

## Encouraging Q1 trends and medium-term prospects; maintain BUY

Retail ▶ Result Update ▶ May 24, 2024

TARGET PRICE (Rs): 5,150

AVL reported in-line EBITDA in Q4, although PAT was lower due to higher interest cost on slight delay in receipt of preferential proceeds. Q4/FY24 revenue grew 23%/32%, led by 6%/15% SSG. Slower Q4 SSG was due to extended winters. However, Q1TD trends remain encouraging and should help recoup some of the lost Q4 sales. Higher inventory of Rs4.3bn at Q4-end (up ~50%) also reflects the anticipation of a strong season, in our view. AVL exceeded its FY24 expansion outlook, with addition of 40 net stores, and plans to add another 30 in FY25 (on a base of 145 stores). Initial trends in eastern UP market are healthy and AVL plans to expand further toward central UP in FY25, followed by an entry into MP/Chattisgarh markets in FY26. We expect AVL to deliver ~30% Rev. CAGR over FY24-27E, led by under-penetration in the Hindi-heartland and better accessibility via AVL's network expansion/consumer financing. We maintain BUY with unchanged TP of Rs5,150/sh (39x FY26E EPS).

## Aditya Vision: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	13,222	17,433	23,319	30,323	38,516
EBITDA	1,330	1,675	2,231	2,984	3,840
Adj. PAT	641	771	1,193	1,713	2,295
Adj. EPS (Rs)	53.3	60.1	93.1	133.6	179.1
EBITDA margin (%)	10.1	9.6	9.6	9.8	10.0
EBITDA growth (%)	60.1	26.0	33.2	33.7	28.7
Adj. EPS growth (%)	81.8	12.8	54.8	43.6	34.0
RoE (%)	59.7	24.7	22.3	26.1	27.9
RoIC (%)	31.8	24.0	25.0	30.0	33.9
P/E (x)	66.8	59.2	38.3	26.6	19.9
EV/EBITDA (x)	33.6	27.4	20.4	15.1	11.5
P/B (x)	31.4	9.4	7.8	6.3	5.0
FCFF yield (%)	(0.4)	(1.7)	2.6	2.9	4.4

Source: Company, Emkay Research

## Q4 EBITDA performance in line; encouraging demand trends in Q1TD

Of the 23%/32% reported revenue growth in Q4/FY24, SSG provided 6%/15% growth, with the balance accounted for by new-store additions. Slower Q4 SSG was on account of extended winters. Even then, >20% growth in Q4 is relatively much better vs. weak trends in other retail categories. AVL added 13/40 stores for Q4/FY24, exceeding the FY24 guidance, and plans to add another 30 in FY25 (~20% store growth). Bihar/Jharkhand/UP contributed 83%/11%/6% to the Q4 topline, respectively. With healthy initial trends in the UP market, AVL plans to move toward Central UP in FY25 and further fortify the existing Bihar/Jharkhand markets in FY26E. Among categories, Home-Entertainment/Digital gadgets/Others contributed 66%/21%/13% to FY24 sales vs 69%/19%/12% in FY23. Despite the higher mix of low-margin digital gadgets and accelerated expansion, the Gross/EBITDA margin (ex-ESOP), remained encouragingly flat at 16.0%/10.0% in FY24.

**Earnings call KTAs:** 1) Inventory build-up (Rs4.3bn vs Rs2.9bn in FY23) was mainly due to higher investment in compressor-related products to capture Q1 demand and gain from better OEM discounts offered toward the year-end. 2) AVL's WC increased by Rs1.5bn in FY24, capex incurred was Rs0.4bn, debt repayment was Rs1.5bn and paid dividend was of Rs0.2bn. These were funded through Rs2.8bn pref. issue and internal accruals of Rs1bn. 3) ESOP expenses for FY24 were Rs80mn, which is expected to reduce to Rs15mn in FY25. 4) Q1 trends are encouraging till mid-May because of strong summer season; the recent sporadic rains and high June base need to be watched. 5) YE inventory tends to be higher due to the upcoming season; however, averaged inventory for all 4 quarters of FY24 was Rs3.2bn. 6) NSE listing is expected to be in H1FY25. 7) AVL remains committed to appointing a Big-6 auditor and talks are in progress. Ind-AS116 accounting is already maintained by BDO. 8) Sales via consumer financing stood at 41% vs 35% in FY23. 9) Tax rate for FY25 is expected at ~27.1%. 12) FY24 SSG stood at 15%, aided by 5% increase in bill value and the rest through increase in bill cuts. 13) ASP stood at Rs22,150 in FY24. 14) Avg. size of stores added in FY24 is ~4,000sq.ft.

