

ELECTRONICS MART INDIA LIMITED | Consumer

...classic play on the aspiring middle class consumer



Electronics Mart India Limited ("EMIL") is the 4th largest electronic retailer with a diversified product offering (6000 SKUs across product categories from more than 70 consumer durable and electronics brand) and is strongly placed in the southern region (AP and Telengana). EMIL has been increasing its market presence and geographic base with cluster-based expansion while its strategically located logistics & warehousing facilities provides swift turnaround. Its expansions in Delhi/NCR offers strong growth potential (opportunity size of ₹220bn). Management focus remains on premium products and strong product depth with only top brands in various categories. Further its strategy remains clear that no private labels shall be added to avoid discounting and inventory issues while only focussing on retailing top brands as it has strong relationships with top brands in all electronics categories.

EMIL enjoys superior store metrics than peers, led by higher realisations, higher bill sizes and superior product mix which drive higher store throughputs. Considering the emerging demographics in India backed with rising per capita income, improving power situation, multiple financing options we believe there is big scope for organized electronic retail segment to grow. EMIL performance in 9MFY23 has been strong wherein revenue grew 32% YoY to ₹41,179mn and EBITDA margin at 6.0% and EBITDA grew 21% YoY while PAT was up 26% YoY to ₹867mn. EMIL has strong growth visibility ahead with stable margins and return ratios. EMIL's cluster-focused expansion strategy will help to build depth and scale in its targeted geographies. EMIL's plan to build its presence in the NCR region will provide diversification benefits from its current concentrated presence in South-India. We expect Revenues/EBITDA/PAT to grow at a CAGR of 30%/27%/23% over FY22-25E. Valuations are reasonable compared to competition and currently trades at 15.5x FY25 PE and 6.8x EV/EBITDA. We Initiate with a Buy rating and PT of ₹86.

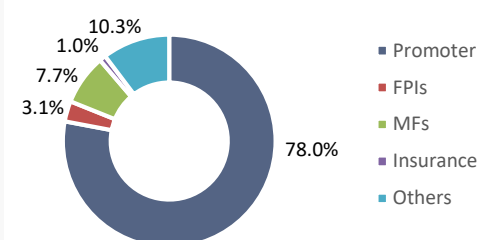
Among leading players with consistent track record of growth and profitability: EMIL is a dominant player in the ₹100bn AP and Telangana markets, and recently expanded into the ₹220bn Delhi/NCR market. It is the fourth largest and one of the fastest growing consumer durable and electronics retailer in India with Revenue CAGR of 17.9% from FY16 to FY21 and 17.1% CAGR from FY2020-22. With more than three decades of experience and successful growth, the company has grown steadily in the recent years and expanded its store network from 71 in Financial Year 2020 to 122 stores as of Dec 31, 2022. EMIL has registered same store growth rate of (0.7) %, (9.8) %, 23.4% and 23.5% for FYs 2020, 2021, 2022 and 9MFY23 respectively. As on Dec 31, 2022, 49 stores from a total of 122 stores are less than three years old. EMIL had a consistent track record of revenue growth and profitability even during the pandemic while its EBITDA margin has been in the range of 6-7% over FY20-22.

Key Financials	FY21	FY22	FY23E	FY24E	FY25E
Total Sales (₹ mn)	32019	43493	55115	65382	74143
EBITDA Margins (%)	6.4	6.7	6.0	6.2	6.4
PAT Margins (%)	1.8	2.4	2.1	2.0	2.1
EPS (₹)	2.0	3.5	3.0	3.5	4.1
P/E (x)	32.2	18.2	20.7	18.2	15.5
P/BV (x)	3.8	3.2	4.0	3.2	2.7
EV/EBITDA (x)	11.8	8.4	9.7	7.9	6.8
RoE (%)	12.7	19.1	19.5	19.5	18.7
RoCE (%)	14.2	18.8	17.9	19.6	20.5

Rating	Buy
Current Market Price (₹)	63
12 M Price Target (₹)	86
Potential upside (%)	37

Stock Data

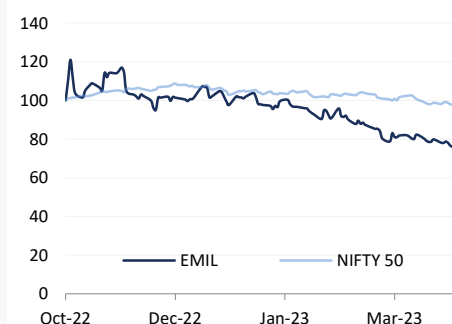
FV (₹) :	10
IPO at Rs 59 per share	
EMIL listed in :	Oct 2022
Total Market Cap (₹ bn) :	2,424
Free Float Market Cap (₹ bn) :	373
H/L post Listing (₹) :	104 / 62
6 M Avg. Dly Traded Volume (in lakh)	36
BSE Code / NSE Symbol	543626 / EMIL
Bloomberg :	EMIL IN

Shareholding Pattern

Source: BSE

Revenue Mix 9M-FY2023

Large Appliances	48%
Mobiles	37%
Small Appliances	15%

EMIL vs Nifty 50







Operational flexibility to create long term sustainable footprint

EMIL has a flexible business model wherein they own or lease property according to the availability, cost and area. The business model is a mix of ownership and lease rental model, as their focus is to secure retail spaces which ensure high visibility and easy accessibility to customers. Currently the company has 122 stores across 38 cities with retail business area of 1.19 mn sq ft of which 102 are lease, 12 are owned and 8 are partially owned and partially leased (POPL). The company’s strategy is to build a brand in the given area as well as build long term relationships with customers. Besides, this model will also help in optimizing cost and improve profitability. The company operates across three channels viz. retail, wholesale and e-commerce which is 98/1/1% of the revenues.

Increasing market presence and geographic reach with cluster-based expansion: Company’s business has grown steadily in recent years, primarily through expansion of their store network. As of Dec 31, 2022, they operate 122 stores in 38 cities/urban agglomerates of which 109 stores are concentrated in Andhra Pradesh and Telangana and 12 stores in NCR. Company’s expansion and increased market presence is based on their cluster-based approach, wherein they expand their network in a particular market till they reach substantial depth & scale. Such clusters lead to effective penetration in underserved markets and concentrated brand visibility due to focused implementation of marketing and advertising initiatives. Going ahead it plans to deepen store network in existing clusters and increase market share in existing markets. EMIL plans to open 26 MBOs in NCR, 22 MBOs and 10 EBOs in Andhra Pradesh & Telangana in future.

Diversified Product Offering: EMIL offers their customers a wide product suite from 70 brands at present comprising more than 6000 SKUs range across multiple categories, price points to ensure that their customers enjoy a wide range of product options to choose from and can make the value buy decision. They focus on providing a competitive product range for the leading brands in their store. Based on the geographic and demographic analysis, the company decides the product mix which is to be offered by their stores to cater to their customer preferences, demands and trends. They classify their products internally into 3 broad categories viz., Large Appliances, Mobiles and Small Appliances. This internal Concept Classification is critical and helpful from the supply chain perspective and ensures that right product reaches the right store and targeted group of customers.

