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Consumer

Update

6 July 2021

Consumer Retail

Q4 FY21 results review

Sensex: 52880

Nifty: 15834

As consumer demand moved toward normal, innerwear/apparel/ footwear/department-store Q4 revenue growth averaged 72%/0.4%/ 35%/12% y/y. Innerwear continued to be the strongest category in Q4 and in FY21 was driven by market-share gains and continued traction in athleisure. Covid'19-triggered restrictions and regional lockdowns halted the recovery toward end-Q4. Most companies expect gradual recovery from Q2 FY22 with pent-up demand, the festival season and easing of restrictions.

Apparel at almost 100% recovery, innerwear continues strong growth. Q4 began with retailers seeing near normal consumer behaviour, with fresh merchandise being launched and pent-up demand. Recovery in apparel retailers averaged ~100%; Arvind Fashions, Trent and TCNS' revenues grew y/y. In footwear, growth averaged ~35% y/y led by strong growth in Relaxo (~38%) and Khadim (~71%). Bata's recovery at ~95% was lower than peers. Innerwear averaged ~72% growth, largely from double-digit volume growth.

Cash-positive quarter aided by revenue recovery, cost rationalising. The greater operating leverage led to companies' better operating performances. For most companies, costs inched up to previous levels. Some continue to talk of structural savings ahead. Innerwear EBITDA growth averaged ~250%, driven by operating leverage and better gross margins as companies raised prices to mitigate cotton/yarn price rises. Footwear companies experienced gross margin pressure with the rise in raw material prices, and adverse product & channel mixes. Khadim and Relaxo, however, reported EBITDA margin expansion, driven by cost savings and operating efficiencies. Barring Kewal Kiran, all apparel retailers' EBITDA margins expanded, driven by more sales and cost savings.

Cost structure optimisation. Despite significant cost controls, the lower operating leverage led to declines/losses (EBITDA level) for most companies in FY21. Fixed rents, the major cost for most retailers, shrank during the year, averaging ~33% y/y. Employee and other costs (advertising, travel, etc.) were considerably curtailed, declines averaging respectively 12% and 17% y/y. As operations pick up, most of these will return.

Expansion plans on track for FY22. Network expansion slowed down in FY21 significantly, with capex declining ~40% y/y on average. Most companies talked of accelerated store expansion ahead. ABFRL plans to open ~300-400 Lifestyle stores in FY22. Pantaloons added 19 in FY21 and plans to add ~60 in FY22. TCNS spoke of 60 additions and VMart plans to continue its addition of ~40 stores in FY22.

Valuations. The consumer retail sector now quotes at an EV/EBITDA of 22x and a P/E of ~50x on FY23e.

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Research Analyst

Fig 1 – Quarterly summary

	Net sales (Rs m)			Growth (%)		EBITDA (Rs m)			Growth (%)		EBITDA margin (%)			Growth (bps)		Rep. PAT (Rs m)			Growth (%)	
	Q4 FY21	Q4 FY20	Q3 FY21	Y/Y	Q/Q	Q4 FY21	Q4 FY20	Q3 FY21	Y/Y	Q/Q	Q4 FY21	Q4 FY20	Q3 FY21	Y/Y	Q/Q	Q4 FY21	Q4 FY20	Q3 FY21	Y/Y	Q/Q
Innerwear																				
Page	8,808	5,413	9,271	62.7	(5.0)	1,698	581	2,261	192.1	(24.9)	19.3	10.7	24.4	854bps	-511bps	1,156	310	1,537	272.5	(24.8)
Dollar	3,083	2,377	3,118	29.7	(1.1)	311	210	432	48.3	(27.9)	10.1	8.8	13.8	126bps	-375bps	194	122	278	58.8	(30.3)
Lux (standalone)	5,961	4,025	5,376	48.1	10.9	1,238	651	1,068	90.3	15.9	20.8	16.2	19.9	460bps	89bps	906	415	752	118.5	20.5
Rupa (standalone)	4,344	1,765	3,287	146.2	32.2	912	121	642	656.4	42.0	21.0	6.8	19.5	1,416bps	146bps	662	48	451	1286.9	46.8
Footwear																				
Relaxo	7,477	5,406	6,720	38.3	11.3	1,629	962	1,487	69.3	9.5	21.8	17.8	22.1	399bps	-35bps	1,022	518	901	97.2	13.4
Bata (standalone)	5,899	6,206	6,156	(4.9)	(4.2)	1,121	1,397	1,178	(19.7)	(4.8)	19.0	22.5	19.1	-350bps	-12bps	295	384	264	(23.3)	11.6
Khadim	2,700	1,582	1,741	70.6	55.1	141	(84)	151	(267.1)	(6.9)	5.2	(5.3)	8.7	NA	-348bps	115	(199)	44	NA	161.4
Retail																				
D-Mart (standalone)	73,031	61,935	74,327	17.9	(1.7)	6,166	4,177	6,914	47.6	(10.8)	8.4	6.7	9.3	170bps	-86bps	4,350	2,869	4,703	51.6	(7.5)
V-Mart	3,519	3,327	4,700	5.8	(25.1)	336	278	1,038	20.5	(67.7)	9.5	8.4	22.1	117bps	-1,256bps	(15)	(84)	479	NA	NA
Branded apparel																				
ABFRL (standalone)	17,836	18,174	20,590	(1.9)	(13.4)	2,570	1,561	4,113	64.7	(37.5)	14.4	8.6	20.0	582bps	-557bps	(1,348)	(1,403)	664	NA	NA
TCNS	2,211	2,192	2,379	0.9	(7.1)	229	(48)	385	NA	(40.4)	10.4	(2.2)	16.2	NA	-579bps	38	(238)	127	NA	(69.8)
Kewal Kiran	1,107	1,266	1,180	(12.6)	(6.2)	102	215	135	(52.7)	(24.5)	9.2	17.0	11.4	-779bps	-222bps	82	158	109	(47.8)	(24.1)
Arvind Fashions	7,686	6,733	9,014	14.2	(14.7)	717	73	739	876.1	(3.0)	9.3	1.1	8.2	824bps	113bps	(1,033)	(2,043)	(680)	NA	NA
Trent (standalone)	7,737	7,228	7,254	7.0	6.7	1,366	929	1,800	46.9	(24.1)	17.7	12.9	24.8	479bps	-716bps	569	26	797	2077.1	(28.6)
Shoppers Stop (standalone)	6,712	7,092	7,076	(5.4)	(5.2)	956	766	949	24.8	0.7	14.2	10.8	13.4	344bps	82bps	(371)	(1,328)	(207)	NA	NA
Others																				
Raymond	13,657	12,787	12,434	6.8	9.8	1,549	(70)	1,139	NA	36.0	11.3	-0.5	9.2	NA	218bps	565	(683)	217	NA	160.3
Titan (standalone)	71,350	44,288	72,870	61.1	(2.1)	7,950	6,037	8,580	31.7	(7.3)	11.1	13.6	11.8	-249bps	-63bps	5,290	3,568	4,190	48.3	26.3

Source: Companies

Fig 2 – FY21 summary

	Net sales (Rs m)		Growth (%)	EBITDA (Rs m)		Growth (%)	EBITDA margin (%)		Growth (%)	PAT (Rs m)		Growth (%)
	FY21	FY20	Y/Y	FY21	FY20	Y/Y	FY21	FY20	Y/Y	FY21	FY20	Y/Y
Innerwear												
Page	28,330	29,454	*(3.8)*	5,266	5,326	*(1.1)*	18.6	18.1	*51bps*	3,406	3,432	*(0.8)*
Dollar	10,370	9,693	*7.0*	1,381	1,046	*32.0*	13.3	10.8	*253bps*	853	573	*48.8*
Lux	19,552	16,678	*17.2*	3,831	2,689	*42.5*	19.6	16.1	*347bps*	2,694	1,773	*52.0*
Rupa (standalone)	12,612	9,414	*34.0*	2,578	1,246	*106.9*	20.4	13.2	*720bps*	1,809	801	*125.9*
Footwear												
Relaxo	23,592	24,105	*(2.1)*	4,955	4,090	*21.2*	21.0	17.0	*404bps*	2,916	2,263	*28.9*
Bata	17,085	30,561	*(44.1)*	1,622	8,321	*(80.5)*	9.5	27.2	*-1,773bps*	(893)	3,290	*NA*
Khadim	6,262	7,719	*(18.9)*	34	305	*(88.9)*	0.5	3.9	*-341bps*	(329)	(313)	*NA*
Retail												
D Mart (standalone)	237,872	246,750	*(3.6)*	17,417	21,221	*(17.9)*	7.3	8.6	*-128bps*	11,653	13,499	*(13.7)*
V Mart	10,755	16,620	*(35.3)*	1,312	2,138	*(38.6)*	12.2	12.9	*-66bps*	(62)	493	*NA*
Branded apparel												
ABFRL (standalone)	51,811	87,425	*(40.7)*	5,943	12,254	*(51.5)*	11.5	14.0	*-255bps*	(6,496)	(1,452)	*NA*
TCNS	6,355	11,487	*(44.7)*	24	1,863	*(98.7)*	0.4	16.2	*-1,583bps*	(564)	694	*NA*
Kewal Kiran	3,027	5,297	*(42.8)*	187	951	*(80.4)*	6.2	18.0	*-1,179bps*	194	730	*(73.4)*
Arvind Fashions	22,012	36,136	*(39.1)*	(70)	2,578	*NA*	(0.3)	7.1	*NA*	(5,798)	(4,007)	*NA*
Trent (standalone)	20,475	31,777	*(35.6)*	2,038	5,632	*(63.8)*	10.0	17.7	*-777bps*	(510)	1,546	*NA*
Shoppers Stop (standalone)	17,251	33,810	*(49.0)*	534	5,494	*(90.3)*	3.1	16.3	*-1,316bps*	(2,752)	(1,409)	*NA*
Others			*(21.9)*			*(71.2)*						
Raymond	34,465	64,824	*(46.8)*	(662)	5,158	*NA*	(1.9)	8.0	*NA*	(2,970)	1,961	*NA*
Titan (standalone)	206,020	200,096	*3.0*	17,010	24,177	*(29.6)*	8.3	12.1	*-383bps*	8,770	15,176	*(42.2)*

Source: Source: Companies

Fig 3 – Valuation summary

	CAGR (FY16-FY21) %			FY21			FY23e (x)	
	Revenue	EBITDA	PAT	PAT (Rs m)	RoE %	RoCE %	EV / EBITDA	P/E
Innerwear								
Page	10	7	8	3,406	40	37	34.7	49.5
Dollar	5	16	26	853	17	14	9.0	14.1
Lux (consolidated) #	16	32	39	2,694	36	31	23.4	33.3
Rupa (standalone)	4	14	18	1,809	27	22	12.9	18.6
Footwear								
Relaxo	7	16	19	2,916	21	20	45.5	74.5
Bata	(7)	(10)	NA	(893)	(5)	(1)	22.6	44.9
Khadim	3	(42)	NA	(329)	(16)	(4)	9.04	27.8
Retail								
D-Mart (consolidated)	23	21	28	10,994	10	9	57.2	87.9
V-Mart	6	16	NA	(62)	(1)	3	16.7	42.3
Branded apparel								
ABFRL (standalone)	(3)	9	NA	(6,496)	NM	(6)	14.8	67.6
TCNS	6	NA	NA	(564)	(9)	(3)	14.3	32.4
Kewal Kiran	(8)	(29)	(22)	194	5	5	8.4	11.4
Arvind Fashions	(4)	NA	NA	(5,798)	NA	NA	7.3	NA
Trent (consol.)	(9)	(12)	NA	(1,462)	(6)	(0)	40.9	129.8
Shoppers Stop (consolidated)	(17)	(24)	NA	(2,672)	NA	NA	8.6	82.9
Others								
Raymond (consolidated)	(8)	NA	NA	(2,970)	NA	(2)	6.0	17.0
Titan (consolidated)	14	13	8	9,730	14	10	41.8	61.8

Source: Anand Rathi Research, Bloomberg estimates Note: FY20 includes the effect of IND AS 116 # FY20 and FY21 figures are post-merger

Cost structure optimisation

In FY21, the decline in retail revenues averaged ~20% y/y, with apparel and footwear down respectively ~42% and ~22% y/y, while department-store revenue fell ~19% y/y. Innerwear companies' growth averaged 13.6%. During the year, revenue for most companies recovered gradually. Cost-reduction measures continuing throughout the year helped manage cash-burn.

Gross margins of most companies contracted. For footwear and innerwear companies, high raw material prices and more sales of economy products cut into their gross margins. For apparel retailers, greater discounting and a shift in the channel mix toward e-commerce ate into gross margins.

Rent, one of the major costs, is usually split into fixed and variable. The latter varies in proportion to revenue (besides a minimum guaranteed). For FY21, the reduction in fixed rents across companies averaged ~33% y/y. The average y/y reduction in FY21 for apparel/footwear was ~41/25%. With respect to the restrictions imposed during the Covid-19 second wave from mid-Mar'21, companies said that some negotiations are ongoing. However, drastic reductions from already lower figures appear unlikely.

