

Bloated WC drives rating downgrade; topline trends healthy

Retail ▶ Result Update ▶ May 11, 2025

CMP (Rs): 412 | TP (Rs): 450

We downgrade AVL to ADD from Buy, while pulling down our TP by ~20% to Rs450 (from Rs565), following a ~10% cut each in our estimates/TP multiple. While we continue to like AVL's growth potential and strengths in the Hindi Heartland, the cautionary downgrade is led by potential margin risks on an inflated balance sheet at FY25-end. Though AVL attributed a ~60% increase in inventory to pre-season stocking and compressor supply disruptions, we are concerned about stock liquidation risks through FY26, in light of the unseasonal rains and single-digit growth trends in Q1FY26TD. With continued growth investments in new areas of operations (UP), EBITDA margin was down by 60bps to 9% in FY25 and a 60-80bps miss was seen in Q4 (8.7%; down by 130bps), albeit revenue growth trends remain healthy at ~30% in Q4/FY25 (19%/15% SSG in Q4/FY25). Expansion in UP is progressing well, with AVL seeing a ~200 store opportunity in UP (vs 34 stores currently). AVL added 30 stores in FY25 and targets adding 25-30 stores in FY26, with an upside risk.

In-line and strong topline; higher growth investments drive 7-8% EBITDA miss

Of the reported 30% revenue growth in Q4, SSG entailed 19%, with the balance contributed by new stores. SSG performance for FY25 stands at 15%; AVL expects the double-digit SSG to sustain going forward. While Apr-25 trends are muted, AVL expects a recovery in May-Jun, as the summer season unfolds and given its growing presence in the Hindi Heartland, which typically sees a longer and harsher summer season. AVL added 14/30 stores in Q4/FY25, taking the total store-count to 175 (161 at Dec-24 end); AVL expects adding 25-30 stores in FY26. Bihar/Jharkhand/UP contributed 80%/12%/8%, respectively, to the annual topline. After developing a strong presence in eastern UP cities like Varanasi, Prayagaraj, Ayodhya, and Gorakhpur, AVL is now turning focus toward central UP, where it has opened 10 stores, including 6 in capital-city Lucknow. EBITDA margin was down by 130bps to 8.7%, due to a 50bps dip in gross margin and higher employee/operating costs due to accelerated pace of store additions (~50% of new stores in FY25). AVL has maintained its annual margin outlook of 13-15% gross margin and 8-10% EBITDA margin vs reported gross margin of 15.7% and 9% EBITDA margin in FY25.

AVL expects the increase in capex/WC investment to offer a better experience

AVL expects rise in capex, WC per store, and store breakeven period. New capex is Rs7-8mn/store (vs Rs6-7mn earlier), with revised WC at Rs27.5-30mn/store (Rs22.5-25mn earlier), and store breakeven at 7-9 months now vs 6-8 months earlier. AVL believes the increase was led by focus on opening of larger-format stores (~5,500sqft store area vs ~4,000 earlier); the store size increase is aimed at offering more products on display, to match consumer experience (vs competition) in high-density stores and on account of cost inflation. The management was optimistic about such stores faring considerably well.

Aditya Vision: Financial Snapshot (Consolidated)

Y/E (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	17,433	22,598	28,728	36,451	45,115
EBITDA	1,675	2,041	2,490	3,143	3,825
Adj. PAT	771	1,055	1,260	1,630	2,032
Adj. EPS (Rs)	6.0	8.2	9.8	12.7	15.9
EBITDA margin (%)	9.6	9.0	8.7	8.6	8.5
EBITDA growth (%)	25.9	21.8	22.0	26.2	21.7
Adj. EPS growth (%)	12.7	36.9	19.4	29.4	24.7
RoE (%)	24.7	19.7	19.7	21.2	21.8
RoIC (%)	22.7	18.6	17.2	18.1	19.1
P/E (x)	68.6	50.1	42.0	32.4	26.0
EV/EBITDA (x)	31.7	26.0	21.3	16.9	13.9
P/B (x)	10.9	9.1	7.6	6.3	5.2
FCFF yield (%)	(1.3)	(0.8)	0.9	2.2	3.5

Source: Company, Emkay Research

Target Price – 12M	Mar-26
Change in TP (%)	(20.4)
Current Reco.	ADD
Previous Reco.	BUY
Upside/(Downside) (%)	9.2

