

Electronics Mart India | BUY

Weak profitability; sustaining SSSG and margin recovery will be key

EMIL's 2QFY26 performance was inline on sales but miss on profitability due to weaker margins. Same store sales growth (SSSG) of 11.4% was healthy, YoY margins were impacted by higher discounts (in first 20 days of September), higher store additions leading to increase in costs and an uptick in A&P spends due to early festive. In the near term, management is looking at strong 2H, led by healthy festive demand and benefit of GST rationalisation, which, along with better mix should aid margin improvement. Over the medium term, with share of mature stores (operating for >4 years) increasing, throughput/store and profitability of the business should also see gradual improvement. Factoring 2Q margin miss, we have cut our EPS estimates for FY26/27/28E by 23%/10%/8%. We reckon that the opportunity in organised electronic retail industry is large & EMIL has necessary ingredients to tap the same. Valuations at 29x/22x FY27/28E are not demanding and outlook is improving; hence, we maintain BUY with revised TP of INR 156 (27x Dec'27E, earlier INR 165). Sustaining SSSG/pace of recovery in margins will be key for rerating.

- **Revenue performance inline with estimates; Healthy SSSG delivery led by uptick in south cluster:** EMIL's 2QFY26 sales grew 19.1% YoY to INR 15.9bn, while EBITDA/reported PAT declined by 0.9% and 31% to INR 816mn and 161mn respectively. Sales growth was largely inline with our expectations benefiting from early festive season, healthy store additions (+21.5% YoY, net 8 stores added). Same store sales grew by 11.4% for the quarter. Sharp improvement in SSSG (much better vs. 2QFY25/1QFY26: -0.6%/-18%) was driven by visible uptick in south cluster. Hyderabad city and Telangana (UP country) reported robust sales growth of 15%/23.5% YoY with healthy SSSG of 12%/15% respectively (vs. decline of 15-18% in 1Q), while Andhra Pradesh sales grew 29.4% YoY with SSSG of 8%. North cluster - Delhi NCR continues to perform well with sales growth of 39% YoY and SSSG at 11%. Bill cuts were up 26% YoY led by festive demand while average ticket size was down c.5%. Going ahead with October seeing healthy traction led by festive season/GST rationalisation, management is hopeful of sustaining revenue momentum in 2HFY26E but unlikely to meet its 15% sales guidance (given the weakness seen in 1QFY26) and looking at low-double-digit sales growth for FY26E (largely similar to what we were factoring prior to 2Q).
- **Higher discounting and aggressive store expansion led to scale deleverage resulting in lower profitability:** Gross margin delivery was tad weaker and contracted c.50bps each on YoY and QoQ basis to 14.1% (JMFe: 14.4%). Despite better mix, the gross margins declined YoY on account of higher discounting (to drive sales) especially in the 20 days of September month prior to actual transition, while QoQ compression was due to lower salience of large appliances (sales impacted by GST transition). Staff costs grew 38.6% YoY due to higher store additions/incentives and other expenses grew 22.7% YoY owing to higher A&P spends/store additions. Weak gross margin progression along with scale deleverage resulted in EBITDA margin compression of 104bps to 5.1% (120-140 bps below our/street estimates). Overall pre-IND AS EBITDA margins were down c.100bps YoY to 2.9%. Going forward, management expects EBITDA margins to improve vs. 1H levels led by better mix (increase in salience of large appliance) and lower discounting (compared to 2Q). Reported PAT declined 31% YoY as company reported exceptional income of INR 152mn pertaining to full and final settlement of insurance claim on goods destroyed in fire (INR 75mn) and gain on sale of four IQ retail stores (INR 77mn).



