11 August 2026

Compant Update | Sector: Departmental Retail

Shoppers Stop

BSE SENSEX	S&P CNX
78,154	24,472

SHOPPERS STOP

Bloomberg	SHOP IN
Equity Shares (m)	110
M.Cap.(INRb)/(USDb)	47.2 / 0.5
52-Week Range (INR)	569 / 267
1, 6, 12 Rel. Per (%)	17/9/-17
12M Avg Val (INR M)	53

Financials & Valuations CONSOL (INR b)

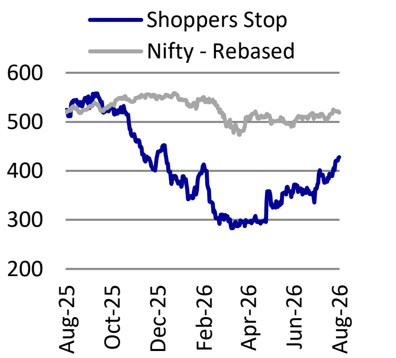
Y/E March	FY27E	FY28E	FY28E
Sales	55.8	61.6	67.4
EBITDA	2.4	2.7	3.1
Adj. PAT	0.7	1.0	1.3
EBITDA Margin (%)	4.3	4.5	4.6
Adj. EPS (INR)	6.0	9.4	12.0
EPS Gr. (%)	NA	NA	NA
BV/Sh. (INR)	43.7	56.2	71.9
Ratios			
Net D:E	(0.3)	(0.6)	(0.3)
RoE (%)	31.4	31.6	29.3
RoCE (%)	17.5	24.2	31.9
Payout (%)	-	-	-
Valuations			
P/E (x)	69.4	43.9	34.7
EV/EBITDA (x)	9.2	8.6	7.9
EV/Sales (x)	1.4	1.3	1.2
Div. Yield (%)	-	-	-

Shareholding Pattern (%)

As On	Jun-26	Mar-26	Jun-25
Promoter	66.1	66.1	65.5
DII	25.7	25.4	25.5
FII	1.9	2.1	3.1
Others	6.3	6.4	5.9

FII includes depository receipts

Stock's performance (one-year)



CMP: INR428 | **TP: INR465 (+9%)** | **Neutral**

Quality of growth improves, returns to follow

- FY26 marks the first clear evidence that Shoppers Stop (SHOP)'s strategic repositioning is translating into better operating performance, with improving store productivity, stronger customer metrics and disciplined capital allocation driving higher-quality earnings.
- **The core department** store business has entered its strongest operating cycle in nearly a decade, supported by premiumization, a richer non-apparel mix, improving productivity, and a strengthening First Citizen ecosystem.
- Management has **shifted INTUNE and Standalone Beauty from aggressive expansion to improving unit economics**, while Global SS Beauty Brands continues to scale through a capital-light distribution model with superior growth potential.
- Unlike the past two years, future earnings growth is expected to be driven by operating leverage rather than network expansion, with improving mix, lower losses in newer businesses, and disciplined capital allocation supporting a structurally higher quality of earnings.
- We expect ~10% revenue CAGR over FY26–29, led by the core department store business, gradual improvement in INTUNE, and continued strong momentum in Global SS Beauty Brands.
- Operating leverage and narrowing INTUNE losses should expand pre-Ind AS EBITDA margins to ~4.6% by FY29 (vs. ~3% in FY26), driving ~31% pre-Ind AS EBITDA CAGR. Disciplined capital allocation should generate cumulative pre-Ind AS CFO/FCFF of INR6.7b/INR2.8b over FY27–29, supporting a sharp recovery in return ratios as the balance sheet strengthens.
- We value SHOP at 18x Sep'28E Pre-IND AS EBITDA (implying 32x Pre-IND AS P/E) to arrive at our revised TP of INR465.
- While improving store economics, lower INTUNE losses, and stronger cash generation support the earnings recovery, **we need further evidence of sustained execution before assigning a higher multiple. Reiterate Neutral**.

Department Stores: Premiumization driving a structural turnaround

- **The core department store** business has entered its strongest operating cycle in nearly a decade. LFL sales accelerated to 4.7% in FY26, while sales productivity increased 6% YoY, reflecting stronger customer demand and improved store economics.
- Premiumization continues to improve revenue quality. **Non-apparel increased to 40%** of department store sales (vs. 37% in FY23), led by Watches (+16%), Fragrances (+12%), and Handbags (+10%), while premium and premium-plus brands reached 69% of sales (+360bp YoY).
- Customer loyalty has become a meaningful competitive moat. First Citizen expanded to 13.5m (up 10% YoY), contributing 84% of department store sales (up 300bp).
- **The personal Shopper** program contributed 26% of department store revenue (vs. 22%), surpassing INR13b in sales during FY26, driving higher retention, wallet share, and spending.

Research Analyst: Aditya Bansal (Aditya.Bansal@MotilalOswal.com) | **Avinash K** (Avinash.Karumanchi@MotilalOswal.com)
Research Analyst: Siddhesh Chaudhari (Siddhesh.Chaudhari@MotilalOswal.com) | **Niraj Harwande** (Niraj.Harwande@MotilalOswal.com)

- Capital allocation has become more disciplined, with department-store capex focused on 10–12 new stores and 4–5 major renovations annually.
- **We build in ~11% revenue CAGR over FY26–29, driven by ~6% retail area CAGR and mid-to-high single-digit SSSG.**

INTUNE: Execution before expansion

- INTUNE's initial rollout exposed weaknesses in merchandising, sourcing, and inventory management, prompting management to prioritize execution and unit economics before resuming expansion.
- Early signs suggest the turnaround is gaining traction. Revenue grew 46% YoY to INR2.8b, LFL sales turned positive, and repeat customer contribution rose to 45% (vs. 35%), indicating improving customer acceptance and merchandise relevance.
- Improving operational discipline is translating into better unit economics. Inventory reduced by INR360m, improving assortment quality and working capital, while store-level EBITDA has approached breakeven, suggesting losses have likely peaked.
- With merchandising and supply-chain foundations largely in place, **we expect 15%** revenue **CAGR**, improving operating leverage and meaningful loss reduction, with the business targeting profitability by FY28.

Beauty: Building a differentiated premium beauty ecosystem

- Beauty has evolved into a strategic growth platform spanning premium retail and exclusive brand distribution, expanding SHOP's addressable market and exposure to India's fast-growing premium beauty segment.
- **Global SS Beauty Brands (GSSBB)** has emerged as the key growth engine. Revenue increased 81% YoY to INR4.3b in FY26, supported by 40+ exclusive global brands, 27 retail partners, and 565+ points of sale, extending the beauty franchise well beyond SHOP's own stores.
- **Within the retail business, management is prioritizing profitability over expansion.** Underperforming beauty stores have been rationalized, while larger SSBeauty destinations, prestige beauty, and fragrances continue to gain share, supporting healthier unit economics and stronger customer engagement.
- Together, these businesses create a more diversified and capital-efficient earnings profile. We expect **GSSBB to clock ~26% CAGR** through its asset-light distribution model, while a **more disciplined retail portfolio** should support sustainable profitability.

SHOP vs. Lifestyle: Beyond the department store

- SHOP’s core department-store economics are broadly comparable and increasingly competitive vs. Lifestyle. In FY26, SHOP delivered a 39.8% gross margin and a 14.8% EBITDA margin (vs. 39.5% and 14.8%, respectively, for Lifestyle + Home Centre in FY25), suggesting the department-store format itself is not structurally disadvantaged.
- The key difference is portfolio mix rather than format productivity. Max Fashion is Lifestyle’s largest earnings engine, generating **INR57.4b revenue across 513 stores**, supported by scale, private-label sourcing, and superior inventory turns.
- **INTUNE is SHOP’s opportunity to close this portfolio gap but remains early-stage.** Revenue of **INR2.8b across 84 stores** is still small, with the current focus

on fixing merchandising, sourcing, and supply-chain inefficiencies before measured expansion. Successful execution could add a meaningful growth engine without requiring a change in the underlying department-store strategy.

