

Slight growth moderation but outperformance continues; BUY

Retail ▶ Result Update ▶ November 12, 2024

TARGET PRICE (Rs): 550

AVL's Q2 EBITDA was 8% higher than our estimate, led by better gross-margin and cost savings. Q2 revenue growth at 20% (10% SSG) was healthy albeit moderated (vs Q1) due to preponement of the *Shrad* period and some demand temperance. However, outperformance continued vs EMIL, reflecting deep under-penetration in the Hindi Heartland. Addressing concerns around tightening of finance-led sales, AVL highlighted that financing continues to be robust along with new partners entering its area of operations. AVL is encouraged by the initial traction in Uttar Pradesh (7% mix in H1), and plans to cover central UP with 10 more additions by FY25-end. Overall, AVL plans to add ~300 stores annually, to reach a 200 store-count by FY26. Our TP/earnings get cut by 6-8%, on sluggish macros and higher store additions. The stock has corrected ~20%, and continued execution should drive a healthy re-rating. Better liquidity with the stock split/NSE listing is also positive. We maintain BUY on AVL, with revised down TP of Rs550 (40x Sep-26E EPS).

Aditya Vision: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	13,222	17,433	22,468	28,828	36,610
EBITDA	1,330	1,675	2,184	2,861	3,677
Adj. PAT	641	771	1,110	1,527	2,047
Adj. EPS (Rs)	5.3	6.0	8.7	11.9	16.0
EBITDA margin (%)	10.1	9.6	9.7	9.9	10.0
EBITDA growth (%)	60.1	25.9	30.4	31.0	28.5
Adj. EPS growth (%)	81.8	12.7	44.0	37.6	34.1
RoE (%)	59.7	24.7	20.9	23.9	26.1
RoIC (%)	31.8	24.0	23.4	25.6	27.6
P/E (x)	82.0	72.7	50.5	36.7	27.4
EV/EBITDA (x)	40.9	33.6	25.8	19.8	15.3
P/B (x)	38.6	11.5	9.7	8.0	6.5
FCFF yield (%)	(0.3)	(1.1)	1.0	1.2	2.0

Source: Company, Emkay Research

In-line topline; better mix drives PAT beat: Of the reported 20% revenue growth in Q2, SSG provided 10% growth, with the balance accounted for by new-store additions. SSG outperformance (vs EMIL) is encouraging despite challenges in Q2, on account of heavy rains and the *Shrad* period (inauspicious time for new purchases). We believe AVL's performance is better vs other retail categories, which are seeing sluggish trends persisting. AVL added 6/11 stores in Q2/H1, taking the total store-count to 156; AVL maintained its FY25 store-addition guidance at ~30. The H2 pipeline remains strong, with ~18 stores expected to open before Feb-25. Bihar/Jharkhand/UP contributed 82%/11%/7%, respectively, to the H1 topline. With healthy initial trends/footprint in the UP market, AVL plans to cover the entire Central UP by FY25-end and further fortify the existing Bihar/Jharkhand markets in FY26. Gross margin was up by 50bps at 15.4%, likely led by better mix (higher AC, lower Digital Gadgets mix). EBITDA margin was up by 60bps to 8%, largely reflected in the gross margin gains as the lower employee cost was offset by higher operating costs.