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	156
Upside/(Downside)	15%
Previous Price Target	165
Change	-5.5%

Key Data – EMIL IN

Current Market Price	INR136
Market cap (bn)	INR52.3/US\$0.6
Free Float	35%
Shares in issue (mn)	384.7
Diluted share (mn)	384.7
3-mon avg daily val (mn)	INR413.9/US\$4.7
52-week range	191/110
Sensex/Nifty	83,535/25,574
INR/US\$	88.7

Price Performance

%	1M	6M	12M
Absolute	-5.6	5.8	-27.1
Relative*	-6.8	0.6	-30.7

* To the BSE Sensex

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	58,615	64,982	71,933	82,635	94,614
Sales Growth (%)	16.1	10.9	10.7	14.9	14.5
EBITDA	4,494	4,505	4,510	5,758	6,749
EBITDA Margin (%)	7.2	6.7	6.1	6.7	6.9
Adjusted Net Profit	1,839	1,600	1,098	1,829	2,335
Diluted EPS (INR)	4.8	4.2	2.9	4.8	6.1
Diluted EPS Growth (%)	49.8	-13.0	-31.4	66.5	27.7
ROIC (%)	13.9	10.7	8.9	11.6	13.2
ROE (%)	14.4	11.0	6.9	10.5	12.0
P/E (x)	28.4	32.7	47.7	28.6	22.4
P/B (x)	3.8	3.4	3.2	2.9	2.5
EV/EBITDA (x)	13.0	13.7	13.6	10.5	8.9
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 10/Nov/2025

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

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

Concall Highlights

■ Operating environment

- GST rate cut caused a short-term market slowdown and deferment of purchases; demand rebounded strongly after the cut with a solid festive recovery in early October.
- Management sees macro tailwinds — lower interest rates, lower GST and income-tax adjustments — as supportive for consumption and long-term demand and likely to create a compounding effect.
- Post GST reduction, management is seeing a shift to premium SKUs — larger TVs, higher-priced ACs and new categories (dishwashers), which is raising ASP and is expected to help ASPs over time.

■ Operating performance

- Operating margins were impacted due to rapid store expansion and higher discounting.
- Gross margin decline in Q2 was primarily due to extra discounts and promotional push used during the GST-announcement slowdown. Management expects GST rationalisation benefit to show in subsequent quarter(s).
- Large appliances contributed 38% of Q2 revenue and c. 43% of H1 revenue. Mobiles contributed 48% of Q2 revenue and 44% of H1 revenue.
- Mobiles are expected to see an upgrade wave (AI-enabled devices / higher ASPs) driven by OEM activity — management flagged this as a future growth and ASP, volume tailwind.
- Employee cost increased in the quarter due to variable incentive and opening of new stores. The incentives were on track with no pending sell-out or linked scheme.
- Rapid store additions compress near-term per-store throughput, especially in AP or Telangana, and margins until new stores stabilize (management pointed to denominator effect from many recently opened stores and treating only >12-month stores for average throughput calculations).
- In the last 3-4 quarters, the large appliances category (home entertainment, refrigerators, and washing machines etc.) didn't perform well due to lower penetration, but have seen decent double-digit growth in Q2.

■ Inventory Position

- Total inventory carried at quarter-end: ~INR 1,200 crores
- AC inventory overhang: INR 200+ crores; this is the only category management identified as an excess due to a weak summer and off-season.
- Management highlighted no excess inventory in other categories (TVs, mobiles, etc.); other categories' inventory days in this quarter are lower than normal festival period except for ACs, ranges 30–60 days. Management said if an early summer arrives, AC stock can be liquidated within the financial year.
- Display/back-up stock: ~15,000 display units across 215 stores; management said ~INR 100 crores of incremental inventory relates to displays/backup stock carried post-season.

■ Store Expansion and Network Update

- Total stores: 215 with 84 stores are more than 4 year old (mature) and remaining 131 stores less than 4 years old.
- Fully mature stores (>10 years) will be having mid-single-digit SSSG. Stores aging between 4 to 10 years will have SSSG of at least 9-10% and stores aging more than 10 years will have SSG of 3-5%.
- Mature stores (84) — H1 FY26 per-store product sales: INR 2–4 crores; mature-store store level EBITDA margin c. 6.8%. Newer stores (131) contributed c. INR 933 crores in H1 and operate at c.3% store level EBITDA margin.
- Management emphasised rapid expansion is diluting near-term operating margins with 75 stores were added in H1. This new-store ramp is driving higher fixed costs (employee,

marketing, promotions) and higher financing and depreciation (IND AS 116 lease accounting impact), leading to compression in PAT & PAT margins.

