

October 7, 2021

Poised for rapid recovery...

Covid induced lockdowns due to the second wave put the brakes on growth momentum as store operational days dropped to <50% in Q1FY22. However, post relaxations in lockdowns, companies are witnessing a swift recovery in footfalls. Revenue recovery rate in Q2FY22 is hovering in the range of 75-90%, post relaxation from June. The current recovery appears to be faster in comparison to the previous year as companies had taken several months after reopening (post the first wave) to reach 75-80% of pre-Covid levels. Most of the store network across our coverage companies is now operational (90%+). We expect Q2FY22 to be substantially better and early indicators are signalling a return to near normalcy by the festive season. Positive impact of operating leverage is expected to majorly negate inflationary pressure on margins on a YoY basis.

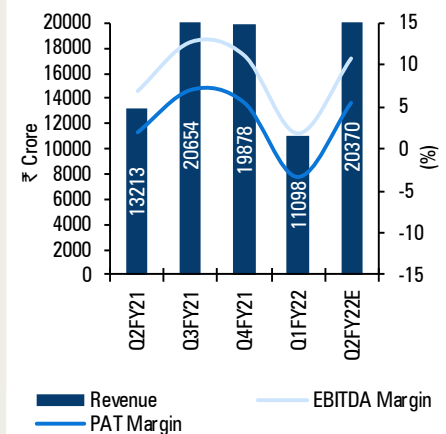
Demand recovery, store expansion acceleration augurs well

Titan's jewellery division continues to gain market share with better than industry performance. As per channel checks, regional jewellery players have reached ~85-90% of pre-Covid levels while Titan's jewellery division has surpassed pre-Covid levels in Q2FY22. With softening of gold prices (down 8% YoY) and healthy pent-up demand we expect Titan's jewellery revenue growth of 61% YoY (up 78% YoY, excluding bullion sales worth ₹ 391 crore). The watches segment also witnessed a rapid recovery in footfalls with the reopening of stores with revenue recovery rate expected at ~96% in Q2FY22. Overall revenues for Titan is expected to record a growth of 64% YoY (79%, excluding gold bullion sale). For Avenue Supermarts, easing of Covid-19 related restrictions resulted in swift revenue recovery with 47% YoY revenue growth (two year CAGR: 13%). Revenue/store was at ₹ 31 crore vs. ₹ 32 crore in Q2FY20 (~97% of pre-Covid levels). We expect revenue recovery for fashion retailers to be in the range of 75-90%. We expect Trent, ABFRL, V-Mart and Bata to report revenue recovery rate of 91%, 84%, 85%, 78%, respectively. During the quarter, we expect store addition trajectory to accelerate with opening of 13 Westside Stores, 12 V-Mart stores, 11 Pantaloons Stores and 13 Tanishq stores. For TTK Prestige, healthy demand for kitchen appliances reverted back in July & August. It also witnessed strong demand offtake during the Onam season. We expect topline growth of 16% driven by mid-double digit growth across cookers and appliances segment.

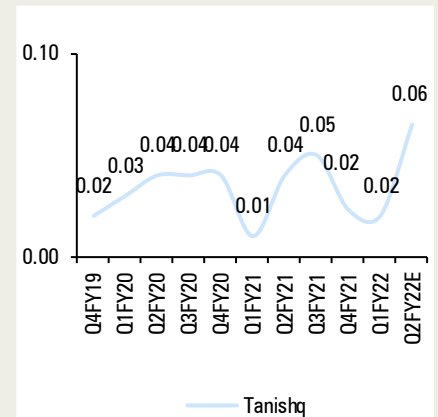
Estimates for Q2FY22E			(₹ crore)						
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY22E	YoY	QoQ	Q2FY22E	YoY	QoQ	Q2FY22E	YoY	QoQ
Avenue Supermarts	7,799.6	47.0	50.5	577.2	75.2	157.4	363.9	83.3	281.3
Bata India	570.2	55.0	113.5	102.1	LP	LP	28.3	LP	LP
Titan Company	7,460.0	63.8	114.8	881.7	181.7	543.6	585.0	238.1	3,149.7
Trent Ltd	746.0	65.0	127.9	107.4	1,578.5	LP	11.0	LP	LP
TTK Prestige	682.0	15.5	91.1	114.6	33.2	193.2	84.1	35.3	209.2
Page Industries	893.9	20.8	78.2	182.4	10.3	433.3	121.5	9.6	1,014.8
ABFRL	1,924.0	87.1	137.0	232.8	LP	LP	-72.4	NA	NA
V-Mart	293.9	67.5	65.7	6.9	LP	LP	-28.0	NA	NA
Total	20,369.6	54.2	83.5	2,205.0	142.2	1,013.4	1,093.4	344.6	LP

Source: Company, ICICI Direct Research.