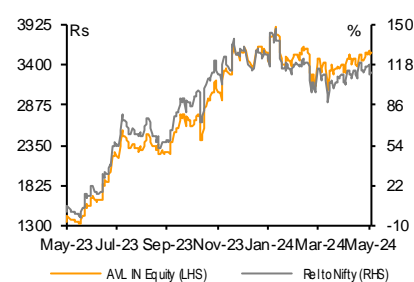
Target Price – 12M	Mar-25
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	44.6
CMP (24-May-24) (Rs)	3,560.8

Stock Data	Ticker
52-week High (Rs)	3,992
52-week Low (Rs)	1,253
Shares outstanding (mn)	12.8
Market-cap (Rs bn)	46
Market-cap (USD mn)	549
Net-debt, FY25E (Rs mn)	-110
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	48.4
ADTV-3M (USD mn)	0.6
Free float (%)	15.0
Nifty-50	22,957
INR/USD	83.1
<b>Shareholding, Mar-24</b>	
Promoters (%)	55.6
FPIs/MFs (%)	7.2/7.4

## Price Performance

(%)	1M	3M	12M
Absolute	7.5	0.8	157.8
Rel. to Nifty	4.9	(2.5)	105.3

## 1-Year share price trend (Rs)



## Devanshu Bansal

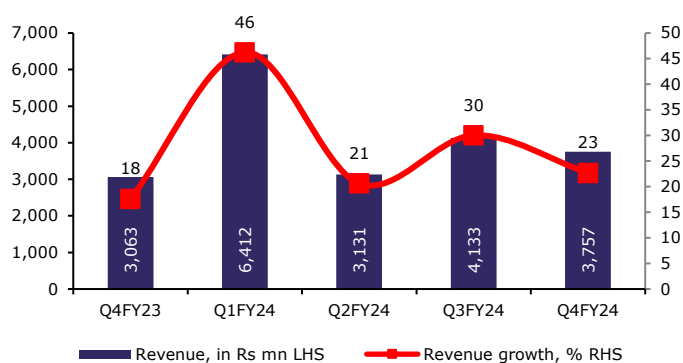
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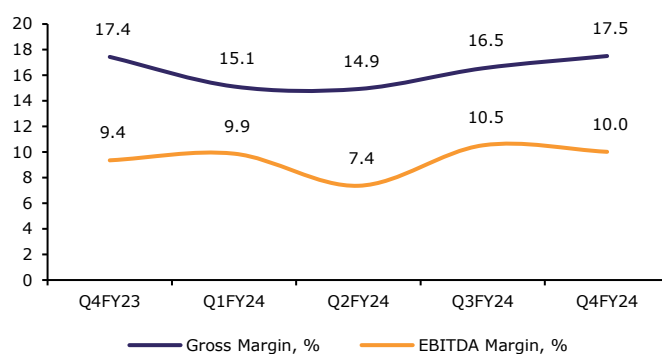
## Story in Charts

