

Electronics Mart India | BUY

Inline quarter; pace of recovery in SSSG will be key

EMIL's 4QFY25 earnings print was largely inline on topline as well as profitability. Revenue growth was driven by store additions (+25%) as SSSG (+1.5%) remained muted. In terms of cluster based performance, North cluster sales grew by 66% (function of healthy SSSG + store additions) while South cluster sales grew by 8.6% yoy. The growth in South cluster was impacted by muted growth in Hyderabad (largest market accounting for c.55-60% of overall sales). Sequential improvement in margins was inline with our est. led by better mix with large appliances (AC) growing faster vs mobile phones. Capex for the year was higher vs historical trends on account of purchase of stores (6 owned stores added in FY25); however, the capex intensity should reduce in coming years with store expansion being 25-30 stores & that too on lease basis. The start of FY26 is likely to be weak, with key summer season sales being impacted due to unseasonal rainfall & recovery should follow going into 2H (led by festive & weak base). Factoring weak start, we have cut our est. by c.4% for FY26/27E. Stock trades at 27x/22x FY26/27E however; acceleration in SSSG will be key for re-rating from current levels. From long term perspective, we believe EMIL has ingredients (operates through LFS, over indexed in large appliances, strong relationship with marquee brands) to tap large opportunity in organised electronic retail industry. Maintain BUY with revised TP of Rs.160 (27x Mar' 27E).

- **Revenue growth healthy driven by store additions:** EMIL's 4QFY25 sales and EBITDA grew by 12.8% (faster vs c.6% seen in the previous two quarters) and 5.8% yoy to INR 17.2bn and INR 1.1bn respectively, while PAT declined 22.4% to INR 315mn. Net sales and EBITDA were c.1-2% above our estimates, while higher interest and depreciation expenses led to an 18.1% miss on PAT. Sales were driven by healthy store addition (+25% yoy, 9 stores added). Overall same store sales grew 1.5% yoy – Hyderabad SSSG was down 0.5% (impacted by subdued demand in the region, driven by tighter credit conditions, a slowdown in the real estate sector, and rising inflation), while Telangana UP country/AP/ Delhi-NCR SSSG were 0.2%/5.1%/33.8%. Bill cuts increased by 10% while average ticket size was up 1% yoy in 4QFY25. In terms of region-wise performance, South cluster sales grew by 8.6%, despite negative same store sales in Hyderabad. North cluster grew by 66.7% yoy aided by store additions as well as healthy SSSG. Management plans to add 25-30 stores in FY26E.
- **Operationally inline, higher finance costs and depreciation drove miss on earnings:** In terms of product mix, saliency of large appliances (high-margin category) increased by 100bps yoy to 47% while mobiles declined by 100bps yoy to 41%. As a result, gross margins expanded by 20bps yoy to 14.6% (vs. JMFe: 14%). Staff costs (+19.1% yoy) and other expenses (+23.8% yoy) grew ahead of revenue. Resultant EBITDA grew by 5.8% to INR 1.1bn (c.1.4% above our estimates), with margin compression of 44bps to 6.6% (inline). Pre-IND AS EBITDA margins for south cluster stood at 6.7% while north cluster reported loss of INR 3mn (impact of high store additions). Overall pre-IND AS EBITDA margins were down c.50bps to 4.7%.

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	58,615	64,982	74,297	84,365	95,553
Sales Growth (%)	16.1	10.9	14.3	13.6	13.3
EBITDA	4,494	4,505	5,241	6,092	6,942
EBITDA Margin (%)	7.2	6.5	6.6	6.8	6.8
Adjusted Net Profit	1,839	1,600	1,875	2,284	2,701
Diluted EPS (INR)	4.8	4.2	4.9	5.9	7.0
Diluted EPS Growth (%)	49.8	-13.0	17.2	21.8	18.3
ROIC (%)	13.9	10.7	11.0	12.1	12.9
ROE (%)	14.4	11.0	11.5	12.5	13.0
P/E (x)	27.4	31.5	26.9	22.1	18.7
P/B (x)	3.7	3.3	2.9	2.6	2.3
EV/EBITDA (x)	12.6	13.3	11.3	9.7	8.4
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 20/May/2025



