

RETAIL

Food for thought: Is Reliance Retail the next Jio?

India Equity Research | Retail

Reliance Retail is eyeing the huge potential in consumer-focused retail businesses in India. We believe this is an opportune time for the company to realise its retail ambition considering the evolving retail landscape (especially post change in e-commerce regulation effected from February 2019), particularly since the cash-burning JIO business has become stable. In this special report, we explore how Reliance Retail is playing its retail cards and its unique omnichannel strategy (offline to online model) likely to be rolled out by December. We are convinced that India's retail sector offers an immense opportunity (~USD650bn market size with just 10% organised share) and that organised players have so far barely scratched the surface. In this backdrop, the entry of deep-pocketed Reliance Retail may well stiffen competition and compress margins across the board.

Game-changer: how is it different from e-com giants?

While most retailers are trying to bank on an omnichannel strategy, we understand Reliance Retail is working on a unique Offline to Online (O2O) model. In our view, the model's USP is pinned on creating a retail ecosystem that would be integrated with Jio's ecosystem (by offering Jio enabled POS). To be precise, Reliance Retail plans to tap into a myriad of neighbourhood mom-and-pop stores. Such stores would carry out the last-mile delivery, which would help save on logistics costs. These stores will benefit from Reliance Retail's procurement might, which would help them improve margins. Throw in the potential to exploit data analytics and it is not hard to imagine that Reliance may have struck a jackpot.

How is Reliance playing its retail cards?

Reliance Retail is clearly aiming big in the grocery and fashion & lifestyle verticals. Within grocery, Reliance Retail has established three sub-formats to lure spectrum of customers. Within fashion & lifestyle, it is traversing price points—from value to luxury/premium retailing. In a short span, it has achieved a 71% private label share in its value retailing format (Trends), a rare feat (Shoppers Stop at ~12%, Pantaloons at ~61% and Future Lifestyle's Central at ~40%). From the balance sheet and cash flow perspectives, Reliance has enviable credentials in aching the game.

Reliance's changing tack

More than 25% of Reliance's revenue in FY19 came from businesses other than core oil & gas (O&G). This tectonic shift in revenue pie is an outcome of the company's unwavering strategic focus, scale up opportunity considering industry size, deployment of technological vectors, and increase in capital employed.

Valuation vis-a-vis peers

Our O&G team values Reliance's retail venture (ex-Jio and Petroleum Retail) at 2.5x 12-month forward EV/sales. This seems reasonable considering Avenue Supermarts and Future Retail are trading at 3.1x and 1.0x FY20 EV/sales, respectively.

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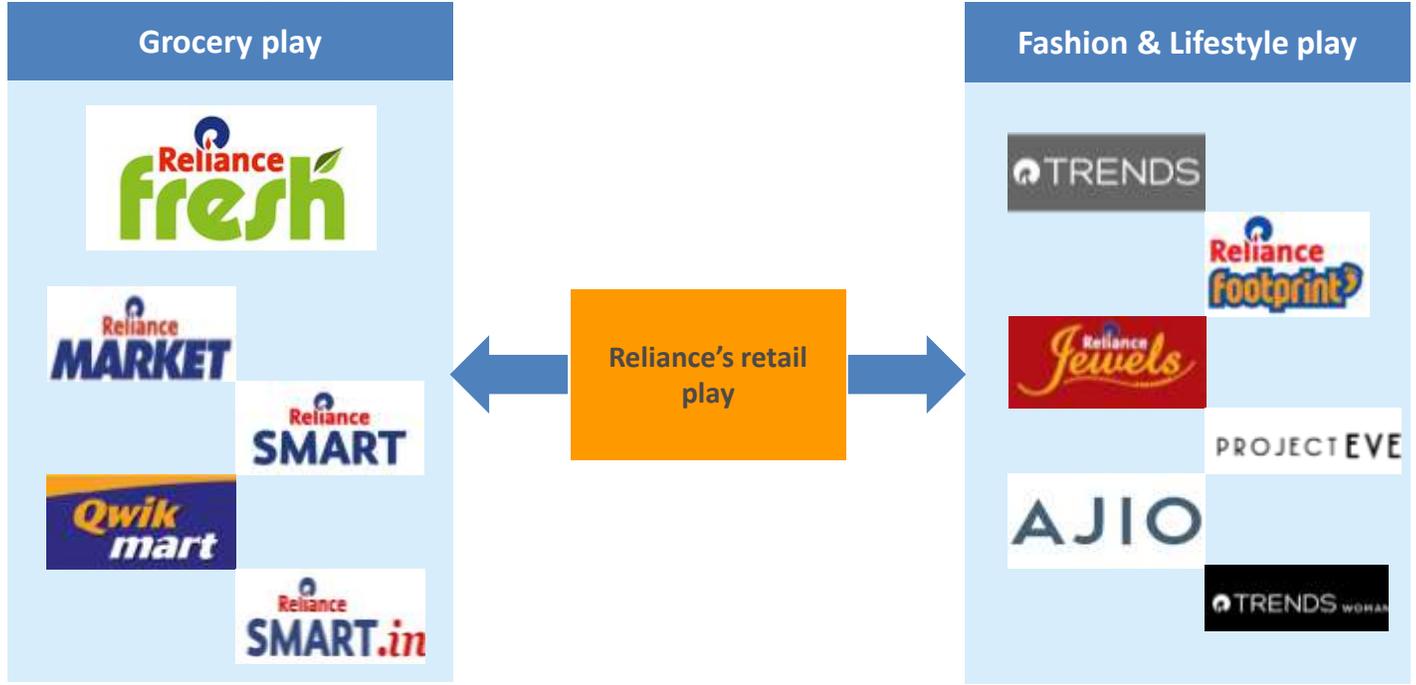
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(A) Reliance’s changing tack

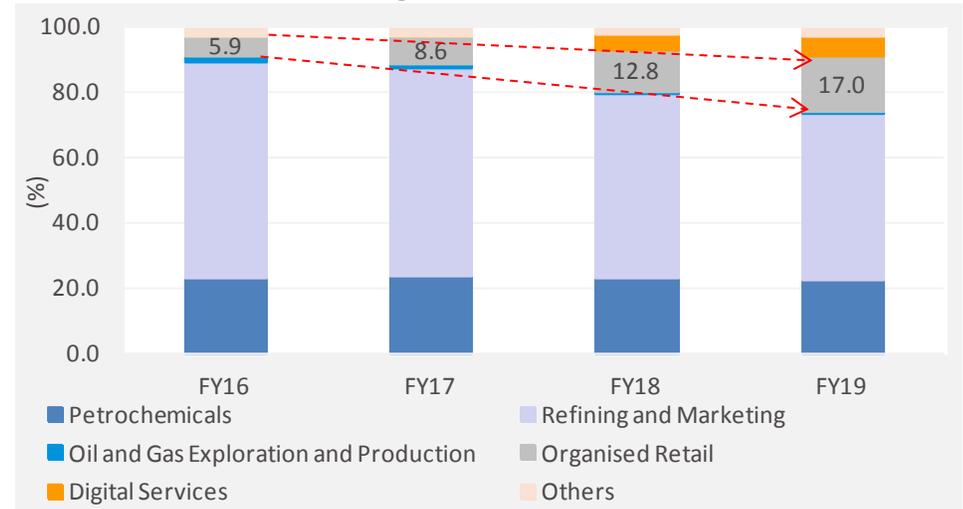
Just five years ago, Reliance was regarded as a core O&G company. Fast-forward five years on, Reliance will have probably metamorphosed into a company with a larger consumer play.

