March 25, 2011

Shoppers Stop Limited (SHOSTO)

₹ 340

Rating Matrix

Rating	:	Add
Target	:	₹ 365
Target Period	:	12-15 months
Potential Upside	:	7%

YoY Growth (%)

	FY10	FY11E	FY12E	FY13E
Total Revenue	12.3	55.6	35.2	20.1
EBITDA	454.6	24.8	65.0	48.5
Net Profit	156.5	58.6	56.0	45.1

Current & Target Multiple (x)

	FY10	FY11E	FY12E	FY13E
PE	33.1	50.4	32.3	22.3
EV/ EBITDA	13.2	9.0	5.4	3.3
P/BV	4.2	5.1	4.5	3.9
Target P/E	31.7	48.3	30.9	21.3
Target Ev/ EBITDA	29.6	25.9	16.1	11.0
Target P/BV	10.3	8.1	9.7	8.6

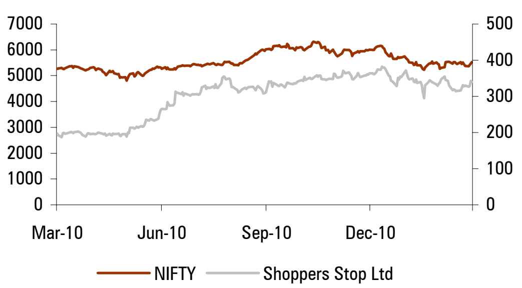
Stock Data

Bloomberg Code	SHOP:IN
Reuters Code	SHOP:BO
Face Value (₹)	5
Promoters Holding	68.2
Market Cap (₹ cr)	2,793
52 week H/L	394 / 176
Sensex	18,816
Average volumes	42,761

Comparable return matrix (%)

	1m	3m	6m	12m
Shoppers Stop Ltd	1.4	(6.4)	9.5	72.2
Pantaloon Retail	(2.3)	(23.9)	(45.3)	(31.8)
Titan	1.5	0.6	4.1	96.0
Trent	9.6	3.9	(12.4)	10.1
Vishal	3.1	(8.7)	(39.6)	(48.9)

Price movement



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Focused retailing...

The Indian retail sector is expected to see a transition from unorganised to the organised sector. The share of organised retail is expected to increase from 6% (FY10) to 12.4% in FY14E. Growing purchasing power of the middle class, increasing urbanisation as well as population (28%) in the median age group would fuel discretionary spends. We expect the dual levers of departmental stores expansion and HyperCity to enable Shoppers Stop (SSL) to grow its consolidated revenues at 36% CAGR in FY10-13E to ₹ 3,883 crore. Revival in profitability of speciality stores and sustainable cost containment measures are expected to aid margin expansion. We initiate coverage on the stock with an ADD rating.

Aggressive rollout of departmental stores to drive revenue growth

Retail area under departmental stores is expected to grow by 1.7x in FY10-13E to 30.7 lakh sq ft with the addition of 21 Shoppers Stop stores. Further, with 5.9% CAGR in revenue per sq ft, we expect departmental store revenues to grow at 27.5% CAGR to ₹ 2,679 crore in FY10-13E.

Majority stake in HyperCity provides access to mass market segment

With the acquisition of a 51% stake in HyperCity (June 2010), SSL is well poised to benefit from the opportunities provided by the mass segment. Addition of 14 hypermarkets in FY10-13E will double HyperCity's retail space to 17.4 lakh sq ft in FY13E. Consequently, we expect HyperCity's revenues to grow at 22% CAGR in FY11E-13E to ₹ 906 crore.

Margin expansion: Able working capital management and cost containment

Owing to SSL's increased preference towards the consignment buying model (26% in FY08 to 45% in FY10) we expect inventory per sq feet to decline from ₹ 777 in FY10 to ₹ 609 in FY13E. The revenue sharing model adopted by SSL is expected to result in lower rentals (8.7% of sales in FY10 to 7.9% in FY13E). Further, the expected revival of speciality stores and breakeven of HyperCity at the company level in FY13E will boost SSL's EBITDA margin from 7.0% in FY10 to 8.5% in FY13E.

Valuation

At the CMP, SSL is trading at a P/E of 32.3x FY12E EPS and 22.3x FY13E EPS. With an established brand name, aggressive space expansion plans and improved profitability, we expect SSL's earnings to grow at 53% CAGR in FY10-13E. However, we believe the stock is trading close to its fair value given the significant jump in its price (72% in a year vs. 5% for the Nifty). We have valued the stock at ₹ 365/share using the EV/sales methodology at 1.0x FY12E sales. We are initiating coverage on the stock with an ADD rating.

Exhibit 1: Key financials

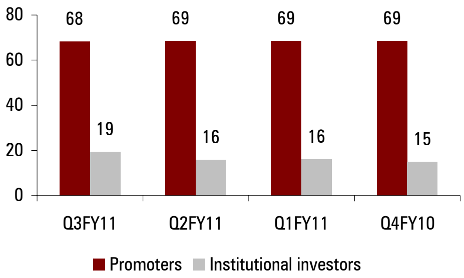
(₹ Crore)	FY09	FY10	FY11E	FY12E	FY13E
Total Revenues	1,351	1,517	2,361	3,193	3,833
EBITDA	19	106	133	219	325
Net Profit	-62	35	55	86	125
PE (x)	NM*	33.9	51.6	33.1	22.8
Target PE (x)	n.a.	35.4	53.8	34.5	23.8
EV/EBITDA (x)	76.2	13.4	9.2	5.6	3.4
P/BV (x)	5.5	4.3	5.2	4.6	4.0
RoNW (x)	-32.6	14.3	8.9	17.3	26.7
RoCE (%)	-11.8	13.8	13.7	21.2	30.9

*Source: Company, ICICIdirect.com Research, *Not Meaningful*

Shareholding pattern (Q3FY11)

Shareholders	Holding (%)
Promoters	68.2
Institutional Investors	19.4
Others	12.4

FII & DII holding trend (%)



Company Background

Shoppers Stop Ltd (SSL), promoted by the K Raheja Corp Group is one of the major players in the modern Indian retail industry. SSL was established in 1991 with the opening of its flagship departmental store chain – Shoppers Stop in Andheri (W), Mumbai.

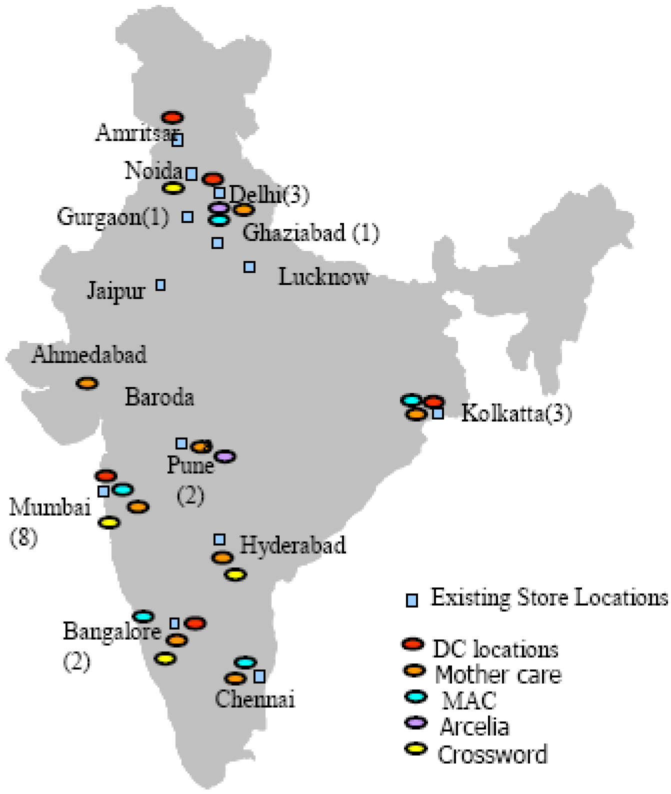
Shoppers Stop departmental store is one of the largest retail chains in India with 36 stores across 15 cities covering a total area of ~2.07 million sq ft (as of Q3FY11). Shoppers Stop's First Citizen Programme is one of the largest loyalty programmes in the Indian retail sector with over 19 lakh members in Q3FY11.

Besides its departmental store business, SSL has promoted several speciality retail formats in India, including Home Stop (home furnishing), Crossword (books, music and stationery), Mothercare (parenting products), MAC, Clinique and Estee Lauder (cosmetics). Additionally, SSL forayed into the entertainment segment (Timezone) and airport retailing business (with Nuance Group, Switzerland) through the JV route.

In June 2010, SSL increased its stake in hypermarket chain HyperCity from 19% to 51% for a consideration of ~₹ 125 crore, making the company its subsidiary. HyperCity operates eight hypermarket stores covering a total retail area of 9 lakh sq ft (in Q3FY11).

Headquartered in Mumbai, SSL has employee strength of 3,851 (Q3FY11).

Exhibit 2: All-India presence of SSL



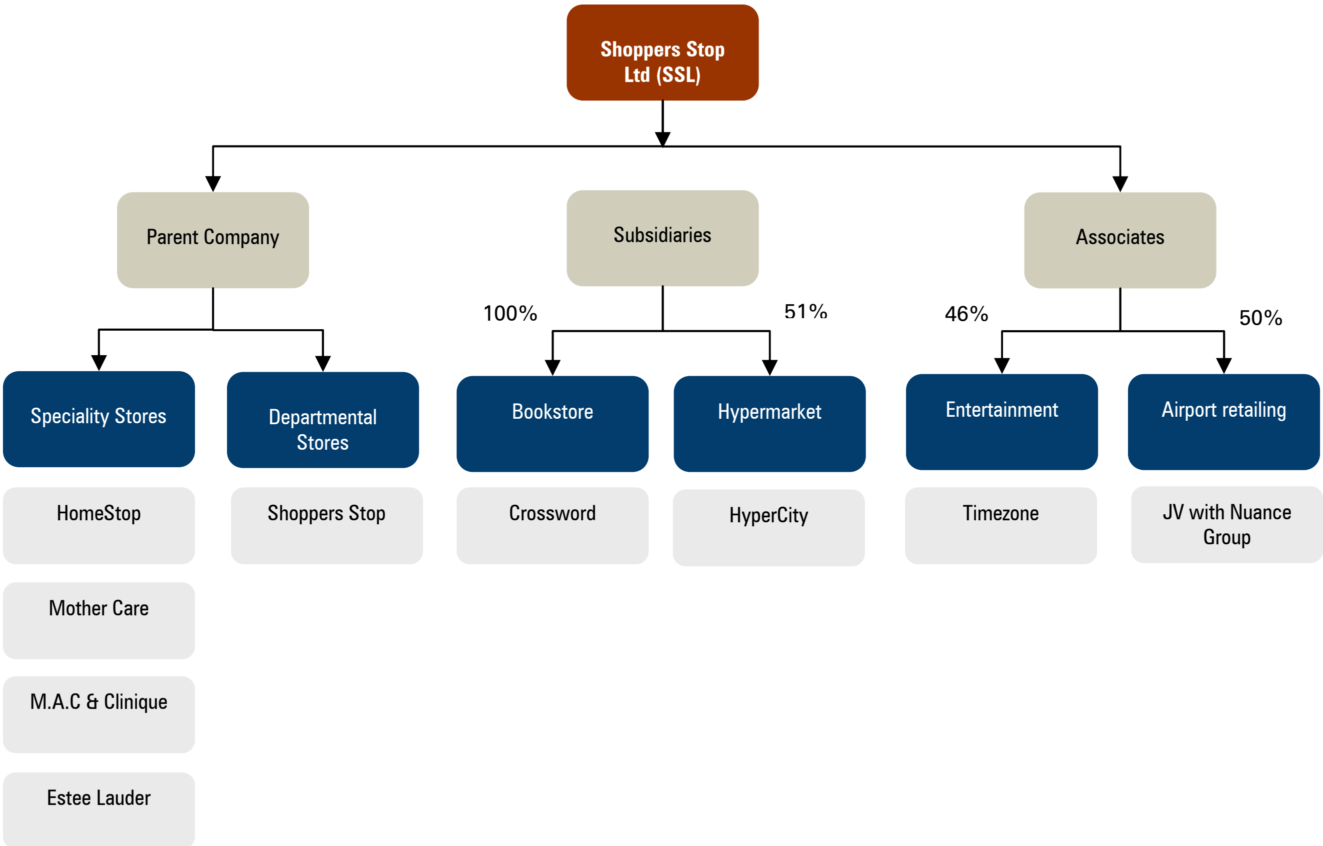
Source: Company, ICICIdirect.com Research, DC – Distribution Centre