Brands

 <p>South India’s most trusted multi-brand electronics retailer</p>	 <p>Entered North India in NCR through the Brand of ‘Electronics Mart’</p>	 <p>Authorised Apple Reseller, offering matchless experience in Retail</p>	 <p>Luxury built-in kitchen appliances & modular kitchen showroom</p>	 <p>The best of home automation, entertainment & security, under one roof</p>	 <p>Affordable modular kitchens & built-in kitchen appliances</p>
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Source: Company, LKP Research

Diversified product offerings

Large appliances

Televisions



Refrigerators



Washing Machine



Air Conditioner

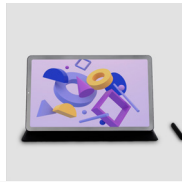


Mobile

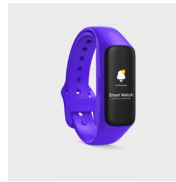
Phones



Tablets



Fitness Tracker



Smart Watch



Small Appliances, IT and Others

Laptops



Printers



Coolers



Geysers



Personal Computer



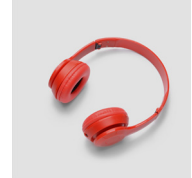
Cables



Screen Guards



Headphones



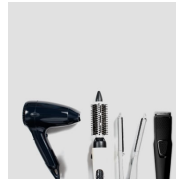
Bluetooth Speakers



Ceiling Fans



Personal Care Devices



Kitchen Hobs



Chimneys



Water Purifiers



Rice Cooker



Mixer Grinder



Source: Company, LKP Research

Retail Outlets



Source: Company, LKP Research

Strategically located logistics and warehousing facilities backed with stringent inventory management

For timely delivery at cost competitive prices, EMIL has nine large warehouses across its operating regions. It has six large warehouses in Hyderabad, one central warehouse in Vijayawada and two warehouses in NCR. The company procures over 80% of the goods from the OEMs, which minimizes the procurement costs.

Its wide-spread supplier network and warehousing facilities located within the reach of consumer durable and electronic retail stores has also allowed it to provide products at cost competitive prices due to reduced procurement and transportation costs. Its sourcing capability, efficient logistics network and robust technological infrastructure have enabled it to deliver on value retailing promise and create a brand presence among its customers and brand partners. It has an extensive network of suppliers and more than 80% of the volume of procurement is from OEMS, which enables EMIL efficiently source its products and minimise procurement costs.

Efficient Inventory Management	Robust Information Technology System
<ul style="list-style-type: none"> • Extensive network of suppliers and more than 80% of the volume of procurement from OEMs. • Stores use computerized inventory management system to track the inventory level and movement of SKUs on a daily basis. • Inventory management systems of all stores are synchronised with distribution centres and offices. • Monitor inventory levels to ensure that inventories are fresh by adopting a first-in, first-out policy for all its merchandise. 	<ul style="list-style-type: none"> • ERP and POS systems from leading industry software providers. • Wide range of data management tools to support procurement, sales and inventory management across all stores on a daily basis. • Tracking systems with real time updates on status of their orders. • Use data to identify and quickly react to changes in customer preferences and consequently align inventory to such preferences.

Consistent financial track record

EMIL has a consistent track record of revenue growth and profitability. It had the second highest operating margin amongst its peers in Fiscal Year 2021. Its EBITDA margins stood at 7.18%, 6.37%, 6.71% for FY20, FY21, FY22. In FY22 it recorded revenue growth of 35.8% YoY at ₹43,493mn with 30bps YoY improvement in EBITDA margin at 6.7% in FY22. PAT was up 77% YoY to ₹1,039mn. Its RoE and RoCE stood at 17.4% and 19.1%, respectively. For Q3FY23 and 9MFY23 total revenue stood at 14820 mn vs 12650 mn in Q3FY22 (17% YoY). For 9MFY23, revenue stood at 41180 mn vs 31190 mn growing at 32% YoY. EBITDA stood at ₹728 mn saw degrowth of 5% YoY while in 9MFY23 it grew 21% YoY. Margins stood at 4.9%, lower on account of initial operating and branding expenses while expanding operations in new territory i.e., NCR which impacted margins. 9MFY23 margins stood at 6%. Lower operating leverage led to PAT decline 21% YoY while for 9 MFY23 PAT grew 26% YoY. The gross debt to equity is 0.4x, and the net debt to equity is at 0.1x.

Key risks

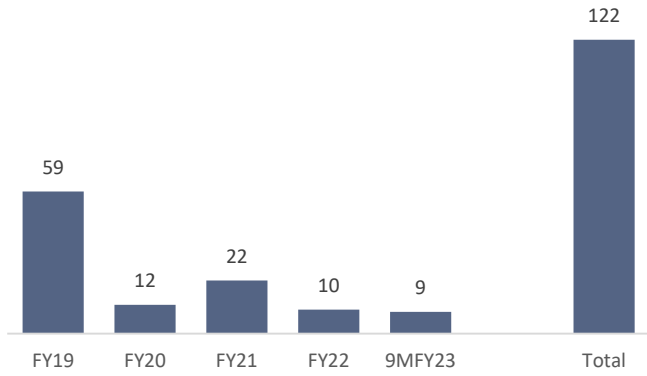
- 1) Intensified aggression by larger players like Croma, Reliance and Vijay Sales.
- 2) Muted demand conditions driving downtrading or higher discounting.
- 3) Brand acceptance issues in the new Delhi/NCR market.

Outlook and Valuation

1) EMIL shall focus on premium products and strong product depth with only top brands in various categories, 2) focus on retailing top brands rather than adding private labels to avoid discounting and inventory issues, 3) simple and flat floor and corporate reporting structure, which enables cost controls, quick decision making and higher employee incentives, 4) clear dominance in two states with strong growth potential in the third, which is a much larger market, 5) enjoys superior store metrics than peers, led by higher realisations, higher bill sizes and superior product mix which drive higher store throughputs, 6) robust relationships with top brands in all electronics categories, and 7) strong growth visibility with stable margins and return ratios with reasonable valuations. EMIL trades at 15.5x FY25 PE and 6.8x EV/EBITDA. We Initiate with a Buy rating and PT of ₹86.