Companies pruned employee costs as well, reductions in FY21 averaging ~12% y/y. Those such as Page, Dollar, Lux, DMart and Relaxo saw an increase in employee expenses in FY21, averaging ~7% y/y. Most companies have reinstated salaries from Q4 FY21 and don't expect a significant reduction on this cost head. In Trent's FY21 annual report, however, we notice a ~20% reduction in the number of permanent employees.

As well, companies cut down on other discretionary expenses such as travel, advertising, marketing, etc. Reduction in other expenses in FY21 averaged ~17% y/y. Ahead, companies expect advertising and marketing expenses to return to previous levels. Some savings (travelling, etc.) might continue as restrictions are still in place; most of these expenses, however, will return from FY22.

Fig 4 – Summary of cost-reductions in FY21

	FY21 change y/y			Y/Y reduction in FY21 (%)		
Company	Revenue growth/(decline) %	Gross margin (bps)	EBITDA growth/ (decline) %	Employee cost	Fixed rent	Other expenses
Page	(3.8)	(11)	(1.1)	6.0	-	(16.1)
Dollar	7.0	333	32.0	6.1	-	9.3
Lux	17.2	(312)	42.5	3.4	-	(0.5)
Rupa	34.0	(515)	106.9	(12.8)	-	0.2
Relaxo	(2.1)	59	21.2	2.5	(22.8)	17.6
Bata	(44.1)	(659)	(80.5)	(9.7)	(30.5)	(26.3)
Khadim	(18.9)	(756)	(88.9)	(17.0)	(22.5)	(34.4)
ABFRL	(40.7)	(87)	(51.5)	(21.2)	(44.8)	(31.7)
TCNS	(44.7)	(783)	(98.7)	(23.0)	(47.8)	(37.4)
Arvind Fashions	(39.1)	(334)	NA	(26.8)	(28.4)	(34.1)
Kewal Kiran	(42.8)	(1000)	(80.4)	(26.3)	-	(49.2)
Trent (S)	(35.6)	18	(63.8)	(18.6)	(32.3)	12.9
Shoppers Stop (S)	(49.0)	(354)	(90.3)	(20.0)	(50.0)	(28.2)
V-Mart	(35.3)	48	(38.6)	(23.9)	(33.7)	(38.4)
DMart (S)	(3.6)	(41)	(17.9)	16.6	-	7.4
Titan (S)*	3.0	(402)	(29.6)	(12.4)	(26.9)	8.9
Raymond	(46.8)	(449)	NA	(32.4)	(27.7)	(44.2)

Source: Company, Anand Rathi Research **Note: Other expenses adj for hedging loss of Rs4.84bn in Q2*

Innerwear

Strong volume-driven growth for innerwear

Driven by continuing demand for innerwear and athleisure, and boosted by a weaker base in Q4 FY20, innerwear companies continued to report strong growth in Q4, averaging ~72% y/y, vs. ~20% the quarter prior (Q4 FY20 revenue had fallen ~28% y/y). Despite Q1 FY21 being a washout, innerwear companies' FY21 growth averaged ~14% y/y, led by Rupa (34%), Lux (17.2%) and Dollar (7%), while Page's revenue declined 3.8% y/y.

Volumes for Page, Lux and Dollar grew respectively 54%, 29% and 17% y/y in Q4 FY21. For FY21 volume growth was 11%, 32%, 13.2% respectively for Dollar, Rupa and Lux. Page's volumes declined ~11-12% according to our estimates.

Yarn and cotton prices have climbed considerably. Companies, however, hiked prices to mitigate the impact on gross margins. Hence, gross margins of all innerwear companies (incl. sub-contracting expenses) expanded during the quarter (ranging from 82bps to 613bps y/y). For FY21 Lux reported a 23bp gross margin contraction y/y to 34.5%, while Dollar, Rupa and Page's gross margins expanded respectively 214bps, 36bps and 35bps y/y to 36.7%, 35.6% and 51.7%.

Driven by the higher gross margins, better operating leverage and costs saved, the EBITDA margin expansion across companies averaged ~700bps y/y: Page up 854bps to 19.3%, Dollar up 126bps to 10.1%, Lux up 460bps to 20.8%, and Rupa up 1,416bps to 21%.

The working-capital cycle (on sales) improved for all the companies vs FY20 by 20-51 days. Lux's working-capital days reduced by 38 y/y aided by inventory days and debtor days reducing by 20 and 11 respectively, and payable days increasing by seven. Dollar's working-capital days reduced by 20 y/y led by 19 fewer debtor days and increase in creditor days by four. Dollar's inventory days were three more y/y. Rupa's working-capital days improved the most (51 days fewer y/y) led by 63 fewer inventory days.

The companies continued to expand their touch points and distributor networks during the year. The growth trajectory was higher. Per managements, demand is likely to continue, driven by the growing shift toward formal manufacturers and the rising preference for athleisure.

Page Industries

Page reported 63% y/y revenue growth in Q4 FY21 to Rs8,808m, led by 54% y/y volume growth. Its gross margin contracted 122bps y/y to 57.6%. Employee and other expenses were respectively ~23% and 37% higher y/y. As percent of sales, however, they were 611bps and 365bps lower y/y. Hence, the EBITDA margin expanded to 19.3% (from 10.7% a year ago). The Rs1,698m EBITDA was ~3x higher y/y. Depreciation was 5% lower, interest expense was down 16% and other income was 44% lower y/y. PBT was Rs1,526m (Rs432m a year back). The tax rate was 24.3% (28.2% a year ago). PAT was Rs1,156m (Rs310m in Q4 FY20).

FY21 revenue was down ~4% y/y to Rs28,330m. EBITDA was slightly lower (1%) y/y to Rs5,266m and the EBITDA margin expanded 51bps y/y to 18.6%. PAT at Rs3,406m was ~1% lower y/y.

Debt and cash flow

The company paid down its debt, turning almost debt free by end-FY21 (vs. Rs380m debt in FY20). Cash and equivalents were Rs4,350m in FY21. OCF increased 35% y/y to Rs6,959m due to fewer working capital days. FCF, at Rs6,824m, was 54% higher.

Working-capital cycle

Working capital days (on sales) were lower (61, vs. 87 in FY20). Inventory days were 71, down 18 y/y. Debtor days were up nine y/y to 18. Payables days were up 16 to 28.

Other highlights

- The company reported healthy, ~54% y/y, volume growth in Q4 FY21. Its secondary sales were higher than its primary sales. Given its Q3 performance, it got confident and relaxed marketing spend and other opex. Hence, Q4 costs were higher.
- Jockey Junior grew 75-80% y/y in FY21. It has 38 exclusive EBOs and reached 50 towns in FY21. Management intends to double the reach by FY22 as this category continues to be its area of special focus.
- In FY21 growth in volumes was seen only in its athleisure and kids categories. Men and women's innerwear have been flat/decline in volumes for the year. Men's innerwear continued to be the largest contributor to the business.
- To target rural/tier-3 and -4 cities, it put together a basket of its existing products keeping in mind pricing for such areas. Management sees great potential in tier-3 and -4 markets.
- The auto-replenishment system now covers ~90% of its network. It faced some disruption during the pandemic; hence, was halted for a few months.
- The manufacturing plants have been shut for almost a month now and will resume from 7th Jun'21 once regional lockdowns are lifted. Stocks in the pipeline/with distributors and in its warehouses are adequate.

Fig 5 – Financial performance

(Rs m)	Q4 FY21	Q4 FY20	% Y/Y	Q3 FY21	% Q/Q	FY21	FY20	% Y/Y
Sales	8,808	5,413	*62.7*	9,271	*(5.0)*	28,330	29,454	*(3.8)*
Gross margins %	*57.6*	*58.8*	*-122bps*	*55.4*	*218bps*	*55.4*	*55.5*	*-11bps*
EBITDA	1,698	581	*192.1*	2,261	*(24.9)*	5,266	5,326	*(1.1)*
EBITDA margins %	*19.3*	*10.7*	*854bps*	*24.4*	*-511bps*	*18.6*	*18.1*	*51bps*
Interest	72	85	*(16.2)*	74	*(3.1)*	297	339	*(12.2)*
Depreciation	156	163	*(4.5)*	156	*(0.3)*	629	614	*2.5*
Other income	56	99	*(43.9)*	42	*33.9*	195	246	*(21.0)*
PBT	1,526	432	*253.4*	2,073	*(26.4)*	4,534	4,620	*(1.9)*
Tax	371	122	*204.8*	536	*(30.8)*	1,128	1,188	*(5.0)*
Tax rates %	*24.3*	*28.2*	*-387bps*	*25.8*	*-156bps*	*24.9*	*25.7*	*-82bps*
PAT	1,156	310	*272.5*	1,537	*(24.8)*	3,406	3,432	*(0.8)*
EPS (Rs)	103.6	27.8	*272.5*	137.8	*(24.8)*	305.4	307.7	*(0.8)*

Source: Company

Fig 6 – Working capital (days on sales)

	FY21	FY20	Y/Y change
Inventory	71	89	(18)
Trade receivables	18	9	9
Trade payables	28	12	16
Working-capital cycle	61	87	(25)

Source: Company

Lux Industries

Bolstered by 29% volume growth, Lux's Q4 FY21 revenue (post-merger) grew 48% y/y to Rs5,961m. The gross margin (incl. sub-contracting expenses) expanded ~350bps y/y to 37.1% due to lower sub-contracting expenses and COGS, and greater revenue growth. Employee expenses were 9% higher y/y, and other expenses were 49% higher y/y. Hence, the EBITDA margin expanded 460bps y/y to 20.8%. EBITDA at Rs1,238m was 90% higher y/y. Depreciation was ~18.4% higher; interest expenses were down 45% and other income was ~5x y/y. Hence, PBT at Rs1,216m increased ~111% y/y. The effective tax rate was 25.5% (27.9% a year ago). PAT at Rs906m was ~119% higher y/y.

FY21 consolidated revenue at Rs19,552m was up 17.2% y/y. For the year volumes were up ~13% y/y to ~300m pieces while realisation was up ~4% to Rs65 a pair. EBITDA at Rs3,831m was up 43%, with the EBITDA margin at 19.6% (up 350bps y/y). PAT grew 52% y/y to Rs2,694m.

Debt and cash-flow

At end-FY21, debt was Rs1,189m (Rs2,322m a year ago). OCF increased to Rs3,885m from Rs1,527m the year prior, aided by greater profitability and better working-capital management. FCF at Rs3,233m was higher y/y (Rs1,378m the previous year).

Working-capital cycle

The working-capital cycle (on sales) was 122 days, down 38 days y/y, inventory days were 20 fewer to 89. Receivable days declined by 11 to 85 and payable days increased by seven to 52.

Other highlights

- **Merger.** The amalgamation with group companies (Ebell Fashions and J.M. Hosiery) was approved by the NCLT at end-Mar'21. Q4 FY21 and FY21 results are post-merger and include FY20 post-merger financials for comparison.
- **Volume, realisation.** Overall volumes for the year were ~300m pieces, up ~13% y/y. Average realisation per pair was ~Rs65, up 4% y/y.
- **Product mix.** The company's economy range grew the fastest in FY21, 30% y/y to Rs6,160m; its share in overall revenue rose to 32% (29% the year prior). The mid-premium range grew 13% y/y to Rs10,990m; its share in overall revenue fell to 57% (from 58% a year back). The premium range grew the least (7% y/y to Rs2,280m) and its share in overall revenue fell to 12% (from 13% the previous year). The economy range grew faster because of the rapider rural recovery in FY21.
- **Working-capital-cycle improvement**. The working-capital cycle (on sales) was 122 days, down 38 y/y; inventory days were 20 fewer to 89. Receivables days declined by 11 to 85, and payable days increased by seven to 52.

- **Debt and cash.** At end-FY21, debt was Rs1,189m (Rs2,322m a year back). Operating cash-flow rose to Rs3,885m (Rs1,527m the year prior), aided by greater profitability and better working-capital management. At Rs3,233m, FCF was higher y/y (from Rs1,378m in FY20).
- **Ad-spend** in FY21 was Rs1,060m, ~5.4% of sales. Lux's ad-expenses-to-sales averaged ~7% in the past. Ahead, the company plans to invest in its brands and to build them up.
- **Dividend.** In FY20 the company introduced a 25%-payout dividend policy. In FY21, however, its Board decided to conserve cash and postpone dividends due to the on-going pandemic. Management said that the Board would consider rewarding shareholders in due course.
- With **raw-material prices** starting to rise from Nov'20, the company began hiking prices from mid-Dec'20 and continued doing so in phases till Mar'21. No adverse effect of the price hikes was seen on sales growth. Ahead, with the rise in raw-material prices, the company will increase its product prices.