Exhibit 3: Store details as of Q3FY11

Format	No. of Stores			Area (sq ft)
	Standalone	Shop-in-shop	Total	
Shoppers Stop	36	0	36	2,066,521
Home Stop	4	0	4	
Mother Care	7	22	29	
M.A.C & Clinique	11	13	24	250,663
Estee Lauder	3	0	3	
Crossword	30	8	38	
Arcelia	1	0	1	
Total	**92**	**43**	**135**	**2,317,184**

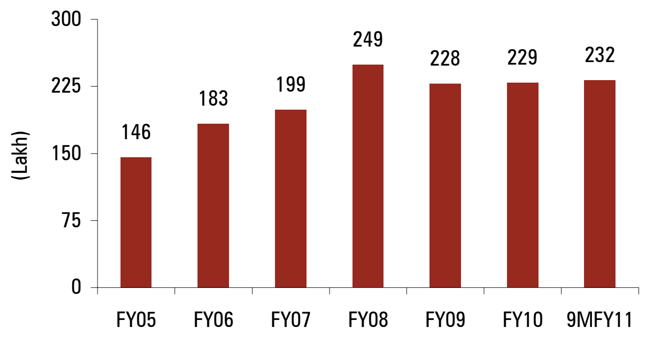
Source: Company, ICICIdirect.com Research

Exhibit 4: SSL's presence across various consumption spaces



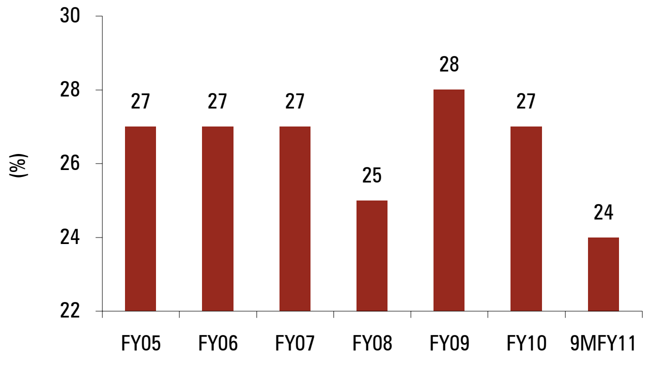
Source: Company, ICICIdirect.com Research

Exhibit 5: Customer entry trend



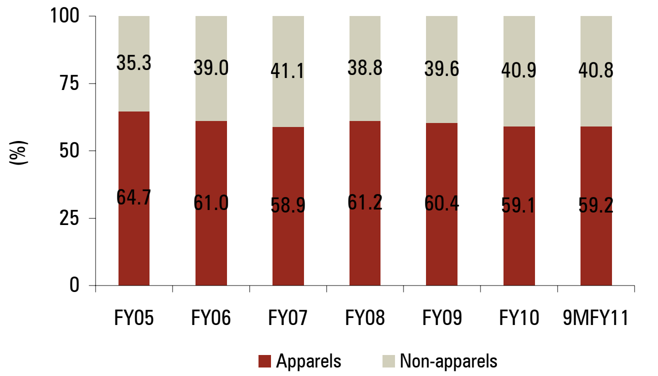
Source: Company, ICICIdirect.com Research

Exhibit 6: Conversion ratio trend



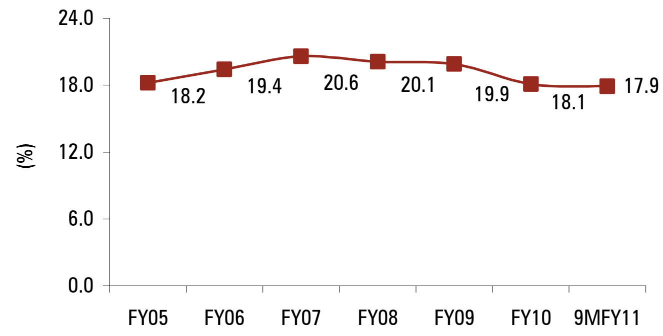
Source: Company, ICICIdirect.com Research

Exhibit 7: Departmental store sales mix trend



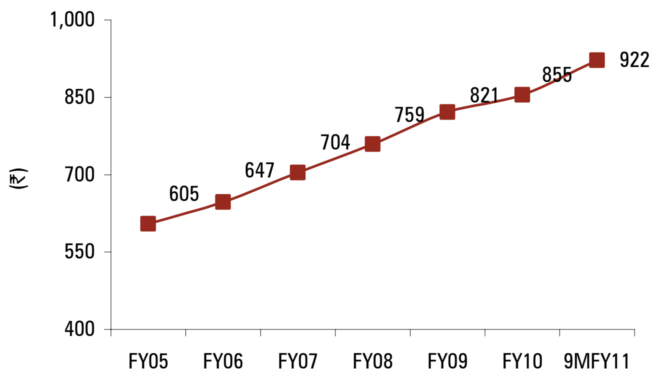
Source: Company, ICICIdirect.com Research

Exhibit 8: Private label contribution trend



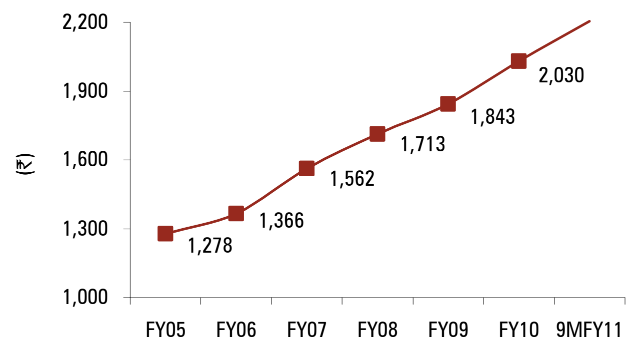
Source: Company, ICICIdirect.com Research

Exhibit 9: Average sales price trend



Source: Company, ICICIdirect.com Research

Exhibit 10: Transaction size trend



Source: Company, ICICIdirect.com Research

Investment Rationale

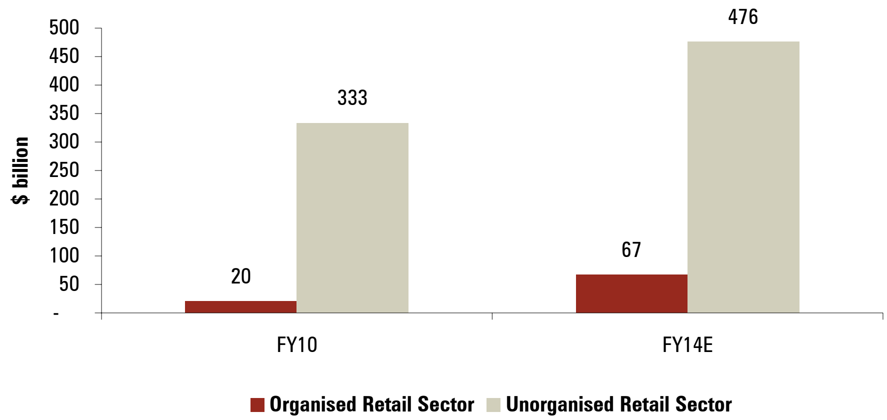
Increasing share of organised retail to boost SSL's growth aspirations

Organised retailing in India to grow at 35% CAGR in CY10-14E

The Indian retail sector is largely unorganised with the dominance of traditional family run stores (also called mom-and-pop stores), which contribute ~95% of the total retail trade. Although organised retailing in the country is still at a nascent stage as compared to other developing and developed countries, its share in the total retail pie has increased manifold in the last few years. According to the global research service provider, Business Monitor International (BMI), the Indian retail market is expected to grow at 11% CAGR in CY10-14E to US$543 billion (from US$353 billion) with the share of organised retailing rising to 12.4% in FY14E (vs. 5.7% in CY10). Consequently, organised retailing is expected to grow at 35% CAGR to US$67 billion in CY10-CY14E. This implies that a retailer with a 1% share in the Indian organised retail market can possibly generate revenues of US$670 million (~₹ 3,000 crore) in CY14E.

The Indian retail market is expected to grow at 11% CAGR in CY10-14E to US$543 billion (as per BMI) with the share of organised retail rising from 5.7% to 12.4% in the same period

Exhibit 11: Indian retail sector



Source: Businessworld Marketing Whitebook 2009-2010,BMI, ICICIdirect.com Research

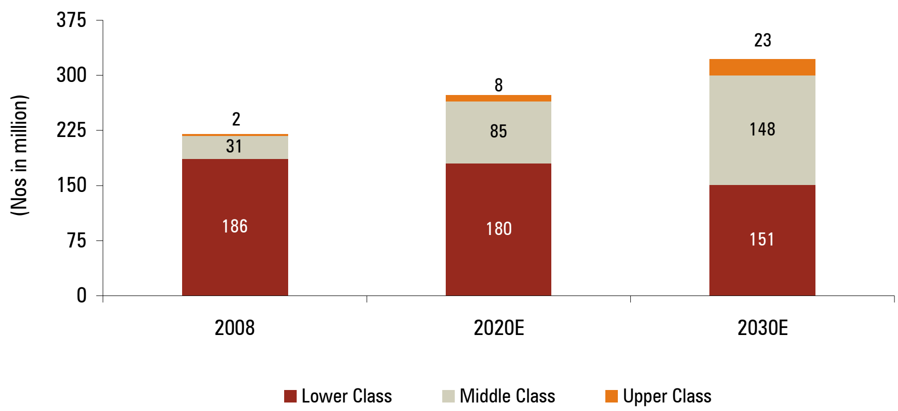
Exhibit 12: Indian organised retail market – at a nascent stage

Country	Share of organized retail (%)
USA	85.0
UK, France, Germany, Spain, Taiwan	75-80
Japan, South Africa	67-70
Brazil, Argentina, Malaysia, Thailand	40-50
Russia, Indonesia, Philippines	33-38
Eastern Europe	24-32
China, South Korea, Vietnam	18-23
India	5.7

Source: Businessworld Marketing Whitebook 2009-2010,BMI, ICICIdirect.com Research

We believe the Indian retail sector presents a significant growth opportunity for the organised retail market, driven by robust economic outlook (GDP growth of 8.6% in FY11E and 9% (+/- 0.25) in FY12E as per The Economic Survey), rapid urbanisation and the emergence of the middle class. According to McKinsey Global Institute (MGI), the number of middle class households in India is expected to increase fourfold to 147 million in 2030 (from 32 million in 2008), making them the biggest consumer group.

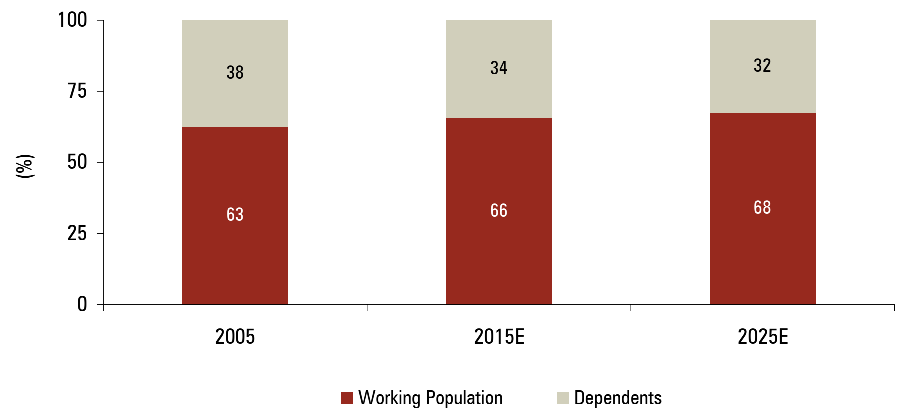
Exhibit 13: No. of middle class households to witness high growth...



