

# JUBILANT FOODWORKS

Sales inline; ongoing cost rationalisation paying off

India Equity Research | Retail



Jubilant FoodWorks' (JFL) Q2FY18 revenue came in line, while EBITDA surpassed our estimates due to cost rationalisation. Key positives: 1) 5.5% YoY growth in SSG (on base of 4.2%), aided by *Every Day Value* and all new Domino's ad campaign; and ii) 440bps expansion in EBITDA margin, aided by cost rationalisation (104bps YoY dip in employee cost, 94bps YoY fall in rent and 309bps YoY drop in other expenses). We expect the improvement in EBITDA margin (our estimate: 14.0% in FY18) to continue in H2FY18 due to the focus on cost reduction. The Dunkin Donut adverse impact has reduced from 244bps in Q2FY17 to 135bps in Q2FY18 and is on path to achieve breakeven by FY19. Further, JFL aims to sustain focus on value-for-money offerings across Domino's stores through its *Every Day Value* offer. Maintain 'HOLD'.

## SSG healthy, cost efficiencies perk up EBITDA margin

SSG of 5.5% YoY on base of 4.2% YoY was aided by the *Every Day Value* strategy and all new Domino's ad campaign. We estimate 7.2%/8.5% YoY SSG in FY18/19, aided by JFL's focus on value offerings, product innovation and all new Domino's ad campaign. EBITDA margin, at 14.1% (highest in 14 quarters) was aided by cost rationalisation.

## Q2FY18 conference call: Key takeaways

Food inflation and new improved pizza (with higher toppings) impacted gross margin, though offset by improvement in product mix, input tax credit and lower discount (versus base). Significant cost rationalisation happened in advertising & marketing spends due to better ad rate renegotiation. JFL has passed on the GST benefit (2% price dip from 20% VAT rate changed to 18% GST rate). The company reduced its Domino's store addition guidance to 30-40 new stores from earlier 40-50 in FY18.

## Outlook and valuations: Improving; maintain 'HOLD'

Unchanging consumer sentiment and new store additions will be key monitorables. We expect mid to high single digit SSG aided by low base and all new Domino's ad campaign, coupled with sharp cost rationalisation, we expect EBITDA margin to boost by 436bps YoY in FY18. Hence, we raise our target PE multiple to 53x FY19E (50x earlier) and maintain 'HOLD/SP' with target price of INR1,842 (INR1,383 earlier). At CMP, the stock is trading at 65.6x FY18E and 47.3x FY19E EPS.

### Financials

(INR mn)

Year to March	Q2FY18	Q2FY17	% change	Q1FY18	% change	FY17	FY18E	FY19E
Revenue	7,266	6,655	9.2	6,788	7.0	25,461	28,155	31,385
EBITDA	1,022	643	59.0	796	28.4	2,466	3,956	5,036
Adjusted profit	485	216	124.8	238	103.3	756	1,650	2,291
Adj. diluted EPS	7.4	3.3	125.6	3.6	104.4	11.5	25.0	34.7
Dil. P/E (x)						143.2	65.6	47.3
EV / EBITDA (x)						43.4	26.5	20.4
ROAE (%)						9.2	18.1	21.8

### 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: JUBI.BO, B: JUBI IN)

CMP	: INR 1,643
Target Price	: INR 1,842
52-week range (INR)	: 1,630 / 761
Share in issue (mn)	: 66.0
M cap (INR bn/USD mn)	: 106 / 1,634
Avg. Daily Vol.BSE/NSE('000)	: 827.7

### SHARE HOLDING PATTERN (%)

	Current	Q1FY18	Q4FY17
Promoters *	44.9	44.9	45.0
MF's, FI's & BK's	10.5	12.1	13.3
FII's	32.2	29.2	28.9
Others	12.4	13.7	12.8
* Promoters pledged shares (% of share in issue)	:	11.75	

### PRICE PERFORMANCE (%)

	Stock	Nifty	EW Retail Index
1 month	16.2	4.3	5.3
3 months	23.8	3.3	6.1
12 months	39.9	18.5	20.0