Fig 7– Financial performance

(Rs m)	Q4 FY21	Q4 FY20	% Y/Y	Q3 FY21	% Q/Q	FY21	FY20	% Y/Y
Sales	5,961	4,025	*48.1*	5,376	*10.9*	19,552	16,678	*17.2*
Gross margins %	*37.1*	*33.6*	*349bps*	*35.3*	*186bps*	*34.5*	*34.7*	*-23bps*
EBITDA	1,238	651	*90.3*	1,068	*15.9*	3,831	2,689	*42.5*
EBITDA margins %	*20.8*	*16.2*	*460bps*	*19.9*	*89bps*	*19.6*	*16.1*	*347bps*
Interest	24	43	*(44.9)*	28	*(14.9)*	127	211	*(39.6)*
Depreciation	50	42	*18.4*	44	*13.3*	179	151	*18.0*
Other income	52	10	*407.8*	22	*137.6*	96	64	*50.9*
PBT	1,216	576	*111.3*	1,018	*19.4*	3,621	2,391	*51.5*
Tax	310	161	*92.7*	266	*16.3*	927	618	*50.0*
Tax rates %	*25.5*	*27.9*	*-246bps*	*26.2*	*-69bps*	*25.6*	*25.9*	*-24bps*
PAT	906	415	*118.5*	752	*20.5*	2,694	1,773	*52.0*
EPS (Rs)	30.37	13.92	*118.2*	25.12	*20.9*	90.25	59.08	*52.8*

Source: Company

Fig 8 – Working capital (days on sales)

	FY21	FY20	Y/Y change
Inventory	89	109	(20)
Trade receivables	85	97	(11)
Trade payables	52	45	7
Working-capital cycle	122	161	(38)

Source: Company

Dollar Industries

Dollar's Q4 FY21 revenue grew ~30% y/y to Rs3,083m. Its gross margin expanded ~680bps y/y to 57.2%. Incl. sub-contracting expenses, the gross margin was 34.9% (28.7% a year ago). Employee and other expenses were up 15% and 51% y/y respectively. EBITDA was ~48% higher y/y to Rs311m and the EBITDA margin expanded ~126bps y/y to 10.1%. Depreciation was up ~32% y/y. Other income and interest expense were down 34% and 65% y/y respectively. PBT at Rs263m was up ~56% y/y. The tax rate was 26.5% (20.9% a year back). At ~Rs7m, JV losses were lower (~Rs11m a year ago). Hence, reported PAT at Rs194m was ~59% higher y/y.

FY21 revenue grew 7% y/y. The EBITDA margin expanded ~250bps to 13.3%. Reported PAT at Rs853m was 49% higher y/y.

Debt and cash flow

Borrowings were down ~42% y/y to Rs1,219m. OCF increased 150% y/y to Rs1,324m boosted by greater profitability and better working capital. FCF at Rs1,097 was ~260% higher y/y.

Working-capital cycle

Working capital days (on sales) were 20 fewer y/y to 185, aided by 19 fewer receivable days y/y to 116, and four more payable days y/y to 49. Inventory days were three more to 118.

Other highlights

- **Brand-wise FY21 contribution**: Big Boss 43%, Dollar socks 1%, Force-go Wear 2%, Force NXT 3%, Missy 8%, Regular 34%, Thermal 9%. Athleisure did very well during the year and its contribution to overall sales grew to 14%.
- **Online sales** jumped and the traction continues. The e-commerce contribution to sales was ~2.25% (1.5% earlier).
- **Volume, ASP growth**. FY21 volume growth was 11% and overall revenue growth, 7%. Average implied realisation per piece was ~Rs59, down 4% y/y. Management said the realisation decline was due to greater discounts/schemes to channel partners and a change in the product mix toward lower-priced products during the year.
- **Project Lakshya.** The Covid'19-triggered national lockdown in 2020 and regional lockdowns in 2021 slowed a roll-out of this project. At present, it is being implemented in five states, showing growth in distributors, retail reach and sales. Ahead, the company plans to roll it out in south and north-east India.
- **Working capital.** Management says net working-capital days in FY21 were down 15 y/y to 186. Debtor days improved by 13 during the year. It plans to shorten working capital further, by 15-20 days, in FY22.
- **Advertising and promotional expenditure.** FY21 A&P expense was Rs790m,~7.5% of sales. Of that, ~Rs500m was on rebranding and brand re-engineering. This exercise was started in 2019-20. Also, the logo was changed; hence, a 360-degree rebranding exercise. Ahead, it plans to spend ~Rs500m-600m in FY22, of which ~Rs200m will be toward branding and ~Rs300m-400m for A&P.
- **Raw material.** Since Nov'20 the company has passed on all raw material price rises. Besides, it hiked prices in Apr'21. In FY21 the gross margin rose ~2% on the passing on of the raw-material price rise, with the advantage of older raw-material stocks.
- **Outlook.** The company guided to ~13-15% revenue growth in FY22, and a ~150-200bp margin expansion, to ~15%.

Fig 9– Financial performance

(Rs m)	Q4 FY21	Q4 FY20	% Y/Y	Q3 FY21	% Q/Q	FY21	FY20	% Y/Y
Sales	3,083	2,377	*29.7*	3,118	*(1.1)*	10,370	9,693	*7.0*
Gross margins %	*57.2*	*50.4*	*678bps*	*55.1*	*213bps*	*57.1*	*53.7*	*333bps*
EBITDA	311	210	*48.3*	432	*(27.9)*	1,381	1,046	*32.0*
EBITDA margins %	*10.1*	*8.8*	*126bps*	*13.8*	*-375bps*	*13.3*	*10.8*	*253bps*
Interest	13	37	*(64.7)*	18	*(27.0)*	88	153	*(42.5)*
Depreciation	49	37	*31.8*	38	*29.4*	155	142	*8.9*
Other income	21	32	*(34.2)*	6	*227.5*	35	47	*(26.1)*
PBT	271	168	*60.8*	383	*(29.3)*	1,173	798	*47.0*
Tax	70	35	*98.3*	99	*(29.5)*	300	203	*47.7*
Tax rates %	*25.8*	*20.9*	*487bps*	*25.8*	*-8bps*	*25.6*	*25.5*	*11bps*
PAT	194	122	*58.8*	278	*(30.3)*	853	573	*48.8*
EPS (Rs)	3.4	2.2	*58.6*	4.9	*(30.4)*	15.0	10.5	*43.5*

Source: Company

Fig 10 – Working capital (days on sales)

	FY21	FY20	Y/Y change
Inventory	118	115	3
Trade receivables	116	136	(19)
Trade payables	49	45	4
Working-capital cycle	185	205	(20)

Source: Company

Rupa

Rupa's standalone revenue grew ~146% y/y in Q4 FY21 to Rs4,344m. The gross margin contracted to 54.6% (from 63.3% a year ago). Including sub-contracting expenses, it was down ~315bps y/y to 33.7%. Employee and other expenses were up respectively ~14% and 59% y/y. The EBITDA margin was 21% (6.8% a year back). Depreciation and interest expense were down respectively ~18% and 37% y/y. Other income was up 81% y/y. PBT was Rs886m (Rs68m a year prior). The tax rate was 25.3% (~30% a year ago. PAT was Rs662m (Rs48m a year ago).

For the full year standalone revenue was up 34% y/y, EBITDA almost ~110% higher to Rs2,578m. The EBITDA margin expanded to 20.4% (13.2% for the previous year). And PAT at Rs1,809m was ~125% higher y/y.

Debt and cash flow

Total debt at Rs990m was 27% y/y lower. FCF increased ~130% y/y to Rs1,883m led by better working capital and greater profitability.

Working-capital cycle

Working capital days (on sales) at 162 were 51 fewer y/y helped by fewer inventory days (63 y/y to 109). Debtor days were seven more to 96 and payables were six days fewer to 43.

Other highlights

- **Performance.** Strong volume growth, a better product mix and cost efficiencies led to better results. Volume growth in FY21 was 2% lower than value growth, i.e. ~32% y/y.
- **Channel mix.** The company is now strong in the East and North, followed by the West. It is entering South India, appointing distributors and building a new team. It has 1,200+ dealers and its products are sold

through 125,000 retail outlets. In modern trade it operates through 150 stores and is looking to increase that figure to 300 in the next two years. It has 13 EBOs and plans to raise that to 150 in the next two years (all franchisees). FY21 export revenue was Rs200m-210m; management expects to double that in two years.

- **Product.** Women's, athleisure and premium innerwear are the company' growth engines. Management opines that outerwear will grow faster than innerwear once the lockdown is lifted.
- **Costs.** Ad-spends were 4.2% of sales in FY21, and management expects this to return to 6-7% in FY22. It has passed on the rise in raw-material prices to consumers through price hikes. It has thrice raised prices, in Jan, Feb and Mar.
- **Outlook.** It is seeing good demand as Covid'19-related lockdowns are opening up. Management says ~18% EBITDA margin is sustainable.

Fig 11 – Financial performance

(Rs m)	Q4 FY21	Q4 FY20	% Y/Y	Q3 FY21	% Q/Q	FY21	FY20	% Y/Y
Sales	4,344	1,765	*146.2*	3,287	32.2	12,612	9,414	*34.0*
Gross margins %	*54.6*	*63.3*	*-871bps*	*54.6*	*bps*	*54.8*	*60.0*	*-515bps*
EBITDA	912	121	*656.4*	642	42.0	2,578	1,246	*106.9*
EBITDA margins %	*21.0*	*6.8*	*1,416bps*	*19.5*	*146bps*	*20.4*	*13.2*	*720bps*
Interest	19	31	*(37.2)*	25	(22.9)	94	148	*(36.3)*
Depreciation	27	32	*(17.8)*	27	(1.5)	113	157	*(27.8)*
Other income	20	11	*81.2*	16	29.1	60	79	*(24.2)*
PBT	886	68	*1198.0*	605	46.3	2,430	1,020	*138.2*
Tax	224	21	*991.5*	154	45.2	621	220	*182.8*
Tax rates %	*25.3*	*30.1*	*-479bps*	*25.5*	*-21bps*	*25.6*	*21.5*	*403bps*
PAT	662	48	*1286.9*	451	46.8	1,809	801	*125.9*
EPS (Rs)	-	0.60	*(100.0)*	5.67	(100.0)	-	10.07	*(100.0)*

Source: Company

Fig 12 – Working capital (days on sales)

	FY21	FY20	Y/Y change
Inventory	109	171	(63)
Trade receivables	96	89	7
Trade payables	43	48	(6)
Working-capital cycle	162	212	(51)

Source: Company

Branded Apparel

Almost back to normal

With average sales growth almost flat y/y (up 0.4%), branded apparel retailers had an almost normal quarter. Declines in ABFRL, Kewal Kiran and Shoppers Stop were respectively ~2%, 13% and 5% y/y. Arvind Fashions reported the strongest growth (~14% y/y), followed by Trent (7%) and TCNS (~1%). Footfalls and sales in Q4 returned to normal for most retailers. However, Covid-19 second-wave restrictions from the second week of March dampened the recovery.

All the companies barring Kewal Kiran reported y/y EBITDA margin expansion in Q4. Cost rationalising continued to some extent. However with sales picking up, costs such as rentals were back to the pre-Covid run rate toward the end of the quarter. For many companies manpower costs returned in Jan. Rental reductions in Q4 have been lower and were expected to return to normal. However, with the restrictions toward the second half of Mar, companies have again engaged in negotiations with landlords for Q1 FY22. Fixed-rental concessions received by apparel retailers in Q4 averaged ~16% (~18% in the quarter prior).

Aditya Birla Fashion & Retail

ABFRL standalone sales were down ~2% y/y to Rs17.8bn. The gross margin was up 205bps y/y to 53.3%, q/q up from 52.3%. Employee, rent and other expenses were down respectively 19%, 18% and 3% y/y. EBITDA was Rs2,570m (Rs1,561m a year ago). The EBITDA margin was 14.4% (8.6% a year back). Other income was Rs202m, up from Rs169m a year prior (Q4 FY21 includes rental concession), depreciation was up 6.2% and interest expense was almost flat y/y. Deferred tax was Rs455m (a year prior -Rs379m). There was a one-time tax impact of Rs1,085m. Rep. standalone PAT loss was Rs1,348m (Rs1,403m a year prior).

For FY21, standalone revenue was down ~41%, EBITDA was Rs5,943m, down 52% y/y. PAT loss was Rs6,496m (a Rs1,452m loss in FY20).

Madura Lifestyle brands reported revenue decline of 6.4% to Rs10bn in Q4 FY21. The EBITDA margin was 17.5% (15.3% a year ago) driven by strong cost-control steps. Its retail stores delivered ~8% industry-leading growth despite Covid-19. Its FY21 revenue fell ~41% y/y to Rs27.5bn, with the EBITDA margin at 12.4% (17.2% the year prior). At end-FY21 it had 2,379 stores. It continued to add stores relentlessly, 383 during the year, of which ~88% were franchisees. It shut down ~247 unviable stores during the year and plans to add 300-400 in FY22.

