

Consumer Retail

3Q Preview: Jewellery and store expansion to drive growth



Overall aggregate revenue/ EBITDA growth in 3QFY25 for our consumer discretionary coverage universe is likely to be 19% (17% organic)/ 14% YoY. We expect the consumer discretionary segment to outperform the staples segment, which is expected to grow in mid-single digit YoY. Growth in the discretionary segment will be largely led by (i) Jewellery segment due to healthy festive and wedding season coupled with 3-4% correction in gold prices from highs and (ii) Avenue Supermarts, led by sharp recovery in revenue/sqft despite pressure from quick commerce. Growth in our QSR coverage will be expansion-led as SSSG/ADS recovery remains weak even on a low base. Footwear (ex- Bata) segment is expected to report double-digit growth. Shift in consumer preference towards the more-value segment is expect to impact demand for mid-premium fashion players. Value fashion players are expected to grow in high double digits led by (1) shift from unorganised to organised segment, (2) value fashion players upping their product proposition and (3) downtrading by consumers in a challenging demand environment. Margin across our retail coverage (ex-Footwear) is expected to remain under pressure largely on account of negative leverage due to poor SSSG/LTL recovery and drag on account of store additions. Metro Brands and Go Fashion remains preferred picks within our coverage.

- SSSG remains weak within the discretionary segment ex-Titan and Avenue supermarts:** We bake in 19% YoY (vs. 14% in 2Q; 17% organic growth in 3QFY25) aggregate revenue growth for our consumer retail coverage, led by (i) 27% growth in QSR (20% in 2Q; 13% YoY organic growth expected in 3Q), (ii) 24% growth in Titan (13% in 2Q), and (iii) 17% growth in Avenue Supermarts (14% in 2Q). The sector performance was dragged by (i) 10% growth in Apparel (9% in 2Q; 2% organic growth in 3QFY25) and (ii) 9% growth in footwear (vs. 8% in 2Q). Titan remains a positive outlier with ~24% growth led by a healthy wedding and festive season and reduction of 3-4% in gold price from its highs. Avenue Supermarts has shown better growth (~18% YoY in 3Q) led by strong recovery in revenue/sqft despite increasing competition from quick commerce players. Growth in QSR is primarily driven by store addition as the SSSG across the sector (ex-Jubilant) remains weak. Jubilant remains an outlier within QSR with 12.5% LFL growth, implying 10-11% SSSG. Footwear (ex-Bata) segment is expected to witness healthy growth in the quarter led by a healthy festive and wedding season while apparel is expected to struggle (2% organic growth) as demand for both ABFRL (ex-TCNS) and Go Fashion remains impacted majorly led by increasing consumer preference towards the value segment, which is expected to witness high double digit growth.
- EBITDA margin contraction on weak SSSG and robust store expansion:** EBITDA growth is expected to be lower at 14% (vs. -1% in 2Q) vs. revenue growth of 19% YoY as margin is expected to contract by ~50bps YoY. EBITDA margin contraction is led by (i) ~50bps YoY contraction in QSR, (ii) ~120bps YoY contraction in Titan, and (iii) ~130bps YoY contraction in Apparel. On the other hand, Avenue Supermarts and footwear segment are likely to see EBITDA margin expansion of 20bps/220bps YoY respectively. Margins will remain impacted in Titan despite high growth and robust demand due to (i) higher salience of plain gold and gold coin in sales, and (ii) one-time impact of custom duty rate cuts (~30bps expansion after adjusting custom duty losses, largely led by ~940 bps expansion in margin in watches segment). Margin expansion is expected in footwear segment due to weak base in Bata and Campus and lower losses in FILA vs. last year. Avenue Supermarts is expected to see margin expansion as we expect an increase in the share of GM&A, which is margin-accretive. Margin in the apparel segment are expected to remain weak largely due to high base and weak operating performance. We expect weak SSSG in the QSR segment to result in weak operating leverage, leading to margin contraction in the segment.
- Key outliers within consumer retail space:** Avenue Supermarts, Campus Activewear and Metro Brands are the positive outliers leading with robust revenue and PAT growth. Titan has shown robust revenue growth and is expected to report healthy margins (adjusting custom duty losses). Bata and ABFRL are negative outliers in the segment and are expected to report 4%/2% organic growth led by subdued demand.

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Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Exhibit 1. We expect our coverage universe to report 19/14% revenue/EBITDA growth

Sector	Company	Revenue		EBITDA		Adjusted PAT	
		(INR bn)	YoY (%)	(INR bn)	YoY (%)	(INR bn)	YoY (%)
Footwear	Bata	9.4	4	2.1	14	0.7	21
	Metro Brands	7.2	13	2.3	14	1.2	24
	Campus Activewear	5.3	11	0.9	59	0.5	105
QSR	Devyani International*	13.2	56	2.2	53	0.1	57
	Sapphire Foods	7.6	14	1.4	11	0.1	46
	Westlife Foodworld	6.6	12	1.0	3	0.1	(33)
	Restaurant Brands Asia	5.0	11	0.8	11	-0.2	150
Jewellery	Titan Co#	161.7	24	16.1	10	10.6	2
Apparel	ABFRL^	38.6	10	5.7	0	0.1	(83)
	Go Fashion	2.2	9	0.7	9	0.3	17
F&G	Avenue Supermarts	155.7	17	13.5	20	8.9	21
Total		412.3	19	46.6	14	22.5	9