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Table 1: Trends at a glance

		Dominos				Dunkin Donuts			Consolidated					
		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		Staff costs (% of revenues)	Rent (as % of revenues)	EBITDA margin	PAT margin	Number of employees	
Period	SSG							Gross margin						
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	
Q2FY18	5.5	1	264	57.0	69	52	2	74.1	21.5	10.0	14.1	6.7	29,946	

Source: Company, Edelweiss research

## Q2FY18 conference call takeaways

### Same store sales growth

- JFL reported 5.5% YoY SSSG, aided by *Every Day Value* offer.
- The company witnessed continued success of *Every Day Value* offer launched in Q1FY18.
- Traction under multi-pronged strategy is aimed at delivering superior experience to customers.
- The all new Domino's ad campaign was a significant reason of the SSSG from mid August.
- JFL is focused on bringing back value to customers through the *Every Day Value* offer, better toppings and improved quality.
- Late night delivery also positively contributed to SSSG.

### Gross margin

- Raw material prices increased due to the new improved pizza (higher toppings)
- Food inflation also resulted in higher cost
- However, improvement in product mix, input tax credit and lower discount (compared to base) compensated for the increase in raw material costs

### Cost rationalisation

- Made company-wide effort to rationalise costs and started to see impact of same in H1FY18.
- Manpower cost improved even though there was minimum wage hike and higher employees count (more delivery boys due to the all new Dominos offering) on account of improved customer experience

- Rent negotiation helped in lowering rent cost
- The company also benefitted from input output credit in cost line items
- Lastly, lower advertising and marketing spends due to better rate negotiation helped in lowering costs

#### **GST benefit**

- JFL has passed on all GST benefits to consumers across the country
- The company believes that input tax credit is integral to GST rollout and would hurt industry if it is withdrawn
- It passed on 2% price benefits to consumers due to GST rollout (earlier VAT rate of 20% changed to GST rate of 18%)
- Benefits of input tax credit was passed on through the all new Dominos offering, inflation absorption, *Every Day Value* and differential pricing in smaller towns

#### **Dominos Pizza**

- All-round comprehensive upgrade of Domino's pizza
- Upgraded Domino's app with improved functionalities leading to strong growth in online ordering
- The launch of the all new Domino's pizzas has been supported through an aggressive advertising campaign across television, digital, press and radio. It has also been accompanied by focused outreach efforts targeted at existing customers

#### **Dunkin Donut Store**

- There was sharp reduction in losses and the company is on path to achieve breakeven by FY19
- It is able to drive growth through focus on donut and coffee combos
- Gross margins are not dilutive for the value donuts (priced at INR25)
- Focus on donuts and beverages than burgers is working well for the company
- It has very strong relationship with parent and is working towards arriving at a profitable model
- It has the right to sub-franchise *Dunkin* brand
- The company will look at a simpler food portfolio to reduce losses in *Dunkin*.
- The *Dunkin* impact has come down from 244bps in Q2FY17 to 135bps in Q2FY18.

#### **Packaging improvement**

- The company improved packaging of seasons (oreganos and chilli flakes), pizza boxes
- It also refrigerated the transport of seasoning
- Further, it tightened the shelf life to 3 months from 6 months earlier.

#### **Store openings**

- JFL is now focusing on selectively opening new stores

- Selection of new store sites has been made more scientific and robust through data analysis
- JFL closed 1 Domino's pizza stores and opened 1 store
- In Dunkin Donuts, it opened 2 stores and closed 5 in Q2FY18
- The company had 1,125 Domino's stores and 52 Dunkin Donut stores in Q2FY18
- It has reduced its store addition guidance to 30-40 new stores from 40-50 in FY18

### Other key takeaways

- Total capex spend in H1FY18: INR410mn
- Capex plan for FY18: INR1,100-1,150mn (lower than earlier guided INR1,300mn due to lower store openings)
- The company is present at 185 stations (expanded its presence by 51 stations in Q2FY18). This channel is margin neutral
- Donut store size: 800-1,000 sq ft
- Domino's store size: 1,350-1,450 sq ft
- The company does not own any stores.