Earnings call KTAs: 1) AVL completed the share split and NSE listing process in Q2, to enhance liquidity in the stock. 2) It plans reaching store-count of 200 by FY26, in line with the annual run-rate of 25-30 store additions. 3) Q3TD trends are healthy, given a good festive/lengthy wedding seasons. 4) ASP was down ~1% in H1FY25, on account of price correction by brands (~2% in large appliances/~3% in digital gadgets). However, mgmt. remains confident of premium products doing well over the medium term. 6) Unlike the automobile industry facing stringent financing measures from NBFCs, AVL exuded confidence, with financing partners doubling down on durable financing, and does not see any challenge ahead. 7) Monsoons are a key driver of growth in Tier2-4 markets, and the season has remained encouraging over the last few years. 8) AVL remains insulated from brands opening own stores, as brand focus should remain metro-centric and AVL stays focused on Tier 2-4 markets. 9) AVL will deliver continuous growth despite competition from large chains, as it gains confidence from its localized, differentiated strategy (marketing/consumer service/better assortment/after-sales service). 10) New 18 stores in the pipeline are likely to become operational by Jan/Feb-25, to take advantage of the upcoming summer season, thus deriving better returns/paybacks. The UP region is expected to see ~10 additions in H2, with Lucknow itself seeing an addition of 6 stores. 11) ESOP expense was ~Rs5mn in Q2, and is expected to maintain such levels in the near term. 12) Inventory was higher at Rs4.4bn, to prepare for the festive period in Oct-24. In line with the seasonal uptick, H2 is likely to see higher usage of working capital. 13) H1 capex at Rs163mn was higher due to 11 store additions and renovations at existing stores.

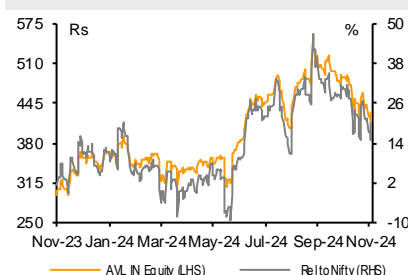
Target Price – 12M	Sep-25
Change in TP (%)	(8.3)
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	25.9
CMP (12-Nov-24) (Rs)	437.0

Stock Data	Ticker
52-week High (Rs)	575
52-week Low (Rs)	284
Shares outstanding (mn)	128.7
Market-cap (Rs bn)	56
Market-cap (USD mn)	666
Net-debt, FY25E (Rs mn)	396
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	76.5
ADTV-3M (USD mn)	0.9
Free float (%)	15.0
Nifty-50	23,883
INR/USD	84.4
Shareholding, Oct-24	
Promoters (%)	53.2
FPIs/MFs (%)	13.2/8.5

Price Performance

(%)	1M	3M	12M
Absolute	(10.6)	4.2	47.9
Rel. to Nifty	(6.5)	6.3	20.9

1-Year share price trend (Rs)



Devanshu Bansal

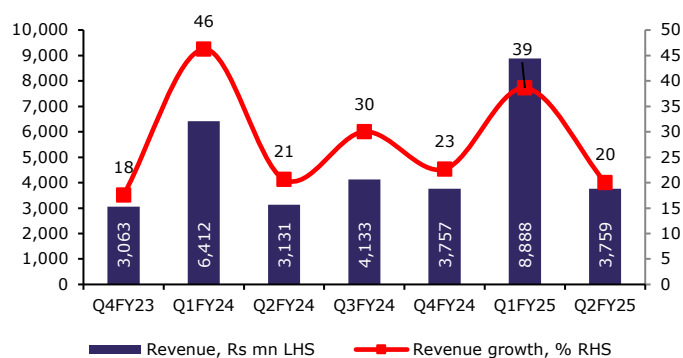
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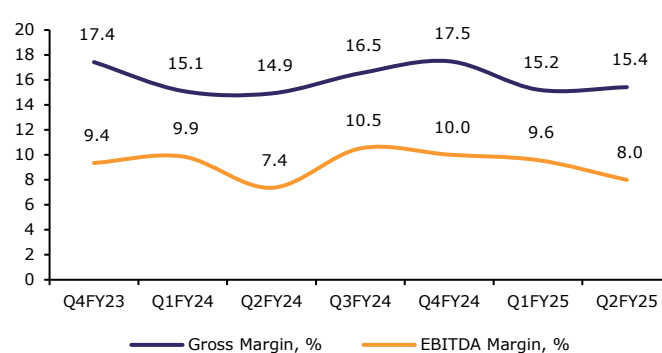
Story in Charts