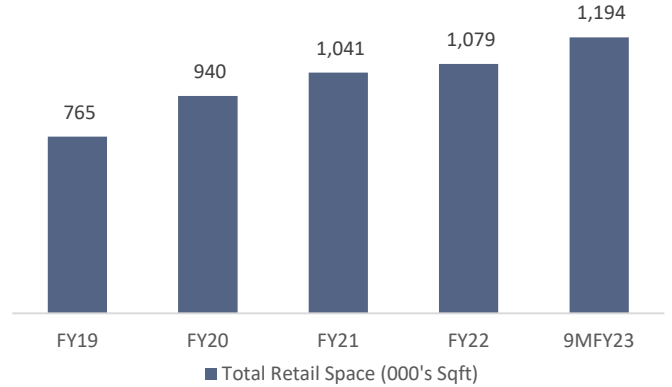
Story in charts

Year-wise store additions

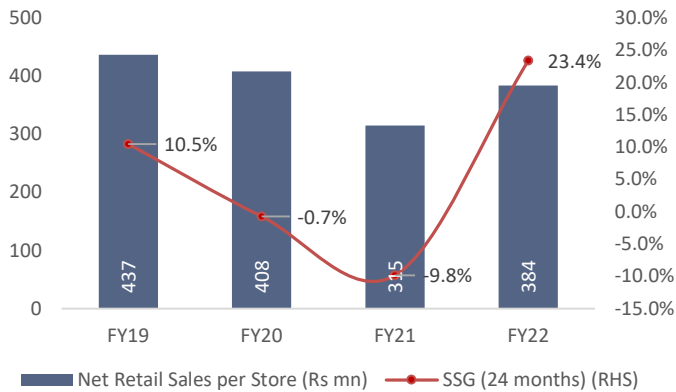


Source: Company, LKP Research

Retail space has crossed 1mn sqft

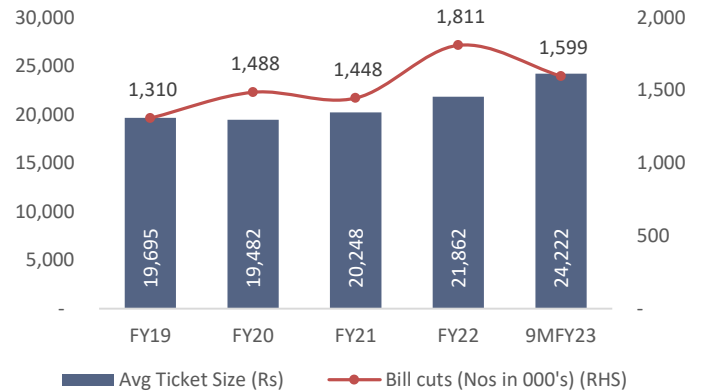


SSG turned positive in FY22

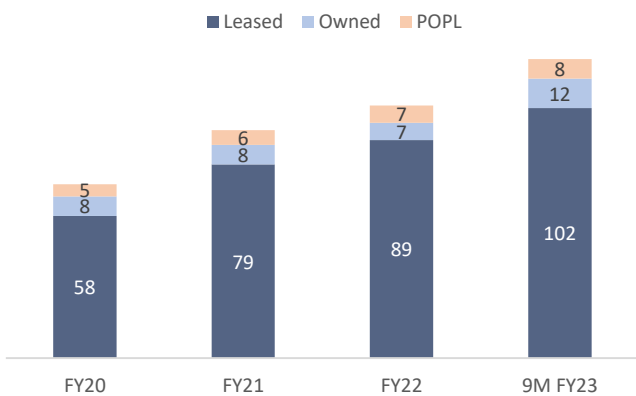


Source: Company, LKP Research

Average ticket size has improved to Rs 23,377

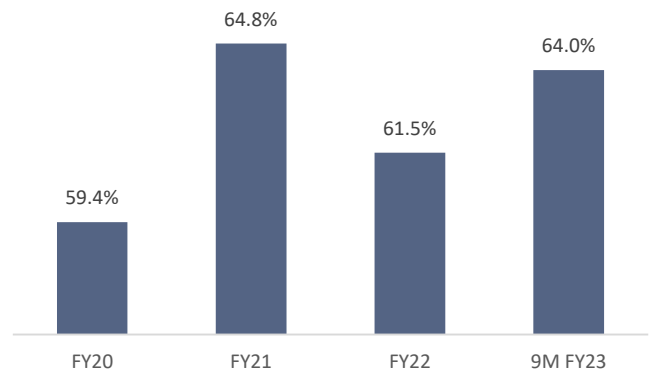


Store Ownership

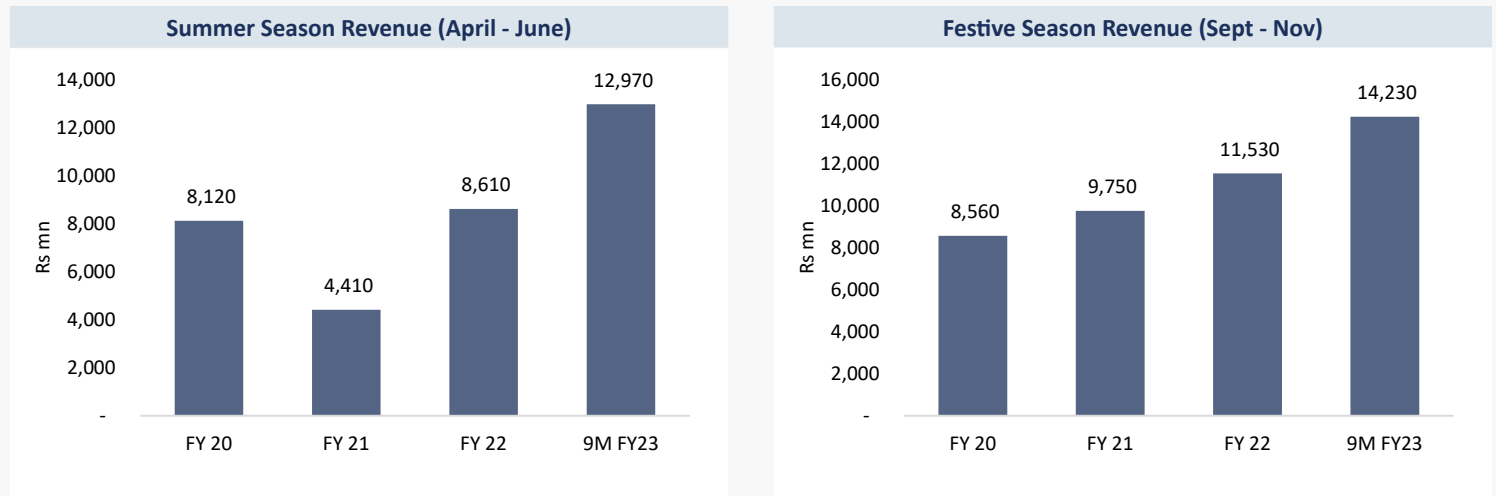


Source: Company, LKP Research

Top 5 Brands (% of Revenues)



Seasonality: The business experiences two major seasons, the Indian festival season (Q3) and the summer season (Q1).



Source: Company, LKP Research

Financial Performance

Performance over FY19-22: On the back of retail stores expansion, EBIL has reported a robust growth in the business during FY19-22. However, profitability declined mainly on account of higher cost of sales.

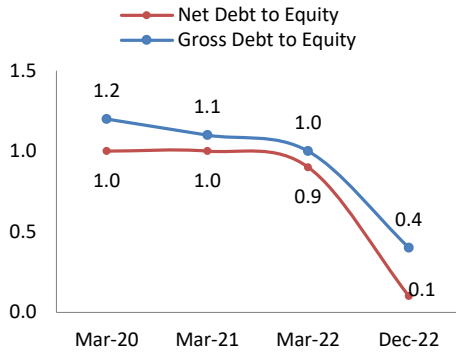
With net addition of 44 stores during FY19-22 (20.4% CAGR) and 4.2% CAGR decline in sales per stores, the company reported a 15.3% CAGR rise in the business from the retail sales of products. Other operating income increased by 53.2% CAGR, thereby leading to a 15.5% CAGR rise in consolidated revenue to ₹4,349.3cr in FY22. Total bills cut from the retail operations increased by 11.4% CAGR, while realization per bill grew by 3.5% CAGR. In terms of product categories, business from large appliances, mobiles and small appliances & others increased by 8.4%, 21.9% and 31.7%, respectively, over FY19-22. Moreover, in terms of business operations, retail, wholesale and e-commerce sales increased by 15.3%, 11.3% and 23.4% CAGR, respectively.

Cost of revenue increased by 16.1% CAGR, thereby leading to a 146bps contraction in gross margin. However, relatively lower other operating expenses led to a 94bps contraction in EBITDA margin, which stood at 6.7% in FY22. Consolidated EBITDA increased by 10.6% CAGR to ₹291.9cr in FY22.