Source: MGI, ICICIdirect.com Research; Classes are based income levels with the 'Lower' class representing income of < ₹200,000 per annum; 'Middle' class between ₹200,000 to ₹1,000,000 per annum ; and 'Upper' class > ₹ 1,000,000 per annum

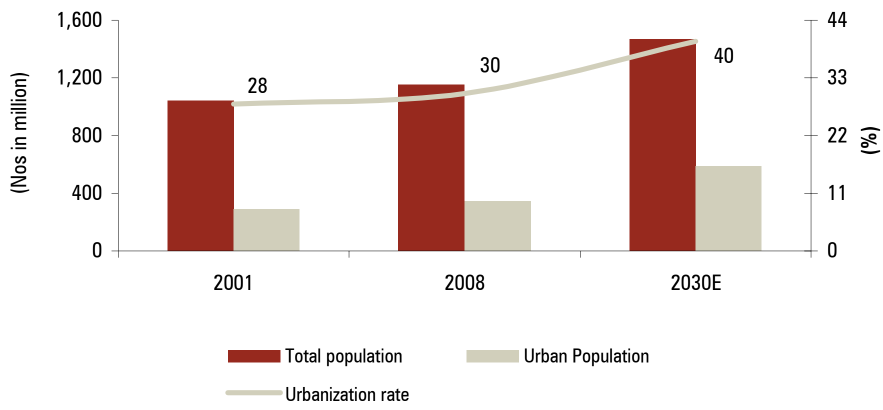
In our view, the organised retail market in India will receive a significant upward push, going forward, fuelled by the favourable demographics of the country, which is skewed towards the younger population (~28% of total population is in the age bracket of 15-35 years as per 2001 census). As the younger population enjoys a longer working life and higher wage growth, they are most likely to spend the bigger share of their salary towards discretionary purchases, thereby providing a fillip to the organised retail sector. Moreover, with a greater exposure to western culture, these consumers aspire for an international retailing experience creating greater opportunities for multi-brand retailing in India.

Exhibit 14: Indian demographics skewed towards working population



Source: MGI, ICICIdirect.com Research; Working population: 15-64 years

Exhibit 15: Urbanisation rate to reach 40% by 2030E



Source: MGI, ICICIdirect.com Research

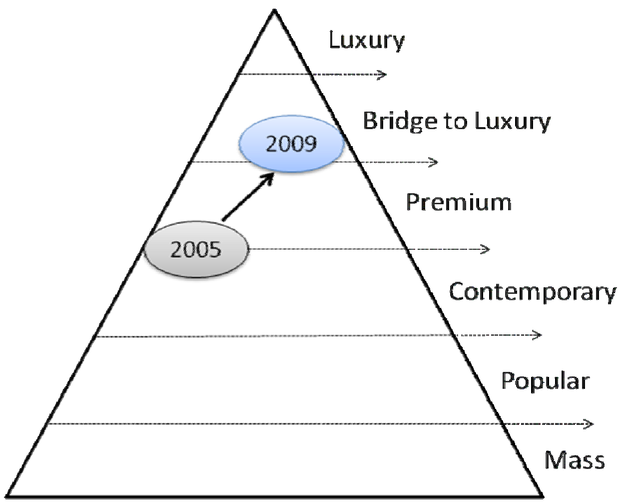
SSL well positioned to explore growing organised retail opportunity

Shoppers Stop departmental stores have a differentiated positioning in the 'bridge-to-luxury' segment with focus on renowned international brands

SSL has established itself as a dominant player in the domestic organised retail market and caters to the needs of the brand–conscious middle class consumers in the apparel and accessories segments. The company operates departmental stores under the brand name of 'Shoppers Stop', which underwent a re-branding exercise in 2009 in order to upgrade itself from 'premium' to 'bridge-to-luxury' segment. This was done primarily to differentiate the company from its closest competitors such as Pantaloons and Westside, which mainly cater to the premium or lower consumer segment through private label and domestic branded products.

Shoppers Stop provides access to branded products with focus on renowned international brands. The company has been able to attract many international brands such as French Connection, CK Jeans, GAS, ESPRIT, Tommy Hilfiger and Mustang in the apparel segment; CK, Armani and Gucci in the sun glasses segment and Burberry, Nina Ricci, Diesel and Boss in the watches segment. Some of these brands have signed exclusive agreements with SSL due to its established name in the Indian retail market and strong brand recognition.

Exhibit 16: Transition of Shoppers Stop to 'bridge to luxury' segment



Source: Company, ICICIdirect.com Research

Exhibit 17: Shoppers Stop collection of international brands

Source: Company, ICICIdirect.com Research

SSL entered the 'mass' segment by acquiring a majority stake in HyperCity (a hypermarket retail chain)

SSL has also introduced a variety of speciality store formats in India in order to capture a higher share of the consumer's wallet. In FY05, the company acquired a 100% stake in Crossword, a chain of speciality books and music stores. Thereafter, SSL ventured into several other speciality formats such as home furnishing, luxury accessories, parenting products, cosmetics, etc. Among these speciality format stores, Crossword is the market leader in the books and music categories while Mothercare and Early Learning Centres (ELC) are unique concepts with very little competition.

Exhibit 18: Speciality format stores of SSL

Format	Segment	Products	Comment
Home Stop	Home Furnishing	Home décor, Furniture, Bath accessories, Bedroom furnishing, Modular kitchens, Health equipments	Focussed on the soft home furnishing and appliances, hence witnessing slower uptake. Considering introduction of smaller HomeStop stores (8,000-10,000 sq ft) in the next 12-18 months
Crossword	Books and music	Books, Magazines, CD-ROMs, Music, Stationery and Toys	From October 1, Crossword franchise business moved from SSL to Crossword Bookstores Ltd.
Mothercare & Early Learning Centre (ELC)	Parenting products	Maternity and infant products, Educational toys	Under the exclusive franchise agreement with Mothercare UK Limited signed in Oct 2009 for retailing Mothercare and ELC products
Estee Lauder Group of Companies	Luxury cosmetics	International brands like M.A.C, Estee Lauder and Clinique	Introduced M.A.C. pop-store in Pune to provide easy access and encourage them to try new brand. Also reduces Capex (as store is completely movable) and rental expenses.
Airport	Airport Retailing	Duty free and duty paid stores	In 50:50 JV with the Swiss company - The Nuance Group AG. Stores at international airports were closed down in the last two years due to higher rentals and lower throughput.
Timezone	Entertainment	Family entertainment centres	45.73% stake in Timezone Entertainment Private Limited.

Source: Company, ICICIdirect.com Research

SSL offers its customers a bouquet of retailing experiences through a presence in various formats like departmental stores (high-end customers), HyperCity (mass market) and Speciality stores (focused retailing). This will enable it to tap the growth in organised retail

In FY06, SSL forayed into the hitherto unexplored 'mass' segment by acquiring a 19% stake in HyperCity. On June 30, 2010, the company increased its stake from 19% to 51% for a consideration of ~₹ 125 crore, valuing HyperCity at ~₹ 300 crore. HyperCity offers one of the widest product offerings among the Indian hypermarket players with ~45,000 stock keeping units (SKUs) including products in the food, home, hi-tech, home entertainment, appliances, fashion, toys, sports and furniture segments. We believe HyperCity is well positioned to attract large footfalls of urban consumers with a high disposable income.

Business from departmental stores to drive topline

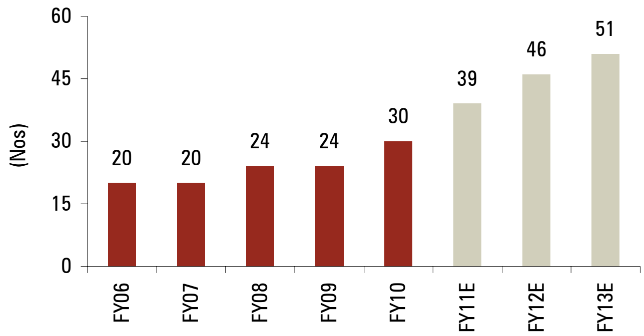
Shoppers Stop's retail space to grow by 1.7x in FY10-13E…

We expect SSL to add 21 departmental stores in the next three years, increasing its retail space by ~1.7x to 30.7 lakh sq ft in FY10-13E

We believe the expected increase in penetration of organised retail in the total retail pie and the rise in SSL's target consumer base in Tier I and Tier II cities present a significant opportunity for the company to improve its presence in the domestic market. As a result, we expect SSL to aggressively add new stores under Shoppers Stop (departmental stores) format in the next two or three years. We estimate that the company will open about 21 Shoppers Stores in FY10E-13E, increasing its total retail space by ~1.7x to 30.7 lakh sq ft (19.6% CAGR) in FY10-13E.

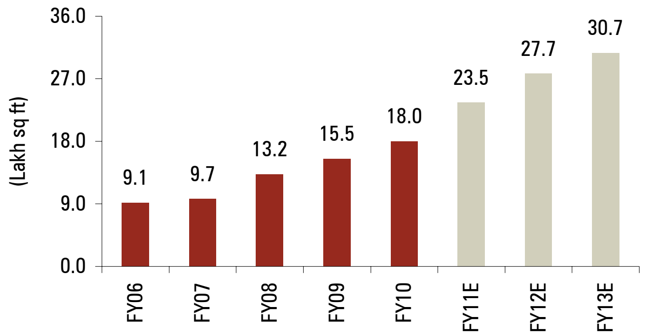
During FY06-10, SSL increased its retail space by 2x under the Shoppers Stop format driven by strong customer demand and rising penetration of organised retail in the domestic market. As a result, Shoppers Stop's overall retail space increased at 18.5% CAGR to 18 lakh sq ft in FY06-10.

Exhibit 19: SSL to add 21 departmental stores in FY10-13E…



Source: Company, ICICIdirect.com Research

Exhibit 20: …increasing retail space to 30.7 sq ft in FY13E

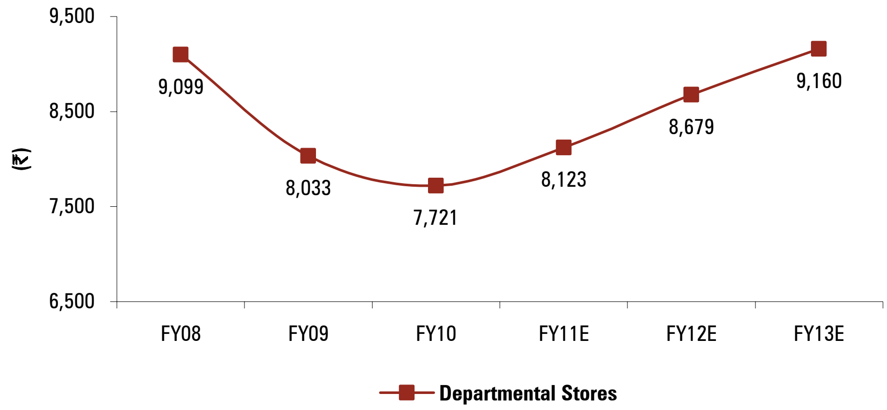


Source: Company, ICICIdirect.com Research

…while upturn in like to like (LTL) sales will drive sales psf

Shopper Stop's LTL sales witnessed an upturn in the last three quarters (average growth of 18% YoY during Q4FY10-Q3FY11 vs. de-growth of 1% during Q4FY09-Q3FY10), driven by a sharp recovery in the domestic economy from the slowdown witnessed in 2008-09. We expect this trend to continue in the next two or three years supported by robust growth expected in the domestic economy, rising income levels and SSL's loyal customer base.

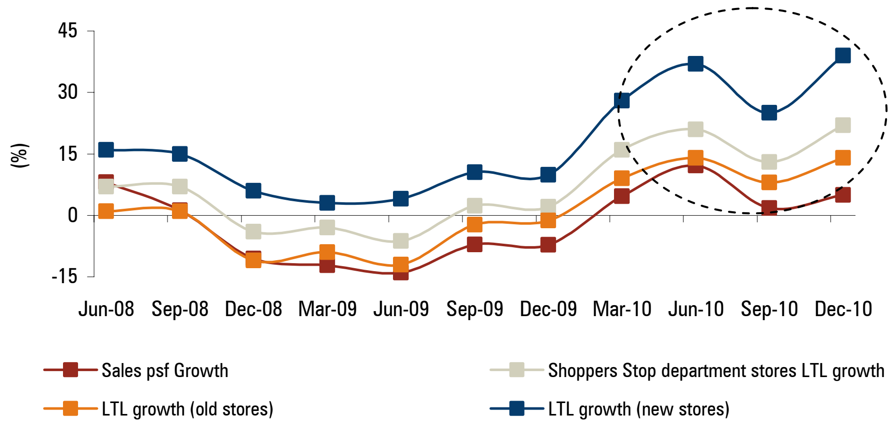
Exhibit 21: Sales per sq ft



Source: Company, ICICIdirect.com Research

In our view, the expected improvement in LTL sales provides strong impetus to the sales per sq ft (psf) growth for Shoppers Stop stores as represented by the high correlation (0.92) between the growth of LTL sales and sales psf. As a result, we forecast sales psf will grow at 5.9% CAGR in FY10-13E to ₹ 9,160 psf. This will further fuel the topline growth of Shoppers Stop stores in FY10-13E.