Stock Data	AVL IN
52-week High (Rs)	575
52-week Low (Rs)	284
Shares outstanding (mn)	128.7
Market-cap (Rs bn)	53
Market-cap (USD mn)	621
Net-debt, FY26E (Rs mn)	2,399.3
ADTV-3M (mn shares)	0
ADTV-3M (Rs mn)	61.6
ADTV-3M (USD mn)	0.7
Free float (%)	0.0
Nifty-50	24,008.0
INR/USD	85.4

Shareholding, Mar-25

Promoters (%)	53.2
FPIs/MFs (%)	16.6/9.9

Price Performance

(%)	1M	3M	12M
Absolute	(1.1)	(13.5)	21.7
Rel. to Nifty	(7.7)	(15.1)	11.3

1-Year share price trend (Rs)



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Earnings Call KTAs

SSG/Demand Trend/Revenue outlook: Strong trends in Q4, though Q1FY26 sees a slow start due to unseasonal rains

- AVL has delivered ~15% SSG for FY24/FY25, with SSG likely sustaining the double-digit growth in the near term.
- AVL achieved logging its best-ever Q4, with around 30% revenue growth (19% SSG), despite macroeconomic challenges.
- Jan-25 saw a slow start to Q4, though consumer demand picked up on account of an early summer, and drove the higher growth in Feb-Mar which helped the company deliver ~30% growth in Q4.
- Apr-25 has also started on a slow note, with a single-digit growth on account of unseasonal rains in the month. AVL remains confident on growth, as it needs ~20 days of heatwaves to recover the lost growth in Apr-25.

Increase in working capital led by pre-season stocking and global compressor supply disruptions

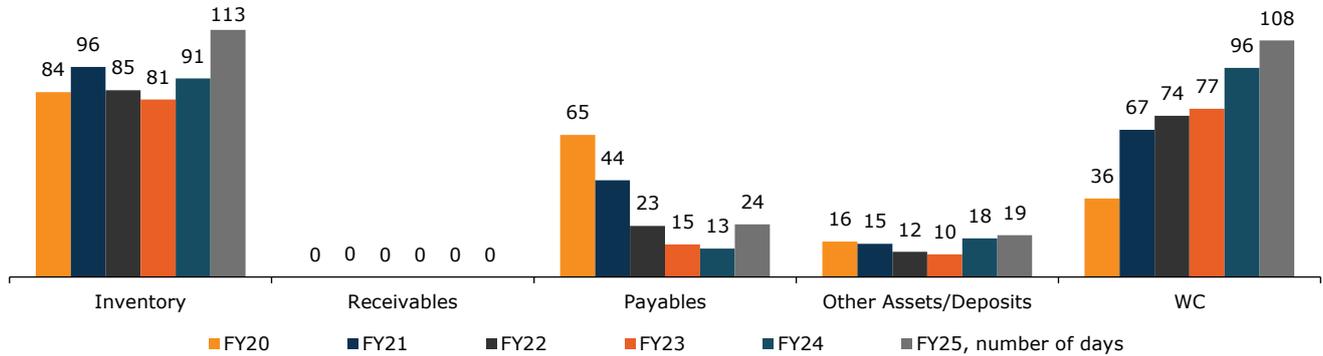
- Inventory levels were elevated at year-end (Rs7bn vs Rs4.3bn last year; 113 days vs 91 days), as part of AVL's strategic approach toward meeting Q1 demand, amid uncertainties surrounding compressor supply. This has led to a precautionary stockpiling, to prevent potential disruptions and avoid stockout situations.
- This has, in turn, led to negative FCF, which would enter the positive territory at the end of the summer season. Average inventory at the end of each of the four quarters was Rs4.9bn in FY25 (vs Rs7bn at YE).
- Around 45-50% of the revenue in Q1 is contributed by Room ACs.
- Payables were higher, in line with the increase in inventory. Despite the cash-and-carry practice, AVL has the benefit of a credit period, as it takes time for stock to reach its stores in Bihar and for the creditors' day to start when they receive the product.

