

AVL posted a robust and inline topline growth of 39% (21% SSG), albeit PAT came at a 4% miss due to higher growth investment. The Q1 show is top-notch, with AVL also having outperformed peers, thus reflecting deep under-penetration in the Hindi Heartland. Q2TD trends remain encouraging, granting us confidence on ~35% growth in FY25E. Positively, thrust on premiumization, financing, and store expansion is aiding faster-than-expected ramp-up of UP (new market) for AVL, adding 8% to Q1 topline within 12-15M of entry. AVL maintains its store addition target of 25-30 in FY25 and crossing the 200-store mark by FY26. Inventory normalized to Rs3.67bn at Q1-end (Rs24mn/store), after a seasonally-high inventory of Rs4.33bn at end-FY24. Better cash flows partially offset the impact of higher growth investments, leading to a 2-3% cut to our earnings estimate. Continued execution on expected lines and better liquidity with the potential split/NSE listing offer scope for a healthy re-rating. We maintain BUY on AVL and with TP of Rs5,800/share (40x Jun-26E EPS).

Aditya Vision: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	13,222	17,433	23,319	30,416	38,976
EBITDA	1,330	1,675	2,286	2,996	3,904
Adj. PAT	641	771	1,233	1,702	2,315
Adj. EPS (Rs)	53.3	60.1	96.2	132.7	180.6
EBITDA margin (%)	10.1	9.6	9.8	9.8	10.0
EBITDA growth (%)	60.1	25.9	36.5	31.0	30.3
Adj. EPS growth (%)	81.8	12.7	60.0	38.0	36.1
RoE (%)	59.7	24.7	22.9	25.8	28.0
RoIC (%)	31.8	24.0	26.1	29.9	33.2
P/E (x)	90.3	80.1	50.1	36.3	26.7
EV/EBITDA (x)	44.9	37.0	26.9	20.5	15.6
P/B (x)	42.5	12.7	10.5	8.5	6.7
FCFF yield (%)	(0.3)	(1.1)	1.8	1.7	2.7

Source: Company, Emkay Research

Robust topline growth with industry-leading SSG at 21%; Q2TD trends remain encouraging:

Of the reported 39% revenue growth in Q1, SSG provided 21% growth, with the balance accounted for by new-store additions. The robust Q1 SSG was on account of strong summer season with higher growth in AC sales (56% growth). We believe AVL's performance is better vs other retail categories; where weak trends persisted. AVL added 5 stores in Q1 taking the total to 150 stores; the FY25 guidance to add 25-30 stores was maintained. Bihar/Jharkhand/UP contributed 81%/11%/8% to the Q1 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 FY26 along with venturing into Western UP/MP/Chhattisgarh regions. Gross margin was flat, whereas EBITDA margin was down by 30bps to 9.6%, led by higher growth investments due to foray in new territories. AVL is doing higher promotional spends in the new UP market along-with many stores yet to achieve maturity.

Earnings call KTAs: 1) Growth rate of non-compressor products was healthy at 15%, with sequential improvement in growth for non-compressor products. 2) With extra stimulus to Bihar in the Union Budget and GoI's focus on other regions in the Hindi Heartland; the long-term growth prospects remain encouraging. New stores in the UP market continue to perform well and topline of these stores are ahead of AVL's expectations. 3) Financing-backed sales contributed 44% to the topline. 4) ESOP expense for Q1 was Rs5mn and is expected at ~Rs20mn for FY25. Employee expense was high in Q1 led by higher incentive-based pay in line with sales 5) Gross margins are likely to remain range bound as AVL is entering new regions, which require aggressive pricing to gain market share. However, EBITDA guidance of 8-10% was maintained. 6) Finance cost for quarters was ~Rs21mn, excluding lease obligations; usage of credit facilities were higher to meet the strong demand. 7) Capex/WC costs per store are up 10-15%, in-line with inflation. 8) Inventory reduced by Rs0.7bn to Rs3.7bn vs Rs4.3bn at end of FY24. 9) AVL is debt-free with cash equivalents of ~Rs1.2bn as on Q1-end. 10) Despite the higher restrictions on retail loans, AVL has not experienced any such restrictions impacting its sales. 11) AVL will apply for NSE listing following the share split by August-end. Listing should be completed by end of Q2/early Q3.