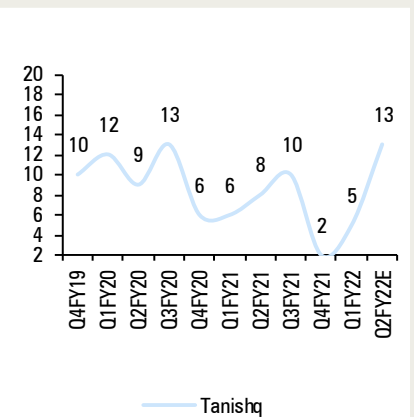
Topline & Profitability (Coverage Universe)



Space addition- million sq. ft. (QoQ)



Store addition –(QoQ) Tanishq (Titan)



Top Picks

Titan, Trent, V-Mart, TTK Prestige

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Exhibit 1: Company Specific view

Company	Remarks
Bata India	<p>Formal and fashion footwear were the most impacted categories, which dragged the performance for Bata in FY21. We expect revenue recovery rate to improve to 78% of pre-Covid levels We expect revenue to increase 55% YoY to ₹ 570.2 crore (on a favourable base). We expect gross margins to improve 260 bps YoY to 53.0%. On account of positive operating leverage, we expect the company to report EBITDA margins of 17.9% (vs. 4.9% in Q2FY21). PAT is expected at ₹ 28.3 crore (vs.net loss of ₹ 44.3 crore in Q2FY21)</p>
Titan Company	<p>With gradual relaxations in restrictions (store operational days exceeding 90%+) and pent-up demand, revenue momentum has bounced back sharply from July onwards with robust traction witnessed in the jewellery segment. Expect revenue from jewellery segment to increase 61% YoY (up 78% YoY, excluding bullion sales worth ₹ 391 crore) while watches division is expected to report revenue growth of 73% YoY (~96% revenue recovery rate). Overall revenues are expected to increase 64% YoY (79% YoY, excluding gold bullion sale) to ₹ 7460 crore. Higher share of plan gold jewellery may restrict gross margin expansion but strong operating leverage and higher hedge expense in the base quarter (₹ 485 crore), are expected to lead to significant EBITDA margin expansion by 490 bps YoY to 11.8%. Subsequently, we expect Titan to report healthy PAT of ₹ 585 crore vs. ₹ 174 crore in Q2FY21</p>
Trent Ltd	<p>Post lockdown relaxations, revenue recovery has been encouraging with July sales tracking 80% of pre-Covid levels and the company reverting back to operating profitability. On a favourable base, we expect revenue to increase 65% YoY to ₹ 746 crore (~91% of pre-Covid levels). Expect gross margins to improve materially to 51.4% vs. 40.9% in Q2FY21. Further, owing to positive operating leverage, we expect the company to report 14.4% EBITDA margins vs. 1.4% in Q2FY21. We expect Trent to report net profit to the tune of ₹ 11.0 crore (vs. net loss of ₹ 48.1 crore in Q2FY21)</p>
Avenue Supermarts	<p>Easing of Covid-19 related restrictions and green shoots in demand are expected to result in swift profitability recovery for Avenue Supermarts (D-Mart) in Q2FY22. We expect consolidated revenues to increase 47% YoY (50% QoQ) to ₹ 7799.6 crore. The company, during the quarter, has added eight stores taking the total store count to 246 outlets. We expect gross margins to dip marginally by 50 bps YoY to 14.0% (up 90 bps QoQ) owing to inflationary pressure. On account of positive operating leverage, we expect EBITDA margin expansion of 120 bps YoY (310 bps QoQ) to 7.4%. On a favourable base, we anticipate PAT growth of 83% YoY to ₹ 363.9 crore</p>

