(2,347)	(1,323)	(1,223)	
Dividend paid	(34)	(198)	(405)	(537)	

Profitability and efficiency ratios					
Year to March	FY16	FY17	FY18E	FY19E	
ROAE (%)	14.8	9.6	15.9	18.7	
ROACE (%)	22.1	13.9	24.1	28.3	
Inventory Days	31	31	31	31	
Debtors Days	2	2	2	2	
Payable Days	171	171	171	171	
Cash Conversion Cycle	(138)	(138)	(138)	(138)	
Current Ratio	0.5	0.4	0.8	1.2	

Operating ratios					
Year to March	FY16	FY17	FY18E	FY19E	
Total Asset Turnover	3.0	2.9	3.0	3.0	
Fixed Asset Turnover	3.2	3.0	3.2	3.8	
Equity Turnover	3.3	3.2	3.3	3.2	

Valuation parameters					
Year to March	FY16	FY17	FY18E	FY19E	
Adj. Diluted EPS (INR)	16.2	11.5	20.8	27.7	
Y-o-Y growth (%)	(13.6)	(29.1)	81.6	32.8	
Adjusted Cash EPS (INR)	35.0	34.4	46.6	54.6	
Diluted P/E (x)	78.7	111.0	61.1	46.0	
P/B (x)	10.9	10.3	9.2	8.1	
EV / Sales (x)	3.4	3.3	2.9	2.5	
EV / EBITDA (x)	30.4	33.7	22.5	18.2	
Dividend Yield (%)	-	0.2	0.4	0.5	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
		FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Jubilant Foodworks	1,305	61.1	46.0	22.5	18.2	15.9	18.7
Aditya Birla Fashion and Retail Ltd	2,167	88.9	42.5	26.0	18.3	14.6	24.8
Shoppers Stop	448	85.1	28.0	14.2	9.5	(2.6)	13.3
Titan Company	7,363	47.3	37.4	31.4	24.6	23.5	25.3
Wonderla Holidays	315	35.6	24.4	17.9	12.3	12.6	16.5

Source: Edelweiss research

Additional Data

Directors Data

Shyam S. Bhartia	Chairman & Non-Executive Director	Hari S. Bhartia	Co-Chairman & Non-Executive Director
Ajay Kaul	CEO cum Whole Time Director	Arun Seth	Independent Director
Vishal Marwaha	Independent Director	Ramni Nirula	Independent Director
Phiroz Vandrevala	Independent Director		

Auditors - S.R. Batliboi & Co.

**as per last annual report*

Holding - Top10

	Perc. Holding		Perc. Holding
Jpmorgan Chase & Co	8.23	Reliance Capital Trustee Co Ltd	4.86
Fil Limited	2.67	Copthall Mauritius Inv Ltd	2.40
Templeton Asset Mgmt	2.27	Blackrock	1.99
Lombard Odier & Cie	1.90	Uti Asset Management Co Ltd	1.78
Vanguard Group	1.63	Morgan Stanley	1.60

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
31 Jan 2017	Merrill Lynch Markets Singapore Pte Ltd	Sell	519205	855.12
06 Sep 2016	Morgan Stanley Mauritius Company Ltd	Sell	430845	1083.67

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
23 Feb 2017	Ajay Kaul	Sell	15000.00

**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	Future Retail	HOLD	SU	H
Jubilant Foodworks	HOLD	SP	M	Shoppers Stop	BUY	SP	L
Titan Company	BUY	SO	L	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



Edelweiss Securities Limited, Edelweiss House, off C.S.T. Road, Kalina, Mumbai – 400 098.