Pantaloons Q4 FY21 revenue fell ~5% y/y to Rs6bn (LTL at negative 10.6%). The EBITDA margin was 14.4% (8.9% a year ago). The margin expansion was driven by better inventory management and lower discounting and better overall cost management. The performance across markets was different: smaller towns grew y/y and metros/tier-1 cities lagged last year's growth. High Street stores recovered faster than stores in malls. The e-commerce channel grew ~3x. The share of revenue from private brands was ~59% (~61% a year back). Pantaloons' FY21 revenue/EBITDA declined 47%/51%. Its EBITDA margin was 14.8% (16% in FY20). The company added 19 stores in FY21 and plans to add 60 in FY22. Also, it shut 15 unviable ones, ending the year with 346 stores.

Fast Fashion and Others. Q4 FY21 revenue of the other businesses (Fast Fashion, innerwear and other brands) rose 36% to Rs2.1bn while the EBITDA margin came at 5.6% (vs. a negative 27.4% a year back). The other businesses' FY21 revenue declined ~19% y/y. The EBITDA was Rs260m (vs a Rs510m EBITDA loss the year prior). Innerwear and athleisure grew 56% y/y in Q4 FY21 and ~3% y/y in FY21. Expansion in the trade channel continued, adding ~5,500 outlets during the year. The category is now present in 28,000 MBOs. Also, 10 EBOs were added in the year and its EBO count was 47 at end-FY21. Ahead, it will continue to open more EBOs and MBO touch points.

Ethnic-wear brands. Ethnic-wear brands reported Q4 revenue of Rs380m and an EBITDA loss of Rs240m. The loss was higher during the quarter due to the Sabyasachi-acquisition-related expense, which management said was a one-time affair. The EBITDA loss should be Rs170m-180m. Jaypore and Shantanu & Nikhil reported ~70% and 12% revenue growth in Q4 respectively. The company added in-home, sleepwear and loungewear categories in Jaypore and opened its first store post acquisition. It plans to add 10 more Jaypore stores in FY22.

Debt and cash flow

Debt was Rs11.2bn (Rs27.7bn in FY20). During the year the company raised Rs22.5bn through equity, and used it to repay debt. Losses suffered during the year were funded from the net working-capital reduction (down Rs7.6bn y/y). OCF increased 74% to Rs11.bn in FY21 led by lower working capital. FCF was Rs10bn (Rs3.5bn in FY20).

Working-capital cycle

Working capital days (on sales) were lower at 9 vs. 38 in FY20. Inventory days were 25 more to 123 days. Debtor days were higher at 51 vs 35 in FY20. Payable days were 164 vs 95 in FY20.

Fig 13 – Financial performance

(Rs m)	Q4 FY21	Q4 FY20	% Y/Y	Q3 FY21	% Q/Q	FY21	FY20	% Y/Y
Sales	17,836	18,174	*(1.9)*	20,590	*(13.4)*	51,811	87,425	*(40.7)*
Gross margins %	*53.3*	*51.3*	*205bps*	*52.3*	*103bps*	*51.0*	*51.9*	*-87bps*
EBITDA	2,570	1,561	*64.7*	4,113	*(37.5)*	5,943	12,254	*(51.5)*
EBITDA margins %	*14.4*	*8.6*	*582bps*	*20.0*	*-557bps*	*11.5*	*14.0*	*-255bps*
Interest	1,196	1,186	*0.8*	1,095	*9.2*	4,984	4,227	*17.9*
Depreciation	2,470	2,325	*6.2*	2,271	*8.8*	9,450	8,768	*7.8*
Other income	202	169	*19.7*	141	*43.3*	726	651	*11.6*
PBT	(894)	(1,782)	*NA*	888	*NA*	(7,764)	(91)	*NA*
Tax	455	(379)	*NA*	224	*103.1*	(1,268)	1,361	*NA*
Tax rates %	*(50.9)*	*21.3*	*NA*	*25.2*	*NA*	*16.3*	*NA*	*NA*
PAT	(1,348)	(1,403)	*NA*	664	*NA*	(6,496)	(1,452)	*NA*
EPS (Rs)	(1.5)	(1.8)	*NA*	0.8	*NA*	(7.1)	(1.9)	*NA*

Source: Company

Fig 14 – Working capital (days on sales)

	FY21	FY20	Y/Y change
Inventory	123	98	25
Trade receivables	51	35	16
Trade payables	164	95	69
Working-capital cycle	9	38	(29)

Source: Company

TCNS Clothing

TCNS Clothing reported ~1% y/y revenue growth in Q4 FY21 to Rs2,211m. The gross margin contracted 45bps y/y to 57.5%. Employee, S&D and other expenses were respectively 17%, 9% and 34% lower y/y. EBITDA was Rs229m (vs. a Rs48m loss a year ago). The 10.4% EBITDA margin contrasted with -2.2% a year back. Interest expense was ~21% higher y/y, and depreciation was down ~20% y/y. Other income came at Rs181m (vs. Rs91m a year back) including rent concessions. The Q4 FY21 PBT was Rs46m (vs. a Rs365m loss a year ago). Net profit came at Rs38m (vs. a Rs238m net loss in Q4 FY20).

FY21 revenue was down ~45% y/y to Rs6,355m. The gross margin contracted 783bps to 57.1%. EBITDA was down ~99% y/y to Rs24m. The Rs564m net loss contrasted with a Rs694m profit the year prior.

Debt and cash-flow

The company maintained its net cash position and ended the year with cash balance of Rs1,873m, vs a starting balance of Rs1,713m (in addition to unutilized bank limits). OCF decreased ~13% y/y due to lower profitability. However due to lower capex (down ~66% y/y), FCF was marginally higher (3% y/y) to Rs1,027m.

Working-capital cycle

Working capital days (on sales) were 80 days more to 202 at end-FY21. Debtor days were ~39 days more y/y to 95. Inventory days were up ~55 days to 160. Creditor days were 14 days more to 52 days.

Other highlights

- **Performance.** W/Wishful revenue declined 2%/23% and Aurelia grew 11% in Q4 FY21. Tier-2 and -3 markets recovered to near pre-Covid levels. The online channel sales' strong momentum continued, sales doubling y/y. On its rationalisation completed, the MBO channel primary billing began in Feb'21.
- **Cost reduction.** FY21 fixed costs were down ~30% y/y with rentals/ employee and other overheads down 45%, 23% and 29% respectively. The company doesn't expect much employee-cost savings, while other overheads could reduce 10-20% from. FY20. Rental savings are still being negotiated.
- **Store network.** After shutting 44 EBOs and conserving cash, the company plans to add 60 EBOs and 200-250 LFS in FY22 and FY23 each. It has signed up 30 EBOs in Q4 which are slated to open in H1 FY22. It ended FY21 with 551 EBOs, 1,011 MBOs and 2,123 LFS.

Fig 15 – Financial performance

(Rs m)	Q4 FY21	Q4 FY20	% Y/Y	Q3 FY21	% Q/Q	FY21	FY20	% Y/Y
Sales	2,211	2,192	0.9	2,379	(7.1)	6,355	11,487	(44.7)
Gross margins %	*57.5*	*57.9*	*-45bps*	*61.1*	*-362bps*	*57.1*	*65.0*	*-783bps*
EBITDA	229	(48)	NA	385	(40.4)	24	1,863	(98.7)
EBITDA margins %	*10.4*	*(2.2)*	NA	*16.2*	*-579bps*	*0.4*	*16.2*	*-1,583bps*
Interest	115	95	20.6	70	63.0	365	382	(4.5)
Depreciation	249	313	(20.3)	194	28.4	919	1,032	(10.9)
Other income	181	91	98.8	49	267.7	490	211	131.7
PBT	46	(365)	NA	169	(72.6)	(769)	661	NA
Tax	8	(127)	NA	43	(80.8)	(206)	(33)	NA
Tax rates %	*17.6*	*34.8*	NA	*25.2*	*-757bps*	*26.7*	*(5.1)*	NA
PAT	38	(238)	NA	127	(69.8)	(564)	694	NA
EPS (Rs)	0.6	(3.7)	NA	2.1	(71.7)	(8.9)	10.8	NA

Source: Company

Fig 16 – Working capital (days on sales)

	FY21	FY20	Y/Y change
Inventory	160	105	55
Trade receivables	95	56	39
Trade payables	52	39	14
Working-capital cycle	202	122	80

Source: Company

Kewal Kiran Clothing

Kewal Kiran's Q4 FY21 revenue declined ~13% y/y to Rs1,107m. Volumes declined ~13% y/y to 1.13m pieces and realization was ~9% lower y/y to Rs822 a piece. The gross margin (including manufacturing expenses) contracted 713bps y/y to 40.3% led by higher COGS. Employee expenses were down 8% y/y, selling and distribution expenses were down 39% y/y. Admin and other expenses were 24% higher y/y. EBITDA declined ~53% to Rs102m and the EBITDA margin contracted ~780bps y/y to 9.2%. Interest cost was 46% lower y/y to Rs11m and depreciation was 2.4% lower y/y to Rs16m. Other income declined 31% to Rs27m. PBT declined 53% y/y to Rs101m. The effective tax rate was 18.7% (27.3% in Q4 FY20). PAT at Rs82m declined 48% y/y.

FY21 revenue was down 43% y/y to Rs3,027m. The gross margin contracted ~1,000bps to 40.5%. EBITDA at Rs187m was down ~80% y/y and the EBITDA was 6.2% (18% in FY20). PAT at Rs194m fell ~73% y/y

Debt and cash-flow

Short-term borrowings were Rs464m (Rs880m in FY20). Cash and equivalents were Rs2,766m at end-FY21. Despite lower profitability, OCF increased ~90% y/y to Rs967m, led by lower tax and more creditor days. FCF was Rs940m (Rs398m a year ago) due to higher OCF and lower capex (down ~80% y/y).

Working-capital cycle

Working capital days (on sales) were more (164 vs. 146 in FY20). Inventory days were 61 vs. 62 a year ago. Debtors days were more (158 vs. 118 in FY20, and creditor days were also more (55 vs. 34 in FY20).

Other highlights

- In the quarter, Killer (~56% of revenue), Lawman (~10% of revenue) and Integriti (~14% of revenue) declined respectively 19%, 30.4% and 28.8% y/y, while revenue from Easies (~5% of revenue) grew 20.4%.
- Product-wise contribution to volumes during the quarter: Jeans declined to 48% in Q4 FY21 from 51% a year ago. Shirts at 27% was constant y/y. Trousers/T-shirts increased to 9%/14% from 8%/13%. Others (accessories, etc.) were constant at 1%.
- Currently, the company retails through 219 K-Lounge stores, 102 EBOs and one factory outlet.

Fig 17 – Financial performance

(Rs m)	Q4 FY21	Q4 FY20	% Y/Y	Q3 FY21	% Q/Q	FY21	FY20	% Y/Y
Sales	1,107	1,266	*(12.6)*	1,180	*(6.2)*	3,027	5,297	*(42.8)*
Gross margins %	*40.3*	*47.4*	*-713bps*	*36.8*	*355bps*	*40.5*	*50.5*	*-1,000bps*
EBITDA	102	215	*(52.7)*	135	*(24.5)*	187	951	*(80.4)*
EBITDA margins %	*9.2*	*17.0*	*-779bps*	*11.4*	*-222bps*	*6.2*	*18.0*	*-1,179bps*
Interest	11	20	*(45.7)*	15	*(26.0)*	68	88	*(22.7)*
Depreciation	16	16	*(2.4)*	17	*(5.3)*	67	82	*(18.6)*
Other income	27	39	*(31.1)*	45	*(40.9)*	170	175	*(2.8)*
PBT	101	217	*(53.3)*	148	*(31.5)*	222	956	*(76.8)*
Tax	19	59	*(68.0)*	40	*(51.9)*	28	226	*(87.7)*
Tax rates %	*18.7*	*27.3*	*-861bps*	*26.7*	*-793bps*	*12.5*	*23.6*	*-1,107bps*
PAT	82	158	*(47.8)*	109	*(24.1)*	194	730	*(73.4)*
EPS (Rs)	6.7	12.8	*(47.8)*	8.8	*(24.1)*	15.8	59.3	*(73.4)*

Source: Company

Fig 18 – Working capital (days on sales)

	FY21	FY20	Y/Y change
Inventory	61	62	-1
Trade receivables	158	118	40
Trade payables	55	34	21
Working-capital cycle	164	146	18

Source: Company

Arvind Fashions

Arvind Fashions reported 14% y/y revenue growth to Rs7,686m. Its gross margin contracted 136bps to 45.4%. Employee and other expenses declined respectively 3.1% and 11.8% y/y. EBITDA was Rs717m (Rs73m a year ago). The EBITDA margin came at 9.3% (1.1% a year back). Depreciation was 15% lower y/y. Other income was Rs256m (418m a year ago) and interest expenses were down ~23% y/y. The loss before tax was Rs384m (vs. a Rs1,780m loss a year back). The loss from discontinued operations was Rs337m (vs. a Rs261m loss a year ago). The net loss was Rs1,033m (vs. a Rs2,043m loss a year back).