Exhibit 22: Sales per sq ft to be driven by upturn in LTL sales growth



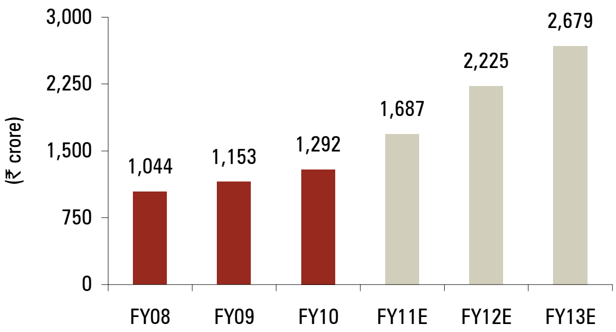
Source: Company, ICICIdirect.com Research

Note: Old stores represent stores that have been in existence for more than five years; while new stores represent stores that have been in existence for less than five years

…leading to revenue growth of 27.5% CAGR in FY10-13E

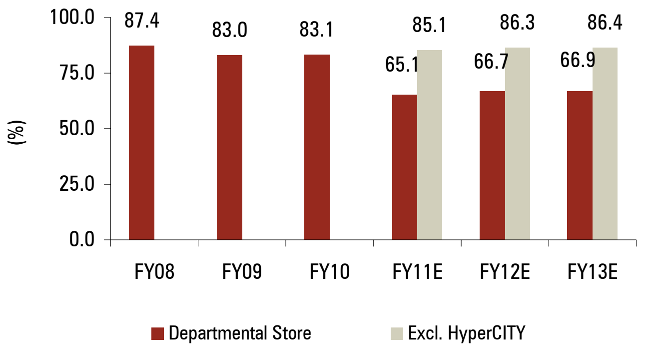
SSL's flagship departmental store, Shoppers Stop, is the primary revenue contributor with a share of 83.1% in consolidated revenues in FY10. In our view, the strong ramp-up plans of the retail space coupled with rising LTL sales provide robust revenue visibility for the company. As a result, we forecast revenues from Shoppers Stop stores will grow at 27.5% CAGR to ₹ 2,679 crore in FY10-13E.

Exhibit 23: Shoppers Stop revenues to grow at 27.5% CAGR (FY10-13E)



Source: Company, ICICIdirect.com Research

Exhibit 24: Shoppers Stop revenues to drive consolidated revenues



Source: Company, ICICIdirect.com Research

Tier II cities emerging as next frontier

After improving its presence in Tier I cities, SSL has started targeting Tier II cities (with population of over 10 lakh) where customers aspire for shopping experiences similar to that available in Tier I cities. SSL has successfully deployed this strategy in Lucknow and Amritsar where the company has experienced significant success in reaching out to its target customers. According to the management, the company is planning to add Shoppers Stop stores in nine or 10 Tier II cities in the next two or three years.

Exhibit 25: Big plans for Tier II cities

	Tier I City	Tier II City
Existing Stores	NCR, Mumbai, Bangalore, Chennai, Kolkata, Hyderabad, Pune, Jaipur	Lucknow, Amritsar, Bhopal, Aurangabad
Proposed Stores	NCR, Mumbai, Bangalore, Chennai, Pune	Mysore, Vijayawada, Ludhiana, Cochin, Vizag, Mangalore, Durgapur, Ahmedabad, Coimbatore

Source: Company, ICICIdirect.com Research

After significant expansion of its departmental stores in Tier I cities, SSL is now trying to capture the retail market growth in Tier II cities by opening stores in nine or 10 Tier II cities in the next two or three years

In terms of value sales, the Tier II cities offer much smaller opportunities (~₹ 80 crore per store per year) as compared to Tier I cities such as Mumbai (~₹ 500-800 crore per store per year). Also, there is a significant variance in the product mix offered to the customers in these cities such as high sale of accessories in Tier I cities vs. high sale of apparel in Tier II cities. As a result, the management has decided to open only one store in each of the Tier II cities (vs. seven or eight stores in Mumbai and Delhi) in order to improve its understanding of the buying behaviour of customers and limit its investment exposure. However, with rising income levels and greater awareness of global brands, the gap in the customer's aspirations in these cities is slowly narrowing. In our view, this trend has the potential to create significant opportunity for the company, going forward.

SSL does not plan to aggressively expand its private label portfolio and plans to maintain their share in revenues to 20-25%

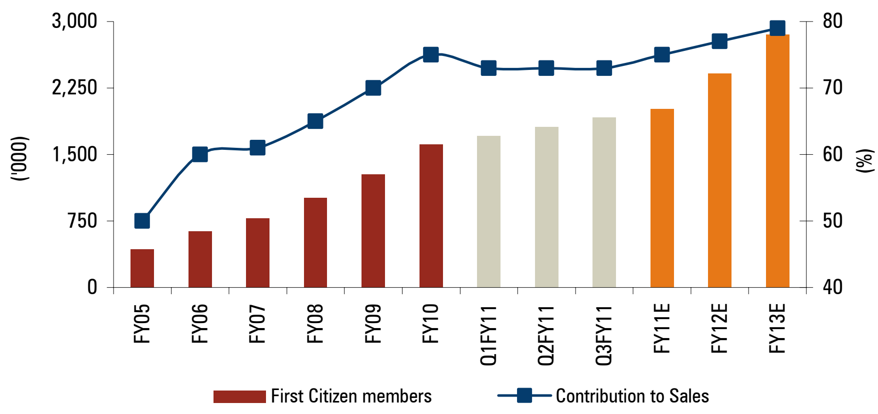
With over 19 lakh members as of Q3FY11, the First Citizen members contributed 73% of the revenues

Loyal customer base to support revenue growth

Shoppers Stop runs one of the biggest loyalty programmes in the Indian retail sector, called First Citizens, with over 19 lakh members as of Q3FY11. The First Citizen members get reward points for spending in Shoppers Stop stores, which can be redeemed for other merchandise, in addition to getting exclusive schemes, extended shopping hours and home delivery of altered merchandise.

During FY06-10, the number of First Citizen members witnessed a robust growth of 26% CAGR with its contribution to total revenues rising to 75% in FY10 (vs. 60% in FY06). The strong growth in membership was despite the fact that Shoppers Stop charges membership fees from its customers unlike free membership offered by other retailers. In our view, the contribution of First Citizens members will remain high, going forward, driven by exclusive tie-ups (such as Vodafone) and better connect with consumers. As a result, we project the number of First Citizen members will grow at 21% CAGR to ~28.5 lakh in FY10-13E with its contribution in total revenues rising to 79% (FY13E).

Exhibit 26: First Citizen membership to reach ~28.5 lakh in FY13E



Source: Company, ICICIdirect.com Research

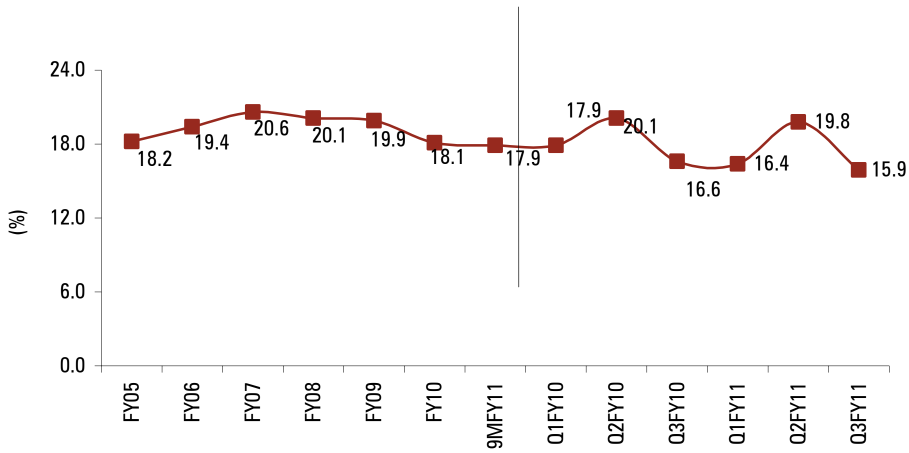
SSL playing down 'private label' card

SSL primarily operates as a multi-brand departmental store and positions itself as a 'house of brands' with focus on renowned international brands. According to the management, the company does not have aggressive plans to expand in the private label space (like Globus, Pantaloons and Westside) or the mall format (like Lifestyle and Central). However, the company sells a few private labels products under Haute Curry, Kashish, Life, Vettorio Fratini, Mario Zenoti and Elliza Donatein brands.

Although private labels generate significantly higher margins compared to branded merchandise, SSL's management does not want to bear the associated high inventory and obsolescence risk. In FY10, private labels contributed ~18% (15.9% in Q3FY11) of Shoppers Stop's revenues while international brands contributed over 50%. Going forward, SSL plans to maintain the share of private label close to 20%.

Over the years, SSL has shifted its merchandise buying model from the bought-out arrangement to consignment

Exhibit 27: Share of private label to remain at ~20% in FY11E-13E



Source: Company, ICICIdirect.com Research

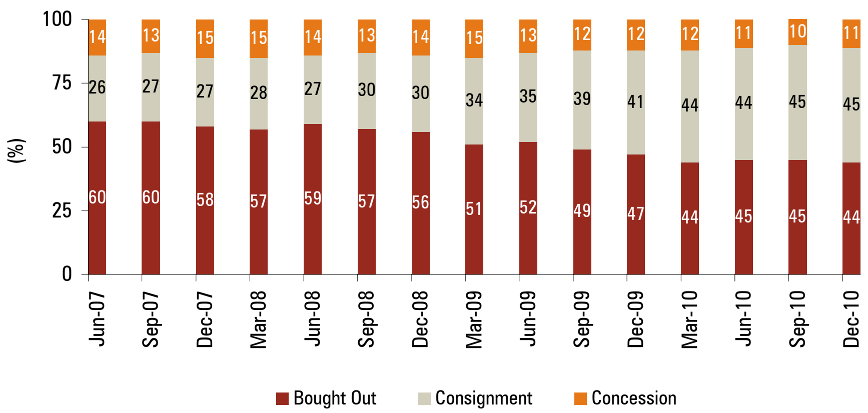
Tactical initiatives to drive Shoppers Stop stores' operational efficiency

Shift in merchandise buying model…

In the last two or three years, the management has increasingly shown its preference towards the consignment model for sourcing merchandise for its departmental stores. The share of the consignment model in SSL's merchandise buying mix increased from 26% in Q1FY08 to 45% in Q3FY11. Under the consignment model, the vendor (consignor) bears the inventory risk and SSL is responsible only for the inventory shrinkage (loss through shop lifting, pilferage, errors in documentation). The company pays the consignor only after the sale of merchandise, thus reducing the inventory risk and working capital investment while keeping the option to add more vendors in case of further requirement.

A shift in the merchandise buying model is helping SSL to improve its efficiency in terms of gross returns on inventory and employees

Exhibit 28: Share of consignment model increased to 45% in Q3FY11 vs. 26% in Q1FY08



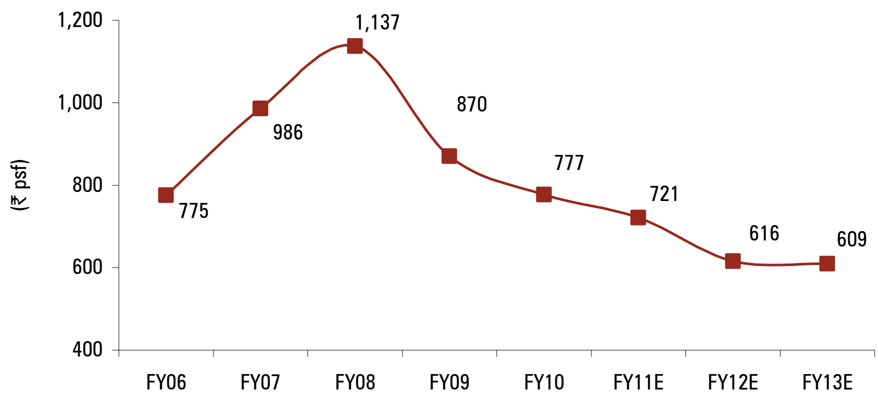
Source: Company, ICICIdirect.com Research

However, SSL also sources its merchandise through other models such as bought-out and concessionaire models primarily for products that are unavailable through the consignment model. Under the bought-out model, SSL buys the inventory from the vendors, thereby bearing the inventory risk. This model is utilised for private labels and some international brands. Also, the company uses the concessionaire model for sourcing inventories for the specific product groups (e.g. jewellery, accessories, etc.) where the vendor (concessionaire) bears the inventory risk and employs its own staff. During Q1FY08-Q3FY11, the share of bought-out and concessionaire models has declined to 44% (from 60%) and 11% (from 14%), respectively.