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	160
Upside/(Downside)	22.3%
Previous Price Target	165
Change	-3.0%

Key Data – EMIL IN

Current Market Price	INR131
Market cap (bn)	INR50.3/US\$0.6
Free Float	35%
Shares in issue (mn)	384.7
Diluted share (mn)	384.7
3-mon avg daily val (mn)	INR88.6/US\$1.0
52-week range	262/110
Sensex/Nifty	81,186/24,684
INR/US\$	85.6

Price Performance

%	1M	6M	12M
Absolute	2.7	-22.3	-41.8
Relative*	0.5	-26.1	-47.0

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Concall Highlights

■ Operating environment

- The company witnessed a challenging environment in FY25. India's outlook remains optimistic with estimated GDP growth of 6.2-6.8%.
- Demand is not slowing down, and festive days are doing well, with momentum coming through, as seen in the example of Ugadi festival in Andhra Pradesh.
- The entire country is witnessing rainfalls. South's sales remained muted in May. There will be no further discounting to liquidate the stocks. Additional inventory for ACs will be carried forward to the next few months. Summer didn't pan out as expected as monsoons arrived early, so cooling category expected to remain soft in 1QFY26.

■ Operating performance

- SSSG for 4QFY25 stood at 1.5% (declined in the last two quarters).
- The rapid pace of expansion led to a higher operating cost, impacting EBITDA and EBITDA margins.
- Same store sales in Hyderabad City has declined due to subdued demand in the region, driven by tighter credit conditions, a slowdown in the real estate sector, and rising inflation. All other regions have performed well with growth across categories.
- Hyderabad's performance is recovering and the company is adding new stores in the region. It should see positive growth going ahead except for the cooling products categories due to early monsoons affecting demand.
- Delhi NCR – performance was inline with expectations. Same store sales grew 33.8% yoy. Store openings were lower than expected. The company aims to add 6-8 stores in FY26. Management is optimistic of strong growth from this region in FY26-27.
- Segmental growth: FY25 value growth for Mobiles, ACs, TV, Refrigerator and Washing Machines, and Kitchen appliances stood at 10%, 34-35%, 5.5%, 4-4.5%, and 11% yoy respectively.

■ Pricing

- There is no pressure to further discount or liquidate inventory, and no additional discounting is expected.
- The company expects an upside in ASPs for large appliances and air conditioners in Q2 and Q3, driven by price increases.

■ Store expansion

- Continue to prioritise at long term growth by expanding the retail footprint. As new stores mature, expect improvement in throughput, resulting in better costs absorption and improved operating leverage.
- Plans to open 25-30 stores in FY26. Additionally, it will expand its presence in the targeted geographies and strengthen its footprint in existing markets.

■ Inventory

- Inventory levels are in line with expectations, with no stress or pressure to liquidate stocks.
- There will be no further discounting or additional discounting to liquidate inventory.
- A small amount of additional inventory for air conditioners will be carried forward for a couple of months due to early monsoons.

■ Guidance

- The company aims to improve margins by 0.2%-0.3%, similar to what they achieved in quarter four.
- The company expects a gradual improvement in throughput and contribution to overall revenue from newly added stores over the coming quarters.
- The company anticipates a recovery in margins and rebound in overall profitability as the unit economics of the new stores normalize with scale and maturity.
- For Hyderabad region, higher volume growth should make up for ASP drop. Management expects 5-10% revenue growth.