Target Price – 12M	Jun-25
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	20.5
CMP (29-Jul-24) (Rs)	4,815.2

Stock Data	Ticker
52-week High (Rs)	5,050
52-week Low (Rs)	2,152
Shares outstanding (mn)	12.9
Market-cap (Rs bn)	62
Market-cap (USD mn)	740
Net-debt, FY25E (Rs mn)	-134
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	68.3
ADTV-3M (USD mn)	0.8
Free float (%)	15.0
Nifty-50	24,836
INR/USD	83.7
Shareholding, Jun-24	
Promoters (%)	53.2
FPIs/MFs (%)	10.2/8.2

Price Performance (%)	1M	3M	12M
Absolute	8.2	36.0	120.3
Rel. to Nifty	4.6	24.0	74.3

1-Year share price trend (Rs)



Devanshu Bansal

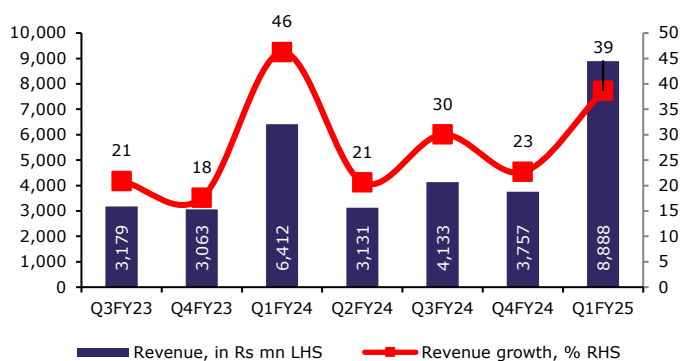
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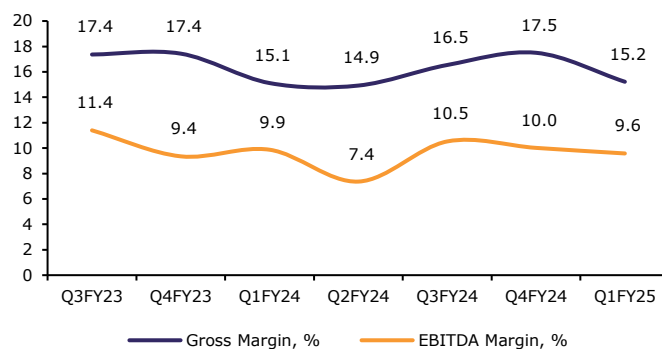
Story in Charts

Exhibit 1: Topline up ~39% over strong base, led by 21% SSG and the balance from new-store additions



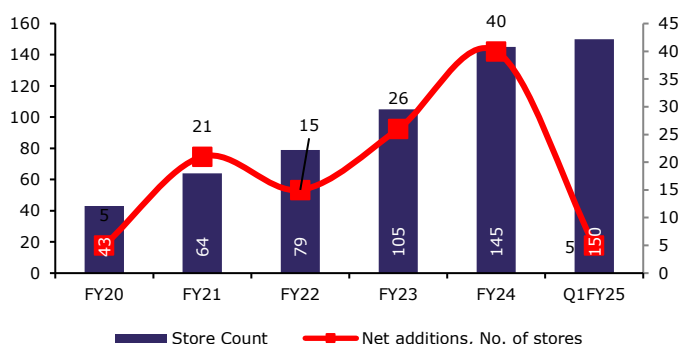
Source: Company, Emkay Research

Exhibit 2: EBITDA margin declined by 30bps, on 50bps higher other expense due to higher promotions in new regions



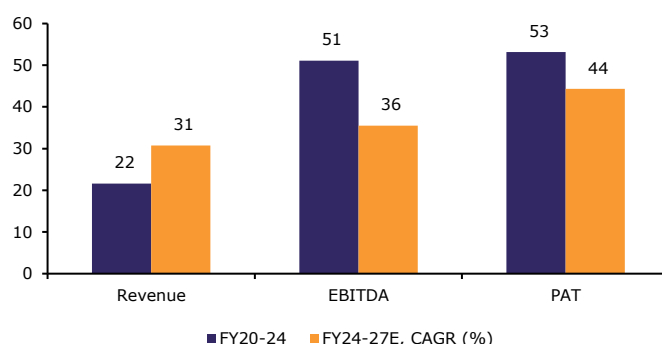
Source: Company, Emkay Research

Exhibit 3: AVL opened net 5 stores in Q1 to take the total count to 150; guidance to add 25-30 stores intact for FY25