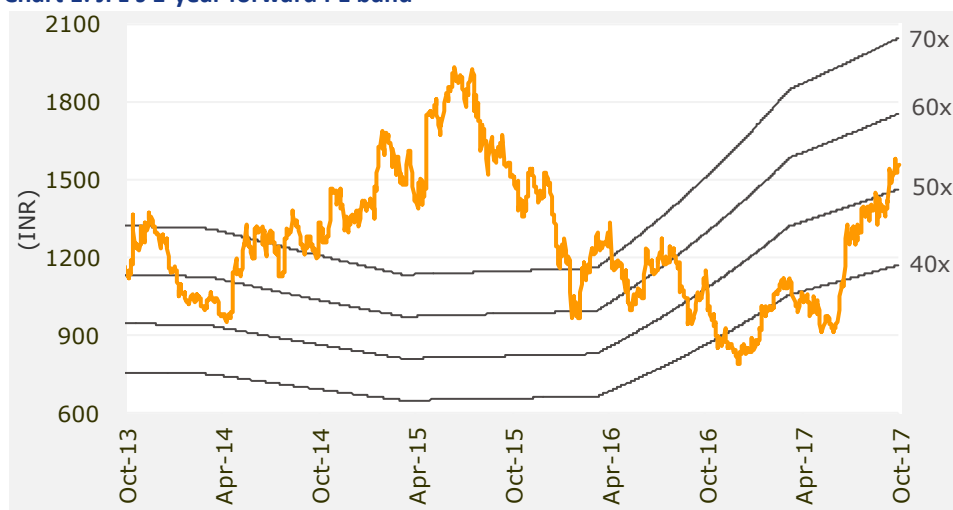
### Outlook and valuations: Improving; maintain 'HOLD'

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.

Unchanging consumer sentiment and new store additions will be key monitorables. We expect mid to high single digit SSG aided by low base and all new Domino's ad campaign, coupled with sharp cost rationalisation, we expect EBITDA margin to boost by 436bps YoY in FY18. Hence, we raise our target PE multiple to 53x FY19E (50x earlier) and maintain 'HOLD/SP' with target price of INR1,842 (INR1,383 earlier).

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



Source: Bloomberg, Edelweiss research

## Financial snapshot

(INR mn)

Year to March	Q2FY18	Q2FY17	% change	Q1FY18	% change	YTD18	FY18E	FY19E
Net revenues	7,266	6,655	9.2	6,788	7.0	14,055	28,155	31,385
Staff costs	1,564	1,502	4.1	1,471	6.4	3,035	6,095	6,748
Rent	726	727	(0.2)	789	(8.0)	1,516	2,926	3,257
Cost of goods sold	1,879	1,677	12.0	1,605	17.0	3,484	7,028	7,557
Other expenses	2,075	2,106	(1.5)	2,127	(2.5)	4,203	8,151	8,788
EBITDA	1,022	643	59.0	796	28.4	1,818	3,956	5,036
Depreciation	326	366	(11.1)	462	(29.5)	788	1,595	1,744
EBIT	696	277	151.6	334	108.7	1,030	2,360	3,292
Other income	36	43	(14.9)	30	21.5	66	140	180
Interest								
Add: Prior period items								
Add: Exceptional items								
Profit before tax	733	320	129.3	364	101.5	1,096	2,500	3,472
Provision for taxes	248	104	138.8	125	98.2	373	850	1,180
Minority interest								
Associate profit share								
Reported net profit	485	216	124.8	238	103.3	723	1,650	2,291
Adjusted Profit	485	216	124.8	238	103.3	723	1,650	2,291
Adjusted Diluted EPS	7.4	3.3	125.6	3.6	104.4	11.0	25.0	34.7
As % of net revenues								
COGS	25.9	25.2		23.6		24.8	25.0	24.1
Employee cost	21.5	22.6		21.7		21.6	21.6	21.5
Rent	10.0	10.9		11.6		10.8	10.4	10.4
Other expenses	28.6	31.6		31.3		29.9	28.9	28.0
Total expenses	85.9	90.3		88.3		87.1	86.0	84.0
EBITDA	14.1	9.7		11.7		12.9	14.0	16.0
Reported net profit	6.7	3.2		3.5		4.4	5.9	7.3
Tax rate	33.8	32.5		34.4		34.0	34.0	34.0