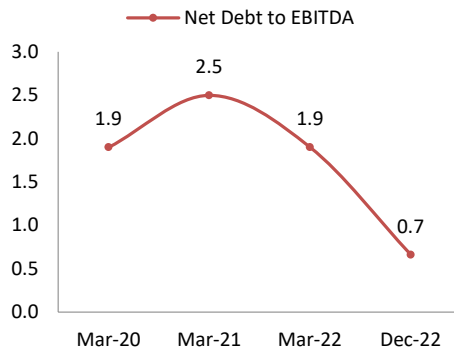
With expansion in stores network, depreciation charge increased by 19% CAGR, while on account of higher financial liabilities, finance costs increased by 17.2% CAGR. However, lower tax expenses led to a 10.5% rise in consolidated PAT to ₹103.9cr in FY22. PAT margin contracted by 34bps during FY19-22 to at 2.4% in FY22.

Balance sheet remains strong: The company reported positive operating cash flow during the period, with 20.7% CAGR growth and an average operating cash flow of ₹727mn while net debt to equity improved to 0.1 as on Dec'22 from 1.0 in FY22 (Gross debt to equity improved from 1.2 to 0.4 in Dec'22). RoE and RoCE in FY22 stood at 18.9%/17.4%. The working capital days as on 31 December stood at 49 days.

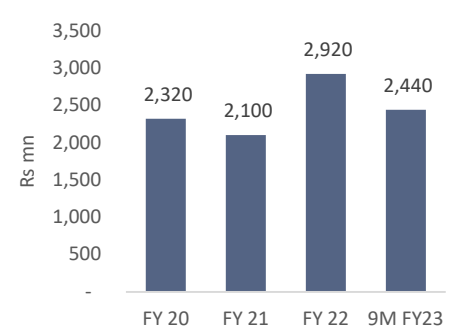
Debt to Equity Ratio



Net Debt to EBITDA



Cash Flow from operations *



* (Cash Flow from operations :Excl.working capital Adj.)
Source: Company, LKP Research

Q3FY23/9MFY23 performance: The total revenue for Q3 of FY23 stood at 14820 mn vs 12650 mn of Q3FY 22 (17% YoY) For 9MFY23, revenue stood at 41180 mn vs 31190 mn growing at 32% YoY. EBITDA stood at ₹728 mn saw degrowth of 5% YoY while in 9MFY23 it grew 21% YoY. Margins stood at 4.9% was lower on account of initial operating and branding expenses while expanding operations in new territory i.e. NCR which impacted margins. 9MFY23 margins stood at 6%. Lower operating leverage led to PAT decline 21% YoY while for 9 MFY23 PAT grew 26% YoY. The gross debt to equity is 0.4x, and the net debt to equity is at 0.1x.

Quarterly Financial Snapshot

(₹ Crs.)	Q3FY23	Q3FY22	YoY	9MFY23	9MFY22	YoY
Revenue from Operations	1,481.7	1,265.3	17%	4,117.9	3,118.7	32%
Purchases of stock in trade	1,093.1	992.8		3,470.9	2,666.9	
Changes in Inventory	96.1	104.3		90.1	25.9	
Gross Profit	192.5	168.2	14%	557.0	425.8	31%
Gross Profit Margin	13%	13%		13.5%	13.7%	
Employee Cost	27	20		70	58	
Other Expenses	93	71		242	165	
EBITDA	73	77	-5%	245	203	21%
EBITDA Margin	4.9%	6.1%		6.0%	6.5%	
Depreciation	22	18		62	52	
Other Income	3	1		6	3	
EBIT	54	59	-9%	189	154	23%
EBIT Margin	3.7%	4.7%		4.6%	4.9%	
Finance Cost	25	22		71	62	
Profit before Tax	30	38	-21%	117	92	27%
Profit before Tax Margin	2.0%	3.0%		2.80%	3.0%	
Tax	8	10		30	24	
Profit After Tax	22	28	-21%	87	69	26%
Profit After Tax Margin	1.5%	2.2%		2.1%	2.2%	
EPS (₹)	0.59	0.92		2.68	2.29	

Source: Company, LKP Research

Q3FY23 conference call KTAS

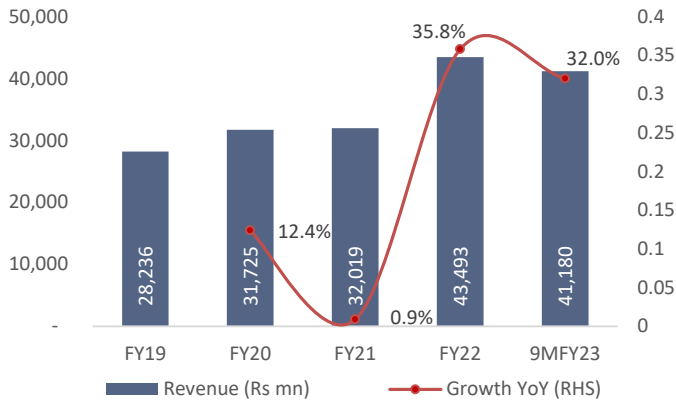
- Store Additions: In 9MFY23 company opened 19 new stores and currently have 122 stores, 109 of which are multi-brand stores and, 13 are exclusive brand outlets.
- Leased/Owned/ POPL: Out of 122 stores, 102 stores are leased, 12 are owned, and 8 are partly owned and partly leased (POPL).
- Presence: Present in 38 cities across four states and have recently entered Kerala.
- Future store addition plans: Plan to open 26 MBOs in NCR, 22 MBOs and 10 exclusive brand outlets in Andhra Pradesh and Telangana in the coming future.
- Warehouses: It has 9 large centrally located warehouse facilities now, which are backed by individual storage areas at store levels of varying sizes to cater to individual stores or a group of stores.
- Delhi/ NCR Store dynamics: Operating 12 stores with the new brand name “Electronics Mart” in Delhi/NCR and it will take 18-20 months for it break even due to new brand and geography (existing markets takes 12-14 months)
- Expect ₹250mn per store contribution in the first year and gradually improving and store stabilisation to happen in the fourth year.
- Q3 revenues from stores across Delhi/NCR region were ₹540 mn and for 9MFY23 it was ₹840 mn
- Delhi marketing plan would be in line with the revenue that it would generate. It would be in the line of ₹100 mn to ₹120 mn.

Others:

- Specialized store formats like Kitchen Stories on an average would do around ₹150 mn to 180 mn.
- Mobile category on an average contributes about 35/36% of revenues and management expects it to be in the similar range ahead.
- Demand seems better in mobiles with more conversion to 5G from 4G models (about to launch the Samsung S23).
- Total marketing spend in 9MFY23 was ~₹420 mn and ₹220mn for Q3FY23 (₹100mn in Q2Fy23)
- Expect higher SSG going ahead (10% for Q3FY23; 23.5% for 9MFY23).
- Mobile phones give margin of ~9%, large appliances: televisions ~17%, washing machines/ refrigerators gives ~ 18% each, ACs/coolers gives ~20% each.
- 1Q and 4Q are seasonally weak quarters, while 2Q and 3Q are strong quarters, which see a boost from the summer and festive seasons. The company generates around 30% of its total revenue during the festive season from September to November months.
- For a typical 10,000 sq ft store on lease, management incurs a capex of ₹25mn and additional ₹25mn for inventory purposes.
- Management aims to open 18 stores in FY23 and 20 in FY24. It has earmarked an annual capex of ₹450mn-500mn for these stores. Overall, management is targeting to open 60 stores over the next 3 years.