Valuation and view

- **SHOP's repositioning is improving business quality**, with productivity-led growth, premiumization and tighter capital allocation replacing footprint-led expansion. Higher premium mix, 2.0 store productivity, and selective capex should support gradual margin and ROCE recovery.
- We value SHOP at 18x Sep'28E pre-IND AS EBITDA (implying 32x Pre-IND AS P/E) to arrive at our revised TP of INR465.
- While improving store economics, lower INTUNE losses, and stronger cash generation support the earnings recovery, **we need further evidence of sustained execution before assigning a higher multiple. Reiterate Neutral.**

Exhibit 1: Valuation based on Sep'28E EV/EBITDA

	Methodology	Pre-IND AS EBITDA	Multiple	Fair Value (INR b)	Value/sh (INR)
Enterprise Value	EV/EBITDA	2.9	17.5	51	466
Less Net debt				0	1
Equity Value				**51**	**465**
Shares o/s (m)				110	
CMP (INR)					426
Upside (%)					**9%**

Source: MOFSL, Company

Exhibit 2: Relative Valuation

	M.Cap	FY26-28E CAGR (%)			P/E (X)		EV/EBITDA (x)		EV/Sales (X)		RoE (%)	
	INR b	Sales	EBITDA	PAT	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
VMM	516	19.1	24.8	26.6	48.8	38.4	31.1	24.4	3.2	2.6	13.3	14.7
V-Mart	65	18.7	27.5	33.9	43.3	28.9	22.5	16.7	1.4	1.2	14.6	18.5
Value Retailers		**18.9**	**26.2**	**30.2**	**46.1**	**33.7**	**26.8**	**20.5**	**2.3**	**1.9**	**13.9**	**16.6**
D-Mart	2,574	16.7	16.1	16.3	74.2	64.1	45.5	39.3	3.2	2.8	13.7	13.7
Trent	1,600	20.3	25.9	23.4	76.1	60.3	46.1	36.3	6.6	5.4	27.6	27.8
Lenskart	996	25.9	44.1	47.3	120.5	86.0	62.7	46.1	8.5	6.8	8.9	11.3
ABLBL	112	8.3	12.3	20.3	42.6	37.4	17.2	14.1	1.3	1.2	17.4	17.5
Vedant Fashions	128	5.3	11.1	6.7	32.8	29.7	23.6	20.3	7.5	6.9	20.1	20.7
Arvind Fas	60	12.0	23.0	36.4	37.5	26.0	13.3	11.3	1.0	0.9	15.8	19.5
SHOP	**47**	**10.5**	**40.6**	**NA**	**71.7**	**45.4**	**19.5**	**16.6**	**0.8**	**0.7**	**31.4**	**31.6**
Traditional retailers		**13.0**	**20.1**	**23.0**	**55.6**	**43.7**	**29.5**	**23.7**	**3.8**	**3.2**	**14.3**	**15.5**
Metro	259	14.5	15.3	12.7	55.7	49.1	36.9	31.8	7.5	6.5	21.7	21.3
Relaxo	104	5.9	6.8	9.4	47.9	45.4	27.6	26.1	3.5	3.3	9.5	9.5
Bata	90	5.4	19.0	22.1	39.2	29.3	17.5	14.4	2.1	1.9	13.9	17.1
Campus	67	13.4	19.3	20.2	37.5	30.9	21.7	17.7	3.3	2.8	18.4	19.4
Footwear		**9.8**	**15.1**	**16.1**	**45.1**	**38.7**	**25.9**	**22.5**	**4.1**	**3.6**	**15.9**	**16.8**

Source: Company, MOFSL

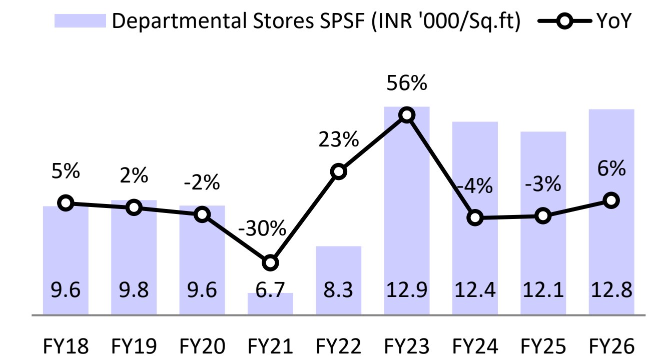
Key takeaways from the management meeting

- Demand softness appears largely calendar-driven, with 1Q LTL growth of 6% and May at 9%, while July weakness was concentrated in gifting categories around Adhik Maas and Raksha Bandhan. 2Q–3Q should provide a cleaner assessment of underlying discretionary demand.
- SHOP has shifted from **expansion-led to productivity-led growth**, with new stores subject to strict feasibility thresholds. Capital is being directed toward renovations, premiumization and inventory productivity, with internal accruals funding growth and supporting the net debt-free objective.
- Shop 2.0 stores are validating the **renovation strategy**, with Juhu delivering ~40% higher business at similar space and Malad maintaining INR1.5b revenue despite ~45% lower area, implying ~50% higher productivity. Renovation capex of INR1,500–1,800/sq ft remains below ~INR2,500/sq ft for new stores.
- **Premiumization** is improving the quality of growth, with premium/premium-plus brands at 69% of department-store sales and non-apparel at ~44% (vs. 38% pre-COVID). Watches contribute ~17% and beauty ~10% of sales, while non-apparel delivers 20–25% higher productivity and 25–30% better GMROII.
- Expansion is increasingly driven by **unit economics**, with an INR500m revenue threshold, 35–40k sq ft preferred format and focus on prime catchments. EBITDA breakeven targeted in Year 1, mid-single-digit margins in Years 2–3, and double-digit margins from Year 4. Mature stores can generate ~30% incremental EBITDA flow-through, providing a clear pathway for margin expansion.
- Cash generation should remain supportive as store productivity improves, with **inventory clean-up releasing ~INR1b and the business operating on negative working capital**. At the store level, ~90% of locations pay minimum-guarantee rent, providing operating leverage as sales scale.
- **INTUNE's rapid expansion** exposed weaknesses in merchandising, inventory planning and supply-chain execution, before establishing sustainable unit economics. Expansion is now being recalibrated toward clustered growth, better merchandise curation and store-level profitability.
- **The INTUNE reset is showing early traction**, with revenue up 46% YoY to INR2.8b, **positive LFL growth** and repeat-customer contribution rising to 45% from 35%. Inventory reduction of INR360m has improved assortment and working capital, while store-level EBITDA is approaching breakeven.
- **Global SS Beauty is scaling rapidly**, growing ~80% YoY to a INR500m monthly run-rate (~INR6–7b annualized), with 50–60% growth targeted in FY27. >90% of revenue comes from wholesale distribution, with exclusive rights to 8 of 10 major prestige brands providing an asset-light growth platform. Margins are currently ~6%, with ~10% potential as investments normalize.
- **Standalone Beauty is being reset toward profitability.** Sixteen loss-making EBOs have been closed, bringing the remaining portfolio to breakeven, while future prestige expansion will increasingly shift to SIS within department stores. This should improve store economics and reduce incremental capital intensity.