Fig. 1: Reliance Retail’s grocery and fashion & lifestyle play



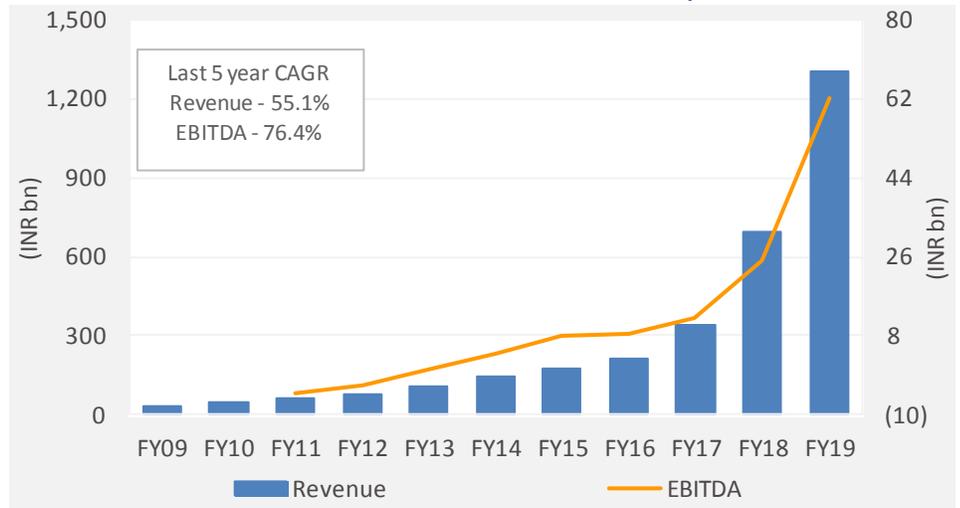
Source: Company, Edelweiss research

Chart 1: Reliance revenue mix tilting towards consumer businesses



Source: Company, Edelweiss research

Chart 2: Reliance Retail – Revenue and EBITDA evolution over past decade



Source: Company, Edelweiss research

The shift in revenue mix towards retail is a result of meticulous planning and diligent execution of different ventures. Let us walk you through the comments in the company’s FY17 and FY18 AGMs. We are quite sure that Mr. Mukesh Ambani will have much more to talk about Reliance Retail in FY19 AGM—we are eagerly waiting to hear him speak about the company’s retail plans.

Table 1: Reliance AGM – Excerpts on Reliance Retail

FY17	FY18
1 SSSG is >16% YoY with Digital's SSSG at >21%	New-age consumer businesses have started delivering profits.
2 Only organized retailer with significant presence in the North-East	As the Golden Decade rolls on, consumer businesses will contribute nearly as much to the overall earnings of the company as energy and petrochemical businesses
3 Reliance Trends is the largest value fashion retailer in India	Reliance Trends continues to be the largest fashion retailer in India
4 In the Grocery category , company is the largest modern trade retailer and would continue to expand in the coming year	In Grocery , company is the largest modern trade retailer
5 Reliance Fresh – neighbourhood stores, Reliance Smart – large destination supermarkets, and Reliance Market – wholesale cash & carry stores, continues to grow at >25% YoY.	As Reliance transitions to become a TECHNOLOGY PLATFORM COMPANY , company sees biggest growth opportunity in creating a hybrid, online-to-offline platform .
6 Reliance Retail is a business with significant growth possibilities – I have set our leadership a target of 30% growth each year over the next decade	Reliance JIO platform will bring together: (i) 350mn+ customer footfalls at Reliance Retail stores; (ii) 215mn+ JIO connectivity customers; (iii) 50mn+ Jio Giga Homes customers; and (iv) 30mn small merchants and shop-keepers all over India who provide the last-mile physical market connectivity
7	With deployment of Merchant Point of Sale for small shop owners, company will enable them to do everything that large enterprises and large ecommerce players are able to do
8	Merchants will be able to manage inventory, keep digital records and file returns, improve working capital management, retain and upgrade customers, access new customers, run promotion and loyalty programs, link to Reliance's highly efficient supply chain
9	Leverage Reliance Retail's deep insights into Indian customers, large local presence, and best-in-class supply chain
10	Facilitate availability of financing to small shopkeepers and merchants to improve their capital efficiency
11	Reliance Digital is the largest retailer of consumer electronics in India

Source: Company, Edelweiss research

Table 2: Quarterly financial parameters

Particulars	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19
Mix: (%)								
Grocery	24.0%	22.0%	20.0%	17.0%	19.0%	17.0%	17.0%	18.8%
Consumer Electronics	41.0%	52.0%	15.0%	31.0%	27.0%	33.0%	31.0%	28.5%
Connectivity			41.0%	31.0%	33.0%	34.0%	34.0%	32.9%
Fashion & Lifestyle	13.0%	11.0%	10.0%	9.0%	9.0%	7.0%	8.0%	9.6%
Petro Retail	22.0%	15.0%	14.0%	12.0%	12.0%	9.0%	10.0%	10.2%
Mix (INRmn)								
Grocery	27,770	32,221	37,596	41,111	49,191	55,141	60,481	68,900
Consumer Electronics			28,197	74,967	69,903	107,039	110,289	104,468
Connectivity	47,441	76,159	77,072	74,967	85,437	110,282	120,962	120,715
Fashion & Lifestyle	15,042	16,111	18,798	21,765	23,301	22,705	28,462	35,208
Petro Retail	25,456	21,969	26,317	29,020	31,068	29,192	35,577	37,340
Category wise growth rates (%)								
<i>Grocery</i>	26.2	24.6	31.1	30.4	77.1	71.1	60.9	67.6
<i>Consumer Electronics</i>	137	155	256	324	227	185	120	50
<i>Connectivity</i>								
<i>Fashion & Lifestyle</i>	25.4	32.9	20.2	99.8	54.9	40.9	51.4	61.8
<i>Petro Retail</i>	101.0	70.0	101.9	13.7	22.0	32.9	35.2	28.7
Reliance Retail Revenue	115,710	146,460	187,980	241,830	258,900	324,360	355,770	366,630
<i>Reliance Retail Revenue growth (%)</i>	73.6	81.3	116.4	134.1	123.7	121.5	89.3	51.6
Core retail revenue (Grocery & Fashion)	42,813	48,332	56,394	62,876	72,492	77,846	88,943	104,108
<i>Core retail revenue (Grocery & Fashion) growth (%)</i>	25.9	27.3	27.3	48.2	69.3	61.1	57.7	65.6
EBITDA	3,980	4,440	6,060	10,860	12,060	13,920	16,800	19,230
EBITDA margin (%)	3.4	3.0	3.2	4.5	4.7	4.3	4.7	5.2
Core Retail EBITDA margin (% as per co.)				6.3				7.6
Store network	3,634	3,679	3,751	7,573	8,533	9,146	9,907	10,415
Retail space (mn sq ft)	13.8	14.2	14.5	17.7	18.6	19.5	20.6	22.0
<i>Retail space growth (%)</i>					34.8	37.3	42.1	24.3