## Change in Estimates

	FY18E			FY19E			
	New	Old	%change	New	Old	%change	Comments
Net Revenue	28,156	28,249	(0.3)	31,385	31,308	0.2	No material change in SSG for FY18 and FY19
EBITDA	3,956	3,620	9.3	5,036	4,361	15.5	Cost efficiencies in rental and other expenses to boost EBITDA
EBITDA Margin	14.0	12.8		16.0	13.9		
Adjusted Profit After Tax	1,650	1,373	20.2	2,291	1,824	25.6	
Net Profit Margin	5.9	4.9		7.3	5.8		
Capex	1,153	1,323	(12.8)	1,190	1,223	(2.7)	

## 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
<b>Macro</b>				
GDP(Y-o-Y %)	7.9	6.6	6.8	7.4
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)	65.5	67.1	65.0	66.0
<b>Company</b>				
SSSG (%)	3.1	(2.5)	7.2	8.5
Stores additions	150	105	30	40
Total stores - Dominos	1,026	1,117	1,147	1,187
Dunkin' Donuts	-	-	1	1
Stores additions	17	15	15	15
Total stores DD	71	86	101	116
Raw Material (% net rev)	23.7	24.2	25.0	24.1
Employee cost (% of rev)	23.6	23.0	21.6	21.5
Rent as % of sales	10.5	11.7	10.4	10.4
Financial assumptions	-	-	1	1
Other exp (% net rev)	31.0	31.4	28.9	28.0
Tax rate (%)	32.9	31.2	34.0	34.0
Capex (INR mn)	(1,267)	1,799	1,153	1,190
Debtor days	2	2	2	2
Inventory days	31	33	33	33
Payable days	172	182	182	182
Cash conversion cycle	(139)	(147)	(147)	(147)
Int rate on debt (%)	10.0	10.0	10.0	10.0
Dep. (% gross block)	13.2	13.9	13.6	13.5

## Income statement

(INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Net revenue	24,102	25,461	28,155	31,385
Materials costs	5,701	6,160	7,028	7,557
Other operating expenses	7,461	8,003	8,151	8,788
Employee costs	5,684	5,845	6,095	6,748
Rent and lease expenses	2,539	2,986	2,926	3,257
EBITDA	2,718	2,466	3,956	5,036
Depreciation	1,243	1,512	1,595	1,744
EBIT	1,475	954	2,360	3,292
Add: Other income	113.27	144.85	140.00	180.00
Add: Exceptional items	-	(122)	-	-
Profit Before Tax	1,588	978	2,500	3,472
Less: Provision for Tax	522	305	850	1,180
Reported Profit	1,066	673	1,650	2,291
Exceptional Items	-	(84)	-	-
Adjusted Profit	1,066	756	1,650	2,291
Shares o /s (mn)	66	66	66	66
Diluted shares o/s (mn)	66	66	66	66
Adjusted Diluted EPS	16.2	11.5	25.0	34.7
Dividend per share (DPS)	0.4	2.5	6.1	8.5

## Common size metrics

Year to March	FY16	FY17	FY18E	FY19E
Rent and lease expenses	10.5	11.7	10.4	10.4
Materials costs	23.7	24.2	25.0	24.1
Other operational exp	31.0	31.4	28.9	28.0
Staff costs	23.6	23.0	21.6	21.5
EBITDA margins	11.3	9.7	14.0	16.0
Net Profit margins	4.4	3.0	5.9	7.3

## Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	16.2	5.6	10.6	11.5
EBITDA	3.4	(9.3)	60.4	27.3
Adjusted Profit	(13.5)	(29.1)	118.2	38.9
EPS	(13.6)	(29.1)	118.2	38.9



