

25 July 2023

India | Equity Research | Q1FY24 results review

## Shoppers Stop

Branded Apparel

### Impacted by slowdown; foray into value-retail key positive

Shoppers Stop's (SHOP) 1QFY24 was unimpressive. It is holding fort well when faced with industry growth headwinds (report [link](#)). That said, we expected SHOP's private label (one of the key strategic pillar) to outperform the branded business (given ~30% lower ASP). Key positives in the result include: (1) relative outperformance in accessories (including beauty which continues to grow ahead of overall revenue) and (2) foray into value segment retail under a new brand Intune (at Zudio/Max equivalent price points). We reckon that revenue performance of SHOP has been one of the lowest in our retail coverage universe. It would be imperative for the company to fine-tune its branded business as well over and above driving growth in private label, beauty and the newly launched value format. We stay believers in Venu's leadership to drive stakeholder value. **BUY**.

### Unexciting revenue print

Revenue grew 4% YoY driven by 5% YoY increase in average selling price, implying negative volume growth. Average transaction value (ATV) grew 6% (to INR 4,587). Revenue from private label (14% contribution) stood flat, while that from beauty segment (16% contribution) grew 13% YoY (7% excluding beauty distribution). In private label Indian wear brands: Haute Curry, Kashish and Fratini grew 42% YoY, 14% YoY and 39% YoY, respectively. Revenue contribution from the loyalty program (First Citizen) stands at 80% of offline sales and 42% of online sales. Added 1 Home Stop and 6 beauty stores. Also launched 3 Intune (value format) stores (2 in Hyderabad and 1 in Mumbai – Dombivali).

### Moderate margin expansion

Gross margin stood at 42.3% (vs 42.2% in 1QFY23) aided by mix improvement. EBITDA margin expanded 31bp YoY to 17.6%. PBT declined 37%YoY due to 24% YoY increase in depreciation (impact of accelerated store addition in 4QFY23). Net profit margin shrank to 1.5% vs 2.4% in 1QFY23.

### Financial Summary

Y/E March (INR mn)	FY22A	FY23A	FY24E	FY25E
Net Revenue	24,938	39,984	45,527	53,223
EBITDA	2,675	6,988	7,284	8,675
EBITDA Margin (%)	10.7	17.5	16.0	16.3
Net Profit	(867)	1,192	1,500	2,180
EPS (Rs)	(7.9)	10.9	13.7	19.9
EPS % Chg YoY	(71.7)	(268.9)	23.7	45.3
P/E (x)	(116.6)	69.0	55.8	38.4
EV/EBITDA (x)	38.4	15.2	13.5	10.5
RoCE (%)	(2.2)	9.8	11.0	13.5
RoE (%)	(61.7)	72.1	49.7	45.8

#### Manoj Menon

manoj.menon@icicisecurities.com  
+91 22 6807 7209

#### Varun Singh

varun.singh@icicisecurities.com

#### Karan Bhuwania

karan.bhuwania@icicisecurities.com

#### Akshay Krishnan

akshay.krishnan@icicisecurities.com

#### Market Data

Market Cap (INR)	84bn
Market Cap (USD)	1,023mn
Bloomberg Code	SHOP IN
Reuters Code	SHOP.BO
52-week Range (INR)	832 /534
Free Float (%)	34.0
ADTV-3M (mn) (USD)	1

Price Performance (%)	3m	6m	12m
Absolute	25.1	18.2	40.7
Relative to Sensex	11.3	9.8	19.9

ESG Disclosure	2021	2022	Change
ESG score	34.3	37.9	3.6
Environment	2.1	5.5	3.4
Social	22.0	29.3	7.3
Governance	78.6	78.6	0.0

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: Bloomberg, I-sec research

Earnings Revisions (%)	FY24E	FY25E
Revenue	(0.5)	0.1
EBITDA	(6.9)	(6.2)
EPS	(17.3)	(6.7)

#### Previous Reports

27-04-2023: [Q4FY23 results review](#)