Source: Company, Edelweiss research

Table 3: Key observations of Reliance Retail business

	Fashion	Grocery
1	Retail retail has the largest network of stores by a Fashion Retailer in India	Reliance Fresh and Smart dominate modern trade in retailing fresh produce
2	Private labels contribution is 71% in Reliance Trends	Over 50% of all fruits and vegetables sold in modern trade, is sold through Reliance stores
3	Ten of Reliance trends own brands have an annual turnover > INR1bn of which 4 brands > INR5bn	Launched range of SKUs across food FMCG, juices and home & personal care strengthening instore own brand portfolio
4	Hamleys crossed the 75 store milestone and currently has 76 operational stores in India. India is the largest market for Hamleys outside of UK	Private label contribution is up to 23% in active categories
5	India is the largest market for Marks & Spencer outside of UK based on store network, operates 77 stores across 28 cities in India	Launched a new store concept 'Qwik Mart'; a convenience store co-located with Reliance Petro Retail outlet
6	Formed a strategic partnership with Disney to develop and market co-branded (Disney & Reliance own brand) SKUs across various categories such as food, fashion, toys and much more.	

Source: Company, Edelweiss research

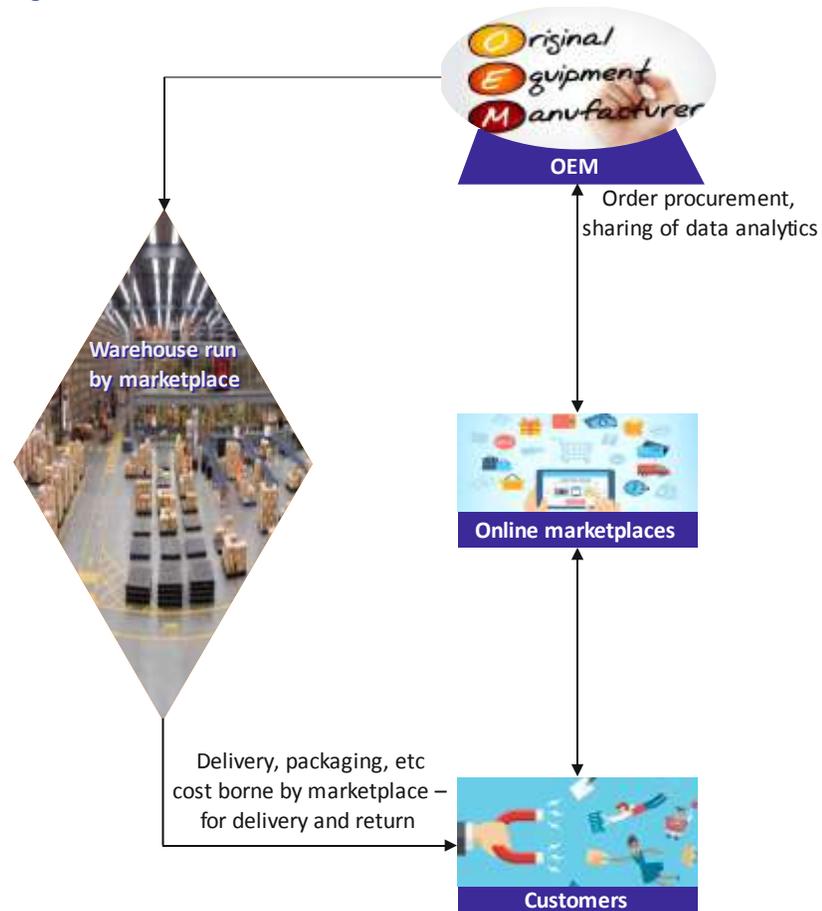
It is a result of this unwavering focus on retail business that Reliance's retail business has become largest format in most of the verticals. Further, we have also listed down its key strengths below.

(B) Game-changer: how is it different from e-com giants?

In the current retail landscape where competition is intensifying unabated, Reliance Retail is honing its unique plan of connecting "Online and offline through "O2O model".

O2O model: What's the edge?