■ Miscellaneous

- Working capital days stood at 80 days (74 days in FY24).
- Mobiles: Volumes have gone up but ASPs have dropped (Apple's ASP down 10% yoy), resulting in muted overall contribution
- Capex for the year stood at INR 350cr. in FY25, higher vs historical trends. This was on account of purchase of stores (6 owned stores added in FY25). Going forward, capex intensity should reduce in coming years with store expansion being 25-30 stores & that too on lease basis.

Exhibit 1. 4Q snapshot: Net sales and operating profit largely inline; higher interest cost and depreciation drove miss on PAT (INR mn)

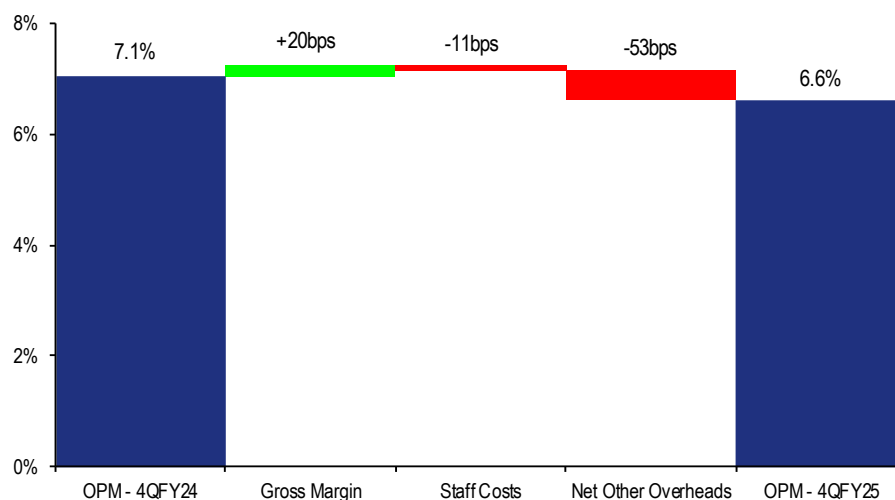
	4QFY25	4QFY24	YoY growth	4QFY25E	% Var	FY25	FY24	YoY growth
Net Sales	17,190	15,242	12.8%	16,911	1.6%	69,648	62,854	10.8%
Gross Profit	2,518	2,202	14.4%	2,368	6.4%	9,969	9,147	9.0%
Gross Profit Margin %	14.6%	14.4%	20 bps	14.0%	65 bps	14.3%	14.6%	-24 bps
Staff Cost	351	294	19.1%	375	-6.5%	1,331	1,115	19.4%
Other Expenses	1,029	831	23.8%	870	18.3%	4,133	3,538	16.8%
EBITDA	1,139	1,076	5.8%	1,123	1.4%	4,505	4,494	0.2%
EBITDA margin - % of net sales	6.6%	7.1%	-44 bps	6.6%	-1 bps	6.5%	7.2%	-68 bps
Depreciation	355	293	21.1%	335	5.9%	1,267	1,057	19.9%
EBIT	784	783	0.1%	788	-0.4%	3,238	3,438	-5.8%
Interest Expense	365	280	30.2%	300	21.7%	1,175	1,077	9.1%
Financial Other Income	21	30	-28.7%	25	-15.3%	91	101	-9.3%
PBT	440	533	-17.3%	513	-14.1%	2,155	2,462	-12.5%
Taxes	126	127	-1.1%	128	-1.9%	554	622	-10.9%
Net Profit	315	405	-22.4%	384	-18.1%	1,600	1,839	-13.0%