FY21 revenue fell 39% y/y and EBITDA and PAT losses were Rs70m and Rs5,798m respectively.

Debt and cash flow

Debt was Rs9.03bn (Rs12.1bn in FY20). The company received funds of Rs8.6bn in FY21 (~Rs1bn of the final call of the rights issue to be received in Q1 FY22). This and the working-capital reduction of Rs5.2bn helped reduce debt and manage cash burn. Net debt was Rs.9.4bn at end-FY21.

OCF was a negative Rs772m. vs a positive Rs2,648m in FY20. FCF was a negative Rs1,189m. vs a positive Rs1,350m in FY20.

Working-capital cycle

Working capital (on sales) was seven days more y/y to 84. Inventory days at 134 were up two. Debtor days were 25 more to 104. Creditor days were 21 more to 155.

Other highlights

- **Power brands** reported ~17% y/y revenue growth to Rs5,530m in Q4 FY22 and an EBITDA margin improvement of 592bps y/y to 15%. Full-year revenue was down 36% to Rs15,170m and the EBITDA margin contracted ~525bps to 7.4%. The Q4 EBITDA margin was lower due to lower wholesale billing, the slowdown in larger format store sales and lockdowns toward the quarter's end. US Polo and Tommy Hilfiger reported strong sales recovery, of ~25% y/y in Q4 FY21, with double-digit EBITDA (pre-Ind AS). Management expects such double-digit EBITDA (pre-Ind AS) to continue as the business recovers.
- **Speciality retail** revenue grew ~10% to Rs1,530m with a 9.8% EBITDA margin (2.9% a year ago). For the year revenue was down ~46% and the EBITDA margin was down ~40bps y/y to 7.6%. Sephora reported ~14% Q4 growth aided by online and offline channels. Unlimited saw a notable 80% reduction in losses helped by cost-rationalisation and inventory-optimisation.
- **Emerging brands** Q4 revenue was ~flat y/y to Rs620m. For the year revenue was ~41% lower y/y and the EBITDA margin came at 11.7% (13.7% the year prior).
- The company's FY21 online sales were ~Rs7bn (over 30% of overall sales, vs. 14% the previous year). Online revenue grew 396% y/y in Q4 FY21 and 3.6x y/y in FY21.
- **Working capital** was Rs670m lower than in Dec'20 and Rs5.2bn lower than in FY20. Management says stocks with the company are very low and this will enable it to order fresher stock and hasten the recovery. Inventory came down by Rs4bn in FY21 and the one-time correction is done. Also, processes have been put in place to ensure working capital improves.
- At end-FY21 net debt was down Rs3bn y/y to Rs9.4bn, because of reduced working capital and an Rs8.6bn equity infusion. The company expects to maintain its net debt position in FY22. Also, it passed a resolution to raise Rs4bn through the issue of shares. Management says it intends to have this as a rotating enabling resolution.
- Fixed costs were reduced 40% y/y (Rs5.4bn) helped by cost reductions in rentals, warehouses, manpower optimisation and store opex. Rs1bn of these savings are expected to be structural and to continue.

Fig 19 – Financial performance

(Rs m)	Q4 FY21	Q4 FY20	% Y/Y	Q3 FY21	% Q/Q	FY21	FY20	% Y/Y
Sales	7,686	6,733	*14.2*	9,014	*(14.7)*	22,012	36,136	*(39.1)*
Gross margins %	*45.4*	*46.7*	*-136bps*	*41.5*	*390bps*	*41.5*	*44.9*	*-334bps*
EBITDA	717	73	*876.1*	739	*(3.0)*	-70	2,578	*NA*
EBITDA margins %	*9.3*	*1.1*	*824bps*	*8.2*	*113bps*	*(0.3)*	*7.1*	*-745bps*
Interest	521	678	*(23.1)*	512	*1.8*	2,249	2,736	*(17.8)*
Depreciation	836	986	*(15.2)*	668	*25.2*	3,027	4,207	*(28.0)*
Other income	256	418	*(38.7)*	97	*163.5*	1,283	598	*114.7*
PBT	(384)	(1,780)	*NA*	(344)	*NA*	(4,515)	(4,373)	*NA*
Tax	273	176	*55.4*	95	*186.6*	419	(774)	*NA*
Tax rates %	*(71.2)*	*(9.9)*	*NA*	*(27.8)*	*NA*	*(9.3)*	*17.7*	*NA*
PAT	(1,033)	(2,043)	*NA*	(680)	*NA*	(5,798)	(4,007)	*NA*
EPS (Rs)	(6.7)	(33.9)	*NA*	(4.5)	*NA*	(50.0)	(62.4)	*NA*

Source: Company

Fig 20 – Working capital (days on sales)

	FY21	FY20	Y/Y change
Inventory	134	132	2
Trade receivables	104	79	25
Trade payables	155	134	21
Working-capital cycle	84	77	7

Source: Company

Trent

Trent's standalone revenue grew 7% y/y to Rs7,737m during Q4 FY21. Westside reported flat sales growth during the quarter, broadly 96% of Q4 FY20. The gross margin was up 671bps y/y to 53.2%. EBITDA was Rs1,366m, ~47% higher y/y and the EBITDA margin was 17.7% (12.9% in Q4 FY20). The tax rate was 26.1% (60.5% in Q4 FY20, higher due to deferred tax adjustment). PBT increased to Rs855m (Rs67m in Q4 FY20). Rep. PAT was higher y/y at Rs569m (Rs26m in Q4 FY20).

FY21 standalone revenue was ~36% lower y/y to Rs20,475m, EBITDA was Rs2,038m, down ~64% y/y. Rep. loss was Rs510m (PAT of Rs1,546m in FY20).

Consolidated revenues grew 7.4% y/y to Rs9,055m during Q4 FY21. The gross margin expanded 548bps y/y to 46.3%. EBITDA was Rs1,238m, 48% higher y/y and the EBITDA margin was 13.7% (9.9% in Q4 FY20). PAT was Rs290m (Rs127m a year ago). The share of JVs/Associate losses was Rs192m (vs. a Rs294m loss in Q4 FY20). For FY21 consolidated revenue was ~26% lower y/y to Rs25,930m, EBITDA was Rs1,719m, down 68% y/y. The net loss was Rs1,462m (vs. PAT of Rs1,228m in FY20).

Debt and cash flow

The company was net cash at end-FY21 with cash and equivalents of Rs7,521m (debt of Rs2,997m in FY20, consolidated). Cash flow from operations was Rs3,738m (Rs3,612m in FY20) while FCF was Rs2,828m (Rs2052m in FY20).

Working-capital cycle

Working capital days (on sales) were five fewer y/y to 35 in FY21. Inventory days were 70 vs 67 a year ago. Debtor days were two more to three. Creditor days were up ten y/y to 39.

Other highlights

- At end-FY21, the company had 174 Westside stores (165 in FY20), 133 Zudio stores (96 in FY20).
- Recovery was impacted by lockdown/restrictions starting mid-March
- Rent concessions (Q4 ~Rs120m, FY21 ~Rs890m) have been taken as part of other income. The company continues to engage with landlords for rental concessions
- The adverse net effect of IND AS 116 on standalone PBT was Rs350m for FY21 and Rs400m on consolidated PBT.
- The online channel grew ~150% in Q4 FY21 and accounted for 5%+ of Westside's revenue in Q4 FY21 and FY21.
- The company is focused on accelerated store expansion. At end-FY21 it had 174 Westside and 133 Zudio stores. A further 19 Westside and 15 Zudio stores were fitted out and ready to open and will be opened once Covid restrictions are eased. Altogether, with the fitted-out locations in FY21 the company added 80+ stores (Fashion).
- Management expects demand to rebound strongly by Q2 FY22. It is cautiously optimistic on the medium-term outlook.

Fig 21 – Financial performance (standalone)

(Rs m)	Q4 FY21	Q4 FY20	% Y/Y	Q3 FY21	% Q/Q	FY21	FY20	% Y/Y
Sales	7,737	7,228	*7.0*	7,254	*6.7*	20,475	31,777	*(35.6)*
Gross margins %	*53.2*	*46.5*	*671bps*	*56.4*	*-320bps*	*49.7*	*49.5*	*18bps*
EBITDA	1,366	929	*46.9*	1,800	*(24.1)*	2,038	5,632	*(63.8)*
EBITDA margins %	*17.7*	*12.9*	*479bps*	*24.8*	*-716bps*	*10.0*	*17.7*	*-777bps*
Interest	618	595	*3.8*	606	*2.0*	2,380	2,383	*(0.1)*
Depreciation	617	612	*0.9*	578	*6.7*	2,359	2,311	*2.1*
Other income	724	344	*110.8*	426	*70.1*	2,042	1,518	*34.6*
PBT	855	67	*NA*	1,042	*(17.9)*	(658)	2,455	*NA*
Tax	223	40	*NA*	245	*(9.0)*	(211)	909	*NA*
Tax rates %	*26.1*	*60.5*	*NA*	*23.5*	*255bps*	*32.1*	*37.0*	*-493bps*
PAT	569	26	*NA*	797	*(28.6)*	(510)	1,546	*NA*
EPS (Rs)	1.6	0.1	*NA*	2.2	*(28.6)*	(1.4)	4.3	*NA*

Source: Company

Fig 22 – Working capital (days on sales)

	FY20	FY20	Y/Y change
Inventory	70	67	3
Trade receivables	4	2	2
Trade payables	39	29	10
Working-capital cycle	35	39	(5)

Source: Company

Shoppers Stop

Shoppers Stop's Q4 FY21 standalone revenue declined 5.4% y/y to Rs6,712m. Its gross margin was 95bps higher y/y to 40.9%. Employee expenses were down 13.3% y/y and other expenses were flat y/y. EBITDA was up ~25% y/y to Rs956m and the EBITDA margin was 14.2% (10.8% in Q4 FY20). Depreciation was down 46.6% y/y and interest expense was flat y/y. Other income was Rs207m (Rs64m a year ago) including rental concessions of Rs96.2m for Q4 FY21. PBT loss was Rs248m (PBT loss of Rs1,375m a year ago). An exceptional item of Rs124m (Crossword impairment loss). Tax was Rs1m (deferred tax credit) vs deferred tax credit of Rs342m in Q4 FY20. The company reported a net loss of Rs371m vs a net loss of Rs1,328m a year ago.

FY21 revenue declined 49% y/y to Rs17,251m. EBITDA was Rs534m vs Rs5,494m a year ago. PAT loss was Rs2,752m (loss of Rs1,409m in FY20).

Debt and cash flow

Borrowings were Rs938m (Rs1,237m in FY20). FY21 OCF was Rs99m (Rs5,644m in FY20); FCF was a negative Rs724m (positive Rs3,858m).

Working-capital cycle

The working-capital cycle (on sales) was a negative 55 days (vs. a negative 26 days in FY20). Inventory days were 179 vs. 132 in FY20. Debtors days were seven vs. four in FY20. Creditor days were 241 vs. 162 in FY20.

Other highlights

- **Performance.** The company attained the highest sales recovery in Q4 (~90%). Comparable growth fell 10.7% in Q4 FY21. Footfalls were 5%/19%/50%/83% in Q1/Q2/Q3/Q4. In the second half of Mar'21 the second wave of Covid-19 started impacting. Non-metro stores did well, growing 4%; and metro stores declined 18% in Q4. Category-wise, kid's, denim, women's western wear, home and intimate apparel have done well, and formal wear saw modest growth.
- **Costs.** The company has a savings target of Rs4.5bn; it saved Rs4.3bn. One-third of cost savings came from lease rentals, the balance from employee and other expenses. There will be some cost savings in FY22 vs. FY20 on lease rentals, employee and other expenses.
- **Private labels** sales growth was ~12% in Q4 FY21 and 38% volume growth. The contribution to overall sales during the quarter was ~13%, 250bps higher y/y. The company has improved its fashion quotient relevant to the latest trends, upgraded the quality of merchandise and simplified its price matrix. It launched ALTLife, athleisure for men and women, and INSENSE, sleepwear and many products for kids.
- **First Citizen** contributed ~72% to overall sales (76% last year). New enrolments were 106,000 and the average ticket size increased 1%. Black-card membership enrolment increased 3x y/y. The omni channel contribution rose to 40% (from 20%). Personal shopper contribution to overall revenue was 15%, with a 2.6x increase in ticket size.
- **Beauty.** ~17% contribution to revenue. Management says the beauty category has recovered better than overall company growth. The company plans to open ~10 Arcelia stores in FY22.
- **Omni.** E-commerce sales were up 188%, 3x y/y, and its share increased to 6%+ (from 1.5% last year). It introduced new brands exclusively for the omni channel during the quarter. 50 of its stores currently are tied up with Amazon and 20% of its online sales are through Amazon.
- **Outlook.** The company expects the Covid-19 impact to continue in Q1 FY22 and expects it to reduce by Q2. It will then start opening stores. If Covid-19 continues, capex will be deferred. It plans to open ~20 stores across all formats in FY22, 10 Shoppers Stop stores and the balance beauty/Arcelia stores. 2-3 (loss-suffering) stores may shut down next quarter. It has sufficient cash reserves to manage cash burn.