Fig. 2: Current distribution model



Source: Edelweiss research

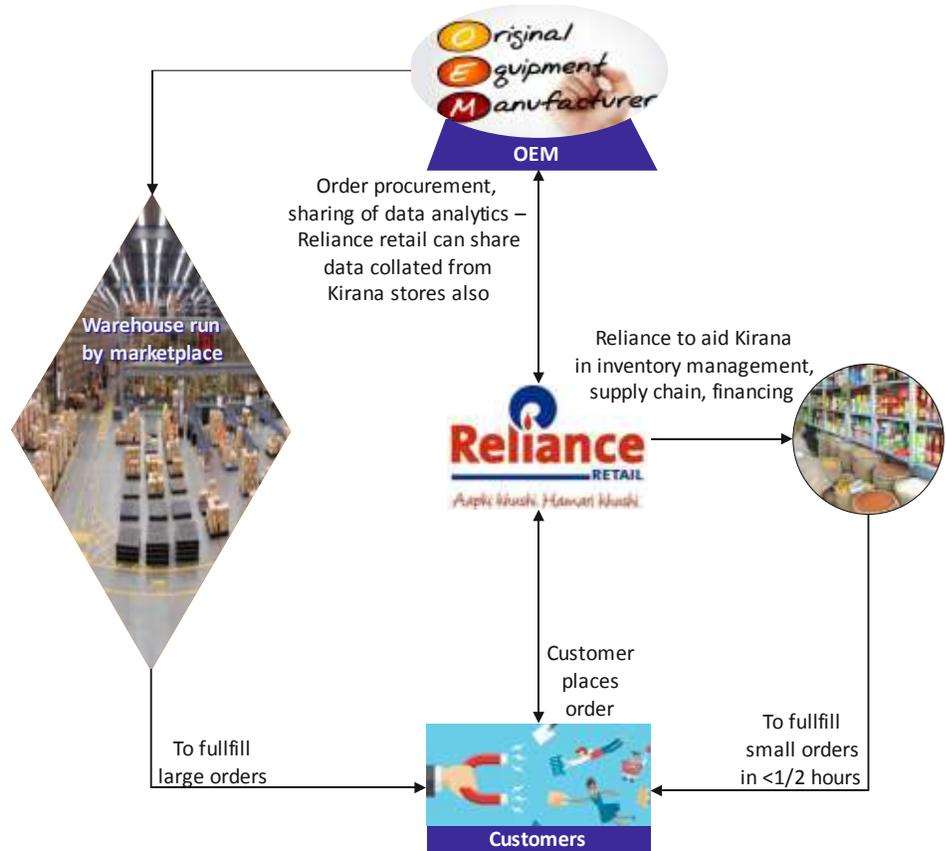
In the current model

- Customer places an order through one of the online marketplace platforms.
- In case of an online order, the **marketplace runs cost of procurement from OEM, storage cost at warehouse, packaging and assortment cost and logistics cost.**
- The cost of delivery to customer **constitutes 10–15% of revenue.**
- For marketplaces, which anyway make slim margins – partially owing to nature of the business and partially due to heavy discounting – **such costs take a toll on their overall profitability.**
- Considering increasing usage of smartphones and deepening internet penetration, it is a foregone conclusion that usage of the online platform as the shopping platform is likely to increase hereon. **This, in turn, implies achieving profitability for existing online marketplaces will not be easy.**
- That said, our above-mentioned thesis may change if irrational discounting ebbs or marketplaces start focusing on private labels (and attain huge success) or the underlying business model undergoes a change.

Envisaged distribution model under Reliance Retail

Most offline retailers are talking about omni-channel. Some have launched their own version of omni-channel. But omni-channel or the O2O model being rolled out by Reliance Retail is something that we believe will be a big disruptor. How? Here's the lowdown.

Fig. 3: Reliance Retail's O2O model: An illustration as we see it



Source: Edelweiss research

In the model that Reliance Retail plans to adopt...

- Reliance Retail will create its own ecosystem of carrying out the business. To illustrate, we explain how its grocery retail ecosystem might work.
- Prior to the rollout, **Reliance Retail will onboard millions of mom-and-pop (kirana) stores onto its platform. Currently 85–88% of its overall FMCG business is being handled by this neighbourhood kirana stores.** For its grocery business, Reliance Retail will essentially leverage this network of existing stores.
- **Such kirana stores may be called “Affiliated Stores”.** Such stores will have a JIO point-of-sale (POS) terminal, which will maintain everything – order procurement, order delivery status, inventory management, receivables, payables, etc. In other words, real-time information about the statistics per store will be available.
- **This platform will mean Reliance will have the strongest offline presence in India and that too with limited capital employed.**
- In this backdrop, when a customer places an order through online/app platform, depending on the type, size and urgency of order, the same will be routed to either Reliance affiliated *kirana* stores or its warehouse.

- If the order gets routed to an affiliated store, the delivery will be undertaken by the employee at the store (this is how the neighbourhood *kirana* stores anyway operate).
- It will have the following **advantages**:
 - Reliance will negotiate centrally for procurement rates with OEMs. Considering it will have its own retail outlets under Reliance Fresh, Reliance Smart and Reliance Market, and these affiliated stores, buying power of Reliance will become unmatched.
 - In the process, Reliance Retail will gain access to a mine of customer data, which can be greatly leveraged for analytics.
 - Reliance may also extend credit for running affiliated stores.
 - Logistics from OEM to its warehouse and/or affiliated stores will be taken care of by Reliance Retail. However, considering the volume and route synergies, it will be able to harness leverage benefits.
 - Last-mile delivery, which is key to retail, will be largely sorted.
 - JIO digital network will play a key role in the overall scheme of things.
 - Customers and affiliated stores will end up using Jio Money Wallet.
- We believe this model, once implemented, will alter the retail paradigm for good; we wouldn't be surprised if the competitive landscape transforms accordingly.

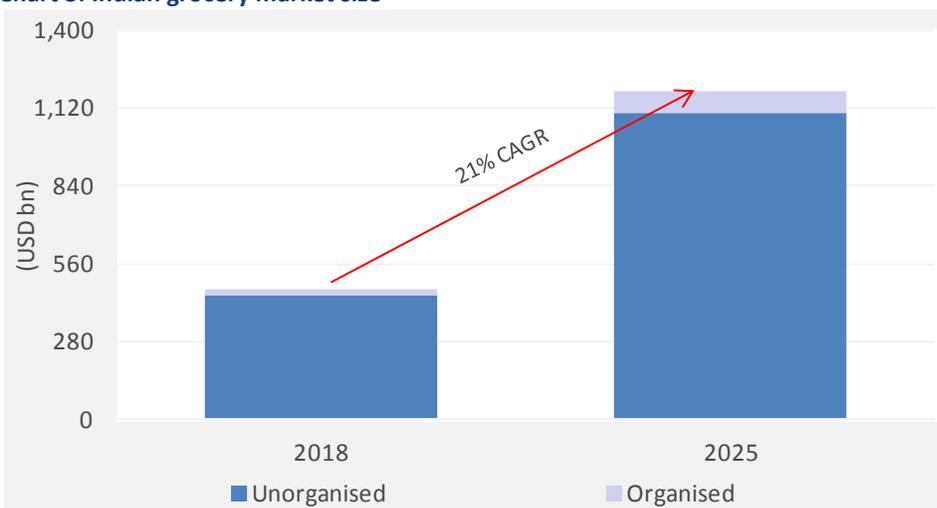
(C) Taking a close look at key Retail categories

In this note, we cover only the grocery and fashion & lifestyle segments.

Grocery

Food & grocery is the largest consumption category accounting for two-thirds of India's retail market with organised retail penetration at merely 4%. However, changing demographic profiles, increasing disposable incomes, urbanisation, evolving consumer tastes and preferences, and changing food habits are leading to higher spending on food.

Chart 3: Indian grocery market size



Source: Company, Edelweiss research

In grocery, Reliance Retail operates three unique store concepts: Reliance Fresh, Reliance Smart and Reliance Market.