Exhibit 1: Topline up ~20% despite a strong base, led by 10% SSG and the balance from new-store additions



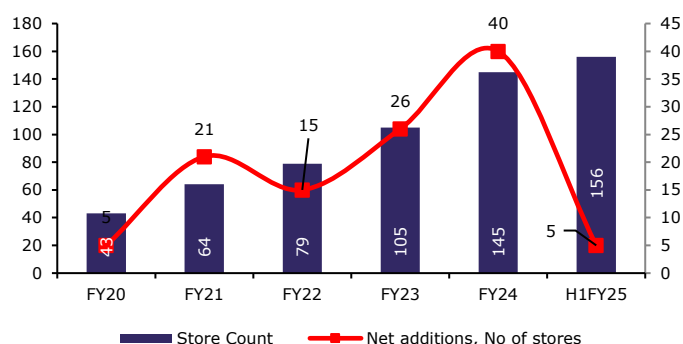
Source: Company, Emkay Research

Exhibit 2: EBITDA margin improved by 60bps, largely led by gross margin gains of 50bps on a better mix



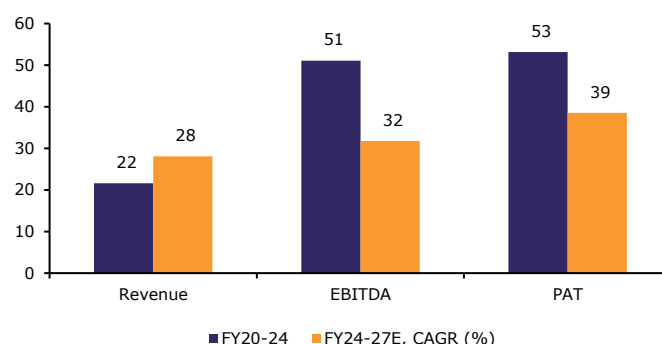
Source: Company, Emkay Research

Exhibit 3: AVL opened net 6/11 stores in Q2, taking the total count to 156; guidance to add 25-30 stores is intact for FY25



Source: Company, Emkay Research

Exhibit 4: We expect strong revenue/EBITDA/PAT CAGR of 28% - 39% over FY24-27E



Source: Company, Emkay Research

Exhibit 5: Actual vs. Estimates (Q2FY25)

(Rs mn)	Actual	Estimates		Variation		Comments
		Emkay	Consensus	Emkay	Consensus	
Net Sales	3,759	3,744	3,734	0.4%	0.6%	Topline was largely in line with estimates.
EBITDA	301	278	277	8.1%	8.7%	EBITDA was better due to better gross margin (favorable mix).
EBITDA Margin	8.0%	7.4%	7.4%	57	59	
PAT	122	111	113	10.0%	8.3%	Higher PAT was due to lower interest/tax cost.