AVL sees a ~200 store potential in UP (vs 34 stores currently)

- AVL expanded its footprint in FY25 by adding 30 new stores in FY25, reaching a total of 175 and meeting its guidance.
- Of the 30 additions in FY25, 15 stores were added in Uttar Pradesh, 5 in Jharkhand, and 10 stores in Bihar.
- AVL plans adding 25-30 stores annually with strong emphasis on UP, to take advantage of its higher population density in comparison with other states.
- AVL sees potential of 200 store adds in UP, led by the states huge size (area-wise) and its high population density.
- Among regions, Bihar, Jharkhand, and UP contributed 77%, 13%, and 10% in Q4, and 80%, 12%, and 8% in FY25, respectively.

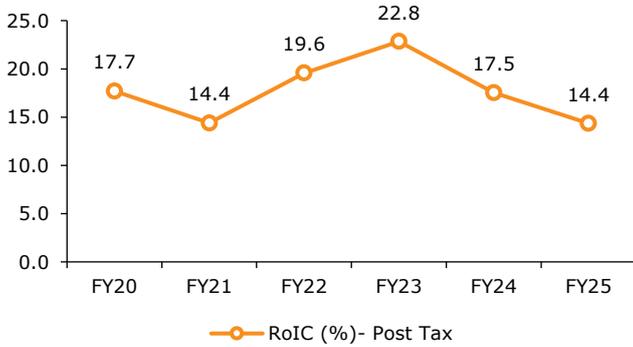
Story in charts

Exhibit 1: Inventory levels were elevated at Rs7bn vs Rs4.3bn (113 days vs 91 days) in Q4FY25; AVL attributed the increase in inventory to pre-season stocking and global compressor supply disruptions; we fear liquidation risks, in light of the unseasonal rains in Q1FY26 TD



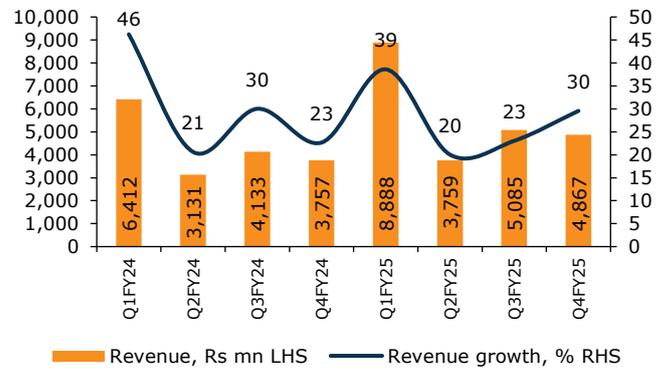
Source: Company, Emkay Research

Exhibit 2: RoIC has been on a declining trend due to lower EBITDA margin and increase in WC capital



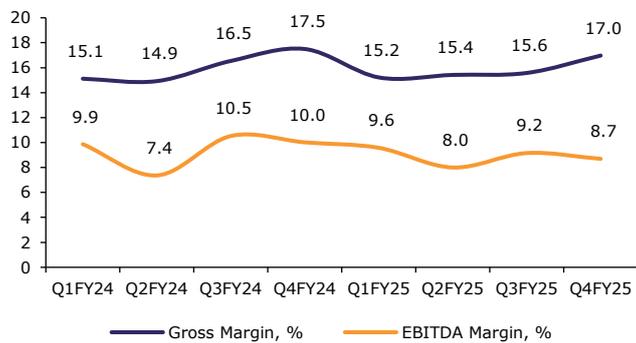
Source: Company, Emkay Research

Exhibit 3: Q4 topline is up ~30%, led by 19% growth in SSG and the balance from new-store additions



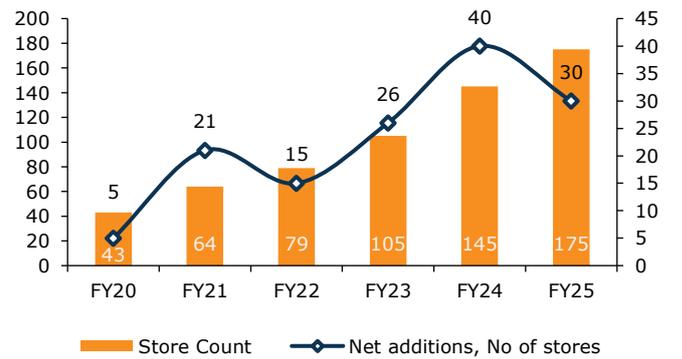
Source: Company, Emkay Research

Exhibit 4: EBITDA margin dipped by 130bps, due to gross margin loss of 50bps and higher operating expense on new store openings