Fig. 4: Reliance Retail – Grocery play formats

Reliancefresh	RelianceSMART	RelianceMARKET
<ul style="list-style-type: none"> ➤ Leading neighbourhood grocery store chain ➤ Offers fresh fruits, veggies, staples, cereals, and items of daily needs to consumers ➤ Attractive prices with a focus on providing quality produce ➤ Rated as India's Most Trusted Grocery Brand by Brand Trust Report 2018 	<ul style="list-style-type: none"> ➤ Destination supermarket store dealing in fresh foods, staples, home & personal care items, apparel and general merchandise ➤ Simple and strong value proposition with a focus on serving recurring food and non-food household needs ➤ Operates on an everyday low-price strategy and promises 365 day savings 	<ul style="list-style-type: none"> ➤ Largest cash & carry chain in India ➤ Serving B2B customers spanning Kirana, HoReCa & institutional customers ➤ Profits for members' business, savings for home

Source: Company, Edelweiss research

Reliance Fresh is a neighbourhood store concept focused on providing fresh fruit, vegetables and products for daily household needs with a strong focus on providing convenience and freshness at affordable prices. Reliance Fresh operates an integrated farm-to-fork model, wherein it procures directly from farmers, and processes it at 47 collection and 14 processing centres in-house. This ensures freshness and quality and delivery of fresh products every morning at 8am. The company also operates a fleet of temperature-controlled vehicles and cold rooms to ensure freshness and quality of fruit and vegetables.

Reliance Smart is a destination supermarket store dealing in fresh foods, staples, home & personal care items, apparel and general merchandise. It has a strong value proposition following the everyday low-price model, which has worked very well for its competitor DMart. Apart from brick-and-mortar stores, Reliance Retail has an online presence through www.reliancesmart.in. That said, at present, the online venture serves only select cities.

Reliance Market is India's largest cash-and-carry store chain serving thousands of traditional kiranas, hotel, restaurant and catering (HORECA), small and medium institutions and households. Reliance Market offers regional, national and international brands to partners. Since opening up in 2011, Reliance Market has grown rapidly to 46 stores serving over 2.5mn member partners.

The company has been launching a wide array of products across the three formats to bolster its own brand portfolio. Best Farms, Good Life, Masti Oye, Kaffe, Enzo, Mopz, Expelz, Home One, Graphite, and RelGlow are some of the brands it offers in categories such as home and personal care, staples, food FMCG, and general merchandise.

According to Nielsen, over 50% of all fruit and vegetables sold channeled through modern trade are sold via Reliance stores. More than 0.64mn MT of groceries were sold in FY19 (up 18% YoY)

Last year, Reliance rolled out **Qwik Mart**, a convenience store concept, co-located with Reliance Petroleum Retail outlets, which sell a range of confectionery and everyday products.

Chart 4: Reliance Retail – Grocery revenue

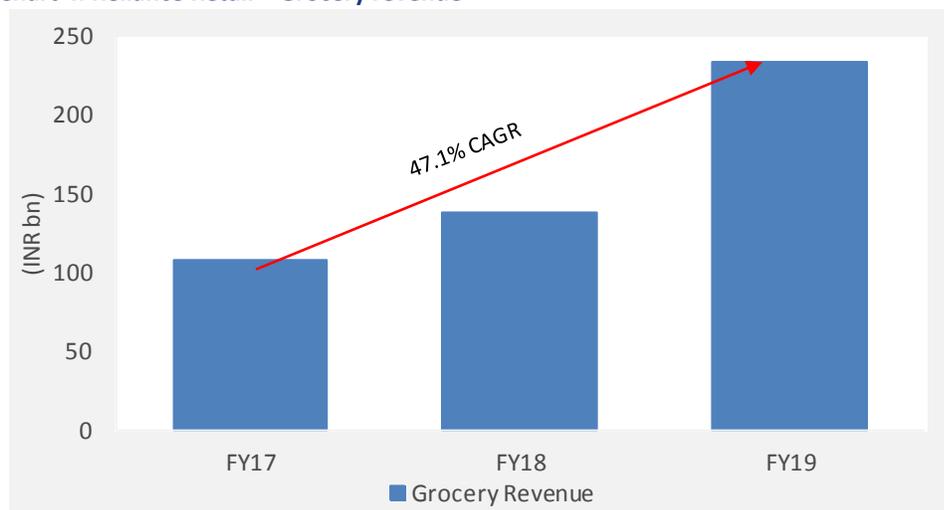


Chart 5: Grocery stores: Reliance Retail versus peers (as on 31st December 2018)



Source: Company, Edelweiss research

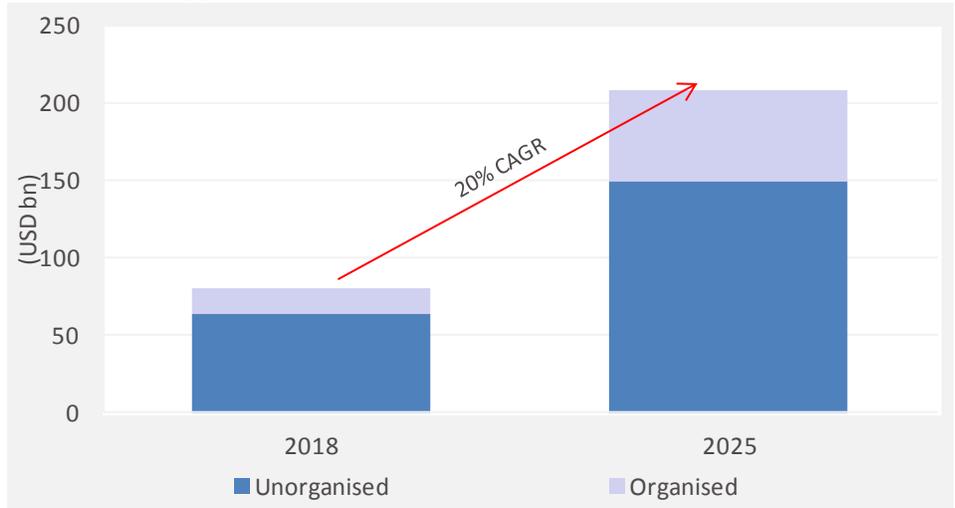
Note - 566 Reliance Fresh, Smart and Qwik mart stores as on 31st March 2019

Given its value proposition, assortment, shopping experience and execution capability, Reliance Retail is well-placed to capture a big slice of the fast-growing organised grocery market in our view.