Source: Company, Emkay Research

Exhibit 6: Summary of quarterly results

Y/E, Mar (Rs mn)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	YoY (%)	QoQ (%)	H1FY24	H1FY25	YoY (%)
Revenue	3,131	4,133	3,757	8,888	3,759	20.0	-57.7	9,544	12,646	32.5
Expenditure	2,901	3,698	3,380	8,037	3,458	19.2	-57.0	8,680	11,494	32.4
Consumption of RM	2,664	3,449	3,099	7,535	3,179	19.3	-57.8	8,107	10,714	32.2
as % of sales	85.1%	83.5%	82.5%	84.8%	84.6%			84.9%	84.7%	
Employee Cost	135	141	138	206	135	0.2	-34.2	289	341	18.1
as % of sales	4.3%	3.4%	3.7%	2.3%	3.6%			3.0%	2.7%	
Other expenditure	102	108	143	296	144	41.4	-51.4	284	440	54.6
as % of sales	3.2%	2.6%	3.8%	3.3%	3.8%			3.0%	3.5%	
EBITDA	231	435	376	851	301	30.4	-64.7	864	1,152	33.4
Depreciation	68	80	75	82	104	53.2	26.5	131	186	42.0
EBIT	163	355	302	769	197	20.9	-74.4	733	966	31.9
Other Income	25	9	18	17	19	-25.1	10.1	38	35	-8.1
Interest	64	74	159	68	56	-13.7	-18.1	155	124	-20.2
PBT	123	290	160	718	160	29.7	-77.7	617	878	42.4
Total Tax	27	68	82	187	38	40.1	-79.9	146	225	54.2
PAT	96	222	79	531	122	26.8	-77.0	471	653	38.8
Extra ordinary items	0	0	0	0	0			0	0	
Reported PAT	96	222	79	531	122	26.8	-77.0	471	653	38.8
Minority Interest	0	0	0	0	0			0	0	
Adjusted PAT	96	222	79	531	122	26.8	-77.0	471	653	38.8
Adjusted EPS (Rs)	0.8	1.8	0.6	4.1	1.0	19.0	-77.0	4	5	30.2
(%)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	(bps)	(bps)	H1FY24	H1FY25	(bps)
EBITDA margin	7.4	10.5	10.0	9.6	8.0	60	-160	9.0	9.1	10
EBIT margin	5.2	8.6	8.0	8.7	5.2	0	-340	7.7	7.6	0
EBT margin	3.9	7.0	4.3	8.1	4.3	30	-380	6.5	6.9	50
PAT margin	3.1	5.4	2.1	6.0	3.2	20	-270	4.9	5.2	20
Effective Tax rate	21.8	23.5	51.0	26.1	23.6	180	-250	23.7	25.6	200

Source: Company, Emkay Research

Exhibit 7: Peer Comparison

Company name	Price (Rs)	Mcap (Rs bn)	Reco	Target Price (Rs)	EPS (Rs)			P/E (x)			EV/EBITDA (x)*		
					FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Titan Company	3,198	2,840	Buy	4,050	39.5	54.3	70.5	80.9	58.9	45.3	50.3	38.9	31.6
Varun Beverages	584	1,898	Buy	750	7.7	10.4	13.4	75.6	56.1	43.7	42.1	33.1	27.8
Ethos	2,964	73	Buy	3,700	38.3	51.5	68.2	77.4	57.5	43.5	37.6	26.2	19.7
Aditya Vision	429	55	Buy	550	8.7	11.9	16.0	49.6	36.0	26.9	25.4	19.4	15.1
Page Industries	47,107	525	Reduce	39,000	604.3	730.2	866.8	78.0	64.5	54.3	50.6	42.5	36.3
ABFRL	294	315	Sell	280	-4.7	-1.7	-0.8	NA	NA	NA	19.5	14.1	11.4
Go Fashion	1,164	63	Buy	1,450	17.8	23.6	29.3	65.4	49.3	39.7	22.4	18.1	15.1
Jubilant FoodWorks	637	420	Add	680	3.8	6.9	9.3	167.4	92.4	68.4	25.7	21.4	18.4
Devyani International	172	208	Reduce	160	0.3	0.6	1.3	594.7	277.7	137.4	25.2	20.0	16.2
Westlife Foodworld	747	116	Add	925	2.0	8.1	11.6	376.3	92.7	64.5	32.5	22.3	18.3
Sapphire Foods	316	101	Add	400	0.8	2.9	4.6	377.2	110.4	68.7	21.0	16.1	12.8

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

Exhibit 8: Changes in estimates

(Rs mn)	FY25E			FY26E			FY27E		
	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)
Revenue	22,650	22,468	-0.8	29,417	28,828	-2.0	37,436	36,610	-2.2
EBITDA*	2,139	2,184	2.1	2,891	2,861	-1.0	3,698	3,677	-0.6
EBITDA margin (%)*	9.4	9.7	30 bps	9.8	9.9	10 bps	9.9	10.0	20 bps
Net profit	1,125	1,110	-1.3	1,625	1,527	-6.0	2,164	2,047	-5.4
EPS (Rs)	8.8	8.7	-1.3	12.7	11.9	-6.0	16.9	16.0	-5.4