- Expansion plan for the remaining FY26: 13 new stores (INR 25-30 Cr) with 4 stores in Telangana and AP, 3 stores in NCR and 2 stores in Hyderabad. These all will be operational by end of FY26 or latest by April next year.
- Expansion plan for next FY is to add 30 more stores with investment of c.INR 75 Cr.

■ Guidance

- Management expects low-double-digit sales growth for FY26 (lower vs. earlier guidance of 15% due to 1Q miss) with margins improving 3Q onwards. Company expects additional INR 150 Cr of growth from cooling product season if it starts off early in next year.
- Company expects high single digit SSG across the board and 6-6.5% EBITDA margin for the FY26.
- With increased penetration, company conservatively estimates c.10% growth in large appliances category including ACs and c. 15% growth in mobiles.
- Company aspires avg. throughput for MBOs in NCR cluster to be more than INR 65cr in next 3-5 years and INR 30 Cr+ per store with overall revenue of INR 650 to 700 Cr in this year.
- No plans to enter in Bangalore or Chennai as of now, but management will evaluate options for new expansion from next quarter onwards.

■ Cluster level performance

- Company is market leader in Hyderabad with strong revenue growth of 15% YoY with SSG of 12%. Management highlighted that there is still competition in this market and they are gaining market share with improvement in SSG.
- Average throughput for MBOs in Hyderabad is more than INR 65 Cr.
- The stores opened in FY23 in Delhi NCR cluster have margins more than 3%.
- Southern cluster overall: company reported c. 6% EBITDA margin despite adding 60 new stores across Andhra Pradesh & Telangana in last two years.

■ Miscellaneous

- EMIL received full insurance claim for the 29 May 2025 fire — inventory loss earlier reported ~INR 8 crores; insurance claim received in Q2
- Company took a strategic decision to divest four IQ Apple EBOs during the quarter — management said this is to sharpen focus on the core multi-brand retail business with aim to enhance capital efficiency and sharpen execution focus on key growth areas.

Exhibit 1. 2Q snapshot: Revenue inline; margin delivery disappoints

INR mn	2QFY26	2QFY25	YoY growth	2QFY26E	% variance	1HFY26	1HFY25	YoY growth
Net Sales	15,910	13,354	19.1%	15,863	0.3%	33,304	32,621	2.1%
Gross Profit	2,238	1,946	15.0%	2,284	-2.0%	4,771	4,946	-3.5%
Gross Profit Margin %	14.1%	14.6%	-51 bps	14.4%	-33 bps	14.3%	15.2%	-84 bps
Staff Cost	392	283	38.6%	340	15.3%	765	614	24.6%
Other Expenses	1,030	840	22.7%	940	9.6%	2,089	1,911	9.3%
EBITDA	816	824	-0.9%	1,004	-18.7%	1,917	2,421	-20.8%
EBITDA margin %	5.1%	6.2%	-104 bps	6.3%	-120 bps	5.8%	7.4%	-167 bps
Depreciation	384	313	22.5%	378	1.5%	752	615	22.3%
EBIT	433	511	-15.3%	626	-30.9%	1,165	1,806	-35.5%
Interest Expense	385	225	71.4%	405	-4.9%	759	510	48.8%
Financial Other Income	17	24	-30.0%	25	-33.2%	29	46	-35.7%
PBT pre-exceptional	64	310	-79.2%	246	-73.9%	435	1,342	-67.6%
PBT post exceptional/forex impact	216	310	-30.2%	246	-12.2%	505	1,342	-62.3%
Taxes	55	76	-27.8%	60	-9.1%	128	338	-62.3%
Reported Net Profit	161	234	-31.0%	186	-13.2%	378	1,003	-62.4%
Adjusted Net Profit	48	234	-79.5%	186	-74.2%	325	1,003	-67.6%