24-01-2023: [Q3FY23 results review](#)

## Valuation and risks

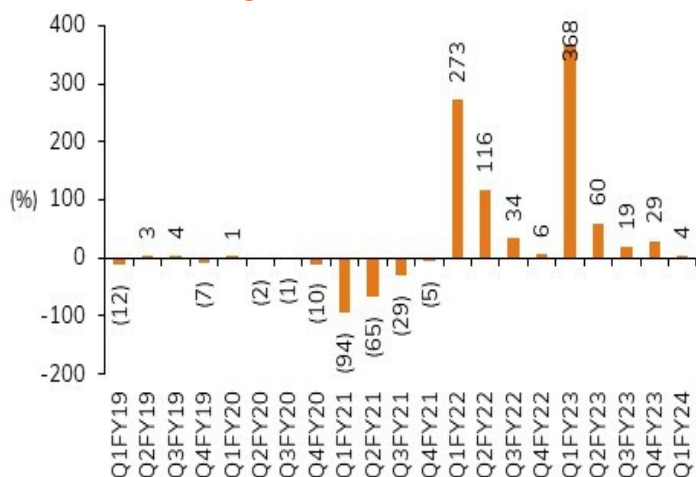
We have cut our EPS estimates by 17% in FY24E and 7% in FY25E. We model revenue, EBITDA and PAT CAGRs of 15%, 15% and 34% respectively, over FY23-FY25E. We maintain **BUY** rating with a DCF-based target price of INR 885 (vs previous TP of INR 850). Key downside risks: (1) slower-than-expected pick-up in discretionary consumption, (2) rise in competition from private label retailers, (3) underperformance in beauty led by competition from online retailers and (4) execution challenges. Key upside risks: success in private label and beauty business.

### Exhibit 1: Q1FY24 results review

(INR m)	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)
<b>Revenues</b>	<b>9,816</b>	<b>9,419</b>	<b>4.2</b>	<b>9,165</b>	<b>7.1</b>
COGS	5,664	5,445	4.0	5,208	8.8
Gross profit	4,152	3,974	4.5	3,957	4.9
<b>Gross Margin (%)</b>	<b>42.3</b>	<b>42.2</b>	<b>11 bps</b>	<b>43.2</b>	<b>-88 bps</b>
Employee expenses	966	829	16.5	905	6.6
% of net sales	9.8	8.8	104 bps	9.9	-4 bps
Other Expenses	1,463	1,521	-3.8	1,481	-1.2
% of net sales	14.9	16.1	-124 bps	16.2	-125 bps
<b>EBITDA</b>	<b>1,723</b>	<b>1,624</b>	<b>6.1</b>	<b>1,571</b>	<b>9.7</b>
<b>EBITDA Margin (%)</b>	<b>17.6</b>	<b>17.2</b>	<b>31 bps</b>	<b>17.1</b>	<b>42 bps</b>
Depreciation	1,050	846	24.2	1,044	0.5
<b>EBIT</b>	<b>673</b>	<b>779</b>	<b>-13.6</b>	<b>526</b>	<b>27.88</b>
Other Income	73	56	29.5	222	-67.4
Interest Expenses	541	511	5.8	551	-1.8
<b>PBT</b>	<b>204</b>	<b>323</b>	<b>-36.8</b>	<b>197</b>	<b>3.7</b>
Taxes	55	95		35	58.7
<b>Adjusted PAT</b>	<b>149</b>	<b>228</b>	<b>-34.4</b>	<b>162</b>	<b>-8.1</b>
Extra-ordinary items	0	0		0	
<b>Reported PAT</b>	<b>149</b>	<b>228</b>	<b>-34.4</b>	<b>162</b>	<b>-8.1</b>
<b>EPS</b>	<b>1.4</b>	<b>2.1</b>	<b>-34.5</b>	<b>1.5</b>	<b>-8.1</b>