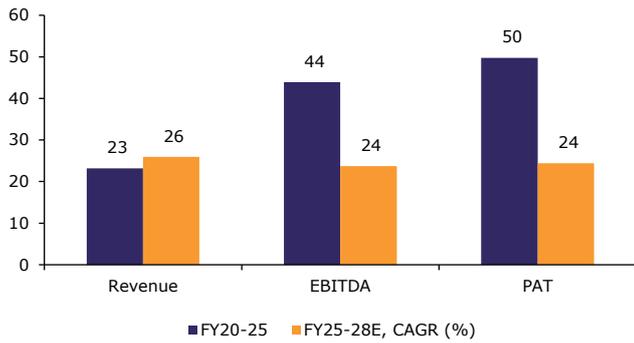


Source: Company, Emkay Research

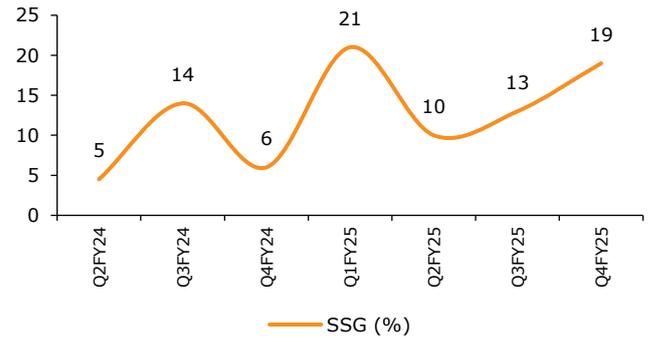
Exhibit 5: AVL opened 14/30 stores on net in Q4/FY25, taking the count to 175 (161 at Q3-end); to add 25-30 stores in FY26



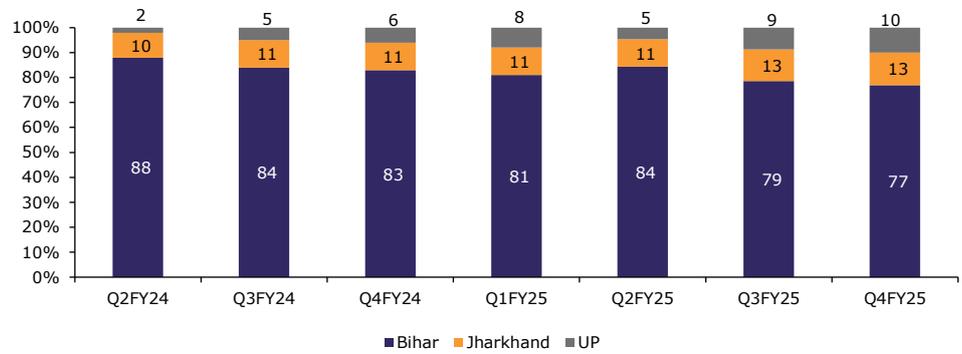
Source: Company, Emkay Research

Exhibit 6: We expect revenue/EBITDA/PAT CAGR of 24-26% over FY25-28E

Source: Company, Emkay Research

Exhibit 7: SSG growth has been healthy despite macroeconomic challenges

Source: Company, Emkay Research

Exhibit 8: New regions (UP/Jharkhand) are ramping up well, with 10%/13% mix in FY25; growth in Bihar is also robust, at ~20% in Q4

Source: Company, Emkay Research

Exhibit 9: Actual vs. Estimates (Q4FY25)

(Rs mn)	Actual	Estimates		Variation		Comments
		Emkay	Consensus	Emkay	Consensus	
Net Sales	4,867	4,828	4,877	0.8%	-0.2%	Topline was largely in line with estimates
EBITDA	423	458	454	-7.5%	-6.8%	EBITDA was lower due to higher employee cost
EBITDA margin	8.7%	9.5%	9.3%	-78	-62	
PAT	160	160	147	0.1%	8.7%	PAT is in line due to lower interest cost