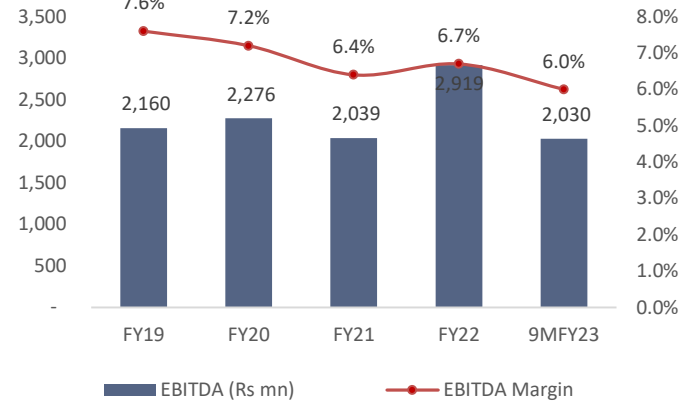
Financial Analysis

Strong revenue growth post COVID-weakness

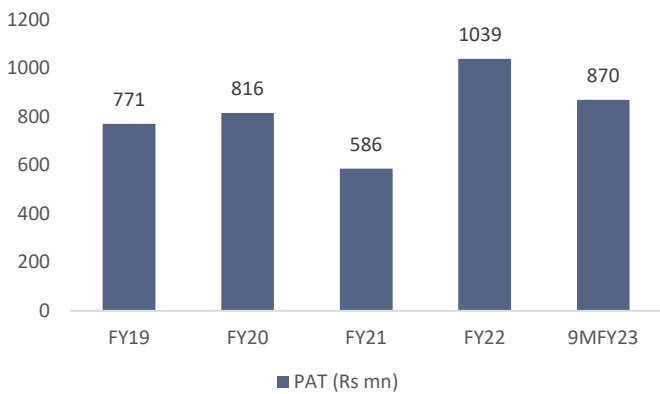


Source: Company, LKP Research

EBITDA margin stable at 6-7%

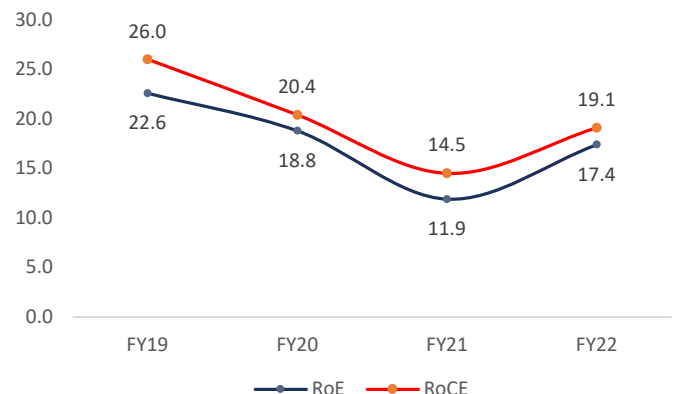


PAT recovered sharply in FY22

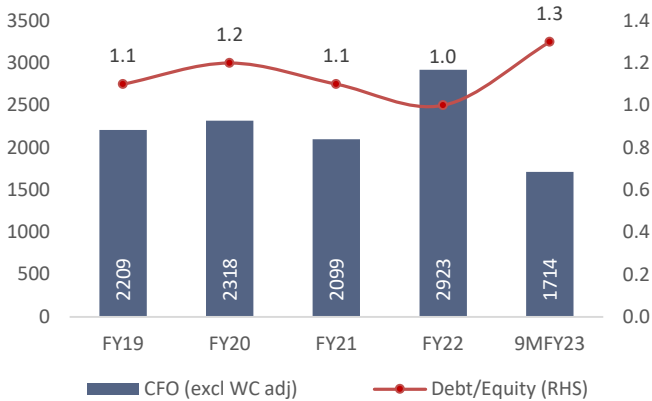


Source: Company, LKP Research

Return profile in high teens

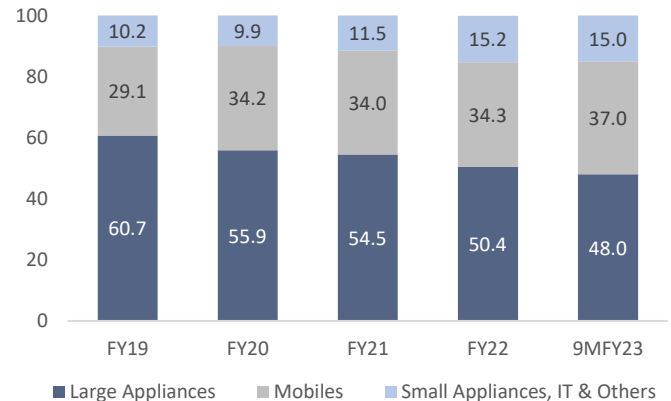


Strong cash flows and comfortable D/E ratio



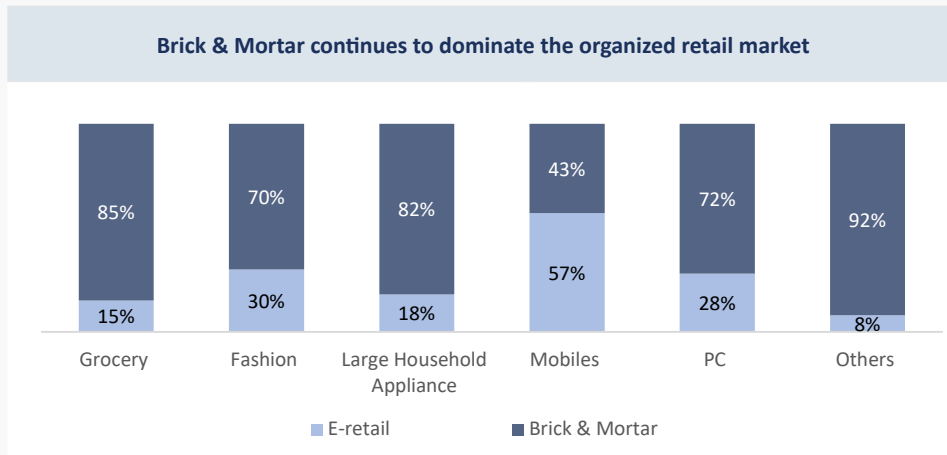
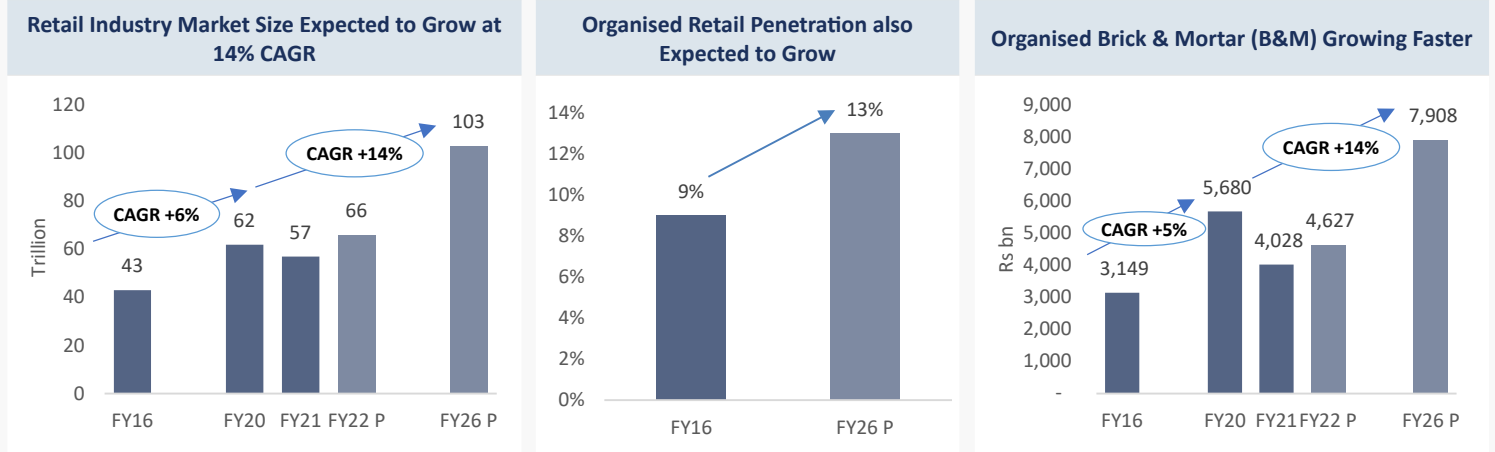
Source: Company, LKP Research