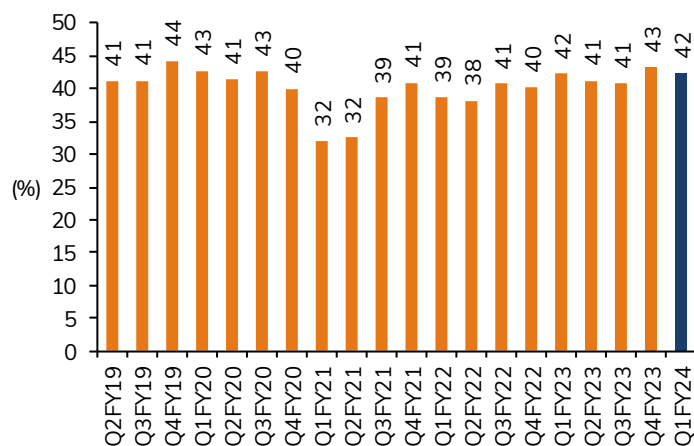
Source: Company data, I-Sec research

### Exhibit 2: Revenue growth (%)



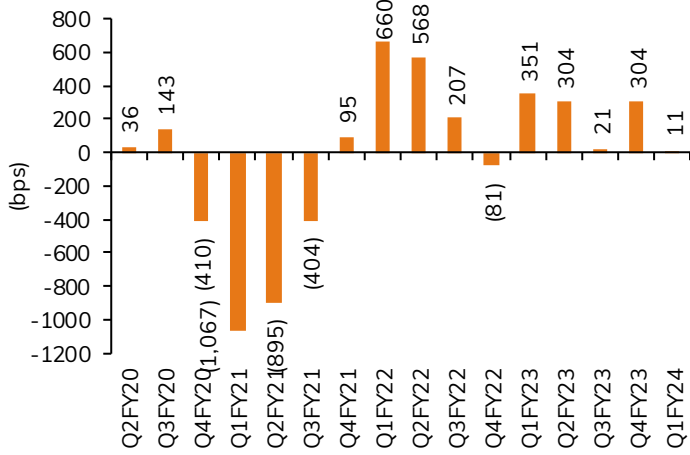
Source: Company data, I-Sec research

### Exhibit 3: Gross margin (%)



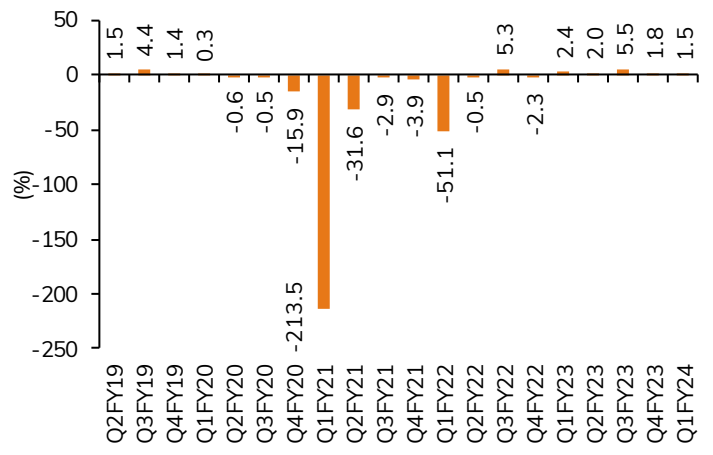
Source: Company data, I-Sec research

**Exhibit 4: Gross margin (bps YoY)**



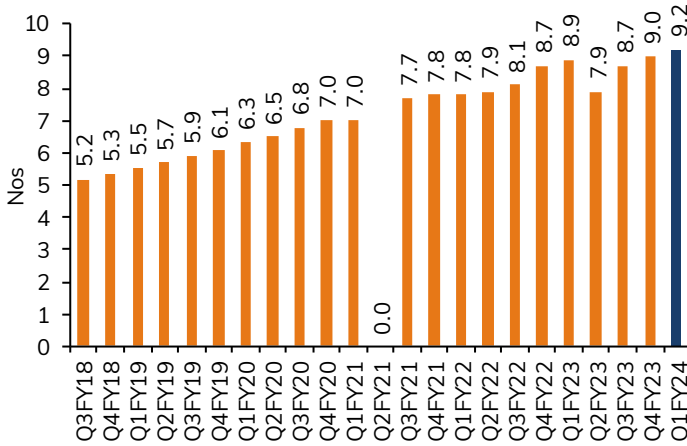
Source: Company data, I-Sec research

**Exhibit 5: PAT margin (%)**



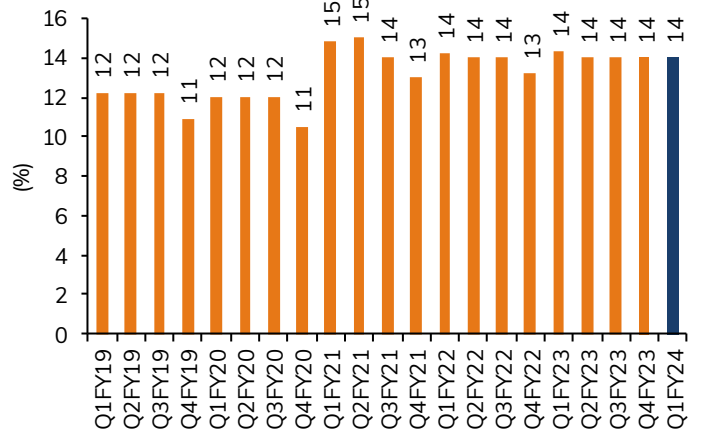
Source: Company data, I-Sec research

**Exhibit 6: First citizen Member count (mn)**



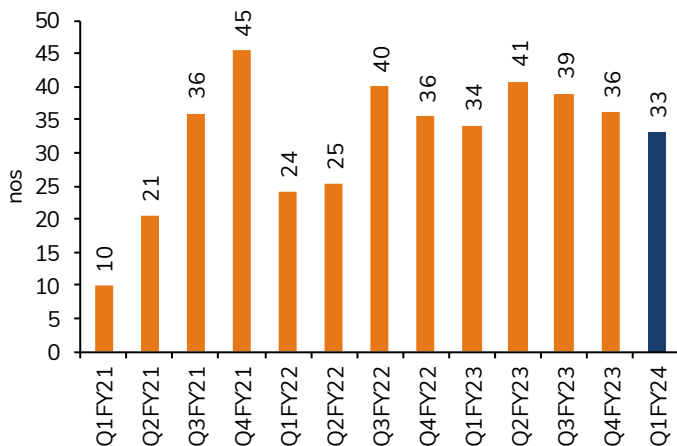
Source: Company data, I-Sec research

**Exhibit 7: Private + Exclusive Brand revenue share %**



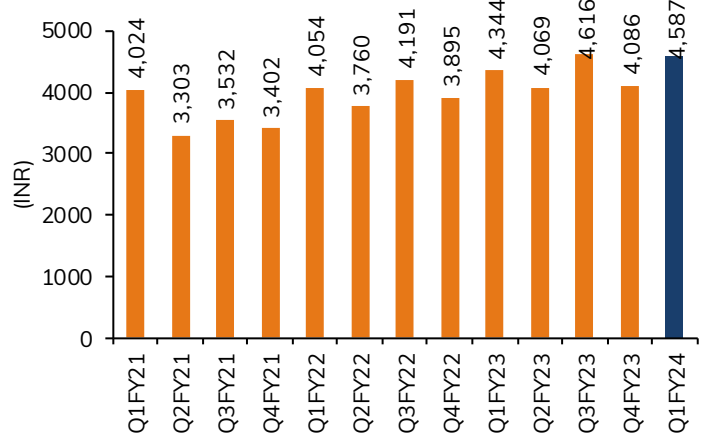
Source: Company data, I-Sec research

**Exhibit 8: Customer walk in (mn)**



Source: Company data, I-Sec research

**Exhibit 9: ATV (INR)**



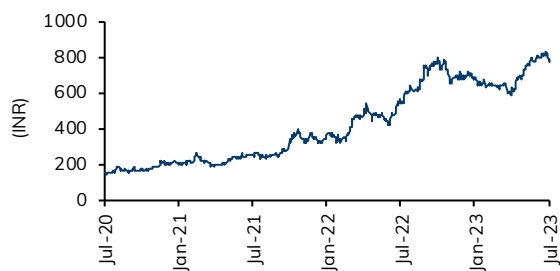
Source: Company data, I-Sec research

### Exhibit 10: Shareholding pattern

%	Dec'22	Mar'23	Jun'23
Promoters	65.5	65.5	65.5
Institutional investors	27.4	27.6	28.2