Board: (91-22) 4009 4400, Email: research@edelweissfin.com

Aditya Narain

Head of Research

aditya.narain@edelweissfin.com

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

Aditya Birla Fashion and Retail Ltd, Future Retail, Jubilant Foodworks, Shoppers Stop, Titan Company, Wonderla Holidays

Recent Research

Date	Company	Title	Price (INR)	Recos
07-Jul-17	Future Lifestyle Fashions	Two to tango; <i>Initiating Coverage</i>	310	Buy
06-Jul-17	Retail	Strong recovery in SSG; <i>Quarterly Result Preview</i>		
05-Jul-17	Titan Company	Novel nudge, thriving share to prop up growth; <i>Visit Note</i>	536	Buy

Distribution of Ratings / Market Cap

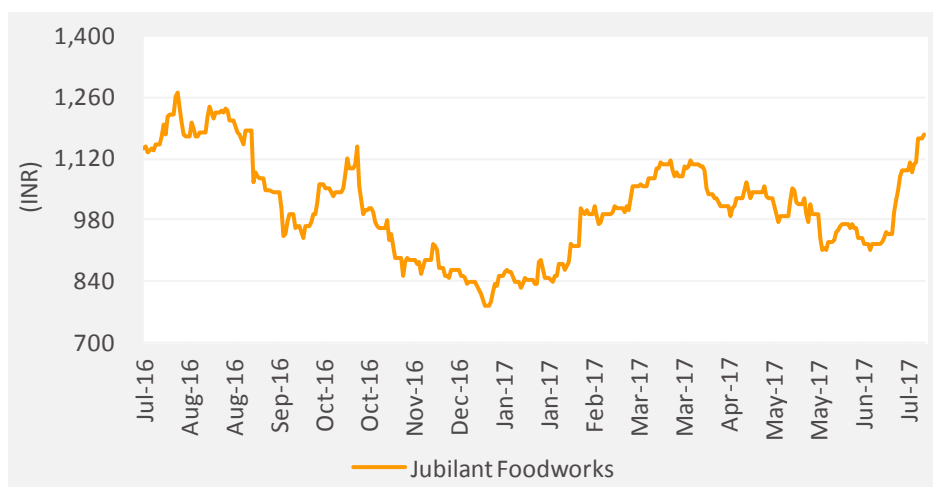
Edelweiss Research Coverage Universe

	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



DISCLAIMER

Edelweiss Securities Limited (“ESL” or “Research Entity”) is regulated by the Securities and Exchange Board of India (“SEBI”) and is licensed to carry on the business of broking, depository services and related activities. The business of ESL and its Associates (list available on www.edelweissfin.com) are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance.

This Report has been prepared by Edelweiss Securities Limited in the capacity of a Research Analyst having SEBI Registration No. INH200000121 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 includes Financial Instruments and Currency Derivatives. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in Securities referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ESL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. ESL reserves the right to make modifications and alterations to this statement as may be required from time to time. ESL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. ESL is committed to providing independent and transparent recommendation to its clients. Neither ESL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The information provided in these reports remains, unless otherwise stated, the copyright of ESL. All layout, design, original artwork, concepts and other Intellectual Properties, remains the property and copyright of ESL and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the copyright holders.

ESL shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, break down of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of the ESL to present the data. In no event shall ESL be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by the ESL through this report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

ESL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the Securities, mentioned herein or (b) be engaged in any other transaction involving such Securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance. ESL may have proprietary long/short position in the above mentioned scrip(s) and therefore should be considered as interested. The views provided herein are general in nature and do not consider risk appetite or investment objective of any particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with ESL.

ESL or its associates may have received compensation from the subject company in the past 12 months. ESL or its associates may have managed or co-managed public offering of securities for the subject company in the past 12 months. ESL or its associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. ESL or its associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. ESL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Research analyst or his/her relative or ESL's associates may have financial interest in the subject company. ESL and/or its Group Companies, their Directors, affiliates and/or employees may have interests/ positions, financial or otherwise in the Securities/Currencies and other investment products mentioned in this report. ESL, its associates, research analyst and his/her relative may have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: (i) exchange rates can be volatile and are subject to large fluctuations; (ii) the value of currencies may be affected by numerous market factors, including world and national economic, political and regulatory events, events in equity and debt markets and changes in interest rates; and (iii) currencies may be subject to devaluation or government imposed exchange controls which could affect the value of the currency. Investors in securities such as ADRs and Currency Derivatives, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Research analyst has served as an officer, director or employee of subject Company: No

ESL has financial interest in the subject companies: No

ESL's Associates may have actual / beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report.