Balance sheet		(INR mn)			
As on 31st March	FY16	FY17	FY18E	FY19E	
Share capital	658	659	659	659	
Reserves & Surplus	7,318	7,862	9,026	10,643	
Shareholders' funds	7,976	8,522	9,686	11,302	
Short term borrowings	11	9	9	9	
Total Borrowings	11	9	9	9	
Long Term Liabilities	1	4	4	4	
Def. Tax Liability (net)	729	693	693	693	
<b>Sources of funds</b>	<b>8,717</b>	<b>9,227</b>	<b>10,391</b>	<b>12,008</b>	
Gross Block	8,864	10,027	11,157	12,297	
Net Block	7,790	7,668	7,281	6,761	
Capital work in progress	174	598	598	598	
Intangible Assets	343	444	390	356	
Total net fixed assets	8,307	8,711	8,269	7,715	
Non current investments	1,424	1,516	1,516	1,516	
Cash and Equivalents	1,222	1,260	3,433	5,431	
Inventories	538	587	696	684	
Sundry Debtors	125	156	155	192	
Loans & Advances	327	327	327	327	
Other Current Assets	593	763	763	763	
Current Assets (ex cash)	1,582	1,834	1,941	1,966	
Trade payable	2,974	3,166	3,840	3,693	
Other Current Liab	843	927	927	927	
Total Current Liab	3,817	4,093	4,767	4,620	
Net Curr Assets-ex cash	(2,235)	(2,260)	(2,826)	(2,654)	
<b>Uses of funds</b>	<b>8,717</b>	<b>9,227</b>	<b>10,391</b>	<b>12,008</b>	
BVPS (INR)	121.0	129.2	146.9	171.4	

Free cash flow		(INR mn)			
Year to March	FY16	FY17	FY18E	FY19E	
Reported Profit	1,066	673	1,650	2,291	
Less: Changes in WC	125	(14)	(566)	172	
Operating cash flow	2,120	2,134	3,672	3,683	
Less: Capex	(1,267)	1,799	1,153	1,190	
<b>Free Cash Flow</b>	<b>3,386</b>	<b>335</b>	<b>2,519</b>	<b>2,493</b>	

Cash flow metrics		FY16	FY17	FY18E	FY19E
Year to March					
Operating cash flow		2,120	2,134	3,672	3,683
Investing cash flow		(2,014)	(1,975)	(1,013)	(1,010)
Financing cash flow		(177)	(148)	(486)	(675)
Net cash Flow		(71)	11	2,173	1,999
Capex		1,267	(1,799)	(1,153)	(1,190)
Dividend paid		(34)	(198)	(486)	(675)

Profitability and efficiency ratios		FY16	FY17	FY18E	FY19E
Year to March					
ROAE (%)		14.5	9.2	18.1	21.8
ROACE (%)		21.6	13.3	27.4	33.1
Inventory Days		31	33	33	33
Debtors Days		2	2	2	2
Payable Days		172	182	182	182
Cash Conversion Cycle		(139)	(147)	(147)	(147)
Current Ratio		0.7	0.8	1.1	1.6
Gross Debt/EBITDA		-	-	-	-
Gross Debt/Equity		-	-	-	-
Adjusted Debt/Equity		-	-	-	-

Operating ratios		FY16	FY17	FY18E	FY19E
Year to March					
Total Asset Turnover		3.0	2.8	2.9	2.8
Fixed Asset Turnover		3.2	3.1	3.6	4.2
Equity Turnover		3.3	3.1	3.1	3.0

Valuation parameters		FY16	FY17	FY18E	FY19E
Year to March					
Adj. Diluted EPS (INR)		16.2	11.5	25.0	34.7
Y-o-Y growth (%)		(13.6)	(29.1)	118.2	38.9
Adjusted Cash EPS (INR)		35.0	34.4	49.2	61.2
Diluted P/E (x)		101.5	143.2	65.6	47.3
P/B (x)		13.6	12.7	11.2	9.6
EV / Sales (x)		4.4	4.2	3.7	3.3
EV / EBITDA (x)		39.4	43.4	26.5	20.4
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	1,634	65.6	47.3	26.5	20.4	18.1	21.8
Aditya Birla Fashion and Retail Ltd	1,791	74.0	35.1	22.6	15.8	14.6	25.0
Shoppers Stop	680	296.6	40.7	19.3	13.4	2.7	16.0
Titan Company	8,093	52.5	40.5	33.8	26.3	21.8	24.3
Wonderla Holidays	321	37.8	26.2	19.0	13.2	12.2	15.9