Source: Company, Emkay Research

Exhibit 10: Changes in estimates

(Rs mn)	FY26E			FY27E			FY28E		
	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)
Revenue	28,840	28,728	-0.4	36,653	36,451	-0.5	NA	45,115	NA
EBITDA*	2,647	2,490	-5.9	3,373	3,143	-6.8	NA	3,825	NA
EBITDA margin (%)*	9.2	8.7	-50 bps	9.2	8.6	-60 bps	NA	8.5	NA
Net profit	1,378	1,260	-8.6	1,812	1,630	-10.1	NA	2,032	NA
EPS (Rs)	10.8	9.8	-8.6	14.1	12.7	-10.1	NA	15.9	NA

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

Exhibit 11: Summary of quarterly results

Y/E, Mar (Rs mn)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY (%)	QoQ (%)	FY24	FY25	YoY (%)
Revenue	3,757	8,888	3,759	5,085	4,867	29.6	-4.3	17,433	22,598	29.6
Expenditure	3,380	8,037	3,458	4,619	4,444	31.5	-3.8	15,758	20,557	30.5
Consumption of RM	3,099	7,535	3,179	4,292	4,041	30.4	-5.9	14,655	19,047	30.0
as % of sales	82.5%	84.8%	84.6%	84.4%	83.0%			84.1%	84.3%	
Employee Cost	138	206	135	159	211	52.9	32.8	568	710	25.1
as % of sales	3.7%	2.3%	3.6%	3.1%	4.3%			3.3%	3.1%	
Other expenditure	143	296	144	168	192	34.1	14.5	535	800	49.4
as % of sales	3.8%	3.3%	3.8%	3.3%	4.0%			3.1%	3.5%	
EBITDA	376	851	301	466	423	12.4	-9.1	1,675	2,041	21.8
Depreciation	75	82	104	85	99	33.2	16.8	286	370	29.5
EBIT	302	769	197	380	324	7.3	-14.9	1,389	1,670	20.3
Other Income	18	17	19	18	24	36.3	34.8	65	78	19.3
Interest	159	68	56	87	107	-32.9	23.4	388	317	-18.2
PBT	160	718	160	312	241	50.6	-22.7	1,067	1,431	34.2
Total Tax	82	187	38	70	81	-0.4	16.6	296	376	27.2
PAT	79	531	122	242	160	103.6	-34.0	771	1,055	36.9
Extra ordinary items	0	0	0	0	0			0	0	
Reported PAT	79	531	122	242	160	103.6	-34.0	771	1,055	36.9
Minority Interest	0	0	0	0	0			0	0	
Adjusted PAT	79	531	122	242	160	103.6	-34.0	771	1,055	36.9
Adjusted EPS (Rs)	0.6	4.1	1.0	1.9	1.2	103.6	-34.0	6.4	8.2	29.2
(%)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	(bps)	(bps)	FY24	FY25	(bps)
EBITDA margin	10.0	9.6	8.0	9.2	8.7	-130	-50	9.6	9.0	-60
EBIT margin	8.0	8.7	5.2	7.5	6.7	-140	-80	8.0	7.4	-60
EBT margin	4.3	8.1	4.3	6.1	5.0	70	-120	6.1	6.3	20
PAT margin	2.1	6.0	3.2	4.8	3.3	120	-150	4.4	4.7	20
Effective Tax rate	23.5	51.0	26.1	23.6	22.4	-120	-120	23.6	24.8	110