Research analyst or his/her relative has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

ESL has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

Subject company may have been client during twelve months preceding the date of distribution of the research report.

There were no instances of non-compliance by ESL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years except that ESL had submitted an offer of settlement with Securities and Exchange commission, USA (SEC) and the same has been accepted by SEC without admitting or denying the findings in relation to their charges of non registration as a broker dealer.

A graph of daily closing prices of the securities is also available at www.nseindia.com

Analyst Certification:

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Additional Disclaimers

Disclaimer for U.S. Persons

This research report is a product of Edelweiss Securities Limited, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Edelweiss Securities Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Edelweiss Securities Limited has entered into an agreement with a U.S. registered broker-dealer, Edelweiss Financial Services Inc. ("EFSI"). Transactions in securities discussed in this research report should be effected through Edelweiss Financial Services Inc.

Disclaimer for U.K. Persons

The contents of this research report have not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000 ("FSMA").

In the United Kingdom, this research report is being distributed only to and is directed only at (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 (the "Order"); (b) persons falling within Article 49(2)(a) to (d) of the Order (including high net worth companies and unincorporated associations); and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons").

This research report must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this research report relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this research report or any of its contents. This research report must not be distributed, published, reproduced or disclosed (in whole or in part) by recipients to any other person.

Disclaimer for Canadian Persons

This research report is a product of Edelweiss Securities Limited ("ESL"), which is the employer of the research analysts who have prepared the research report. The research analysts preparing the research report are resident outside the Canada and are not associated persons of any Canadian registered adviser and/or dealer and, therefore, the analysts are not subject to supervision by a Canadian registered adviser and/or dealer, and are not required to satisfy the regulatory licensing requirements of the Ontario Securities Commission, other Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and are not required to otherwise comply with Canadian rules or regulations regarding, among other things, the research analysts' business or relationship with a subject company or trading of securities by a research analyst.

This report is intended for distribution by ESL only to "Permitted Clients" (as defined in National Instrument 31-103 ("NI 31-103")) who are resident in the Province of Ontario, Canada (an "Ontario Permitted Client"). If the recipient of this report is not an Ontario Permitted Client, as specified above, then the recipient should not act upon this report and should return the report to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any Canadian person.

ESL is relying on an exemption from the adviser and/or dealer registration requirements under NI 31-103 available to certain international advisers and/or dealers. Please be advised that (i) ESL is not registered in the Province of Ontario to trade in securities nor is it registered in the Province of Ontario to provide advice with respect to securities; (ii) ESL's head office or principal place of business is located in India; (iii) all or substantially all of ESL's assets may be situated outside of Canada; (iv) there may be difficulty enforcing legal rights against ESL because of the above; and (v) the name and address of the ESL's agent for service of process in the Province of Ontario is: Bamac Services Inc., 181 Bay Street, Suite 2100, Toronto, Ontario M5J 2T3 Canada.

Disclaimer for Singapore Persons

In Singapore, this report is being distributed by Edelweiss Investment Advisors Private Limited ("EIAPL") (Co. Reg. No. 201016306H) which is a holder of a capital markets services license and an exempt financial adviser in Singapore and (ii) solely to persons who qualify as "institutional investors" or "accredited investors" as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Pursuant to regulations 33, 34, 35 and 36 of the Financial Advisers Regulations ("FAR"), sections 25, 27 and 36 of the Financial Advisers Act, Chapter 110 of Singapore shall not apply to EIAPL when providing any financial advisory services to an accredited investor (as defined in regulation 36 of the FAR. Persons in Singapore should contact EIAPL in respect of any matter arising from, or in connection with this publication/communication. This report is not suitable for private investors.

Copyright 2009 Edelweiss Research (Edelweiss Securities Ltd). All rights reserved