Department stores: Premiumization driving a structural turnaround

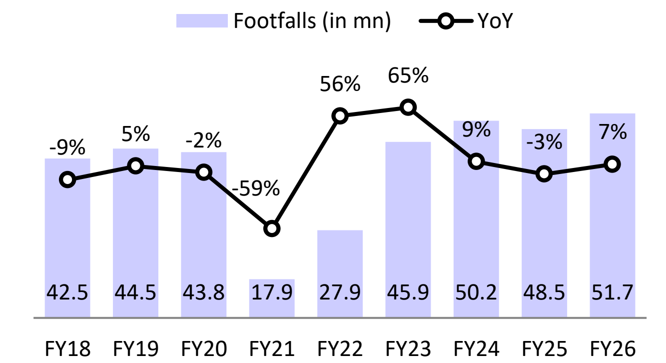
SHOP's department store business has entered its strongest operating cycle in nearly a decade. Premiumization, improving customer engagement and disciplined execution are driving higher store productivity, a richer merchandise mix and structurally better earnings quality. The recovery is evident across key operating metrics. **LFL sales grew 4.7% in FY26**, while **sales productivity increased 6% YoY to INR12,799/sq ft** and gross revenue crossed **INR50b** for the first time.

Exhibit 3: Premiumization driving higher sales productivity



Source: Company, MOFSL

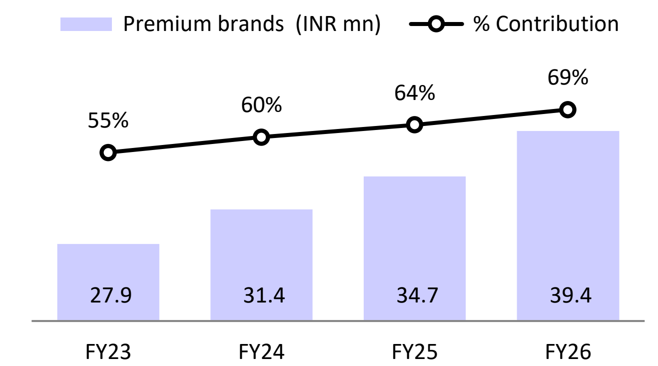
Exhibit 4: Customer traffic reaches new highs



Source: Company, MOFSL

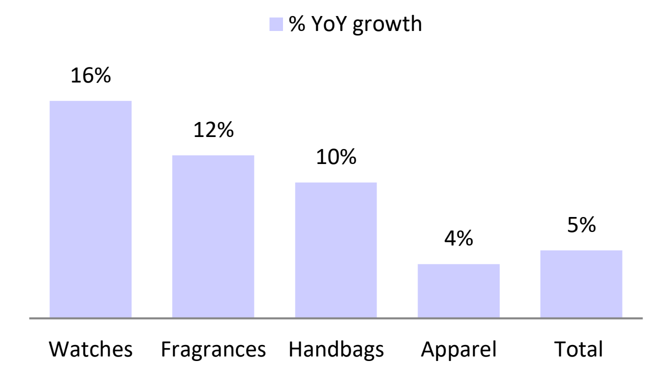
Premiumization remains the key growth driver, with Premium/premium-plus brands now contributing 69% of department-store sales vs. 65.4% in FY25, while non-apparel is ~44% vs. 38% pre-COVID. **Watches** illustrate the opportunity: 17% of sales and growing at 16%, while offering 20–25% higher space productivity and 25–30% better GMROII than apparel. The mix shift toward watches, **fragrances** (+12% YoY) and **beauty** (+17% YoY) this mix shift is supporting better category economics and higher ATVs, while gradually reducing dependence on lower-productivity apparel.

Exhibit 5: Premiumization driving revenue mix



Source: Company, MOFSL

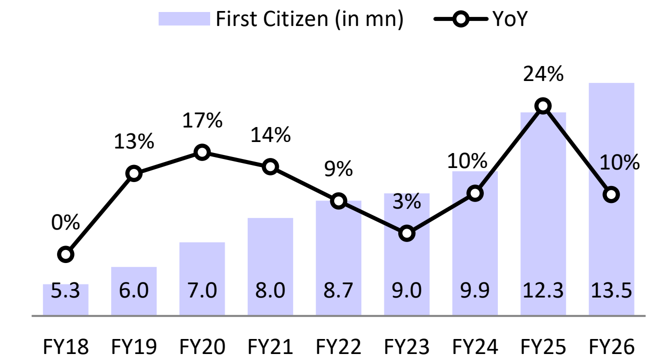
Exhibit 6: Non-apparel categories continue to outperform



Source: Company, MOFSL

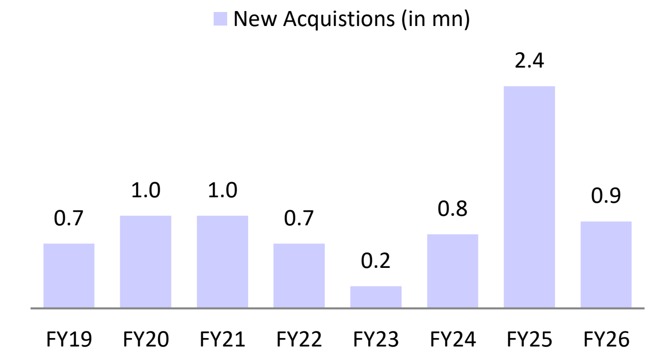
- First Citizen has evolved into SHOP's primary customer engagement and premiumization engine**.** Membership increased to **13.5mn** in FY26, with loyalty members contributing **84% of department store sales** and delivering a **69% repeat purchase rate**, strengthening customer retention, wallet share, and improved customer lifetime value.
- Premiumization within the loyalty base continues to strengthen. **Black Card membership grew 50% YoY to 134K**, contributing **20% of sales**, with members generating **2x higher ATVs** and maintaining a **74% renewal rate**. In parallel, **0.8m Silver members** were added during FY26, strengthening the pipeline into higher-value customer cohorts and supporting sustained premium mix and retention.

Exhibit 7: Loyalty membership continues to expand



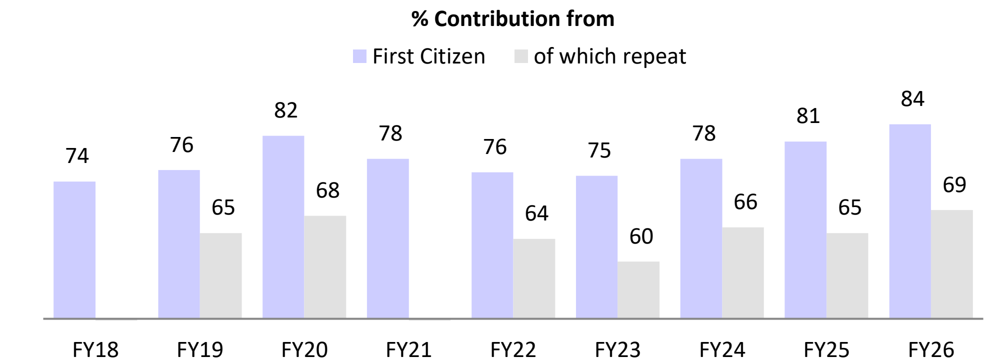
Source: Company, MOFSL

Exhibit 8: Healthy customer acquisition continues



Source: Company, MOFSL

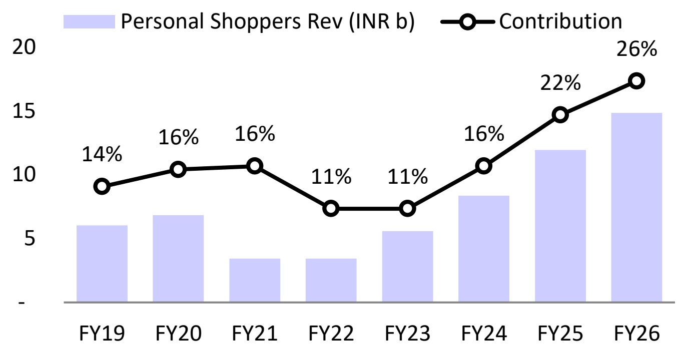
Exhibit 9: Repeat customers remain the key growth driver