Source: Company, JM Financial

Exhibit 2. Costs Breakdown

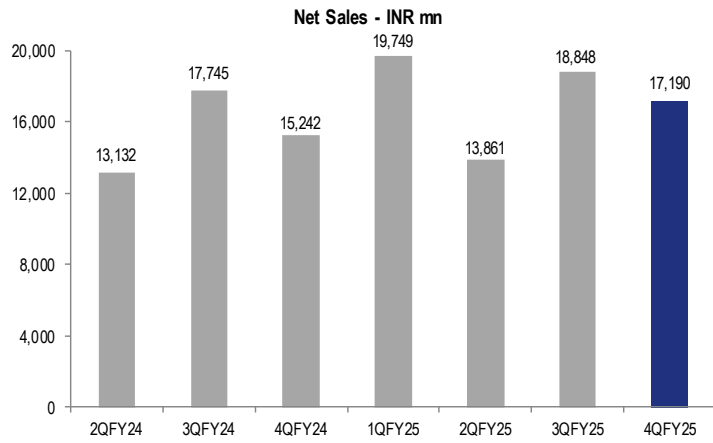
% of sales	4QFY25	4QFY24	4QFY25E	FY25	FY24
Cost of Goods Sold	85.4%	85.6%	86.0%	85.7%	85.4%
Staff Cost	2.04%	1.93%	2.2%	1.9%	1.8%
Other Expenses	6.0%	5.5%	5.1%	5.9%	5.6%
Depreciation	2.1%	1.9%	2.0%	1.8%	1.7%

Source: Company, JM Financial

Exhibit 3. Higher overheads were only partially offset by gross margin expansion

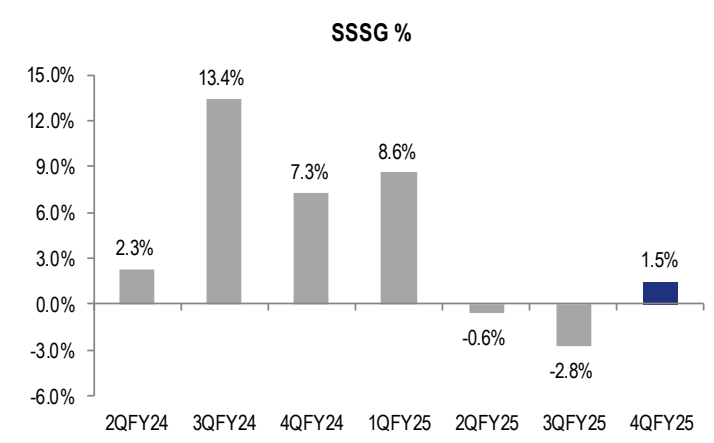
Source: Company, JM Financial

Exhibit 4. Net sales growth stood at 12.8% yoy ...