Source: Companies, JM Financial; *Note: Devyani Q3FY25 revenue growth stood at ~13% after excluding Thailand business which was consolidated from Q4FY24; ^Note: ABFRL base doesn't include TCNS (2% organic growth); #Note: Titan EBITDA includes custom duty cut led losses (27% YoY EBITDA growth excluding custom duty losses)

Exhibit 2. SSSG to remain weak in QSR in 3Q; Value fashion players to register healthy volume growth

	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25E
Jewellery										
Kalyan Jewellers (SSSG)^				15.0	10.0	11.0	17.0	12.0	23.0	NA
QSR										
Jubilant Foodworks (LFL)*	8.4	0.3	-0.6	-1.3	-1.3	-2.9	0.1	3.0	2.8	12.5
Westlife Foodworld (SSSG)	40.2	20.0	14.0	7.0	1.0	(9.0)	(5.0)	(6.7)	(6.5)	4.0
KFC - DIL (SSSG)	13.0	3.0	1.9	(0.9)	(3.9)	(4.7)	(7.1)	(7.0)	(7.0)	(4.0)
Pizza Hut - DIL (SSSG)	2.9	(6.1)	(3.2)	(5.3)	(10.4)	(12.6)	(14.0)	(8.6)	(5.7)	-
KFC - SF (SSSG)	15.0	3.0	2.0	-	-	(2.0)	(3.0)	(6.0)	(8.0)	(4.0)
Pizza Hut - SF (SSSG)	23.0	(4.0)	(4.0)	(9.0)	(20.0)	(19.0)	(15.0)	(7.0)	(3.0)	3.0
Restaurant Brands Asia (SSSG)	0.3	0.1	0.1	0.0	0.0	0.0	0.0	0.0	(0.0)	0.0
Apparel										
Page (Volume)^	-	(11.4)	(14.8)	(11.2)	(8.3)	4.6	6.2	2.6	6.7	NA
Style Bazaar (SSSG)*								5	41	3
Go Fashion (SSSG)	30.0	10.0	17.0	2.0	(1.0)	-	1.0	0.2	0.5	-
V-Mart (SSSG)*	57.0	1.0	10.0	(2.7)	(6.0)	4.0	6.0	11.0	16.0	10.0
Footwear										
Campus Activewear	16.0	5.5	(2.1)	0.7	(27.9)	(0.5)	4.0	2.8	36.4	17.0

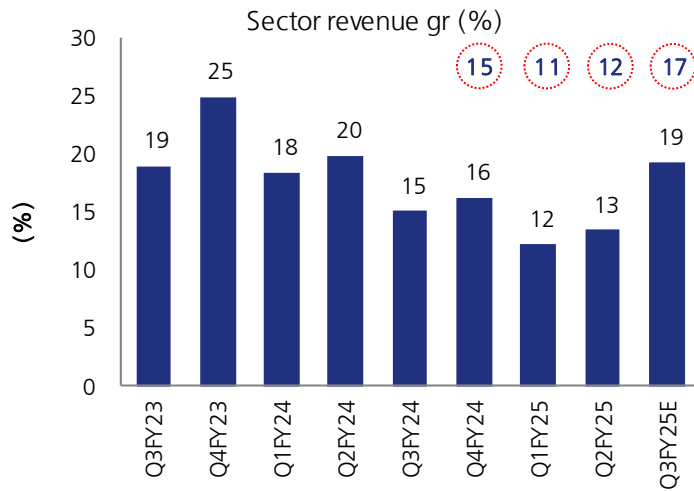
Source: Company, JM Financial; *Note: Q3FY25 figures are reported by the company; ^Note: Q3FY25 estimates not provided as the company is not under our coverage

Exhibit 3. Valuation summary

Sector/ Co	Rating	Mcap (USD bn)	CMP (INR)	TP (INR)	Upside (%)	JM EPS (INR)				CAGR (FY24-27)			PE (x)				EV/EBITDA (x)			
						FY24	FY25E	FY26E	FY27E	Revenue	EBITDA	EPS	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E
Retail																				
Titan Inds	HOLD	36.5	3,470	3,400	-2	40	37	54	65	14%	20%	18%	87	95	64	53	65	64	45	37
Avenue Supermarts	HOLD	30.3	3,934	4,450	13	41	47	56	67	18%	19%	18%	96	84	70	59	66	57	48	39
Metro Brands Ltd	BUY	4.0	1,240	1,375	11	14	15	20	25	16%	21%	23%	91	82	61	49	68	63	47	38
ABFRL	HOLD	3.4	266	310	17	-2	1	3	4	11%	78%	NM	NM	384	98	66	138	44	30	23
Go Fashion	BUY	0.6	981	1,325	35	18	19	25	31	16%	16%	19%	54	52	40	32	38	36	28	22
Campus	BUY	1.1	300	350	17	3	4	6	7	14%	23%	32%	97	72	54	43	53	44	34	28
Restaurant Brands	HOLD	0.5	84	93	11	-0	-1	-0	0	15%	32%	NM	NM	NM	NM	NM	54	46	31	25
Bata India	HOLD	2.2	1,426	1,400	-2	23	18	26	34	8%	12%	13%	62	79	55	42	44	55	39	31
Westlife Food	BUY	1.5	805	885	10	7	6	13	16	14%	23%	35%	123	139	62	50	48	52	32	26
Devyani International	BUY	2.8	198	190	-4	2	1	2	3	27%	34%	13%	101	177	95	70	64	48	34	27
Sapphire Foods India	BUY	1.3	354	385	9	2	2	3	6	17%	23%	33%	144	208	105	62	41	44	30	22