Source: MOFSL, Company

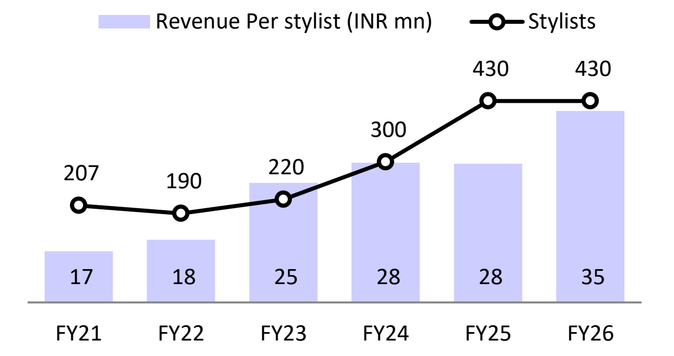
Building on this loyal customer base, **the Personal Shopper program** has emerged as a key driver of premiumization and store productivity. Its contribution to department store revenue increased to **26% in FY26 (from 22% in FY25)**, **generating INR12b,** with Personal Shopper customers consistently generating significantly higher ticket sizes and basket values. As the program scales, improving productivity per stylist should support margin expansion, while its incentive-driven cost structure keeps employee costs aligned with revenue growth.

Exhibit 10: Penetration continues to deepen



Source: Company, MOFSL

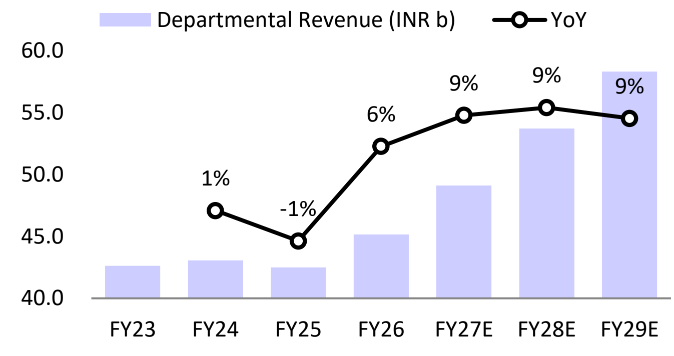
Exhibit 11: Stylist productivity remains strong



Source: Company, MOFSL

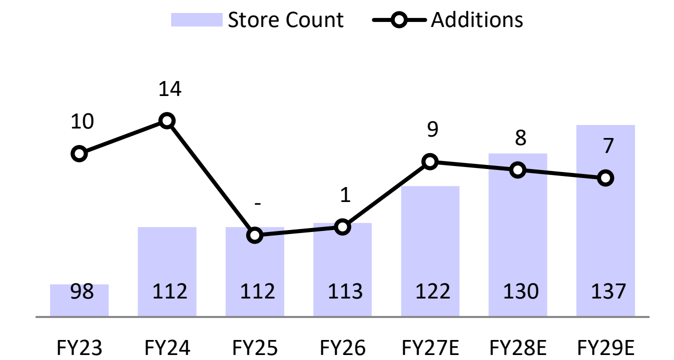
- The company has also become more disciplined in capital allocation and merchandise management following the challenges of the past few years. Management has shifted from maximizing private-label penetration to maximizing returns, aided by tighter inventory management, portfolio rationalization, and selective premiumization. As a result, private brands now contribute ~15% of apparel sales, with returns and inventory productivity taking precedence over scale.
- With store productivity improving and capital allocation becoming more disciplined, ***we model ~6% retail area CAGR and mid-to-high single-digit SSSG, driving ~9% department store revenue CAGR over FY26–29.***

Exhibit 12: Department stores to clock 9% CAGR



Source: Company, MOFSL

Exhibit 13: Store count to reach 137 by FY29

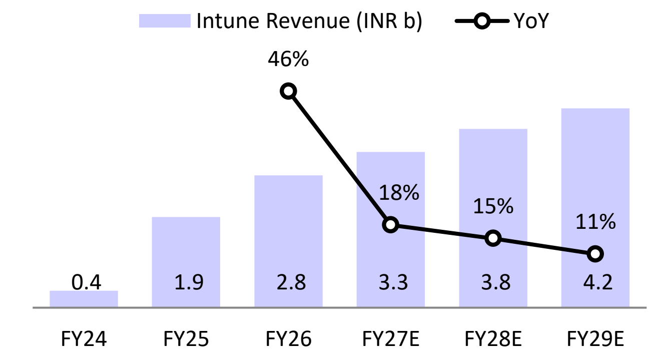


Source: Company, MOFSL

INTUNE: Execution before expansion

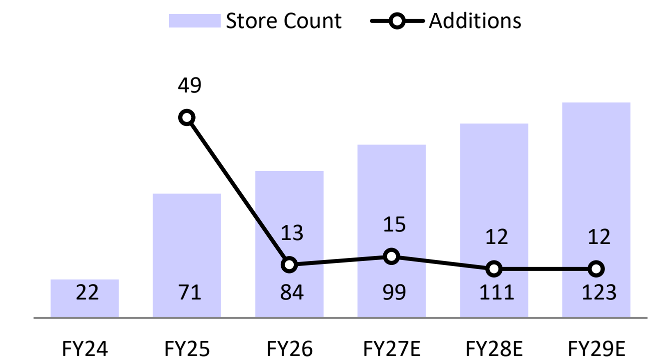
- INTUNE's initial rollout exposed shortcomings in merchandise, inventory planning and supply-chain execution, resulting in weak store productivity, inventory inefficiencies and elevated losses. FY26 marked a shift towards fixing these operational issues, with the focus moving to merchandise curation, inventory optimization and strengthening the sourcing and supply-chain backbone before resuming measured store expansion. **Early indicators suggest the reset is gaining traction**, with revenue growing 46% YoY to INR2.8b, LFL sales turning positive and repeat-customer contribution rising to 45% from 35%. Inventory reduction of INR360m has also improved assortment quality and working-capital efficiency.
- The format is being rebuilt around more attractive **unit economics and capital structure**, with 100% private-label sourcing, ~INR1,000/sqft SPS and relatively low capex of INR1,800–2,000/sqft. Additionally, raising the price ceiling to INR1,499 from INR999 should provide greater flexibility on product quality and ASPs, while clustered expansion can improve logistics, inventory fungibility, and store productivity.
- **Store-level EBITDA is now nearing breakeven**, suggesting the bulk of operating losses may have peaked, with losses expected to narrow to INR200–250m in FY27 from ~INR500m in FY26 and profitability targeted by FY28. Sustaining ~INR1,000/sqft SPS and achieving store-level profitability should provide the foundation for a measured resumption of expansion.