Category mix dominated by mobiles and TVs (%)



Industry Dynamics

Strong Growth In Organised Brick & Mortar Retail



- Growth Factors for Organised B&M Retails**
- **Touch and feel of the product:** "Try it before you buy it" very relevant especially for high priced items.
 - **Warranty and service issues:** Provides comfort to consumers assurance of product's genuineness + better understanding of warranty and service details.
 - **Installation and after-sales services:** Much faster and more efficient
 - **Consumer finance schemes:** Easy and instant zero-cost financing options to increase repeat customers.

Source: Company, LKP Research

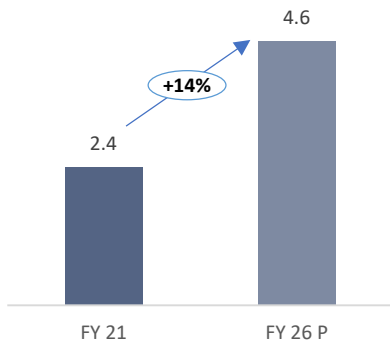
Continued Growth Momentum in Consumer Durables Across Categories

India lags global peers in consumer durables penetration

% of households	India	USA	Germany	Japan	Australia	China	Brazil
Colour Televisions	50%	98 - 100%	96 - 98%	96-98%	98 - 100%	96 - 98%	95 - 97%
Refrigerator	40%	98 - 100%	98 - 100%	97-99%	98 -100%	95-97%	97-99%
Mobile	40%	94 - 96%	97-99%	96-98%	98 - 100%	96 - 98%	93 - 95%
Washing Machine 20	20%	85 - 87%	95-97%	96 - 98%	97-99%	93 - 95%	66 - 68%
Air Conditioner	16%	91 - 93%	25-27%	93 - 95%	79 - 81%	92 - 94%	19 - 21%
Personal Computer	13%	91 - 93%	91-93%	79 - 81%	84 - 86%	59 - 61%	44 - 46%

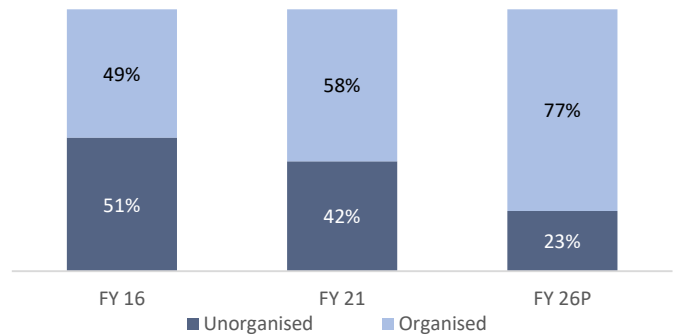
Source: Company, LKP Research

Consumer Durable Industry Stated to Grow at 13-15% ahead



Source: Company, LKP Research

Organised segment outpacing the unorganized players in Indian consumer's durables industry

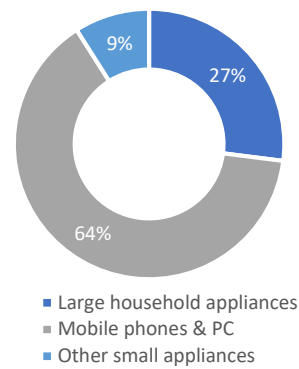


Modern trade to grow in consumer durables / mobiles vs general trade

- Urbanisation
- Rising awareness
- Higher discounts
- Larger portfolio
- Various financing options

Source: Company, LKP Research

Market segmentation of Consumer Durables appliances



About EMIL

Electronics Mart India Limited (“EMIL”) is the 4th largest consumer durable and electronics retailer in India and largest player in the Southern region in revenue terms with dominance in the states of Telangana and Andhra Pradesh. They commenced their business operations in 1980 and since then there has been a steady rise in their revenue from operations. As on Dec 31, 2022, EMIL had 122 stores across 38 cities / urban agglomerates with a retail business area of 1.12 msf.

EMIL offers a diversified range of products with focus on **large appliances (air conditioners, televisions, washing machines and refrigerators), mobiles and small appliances, IT and others**. Their offering includes **more than 6,000 SKUs** across product categories from more than 70 consumer durable and electronic brands.

Company’s business model is a mix of ownership and lease rental model, as they focus to secure retail spaces which ensures high visibility and easy accessibility to customers. Under the ownership model, they own the underlying property including the land and building and in lease rental model, they enter into a long-term lease arrangement with the property owner(s). As of Dec 31, 2022, out of the total 122 stores EMIL operates, 12 stores are owned, 102 stores are under long-term lease rental model and 8 stores are partly owned and partly leased.

EMIL operates across 3 channels of retail, wholesale and e-commerce

Retail:

EMIL has set up diverse consumer durable and electronic retail stores arraying multifarious as well as specialized electronic products aimed at providing comprehensive electronic solutions. As of Dec 31, 2022, out of 122 stores, 109 stores are Multi Brand Outlets (“MBOs”) and 13 stores are Exclusive Brand Outlets (“EBOs”). They operate 97 MBOs under the name “Bajaj Electronics” in Andhra and Telangana, 12 MBO under the name of “Electronics Mart” in the NCR region, 4 specialized stores under the name “Kitchen Stories” which caters to the kitchen specific demands of their customers and 1 specialised store format under the name “Audio&Beyond” focusing on high end home audio and home automation solutions.

The MBOs endeavours to offer their customers with a comprehensive, distinctive and convenient shopping experience similar to a retail mall, by arraying a wide range of electronic products under one roof and providing one-stop-shop solutions for all their electronic needs. As on Dec 31, 2022, MBOs operate at an average store area of 10,876 sq feet per store.

Wholesale:

EMIL is also engaged in the wholesale business of consumer durables, where they supply products to single shop retailers in Andhra Pradesh and Telangana regions.