Fig 23 – Financial performance

(Rs m)	Q4 FY21	Q4 FY20	% Y/Y	Q3 FY21	% Q/Q	FY21	FY20	% Y/Y
Sales	6,712	7,092	*(5.4)*	7,076	*(5.2)*	17,251	33,810	*(49.0)*
Gross margins %	*40.9*	*40.0*	*95bps*	*38.6*	*237bps*	*38.3*	*41.8*	*-354bps*
EBITDA	956	766	*24.8*	949	*0.7*	534	5,494	*(90.3)*
EBITDA margins %	*14.2*	*10.8*	*344bps*	*13.4*	*82bps*	*3.1*	*16.3*	*-1,316bps*
Interest	505	508	*(0.6)*	535	*(5.7)*	2,200	1,944	*13.2*
Depreciation	906	1,696	*(46.6)*	1,003	*(9.7)*	3,847	4,392	*(12.4)*
Other income	207	64	*225.5*	310	*(33.3)*	2,188	335	*553.2*
PBT	(248)	(1,375)	*NA*	(279)	*NA*	(3,325)	(507)	*NA*
Tax	(1)	(247)	*NA*	(72)	*NA*	(797)	703	*NA*
Tax rates %	*0.6*	*18.0*	*NA*	*25.9*	*NA*	*24.0*	*(138.7)*	*NA*
PAT	(371)	(1,328)	*NA*	(207)	*NA*	(2,752)	(1,409)	*NA*
EPS (Rs)	(3.4)	(15.1)	*NA*	(2.3)	*NA*	(29.2)	(16.0)	*NA*

Source: Company

Fig 24 – Working capital (days on sales)

	FY21	FY20	Y/Y change
Inventory	179	132	47
Trade receivables	7	4	4
Trade payables	241	162	80
Working-capital cycle	(55)	(26)	(29)

Source: Company

Retail

Almost normal

D-Mart's (standalone) revenue grew ~18% y/y in Q4 FY21. Management says Q4 FY21 began with cautious optimism as Covid-19 infections had reduced, restrictions were lifted and vaccinations started. However, at the start of Mar'21 Covid-19 cases started increasing across the country and since then local restrictions increased in April and May.

As consumer demand moved toward normal, V-Mart's Q4 revenue grew 6% y/y. Sales recovery, aided by store openings, Holi and fresh merchandise, was encouraging. Footfalls were 12% lower y/y offset by a higher conversion rate of 61.1% (up 600bps y/y). The average bill size was 8% higher y/y while the ASP was down 9% y/y.

D-Mart's EBITDA grew ~48% y/y to Rs6,166m. Its EBITDA margin expanded 170bps y/y to 8.4%, aided by growth in the top line, and revival of discretionary spends, per management.

Led by higher full-price sales and pent-up demand, V-Mart's gross margin expanded ~130bps y/y to 29.8%. Its EBITDA margin expanded ~117bps y/y to 9.5%.

D-Mart and V-Mart continued retail expansion during the year adding 22 and 13 stores respectively (net basis).

Avenue Supermarts

D-Mart (standalone) reported 18% y/y revenue growth to Rs73.0bn in Q4 FY21. The 14.4% gross margin was up 117bps y/y. Employee expenses were up 8% y/y and other expenses were up 8.4% y/y. EBITDA at Rs6,166m rose 47.6% y/y. The EBITDA margin at 8.44% expanded 170bps y/y. Interest expense was down 17% y/y to Rs103m, depreciation was flat y/y at Rs946m. Other income was up 47.7% y/y to Rs526m. PBT was up 63.1% y/y to Rs5,642m. The tax rate was 22.9% (17.1% in Q4 FY20). PAT at Rs4,350m was 51.6% higher y/y.

FY21 standalone revenue was down 3.6% y/y to Rs238bn. The gross margin was down 41bps to 14.42%. EBITDA at Rs17.4bn was down 17.9% y/y and the EBITDA margin contracted 128bps to 7.32%. PAT at Rs11.7bn was down 13.7% y/y.

In Q4 FY21, 13 stores were added. In FY21, 22 were added and two were converted into fulfilment centres for Avenue E-commerce. Total store count was 234.

Working-capital cycle

The cash-conversion cycle was 26 days (22 in FY20) led by five more inventory days y/y to 33

Debt and cash flow

OCF was up 8% y/y to Rs13.9bn while FCF was up 6% y/y to Rs11.9bn. Capex (net) for the year was ~Rs2.0bn, up 17% y/y. The company was net cash, with cash and equivalents balance of Rs14.3bn at end-FY21.

Other highlights

D-Mart stores. During FY21 the sales mix shifted toward grocery and FMCG. General merchandise and apparel sales accounted for 22.9% of total sales in FY21 (27.31% in FY20).

- The change in sales mix resulted from consumer preference for need-based/essential goods for a significant part of the year, reduced discretionary spending and restrictions on selling non-essentials in the early part of the year. This impacted margins during the year.
- In Q4 FY21 however, margins indicate revival of discretionary spend vs. the previous three quarters (Q1 FY21 – Q3 FY21).
- Construction was impacted in H1 FY21 and the company gradually commenced it from H2 and added 22 stores during the year

D-Mart ready. Continued expansion across the MMR; added four cities during the year: Ahmedabad, Pune, Bengaluru and Hyderabad.

Impact of the second wave of Covid-19. Q4 FY21 began with cautious optimism as Covid-19 infections had reduced, restrictions were lifted and vaccination had started. However at the start of Mar'21 Covid-19 cases started increasing across the country and since then local restrictions increased in April and May.

- The company continues to ensure stringent health and hygiene protocols at all its premises to ensure employee and customer safety. All employees are supported during health issues/medical emergencies.
- Significant disruptions were seen from Mar'21 at its store operations. Restrictions and local level enforcements have become much stricter and vary from store closures on certain days or for extended periods to restricted store operating hours and selling only essential goods in most cities and towns. In general, more than 80% of its stores are operating for significantly fewer hours (not exceeding four per day) or even shut for operations for one to two weeks or on weekends. These shutdowns have an adverse and severe impact on revenues.
- It currently continues to receive a regular supply of goods from suppliers. However, this time there may be a problem of excess inventory, an issue larger than during the first wave. The receding threat of the pandemic and consequent sales surge in Q3 and most of Q4, followed by the coming summer and back-to-school season made it plan more optimistically. This could have a longer-term impact on its inventory-to-sales ratio as it would take longer to liquidate excess inventory.
- Since Mar'21 the company is once again seeing significant restrictions on construction. At present, , it would be unable to forecast the impact of the current lockdowns on its store-opening pipeline for this year. However, it is optimistic here as migration of construction workers is not visible as during the first time.

Fig 25 – Financial performance

(Rs m)	Q4 FY21	Q4 FY20	% Y/Y	Q3 FY21	% Q/Q	FY21	FY20	% Y/Y
Sales	73,031	61,935	17.9	74,327	(1.7)	237,872	246,750	(3.6)
Gross margins %	*14.4*	*13.2*	*117bps*	*15.1*	*-71bps*	*14.4*	*14.8*	*-41bps*
EBITDA	6,166	4,177	47.6	6,914	(10.8)	17,417	21,221	(17.9)
EBITDA margins %	*8.4*	*6.7*	*170bps*	*9.3*	*-86bps*	*7.3*	*8.6*	*-128bps*
Interest	103	124	(17.1)	87	18.1	345	628	(45.1)
Depreciation	946	948	(0.2)	1,003	(5.6)	3,714	3,398	9.3
Other income	526	356	47.7	492	6.8	2,089	633	229.9
PBT	5,642	3,460	63.1	6,316	(10.7)	15,448	17,829	(13.4)
Tax	1,293	591	118.6	1,614	(19.9)	3,795	4,330	(12.4)
Tax rates %	*22.9*	*17.1*	*582bps*	*25.5*	*-263bps*	*24.6*	*24.3*	*28bps*
PAT	4,350	2,869	51.6	4,703	(7.5)	11,653	13,499	(13.7)
EPS (Rs)	6.7	4.5	49.3	7.2	(7.6)	17.9	21.3	(16.3)

Source: Company

Fig 26 – Working capital (days on sales)

	FY21	FY20	Y/Y change
Inventory	33	28	5
Trade receivables	1	1	0
Trade payables	9	7	2
Working-capital cycle	26	22	3

Source: Company

V-Mart Retail

V-Mart's Q4 FY21 revenue rose ~6% y/y to Rs3,519m. Its gross margin expanded 127bps to 29.8%. Employee cost was down 3.3% y/y, and other expenses were up 18% y/y. EBITDA was Rs336m ~21% higher y/y. The EBITDA margin expanded 117bps y/y to 9.5%. Interest expense was 5.5% higher y/y, depreciation was up 1.4% y/y and other income was Rs43m (Rs8m a year ago), including rental concessions of ~ Rs16m). PBT loss was Rs23m (a Rs104m loss a year back). There was a tax credit of Rs8m (Rs20m credit a year ago). The net loss was Rs15m (a Rs84m net loss a year back). FY21 revenue was down 35.3% y/y. EBITDA was 39% lower y/y to Rs1,312m. The EBITDA margin contracted to 12.2% (~13% a year back). PAT loss was Rs62m (Rs493m PAT a year ago).

Debt and cash flow

The company was debt free and its cash and equivalents were Rs3,428m at end-FY21. OCF rose 73% y/y to Rs1,493m led by lower tax and better working capital. FCF rose ~243% y/y to Rs1,087m led by lower capex (down ~26% y/y).

Working-capital cycle

Working capital days (on sales) increased by 19 y/y to 80, led by higher inventory days, up ~40 y/y to 145. Payable days were also higher at 65 (up 22 y/y). On an absolute basis inventory was ~10% lower y/y and payables, 3% y/y.

Other highlights

- **Recovery and trends.** In Q4, footfalls were ~77% of the previous year. Q4 is usually a tepid quarter but, owning to pent-up demand across all states, the company saw good growth. Lower footfalls were offset by a higher conversion rate of 61.1% (up 600bps y/y). The average bill size was 8% higher y/y while the ASP was down 9% y/y. The gross margin expanded ~130bps y/y to 29.8% led by higher full-price sales and pent-up demand.

- **Outlook**. V-Mart's management is cautiously optimistic. With Q1 FY22 being a washout due to regional lockdowns, management expects recovery from Q2 FY22. It will continue store expansion at the same pace of 20-25% retail space addition in FY22. Management expects consumer demand to bounce back stronger than in FY21. It said rental savings, substantial in FY21, could be markedly lower in FY22. Besides, higher yarn prices, logistics and employee costs could pressurise FY22 margins.

Fig 27 – Financial performance

(Rs m)	Q4 FY21	Q4 FY20	% Y/Y	Q3 FY21	% Q/Q	FY21	FY20	% Y/Y
Sales	3,519	3,327	*5.8*	4,700	*(25.1)*	10,755	16,620	*(35.3)*
Gross margins %	*29.8*	*28.5*	*127bps*	*36.7*	*-690bps*	*32.7*	*32.2*	*48bps*
EBITDA	336	278	*20.5*	1,038	*(67.7)*	1,312	2,138	*(38.6)*
EBITDA margins %	*9.5*	*8.4*	*117bps*	*22.1*	*-1,256bps*	*12.2*	*12.9*	*-66bps*
Interest	146	139	*5.5*	150	*(2.6)*	589	548	*7.6*
Depreciation	256	252	*1.4*	254	*0.7*	1,030	939	*9.6*
Other income	43	8	*453.0*	3	*1410.3*	210	45	*369.7*
PBT	(23)	(104)	*NA*	637	*NA*	(97)	695	*NA*
Tax	(8)	(20)	*NA*	158	*NA*	(35)	202	*NA*
Tax rates %	*35.6*	*19.3*	*1,634bps*	*24.9*	*1,075bps*	*35.8*	*29.0*	*679bps*
PAT	(15)	(84)	*NA*	479	*NA*	(62)	493	*NA*
EPS (Rs)	(0.6)	(4.7)	*NA*	26.2	*NA*	(3.3)	27.2	*NA*

Source: Company

Fig 28 – Working capital (days on sales)

	FY21	FY20	Y/Y change
Inventory	145	105	40
Trade receivables	-	-	-
Trade payables	65	43	22
Working-capital cycle	80	62	19

Source: Company

Footwear

Performance, a mixed bag

Footwear companies' performance was a mixed bag with Relaxo's/ Khadim's revenue ~38%/71% higher y/y and Bata's ~5% lower y/y.