Source: Company, JM Financial

Exhibit 2. Quarterly operational performance – on consolidated basis

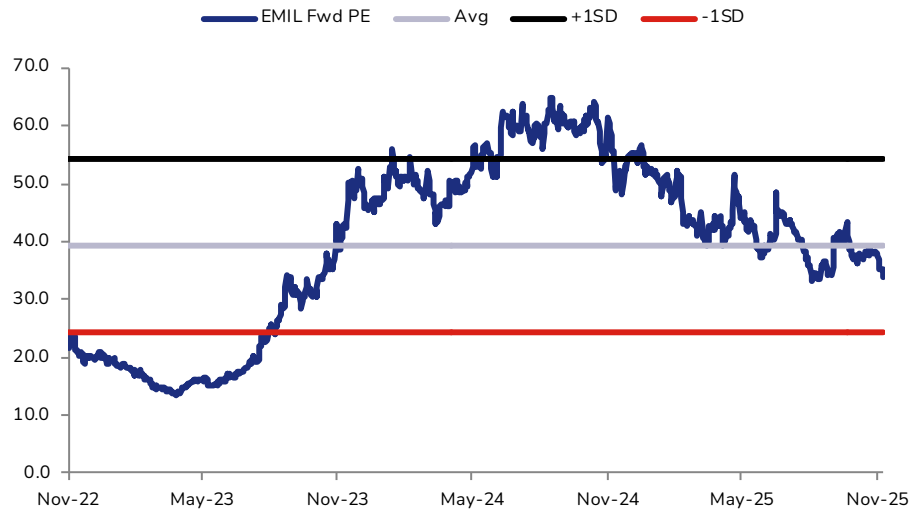
INR mn	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
SSSG (%)	13.6%	2.3%	13.4%	7.3%	8.6%	-0.6%	-2.8%	1.5%	-18.0%	11.4%
Sales	16,836	13,132	17,745	15,242	19,267	13,211	18,193	16,642	17,394	15,910
YoY	19.5%	7.0%	19.8%	14.8%	14.4%	0.6%	2.5%	9.2%	-9.7%	19.1%
Gross Profit	2,457	1,957	2,532	2,202	2,999	1,962	2,560	2,454	2,533	2,238
Staff cost	276	260	284	294	331	283	367	351	373	392
Other expenses	881	731	1,095	831	1,071	840	1,193	1,029	1,059	1,030
EBITDA	1,299	966	1,153	1,076	1,597	839	1,000	1,075	1,100	816
YoY	33.9%	28.2%	58.4%	18.4%	22.9%	-13.1%	-13.2%	-0.1%	-31.1%	-0.9%
Depreciation	246	255	263	293	301	313	298	355	368	384
Interest	271	235	291	280	286	225	300	365	374	385
Other income	25	25	21	30	22	24	25	21	13	17
PBT before exceptional items	808	501	620	533	1,032	325	428	376	371	64
YoY	46.6%	54.8%	109.7%	15.4%	27.7%	-35.1%	-31.0%	-29.4%	-64.1%	-79.2%
Exceptional expense / (income)	-	-	-	-	-	-	-	-	82	-152
PBT after exceptional items	808	501	620	533	1,032	325	428	376	289	216
Tax	205	127	162	127	263	80	101	110	73	55
Reported PAT	603	374	458	405	769	245	327	267	216	161
YoY	48.2%	54.9%	108.9%	12.3%	27.6%	-34.3%	-28.6%	-34.2%	-71.9%	-31.0%
Adjusted PAT	603	374	458	405	769	245	327	267	277	48
YoY	48.2%	54.9%	108.9%	12.3%	27.6%	-34.3%	-28.6%	-34.2%	-63.9%	-79.5%
% to sales	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Gross margin	14.6%	14.9%	14.3%	14.4%	15.6%	14.8%	14.1%	14.7%	14.6%	14.1%
Staff cost	1.6%	2.0%	1.6%	1.9%	1.7%	2.1%	2.0%	2.1%	2.1%	2.5%
Other expenses	5.2%	5.6%	6.2%	5.5%	5.6%	6.4%	6.6%	6.2%	6.1%	6.5%
EBITDA margin	7.7%	7.4%	6.5%	7.1%	8.3%	6.4%	5.5%	6.5%	6.3%	5.1%