MFs & others	18.6	19.0	19.7
FIs and Banks	0.0	0.0	0.0
Insurance Cos.	1.6	1.6	1.5
FIIIs	7.2	7.0	7.0
Others	7.1	6.9	6.3

Source: Bloomberg, I-Sec research

### Exhibit 11: Price chart



Source: Bloomberg, I-Sec research

## Financial Summary

### Exhibit 12: Profit & Loss

(INR mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
Net Sales	24,938	39,984	45,527	53,223
<b>Operating Expenses</b>	<b>22,263</b>	<b>32,996</b>	<b>38,243</b>	<b>44,548</b>
EBITDA	2,675	6,988	7,284	8,675
<b>EBITDA Margin (%)</b>	<b>10.7</b>	<b>17.5</b>	<b>16.0</b>	<b>16.3</b>
Depreciation & Amortization	3,520	3,816	3,597	4,045
EBIT	(845)	3,172	3,688	4,630
Interest expenditure	2,054	2,092	2,276	2,342
Other Non-operating Income	1,661	561	589	618
Recurring PBT	(1,238)	1,641	2,000	2,907
<b>Profit / (Loss) from Associates</b>	-	-	-	-
<b>Less: Taxes</b>	<b>(521)</b>	<b>429</b>	<b>500</b>	<b>727</b>
PAT	(717)	1,212	1,500	2,180
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	(150)	(20)	-	-
Net Income (Reported)	(867)	1,192	1,500	2,180
<b>Net Income (Adjusted)</b>	<b>(867)</b>	<b>1,192</b>	<b>1,500</b>	<b>2,180</b>