E-Commerce:

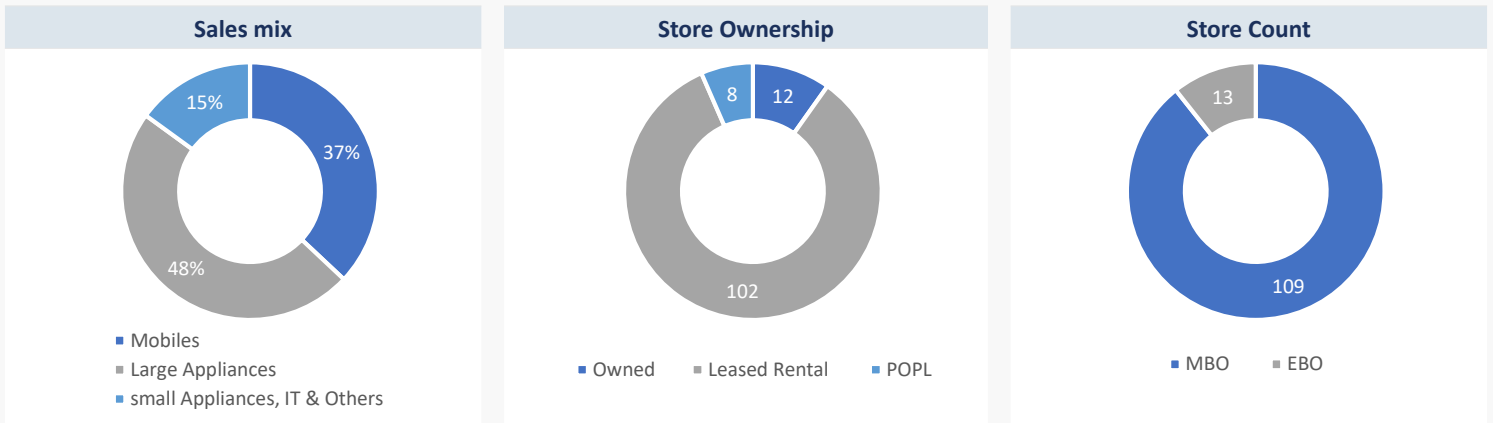
In 2017, EMIL diversified their operations by venturing into the e-commerce space through their website. Their e-commerce website currently functions as a catalogue for the products they retail at their stores. They further expanded their e-commerce operations in 2019 by associating with the largest domestic and international players of the e-commerce market thereby expanding their business reach from brick-and-mortar retail stores to e-commerce platforms.

The company classifies the products offered by its consumer durable and electronic retail stores under the following categories:

Large appliances: This category includes refrigerators, televisions, air conditioners and washing machines. It has the highest contribution in terms of revenues. In FYs 2020, 2021, 2022 this category constituted 55.91%, 54.50%, 50.42% and 53.81%, respectively, of its sale of products – consumer electronics and durables.

Mobiles: This category includes mobile phones, tablets, smart watches and fitness trackers. It is the fastest growing segment with rising contribution to the overall revenue pie from 29% (FY19) to 34% in 9MFY22. EMIL has relationships with the large brands in this space like Oppo, Vivo and OnePlus.

Small appliances, IT and others: This category includes items that typically compliment the above-mentioned products, laptops, personal computers, printers, cables, screen guards, headphones, bluetooth speakers, coolers, geysers, ceiling fans, personal care devices and kitchen appliances. In FYs 2020, 2021, 2022 this category constituted 9.91%, 11.46% and 15.23% respectively, of its sale of products – consumer electronics and durables.



Source: Company, LKP Research

Financing: EMIL offers a number of financing solutions to customers. It has entered into arrangements with multiple financing partners which allows it to offer financing solutions in the form of low cost or zero cost EMIs to its customers.

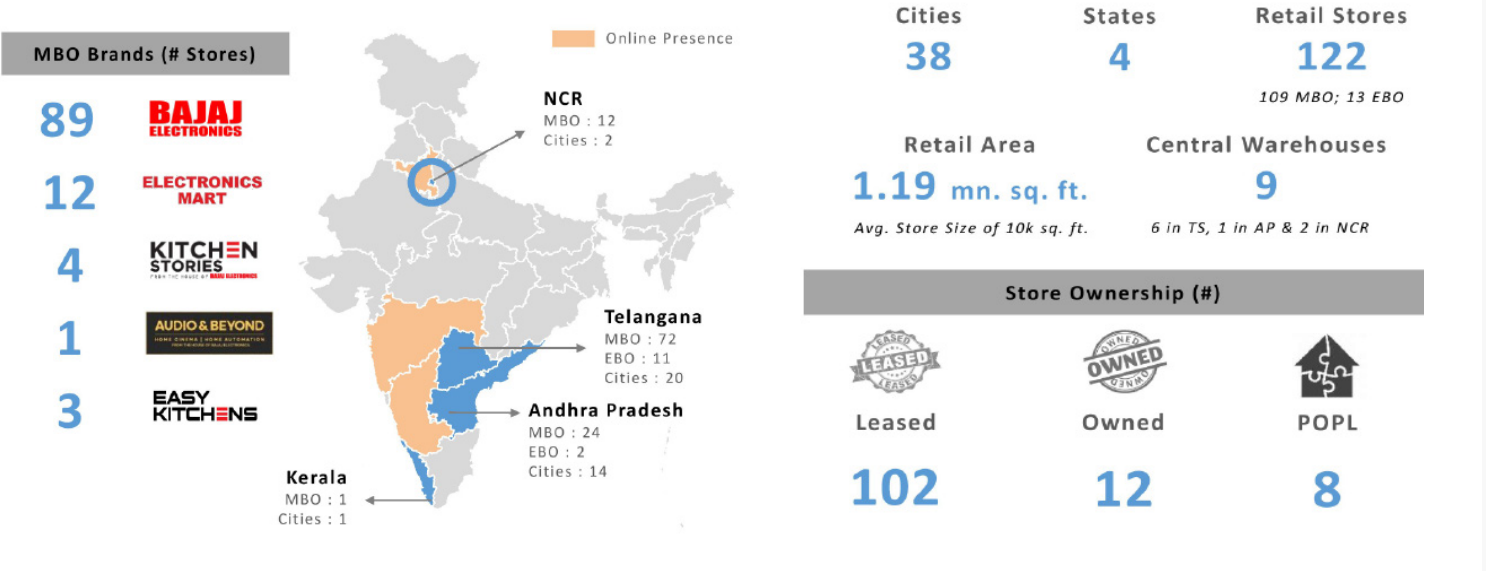
Comparative parameters of key organised electronic retailers in India (Fiscal 2022)

% of households	Reliance Retail	Croma	EMIL	Aditya Vision
Revenue (₹ bn)	1694.0	82.1	43.5	9.0
Per store revenue (₹ Mn)	-	274.0	305.0	107.0
Own brand	Yes	Yes	No	No
Presence across cities	100+	63.0	30+	38.0
Employee cost (% of sales)	0.9%	4.2%	1.8%	3.2%
Operating margin # (%)	6.1%	(1.4) %	6.7%	7.4%
PAT margin (%)	2.9%	(5.4) %	2.4%	4.1%
ROCE	23.5	(17.4)	19.1	31.0
ROE	31.6	94.1	17.4	NA

Source: Company RHP, LKP Research

Company at a Glance

Deep penetration in the state of Andhra Pradesh & Telangana with a growing presence in NCR



Retail store parameters

% of households	FY20	FY21	FY22	9MFY23
Store Count	71	93	103	122
MBO	63	82	91	109
EBO	8	11	12	13
Total Retail Space (000's Sqft)	765	940	1,041	1,194
Average Retail space per store	10775	10107	10107	9787
Net Retail Sales per Store (₹ mn)	408	315	384	306
SSG (24 months)	-0.7	-9.8	23.4	23.5
Bill cuts (Nos in 000's)	1,400	1,448	1,811	1,599
Avg Ticket Size (INR)	19,482	20,248	21,862	23,377