Source: Company, Emkay Research

Exhibit 12: Peer Comparison

Company name	Price (Rs)	Mcap (Rs bn)	Reco	Target Price (Rs)	EPS (Rs)			P/E (x)			EV/EBITDA (x)*		
					FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Titan Company	3,510	3,116	REDUCE	3,200	37.5	50.2	64.1	93.6	69.9	54.8	56.0	44.8	37.2
Varun Beverages	496	1,678	BUY	625	8.0	9.7	11.8	62.1	51.4	42.0	35.6	31.0	26.3
Ethos	2,491	61	BUY	3,300	39.3	49.4	66.1	63.3	50.4	37.7	30.9	22.9	17.2
Aditya Vision	412	53	ADD	450	8.2	9.8	12.7	50.1	42.0	32.4	26.8	21.9	17.4
Page Industries	45,470	507	REDUCE	37,550	630.9	696.3	834.1	72.1	65.3	54.5	46.3	41.9	35.2
ABFRL	254	310	ADD	270	-4.7	-1.2	-0.5	NA	NA	NA	17.1	12.6	10.3
Go Fashion	861	46	BUY	950	17.3	19.4	22.1	49.7	44.4	38.9	16.4	14.6	12.8
Jubilant FoodWorks	670	442	ADD	775	3.7	5.9	8.9	181.3	113.8	75.6	28.1	24.1	20.2
Devyani International	177	213	BUY	200	0.3	0.7	1.3	507.7	261.3	138.4	26.1	21.0	17.0
Westlife Foodworld	669	104	ADD	775	0.2	3.9	8.1	2,718	173.6	82.7	32.2	24.0	18.6
Sapphire Foods	300	96	BUY	370	0.6	2.0	3.6	500.6	150.6	82.6	19.8	16.2	13.0
Senco Gold	335	55	BUY	500	15.5	15.6	19.8	21.6	21.5	16.9	18.5	11.8	9.5
Metro Brands	1,059	288	BUY	1,300	14.8	17.9	21.5	71.3	59.3	49.2	37.6	31.6	26.7

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

Aditya Vision: Consolidated Financials and Valuations

Profit & Loss

Y/E (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	17,433	22,598	28,728	36,451	45,115
Revenue growth (%)	31.8	29.6	27.1	26.9	23.8
EBITDA	1,675	2,041	2,490	3,143	3,825
EBITDA growth (%)	25.9	21.8	22.0	26.2	21.7
Depreciation & Amortization	286	370	453	542	631
EBIT	1,389	1,670	2,037	2,601	3,193
EBIT growth (%)	23.4	20.3	21.9	27.7	22.8
Other operating income	-	-	-	-	-
Other income	65	78	80	90	100
Financial expense	388	317	415	489	547
PBT	1,067	1,431	1,702	2,202	2,746
Extraordinary items	0	0	0	0	0
Taxes	296	376	443	573	714
Minority interest	0	0	0	0	0
Income from JV/Associates	-	-	-	-	-
Reported PAT	771	1,055	1,260	1,630	2,032
PAT growth (%)	20.1	36.9	19.4	29.4	24.7
Adjusted PAT	771	1,055	1,260	1,630	2,032
Diluted EPS (Rs)	6.0	8.2	9.8	12.7	15.9
Diluted EPS growth (%)	12.7	36.9	19.4	29.4	24.7
DPS (Rs)	1.5	0.9	1.1	1.3	1.6
Dividend payout (%)	24.1	11.0	11.1	10.3	9.9
EBITDA margin (%)	9.6	9.0	8.7	8.6	8.5
EBIT margin (%)	8.0	7.4	7.1	7.1	7.1
Effective tax rate (%)	27.8	26.3	26.0	26.0	26.0
NOPLAT (pre-IndAS)	1,004	1,231	1,507	1,925	2,363
Shares outstanding (mn)	128	128	128	128	128

Source: Company, Emkay Research

Cash flows

Y/E (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
PBT (ex-other income)	1,001	1,353	1,622	2,112	2,646
Others (non-cash items)	0	370	453	542	631
Taxes paid	(296)	(376)	(443)	(573)	(714)
Change in NWC	(1,781)	(2,122)	(1,656)	(1,509)	(1,442)
Operating cash flow	(402)	(87)	844	1,603	2,300
Capital expenditure	(309)	(343)	(378)	(412)	(446)
Acquisition of business	0	0	0	0	0
Interest & dividend income	65	78	80	90	100
Investing cash flow	(244)	(265)	(298)	(322)	(346)
Equity raised/(repaid)	2,920	30	-	-	-
Debt raised/(repaid)	(1,453)	1,531	500	500	0
Payment of lease liabilities	(292)	(356)	(613)	(741)	(880)
Interest paid	(232)	(115)	(170)	(200)	(215)
Dividend paid (incl tax)	(186)	(116)	(139)	(167)	(200)
Others	0	0	0	0	0
Financing cash flow	757	974	(423)	(608)	(1,296)
Net chg in Cash	110	622	124	673	658
OCF	(402)	(87)	844	1,603	2,300
Adj. OCF (w/o NWC chg.)	1,379	2,035	2,501	3,112	3,742
FCFF	(712)	(430)	467	1,191	1,854
FCFE	(879)	(467)	377	1,081	1,739
OCF/EBITDA (%)	(24.0)	(4.3)	33.9	51.0	60.1
FCFE/PAT (%)	(114.0)	(44.3)	29.9	66.3	85.6
FCFF/NOPLAT (%)	(70.9)	(34.9)	31.0	61.9	78.4