Source Company data, I-Sec research

### Exhibit 13: Balance sheet

(INR mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
Total Current Assets	18,990	23,920	20,877	25,301
of which cash & cash eqv.	320	250	906	2,251
Total Current Liabilities & Provisions	15,890	20,111	20,590	23,753
<b>Net Current Assets</b>	<b>3,100</b>	<b>3,810</b>	<b>287</b>	<b>1,548</b>
Investments	1,460	730	5,730	10,980
Net Fixed Assets	17,230	20,970	21,500	23,580
ROU Assets	-	-	-	-
Capital Work-in-Progress	140	340	140	140
Total Intangible Assets	-	-	-	-
Other assets	-	-	-	-
Deferred Tax assets	-	-	-	-
<b>Total Assets</b>	<b>21,930</b>	<b>25,850</b>	<b>27,657</b>	<b>36,248</b>
<b>Liabilities</b>				
<b>Borrowings</b>	<b>20,940</b>	<b>23,530</b>	<b>20,940</b>	<b>20,940</b>
<b>Deferred Tax Liability</b>	-	-	-	-
provisions	-	-	-	-
other Liabilities	-	-	2,996	9,505
Equity Share Capital	990	2,320	3,721	5,802
Reserves & Surplus	-	-	-	-
<b>Total Net Worth</b>	<b>990</b>	<b>2,320</b>	<b>3,721</b>	<b>5,802</b>
Minority Interest	-	-	-	-
<b>Total Liabilities</b>	<b>21,930</b>	<b>25,850</b>	<b>27,657</b>	<b>36,248</b>