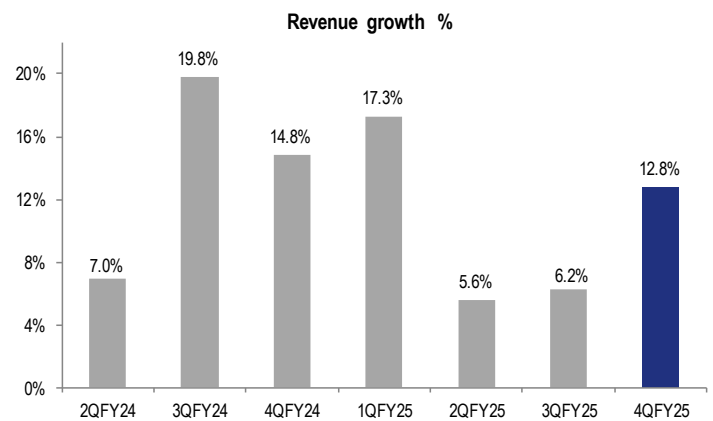
Source: Company, JM Financial

Exhibit 5. ...while SSSG improved sequentially to 1.5%



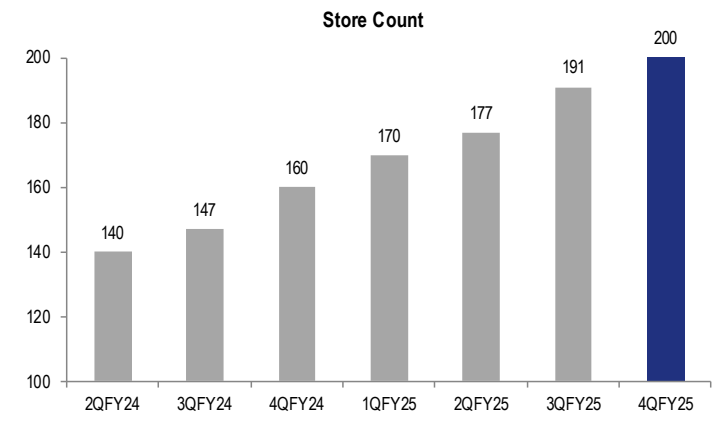
Source: Company, JM Financial

Exhibit 6. Revenue grew 12.8% during the quarter driven by store additions



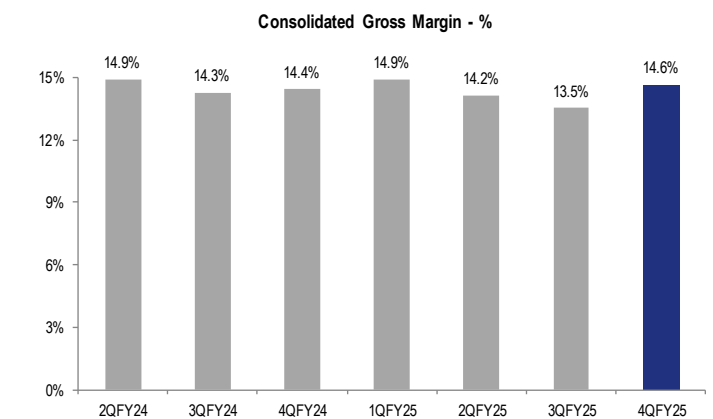
Source: Company, JM Financial

Exhibit 7. Store count grew 25% yoy with net additions of 9 stores during the quarter