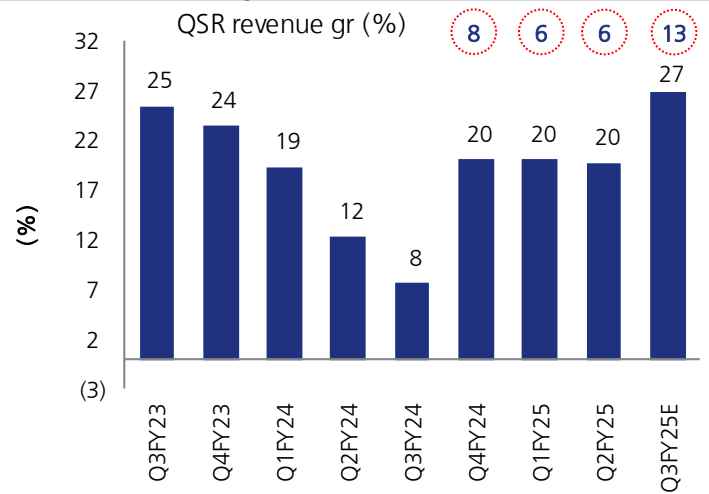
Source: Company, JM Financial; Note: Figures are Pre IND AS 116.

Exhibit 4. Sector revenue estimated to grow by 19% YoY in 3Q



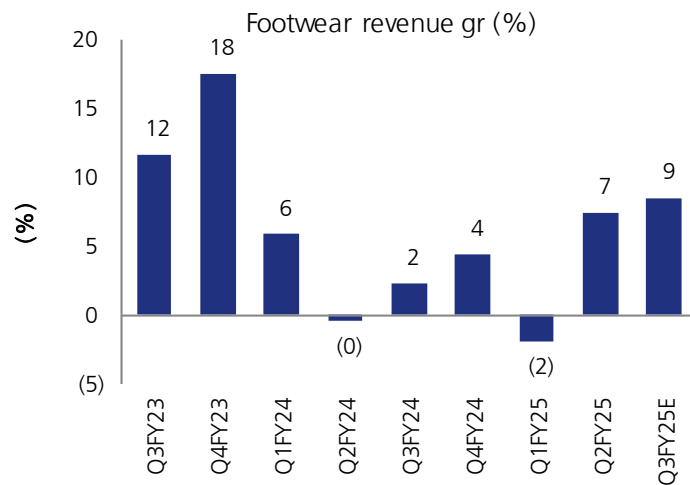
Source: Company, JM Financial; Note: Figures in circle represent organic growth

Exhibit 5. QSR revenue growth to accelerate to 27% YoY



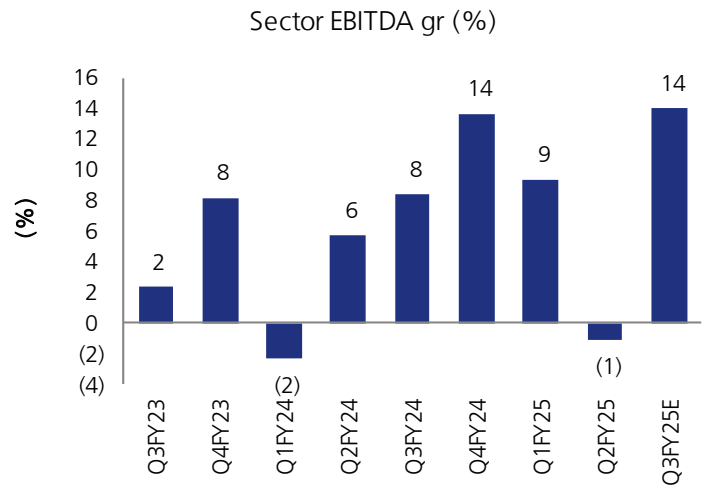
Source: Company, JM Financial; Note: (1) Figures in circle represent organic growth (ex-Thailand business acquisition)