Source: Company, JM Financial

Exhibit 3. Product-wise revenue mix – on quarterly basis

Product mix (%)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Mobiles	37%	48%	42%	42%	35%	51%	44%	41%	40%	48%
Large Appliances	49%	37%	44%	46%	53%	36%	43%	47%	48%	38%
Small Appliances, IT and others	13%	15%	14%	12%	12%	13%	13%	12%	12%	14%

Source: Company, JM Financial

Exhibit 4. EMIL's avg. PE Band since date of listing

Source: Bloomberg, Company, JM Financial

Exhibit 5. Revision in estimates

INR mn	Revised			Earlier			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Sales	71,933	82,635	94,614	73,103	83,577	95,340	-1.6%	-1.1%	-0.8%
EBITDA	4,510	5,758	6,749	4,833	5,917	6,886	-6.7%	-2.7%	-2.0%
PAT	1,098	1,829	2,335	1,434	2,036	2,546	-23.4%	-10.2%	-8.3%
EPS	2.9	4.8	6.1	3.7	5.3	6.6	-23.4%	-10.2%	-8.3%

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	71,933	82,635	94,614
Sales Growth	16.1%	10.9%	10.7%	14.9%	14.5%
Other Operating Income	4,239	2,331	2,609	2,997	3,432
Total Revenue	62,854	67,313	74,541	85,633	98,045
Cost of Goods Sold/Op. Exp	53,707	57,344	63,808	72,959	83,534
Personnel Cost	1,115	1,331	1,608	1,860	2,121
Other Expenses	3,538	4,133	4,616	5,056	5,641
EBITDA	4,494	4,505	4,510	5,758	6,749
EBITDA Margin	7.2%	6.7%	6.1%	6.7%	6.9%
EBITDA Growth	33.7%	0.2%	0.1%	27.7%	17.2%
Depn. & Amort.	1,057	1,267	1,530	1,721	1,921
EBIT	3,438	3,238	2,980	4,037	4,828
Other Income	101	91	92	134	153
Finance Cost	1,077	1,175	1,601	1,723	1,855
PBT before Excep. & Forex	2,462	2,155	1,470	2,448	3,126
Excep. & Forex Inc/Loss(-)	0	0	70	0	0
PBT	2,462	2,155	1,540	2,448	3,126
Taxes	622	554	390	619	791
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	1,839	1,600	1,150	1,829	2,335
Adjusted Net Profit	1,839	1,600	1,098	1,829	2,335
Net Margin	2.9%	2.4%	1.5%	2.1%	2.4%
Diluted Share Cap. (mn)	384.7	384.7	384.7	384.7	384.7
Diluted EPS (INR)	4.8	4.2	2.9	4.8	6.1
Diluted EPS Growth	49.8%	-13.0%	-31.4%	66.5%	27.7%
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	1,540	2,448	3,126
Depn. & Amort.	1,057	1,267	1,530	1,721	1,921
Net Interest Exp. / Inc. (-)	976	1,084	1,510	1,589	1,702
Inc (-) / Dec in WCap.	-2,185	-2,157	-632	-1,159	-2,119
Others	-8	18	0	0	0
Taxes Paid	-703	-608	-390	-619	-791
Operating Cash Flow	1,598	1,758	3,559	3,980	3,839
Capex	-1,619	-3,237	-926	-953	-982
Free Cash Flow	-21	-1,479	2,633	3,027	2,857
Inc (-) / Dec in Investments	473	-8	0	0	0
Others	-22	-75	92	134	153
Investing Cash Flow	-1,169	-3,320	-834	-819	-829
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	0	0	0	0	0
Inc / Dec (-) in Loans	-143	2,712	0	-460	-437
Others	-1,464	-1,699	-2,169	-2,357	-2,541
Financing Cash Flow	-1,606	1,012	-2,169	-2,817	-2,977
Inc / Dec (-) in Cash	-1,177	-549	556	344	33
Opening Cash Balance	2,032	855	305	861	1,205
Closing Cash Balance	855	305	861	1,205	1,238