Fashion & lifestyle

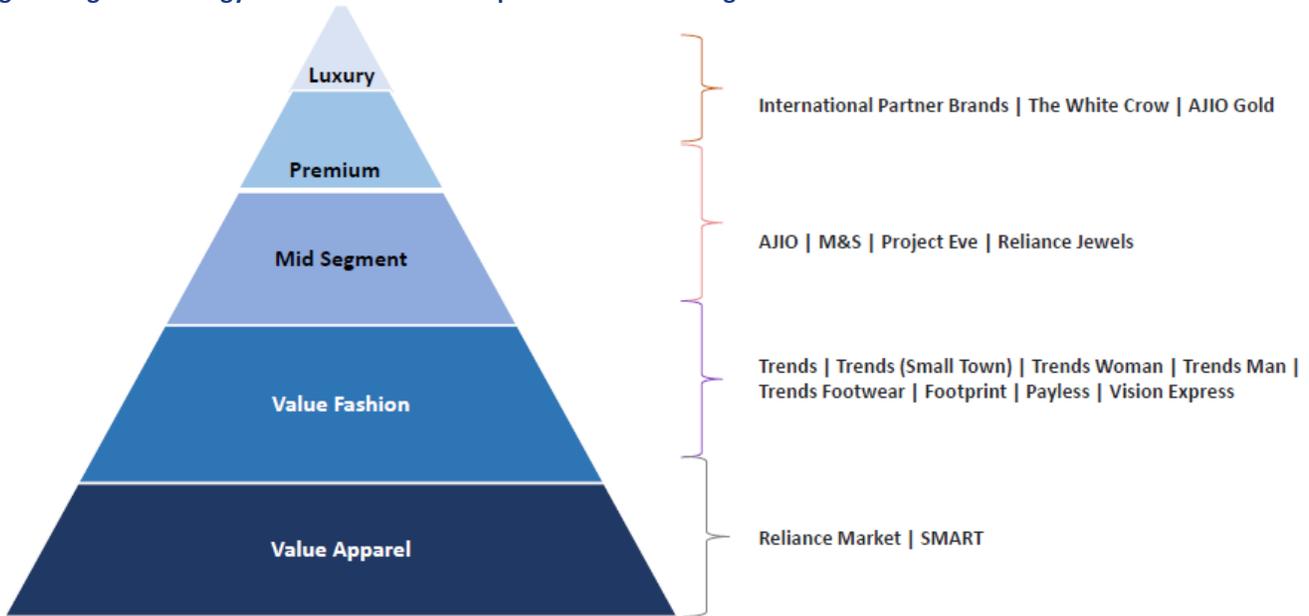
Fashion & lifestyle is the second-largest category in India's retail market in spite of India's per capita apparel consumption being one-fifth of China's. **Organised retail penetration in the apparel category is also low at 22%.** That said, rising incomes, advent of globalisation, and improved employment as well living standards in India are spurring expansion of total market size. Organised retail is poised to grow faster than unorganised retail.

Chart 6: India's apparel & accessories market



Reliance Retail has adopted a **multi-model approach** to reach out to customers spanning **value to premium to luxury categories**.

Fig. 5: Targeted strategy – Reliance store concepts across income segments



Source: Company, Edelweiss research

Reliance Trends (Trends) is an apparel and accessories speciality retail chain. It is the market leader by virtue of being the largest value fashion retailer in India. **Trends has a compelling portfolio of national and own brands.** A range of own brands particularly (such as *Avaasa, DNMX, Netplay, Performax* and *Teamspirit*) have gained strong traction among fashion-conscious value-seeking customers. **Own brands' contribution to Reliance Trends revenue stands at 71%.**

Trends is vertically integrated with complete control over the fashion value chain from designing to fabric sourcing, manufacturing, logistics and distribution.

Fig. 6: Vertically integrated operations from designing to distribution



Source: Company, Edelweiss research

Ten of Trends own brands have a turnover greater than INR1bn while four brands have a turnover greater than INR5bn, which shows the business is scaling up well. The fashion retailer boasts 250+ external brands including Adidas, Pepe Jeans, Peter England, W, Aurelia, Lakme, and Gini & Jony. The company also launched footwear, jewelry and cosmetics categories to further strengthen Trends' position as a fashion & lifestyle destination.

It currently operates 676 stores across 350 cities in 30 states/union territories and is expanding rapidly. As many as 333 Trends stores were added over the past two years alone (largest in India's fashion retail).

The other major value play by Reliance Retail is Footprint, a footwear destination offering a wide range of products from over 50 prominent international, domestic and own brands. The store offers varied collections of products in footwear, luggage, handbags and accessories.

In terms of mid-to-premium segment offerings, AJIO is Reliance Retail's curated fashion & lifestyle e-commerce platform. AJIO is garnering strong customer traction with 300mn web visits in FY19. The portal doubled its product catalogue during the year to >130,000 options.

Trends also boasts omnichannel presence through AJIO. The company recently launched AJIO Gold, a collection of premium and luxury brands. The offering expands AJIO's target audience. AJIO has built a loyal fan base with repeat purchases making up two-thirds of revenue. Along with more customer eyeballs, AJIO has scaled up last-mile delivery capability to 12,000 pin codes in a short span since its launch in 2016, making it one of the top fashion destinations.

The other play in the mid-to-premium segment is Reliance Jewels. Indians love their jewelry and Reliance Jewels deals in a wide range of gold, diamond and bridal jewellery. It is expanding rapidly, having added around 30 stores over the past six months that takes its total store count to 109 in 57 cities.

One of the most interesting concepts in fashion & lifestyle of Reliance Retail is Project Eve, a first-of-its-kind experiential store. Positioned in the mid-to-premium segment, Project Eve caters to the gamut of women wardrobe (aged 25-plus) from apparel, beauty & cosmetics,

accessories to footwear. **Project Eve provides a unique in-store experience via an in-store salon, personal stylist, plush trial rooms with a lounge, and a café.**

Apart from Marks & Spencer standalone stores (*with India being the largest market by store count outside the UK*), Project Eve stores also showcase Marks & Spencer’s curated range of lingerie and beauty products through a shop-in-shop format, the first ever by Marks & Spencer in India. **The conduit for Project Eve’s omnichannel reach is AJIO, which bolsters the latter’s portfolio.**

In terms of premium offerings, Reliance Retail has a portfolio of 40+ international brands that occupy >20% of its retail store space in top/upscale malls in India.

For the famous mega toy store Hamleys as well, India is the largest market outside the UK with 76 centres. **Reliance is in talks to buy a controlling stake in Hamleys, which would bolster its own retail portfolio.**

Reliance retail recently acquired all rights, titles, interest, trademarks and intellectual property in ‘John Players’ from ITC. This would add about INR3.5bn to Reliance Retail’s value fashion business carried out through Trends and Ajio.com. A substantial 65% of the John Players’ business was anyway flowing in through Reliance Retail’s Trends stores and Ajio.com.