Source: Company, Emkay Research

Exhibit 4: We expect strong revenue/EBITDA/PAT CAGR of 31%/36%/44% over FY24-27E



Source: Company, Emkay Research

Exhibit 5: Actual vs. Estimates (Q1FY25)

(Rs mn)	Actual	Estimates		Variation		Comments
		Emkay	Consensus	Emkay	Consensus	
Net Sales	8,888	8,867	8,762	0.2%	1.4%	Topline was largely in line with estimates.
EBITDA	851	973	915	-12.5%	-7.0%	EBITDA margin was lower due to higher growth investments.
EBITDA Margin	9.6%	11.0%	10.4%	-140	-86	
PAT	531	551	530	-3.7%	0.2%	Lower PAT miss is due to lower interest cost led by WC buffer from pref. issue proceeds.

Source: Company, Emkay Research

Exhibit 6: Summary of quarterly results

Y/E, Mar (Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
Revenue	6,412	3,131	4,133	3,757	8,888	38.6	136.6	13,222	17,433	31.8
Expenditure	5,779	2,901	3,698	3,380	8,037	39.1	137.7	11,893	15,758	32.5
Consumption of RM	5,443	2,664	3,449	3,099	7,535	38.4	143.1	11,112	14,655	31.9
as % of sales	84.9%	85.1%	83.5%	82.5%	84.8%			84.0%	84.1%	
Employee Cost	154	135	141	138	206			395	568	
as % of sales	2.4%	4.3%	3.4%	3.7%	2.3%			3.0%	3.3%	
Other expenditure	183	102	108	143	296	62.0	106.3	385	535	39.1
as % of sales	2.8%	3.2%	2.6%	3.8%	3.3%			2.9%	3.1%	
EBITDA	633	231	435	376	851	34.5	126.2	1,330	1,675	25.9
Depreciation	63	68	80	75	82	30.0	9.9	204	286	40.0
EBIT	570	163	355	302	769	35.0	155.0	1,126	1,389	23.4
Other Income	14	25	9	18	17	22.6	-6.1	29	65	122.5
Interest	90	64	74	159	68	-24.8	-57.4	295	388	31.4
PBT	493	123	290	160	718	45.6	348.3	860	1,067	24.0
Total Tax	119	27	68	82	187	57.3	129.4	219	296	35.4
PAT	374	96	222	79	531	41.8	576.2	641	771	20.2
Extra ordinary items	0	0	0	0	0			0	0	
Reported PAT	374	96	222	79	531	41.8	576.2	641	771	20.2
Minority Interest	0	0	0	0	0			0	0	
Adjusted PAT	374	96	222	79	531	41.8	576.2	641	771	20.2
Adjusted EPS (Rs)	31.1	8.0	18.4	6.1	41.4	33.1	576.2	53	64	19.4
(%)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	(bps)	(bps)	FY23	FY24	(bps)
EBITDA margin	9.9	7.4	10.5	10.0	9.6	-30	-40	10.1	9.6	-50
EBIT margin	8.9	5.2	8.6	8.0	8.7	-20	60	8.5	8.0	-50
EBT margin	7.7	3.9	7.0	4.3	8.1	40	380	6.5	6.1	-40
PAT margin	5.8	3.1	5.4	2.1	6.0	10	390	4.9	4.4	-40
Effective Tax rate	24.1	21.8	23.5	51.0	26.1	190	-2490	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)*		
					FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Titan Company	3,412	3,029	Buy	4,000	44.4	57.4	73.0	76.9	59.4	46.8	50.4	40.3	32.8
Page Industries	41,134	459	Reduce	37,300	595.0	711.0	845.3	69.1	57.9	48.7	45.1	38.3	32.4
Jubilant FoodWorks	591	390	Add	600	5.0	7.5	10.0	117.4	78.9	59.1	23.5	20.1	17.4
Devyani International	180	217	Reduce	165	0.7	1.3	2.2	266.3	135.8	82.7	24.9	19.3	15.4
ABFRL	340	345	Sell	260	-3.1	-1.5	0.1	NA	NA	NA	20.2	15.6	12.3
Westlife Foodworld	838	131	Reduce	875	2.0	8.1	11.6	421.1	103.8	72.2	36.4	24.9	20.5
Sapphire Foods	1,581	101	Add	1,700	11.3	25.1	35.0	139.3	63.0	45.1	18.1	13.4	10.8
Go Fashion	1,175	63	Buy	1,350	18.9	26.3	32.6	62.2	44.6	36.0	21.7	16.9	13.8
Ethos	3,180	78	Buy	3,200	42.5	55.7	75.0	74.9	57.0	42.4	38.7	28.4	21.4
Senco Gold	951	74	Buy	1,150	27.6	35.4	43.9	34.4	26.9	21.7	17.6	14.2	11.7
Varun Beverages	1,685	2,190	Add	1,600	20.1	25.8	32.3	83.7	65.4	52.2	47.7	39.2	33.3
Aditya Vision	4,815	62	Buy	5,800	96.2	132.7	180.6	50.1	36.3	26.7	27.2	20.8	15.9