…helping SSL to reduce investment in inventory…

With the increasing share of the consignment model for departmental stores, SSL has witnessed a declining trend in its inventory psf from ₹ 1,137 psf in FY08 to ₹ 777 psf in FY10. Going forward, we expect the inventory psf to reach ~₹ 609 psf in FY13E.

Exhibit 29: Shifting to consignment model leads to declining inventory psf

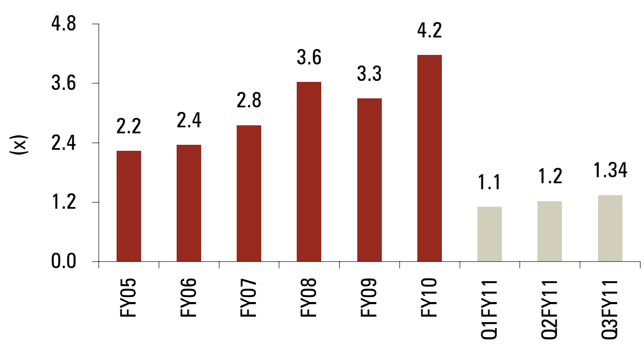


Source: Company, ICICIdirect.com Research

…and improve its efficiency ratios

The reduction in inventory psf has resulted in improved gross margin return on inventory investment (GMROI) for the company, which increased to 4.2x in FY10 (from 2.2x in FY05). The company has also benefited from the continued use of the concessionaire model helping it to reduce employees on its payroll. Consequently, SSL's gross margin return on labour (GMROL) has increased from ₹ 899,000/employee in FY05 to ₹ 1,418,000/employee in FY10.

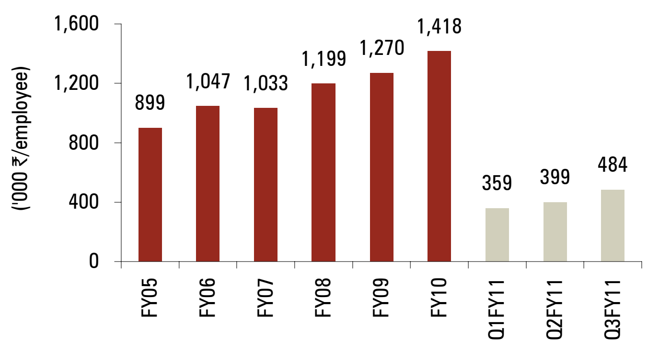
Exhibit 30: Continued improvement in GMROI…



Source: Company, ICICIdirect.com Research

Note: GMROI = Gross Margin / Average Inventory at cost

Exhibit 31: …and GMROL



Source: Company, ICICIdirect.com Research

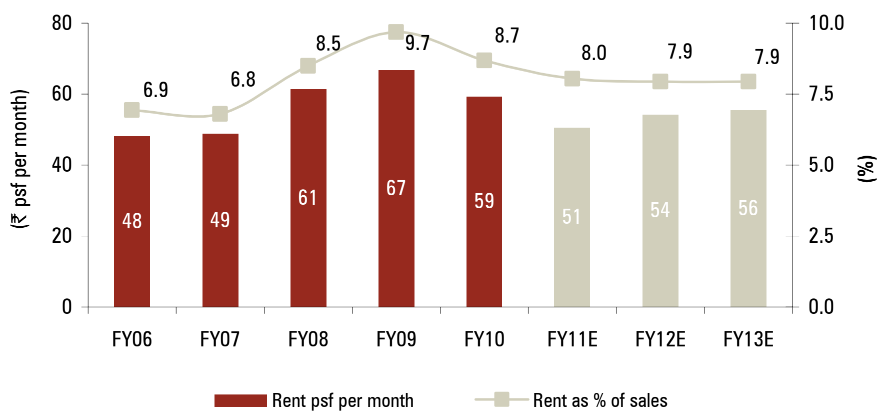
Note: GMROL = Net Sales/ No. of employees

Reduction in rental costs driven by adopting revenue sharing model

The retail sector in India is undergoing a perceptible change in the real estate leasing market in the aftermath of the economic slowdown faced during 2008-09. Domestic retailers are increasingly looking for a revenue sharing model with property owners for opening new stores. Under this practice, retailers generally pay 5-8% of monthly net revenues to property developers. In case the sales fall below a certain level, retailer pays a fixed amount to the developer. This model helps the retailers to reduce their rental expenses, especially in the initial months of opening a store when footfalls are lower and business is not profitable.

SSL currently has ~15% of its stores on a revenue sharing model. This has helped the company to reduce its rental cost by ~100 bps to 8.7% in FY10 (₹ 59 psf per month in FY10 vs. ₹ 67 psf per month in FY09). With more stores coming up under the revenue sharing model, we expect SSL's rental costs to reduce by ~80 bps to 7.9% in FY13E. Also, the rent psf per month is expected to be in the range of ₹ 50-55 in FY11E-13E.

Exhibit 32: Rent psf per month to decline to ₹ 56 in FY13E from ₹ 67 in FY09



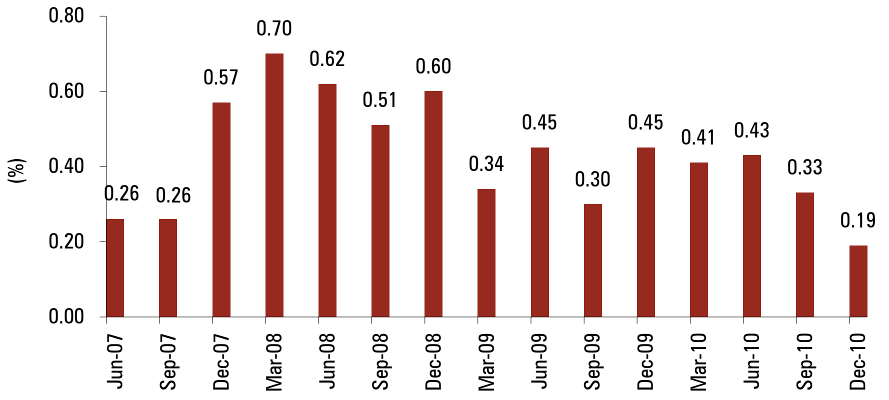
Source: Company, ICICIdirect.com Research

Sustainable reduction in energy costs to improve margins

In December 2009, SSL switched its energy supplier from Reliance to Tata Power in the Mumbai region primarily for cost rationalisation (30-35% lower rates). The company also took a number of initiatives at the shop floor for energy reduction; e.g. escalator sensors, CEMS, etc. (resulting in 30% reduction in energy consumption). On an all-India basis, SSL was able to reduce its energy costs (as percentage of sales) by 50 bps.

Additionally, SSL has perpetual inventory control system (PICS) in place to monitor and control shrinkage on a continuous basis. Since Q4FY09, the company has been able to maintain inventory shrinkage below 0.5%.

Exhibit 33: SSL has maintained shrinkage of departmental stores below 0.5%

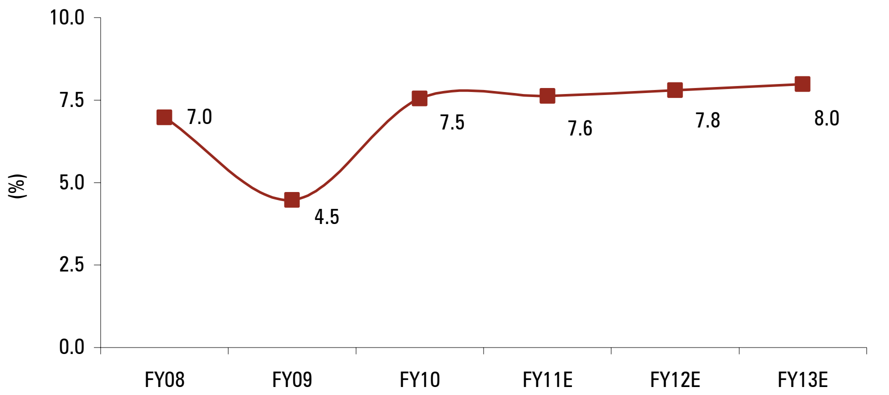


Source: Company, ICICIdirect.com Research

These sustainable cost containment measures and tactical initiatives have helped SSL to improve the EBITDA margins of its departmental stores by more than 300 bps to 7.5% in FY10 (vs. 4.5% in FY09). Going forward, we expect the EBITDA margin of Shoppers Stop stores to increase to 8.0% by FY13E.

With the sustainable cost containment measures in place, we expect the EBITDA margins of the departmental business to increase to 8.0% by FY13E

Exhibit 34: EBITDA margin of departmental stores to expand in FY10-FY13E



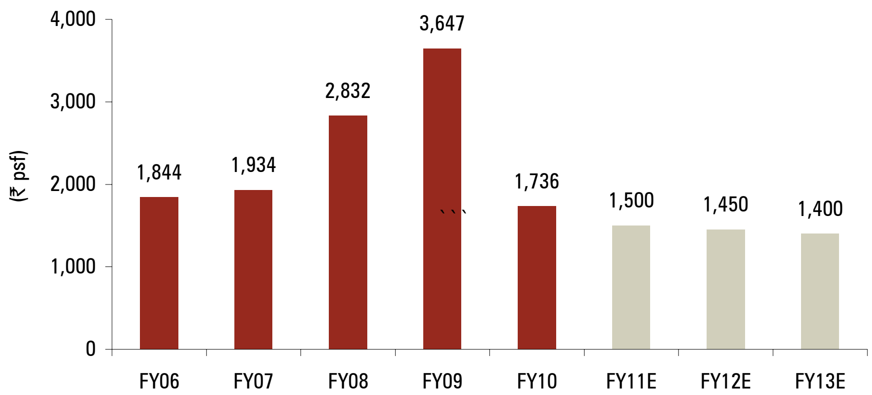
Source: Company, ICICIdirect.com Research

SSL's management plans to reduce the capex psf for new stores to ₹ 1,400 psf in the next few years

Rationalisation in capital expenditure

With the completion of the distribution & logistics network and IT systems set-up in FY09, SSL's capex psf reduced to ~₹ 1,800 psf in FY10 (from ~₹ 3,600 psf in FY09). According to the management, the target capex psf for new stores is below ₹ 1,400 psf. Also, the company is planning renovation of older stores (more than seven years old) at a capex of ₹ 1,000 psf.

Exhibit 35: SSL's capex psf to decline to ₹ 1,400 psf in FY13E



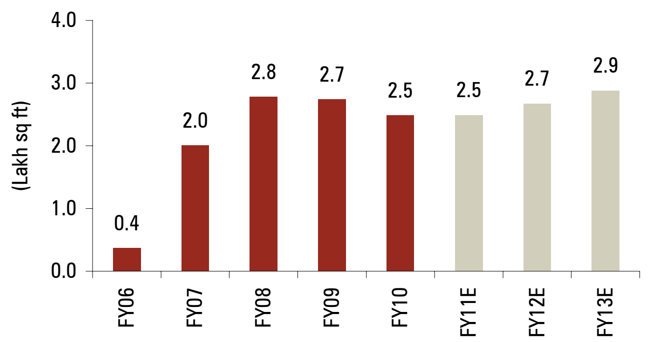
Source: Company, ICICIdirect.com Research

Speciality stores – a focused retail approach

Revenues of speciality stores to grow at CAGR of 14.7%

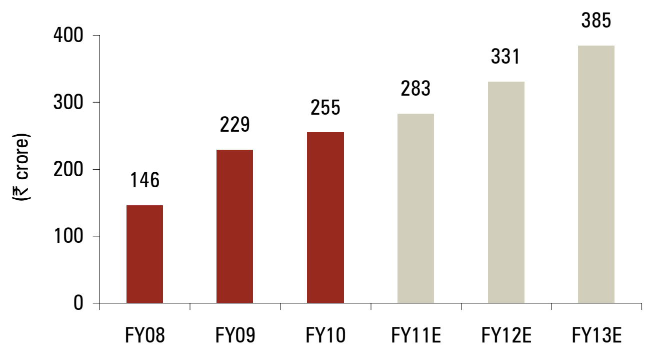
With the addition of ~32 stores (0.4 lakh sq ft of retail space) during FY10-13E, we project the total retail space of speciality stores will rise to 2.9 lakh sq ft in FY13E. This will help the company to grow its revenues at 14.7% CAGR to ₹ 385 crore in FY10-13E.