**Exhibit 1: Topline up ~23%, led by 6% SSG and the balance from new-store additions**



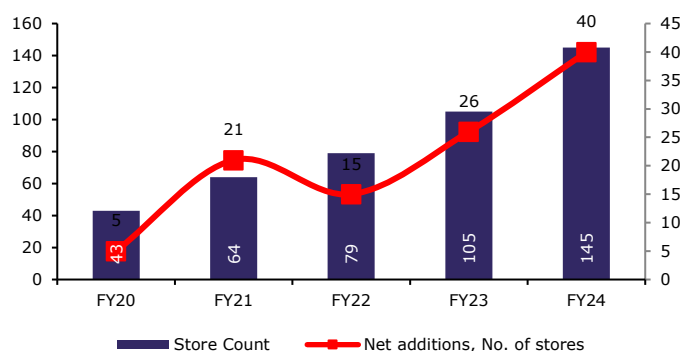
Source: Company, Emkay Research

**Exhibit 2: EBITDA margin improved by 60bps, largely on account of 100bps saving in other operating expense**



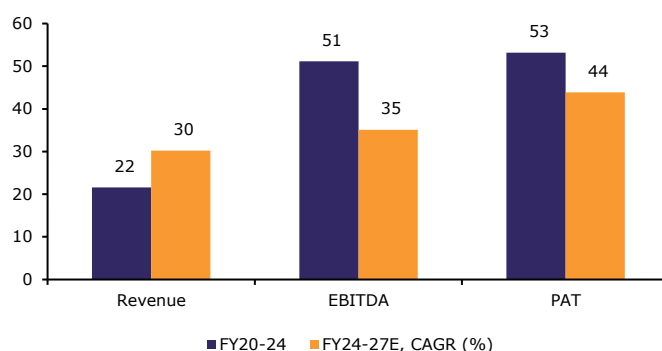
Source: Company, Emkay Research

**Exhibit 3: AVL opened net 13/40 stores in Q4/FY24; aims to add 30 stores in FY25**



Source: Company, Emkay Research

**Exhibit 4: We expect strong revenue/EBITDA/PAT CAGR of 30%/35%/44% over FY24-27E**



Source: Company, Emkay Research

**Exhibit 5: Actual vs. Estimates (Q4FY24)**

(Rs mn)	Actual	Estimates		Variation		Comments
		Emkay	Consensus	Emkay	Consensus	
Net Sales	3,757	3,852	3,566	-2.5%	5.4%	Topline was largely in-line with estimates.
EBITDA	376	378	313	-0.5%	20.2%	EBITDA was in line with our estimate.
EBITDA Margin	10.0%	9.8%	8.8%	20	124	
PAT	79	161	156	-51.2%	-49.7%	PAT miss was on account of higher interest cost due to slight delay in receipt of pref. proceeds.

Source: Company, Emkay Research

## Exhibit 6: Summary of quarterly results

Y/E, Mar (Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
<b>Revenue</b>	<b>3,063</b>	<b>6,412</b>	<b>3,131</b>	<b>4,133</b>	<b>3,757</b>	<b>22.7</b>	<b>-9.1</b>	<b>13,222</b>	<b>17,433</b>	<b>31.8</b>
<b>Expenditure</b>	<b>2,776</b>	<b>5,779</b>	<b>2,901</b>	<b>3,698</b>	<b>3,380</b>	<b>21.8</b>	<b>-8.6</b>	<b>11,893</b>	<b>15,758</b>	<b>32.5</b>
Consumption of RM	2,529	5,443	2,664	3,449	3,099	22.6	-10.1	11,112	14,655	31.9
as % of sales	82.6%	84.9%	85.1%	83.5%	82.5%			84.0%	84.1%	
Employee Cost	101	154	135	141	138			395	568	
as % of sales	3.3%	2.4%	4.3%	3.4%	3.7%			3.0%	3.3%	
Other expenditure	146	183	102	108	143	-2.0	33.1	385	535	39.1
as % of sales	4.8%	2.8%	3.2%	2.6%	3.8%			2.9%	3.1%	
<b>EBITDA</b>	<b>286</b>	<b>633</b>	<b>231</b>	<b>435</b>	<b>376</b>	<b>31.4</b>	<b>-13.5</b>	<b>1,330</b>	<b>1,675</b>	<b>25.9</b>
Depreciation	52	63	68	80	75	42.9	-7.2	204	286	40.0
<b>EBIT</b>	<b>234</b>	<b>570</b>	<b>163</b>	<b>355</b>	<b>302</b>	<b>28.8</b>	<b>-14.9</b>	<b>1,126</b>	<b>1,389</b>	<b>23.4</b>
Other Income	16	14	25	9	18	9.8	101.1	29	65	122.5
Interest	109	90	64	74	159	46.2	116.9	295	388	31.4
<b>PBT</b>	<b>142</b>	<b>493</b>	<b>123</b>	<b>290</b>	<b>160</b>	<b>13.2</b>	<b>-44.7</b>	<b>860</b>	<b>1,067</b>	<b>24.0</b>
Total Tax	74	119	27	68	82	10.9	19.8	219	296	35.4
<b>PAT</b>	<b>68</b>	<b>374</b>	<b>96</b>	<b>222</b>	<b>79</b>	<b>15.8</b>	<b>-64.6</b>	<b>641</b>	<b>771</b>	<b>20.2</b>
Extra ordinary items	0	0	0	0	0			0	0	
<b>Reported PAT</b>	<b>68</b>	<b>374</b>	<b>96</b>	<b>222</b>	<b>79</b>	<b>15.8</b>	<b>-64.6</b>	<b>641</b>	<b>771</b>	<b>20.2</b>
Minority Interest	0	0	0	0	0			0	0	
<b>Adjusted PAT</b>	<b>68</b>	<b>374</b>	<b>96</b>	<b>222</b>	<b>79</b>	<b>15.8</b>	<b>-64.6</b>	<b>641</b>	<b>771</b>	<b>20.2</b>
<b>Adjusted EPS (Rs)</b>	<b>5.6</b>	<b>31.1</b>	<b>8.0</b>	<b>18.4</b>	<b>6.1</b>	<b>8.6</b>	<b>-66.8</b>	<b>53</b>	<b>64</b>	<b>19.4</b>
<b>(%)</b>	<b>Q4FY23</b>	<b>Q1FY24</b>	<b>Q2FY24</b>	<b>Q3FY24</b>	<b>Q4FY24</b>	<b>(bps)</b>	<b>(bps)</b>	<b>FY23</b>	<b>FY24</b>	<b>(bps)</b>
EBITDA margin	9.4	9.9	7.4	10.5	10.0	70	-50	10.1	9.6	-50
EBIT margin	7.6	8.9	5.2	8.6	8.0	40	-50	8.5	8.0	-50
EBT margin	4.6	7.7	3.9	7.0	4.3	-40	-280	6.5	6.1	-40
PAT margin	2.2	5.8	3.1	5.4	2.1	-10	-330	4.9	4.4	-40
Effective Tax rate	52.1	24.1	21.8	23.5	51.0	-110	2750	25.4	27.7	230