Source: Edelweiss research

## Additional Data

### Directors Data

Shyam S. Bhartia	Chairman & Non-Executive Director	Hari S. Bhartia	Co-Chairman & Non-Executive Director
Arun Seth	Independent Director	Vishal Marwaha	Independent Director
Ramni Nirula	Independent Director	Phiroz Vandrevalla	Independent Director
Mr. Pratik Pota	CEO		

Auditors - S.R. Batliboi & Co.

*\*as per last annual report*

### Holding - Top10

	Perc. Holding		Perc. Holding
Jpmorgan Chase & Co	8.38	Reliance Capital Trustee Co Ltd	3.59
Vanguard Group	2.46	Copthall Mauritius Inv Ltd	2.40
Azim Prem Ji Trust	2.32	Templeton Asset Mgmt	2.27
Uti Asset Management Co Ltd	2.23	Fil Limited	1.84
Lombard Odier & Cie	1.67	Sbi Funds Management	1.62

*\*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

*\*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 Lifestyle Fashions Limited	BUY	SO	L
Future Retail	BUY	SO	H	Jubilant Foodworks	HOLD	SP	M
Shoppers Stop	BUY	SO	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

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Head of Research

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

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

#### Recent Research

Date	Company	Title	Price (INR)	Recos
06-Oct-17	<b>Future Retail</b>	HyperCity buy: Bolstering consolidation; <i>Company Update</i>	528	Buy
06-Oct-17	<b>Shoppers Stop</b>	HyperCity sale: The winning stroke; <i>Company Update</i>	508	Buy
04-Oct-17	<b>Retail</b>	Temporary slowdown; <i>Q2FY18 result preview</i>		

#### Distribution of Ratings / Market Cap

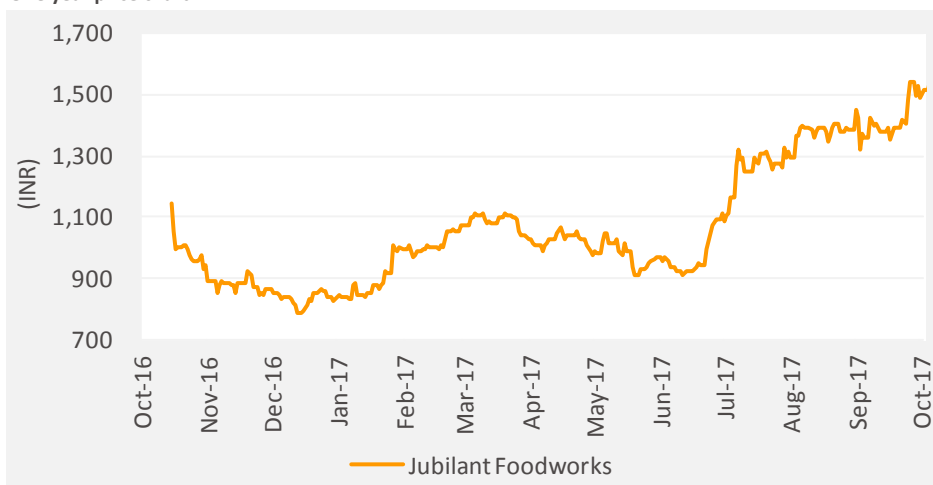
##### Edelweiss Research Coverage Universe

	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
<b>Buy</b>	appreciate more than 15% over a 12-month period
<b>Hold</b>	appreciate up to 15% over a 12-month period
<b>Reduce</b>	depreciate more than 5% over a 12-month period

One year price chart



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