Source: Company, Emkay Research

Balance Sheet

Y/E (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	128	128	128	128	128
Reserves & Surplus	4,739	5,708	6,829	8,291	10,123
Net worth	4,867	5,837	6,957	8,419	10,251
Minority interests	0	0	0	0	0
Non current liab. & prov.	0	0	0	0	0
Total debt	1,253	2,784	3,284	3,784	3,784
Total liabilities & equity	6,120	8,620	10,240	12,203	14,034
Net tangible fixed assets	873	1,123	1,382	1,647	1,917
Net intangible assets	-	-	-	-	-
Net ROU assets	(277)	(400)	(366)	(309)	(215)
Capital WIP	0	0	0	0	0
Goodwill	0	0	0	0	0
Investments [JV/Associates]	0	0	0	0	0
Cash & equivalents	962	1,213	884	1,015	1,041
Current & ex-cash	5,181	8,170	9,520	11,347	13,145
Current Liab. & Prov.	620	1,487	1,181	1,498	1,854
NWC (ex-cash)	4,561	6,683	8,340	9,849	11,291
Total assets	6,120	8,620	10,240	12,203	14,034
Net debt	291	1,570	2,399	2,768	2,742
Capital employed	6,120	8,620	10,240	12,203	14,034
Invested capital	5,435	7,806	9,722	11,497	13,208
BVPS (Rs)	38.0	45.5	54.3	65.7	80.0
Net Debt/Equity (x)	0.1	0.3	0.3	0.3	0.3
Net Debt/EBITDA (x)	0.2	0.8	1.0	0.9	0.7
Interest coverage (x)	3.3	4.9	4.5	4.9	5.4
RoCE (%)	28.5	23.7	22.4	24.0	25.1

Source: Company, Emkay Research

Valuations and key Ratios

Y/E	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	68.6	50.1	42.0	32.4	26.0
P/CE(x)	62.7	46.0	38.4	29.8	23.9
P/B (x)	10.9	9.1	7.6	6.3	5.2
EV/Sales (x)	3.0	2.4	1.8	1.5	1.2
EV/EBITDA (x)	31.7	26.0	21.3	16.9	13.9
EV/EBIT(x)	38.3	31.8	26.1	20.4	16.6
EV/IC (x)	9.8	6.8	5.5	4.6	4.0
FCFF yield (%)	(1.3)	(0.8)	0.9	2.2	3.5
FCFE yield (%)	(1.7)	(0.9)	0.7	2.0	3.3
Dividend yield (%)	0.4	0.2	0.3	0.3	0.4
DuPont-RoE split					
Net profit margin (%)	4.4	4.7	4.4	4.5	4.5
Total asset turnover (x)	3.3	2.9	2.9	3.2	3.4
Assets/Equity (x)	1.7	1.4	1.5	1.5	1.4
RoE (%)	24.7	19.7	19.7	21.2	21.8
DuPont-RoIC					
NOPLAT margin (%)	5.8	5.4	5.2	5.3	5.2
IC turnover (x)	3.9	3.4	3.3	3.4	3.7
RoIC (%)	22.7	18.6	17.2	18.1	19.1
Operating metrics					
Core NWC days	95.5	108.0	106.0	98.6	91.4
Total NWC days	95.5	108.0	106.0	98.6	91.4
Fixed asset turnover	18.8	18.3	18.0	18.3	18.6
Opex-to-revenue (%)	6.3	6.7	6.7	6.5	6.3

Source: Company, Emkay Research

RECOMMENDATION HISTORY – DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
09-Apr-25	417	565	Buy	Devanshu Bansal
30-Jan-25	438	550	Buy	Devanshu Bansal
10-Jan-25	495	585	Buy	Devanshu Bansal
12-Nov-24	430	550	Buy	Devanshu Bansal
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

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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