Exhibit 6. Footwear rev growth to marginally accelerate to 9% YoY



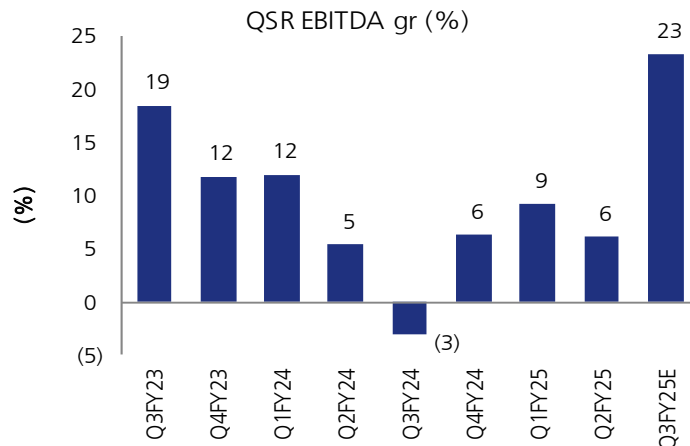
Source: Company, JM Financial

Exhibit 7. EBITDA growth for coverage universe expected at 14% YoY



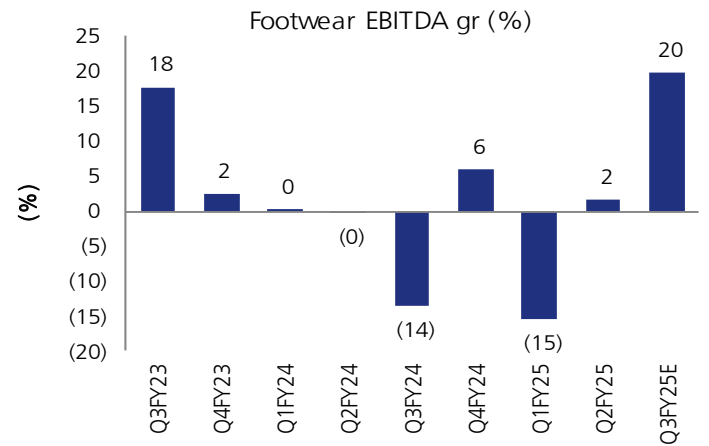
Source: Company, JM Financial

Exhibit 8. QSR expected to see 23% YoY EBITDA growth



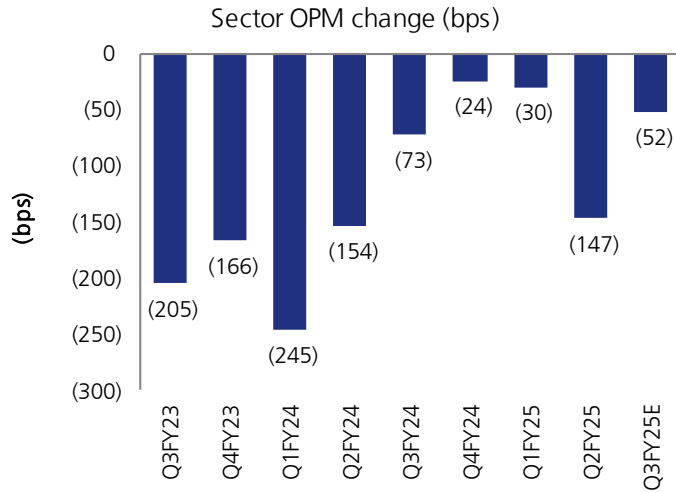
Source: Company, JM Financial; Note: Q3FY25 growth includes Thailand business

Exhibit 9. Footwear expected to see 20% YoY EBITDA growth



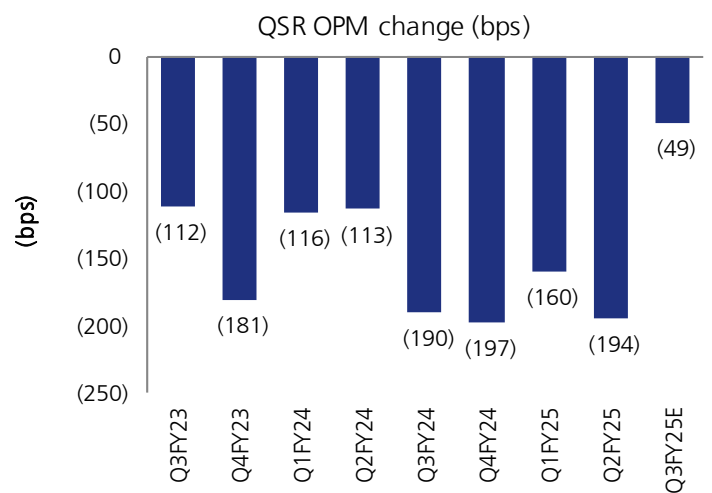
Source: Company, JM Financial; Note: Q3FY25 high growth is due to low base in Q3FY24