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

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Aditya Vision: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	13,222	17,433	22,468	28,828	36,610
Revenue growth (%)	47.1	31.8	28.9	28.3	27.0
EBITDA	1,330	1,675	2,184	2,861	3,677
EBITDA growth (%)	60.1	25.9	30.4	31.0	28.5
Depreciation & Amortization	204	286	407	515	611
EBIT	1,126	1,389	1,777	2,346	3,066
EBIT growth (%)	68.0	23.4	27.9	32.1	30.7
Other operating income	0	0	0	0	0
Other income	29	65	72	85	100
Financial expense	295	388	359	390	429
PBT	860	1,067	1,489	2,041	2,737
Extraordinary items	0	0	0	0	0
Taxes	219	296	380	514	690
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	641	771	1,110	1,527	2,047
PAT growth (%)	81.8	20.1	44.0	37.6	34.1
Adjusted PAT	641	771	1,110	1,527	2,047
Diluted EPS (Rs)	5.3	6.0	8.7	11.9	16.0
Diluted EPS growth (%)	81.8	12.7	44.0	37.6	34.1
DPS (Rs)	0.1	1.5	1.7	2.3	3.0
Dividend payout (%)	1.4	24.1	19.3	18.9	19.0
EBITDA margin (%)	10.1	9.6	9.7	9.9	10.0
EBIT margin (%)	8.5	8.0	7.9	8.1	8.4
Effective tax rate (%)	25.4	27.8	25.5	25.2	25.2
NOPLAT (pre-IndAS)	840	1,004	1,324	1,755	2,293
Shares outstanding (mn)	120.3	128.2	128.2	128.2	128.2

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	860	1,067	1,489	2,041	2,737
Others (non-cash items)	204	286	407	515	611
Taxes paid	(219)	(296)	(380)	(514)	(690)
Change in NWC	(967)	(1,781)	(841)	(1,239)	(1,342)
Operating cash flow	144	(402)	962	1,108	1,645
Capital expenditure	(306)	(309)	(300)	(365)	(378)
Acquisition of business	1	0	0	0	0
Interest & dividend income	29	65	72	85	100
Investing cash flow	(275)	(244)	(228)	(280)	(278)
Equity raised/(repaid)	0	2,809	0	0	0
Debt raised/(repaid)	1,141	(1,453)	(503)	200	(100)
Payment of lease liabilities	(265)	(361)	(469)	(568)	(672)
Interest paid	(170)	(232)	(157)	(145)	(140)
Dividend paid (incl tax)	0	0	0	0	0
Others	(10)	(6)	(214)	(289)	(390)
Financing cash flow	695	757	(1,342)	(801)	(1,301)
Net chg in Cash	565	110	(608)	27	67
OCF	144	(402)	962	1,108	1,645
Adj. OCF (w/o NWC chg.)	1,111	1,379	1,804	2,347	2,988
FCFF	(161)	(712)	663	744	1,268
FCFE	(427)	(1,034)	375	439	939
OCF/EBITDA (%)	10.9	(24.0)	44.1	38.7	44.7
FCFE/PAT (%)	(66.6)	(134.2)	33.8	28.7	45.8
FCFF/NOPLAT (%)	(19.2)	(70.9)	50.1	42.4	55.3