Exhibit 14: INTUNE is entering the next growth phase



Source: Company, MOFSL

Exhibit 15: Measured expansion with ~12 stores annually



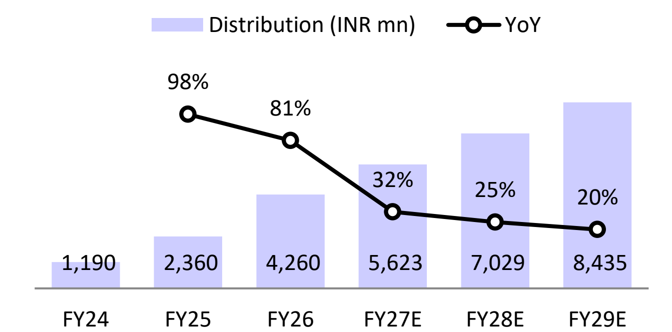
Source: Company, MOFSL

Beauty — Building a capital-light growth engine

Global SS Beauty brands: Building a scalable distribution platform

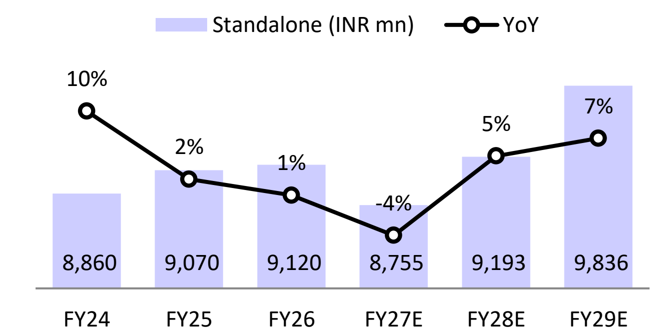
- Global SS Beauty Brands (GSSBB) has emerged as one of SHOP's fastest-growing businesses, extending its beauty franchise beyond owned retail into an asset-light distribution platform. Since its inception three years ago, revenues have scaled to **INR4.3b** by FY26 (up 86% YoY). The platform now distributes **40+ global beauty brands** across **27 retail partners** and **565+ points of sale**, transforming SHOP's beauty franchise from a retail-led business into a capital-light distribution platform.
- GSSBB's competitive advantage stems from SHOP's ability to offer global beauty brands a fully integrated market-entry platform. Unlike traditional distributors, the company combines **exclusive distribution** with access to its premium retail network, enabling brands to launch, scale and build consumer awareness through a single partner. This has helped GSSBB **secure exclusive distribution rights for 40+ international beauty brands**, while strengthening long-term relationships with global brand owners and creating a competitive advantage that is difficult to replicate.
- **The business also benefits from attractive structural economics.** Management indicated that GSSBB is already EBITDA positive (~6%), with long-term margins (~10%) likely to exceed those of the core retail business as scale improves. Although distribution requires incremental working capital, the platform remains significantly more capital efficient than store-led expansion. As premium beauty penetration accelerates in India, GSSBB is well positioned to become a meaningful earnings contributor while strengthening SHOP's position across the beauty value chain.

Exhibit 16: Distribution continues to scale rapidly



Source: Company, MOFSL

Exhibit 17: Growth remains measured



Source: Company, MOFSL

Standalone Beauty: Improving unit economics takes priority

- Beauty is transitioning from a footprint-led growth model to a productivity- and premiumization-led model**.** Following rapid EBO expansion and weak unit economics, SHOP has exited 16 loss-making stores, bringing the remaining standalone portfolio to break-even and reducing the cash drag. The ~INR3.5–4.0b Estee Lauder portfolio is showing early recovery, with **+4.3% LTL growth** after five consecutive quarters of decline, supported by CRM initiatives including the M.A.C loyalty program and enhanced in-store services. Fragrance remains the key growth pocket, delivering mid-to-high-teen growth.
- Additionally, future expansion is increasingly shifting to larger SSBeauty destination stores and department stores, leveraging captive footfalls and existing infrastructure. This should reduce rental intensity and improve **store productivity, margins, and RoCE**, making beauty a smaller but structurally higher-quality earnings contributor.

SHOP vs. Lifestyle: Beyond the department store

- The comparison with Lifestyle suggests that **SHOP's core department store economics are not structurally inferior**. Lifestyle + Home Centre reported **39.5% gross margins and 14.8% EBITDA margins** in FY25 vs. **41.3% and 15.7%** for SHOP, respectively, despite the drag from loss-making INTUNE and the lower-margin beauty distribution business. The larger earnings gap is therefore driven more by portfolio composition than by weaker department-store execution.
- The key differentiator is **Max Fashion**, Lifestyle's scaled value-fashion engine, with **INR57.4b revenue across 513 stores**. Its private-label model, faster inventory turns and operating scale generate attractive cash flows, creating a meaningful second growth and earnings engine alongside the department-store franchise. **SHOP currently lacks a comparable scaled business**, which explains much of the difference in growth and profitability.

Exhibit 18: Segmental break-up of Lifestyle's performance

	Max + Easy Buy			Lifestyle + Home Centre			SHOP (consol)			
	FY23	FY24	FY25	FY23	FY24	FY25	FY23	FY24	FY25	FY26
Revenues	**56,060**	**53,870**	**57,410**	**60,660**	**58,280**	**60,180**	**40,221**	**43,166**	**46,276**	**50,433**
Gross Profit	23,160	22,540	25,500	24,540	22,990	23,790	16,938	17,724	19,005	20,086
Gross Margin (%)	*41.3*	*41.8*	*44.4*	*40.5*	*39.4*	*39.5*	*42.1*	*41.1*	*41.1*	*39.8*
Employee Costs	*8.8*	*9.5*	*9.4*	*7.8*	*8.9*	*9.4*	*8.8*	*9.1*	*9.2*	*9.1*
Other expenses	*17.7*	*18.2*	*18.5*	*13.7*	*15*	*15.3*	*16.1*	*15.3*	*16.6*	*16.0*
Total Expenses	*26.5*	*27.8*	*27.9*	*21.5*	*23.9*	*24.7*	*24.8*	*24.5*	*25.8*	*25.1*
EBITDA	**8,330**	**7,590**	**9,480**	**11,470**	**9,050**	**8,930**	**6,953**	**7,170**	**7,084**	**7,441**
EBITDA margin (%)	*14.9*	*14.1*	*16.5*	*18.9*	*15.5*	*14.8*	*17.3*	*16.6*	*15.3*	*14.8*

Source: Company, MOFSL

- **INTUNE** is an attempt to build this missing driver, although the format remains at an early stage and the initial rollout highlighted areas to strengthen across merchandising, inventory and supply-chain execution. At **INR2.8b revenue across 84 stores**, the company is now prioritizing these operating fixes before scaling.
- Importantly, the model is also **capital-efficient**, with smaller stores (5,000sqft stores) and INR1,800-2,000/sqft capex with 7 weeks of working capital. This suggests SHOP is not only addressing the execution gaps, but also recalibrating the format around smaller stores and lower capital deployment, improving the potential returns profile as INTUNE scales.