Exhibit 10. Consumer universe OPM to contract by ~50bps YoY



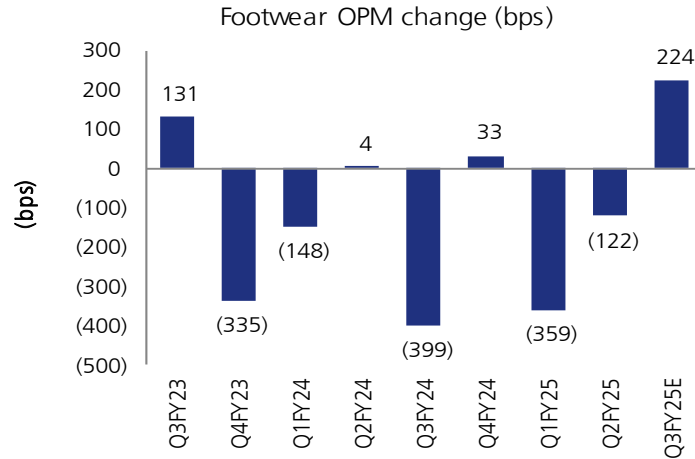
Source: Company, JM Financial

Exhibit 11. QSR OPM to contract by ~50bps YoY in 3Q



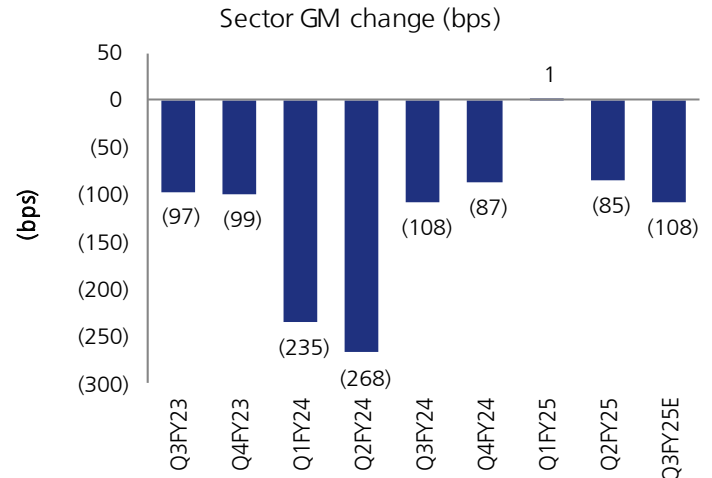
Source: Company, JM Financial

Exhibit 12. Footwear OPM to expand by ~220bps YoY



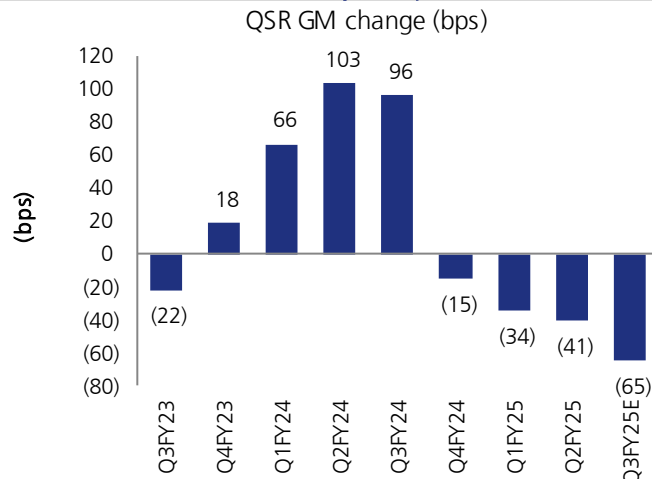
Source: Company, JM Financial; Note: Margin expansion in Q3FY25 is due to weak base in Q3FY24