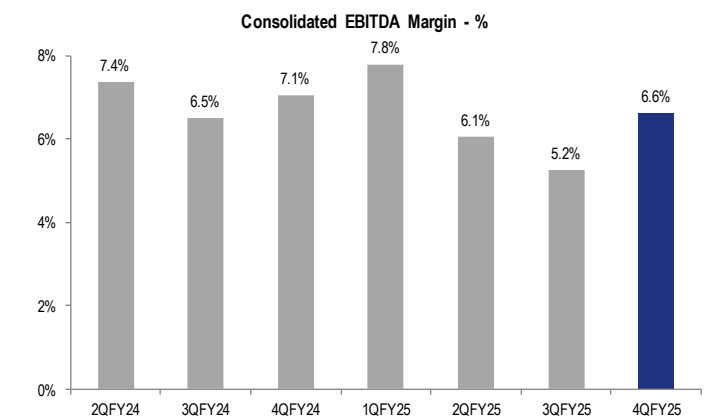
Source: Company, JM Financial

Exhibit 8. Gross margins up 20bps yoy and 112 bps qoq to 14.6%

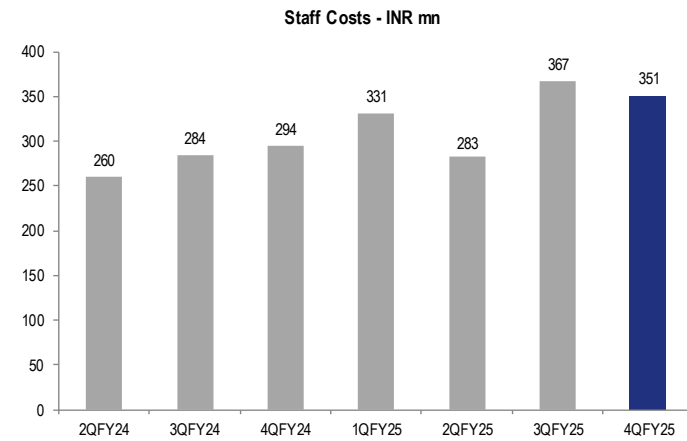


Source: Company, JM Financial

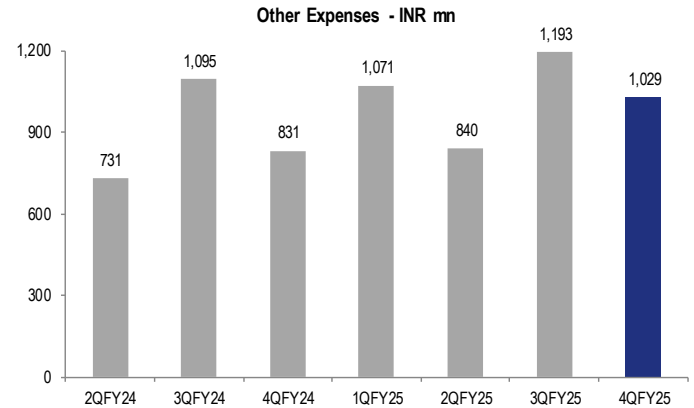
Exhibit 9. EBITDA margins down 44bps yoy though up 137bps yoy



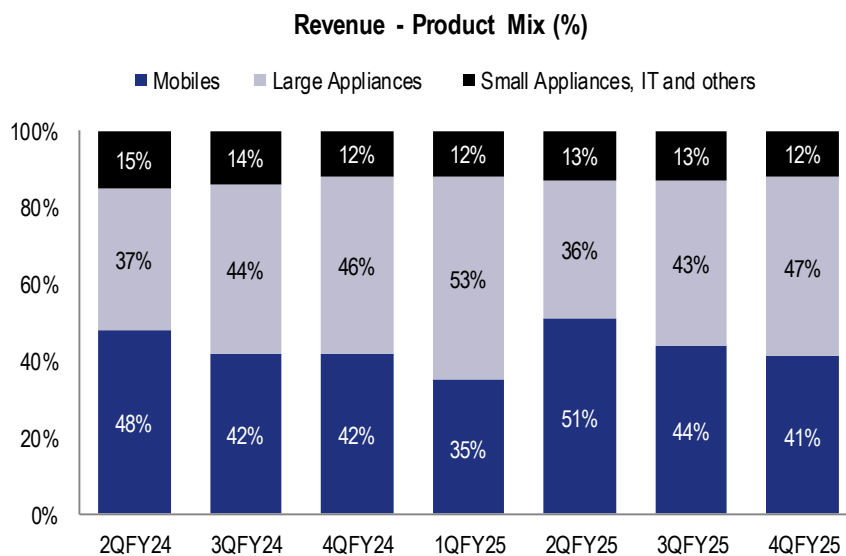
Source: Company, JM Financial

Exhibit 10. Staff cost grew 19% yoy due to new store additions

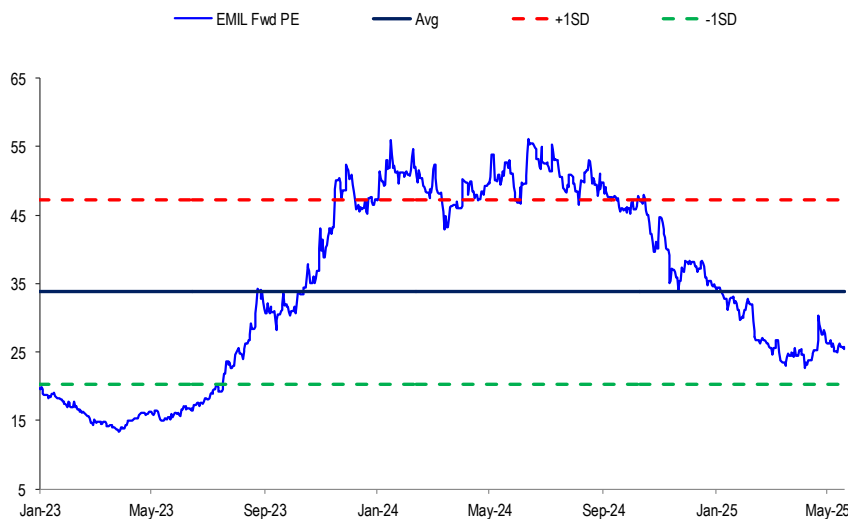
Source: Company, JM Financial

Exhibit 11. Other expenses grew 23.8% yoy due to increased branding cost for new stores