The gross margins of all the three contracted ~300-770bps y/y. The decline was due to higher raw material prices, adverse sales and channel mix, discounting, etc.

Driven by costs savings and operating leverage, Khadim and Relaxo reported EBITDA margin expansions. Relaxo's Q4 EBITDA margin expanded ~400bps y/y to 21.8% while Khadim's was 5.2% (vs. a negative 5.3% a year ago). Bata's EBITDA margin contracted ~350bps y/y to 19%.

Relaxo and Khadim both saw a shift of consumers to open and value-for-money footwear, which impacted their overall realisations.

According to the companies' managements, demand had returned to normal in Q4, then was disrupted by the Covid-19 second wave lockdowns. They expect demand to bounce back when restrictions are lifted. However uncertainties pertaining to further lockdowns and rising cases remain.

Relaxo

Relaxo reported 38.3% y/y revenue growth to Rs7,477m in Q4 FY21. Its gross margin contracted 297bps y/y to 56.8%. Employee and other expenses were up respectively 21% and 13% y/y. As percent of sales, both were down 171bps and 525bps respectively y/y to 12% and 23.1%. The EBITDA margin expanded 399bps y/y to 21.8% led by strong revenue growth, a favourable product mix and cost savings. EBITDA at Rs1,629m grew 69.3% y/y. Interest costs rose 48% y/y to Rs52m, depreciation was 2.5% lower y/y to Rs270m and Other income was Rs69m (Rs40m in Q4 FY20) including lease rent waiver/reduction of Rs15.3m. PBT grew 99% y/y to Rs1,376m. The effective tax rate was 25.8% (25% in Q4 FY20). PAT at Rs1,022m was 97% higher y/y.

FY21 revenue was 2.1% lower y/y to Rs23,592m. Volume growth was 6.4% y/y to 191m pairs. Average realisation per pair (implied) was down 8% y/y to Rs124. The gross margin expanded 59bps y/y to 57.5%. EBITDA at Rs4,955m was 21.2% higher y/y. The EBITDA margin at 21% expanded 404bps y/y led by a favourable product mix and cost savings. PAT grew 29% y/y to Rs2,916m.

Debt and cash flow

The company paid off its debt (long- and short-term) and is comfortable with its liquidity as operations start. OCF was 61% higher y/y to Rs5,131m driven by greater profitability and lower working capital. FCF improved 93% y/y to Rs3,912m

Working-capital cycle

The working-capital cycle was seven days fewer y/y to 59. Inventory days were two fewer y/y to 65. Receivable days were two more y/y to 28, and payable days at 34, were seven more y/y.

Other highlights

- **The end-FY21 product mix** was 85% open footwear, 15% closed. Demand for closed footwear rose in Q3 and Q4 FY21; before that, in H1, it wasn't great due to the lockdown and people being more indoors. But after the festival season, H2 FY21 was quite good.
- **Premiumisation.** In FY21 the company had to introduce many value-for-money items. Even in the higher ASP product (i.e. closed shoes) segment it had to launch value-for-money products to help sell its products. Hence, the overall average realisation came down in FY21 and volumes were higher.
- Currently **raw material** prices are higher and volatile. Management believes they have seen such cycles in the past, too, and successfully navigated them. It revises its selling price every quarter to adjust to raw material price changes. Also, keeping competition, etc. in mind, it has now hiked prices 7-8%.
- The company had 398 EBOs at end- FY21, which bring 7% to revenue. Overall modern trade (e-commerce and EBOs) account for ~8% of revenue. Exports are now 4% of revenue.
- Management says demand for footwear is now subdued owing to the state-wise lockdowns but it expects it to bounce back once restrictions are lifted.
- It plans capital expenditure of Rs1,400m-1,450m in FY22.
- Also, in FY22 it intends to bring back its brand expenses (advertising and sales promotion) to 8-9% of sales. Pre-FY21 A&P expenses would account for ~10% of sales; to control expenses in FY21 the company reduced this to ~5-7%.

Fig 29 – Financial performance

(Rs m)	Q4 FY21	Q4 FY20	% Y/Y	Q3 FY21	% Q/Q	FY21	FY20	% Y/Y
Sales	7,477	5,406	*38.3*	6,720	*11.3*	23,592	24,105	*(2.1)*
Gross margins %	*56.8*	*59.8*	*-297bps*	*58.9*	*-209bps*	*57.5*	*56.9*	*59bps*
EBITDA	1,629	962	*69.3*	1,487	*9.5*	4,955	4,090	*21.2*
EBITDA margins %	*21.8*	*17.8*	*399bps*	*22.1*	*-35bps*	*21.0*	*17.0*	*404bps*
Interest	52	35	*47.9*	40	*29.8*	171	169	*1.2*
Depreciation	270	276	*(2.5)*	278	*(3.0)*	1,100	1,094	*0.5*
Other income	69	40	*72.7*	40	*74.0*	228	91	*151.6*
PBT	1,376	690	*99.3*	1,209	*13.8*	3,912	2,917	*34.1*
Tax	354	172	*105.6*	308	*15.0*	996	655	*52.2*
Tax rates %	*25.8*	*25.0*	*78bps*	*25.5*	*27bps*	*25.5*	*22.4*	*302bps*
PAT	1,022	518	*97.2*	901	*13.4*	2,916	2,263	*28.9*
EPS (Rs)	4.1	2.1	*98.1*	3.6	*13.4*	11.8	9.1	*29.2*

Source: Company

Fig 30 – Working capital (days on sales)

	FY21	FY20	Y/Y change
Inventory	65	68	(2)
Trade receivables	28	26	2
Trade payables	34	28	7
Working-capital cycle	59	66	(7)

Source: Company

Bata

Bata's Q4 FY21 revenue declined 5% y/y to Rs5,899m. Its gross margin contracted 571bps to 53.1%. Employee expenses were almost flat y/y, other expenses were down ~6% y/y. The EBITDA margin was 19%, down 350bps y/y. Absolute EBITDA at Rs1,121m declined 20% y/y. Depreciation declined 13% y/y, other income was down 16% y/y and interest expenses were down 11% y/y. Hence, PBT was down 31% y/y to Rs404m. There was a deferred tax credit of Rs109m (vs an effective tax rate of 34% in Q4 FY20). PAT was Rs295m, down 23% y/y.

FY21 revenue slid 44%. The gross margin was down 660bps y/y to 51%. EBITDA was Rs1,622m, down ~81% y/y, and the EBITDA margin was 9.5% (27.2%). PAT loss was Rs893m (Rs3,290m profit in FY20).

Debt and cash flow

The company remained debt free and its cash and equivalents were ~Rs11bn at end-FY21. OCF was down 21% y/y to Rs4,611m due to lower profitability. FCF was down 14% y/y to Rs4,254m.

Working-capital cycle

Working-capital days (on sales) were 53 (52 in FY20). Inventory days were 130, 26 more y/y. Debtor days were nine more y/y to 17. Creditor days wer 94, 34 more y/y.

Other highlights

- Per management, Q4 results were satisfactory and indicated steady and consistent growth. In the past, Q4 has been lower than Q3, a festival.
- The company launched its first campaign showcasing its "Relaxed Workwear" collection as offices re-opened and the economy picked up
- With the omni-channel gaining traction, it scaled up its tech-related solutions and investments to engage and offer better experiences and drive up cross-channel purchases, service and retention. It strengthened its e-commerce facilities to cover more PIN codes and continued to expand its retail network in tier-3 and -5 towns via franchisees and appointing distributors to serve MBOs.
- It expanded its retail network through franchisees and added 10 more taking its total count to 228 franchise stores (221 in Q3 FY21).
- It has adequate cash reserves and is curbing its discretionary expenses.

Fig 31 – Financial performance

(Rs m)	Q4 FY21	Q4 FY20	% Y/Y	Q3 FY21	% Q/Q	FY21	FY20	% Y/Y
Sales	5,899	6,206	(4.9)	6,156	(4.2)	17,085	30,561	(44.1)
Gross margins %	*53.1*	*58.8*	*-571bps*	*51.6*	*150bps*	*51.0*	*57.6*	*-659bps*
EBITDA	1,121	1,397	(19.7)	1,178	(4.8)	1,622	8,321	(80.5)
EBITDA margins %	19.0	22.5	*-350bps*	19.1	*-12bps*	9.5	27.2	*-1,773bps*
Interest	242	271	(10.9)	250	(3.4)	1,035	1,177	(12.1)
Depreciation	620	714	(13.3)	652	(5.0)	2,648	2,958	(10.5)
Other income	144	171	(15.8)	132	8.8	941	687	37.0
PBT	404	582	(30.6)	407	(0.9)	(1,120)	4,872	NA
Tax	109	198	(44.8)	97	12.4	(273)	1,583	NA
Tax rates %	*27.0*	*34.0*	*-698bps*	*23.8*	*318bps*	*24.4*	*32.5*	*-809bps*
PAT	295	384	(23.3)	264	11.6	(893)	3,290	NA
EPS (Rs)	2.3	3.0	(23.3)	2.1	11.6	(6.9)	25.6	NA

Source: Company

Fig 32 – Working capital (days on sales)

	FY21	FY20	Y/Y change
Inventory	130	104	26
Trade receivables	17	8	9
Trade payables	94	60	34
Working-capital cycle	53	52	1

Source: Company

Khadim

Khadim's Q4 FY21 revenue grew 70.6% y/y to Rs2,700m. The gross margin declined 766bps y/y to 22.3%. Employee and other expenses were down respectively ~18% and 17% y/y. EBITDA was Rs141m (vs. a Rs84m EBITDA loss a year ago). Depreciation and interest were down ~14% and 23% respectively. Other income was Rs35m (Rs15m a year ago) including lease rental waivers/reductions. Hence, PBT was Rs24m (a Rs254m PBT loss in Q4 FY20). Deferred tax was Rs91m (a Rs56m net deferred tax a year ago). Hence, PAT was Rs115m (a Rs199m net loss a year ago).

FY21 revenue declined ~19% to Rs6,262m. The gross margin contracted ~750bps y/y to 28.8%. EBITDA was Rs34m (Rs305m in FY20). PAT loss was Rs329m (loss of Rs313m in FY20).

Debt and cash flow

Debt was down 13% y/y to Rs1,014m. OCF declined 16% y/y to Rs478m. FCF was however 10% higher y/y at Rs446m led by lower capex (down 80% y/y to Rs33m).

Working-capital cycle

The cash-conversion cycle (on sales) was seven days fewer y/y to 55. Debtor days were 14 more y/y to 70. Inventory days were two more to 82. Creditor days were 23 more y/y to 97.

Other highlights

- **Performance.** The company had an institutional order of Rs1,280m from the Uttar Pradesh government to supply school bags. Normalcy had started to set in in Q4 with better consumer sentiment and saw improved average billing value and selling price. The focus for Khadim in the quarter in both segments was on consolidating its outstandings and strengthening its balance sheet.
- **Products/brand.** In FY21 the focus was on lower-priced items and athleisure & home wear and hence contribution of Khadim brand increased. FY20 sub-brands' contribution was 60% and this will continue on the return to normal.
- **Ad spend in FY22.** The company is not looking at more than 1-1.5% of revenue, most in H2. Management earlier had a budget of ~2% of sales at the start of the year but with so much uncertainty with Covid-19, it will see how the year goes. In FY21 ad spends were ~Rs40m (pure ad spends, not promotional spends).
- **Tightening credit policy.** In case of franchisees the company has tried to keep its level at 45 days; in distribution it is trying to keep it at 30 days. In FY19 it was 72 days and 50 in franchisee and distribution respectively. Lowering credit days helps save finance costs.
- **Distribution.** Volume growth of ~6% in the quarter. It tightened its credit norms from Q3 FY21 and hence its sales growth was lower (~7%

y/y vs. 35% in Q3 FY21). Management is confident of re-gaining lost sales and will continue to have a tighter credit cycle of 30 days. The distribution segment saw an ASP rise of ~1-2% during the year. The focus in FY21 was more on open footwear than in FY20. Hence, despite the price hike (of ~10-15%), the ASP on the whole was lower.

- **Outlook.** The company is looking to add 80-100 stores in FY22 incl. franchisees and company-owned ones. It expects the retail channel to grow 10-12% and distribution 15%. However, management said that Covid'19-related uncertainties could impact growth targets.