Source: Company, ICICI Direct Research

Exhibit 2: Company Specific views

ABFRL	With reopening of stores from the second half of June onwards, recovery has been swift for ABFRL. We expect Lifestyle brands and Pantaloons to record 86% and 75% recovery rate, respectively, in Q2FY22E. Overall revenues are expected to increase 87% YoY to ₹ 1924.0 crore (~84% of pre-Covid levels). On account of positive operating leverage, we expect the company to report positive EBITDA of ₹ 232.8 crore (post Ind-AS 116) vs. loss of ₹ 7.6 crore in Q2FY21. PBT losses are expected to narrow down to ₹ 72.4 crore vs. ₹ 250.8 crore in Q2FY21
TTK Prestige	Post blip in Q1FY22, July and August witnessed a healthy demand recovery with the impact of the second Covid 19 wave largely behind. TTK witnessed a healthy Onam season despite high Covid 19 cases in Kerala. We anticipate revenues will increase 16% YoY to ₹ 682.0 crore driven by mid double digit growth across segments. Inflationary pressures in commodity prices will be mainly offset by price hikes taken during the previous three quarters. We expect EBITDA margins to improve 220 bps YoY to 16.8%. On account of a strong operational performance, we expect PAT to increase 35% YoY to ₹ 84.1 crore
Page Industries	The company continues to focus on its core innerwear business along with scaling up of its athleisure/outerwear business, which is experiencing sustained demand owing to continuance of work from home (WFH) across industries. In FY21, the company focused on expanding the multi brand outlet (MBO) network and added close to 15000 stores with current MBO network of around 80000 outlets. Driven by strong demand for WFH athleisure wear and expanded distribution reach, we anticipate Page will report YoY revenue growth of 21% to ₹ 894 crore in Q2FY22E. Volumes are expected to increase 15% YoY while realisation is expected to be up 5% to ₹ 197 per piece (owing to change in product mix). We expect gross margins to improve 160 bps YoY to 57.1% (57.7% in Q1FY22). We expect EBITDA margins to decline 190 bps YoY (on a high base) from 22.3% in Q2FY21 to 20.4% in Q2FY22E as employee and other expenses revert to normal levels. Subsequently, we expect the company to report 10% YoY growth in net profit to ₹ 122 crore (net profit of ₹ 11 crore in Q1FY22)
V-Mart	With increase in total store operational days (from 49% in Q1FY22 to 80%+ in Q2FY22) we expect recovery rate for V-Mart to reach ~85% of pre-Covid levels. The company during the quarter added 12 new V-Mart stores and also started operations and took control of 74 'Unlimited' stores taking the total store count to 368 stores. On a favourable base, we expect revenue to increase 67% YoY to ₹ 293.9 crore. Expect gross margins to remain flattish YoY at 29.0%. Higher operating overheads owing to Unlimited amalgamation may impact profitability, to a certain extent. We expect the company to report EBITDA of ₹ 6.9 crore vs. loss of ₹ 0.4 crore in Q2FY21

Source: Company, ICICI Direct Research

Exhibit 3: Valuation Summary

Sector / Company	CMP			M Cap (₹ Cr)	EV/Sales (x)				P/E (x)				EV/EBITDA (x)				RoCE (%)				RoE (%)			
	(₹)	TP(₹)	Rating		FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E
Trent	1,044	1,100	Buy	37,111	10.0	13.5	9.1	6.3	302.3	-	309.2	119.7	64.4	204.2	62.8	41.6	15.9	4.3	15.0	22.6	5.1	-6.3	5.0	11.8
ABFRL	241	265	Buy	22,673	2.4	4.5	3.0	2.3	-	-	-	71.1	17.5	-	24.0	14.2	10.2	-8.9	3.2	17.8	-15.3	-25.5	-2.9	10.2
Bata India	1,828	2,120	Buy	23,495	7.4	13.1	8.7	6.2	71.8	-	137.5	48.1	27.2	139.0	39.9	22.1	28.2	-5.9	14.8	31.8	17.2	-5.1	9.1	22.2
Titan Company	2,148	2,550	Buy	1,90,696	9.1	8.7	6.7	5.5	127.0	196.0	87.5	66.1	77.4	108.7	56.7	43.7	28.7	17.6	31.1	32.9	22.5	13.0	23.4	24.8
TTK Prestige	8,868	10,675	Buy	12,292	6.1	5.8	5.0	4.3	69.0	52.5	45.8	37.9	48.2	38.6	32.4	27.0	17.1	18.6	20.0	21.5	14.1	16.1	16.5	17.7
Page Industries	33,867	35,175	Hold	37,775	12.8	13.2	10.9	8.8	110.1	110.9	84.7	59.9	70.8	70.9	55.7	40.3	55.7	52.4	55.4	65.0	41.9	38.5	42.8	50.0
Avenue Supermarts	4,218	3,720	Hold	2,77,310	11.0	11.4	8.3	5.9	213.2	252.2	166.8	104.5	128.8	157.6	103.4	66.7	16.4	12.5	15.8	21.2	11.7	9.0	11.6	15.6
V-Mart	3,727	4,100	Buy	7,586	3.8	6.0	3.7	2.4	128.9	NA	175.9	59.5	29.7	49.3	30.4	18.7	27.0	6.0	13.6	23.6	10.7	-0.8	4.5	11.9

Source: Company, ICICI Direct Research

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