Source: Company, JM Financial

Exhibit 12. Revenue mix remained over indexed on Mobiles

Source: Company, JM Financial

Exhibit 13. EMIL's avg. PE Band since date of listing

Source: Bloomberg, Company, JM Financial

Exhibit 14. Revision in estimates

INR mn	Revised		Earlier		Change %	
	FY26	FY27	FY26	FY27	FY26	FY27
Sales	79,462	90,230	80,309	91,945	-1.1%	-1.9%
EBITDA	5,241	6,092	5,354	6,314	-2.1%	-3.5%
PAT	1,875	2,284	1,972	2,387	-4.9%	-4.3%
EPS	4.9	5.9	5.1	6.2	-4.9%	-4.3%

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	58,615	64,982	74,297	84,365	95,553
Sales Growth	16.1%	10.9%	14.3%	13.6%	13.3%
Other Operating Income	4,239	4,666	5,165	5,865	6,643
Total Revenue	62,854	69,648	79,462	90,230	102,195
Cost of Goods Sold/Op. Exp	53,707	59,679	68,099	77,327	87,581
Personnel Cost	1,115	1,331	1,610	1,863	2,108
Other Expenses	3,538	4,133	4,512	4,948	5,564
EBITDA	4,494	4,505	5,241	6,092	6,942
EBITDA Margin	7.2%	6.5%	6.6%	6.8%	6.8%
EBITDA Growth	33.7%	0.2%	16.3%	16.2%	14.0%
Depn. & Amort.	1,057	1,267	1,496	1,710	1,921
EBIT	3,438	3,238	3,745	4,382	5,021
Other Income	101	91	60	68	88
Finance Cost	1,077	1,175	1,294	1,392	1,493
PBT before Excep. & Forex	2,462	2,155	2,510	3,058	3,616
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	2,462	2,155	2,510	3,058	3,616
Taxes	622	554	635	774	915
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	1,839	1,600	1,875	2,284	2,701
Adjusted Net Profit	1,839	1,600	1,875	2,284	2,701
Net Margin	2.9%	2.3%	2.4%	2.5%	2.6%
Diluted Share Cap. (mn)	384.7	384.7	384.7	384.7	384.7
Diluted EPS (INR)	4.8	4.2	4.9	5.9	7.0
Diluted EPS Growth	49.8%	-13.0%	17.2%	21.8%	18.3%
Total Dividend + Tax	0	0	0	0	0
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0

Source: Company, JM Financial

Cash Flow Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	2,462	2,155	2,510	3,058	3,616
Depn. & Amort.	1,057	1,267	1,496	1,710	1,921
Net Interest Exp. / Inc. (-)	976	1,084	1,235	1,324	1,405
Inc (-) / Dec in WCap.	-2,185	-2,157	-1,129	-1,651	-1,998
Others	-8	18	0	0	0
Taxes Paid	-703	-608	-635	-774	-915
Operating Cash Flow	1,598	1,758	3,477	3,668	4,029
Capex	-1,619	-3,237	-926	-953	-871
Free Cash Flow	-21	-1,479	2,552	2,714	3,158
Inc (-) / Dec in Investments	473	-8	0	0	0
Others	-22	-75	60	68	88
Investing Cash Flow	-1,169	-3,320	-866	-885	-784
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	0	0	0	0	0
Inc / Dec (-) in Loans	-143	2,712	-416	-395	-375
Others	-1,464	-1,699	-2,104	-2,306	-2,495
Financing Cash Flow	-1,606	1,012	-2,520	-2,701	-2,870
Inc / Dec (-) in Cash	-1,177	-549	91	81	375
Opening Cash Balance	2,032	855	305	396	477
Closing Cash Balance	855	305	396	477	853