Exhibit 19: SHOP vs. Lifestyle comparison

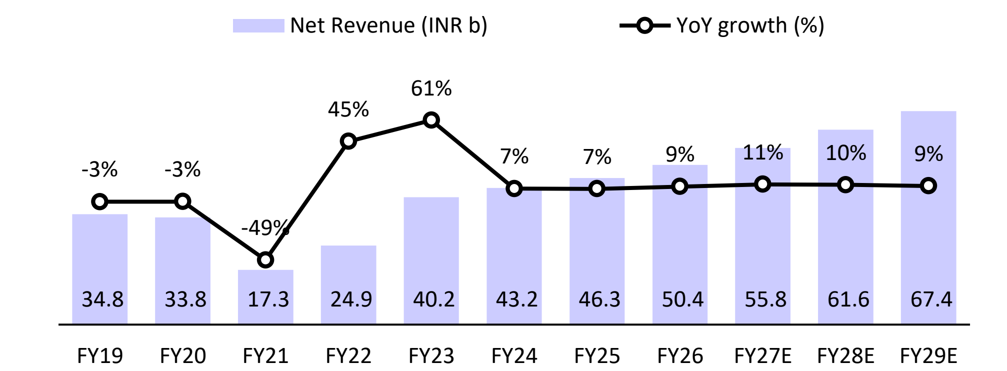
INR m	SHOP					Lifestyle			
	FY19	FY23	FY24	FY25	FY26	FY19	FY23	FY24	FY25
Area (in m Sq.ft)	4.25	3.90	4.30	4.50	4.50				
Store Count	226	266	289	343	342	387	630	713	723
Departmentals	83	98	112	112	113	75	97	112	121
Beauty (incl of SIS)	127	157	144	149	134				
Value Fashion	-	-	22	71	84	271	453	509	513
Home Stop	16	11	11	11	11	41	80	92	89
as a % of Sales	**FY19**	**FY23**	**FY24**	**FY25**	**FY26**	**FY19**	**FY23**	**FY24**	**FY25**
Revenue	**34,813**	**40,221**	**43,166**	**46,276**	**50,433**	**84,080**	**116,720**	**112,150**	**117,660**
GP	14,541	16,938	17,724	19,005	20,086	34,890	48,610	46,660	51,400
GM%	***41.8***	***42.1***	***41.1***	***41.1***	***39.8***	***41.5***	***41.6***	***41.6***	***43.7***
Employee	*9.0*	*8.8*	*9.1*	*9.2*	*9.1*	*9.9*	*8.3*	*9.2*	*9.4*
Other expenses	*25.5*	*16.1*	*15.3*	*16.6*	*16.0*	*21.8*	*15.1*	*16.0*	*16.9*
Rent	*11.1*	*2.5*	*1.5*	*1.9*	*1.5*	*8.0*	*2.6*	*2.8*	*2.9*
Repairs	*2.9*	*3.2*	*3.3*	*3.3*	*3.1*	-	*1.2*	*1.0*	*1.0*
IT expenses	*1.1*	*1.4*	*1.5*	*1.9*	*2.0*	-	-	*0.5*	*0.6*
Electricity charges	*2.7*	*2.8*	*2.8*	*2.9*	*2.7*	-	*2.0*	*2.6*	*2.7*
A&P	*2.0*	*1.7*	*1.5*	*1.6*	*1.5*	*4.4*	*5.2*	*4.6*	*4.5*
Bank Charges	*0.7*	*0.6*	*0.6*	*0.5*	*0.5*	-	*0.5*	*0.5*	*0.5*
Others	*4.9*	*4.0*	*4.2*	*4.4*	*4.7*	*9.4*	*3.6*	*4.0*	*4.6*
Overheads	*34.5*	*24.8*	*24.5*	*25.8*	*25.1*	*31.7*	*23.4*	*25.2*	*26.2*
EBITDA	**2,533**	**6,953**	**7,170**	**7,084**	**7,441**	**8,240**	**21,300**	**18,350**	**20,520**
EBITDA margin %	7.3	17.3	16.6	15.3	14.8	9.8	18.2	16.4	17.4
Rentals	*11.1*	*12.8*	*12.9*	*13.3*	*13.0*	*8.0*	*9.9*	*11.7*	*12.6*
CoR incl. rentals	***34.5***	***35.2***	***35.9***	***37.2***	***36.6***	***31.7***	***30.7***	***34.1***	***35.9***
Pre-IND AS EBITDA	**2,533**	**2,828**	**2,220**	**1,804**	**1,611**	**8,240**	**12,720**	**8,430**	**9,120**
Pre-IND AS margin %	***7.3***	***7.0***	***5.1***	***3.9***	***3.2***	***9.8***	***10.9***	***7.5***	***7.8***

Source: Company, MOFSL

Premiumization driving a structural earnings inflection

- Over the past few years, SHOP has fundamentally repositioned its business after a prolonged period of weak discretionary demand, slowing apparel growth and sub-optimal capital allocation across newer initiatives**.** The focus has shifted from maximizing store additions and category expansion to improving the quality of growth through premiumization, tighter capital allocation and stronger execution across its core department store business.
- **FY26 marks the first year in which SHOP's strategic initiatives have translated into measurable operating improvement.** Department store LFL sales accelerated to 4.7%, the strongest performance in nearly a decade, supported by improving productivity, stronger customer engagement and continued premiumization. Capital allocation has also become more disciplined. INTUNE is prioritizing unit economics over rapid expansion, while the beauty portfolio is being reshaped around larger formats, premium categories, and the fast-scaling Global SS Beauty Brands (GSSBB) distribution platform.
- We expect these initiatives to drive a more diversified and high-quality growth profile, with consolidated revenue clocking ~11% CAGR over FY26–29.
- **Core department** store business should remain the primary growth driver (~9% CAGR), supported by ~5% retail area CAGR and mid-to-high single-digit SSSG.
- **INTUNE** should scale gradually through 12-15 store additions annually (~15% revenue CAGR), while
- GSSBB should remain the fastest-growing business (~26% CAGR), driven by exclusive global brand partnerships and sustained premium beauty demand.
- Standalone Beauty is likely to grow more modestly (~6% CAGR) as management prioritizes profitability and format optimization over aggressive expansion.

Exhibit 20: Expect ~11% consol. revenue CAGR over FY26-29



Source: Company, MOFSL

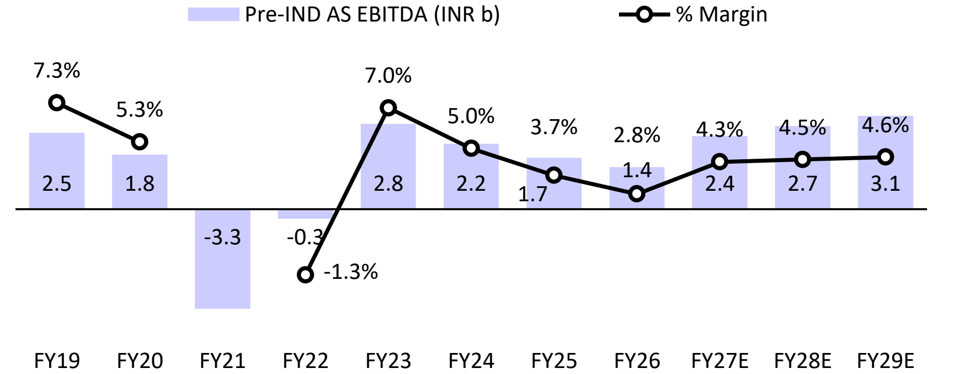
Gross margin to remain broadly stable

Gross margin has moderated **to 39.8% in FY26** from **42.1% in FY23**, primarily reflecting the increasing mix of premium products, which carry lower percentage gross margin but generate **20–25% higher space productivity and GMROII**. INTUNE's lower-margin value-fashion model is an additional, albeit smaller, drag as it scales. While management expects gross margins to stabilize around current levels, we conservatively build in a further **~80bp dip to 39% by FY29E**, reflecting continued premiumization. This margin dilution should be viewed alongside the stronger RoI from premium categories, while sourcing efficiencies, tighter inventory management and lower markdown intensity provide partial offsets.

Operating leverage to drive margin expansion

- We expect operating expenses to decline gradually as a percentage of sales, with **operating leverage driving margin expansion**. The largely fixed-cost department-store model should allow improving LTL growth and store productivity to absorb employee, occupancy and other operating costs. More disciplined expansion across department stores and INTUNE should also limit incremental overheads, while maturing businesses spread central costs over a larger revenue base.
- Accordingly, we forecast the **pre-IND AS EBITDA margin to expand to ~4.6% by FY29E from ~2.8% in FY26** (and 7% in FY23), primarily driven by better cost absorption. Margins would still remain below the historical levels of 6-7%, leaving further upside if premiumization and INTUNE deliver stronger productivity.