Exhibit 13. Sector GM to contract by 110bps YoY



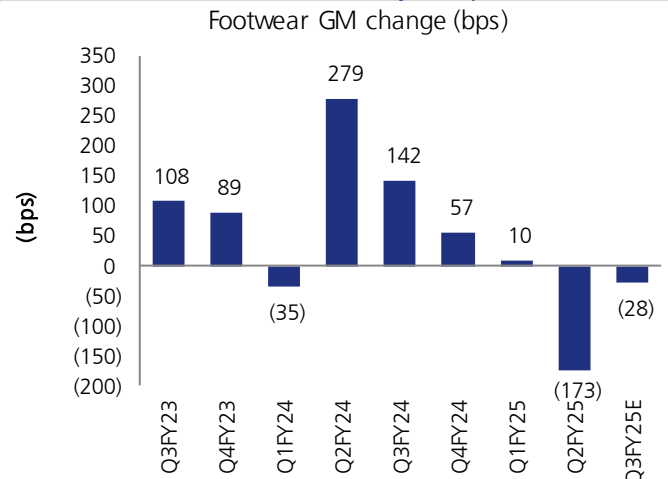
Source: Company, JM Financial

Exhibit 14. QSR GM to contract by ~70bps YoY



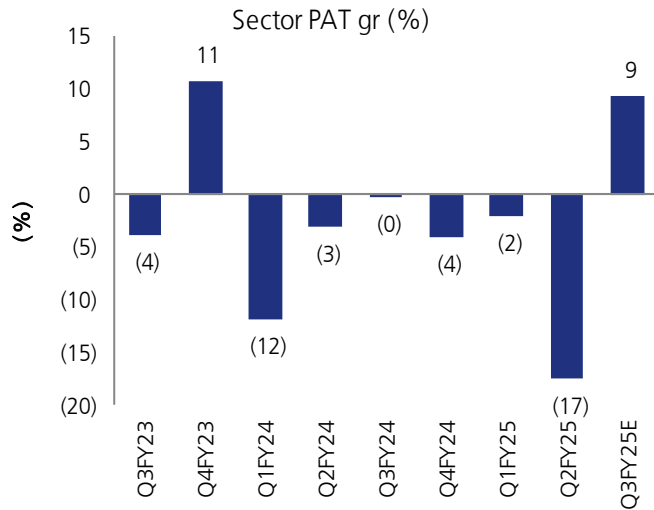
Source: Company, JM Financial

Exhibit 15. Footwear GM to contract by ~30bps YoY



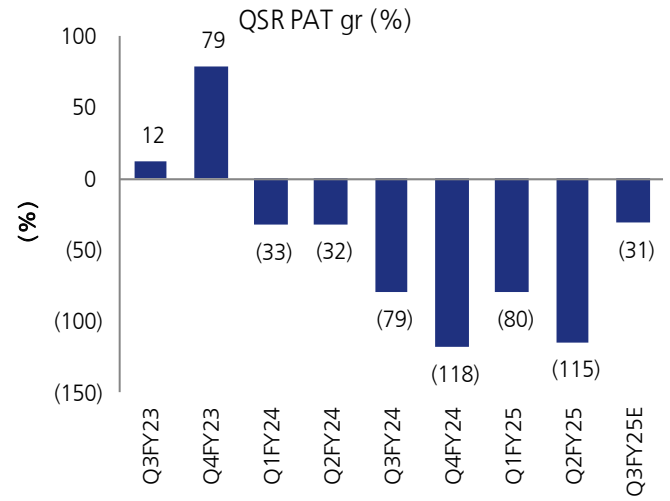
Source: Company, JM Financial

Exhibit 16. PAT growth for the coverage universe expected at 9%



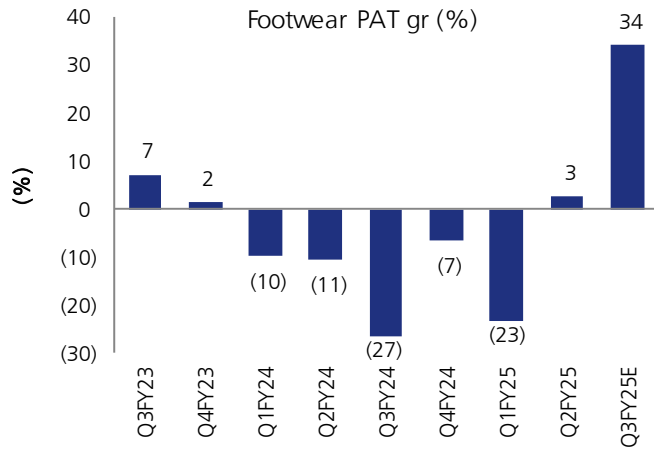
Source: Company, JM Financial

Exhibit 17. QSR PAT is expected to decline by 31% YoY



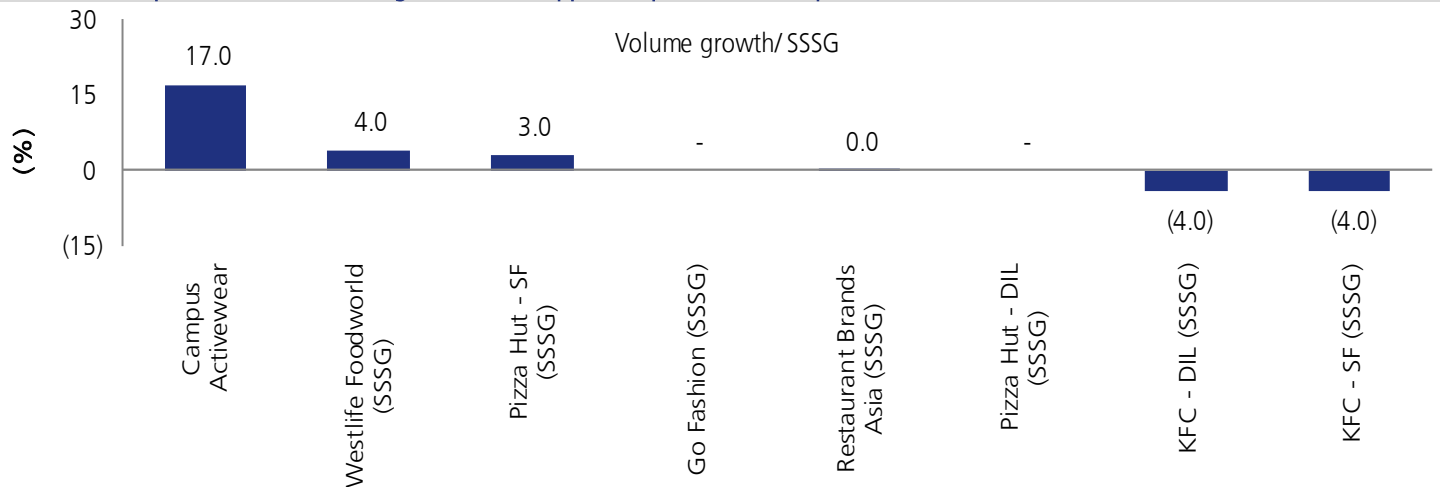
Source: Company, JM Financial

Exhibit 18. Footwear PAT expected to witness 34% growth YoY



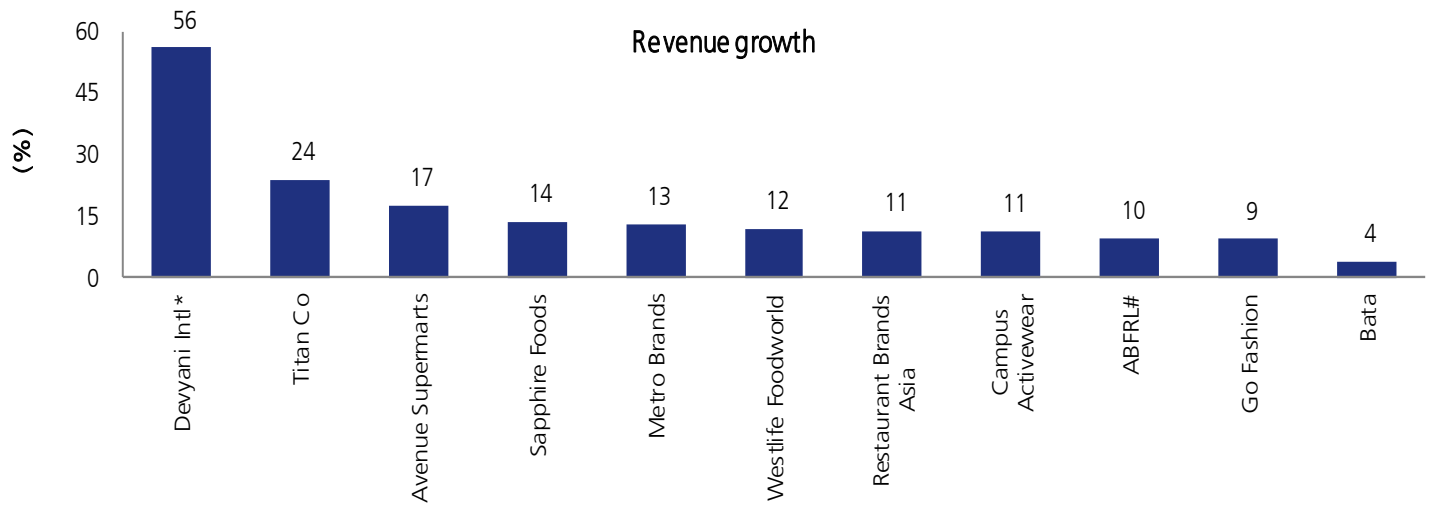
Source: Company, JM Financial; Note: PAT growth of 34% in Q3FY25 is due to weak base in Q3FY24