Source: Company, Emkay Research

## Exhibit 7: Peer Comparison

Companies	Price (Rs/sh)	Mcap (Rs bn)	Reco	Target Price (Rs/sh)	EPS (Rs)			P/E (x)			EV / EBITDA (x)*		
					FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Titan Company	3,412	3,029	Buy	4,150	39.4	49.7	63.5	86.7	68.7	53.8	57.6	45.4	36.6
Page Industries	35,555	397	Reduce	36,300	510.3	595.0	711.0	69.7	59.8	50.0	44.4	38.9	33.1
Jubilant FoodWorks	467	308	Add	525	3.7	5.3	6.8	125.2	88.4	68.6	28.0	23.1	19.9
Devyani International	152	183	Reduce	165	0.7	1.5	2.3	229.2	100.0	65.3	28.8	22.1	17.2
ABFRL	290	294	Reduce	230	-5.6	-4.4	-2.2	-51.3	-65.9	-129.3	20.7	14.5	11.3
Westlife Foodworld	864	135	Reduce	875	4.4	3.6	9.6	194.6	243.0	89.7	36.7	35.1	24.5
Sapphire Foods	1,391	89	Add	1,600	8.2	11.3	25.1	170.1	122.6	55.4	18.8	15.8	11.8
Go Fashion	996	54	Buy	1,300	15.3	18.9	26.3	65.0	52.7	37.8	21.5	18.3	14.2
Ethos	2,351	58	Buy	2,950	34.0	42.5	55.7	69.1	55.4	42.2	36.1	28.4	20.9
Senco Gold	874	68	Buy	1,100	23.3	27.6	35.4	37.5	31.7	24.7	19.6	16.2	13.0
Varun Beverages	1,498	1,947	Add	1,650	15.8	21.1	28.2	94.7	70.9	53.2	55.1	40.8	32.2
<b>Aditya Vision</b>	<b>3,561</b>	<b>46</b>	<b>Buy</b>	<b>5,150</b>	<b>60.1</b>	<b>93.1</b>	<b>133.6</b>	<b>59.2</b>	<b>38.3</b>	<b>26.6</b>	<b>28.4</b>	<b>21.3</b>	<b>15.9</b>