Fig. 7: Reliance Retail – Fashion & lifestyle offerings

TRENDS	Reliance Footprints	Reliance Jewels	PROJECT EVE	AJIO
<ul style="list-style-type: none"> ➤ Flagship fashion chain ➤ India’s Largest fashion destination, democratising fashion for aspiring Indian consumers ➤ Strong portfolio of own brands serving diverse tastes & preferences 	<ul style="list-style-type: none"> ➤ Leading chain of family footwear stores ➤ Offers wide range of products across footwear, luggage, handbags & accessories ➤ Mid to premium positioning 	<ul style="list-style-type: none"> ➤ Destination for fine jewellery ➤ Thousands of exquisitely crafted gold, diamond and bridal jewellery ➤ Assures 100% purity, transparency and range of designs 	<ul style="list-style-type: none"> ➤ Unique and first of its kind experiential store ➤ Mid to premium positioning ➤ Caters to entire wardrobe – from apparel, beauty & cosmetics, accessories to footwear. Also has in-store salon and a café 	<ul style="list-style-type: none"> ➤ Curated fashion platform offering the trendiest styles from India and the world ➤ Over 500 national and international brands alongside an own brand ‘AJIO’ ➤ Omni-channel model leveraging network of stores of partner brands

Source: Company, Edelweiss research

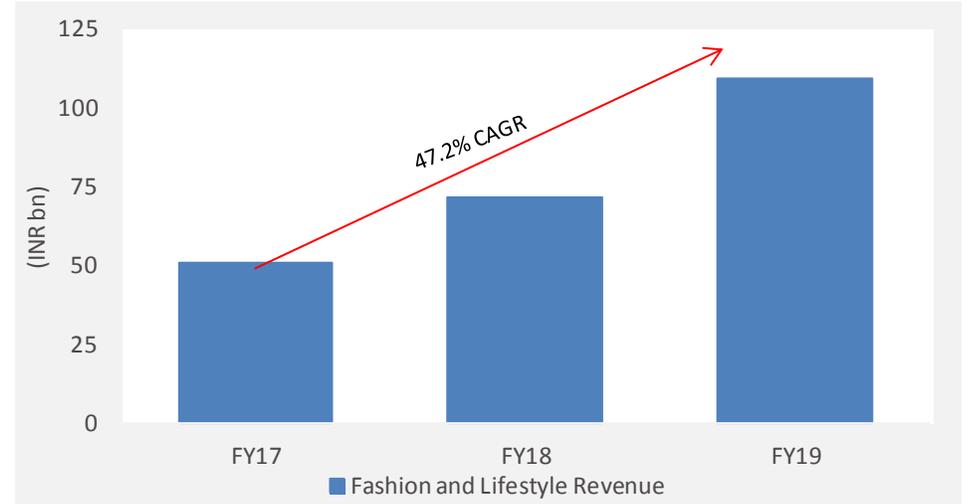
Besides, Reliance Retail deals in most of the aspirational brands via licensing. Given structural improvement in India’s macroeconomic parameters, this segment too is poised to deliver good growth.

Fig. 8: Reliance – House of global fashion brands

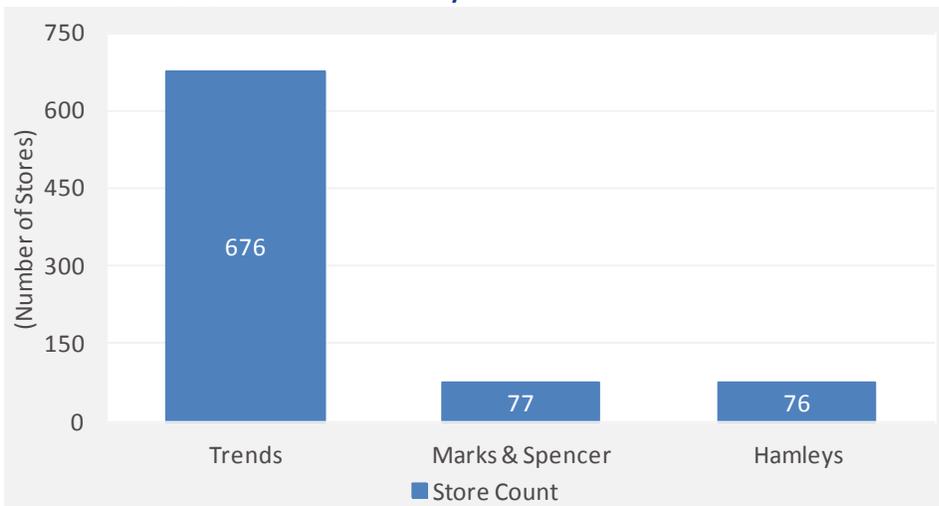


Source: Company, Edelweiss research

Chart 7: Reliance Retail – Fashion & lifestyle revenue



Source: Company, Edelweiss research

Chart 8: Reliance Retail – Fashion & lifestyle store count

Source: Company, Edelweiss research

Strategic positioning of store concepts across income segments and supplementing them with Reliance's excellent online infrastructure to support omnichannel should help **Reliance Retail to continue to scale up while speciality lifestyle stores should help improve margins.**

(D) Concrete steps to attain heft in Retail

Reliance is executing the retail business carefully. It is not only opening more stores or scaling up the e-commerce venture, but also tying in the missing links, which are being sewn up inorganically. A simple collation of data pertaining to Reliance Retail's recent acquisitions shows the range of such transactions from logistics to software to simulation. We believe all of this together form a potent combination that would aid better customer profiling and thus help design bespoke discounts and promotions.

Table 4: Recent acquisitions by Reliance for likely retail play

Name of the Target Company	Sector	Stake acquired
Grab	Logistic	83.0%
C-Square	Software firm	82.0%
Reverie Language Technologies	Government schemes / Service aggregator	83.3%
EasyGov	Data solutions and software	76.0%
SankhyaSutra Labs	Multiphysics Simulation service	83.0%

Source: Company, Edelweiss research

Reliance is also increasing its capital employed in this segment.