Exhibit 19. Campus Activewear to lead growth, KFC-Sapphire expected to underperform in 3Q



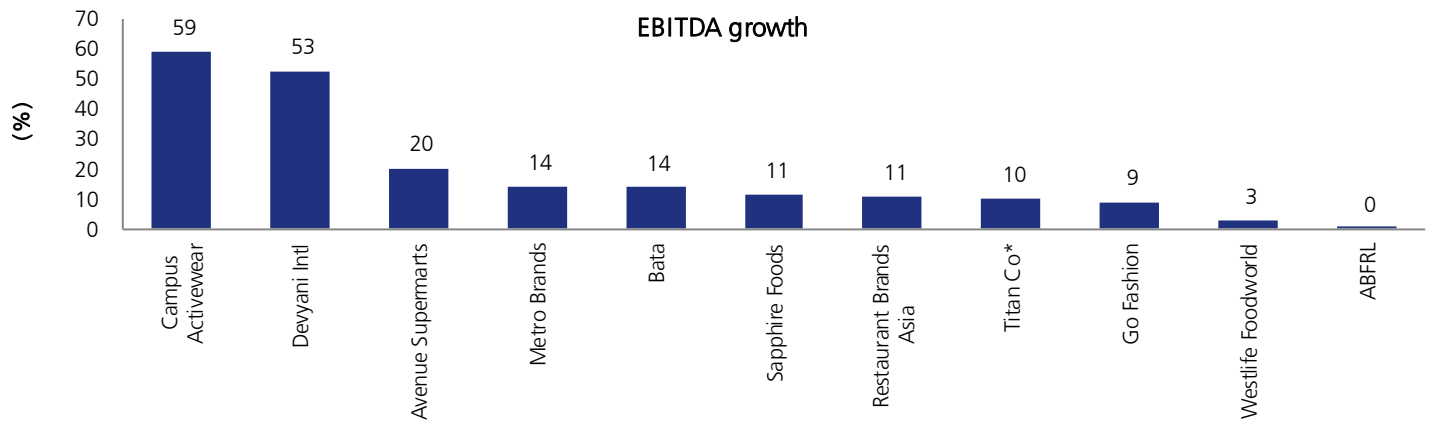
Source: Company, JM Financial

Exhibit 20. Titan and Avenue Supermarts to lead growth, Bata and ABFRL expected to underperform in 3Q



Source: Company, JM Financial; *Note: Growth ex-Thailand business is ~13% YoY; #Note: Growth ex-TCNS business is ~2% YoY

Exhibit 21. Campus Activewear to lead growth, ABFRL and Westlife expected to underperform in 3Q



Source: Company, JM Financial; *Note: EBITDA growth to remain at 27% for Titan excluding one-time custom duty impact.