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	5,635	6,873	8,531
Net worth	1,363	4,867	5,763	7,002	8,659
Minority interests	0	0	0	0	0
Deferred tax liability (net)	0	0	0	0	0
Total debt	2,706	1,253	750	950	850
Total liabilities & equity	4,069	6,120	6,513	7,951	9,509
Net tangible fixed assets	637	873	1,043	1,228	1,389
Net intangible assets	0	0	0	0	0
Net ROU assets	(200)	(277)	(287)	(299)	(312)
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	354	382	448
Current assets (ex-cash)	3,316	5,181	6,326	7,826	9,488
Current Liab. & Prov.	536	620	923	1,185	1,505
NWC (ex-cash)	2,780	4,561	5,403	6,641	7,984
Total assets	4,069	6,120	6,513	7,951	9,509
Net debt	1,854	291	396	568	402
Capital employed	4,069	6,120	6,513	7,952	9,509
Invested capital	3,217	5,158	6,159	7,570	9,061
BVPS (Rs)	11.3	38.0	45.0	54.6	67.6
Net Debt/Equity (x)	1.4	0.1	0.1	0.1	0.0
Net Debt/EBITDA (x)	1.4	0.2	0.2	0.2	0.1
Interest coverage (x)	0.3	0.3	0.2	0.2	0.1
RoCE (%)	36.0	28.5	29.3	33.6	36.3

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	82.0	72.7	50.5	36.7	27.4
P/CE(x)	71.1	60.6	42.2	31.4	24.1
P/B (x)	38.6	11.5	9.7	8.0	6.5
EV/Sales (x)	4.1	3.2	2.5	2.0	1.5
EV/EBITDA (x)	40.9	33.6	25.8	19.8	15.3
EV/EBIT(x)	55.0	46.3	36.3	27.5	21.0
EV/IC (x)	19.3	12.5	10.5	8.5	7.1
FCFF yield (%)	(0.3)	(1.1)	1.0	1.2	2.0
FCFE yield (%)	(0.7)	(1.6)	0.6	0.7	1.5
Dividend yield (%)	0.0	0.3	0.4	0.5	0.7
DuPont-RoE split					
Net profit margin (%)	4.9	4.4	4.9	5.3	5.6
Total asset turnover (x)	4.1	3.4	3.6	4.0	4.2
Assets/Equity (x)	3.0	1.6	1.2	1.1	1.1
RoE (%)	59.7	24.7	20.9	23.9	26.1
DuPont-RoIC					
NOPLAT margin (%)	6.3	5.8	5.9	6.1	6.3
IC turnover (x)	5.0	4.2	4.0	4.2	4.4
RoIC (%)	31.8	24.0	23.4	25.6	27.6
Operating metrics					
Core NWC days	19.5	26.0	27.8	26.1	24.4
Total NWC days	76.7	95.5	87.8	84.1	79.6
Fixed asset turnover	27.3	25.3	23.5	22.2	22.1
Opex-to-revenue (%)	5.9	6.3	6.4	6.1	5.7

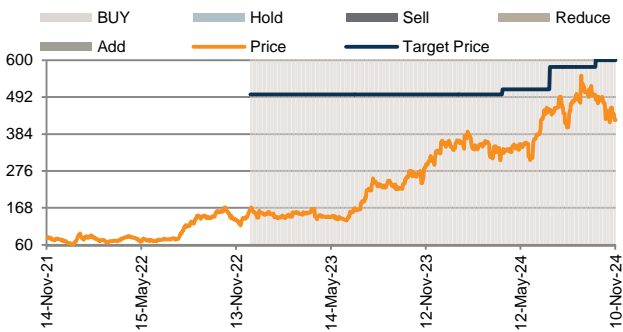
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
03-Oct-24	485	600	Buy	Devanshu Bansal
29-Jul-24	482	580	Buy	Devanshu Bansal
23-Jul-24	463	580	Buy	Devanshu Bansal
07-Jul-24	455	580	Buy	Devanshu Bansal
24-May-24	356	515	Buy	Devanshu Bansal
07-Apr-24	334	515	Buy	Devanshu Bansal
08-Feb-24	349	500	Buy	Devanshu Bansal
10-Jan-24	362	500	Buy	Devanshu Bansal
19-Dec-22	154	500	Buy	Devanshu Bansal
10-Dec-22	166	500	Buy	Devanshu Bansal

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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