Source: Company, Emkay Research; Note: \*Post-IndAS116 EBITDA

Exhibit 8: Changes in estimates

(Rs mn)	FY25E			FY26E			FY27E
	Old	New	Change (%)	Old	New	Change (%)	New
Revenue	23,319	23,319	0.0	30,323	30,323	0.0	38,516
EBITDA	2,231	2,231	0.0	2,984	2,984	0.0	3,840
EBITDA margin (%)	9.6	9.6	0 bps	9.8	9.8	0 bps	10.0
Net profit	1,194	1,193	-0.1	1,714	1,713	0.0	2,295
EPS (Rs)	93.2	93.1	-0.1	133.7	133.6	0.0	179.1

Source: Company, Emkay Research; Note: **\*Post IndAS-116 EBITDA**

Aditya Vision: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	13,222	17,433	23,319	30,323	38,516
Revenue growth (%)	47.1	31.8	33.8	30.0	27.0
EBITDA	1,330	1,675	2,231	2,984	3,840
EBITDA growth (%)	60.1	26.0	33.2	33.7	28.7
Depreciation & Amortization	204	286	364	419	483
EBIT	1,126	1,389	1,867	2,565	3,357
EBIT growth (%)	68.0	23.4	34.4	37.4	30.9
Other operating income	0	0	0	0	0
Other income	29	65	0	10	50
Financial expense	295	388	233	228	262
PBT	860	1,067	1,635	2,347	3,144
Extraordinary items	0	0	0	0	0
Taxes	219	296	441	634	849
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	641	771	1,193	1,713	2,295
PAT growth (%)	81.8	20.2	54.8	43.6	34.0
Adjusted PAT	641	771	1,193	1,713	2,295
Diluted EPS (Rs)	53.3	60.1	93.1	133.6	179.1
Diluted EPS growth (%)	81.8	12.8	54.8	43.6	34.0
DPS (Rs)	7.5	14.5	16.7	22.5	30.4
Dividend payout (%)	14.1	24.1	17.9	16.8	17.0
EBITDA margin (%)	10.1	9.6	9.6	9.8	10.0
EBIT margin (%)	8.5	8.0	8.0	8.5	8.7
Effective tax rate (%)	25.4	27.7	27.0	27.0	27.0
NOPLAT (pre-IndAS)	840	1,004	1,363	1,872	2,450
Shares outstanding (mn)	12.0	12.8	12.8	12.8	12.8

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	860	1,067	1,635	2,347	3,144
Others (non-cash items)	204	286	364	419	483
Taxes paid	(219)	(296)	(441)	(634)	(849)
Change in NWC	(967)	(1,781)	(477)	(892)	(934)
Operating cash flow	144	(402)	1,313	1,459	2,057
Capital expenditure	(306)	(324)	(210)	(221)	(232)
Acquisition of business	1	0	0	0	0
Interest & dividend income	29	65	0	10	50
Investing cash flow	(275)	(258)	(210)	(211)	(182)
Equity raised/(repaid)	0	2,824	0	0	0
Debt raised/(repaid)	1,141	(1,453)	(1,253)	0	0
Payment of lease liabilities	(265)	(360)	(453)	(525)	(598)
Interest paid	(170)	(230)	(35)	0	0
Dividend paid (incl tax)	0	0	0	0	0
Others	(10)	(11)	(214)	(289)	(390)
Financing cash flow	695	771	(1,954)	(814)	(987)
Net chg in Cash	565	110	(852)	435	888
OCF	144	(402)	1,313	1,459	2,057
Adj. OCF (w/o NWC chg.)	1,111	1,379	1,790	2,351	2,991
FCFF	(161)	(726)	1,103	1,239	1,825
FCFE	(427)	(1,048)	870	1,020	1,613
OCF/EBITDA (%)	10.9	(24.0)	58.8	48.9	53.6
FCFE/PAT (%)	(66.6)	(136.0)	72.9	59.6	70.3
FCFF/NOPLAT (%)	(19.2)	(72.3)	80.9	66.1	74.5