Exhibit 22. Company wise 3QFY25 result preview for consumer retail sector

Companies	Q3FY24	Q2FY25	Q3FY25E	YoY (%)	QoQ (%)	Comments
Avenue Supermarts (Parent)						
Revenues (INR mn)	132,473	140,503	155,652	17	11	
Gross margin (%)	14.2	14.2	14.4	20 bps	21 bps	Revenue to grow 17.5% YoY led by store expansion (addition of 10 stores QoQ to 387 stores). Sales/ sq. ft. is expected to grow 3% YoY. We expect EBITDA margin to expand ~20 bps largely led by ~20 bps GM expansion.
EBITDA (INR mn)	11,209	11,051	13,489	20	22	
EBITDA margin (%)	8.5	7.9	8.7	20 bps	80 bps	
Net income (INR mn)	7,368	7,104	8,930	21	26	
Titan (Parent)						
Revenues (INR mn)	130,520	132,150	161,723	24	22	Overall standalone sales is expected to grow ~24% YoY led by jewellery business growth at ~26% YoY (ex-bullion), Watches up 15% YoY and Eyewear up 18% YoY. We expect 11.7% jewellery EBIT margin (ex-bullion sales and adjusting for custom duty led losses; 50 bps dip YoY). Overall, we estimate standalone EBITDA/PAT growth of 27/ 22% YoY (ex- custom duty impact).
Gross margin (%)	21.7	19.4	19.3	-241 bps	-9 bps	
EBITDA (INR mn)	14,570	11,330	16,052	10	42	
EBITDA margin (%)	11.2	8.6	9.9	-124 bps	135 bps	
Net income (INR mn)	10,400	7,050	10,577	2	50	
Bata (Parent)						
Revenues (INR mn)	9,035	8,371	9,400	4	12	
Gross margin (%)	56.0	56.6	55.0	-96 bps	-163 bps	We expect 4% revenue growth led by sustained weakness in demand. We expect EBITDA to grow 14% YoY on 190 bps YoY EBITDA margin expansion largely account of weak base (high marketing and IT related costs).
EBITDA (INR mn)	1,818	1,746	2,070	14	19	
EBITDA margin (%)	20.1	20.9	22.0	190 bps	116 bps	
Net income (INR mn)	573	520	693	21	33	
Metro Brands (Consol)						
Revenues (INR mn)	6,355	5,855	7,177	13	23	
Gross margin (%)	59.9	55.0	59.7	-19 bps	466 bps	We bake in ~13% growth YoY led by store addition (35 store addition QoQ); revenue/sq. ft. is expected to remain flat YoY as demand uptick has been weaker vs expected. EBITDA margins to expand by 30 bps YoY due to Cravatex losses in base.
EBITDA (INR mn)	1,990	1,548	2,270	14	47	
EBITDA margin (%)	31.3	26.4	31.6	31 bps	517 bps	
Net income (INR mn)	978	696	1,214	24	75	
Campus Activewear (Parent)						
Revenues (INR mn)	4,720	3,333	5,255	11	58	
Gross margin (%)	51.3	52.4	52.0	72 bps	-36 bps	We bake in ~11% growth YoY led by 12% growth each in trade distribution and online channel while we expect only 6% in D2C offline. We expect 17%/-5% volume/ASP growth. We expect ~510 bps YoY expansion in EBITDA margin due to low base, cost efficiencies and better operating leverage.
EBITDA (INR mn)	563	382	894	59	134	
EBITDA margin (%)	11.9	11.5	17.0	510 bps	556 bps	
Net income (INR mn)	249	143	510	105	257	
Deyani Intl (Consol)						
Revenues (INR mn)	8,431	12,222	13,176	56	8	We bake in 56% YoY revenue growth, (growth ex- Thailand acquisition is ~13%). We expect 25/ 12 store addition in KFC/ PH QoQ. ADS/ SSSG decline of 8%/ 4% in KFC and 3% ADS decline in PH with flat SSSG YoY. We bake in 18%/ 4% brand contribution margin in KFC/ PH and overall pre-AS 116 margin of 10% (up 80 bps YoY). We estimates revenue of INR 3.7 bn in Thailand.
Gross margin (%)	70.6	69.3	68.9	-169 bps	-42 bps	
EBITDA (INR mn)	1,463	1,987	2,232	53	12	
EBITDA margin (%)	17.4	16.3	16.9	-42 bps	67 bps	
Net income (INR mn)	51	(19)	80	57	(518)	
Sapphire Foods (Consol)						
Revenues (INR mn)	6,656	6,957	7,561	14	9	We bake in 14% YoY revenue growth primarily led by 34/12 store addition in KFC/ PH QoQ. KFC -ADS/ SSSG to decline 10%/ 4% YoY, while in PH we expect ADS/SSG growth of 1%/3% YoY. We bake in 18.5%/ 4% brand contribution margin in KFC/ PH and overall pre-AS 116 margin of 10.2% (down ~70 bps YoY).
Gross margin (%)	68.9	68.8	68.4	-47 bps	-40 bps	
EBITDA (INR mn)	1,217	1,120	1,357	11	21	
EBITDA margin (%)	18.3	16.1	17.9	-35 bps	184 bps	
Net income (INR mn)	98	38	144	46	277	
Restaurant Brands Asia (Parent)						
Revenues (INR mn)	4,454	4,921	4,963	11	1	
Gross margin (%)	67.1	67.5	67.6	46 bps	9 bps	We bake in 11% YoY growth led by store openings (addition of 31 stores in Q3). We expect ADS to decline by 4% YoY. We expect ~0.4% SSSG in Q3. We bake in ~10 bps YoY contraction in EBITDA margin despite ~50 bps YoY expansion in GM owing to higher employee expense. despite cost efficiency measure.
EBITDA (INR mn)	708	700	785	11	12	
EBITDA margin (%)	15.9	14.2	15.8	-7 bps	159 bps	
Net income (INR mn)	(64)	(166)	(160)	150	(3)	
Westlife Foodworld (Consol)						
Revenues (INR mn)	5,925	6,154	6,636	12	8	
Gross margin (%)	70.3	69.7	70.0	-28 bps	33 bps	We bake in 12% YoY growth led by store openings (addition of 10 stores in Q3) aided by 1% YoY increase in sales/ store. We expect ~4% SSSG in Q3. We bake in ~130 bps YoY contraction in EBITDA margin owing to higher royalty and employee expense partially offset by lower occupancy expense.
EBITDA (INR mn)	958	783	986	3	26	
EBITDA margin (%)	16.2	12.7	14.9	-132 bps	212 bps	
Net income (INR mn)	209	29	139	(33)	NM	

Source: Company, JM Financial

Exhibit 23. Company wise 3QFY25 results preview for consumer retail sector

Companies	Q3FY24	Q2FY25	Q3FY25E	YoY (%)	QoQ (%)	Comments
ABFRL (Parent)						
Revenues (INR mn)	35,162	32,698	38,550	10	18	We expect standalone revenue growth of 10% YoY, growth is directly not comparable as base qtr does not include TCNS numbers. Comparable growth is 2% YoY led by flat YoY growth in Madura and ~2% growth in Pantaloons. EBITDA margin is expected to contract 140 bps YoY despite 60 bps YoY GM expansion primarily due to weak leverage.
Gross margin (%)	54.4	55.2	55.0	57 bps	-16 bps	
EBITDA (INR mn)	5,687	4,204	5,703	0	36	
EBITDA margin (%)	16.2	12.9	14.8	-139 bps	193 bps	
Net income (INR mn)	451	(1,115)	77	(83)	NM	
Go Fashion (Consol)						
Revenues (INR mn)	2,021	2,085	2,210	9	6	We bake in 9% YoY revenue growth primarily store addition led, we expect 20/40 EBO/LFS addition (7%/19% YoY revenue growth in EBO/LFS). We expect flat SSSG in Q3. We expect ~10 bps YoY contraction in EBITDA margin, despite ~30 bps GM expansion, due to negative leverage.
Gross margin (%)	66.5	68.7	66.8	34 bps	-192 bps	
EBITDA (INR mn)	675	636	737	9	16	
EBITDA margin (%)	33.4	30.5	33.3	-9 bps	281 bps	
Net income (INR mn)	234	206	273	17	32	

Source: Company, JM Financial

APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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