Source Company data, I-Sec research

### Exhibit 14: Cashflow statement

(INR mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
<b>Operating Cashflow</b>	<b>3,890</b>	<b>5,622</b>	<b>11,552</b>	<b>8,651</b>
Working Capital Changes	900	(1,683)	4,178	84
Capital Commitments	(1,080)	(1,456)	(4,127)	(6,124)
<b>Free Cashflow</b>	<b>2,810</b>	<b>4,166</b>	<b>7,425</b>	<b>2,527</b>
<b>Other investing cashflow</b>	<b>(10)</b>	<b>936</b>	<b>(5,000)</b>	<b>(5,250)</b>
Cashflow from Investing Activities	(1,090)	(520)	(9,127)	(11,374)
Issue of Share Capital	20	29	-	0
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	440	(1,102)	(2,590)	-
Dividend paid	-	-	-	-
Others	(3,153)	(3,989)	916	4,167
Cash flow from Financing Activities	(2,693)	(5,061)	(1,773)	4,069
<b>Chg. in Cash &amp; Bank balance</b>	<b>107</b>	<b>41</b>	<b>652</b>	<b>1,346</b>
Closing cash & balance	320	254	906	2,251

Source Company data, I-Sec research

### Exhibit 15: Key ratios

(Year ending March)

	FY22A	FY23A	FY24E	FY25E
<b>Per Share Data (INR)</b>				
Reported EPS	(6.5)	11.1	13.7	19.9
Adjusted EPS (Diluted)	(7.9)	10.9	13.7	19.9
Cash EPS	24.2	45.7	46.5	56.8
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	9.0	21.2	33.9	52.9
Dividend Payout (%)	-	-	-	-
<b>Growth (%)</b>				
Net Sales	44.6	60.3	13.9	16.9
EBITDA	401.3	161.2	4.2	19.1
EPS (INR)	(71.7)	(268.9)	23.7	45.3
<b>Valuation Ratios (x)</b>				
P/E	(116.6)	69.0	55.8	38.4
P/CEPS	31.5	16.7	16.4	13.4
P/BV	84.4	36.1	22.5	14.4
EV / EBITDA	38.4	15.2	13.5	10.5
P / Sales	3.4	2.1	1.8	1.6
Dividend Yield (%)	-	-	-	-
<b>Operating Ratios</b>				
Gross Profit Margins (%)	39.7	41.8	41.8	41.8
EBITDA Margins (%)	10.7	17.5	16.0	16.3
Effective Tax Rate (%)	42.1	26.1	25.0	25.0
Net Profit Margins (%)	(2.9)	3.0	3.3	4.1
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	1.0	1.1	1.2	1.3
Net Debt / EBITDA (x)	6.2	6.8	6.9	6.6
<b>Profitability Ratios</b>				
RoCE (%)	(2.2)	9.8	11.0	13.5
RoE (%)	(61.7)	72.1	49.7	45.8
RoC (%)	2.1	11.5	12.7	15.3
Fixed Asset Turnover (x)	1.5	2.1	2.1	2.4
Inventory Turnover Days	174	167	149	151
Receivables Days	7	3	6	6
Payables Days	250	205	160	162

Source Company data, I-Sec research

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet\_babbar@icicisecuritiesinc.com, Rishi\_agrawal@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)  
**BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return**

#### ANALYST CERTIFICATION

I/We, Manoj Menon, MBA, CMA; Varun Singh, MBA; Karan Bhuvania, MBA; Akshay Krishnan, MBA; authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

#### Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager, Research Analyst and Alternative Investment Fund. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities AIF Trust's SEBI Registration number is IN/AIF3/23-24/1292 ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report.

Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

---

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, E-mail Address : [complianceofficer@icicisecurities.com](mailto:complianceofficer@icicisecurities.com)

For any queries or grievances: [Mr. Prabodh Avadhoot](mailto:Mr.Prabodh.Avadhoot) Email address: [headservicequality@icicidirect.com](mailto:headservicequality@icicidirect.com) Contact Number: 18601231122

---