Exhibit 21: EBITDA margin to improve gradually to 4.6% by FY29E



Source: Company, MOFSL

Exhibit 22: Improving productivity supports margin expansion

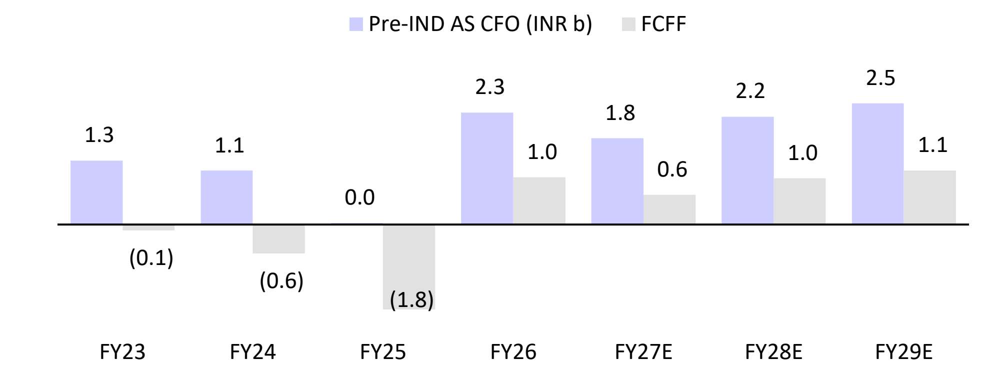
	as a % of Sales					Per Sq.ft/month				
	FY25	FY26	FY27	FY28	FY29	FY25	FY26	FY27	FY28	FY29
Revenue	**46,276**	**50,433**	**55,809**	**61,556**	**67,404**	**876**	**934**	**999**	**1,037**	**1,078**
GP	19,005	20,086	22,044	24,161	26,287	360	372	395	407	421
GM%	***41.1***	***39.8***	***39.5***	***39.3***	***39.0***	***41.1***	***39.8***	***39.5***	***39.3***	***39.0***
Employee	*9.2*	*9.1*	*8.8*	*8.8*	*8.8*	*80*	*85*	*87*	*91*	*94*
Other expenses	*16.6*	*16.0*	*15.4*	*15.3*	*15.0*	*145*	*149*	*154*	*158*	*162*
Overheads	*25.8*	*25.1*	*24.2*	*24.0*	*23.8*	*226*	*234*	*241*	*249*	*256*
EBITDA	**7,084**	**7,441**	**8,567**	**9,387**	**10,279**	**134**	**138**	**153**	**158**	**164**
EBITDA margin %	15.3	14.8	15.4	15.3	15.3	15.3	14.8	15.4	15.3	15.3
Rentals	*13.3*	*13.0*	*12.5*	*12.3*	*12.2*	*116*	*121*	*125*	*129*	*133*
CoR incl. rentals	***39.0***	***38.1***	***36.7***	***36.3***	***35.9***	***342***	***356***	***366***	***378***	***389***
Pre-IND AS EBITDA	**1,702**	**1,389**	**2,426**	**2,748**	**3,092**	**34**	**30**	**43**	**46**	**49**
Pre-IND AS margin %	***3.7***	***2.8***	***4.3***	***4.5***	***4.6***	***3.9***	***3.2***	***4.3***	***4.5***	***4.6***

Source: Company, MOFSL

Pre-IND AS cash generation: Improving structurally

- Pre-IND AS operating cash flow is expected to improve alongside the recovery in operating profitability, with **pre-Ind AS EBITDA increasing from INR1.4b in FY26 to INR3b by FY29**, supported by premiumization, operating leverage, and improving profitability across newer businesses.
- FY26 cash generation benefited from a significant working capital release following inventory rationalization and higher payables. As inventory is rebuilt to support department store expansion and the gradual scale-up of INTUNE, operating cash flow is expected to normalize in FY27 before strengthening again with improving profitability and working capital efficiency.
- We estimate cumulative **FY27–29 pre-IND AS operating cash flow of ~INR6.7b**, implying **~81% cash conversion** against cumulative pre-IND AS EBITDA, reflecting a structurally stronger cash generation profile as the business matures.

Exhibit 23: Cash generation to improve materially

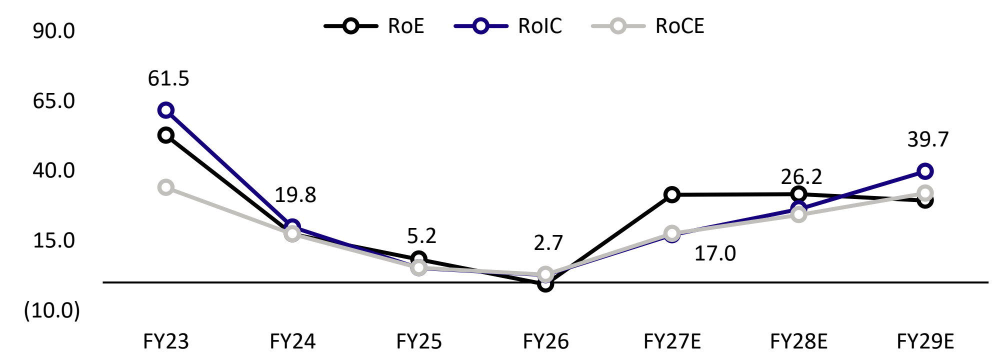


Source: Company, MOFSL

Return ratios: Driven by operational recovery, amplified by balance sheet dynamics

Return ratios are expected to improve materially over FY26–29, driven by the recovery in operating profitability and stronger asset utilization as premiumization and operating leverage begin to translate into earnings. While RoCE also benefits from structurally efficient working capital, we view RoIC as the best measure of the underlying improvement in business quality.

Exhibit 24: Return ratios to improve sharply



Source: Company, MOFSL

Consolidated financials and valuations

Income Statement								(INR m)
Y/E March	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**	**FY28E**	**FY29E**
Total Income from Operations	**24,938**	**40,221**	**43,166**	**46,276**	**50,433**	**55,809**	**61,556**	**67,404**
Change (%)	45	61	7	7	9	11	10	9
Raw Materials	15,034	23,284	25,442	27,272	30,347	33,764	37,395	41,116
Gross Profit	**9,904**	**16,938**	**17,724**	**19,005**	**20,086**	**22,044**	**24,161**	**26,287**
Margin (%)	39.7	42.1	41.1	41.1	39.8	39.5	39.3	39.0
Employees Cost	2,693	3,523	3,930	4,249	4,577	4,883	5,386	5,898
Lease Rentals	-	-	-	-	-	-	-	-
Other Expenses	4,536	6,462	6,624	7,672	8,068	8,595	9,387	10,111
Total Expenditure	**22,263**	**33,269**	**35,996**	**39,192**	**42,993**	**47,242**	**52,169**	**57,124**
% of Sales	89	83	83	85	85	85	85	85
EBITDA	**2,675**	**6,953**	**7,170**	**7,084**	**7,441**	**8,567**	**9,387**	**10,279**
Margin (%)	10.7	17.3	16.6	15.3	14.8	15.4	15.3	15.3
Depreciation	3,520	3,816	4,366	4,943	5,407	5,549	5,876	6,372
EBIT	**(844)**	**3,136**	**2,804**	**2,141**	**2,034**	**3,017**	**3,512**	**3,907**
Int. and Finance Charges	2,054	2,092	2,253	2,612	2,895	2,835	2,953	3,125
Other Income	1,661	567	558	541	521	698	831	977
PBT bef. EO Exp.	**(1,238)**	**1,612**	**1,109**	**70**	**(340)**	**880**	**1,390**	**1,759**
EO Items	(150)	(20)	(65)	-	(190)	-	-	-
PBT after EO Exp.	**(1,388)**	**1,592**	**1,045**	**70**	**(530)**	**880**	**1,390**	**1,759**
Total Tax	(521)	432	272	(39)	(169)	222	350	443
Tax Rate (%)	38	27	26	(55)	32	25	25	25
Minority Interest	-	-	-	-	-	-	-	-
Reported PAT	**(867)**	**1,160**	**772**	**109**	**(361)**	**658**	**1,040**	**1,316**
Adjusted PAT	**(717)**	**(227)**	**605**	**109**	**(551)**	**658**	**1,040**	**1,316**
Change (%)	(76)	(68)	(367)	(82)	(606)	(220)	58	27
Margin (%)	(2.9)	(0.6)	1.4	0.2	(1.1)	1.2	1.7	2.0