Exhibit 36: SSL to add 0.4 lakh sq ft of space in speciality stores format



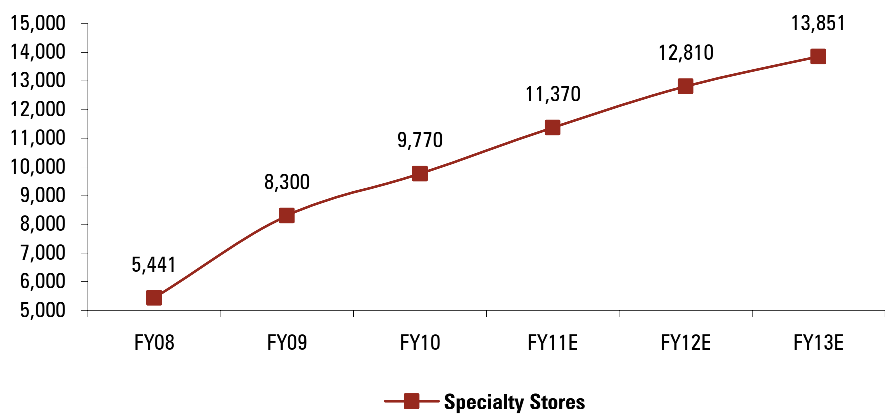
Source: Company, ICICIdirect.com Research

Exhibit 37: Speciality stores revenue to grow at 14.7% CAGR in FY10-13E



Source: Company, ICICIdirect.com Research

Exhibit 38: Specialty stores - revenue per sq. ft.



Source: Company, ICICIdirect.com Research

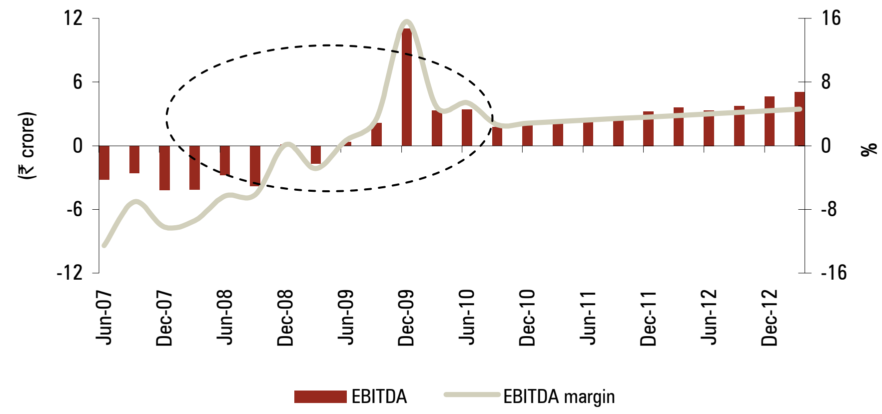
With a more focused approach and a better understanding of consumer demand, we expect the revenue per sq ft for speciality stores to improve from ₹ 9,770 in FY10 to ₹ 13,851 in FY13E.

Revival of profitability

SSL's speciality stores have crossed the inflection point in Q1FY10, when they reported positive EBITDA (at the aggregate level) for the first time. We believe the closing of the loss-making food and beverages stores & Arcelia was a major step in their revival. Moreover, hitherto loss-making formats such as HomeStop also turned EBITDA positive in FY10 driven by higher sales and increasing cost efficiencies at store level. We expect the EBITDA margin of speciality stores to be maintained at ~4.5% in FY13E.

With the closing of loss-making stores and breakeven of other speciality format stores, we expect the EBITDA margin of speciality stores to increase from 2.5% in Q3FY11 to ~4.5% in FY13E

Exhibit 39: EBITDA of speciality format stores turns positive in Q1FY10



Source: Company, ICICIdirect.com Research

Acquisition of majority stake in HyperCity

Diversification into mass segment

Although SSL has been witnessing significant growth since the opening of its first Shoppers Stop store in 1991 and subsequent entry into various speciality formats, the company was missing out on the biggest opportunity in the retail market - mass segment (mainly food & grocery). According to consultancy firm Technopak, food & grocery offers the largest potential in the consumer market with over 50% share in 2009. Although several other segments are expected to witness double digit growth rates in FY10-14E, food and grocery will remain the biggest market in FY14E (~46% share).

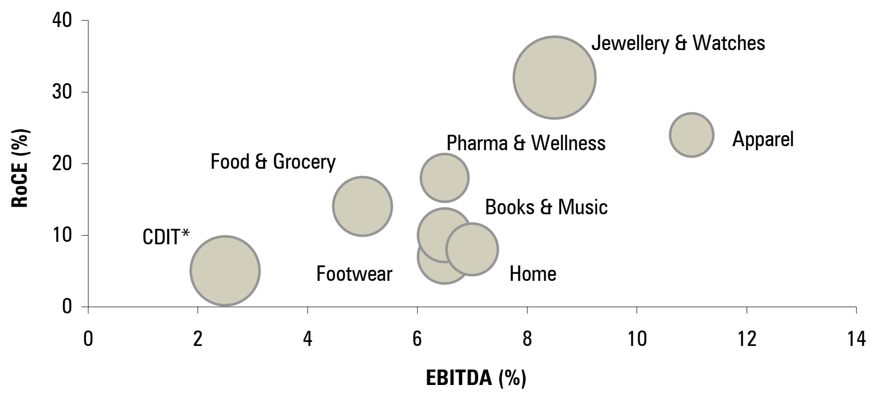
Exhibit 40: Consumer spending category wise potential

Category	2009		2014		CAGR 2009-14 (%)
	Size (US$ billion)	Market Share (%)	Size (US$ billion)	Market Share (%)	
Food & Grocery	270	50.4	339	45.9	4.7
Healthcare	36	6.7	58	7.9	10.0
Apparel & Home Textiles	34	6.3	45	6.1	5.8
Housing	33	6.2	47	6.4	7.3
Education	30	5.6	47	6.4	9.4
Telecom	26	4.9	42	5.7	10.1
Jewellery & Watches	26	4.9	36	4.9	6.7
Personal Transport	25	4.7	39	5.3	9.3
Travel & Leisure	13	2.4	21	2.8	10.1
Consumer Durables & IT Products	12	2.2	18	2.4	8.4
Home Furniture	11	2.1	15	2.0	6.4
Personal Care	10	1.9	15	2.0	8.4
Eating Out	5	0.9	8	1.1	9.9
Footwear	4	0.7	6	0.8	8.4
Health & Beauty Services	1	0.2	2	0.3	14.9
Total	**536**	**100.0**	**738**	**100.0**	**6.6**

Source: Technopak, ICICIdirect.com Research

The food and grocery segment provides significant opportunity with the biggest share of consumer wallet and reasonable EBITDA margins and RoCE

Exhibit 41: EBITDA margins and RoCE for different consumer spending categories



Source: Technopak, ICICIdirect.com Research, Bubble size represents sales psf

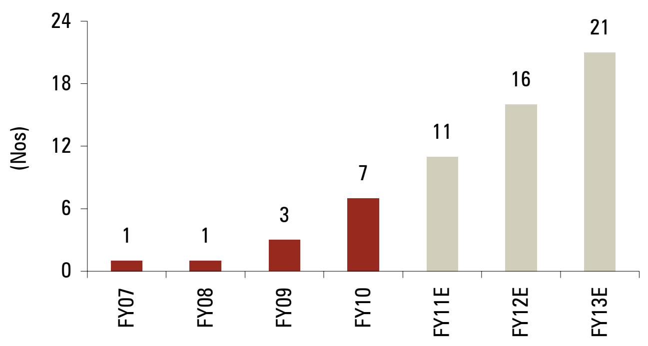
** - Consumer Durables & IT Products*

We expect HyperCity to more than double its retail space from 8.3 lakh sq ft in FY10 to 17.4 lakh sq ft in FY13E with the addition of 14 stores in the next three years

Aggressive plans for HyperCity store expansion

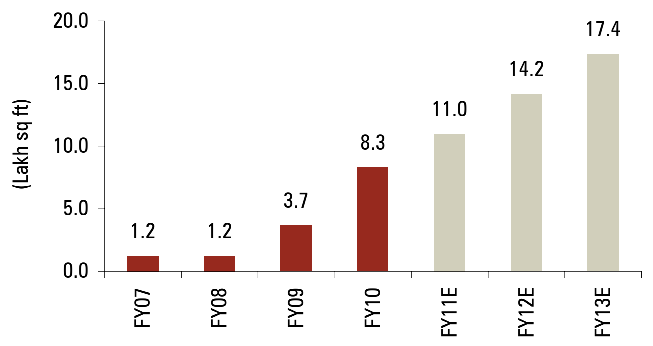
As of Q3FY11, HyperCity operates eight hypermarket stores covering a total retail area of 9 lakh sq ft. HyperCity added four stores in FY10 and plans to add four to five stores each year in FY11E-13E. The company has adopted a cluster-based strategy focusing on core-size stores (75,000-80,000 sq ft) to drive volumes and margins, and on mid-size stores (50,000-55,000 sq ft) for penetration in the new markets. Consequently, we expect HyperCity to more than double its retail space to 17.4 lakh sq ft in FY10-13E (at 28% CAGR).

Exhibit 42: No of HyperCity stores to increase to 21 by FY13E…



Source: Company, ICICIdirect.com Research

Exhibit 43: …with CAGR of 28% in built-up area to 17.4 lakh sq ft

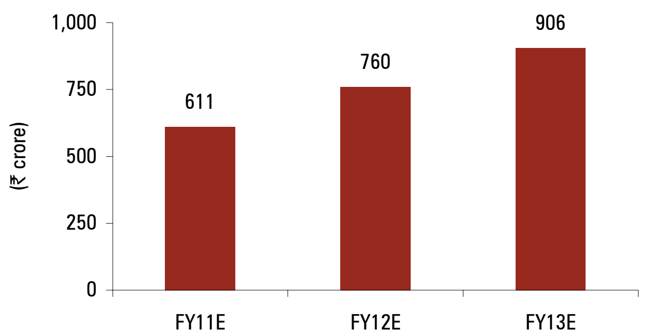


Source: Company, ICICIdirect.com Research

HyperCity to contribute ~23% of revenues in FY13E…

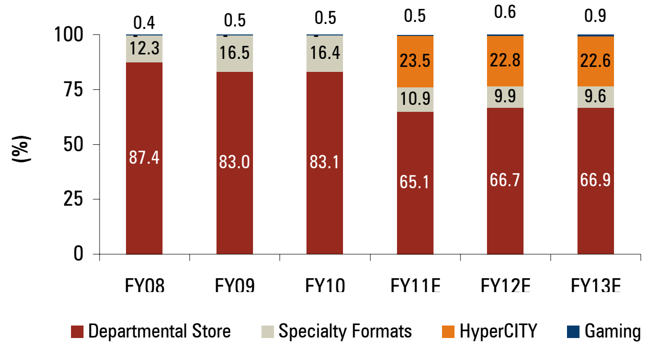
With the high growth of the mass segment and aggressive retail space addition, HyperCity's revenues are expected to witness CAGR of 22% to ₹ 906 crore in FY11E-13E. HyperCity's share in the consolidated revenues is expected at ~23% in FY13E.

Exhibit 44: HyperCity revenues to grow at 22% CAGR in FY11E-13E…



Source: Company, ICICIdirect.com Research

Exhibit 45: …with a share of ~23% in consolidated revenues in FY13E

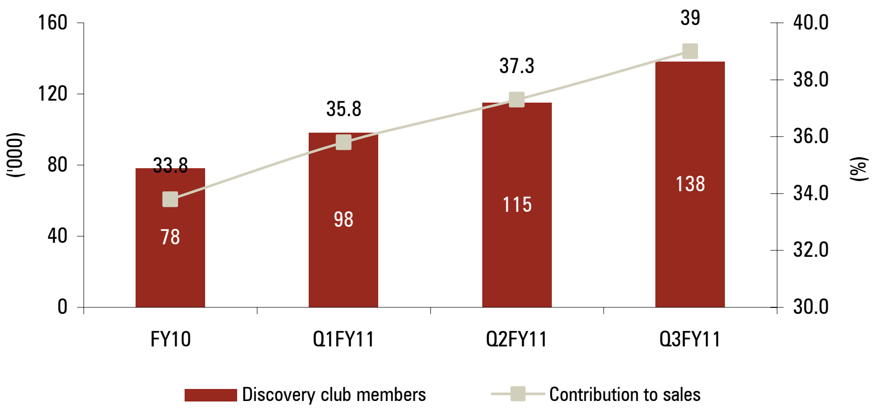


Source: Company, ICICIdirect.com Research

…supported by growing base of loyal customers

The membership of Discovery Club, the loyalty programme for HyperCity, crossed the 1 lakh mark in Q2FY11 and further increased to 1.38 lakh members in Q3FY11 within the short span of its launch. Discovery Club is a fee-based programme (similar to Shoppers Stop's First Citizen programme) that awards reward points to customers for their purchase in HyperCity, which can be redeemed against other merchandise.