Source: Company, LKP Research

Management Profile

Pavan Kumar Bajaj	Chairman & MD	<ul style="list-style-type: none"> 40+ years experience in the retail business management. Founder of erstwhile sole proprietorship M/S Bajaj Electronics in 1980
Karan Bajaj	Chief Executive Officer & WTD	<ul style="list-style-type: none"> 10+ years experience in the retail business management Holds post graduate diploma in international management and Bachelor's of Commerce degree
Astha Bajaj	Executive Director & WTD	<ul style="list-style-type: none"> 4+ years experience in business management Holds master's degree in biochemistry and bachelor's degree in science.
Premchand Devarakonda	Chief Financial Officer	<ul style="list-style-type: none"> Qualified Chartered Accountant and holds Bachelor's degree in Commerce Was associated with M/S Manoj & Prem, as partner and Coromandel Fertilisers Limited

Profit and Loss Statement - Consolidated

YE Mar (₹ mn)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Total Income	31,725	32,019	43,493	55,115	65,382	74,143
Raw material Cost	27,022	27,673	37,554	47,564	56,098	63,467
Employee Cost	586	614	788	1,004	1,308	1,490
Other expenses	1,840	1,692	2,232	3,252	3,923	4,449
Total operating Expenses	29,448	29,980	40,574	51,820	61,328	69,405
EBITDA	2,276	2,039	2,919	3,295	4,054	4,738
EBITDA Margins(%)	7.2	6.4	6.7	6.0	6.2	6.4
Depreciation & Amortisation	508	581	713	849	1,010	1,202
EBIT	1,769	1,457	2,206	2,446	3,044	3,536
Interest	634	717	846	937	1,331	1,523
Other Income	65	55	38	72	85	96
Recurring PBT	1,200	796	1,398	1,581	1,797	2,109
Add: Extraordinaries	(79)	-	-	-	-	-
Add: Share in associates						
PBT	1,122	796	1,398	1,581	1,797	2,109
Less: Taxes	306	209	359	411	467	548
Less: Minority Interest & Share in associates						
Net Income (Reported)	816	586	1,039	1,170	1,330	1,561
Adjusted Net Income	895	586	1,039	1,170	1,330	1,561

Source: Company, LKP Research

Balance Sheet

YE Mar (₹ mn)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Assets						
Total Current Assets	7,669	8,363	9,983	11,285	13,462	14,930
of which cash & cash eqv.	871	350	344	90	420	613
Total Current Liabilities & Provisions	3,940	4,837	6,346	6,526	6,808	6,667
Net Current Assets	3,730	3,526	3,637	4,759	6,654	8,263
Investments	-	-	-	-	-	-
Net Fixed Assets	5,715	6,736	7,849	8,638	8,626	8,748
Capital Work-in-Progress	24	20	238	246	253	261
Goodwill	-	-	-	-	-	-
Total Assets	9,469	10,283	11,725	13,642	15,533	17,272
Liabilities						
Borrowings	5,205	5,479	5,936	7,780	8,180	8,380
Deferred Tax Liability	(68)	(116)	(176)	(194)	(213)	(235)
Minority Interest	-	-	-	-	-	-
Equity Share Capital	3,000	3,000	3,000	3,847	3,847	3,847
Face Value per share (Rs)	10.0	10.0	10.0	10.0	10.0	10.0
Reserves & Surplus	1,331	1,919	2,965	2,209	3,719	5,279
Net Worth	4,331	4,919	5,965	6,056	7,566	9,127
Total Liabilities	9,469	10,283	11,725	13,642	15,533	17,272

Source: Company, LKP Research

Key Ratios

YE Mar (₹ mn)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Per Share Data (in Rs.)						
AEPS	3.0	2.0	3.5	3.0	3.5	4.1
CEPS	2.9	1.2	1.1	0.2	1.1	1.6
BVPS	14.4	16.4	19.9	15.7	19.7	23.7
DPS	-	-	-	-	-	-
Growth Ratios (%)						
Total Revenues	(29.2)	0.9	35.8	26.7	18.6	13.4
EBITDA	(61.1)	(10.4)	43.2	12.9	23.0	16.9
PAT	(77.8)	(34.5)	77.2	12.6	13.7	17.3
AEPS	(95.0)	(34.5)	77.2	(12.2)	13.7	17.3
CEPS	(1.7)	(59.8)	(1.8)	(79.6)	365.6	46.2
Valuation Ratios						
P/E	21.1	32.2	18.2	20.7	18.2	15.5
P/CEPS	21.7	54.0	54.9	269.0	57.8	39.5
P/BV	4.4	3.8	3.2	4.0	3.2	2.7
EV / EBITDA	10.2	11.8	8.4	9.7	7.9	6.8
EV / Sales	0.7	0.8	0.6	0.6	0.5	0.4
Operating Ratio						
Raw Material/Sales (%)	85.2	86.4	86.3	86.3	85.8	85.6
SG&A/Sales (%)	5.0	5.3	5.1	5.9	6.0	6.0
Effective Tax Rate (%)	25.5	26.3	25.7	26.0	26.0	26.0
NWC / Total Assets (%)	30.2	30.9	28.1	34.2	40.1	44.3
Inventory Turnover (days)	54.0	63.0	60.0	48.0	48.0	48.0
Receivables (days)	10.0	11.0	9.0	9.1	9.1	9.1
Payables (days)	1.0	1.0	2.0	2.3	2.3	2.3
D/E Ratio (x)	1.2	1.1	1.0	1.3	1.1	0.9
Return/Profitability Ratio (%)						
RoCE	18.7	14.2	18.8	17.9	19.6	20.5
RoNW	11.7	12.7	19.1	19.5	19.5	18.7
Dividend Payout Ratio	0.0	0.0	0.0	0.0	0.0	0.0
Dividend Yield	0.0	0.0	0.0	0.0	0.0	0.0
PAT Margins	2.8	1.8	2.4	2.1	2.0	2.1
EBITDA Margins	7.2	6.4	6.7	6.0	6.2	6.4

Source: Company, LKP Research

Cash Flow Statement

YE Mar (₹ mn)	FY20	FY21	FY22	FY23E	FY24E	FY25E
PBT	1,122	796	1,398	1,581	1,797	2,109
Depreciation	508	581	713	849	1,010	1,202
Chng in working capital	(1,530)	(1,258)	(1,332)	(1,678)	(1,764)	(1,071)
Tax paid	(428)	(201)	(376)	(411)	(467)	(548)
Cash flow from operations (a)	2,318	2,099	2,923	2,640	4,022	4,323
Free cash flow	1,675	1,508	2,245	1,788	3,164	3,141
Capital expenditure	(642)	(591)	(679)	(851)	(857)	(1,182)
Chng in investments	-	-	-	-	-	-
Other investing activities	(61)	(8)	0	-	-	-
Cash flow from investing (b)	(703)	(599)	(679)	(851)	(857)	(1,182)
Inc/dec in borrowings	1,435	274	457	1,844	400	200
Dividend paid (incl. tax)	-	-	-	-	-	-
Interest paid	(614)	(701)	(810)	(937)	(1,331)	(1,523)
Other financing activities	(114)	(135)	(191)	-	-	-
Cash flow from financing (c)	706	(561)	(544)	350	(931)	(1,323)
Net chng in cash (a+b+c)	363	(521)	(6)	50	1	198
Closing cash & cash equivalents	871	350	344	394	395	593

Source: Company, LKP Research

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