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	23,319	23,319	0.0	30,416	30,416	0.0	38,976	38,976	0.0
EBITDA*	2,409	2,286	-5.1	3,061	2,996	-2.1	3,926	3,904	-0.6
EBITDA margin (%)*	10.3	9.8	-50 bps	10.1	9.8	-20 bps	10.1	10.0	-10 bps
Net profit	1,273	1,233	-3.2	1,767	1,702	-3.7	2,369	2,315	-2.3
EPS (Rs)	99.3	96.2	-3.2	137.9	132.7	-3.7	184.8	180.6	-2.3

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	23,319	30,416	38,976
Revenue growth (%)	47.1	31.8	33.8	30.4	28.1
EBITDA	1,330	1,675	2,286	2,996	3,904
EBITDA growth (%)	60.1	25.9	36.5	31.0	30.3
Depreciation & Amortization	204	286	348	410	477
EBIT	1,126	1,389	1,938	2,586	3,427
EBIT growth (%)	68.0	23.4	39.5	33.4	32.6
Other operating income	0	0	0	0	0
Other income	29	65	72	85	100
Financial expense	295	388	333	355	377
PBT	860	1,067	1,677	2,315	3,150
Extraordinary items	0	0	0	0	0
Taxes	219	296	444	614	835
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	641	771	1,233	1,702	2,315
PAT growth (%)	81.8	20.1	60.0	38.0	36.1
Adjusted PAT	641	771	1,233	1,702	2,315
Diluted EPS (Rs)	53.3	60.1	96.2	132.7	180.6
Diluted EPS growth (%)	81.8	12.7	60.0	38.0	36.1
DPS (Rs)	7.5	14.5	16.7	22.5	30.4
Dividend payout (%)	14.1	24.1	17.3	17.0	16.8
EBITDA margin (%)	10.1	9.6	9.8	9.8	10.0
EBIT margin (%)	8.5	8.0	8.3	8.5	8.8
Effective tax rate (%)	25.4	27.8	26.5	26.5	26.5
NOPLAT (pre-IndAS)	840	1,004	1,424	1,900	2,519
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	1,677	2,315	3,150
Others (non-cash items)	204	286	348	410	477
Taxes paid	(219)	(296)	(444)	(614)	(835)
Change in NWC	(967)	(1,781)	(477)	(1,049)	(1,099)
Operating cash flow	144	(402)	1,364	1,333	1,970
Capital expenditure	(306)	(309)	(209)	(265)	(278)
Acquisition of business	1	0	0	0	0
Interest & dividend income	29	65	72	85	100
Investing cash flow	(275)	(244)	(137)	(180)	(178)
Equity raised/(repaid)	0	2,809	0	0	0
Debt raised/(repaid)	1,141	(1,453)	(1,253)	0	0
Payment of lease liabilities	(265)	(361)	(453)	(533)	(636)
Interest paid	(170)	(232)	(135)	(127)	(115)
Dividend paid (incl tax)	0	0	0	0	0
Others	(10)	(6)	(214)	(289)	(390)
Financing cash flow	695	757	(2,055)	(949)	(1,141)
Net chg in Cash	565	110	(828)	204	652
OCF	144	(402)	1,364	1,333	1,970
Adj. OCF (w/o NWC chg.)	1,111	1,379	1,842	2,382	3,069
FCFF	(161)	(712)	1,155	1,068	1,693
FCFE	(427)	(1,034)	894	798	1,415
OCF/EBITDA (%)	10.9	(24.0)	59.7	44.5	50.5
FCFE/PAT (%)	(66.6)	(134.2)	72.5	46.9	61.1
FCFF/NOPLAT (%)	(19.2)	(70.9)	81.1	56.2	67.2