Exhibit 46: Membership of Discovery club crossed 1 lakh mark in Q3FY11



Source: Company, ICICIdirect.com Research

With the high growth of the hypermarket segment and economies of scale, we expect HyperCity stores to turn EBITDA positive at the company level by FY12E

HyperCity's EBITDA margins to gain traction

In Q3FY11, HyperCity reported an operating loss of ₹ 9 crore despite generating profit at the store level. With the expected expansion in number of stores and rising sales of existing stores, we expect the company to improve its operational performance, going forward. Also, the company has a favourable sales mix with lower share of low-margin food and groceries products (50-55% vs. 65-70% for similar hypermarket store in China), which is expected to help the company to break even early. Further, HyperCity's margins are supported by the reasonable share of private labels in the sales mix (21% in FY10) that generate high margins. With strong growth prospects in the domestic mass market segment and rising economies of scale, we expect HyperCity's EBITDA margin (at store level) to expand to ~5% in FY13E.

Exhibit 47: HyperCity business model

Department	Mix (%)	Key Driver
Food & Groceries	50-55%	Footfall driver
General Merchandise	35-40%	Value and margin driver
Apparels & Jewellery	7-10%	Fashion, value and margin driver

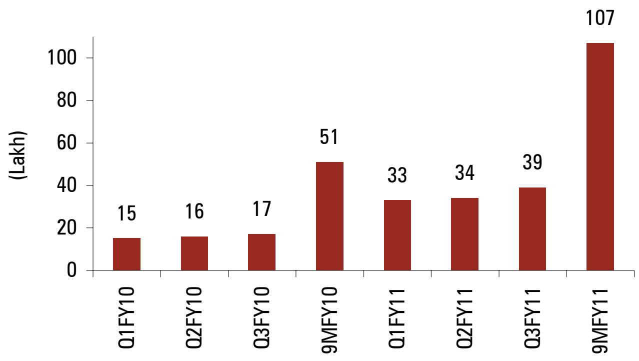
Source: Company, ICICIdirect.com Research

Exhibit 48: Gross margins breakdown in FY10

Department	Sales mix (%)	Gross margins
Food & Groceries	55%	18.2%
General Merchandise	38%	19.3%
Apparels & Jewellery	7%	34.1%
HyperCITY	100%	19.7%

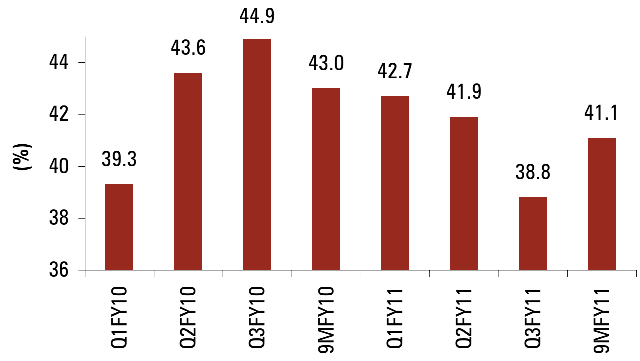
Source: Company, ICICIdirect.com Research

Exhibit 49: Footfalls trend



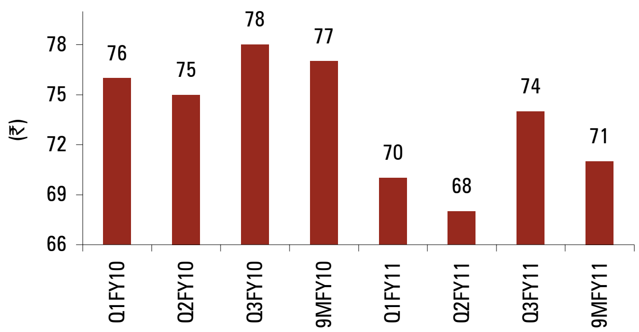
Source: Company, ICICIdirect.com Research

Exhibit 50: Conversion rate trend



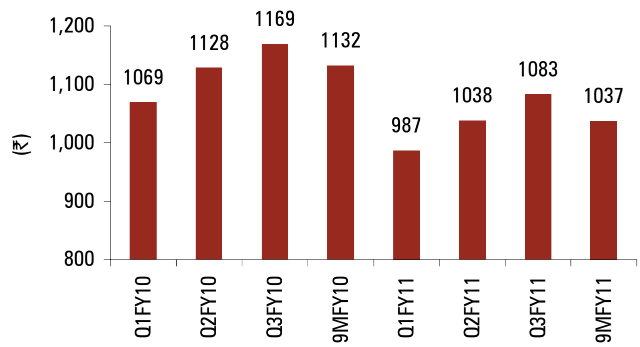
Source: Company, ICICIdirect.com Research

Exhibit 51: Average selling price trend



Source: Company, ICICIdirect.com Research

Exhibit 52: Average transaction size trend



Source: Company, ICICIdirect.com Research

Risks and concerns

Delays in store delivery

SSL is expected to add ~67 stores across formats over the next 30 months, primarily in the malls being set up in various cities. Any delays in the construction of malls could slow down the rate of space expansion, materially affecting the company's projected revenue growth.

Economic slowdown

The growth of the retail industry is highly correlated with the economic growth of the country. In the event of any economic pressures, consumers reduce their discretionary items like branded apparel, accessories, entertainment, etc. with the decline in their disposable income. Although we expect a healthy growth for the Indian economy over the next few years, a slower-than-expected growth will negatively impact our growth estimates.

Higher rentals in short-term

Although SSL is gradually shifting towards the revenue sharing model for leasing properties (in order to open new stores), fixed rentals still constitute a major share of rental expenses. With the recovery of economy, rentals are expected to harden in the short-term affecting the company's profitability.

Increasing competition

The Indian retail sector is one of the fastest growing markets in the world. With increasing number of players in the sector, the competition is expected to increase significantly in the next few years. Increasing competition will not only put pressure on SSL's margins and market share but also intensify the rivalry for premium retail space, thereby driving property rentals upward.

Delays in GST roll out

With the delay in implementation of the goods and services tax (GST) regime in India, retailers have to face multiple taxes (and levies) on their products, resulting in lower profits. The continued delay in implementing GST by the government is creating a burden for retail players like SSL.

Liberalisation of FDI in multi-brand retail

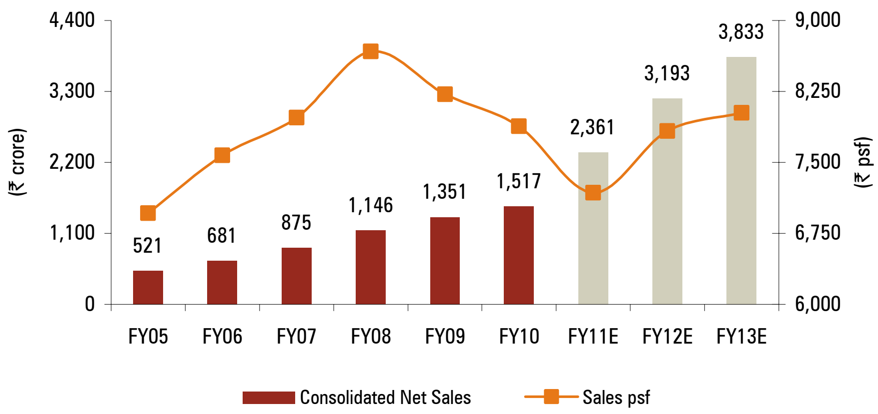
SSL is expected to face immense competition from big international retail players in case FDI is allowed in the multi-brand retail segment in the country. International companies may have certain advantages like lower cost structures, larger production capacity and greater financial resources, which has the potential to pressurise SSL's margins, expansion plans and profitability.

Financials

Revenues expected to grow at 36% CAGR during FY10-13E

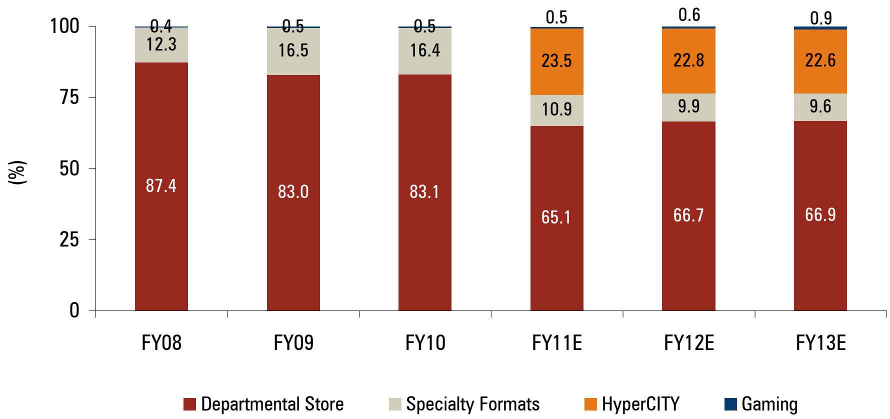
With the aggressive ramp-up of retail space, the increasing customer base and the acquisition of a majority stake in HyperCity, we expect SSL's consolidated revenues to grow at 36% CAGR in FY10-13E to ₹ 3,833 crore. Sales psf is expected to increase from ₹ 7,883 psf in FY10 to ₹ 8,025 psf in FY13E. The departmental store business is expected to drive the consolidated revenues with 67% share in 13E (87% exclusive HyperCity vs. 83% in FY10), driven by aggressive expansion plans (21 new stores during FY11E-13E), penetration in Tier II cities and increase in sales psf. With strong focus on the high growth mass segment and robust store expansion plans (14 new stores in FY11E-13E), we expect HyperCity to contribute ~22% of revenues in FY13E.

Exhibit 53: Consolidated revenue to grow at 36% CAGR to ₹ 3,833 crore in FY10-13E



Source: Company, ICICIdirect.com Research

Exhibit 54: Departmental stores to drive revenue growth

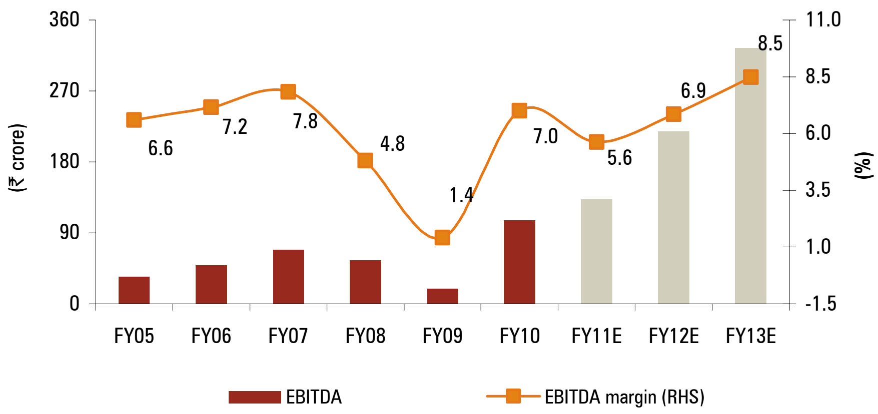


Source: Company, ICICIdirect.com Research

EBITDA margins expected to expand

With sustainable cost containment measures like energy savings, PICS utilisation, etc, revival of speciality formats and the expected breakeven of HyperCity stores at the company level, we expect SSL's margins to expand significantly from 7.0% in FY10 to 8.5% in FY13E.

Exhibit 55: EBITDA margins to expand substantially

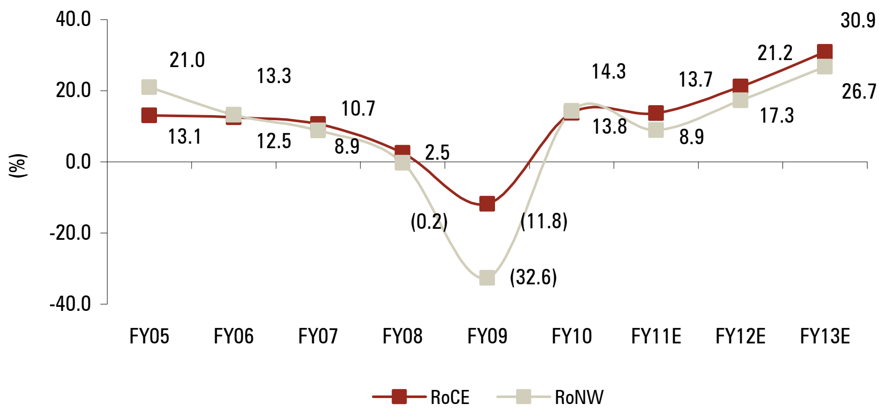


Source: Company, ICICIdirect.com Research

Return ratios expected to improve substantially

With the sharp recovery of the Indian retail sector after the economic slowdown witnessed in FY08-09, SSL's return ratios, RoCE and RoNW, improved to 14.3% and 13.8%, respectively, in FY10 (vs. -11.8% and -32.6%, respectively in FY09). We expect the return ratios to improve significantly in FY11E-FY13E on the back of robust revenue growth, expansion in margins and capex rationalisation. A drop is expected in RoNW in FY11E due to the expanded equity capital base with the QIP issue and warrant conversion in Q3FY11.