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	13,697	15,309	16,459	18,288	20,623
Share Capital	3,847	3,847	3,847	3,847	3,847
Reserves & Surplus	9,849	11,462	12,612	14,440	16,775
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	7,128	9,840	9,840	9,380	8,944
Def. Tax Liab. / Assets (-)	-317	-402	-402	-402	-402
Total - Equity & Liab.	20,507	24,747	25,897	27,266	29,164
Net Fixed Assets	5,442	7,962	7,925	7,791	7,538
Gross Fixed Assets	7,262	10,703	11,629	12,582	13,564
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	1,223	1,625	2,128	2,667	3,242
Capital WIP	-597	-1,116	-1,576	-2,124	-2,785
Investments	0	0	0	0	0
Current Assets	16,261	18,682	20,086	21,883	24,376
Inventories	9,693	12,422	12,866	13,373	14,774
Sundry Debtors	1,814	1,774	1,899	2,182	2,498
Cash & Bank Balances	855	305	861	1,205	1,238
Loans & Advances	619	710	719	826	946
Other Current Assets	3,280	3,470	3,740	4,297	4,920
Current Liab. & Prov.	1,196	1,897	2,114	2,408	2,749
Current Liabilities	1,063	1,857	2,071	2,362	2,700
Provisions & Others	133	39	43	46	50
Net Current Assets	15,065	16,785	17,972	19,475	21,627
Total - Assets	20,507	24,747	25,897	27,266	29,164

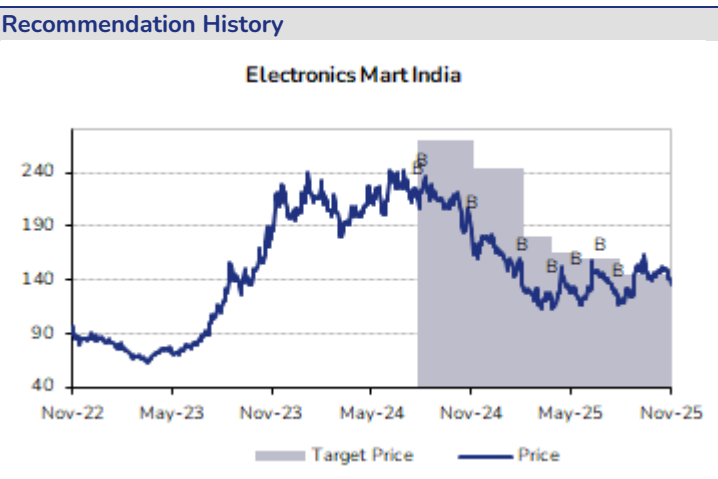
Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	2.9%	2.4%	1.5%	2.1%	2.4%
Asset Turnover (x)	3.1	2.9	2.9	3.2	3.4
Leverage Factor (x)	1.6	1.6	1.6	1.6	1.5
RoE	14.4%	11.0%	6.9%	10.5%	12.0%

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	35.6	39.8	42.8	47.5	53.6
ROIC	13.9%	10.7%	8.9%	11.6%	13.2%
ROE	14.4%	11.0%	6.9%	10.5%	12.0%
Net Debt/Equity (x)	0.5	0.6	0.5	0.4	0.4
P/E (x)	28.4	32.7	47.7	28.6	22.4
P/B (x)	3.8	3.4	3.2	2.9	2.5
EV/EBITDA (x)	13.0	13.7	13.6	10.5	8.9
EV/Sales (x)	0.9	0.9	0.8	0.7	0.6
Debtor days	11	10	9	9	9
Inventory days	56	67	63	57	55
Creditor days	7	11	11	11	11

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
4-Apr-25	Buy	165	-8.3
20-May-25	Buy	160	-3.0
4-Jul-25	Buy	160	0.0
5-Aug-25	Buy	145	-9.4
7-Oct-25	Buy	165	13.8



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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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return $\geq$ 15% over the next twelve months.
ADD	Expected return $\geq$ 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return $\geq$ -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
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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