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	120	128	128	128	128
Reserves & Surplus	1,243	4,739	5,719	7,143	9,049
Net worth	1,363	4,867	5,847	7,271	9,177
Minority interests	0	0	0	0	0
Deferred tax liability (net)	0	0	0	0	0
Total debt	2,706	1,253	0	0	0
Total liabilities & equity	4,069	6,120	5,847	7,271	9,177
Net tangible fixed assets	637	873	972	1,060	1,140
Net intangible assets	0	0	0	0	0
Net ROU assets	(200)	(277)	(274)	(264)	(260)
Capital WIP	0	0	0	0	0
Goodwill	0	0	0	0	0
Investments [JV/Associates]	0	0	0	0	0
Cash & equivalents	852	962	110	545	1,433
Current assets (ex-cash)	3,316	5,181	5,997	7,177	8,447
Current Liab. & Prov.	536	620	958	1,246	1,583
NWC (ex-cash)	2,780	4,561	5,039	5,930	6,865
Total assets	4,069	6,120	5,847	7,271	9,177
Net debt	1,854	291	(110)	(545)	(1,433)
Capital employed	4,069	6,120	5,847	7,271	9,177
Invested capital	3,217	5,158	5,737	6,727	7,744
BVPS (Rs)	113.3	379.7	456.1	567.2	715.9
Net Debt/Equity (x)	1.4	0.1	0.0	(0.1)	(0.2)
Net Debt/EBITDA (x)	1.4	0.2	0.0	(0.2)	(0.4)
Interest coverage (x)	0.3	0.3	0.1	0.1	0.1
RoCE (%)	36.0	28.5	31.2	39.3	41.4

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	66.8	59.2	38.3	26.6	19.9
P/CE(x)	47.9	40.8	27.7	20.2	15.5
P/B (x)	31.4	9.4	7.8	6.3	5.0
EV/Sales (x)	3.4	2.6	2.0	1.5	1.1
EV/EBITDA (x)	33.6	27.4	20.4	15.1	11.5
EV/EBIT(x)	37.6	31.3	23.0	16.6	12.4
EV/IC (x)	13.2	8.4	7.5	6.3	5.4
FCFF yield (%)	(0.4)	(1.7)	2.6	2.9	4.4
FCFE yield (%)	(1.1)	(2.4)	2.0	2.4	3.7
Dividend yield (%)	0.2	0.4	0.5	0.6	0.9
DuPont-RoE split					
Net profit margin (%)	4.9	4.4	5.1	5.6	6.0
Total asset turnover (x)	4.1	3.4	3.9	4.6	4.7
Assets/Equity (x)	3.0	1.6	1.1	1.0	1.0
RoE (%)	59.7	24.7	22.3	26.1	27.9
DuPont-RoIC					
NOPLAT margin (%)	6.3	5.8	5.8	6.2	6.4
IC turnover (x)	5.0	4.2	4.3	4.9	5.3
RoIC (%)	31.8	24.0	25.0	30.0	33.9
Operating metrics					
Core NWC days	19.5	26.0	25.1	21.1	18.2
Total NWC days	76.7	95.5	78.9	71.4	65.1
Fixed asset turnover	27.3	24.6	24.8	26.1	27.6
Opex-to-revenue (%)	5.9	6.3	5.6	5.2	4.8

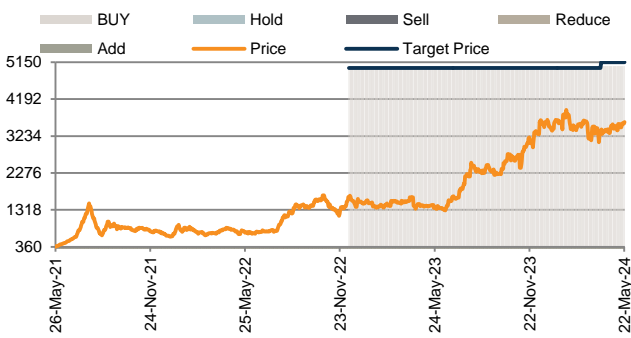
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
07-Apr-24	3,343	5,150	Buy	Devanshu Bansal
08-Feb-24	3,487	5,000	Buy	Devanshu Bansal
10-Jan-24	3,621	5,000	Buy	Devanshu Bansal
19-Dec-22	1,538	5,000	Buy	Devanshu Bansal
10-Dec-22	1,656	5,000	Buy	Devanshu Bansal

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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<b>SELL</b>	<15% downside

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