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	13,697	15,309	17,184	19,468	22,170
Share Capital	3,847	3,847	3,847	3,847	3,847
Reserves & Surplus	9,849	11,462	13,337	15,621	18,322
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	7,128	9,840	9,424	9,029	8,654
Def. Tax Liab. / Assets (-)	-317	-402	-402	-402	-402
Total - Equity & Liab.	20,507	24,747	26,206	28,095	30,421
Net Fixed Assets	5,442	7,962	8,202	8,359	8,311
Gross Fixed Assets	7,262	10,742	11,667	12,621	13,492
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	1,223	1,664	2,212	2,805	3,442
Capital WIP	-597	-1,116	-1,253	-1,457	-1,740
Investments	0	0	0	0	0
Current Assets	16,261	18,682	20,164	22,182	24,876
Inventories	9,693	12,422	13,062	14,091	15,399
Sundry Debtors	1,814	1,774	2,025	2,299	2,604
Cash & Bank Balances	855	305	396	477	853
Loans & Advances	619	710	743	844	956
Other Current Assets	3,280	3,470	3,938	4,471	5,064
Current Liab. & Prov.	1,196	1,897	2,159	2,445	2,765
Current Liabilities	1,063	1,857	2,116	2,399	2,716
Provisions & Others	133	39	43	46	49
Net Current Assets	15,065	16,785	18,005	19,737	22,110
Total - Assets	20,507	24,747	26,206	28,095	30,421

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	2.9%	2.3%	2.4%	2.5%	2.6%
Asset Turnover (x)	3.1	3.0	3.1	3.3	3.4
Leverage Factor (x)	1.6	1.6	1.6	1.5	1.4
RoE	14.4%	11.0%	11.5%	12.5%	13.0%

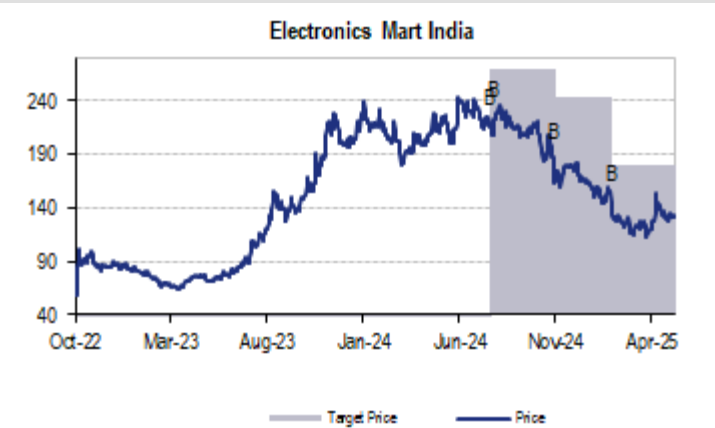
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	35.6	39.8	44.7	50.6	57.6
ROIC	13.9%	10.7%	11.0%	12.1%	12.9%
ROE	14.4%	11.0%	11.5%	12.5%	13.0%
Net Debt/Equity (x)	0.5	0.6	0.5	0.4	0.4
P/E (x)	27.4	31.5	26.9	22.1	18.7
P/B (x)	3.7	3.3	2.9	2.6	2.3
EV/EBITDA (x)	12.6	13.3	11.3	9.7	8.4
EV/Sales (x)	0.9	0.9	0.7	0.7	0.6
Debtor days	11	9	9	9	9
Inventory days	56	65	60	57	55
Creditor days	7	10	10	10	10

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
2-Aug-24	Buy	270	
9-Aug-24	Buy	270	0.0
11-Nov-24	Buy	244	-9.6
10-Feb-25	Buy	180	-26.2

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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