Balance Sheet								(INR m)
Y/E March	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**	**FY28E**	**FY29E**
Equity Share Capital	548	548	550	550	550	550	550	550
Total Reserves	435	1,771	2,690	2,845	2,442	3,100	4,140	5,456
Net Worth	**983**	**2,320**	**3,240**	**3,396**	**2,992**	**3,650**	**4,690**	**6,006**
Total Loans	20,934	23,527	27,317	32,238	32,163	34,086	36,532	39,613
Lease Liabilities	18,995	22,487	26,069	29,616	30,628	33,350	36,296	36,296
Deferred Tax Liabilities	-3,740	-3,312	-3,043	-3,099	-3,274	-3,274	-3,274	-3,274
Capital Employed	**18,177**	**22,535**	**27,513**	**32,535**	**31,882**	**34,463**	**37,948**	**42,346**
Net Fixed Assets	**4,481**	**4,612**	**5,448**	**5,677**	**5,395**	**5,070**	**4,786**	**4,477**
Right to use assets	12,764	16,361	20,299	23,767	24,502	26,574	28,929	31,517
Capital WIP	140	339	211	117	69	69	69	69
Total Investments	**1,464**	**734**	**554**	**600**	**1,100**	**1,100**	**1,100**	**1,100**
Curr. Assets, Loans&Adv.	**15,240**	**20,629**	**22,831**	**26,295**	**26,257**	**29,343**	**32,747**	**37,670**
Inventory	10,075	14,863	16,153	19,198	19,099	20,642	21,924	24,007
Account Receivables	382	304	703	351	391	433	478	523
Cash and Bank Balance	321	254	162	133	110	622	1,913	3,907
Loans and Advances	4,462	5,208	5,813	6,612	6,658	7,645	8,433	9,234
Curr. Liability & Prov.	**15,913**	**20,139**	**21,830**	**23,920**	**25,440**	**27,691**	**29,682**	**32,486**
Account Payables	14,419	18,259	19,547	22,118	23,339	25,229	26,983	29,547
Other Current Liabilities	1,409	1,841	2,283	1,802	1,932	2,294	2,530	2,770
Provisions	86	39	0	0	169	169	169	169
Net Current Assets	**-673**	**490**	**1,001**	**2,375**	**817**	**1,651**	**3,065**	**5,184**
Appl. of Funds	**18,177**	**22,535**	**27,513**	**32,535**	**31,882**	**34,464**	**37,949**	**42,346**

Consolidated financials and valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E
Basic (INR)								
EPS	**(6.5)**	**(2.1)**	**5.5**	**1.0**	**(5.0)**	**6.0**	**9.4**	**12.0**
Cash EPS	25.5	32.6	45.2	45.9	58.2	74.3	82.8	92.1
BV/Share	8.9	21.1	29.5	30.9	35.8	43.7	56.2	71.9
DPS	-	-	-	-	-	-	-	-
Payout (%)	-	-	-	-	-	-	-	-
Valuation (x)								
P/E	(63.7)	(201.2)	75.4	419.0	(82.9)	69.4	43.9	34.7
Cash P/E	16.3	12.7	9.2	9.0	7.1	5.6	5.0	4.5
P/BV	46.4	19.7	14.1	13.4	11.6	9.5	7.4	5.8
EV/Sales	2.6	1.7	1.7	1.7	1.5	1.4	1.3	1.2
EV/EBITDA	24.7	9.9	10.2	11.0	10.4	9.2	8.6	7.9
Dividend Yield (%)	-	-	-	-	-	-	-	-
FCF per share	25.8	38.1	40.5	33.6	63.9	62.3	69.4	75.6
Return Ratios (%)								
RoE	(22.7)	52.6	17.3	8.2	(0.7)	31.4	31.6	29.3
RoCE	(34.2)	33.9	17.3	5.2	2.8	17.5	24.2	31.9
RoIC	(114.7)	61.5	19.8	5.2	2.7	17.0	26.2	39.7
Working Capital Ratios								
Asset Turnover (x)	1.4	1.8	1.6	1.4	1.6	1.6	1.6	1.6
Inventory (Days)	147.5	134.9	136.6	151.4	138.2	135.0	130.0	130.0
Debtor (Days)	5.6	2.8	5.9	2.8	2.8	2.8	2.8	2.8
Creditor (Days)	211.0	165.7	165.3	174.5	168.9	165.0	160.0	160.0
Leverage Ratio (x)								
Current Ratio	1.0	1.0	1.0	1.1	1.0	1.1	1.1	1.2
Interest Cover Ratio	(0.4)	1.5	1.2	0.8	0.7	1.1	1.2	1.3
Net Debt/Equity	0.2	0.0	0.2	0.6	0.1	(0.3)	(0.6)	(0.3)

Cash Flow Statement **(INR m)**

Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E
OP/(Loss) before Tax	(1,388)	1,621	1,011	70	530	880	1,390	1,759
Depreciation	3,520	3,816	4,361	4,943	5,407	5,549	5,876	6,372
Interest & Finance Charges	2,054	2,092	2,236	2,612	2,895	2,835	2,953	3,125
Direct Taxes Paid	210	(36)	53	(64)	14	(222)	(350)	(443)
(Inc)/Dec in WC	899	(1,683)	(1,116)	(1,680)	851	(321)	(123)	(125)
CF from Operations	**5,295**	**5,810**	**6,544**	**5,882**	**9,697**	**8,721**	**9,745**	**10,688**
Others	(1,403)	(188)	(381)	(396)	(1,320)	(698)	(831)	(977)
CF from Operating incl EO	**3,892**	**5,622**	**6,164**	**5,485**	**8,377**	**8,024**	**8,914**	**9,710**
(Inc)/Dec in FA	(1,067)	(1,444)	(1,712)	(1,791)	(1,343)	(1,171)	(1,277)	(1,391)
Free Cash Flow	**2,824**	**4,178**	**4,452**	**3,694**	**7,034**	**6,852**	**7,637**	**8,319**
(Pur)/Sale of Investments	(55)	796	332	62	36	-	-	-
Others	(666)	(365)	(391)	(104)	377	698	831	977
CF from Investments	**(1,788)**	**(1,013)**	**(1,772)**	**(1,833)**	**(930)**	**(474)**	**(446)**	**(414)**
Issue of Shares	25	27	98	26	1	-	-	-
Inc/(Dec) in Debt	(773)	(1,102)	(26)	1,090	(542)	(800)	(500)	(100)
Interest Paid	(2,056)	(2,094)	(2,233)	(2,607)	(2,898)	(2,835)	(2,953)	(3,125)
Dividend Paid	-	-	-	-	-	-	-	-
Others	-	(2,203)	(2,816)	(2,846)	(3,159)	(3,403)	(3,725)	(4,077)
CF from Fin. Activity	**(2,804)**	**(5,372)**	**(4,977)**	**(4,337)**	**(6,598)**	**(7,037)**	**(7,178)**	**(7,302)**
Inc/Dec of Cash	**(701)**	**(763)**	**(585)**	**(684)**	**849**	**513**	**1,290**	**1,994**
Opening Balance	1,022	1,017	747	567	(599)	110	622	1,913
Closing Balance	**321**	**254**	**162**	**(117)**	**260**	**622**	**1,913**	**3,907**

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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Nainesh Rajani
Email: nainesh.rajani@motilaloswal.com
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Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com
Mr. Neeraj Agarwal	022 40548085	na@motilaloswal.com
Mr. Siddhartha Khemka	022 50362452	po.research@motilaloswal.com

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