Table 5: Capital employed in Reliance Retail

INRMn	Capital Employed
FY17	61,360
FY18	95,080
FY19	130,520

Source: Company, Edelweiss research

(E) Implications for retail sector

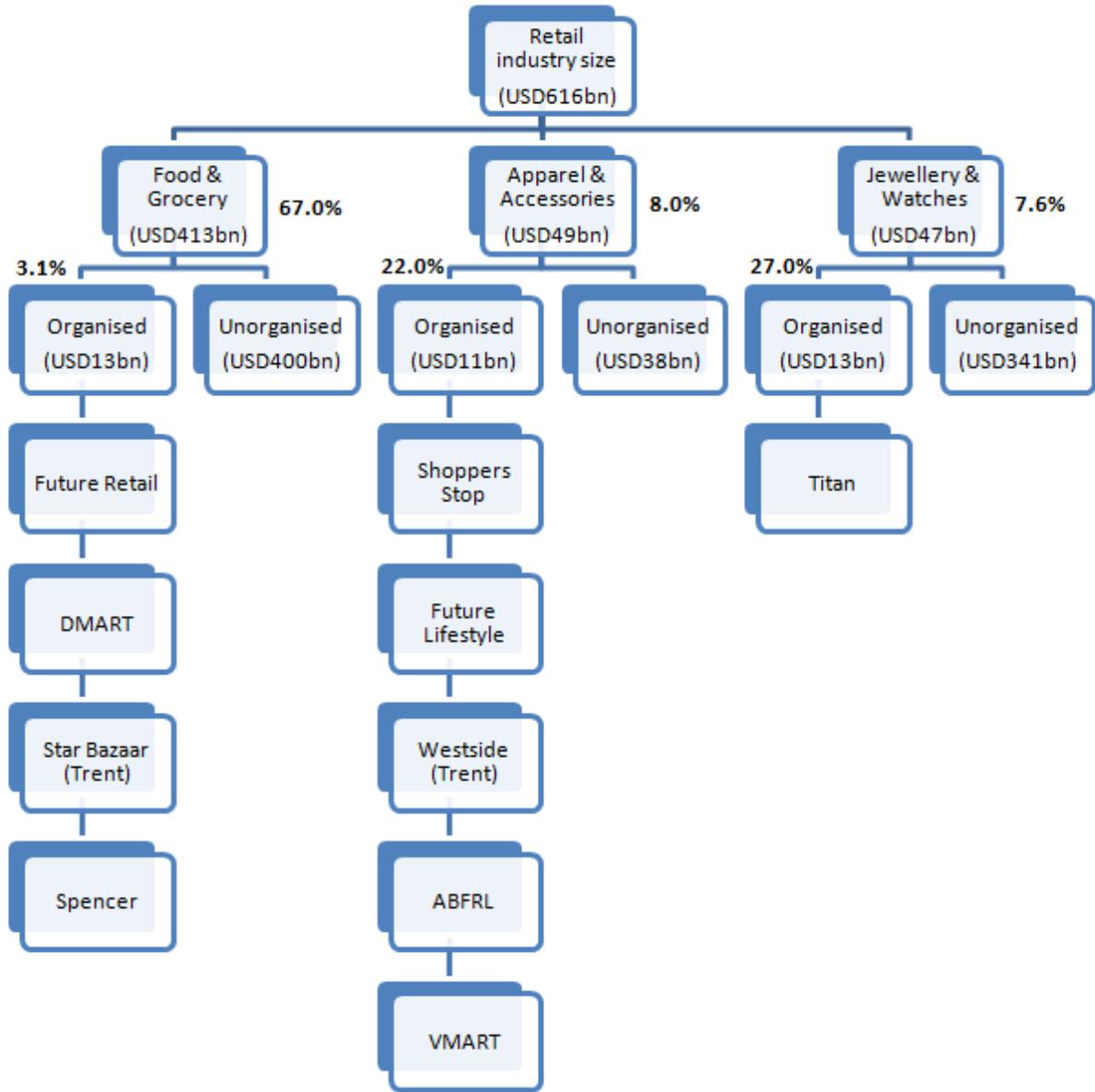
The retail sector in India has seen organised players grabbing a larger pie. Favourable structural macro trends—improving consumer sentiment, rising disposable incomes, urbanisation and lower penetration of organised retail—are likely to fuel this boom. Moreover, the recent pathbreaking reforms—demonetisation and GST—have catalysed development of organised retail. Besides, after an unsettling period of cut-throat competition, offline and online players seem to have come to terms with reality and are toying with the omnichannel platform in their quest for success.

Given the potential in organised retail, we are seeing wars intensify between organised players – offline as well as online. In grocery retail, players such as Reliance Retail, Future Retail, Avenue Supermarts, Big Basket, Flipkart and Amazon are fighting tooth and nail to gain customer mindshare.

Likewise, in apparel retailing, players such as Reliance Retail, Future Lifestyle, ABFRL, Arvind, Trent, V-Mart and foreign players are vying for top spots.

In light of the intensifying competitive landscape, we envisage the following would play out especially in grocery chains: i) Companies would pursue revenue growth at the expense of margins; and ii) Fixed costs will continue to be elevated since companies vie for talent and lucrative locations.

Fig. 9: Indian retail sector—Snapshot



Source: Edelweiss research

Table 6: Retail penetration (%) to improve from 9% in FY16 to 12% in FY20

	FY16			FY20		
	Retail market size (USD bn)	Organised retail market size (USD bn)	Organised as % of overall retail	Retail market size (USD bn)	Organised retail market size (USD bn)	Organised as % of overall retail
Food & Grocery	413	13	3.1	634	31	4.9
Apparel & Accessories	49	11	22.0	74	24	32.3
Jewellery & Watches	47	13	27.0	77	23	29.8
CDIT	35	9	25.1	63	20	31.6
Home & Living	27	3	10.0	42	5	12.0
Pharmacy & Wellness	18	2	10.1	28	3	11.7
Footwear	7	3	40.5	12	5	43.4
Others	20	2	12.1	30	4	13.4
Total	616	55	9.0	960	115	12.0

Source: Technopark Analysis, Edelweiss research

Table 7: Share of organised brick-and-mortar retail (%) in FY16

	Market size (USD bn)	Penetration (%)
Total retail size (USD bn)	616	
Total organised retail size (USD bn):	55	9.0
Organised retail break up (USD bn)		Share of organised retail market
Food & Grocery	13	23.6
Apparel & Accessories	11	19.7
Jewellery & Watches	13	22.9
CDIT	9	15.9
Home & Living	3	4.8
Pharmacy & Wellness	2	3.3
Footwear	3	5.4
Others	2	4.4

Note: *Others incl Books & Stationery, Toys, Eyewear, Sports Goods, Alcoholic Beverages & Tobacco, etc

* Accessories includes Bags, Belts, Wallets
Source: Technopark Analysis, Edelweiss research

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

Jubilant Foodworks, Shoppers Stop, Titan Company, Wonderla Holidays

Recent Research

Date	Company	Title	Price (INR)	Recos
16-May-19	Wonderla Holidays	Robust performance; bright outlook; <i>Result Update</i>	295	Buy
15-May-19	Aditya Birla Fashion and Retail	One-offs mar margin; buoyancy intact; <i>Result Update</i>	193	Buy
15-May-19	Jubilant Foodworks	Baking a robust story; <i>Result Update</i>	1,242	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

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