Exhibit 56: Return ratios to improve in FY10-13E



Source: Company, ICICIdirect.com Research

We have valued SSL at ₹ 333/share using an average of the EV/sales methodology and P/E ratio. We have assigned FY12E EV/sales multiple of 0.9x to the stock at a 10% premium to PRIL

Valuations

SSL is an established player in the Indian retail sector with a presence in departmental stores, speciality format stores and hypermarket segments. The company is well positioned to capture the huge growth in the Indian organised retail market. We expect SSL's consolidated revenues to grow at 36% CAGR to ₹ 3,883 crore in FY10-FY13E driven by the aggressive expansion plans of increasing its total retail space by 1.8x to ~51 lakh sq ft in FY10-13E. With the expected margin expansion on the back of revival of speciality stores, breakeven of HyperCity stores and sustainable cost containment measures, we expect SSL's earnings to grow at 53% CAGR in FY10-13E.

We have valued SSL using the EV/sales methodology. We have assigned an FY12E EV/sales multiple of 1.0x and arrived at a value of ₹ 365/share. The valuation is done at a 20% premium to SSL's closest competitor Pantaloon Retail India Ltd (PRIL). We believe the premium is warranted on account of the following reasons:

- SSL is relatively lower leveraged and will be able to fund the expansion without any major interest burden. The FY12E debt/EBITDA levels for SSL stand at 1.2x vs. 3.2x for PRIL
- Also, the return ratios for SSL are superior compared to PRIL and will further improve in FY13E when HyperCity turns positive at the PAT level

Exhibit 57: Comparison of SSL and PRIL

	Debt/ EBITDA (x)	RoCE (%)	RoNW (%)	P/E (x)
Shoppers Stop	1.2	21.2	17.3	32.3
Pantaloon Retail	3.2	14.3	10.7	14.0

Source: Company, ICICIdirect.com Research

Exhibit 58: SSL valuation – EV/sales methodology

PRIL EV/Sales	0.82x
Premium applied (%)	20
Applied EV/Sales multiple	**1.0x**
FY12E Sales (₹ crore)	3,193
Valuation (₹ crore)	3,142
Net Debt (₹ crore)	170
Minority (₹ crore)	(29)
Equity Valuation (₹ crore)	**3,001**
Per share (₹)	**365**

Source: ICICIdirect.com Research

Exhibit 59: Profit & loss account

₹ Crore	FY09	FY10	FY11E	FY12E	FY13E
Total Revenues	1,351	1,517	2,361	3,193	3,833
Growth (%)	15.9	12.3	55.6	35.2	20.1
Op. Expenditure	1,355	1,437	2,262	3,027	3,573
EBITDA	19	106	133	219	325
Growth (%)	-65.2	454.6	24.8	65.0	48.5
Depreciation	77	38	44	41	42
EBIT	-58	68	89	178	283
Interest	26	19	29	32	21
Other Income	1	3	5	7	8
Extraordinary Item	0	0	0	0	0
PBT	-82	52	65	152	269
Growth (%)	NM*	163.5	24.3	134.1	77.3
Tax	0	16	28	51	90
Rep. PAT before MI	-82	36	37	101	179
Minority Interest (MI)	-18	0	-19	15	54
Rep. PAT after MI	-64	36	55	86	125
Adjustments	2	-1	0	0	0
Adj. Net Profit	-62	35	55	86	125
Growth (%)	NM*	156.5	58.6	56.0	45.1

*Source: Company, ICICIdirect.com Research, *Not Meaningful*

Exhibit 60: Balance sheet

₹ Crore	FY09	FY10	FY11E	FY12E	FY13E
Equity Capital	35	35	41	41	41
Convertible Warrants	0	31	31	31	31
Reserves & Surplus	185	215	478	549	649
Shareholder's Fund	220	281	549	621	720
Borrowings	213	199	219	244	199
Unsecured Loans	53	22	22	22	22
Minority Interest	-22	-22	-36	-22	32
Deferred Tax Liability	0	-5	-2	-2	-2
Source of Funds	464	476	753	864	972
Gross Block	418	461	559	657	715
Less: Acc. Depreciation	167	180	215	252	288
Net Block	251	280	344	406	427
Capital WIP	24	28	26	26	26
Net Fixed Assets	275	308	370	431	452
Intangible Assets	13	10	6	12	16
Goodwill on Consolidation	11	11	11	11	11
Investments	30	40	40	25	25
Cash	22	9	237	267	322
Trade Receivables	17	12	24	30	36
Loans & Advances	229	221	237	300	357
Inventory	158	159	247	274	311
Total Current Asset	426	402	744	872	1,025
Current Liab. & Prov.	290	294	419	487	558
Net Current Asset	135	107	326	385	467
P&L Account	0	0	0	0	0
Application of Funds	464	476	753	864	972

Source: Company, ICICIdirect.com Research

Exhibit 61: Cash flow statement

₹ Crore	FY09	FY10	FY11E	FY12E	FY13E
Net Profit before Tax	-82	52	65	152	269
Other Non Cash Exp	0	0	0	0	0
Depreciation	77	38	44	41	42
Direct Tax Paid	0	16	25	51	90
Other Non Cash Inc	3	2	5	7	8
Other Items	27	18	29	32	21
CF before change in WC	19	90	107	168	235
Inc./Dec. In WC	55	15	9	-29	-27
CF from Operations	74	106	116	139	208
Pur. of Fix Assets	-79	-47	-96	-108	-68
Pur. of Inv	-11	-10	0	14	0
CF from Investing	-89	-54	-91	-87	-60
Inc./(Dec.) in Debt	59	-45	20	25	-45
Inc./(Dec.) in Net Worth	0	32	223	0	0
Others	-26	-25	-40	-47	-48
CF from Financing	33	-38	203	-22	-93
Opening Cash Balance	14	22	9	237	267
Closing Cash Balance	22	9	237	267	322

Source: Company, ICICIdirect.com Research

Exhibit 62: Growth

Y-o-Y Growth (%)	FY09	FY10	FY11E	FY12E	FY13E
Net Sales	17.9	12.3	55.6	35.2	20.1
EBITDA	-65.2	454.6	24.8	65.0	48.5
Adj. Net Profit	NM*	156.5	58.6	56.0	45.1
Cash EPS	-112.1	NM*	-52.4	73.0	53.6
Net Worth	-22.4	28.0	95.4	13.1	16.0

*Source: Company, ICICIdirect.com Research *Not Meaningful*

Exhibit 63: Key ratios

(%)	FY09	FY10	FY11E	FY12E	FY13E
Raw Material	65.7	65.7	68.6	68.7	67.8
Employee Expenditure	7.0	6.1	6.0	5.8	5.8
Effective Tax Rate	0.1	31.4	43.1	33.3	33.3
Profitability Ratios (%)					
EBITDA Margin	1.4	7.0	5.6	6.9	8.5
PAT Margin	-6.1	2.4	1.6	3.2	4.7
Per Share Data (₹)					
Revenue per share	387.4	434.4	287.4	388.7	466.7
EV per share	410.5	400.7	145.0	144.4	132.2
Book Value	63.0	80.5	66.9	75.6	87.7
Cash per share	6.3	2.6	28.8	32.5	39.2
EPS	-18.3	10.3	6.7	10.5	15.3
Cash EPS	-1.5	22.4	10.7	18.4	28.3
DPS	0.0	1.5	1.2	1.5	2.7

*Source: Company, ICICIdirect.com Research *Standalone financials*

Exhibit 64: Key ratios

Return Ratios (%)	FY09	FY10	FY11E	FY12E	FY13E
RoNW	-32.6	14.3	8.9	17.3	26.7
ROCE	-11.8	13.8	13.7	21.2	30.9
ROIC	-0.7	-13.1	5.9	5.5	8.1

Financial Health Ratio					
Operating CF (₹ Cr)	74	106	116	139	208
FCF (₹ Cr)	-4	58	17	31	140
Cap. Emp. (₹ Cr)	486	502	791	887	942
Debt to Equity (x)	1.1	0.8	0.0	0.0	-0.1
Debt to Cap. Emp. (x)	0.5	0.4	0.3	0.3	0.2
Interest Coverage (x)	NM*	3.6	3.1	5.5	13.2
Debt to EBITDA (x)	13.9	2.1	1.8	1.2	0.7

DuPont Ratio Analysis					
PAT/PBT	99.9	68.6	56.9	66.7	66.7
PBT/EBIT	142.4	76.6	73.2	85.5	95.2
EBIT/Net Sales	-4.3	4.5	3.8	5.6	7.4
Net Sales/Total Asset	283.5	322.7	384.2	394.9	417.5
Total Asset/NW	2.1	1.7	1.4	1.4	1.3

Working Capital (x times)	FY09	FY10	FY11E	FY12E	FY13E
Working Cap./Sales (%)	10.0	7.1	13.8	12.1	12.2
Inventory turnover	46.0	38.2	31.4	29.8	27.8
Debtor turnover	3.4	3.5	2.8	3.1	3.2
Creditor turnover	60.3	62.2	50.5	48.6	47.1
Current Ratio	1.5	1.4	1.8	1.8	1.8

FCF Calculation (₹ crore)	FY09	FY10	FY11E	FY12E	FY13E
EBITDA	19	106	133	219	325
Less: Tax	0	16	28	51	90
NOPLAT	19	90	105	168	235
Capex	-79	-47	-96	-108	-68
Change in working cap.	55	15	9	-29	-27
FCF	-4	58	17	31	140

Valuation	FY09	FY10	FY11E	FY12E	FY13E
PE (x)	NM*	33.1	50.4	32.3	22.3
EV/EBITDA (x)	74.7	13.2	9.0	5.4	3.3
EV/Sales (x)	1.1	0.9	0.5	0.4	0.3
Dividend Yield (%)	0.0	0.4	0.4	0.5	0.8
Price/BV (x)	5.4	4.2	5.1	4.5	3.9

*Source: Company, ICICIdirect.com Research *Not Meaningful*

Appendix

Details of the speciality format stores

Home Stop – home furnishing

Home Stop is a premium home furnishing store offering products across categories including furniture, home décor, bath accessories, bedroom furnishing, modular kitchens, health equipments, etc. SSL currently operates four Home Stop stores, one each in Mumbai, Navi Mumbai, Bengaluru and New Delhi.

Crossword – books and music

The wholly owned subsidiary of SSL, Crossword, is the market leader in the lifestyle book category offering a mix of books, magazines, music, stationery and toys in addition to services like 'Dial-a-book', 'Email-a-book', etc. Recently, Crossword won the award for the Most Admired Retailer of the year in the leisure category at IRF-2010. From October 1, 2010, SSL has moved Crossword's franchise business from the company to Crossword Bookstores Ltd. Currently, 59 Crossword stores are in operation of which 33 are run by SSL and others by external franchise.

Mothercare & Early Learning Centre (ELC) – maternity, childcare and toys

On October 15, 2009, SSL signed an exclusive franchise agreement with Mothercare UK Limited and UK's Early Learning Centre Limited for retailing Mothercare and ELC products. While Mothercare stores are focused on products for expecting mothers and infants, ELC is into educational toys for children aged 0-6 years. Currently, SSL operates 28 Mothercare stores (including seven standalone stores) of which 10 also sell ELC products.

Estee Lauder group of Companies – cosmetics

SSL has a non-exclusive supply and license agreement with the renowned cosmetics major Estee Lauder Companies Inc to open stores for international cosmetics brands – MAC, Clinique and Estee Lauder. Currently, SSL operates 15 MAC stores, seven Clinique stores and three Estee Lauder stores.

Airport Retailing – duty free and duty paid stores

SSL forayed into the airport retailing space in a 50:50 joint venture with the Switzerland based The Nuance Group AG. Currently, the company operates both duty-free and duty-paid shops at Bengaluru and Hyderabad airports.

Timezone – family entertainment

With the acquisition of 45.73% stake in Timezone Entertainment Private Limited, SSL marked its entry into the entertainment business. Timezone is in the business of operating family entertainment centres (FECs). Currently, it operates 10 stores in seven cities.

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