Fig 33 – Financial performance

(Rs m)	Q4 FY21	Q4 FY20	% Y/Y	Q3 FY21	% Q/Q	FY21	FY20	% Y/Y
Sales	2,700	1,582	*70.6*	1,741	*55.1*	6,262	7,719	*(18.9)*
Gross margins %	*22.3*	*30.0*	*-766bps*	*36.9*	*-1,464bps*	*28.8*	*36.4*	*-756bps*
EBITDA	141	-84	*NA*	151	*(6.9)*	34	305	*(88.9)*
EBITDA margins %	*5.2*	*(5.3)*	*NA*	*8.7*	*-348bps*	*0.5*	*3.9*	*-341bps*
Interest	59	78	*(23.4)*	61	*(2.4)*	254	293	*(13.3)*
Depreciation	92	108	*(14.4)*	95	*(3.0)*	392	419	*(6.4)*
Other income	35	15	*128.3*	39	*(10.8)*	181	67	*171.0*
PBT	24	-254	*NA*	35	*(29.9)*	-432	-341	*NA*
Tax	-91	-56	*NA*	-9	*NA*	-102	-28	*NA*
Tax rates %	*(374.2)*	*21.9*	*NA*	*(27.1)*	*NA*	*23.7*	*8.3*	*1,540bps*
PAT	115	-199	*NA*	44	*161.4*	-329	-313	*NA*
EPS (Rs)	6.4	(11.1)	*NA*	2.5	*161.4*	(18.3)	(17.4)	*NA*

Source: Company

Fig 34 – Working capital (days on sales)

	FY21	FY20	Y/Y change
Inventory	82	80	2
Trade receivables	70	56	14
Trade payables	97	75	23
Working-capital cycle	55	62	(7)

Source: Company

Others

Titan

Titan's standalone Q4 FY21 revenue was 61% higher y/y to Rs71.4bn. The gross margin contracted y/y to 21.4% (from. 30.1% a year back). Employee and ad expenses were down respectively 12.4% and 51.3% y/y. Other expenses were 27% higher y/y. The EBITDA margin contracted ~249bps y/y to 11.1% and absolute EBITDA rose 31.7% to Rs7.95bn. PBT rose 36% y/y to Rs7bn. The effective tax rate was 24.6% (30.8% a year ago). PAT was up 48% y/y to Rs5.3bn.

Segment-wise, jewellery sales were up 71% y/y to Rs64.2bn (excl. gold bullion sales of Rs250m, jewellery grew 70% y/y). The jewellery EBIT margin contracted 327bps y/y to 10.9%. The watches category reported flat revenue growth to Rs5.6bn. Its EBIT margin was 8.3% (13% a year ago). Eyewear sales were up 18% y/y to Rs1,270m. The EBIT margin was 18% (1.7% a year back). Revenue of the "others" category declined 16% y/y.

FY21 standalone revenue was 3% higher y/y to Rs206bn. The EBITDA margin contracted 383bps to 8.3%; EBITDA was Rs17bn, 30% lower y/y. PAT at Rs8.7bn was 42% lower y/y.

Store network: During the year the company added 26 Tanishq stores, two Mia and 25 Caratlane (net). In its watches category, it added 13 World of Titan and 11 Helios, and closed 13 Fastrack stores (net). In its eyewear business it added 15 stores (net). At end-FY21, the overall store count was 1,819 (1,895 in FY20).

Working capital: The cash-conversion cycle (on sales) for the year ended FY21 was 134 days, two fewer y/y. Inventory days were unchanged y/y at 141. Trade receivable days were one day more y/y to five. Trade payable days were three more to 12.

Other highlights

- **Q4 FY21 performance**. Growth exceeded management expectations and crossed internal targets. Q4 sales growth was exceptionally high even on lower base. Managements says FY22 began well, with good sales momentum. Then Covid-9 struck again. The company ended the quarter on a good note with sales and profit growth despite both not being in line. Tier-2 and -3 towns recovered and reported greater revenue throughout the year and even in Q4 (compared to metros).
- **Gross margin impact.** Sales growth was good (60% in Q4), though gross margin growth was not, due to 1) more sales of jewellery (the lowest gross-margin business due to its nature), 2) two other one-time items and 3) customs duty which was reduced; hence, losses. Individual businesses also dented the gross margin. The company sold many gold coins, and studded-jewellery growth was lower. The mix of watches and wearables was also impacted.
- The company was aware of margin pressures but focused on growth and increasing market share plus ensuring vendors/franchisees/sales people get good growth/incentives etc.
- **Gold on lease.** The company used higher share of gold on lease to release cash, and will utilise this when needed. Hence, it ended the year with ~Rs30bn cash.

- **Gold price impact**. Increasing then dropping so customers were coming in. in Q4 saw grammage growth across all prices segments (even sub 50k was sluggish in Q3 saw growth) + customers walkins growth. Some advancing of wedding purchases for Q1FY22 and this continued till 20th April too. This has added to good sales.
- **Competitive intensity** from national jewellers has gone up significantly on all fronts. Company has had to do aggressive pursuit of market share in Q4 (given away some margins to gain share). Local jewellers have been impacted but no significant has exited the market. Seeing move from local jewellers to national chains. Some regional players and standalone local players are very good and continue to do well. Overall larger national + organised player and stronger regional players have gained. Some of the unorganised and smaller players might have lost. In Q4 the market itself has been good too. So other players grew too
- **Wedding season jewellery**. Pent-up demand in Q3 and Q4 continued in Apr. The company has been seeing good growth in this category. Before the Covid-19 second wave, the company was confident about wedding sales in Q1 FY22 and started campaigns, etc. It is still bullish on weddings. In April, sales were growing well till the third week, but with the lockdowns this is shrinking. The company had little growth in April-May but nowhere near that aimed at and clocked earlier. The wedding contribution in FY21 was flat y/y at 23% but improved 100bps if gold-coin revenue is adjusted for in jewellery.
- **Watches.** WOT growth was 8% and Helios growth was good. In Q2 and Q3 the number of price pointa vastly increased on average, which was evened out in all channels in Q4 (LFS, e-comm, etc.)
- **CaratLane.** Combined omni strategy with broader purchases in stores as customers prefer to look at products of Rs14,000-15,000 in stores.

Fig 35 – Financial performance

(Rs m)	Q4 FY21	Q4 FY20	% Y/Y	Q3 FY21	% Q/Q	FY21	FY20	% Y/Y
Sales	71,350	44,288	*61.1*	72,870	*(2.1)*	206,020	200,096	*3.0*
Gross margins %	*21.4*	*30.1*	*-869bps*	*21.9*	*-52bps*	*23.5*	*27.5*	*-402bps*
EBITDA	7,950	6,037	*31.7*	8,580	*(7.3)*	17,010	24,177	*(29.6)*
EBITDA margins %	*11.1*	*13.6*	*-249bps*	*11.8*	*-63bps*	*8.3*	*12.1*	*-383bps*
Interest	450	379	*18.6*	460	*(2.2)*	1,810	1,495	*21.1*
Depreciation	820	902	*(9.1)*	840	*(2.4)*	3,310	3,097	*6.9*
Other income	340	401	*(15.2)*	370	*(8.1)*	1,810	1,464	*23.6*
PBT	7,020	5,156	*36.1*	7,650	*(8.2)*	13,700	21,050	*(34.9)*
Tax	1,730	1,588	*8.9*	2,090	*(17.2)*	3,560	5,873	*(39.4)*
Tax rates %	*24.6*	*30.8*	*-616bps*	*27.3*	*-268bps*	*26.0*	*27.9*	*-192bps*
PAT	5,290	3,568	*48.3*	4,190	*26.3*	8,770	15,176	*(42.2)*
EPS (Rs)	6.0	4.0	*48.3*	4.7	*26.3*	9.9	17.1	*(42.2)*

Source: Company

Fig 36 – Working capital (days on sales)

	FY21	FY20	Y/Y change
Inventory	141	141	0
Trade receivables	5	4	1
Trade payables	12	9	3
Working-capital cycle	134	136	(2)

Source: Company

Raymond

Raymond's Q4 FY21 consolidated revenue rose 6.8% y/y to Rs13.7bn. The consolidated gross margin contracted 194bps y/y to 59.5%. Employee and other expenses were down respectively 23.3% and 23% y/y. Manufacturing expenses were up 5% y/y. EBITDA was Rs1.5bn (vs. a Rs70m loss a year back). The EBITDA margin was 11.3% (-0.5% a year ago). Depreciation and interest costs were down respectively 16.6% and 16% y/y, and other income came at Rs418m (up from Rs122m a year ago). Adj. PAT was Rs458m (vs. adj. loss of Rs962m a year back. Reported PAT was Rs565m (vs. reported loss of Rs683m a year prior).

For the full year, consolidated revenue was down 46.8% to Rs34.5bn. EBITDA loss stood at Rs662m vs. EBITDA profit of Rs5,158m in FY20. The EBITDA margin was -1.9% vs. 8% in FY20. Adj. PAT loss was Rs2,942m vs. a Rs120m profit in FY20.

Performance, by segment

Branded textiles revenue was up 24.1% y/y driven by higher trade-channel sales because of more wedding days. Driven by operational efficiencies, the EBITDA margin rose ~575bps y/y to 22.6%.

Branded apparel revenue declined 39.5% y/y due to the company's control on primary channel sales. EBITDA loss was Rs190m due to higher-discounting sales (extended EOSS).

Garmenting revenue declined 30.7% y/y; the EBITDA margin was lower at -2.3% (vs 4% a year ago) due to lower sales.

Shirting revenue was up 12.2% y/y driven by improvement in domestic fabric supply and yarn sales. The EBITDA margin was 14.7% (7% a year ago) led by higher sales revenue and cost efficiencies.

Non-core segments - **Auto components** revenue grew 46.2% y/y; the EBITDA margin was 21.3% (16.4% a year ago). **Tools and hardware** revenue grew 52.8% y/y; the EBITDA margin rose to 18.5% (from 4.6% a year back).

On the **real estate** project, the company reported sales of Rs541m. Till end-FY21, the company had 1,387 bookings (214 in Q4).

Debt and cash flow

Net debt was Rs14.2bn, down 24% y/y (or Rs4.4bn). Operating cash-flow was Rs7,018m (Rs3,905m in FY20) and free cash-flows were Rs7,002m (Rs1,979m in FY20). At Rs16m, capex (net) in FY21 was significantly lower (Rs1,925m the year prior).

Working capital

The cash-conversion cycle was longer (151 days) than the 110 days in FY20 due to a lower sales base. Inventory was ~26% lower y/y but the number of days in sales was 49 days more y/y to 173. Debtors was down ~17% y/y but in number of days was 36 more y/y to 101. Creditors was down ~17% and in number of days was up 44 y/y to 123.

Other highlights

- **Market overview.** In the quarter, consumer sentiment improved with the economy. Sentiment improved in Jan and Feb, leading to strong sales, and EOSS + promotional offers supported the recovery. Purchases for the wedding season (in Q1 FY22) also helped the recovery. A faster recovery was seen in tier-3 towns and below than in tier -1 and -2, and metros.

- The company focused on cost rationalisation and effective working capital to maintain liquidity. Operating cost down 40% y/y during the year, more than the 30-33% guidance. On the continued focus, working capital management contracted Rs730m vs. end-Dec.'20. As a result, debt was down Rs1,670m in Q4 FY21.
- Rental savings of Rs800m/43% of previous year (FY20) level – combination of rental waivers and realigning rentals.
- Net store closure is at 73 for the quarter and 152 for FY21 – total stores at 1,486 as of FY21 end.
- **Demerger.** Filed NCLT approval. However, due to lockdown, etc., approvals have been impacted. Management expects the process to be completed in FY22.

Fig 37 – Financial performance

(Rs m)	Q4 FY21	Q4 FY20	% Y/Y	Q3 FY21	% Q/Q	FY21	FY20	% Y/Y
Sales	13,657	12,787	6.8	12,434	9.8	34,465	64,824	(46.8)
Gross margins %	*59.5*	*61.4*	*-194bps*	*49.7*	*977bps*	*52.3*	*56.8*	*-449bps*
EBITDA	1,549	(70)	NA	1,139	36.0	(662)	5,158	NA
EBITDA margins %	*11.3*	*(0.5)*	*1,189bps*	*9.2*	*218bps*	*(1.9)*	*8.0*	*-988bps*
Interest	608	724	(16.0)	684	(11.1)	2,760	3,027	(8.8)
Depreciation	707	848	(16.6)	764	(7.4)	3,142	3,398	(7.5)
Other income	418	122	242.0	430	(2.9)	2,014	959	109.9
PBT	651	(1,519)	NA	121	439.2	(4,551)	(308)	NA
Tax	194	(557)	NA	13	1438.9	(1,609)	(428)	NA
Tax rates %	*29.8*	*36.7*	*-690bps*	*10.4*	*NA*	*35.4*	*139.1*	*NA*
PAT	565	(683)	NA	217	160.3	(2,970)	1,961	NA
EPS (Rs)	8.5	(10.3)	NA	3.3	160.3	(44.6)	29.5	NA

Source: Company

Fig 38 – Working capital (days on sales)

	FY21	FY20	Y/Y change
Inventory	173	124	49
Trade receivables	101	65	36
Trade payables	123	79	44
Working-capital cycle	151	110	41

Source: Company

Appendix

Analyst Certification

The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

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Ratings Guide (12 months)			
	Buy	**Hold**	**Sell**
Large Caps (>US$1bn)	>15%	5-15%	<5%
Mid/Small Caps (<US$1bn)	>25%	5-25%	<5%

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