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	5,758	7,171	9,097
Net worth	1,363	4,867	5,886	7,299	9,225
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	5,886	7,299	9,225
Net tangible fixed assets	637	873	973	1,104	1,223
Net intangible assets	0	0	0	0	0
Net ROU assets	(200)	(277)	(259)	(231)	(175)
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	134	338	990
Current assets (ex-cash)	3,316	5,181	5,997	7,338	8,789
Current Liab. & Prov.	536	620	958	1,250	1,602
NWC (ex-cash)	2,780	4,561	5,039	6,088	7,187
Total assets	4,069	6,120	5,886	7,299	9,225
Net debt	1,854	291	(134)	(338)	(990)
Capital employed	4,069	6,120	5,886	7,299	9,225
Invested capital	3,217	5,158	5,752	6,961	8,235
BVPS (Rs)	113.3	379.7	459.2	569.4	719.6
Net Debt/Equity (x)	1.4	0.1	0.0	0.0	(0.1)
Net Debt/EBITDA (x)	1.4	0.2	(0.1)	(0.1)	(0.3)
Interest coverage (x)	0.3	0.3	0.2	0.1	0.1
RoCE (%)	36.0	28.5	33.5	40.5	42.7

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	90.3	80.1	50.1	36.3	26.7
P/CE(x)	70.1	59.8	40.0	29.9	22.6
P/B (x)	42.5	12.7	10.5	8.5	6.7
EV/Sales (x)	4.5	3.6	2.6	2.0	1.6
EV/EBITDA (x)	44.9	37.0	26.9	20.5	15.6
EV/EBIT(x)	54.3	45.7	32.5	24.3	18.2
EV/IC (x)	19.0	12.3	11.0	9.0	7.6
FCFF yield (%)	(0.3)	(1.1)	1.8	1.7	2.7
FCFE yield (%)	(0.7)	(1.6)	1.4	1.3	2.2
Dividend yield (%)	0.2	0.3	0.3	0.5	0.6
DuPont-RoE split					
Net profit margin (%)	4.9	4.4	5.3	5.6	5.9
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	22.9	25.8	28.0
DuPont-RoIC					
NOPLAT margin (%)	6.3	5.8	6.1	6.2	6.5
IC turnover (x)	5.0	4.2	4.3	4.8	5.1
RoIC (%)	31.8	24.0	26.1	29.9	33.2
Operating metrics					
Core NWC days	19.5	26.0	25.1	21.5	19.1
Total NWC days	76.7	95.5	78.9	73.1	67.3
Fixed asset turnover	27.3	25.3	25.2	25.2	25.6
Opex-to-revenue (%)	5.9	6.3	6.5	6.2	5.7

Source: Company, Emkay Research

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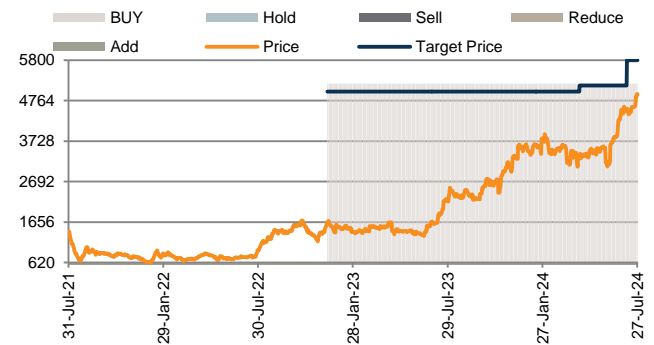
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RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
23-Jul-24	4,625	5,800	Buy	Devanshu Bansal
07-Jul-24	4,553	5,800	Buy	Devanshu Bansal
24-May-24	3,561	5,150	Buy	Devanshu Bansal
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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