

Electronics Mart India | BUY



Weak quarter; pace of recovery in SSSG will be key

EMIL's 2QFY25 earnings print was weak - while store additions remained on track, sales growth was impacted by extended monsoons, especially in key markets of south cluster (visible from flattish sales in Telangana), resulting in same store sales decline of 0.6% yoy. Gross margin progression was disappointing on account of adverse product mix (lower salience of large appliances); which along with scale deleverage drove a c.10/13% miss on EBITDA/PAT. In terms of guidance, management remains confident about 25-30 store addition target and with festive period so far tracking well, it expects sales growth of 15-18% for FY25E. Going ahead, given the challenging demand environment (urban slowdown highlighted by consumer companies), pace of recovery in SSSG will be key monitorable in the near term. Factoring weak Q2& challenging demand scenario in urban markets, we have cut our multiple to 36x (vs 38x earlier) and earnings estimates for FY25-27E by c.4-6%. From long term perspective, we believe EMIL has ingredients (operates through LFS, over indexed in large appliances, strong relationship with marquee brands) in place to tap large opportunity in organised electronic retail industry. Maintain BUY with revised TP of Rs.244.

- Inline revenue; south cluster sales tepid owing to extended monsoons in key markets:** EMIL's 2QFY25 sales grew by 5.6% yoy to INR 13.9bn, while EBITDA and PAT declined by 13.1% and 34.3% yoy to INR 839mn and INR 245mn respectively. Net sales were largely inline with our expectations; however, weaker mix and scale deleverage led to c.10%/13% miss on EBITDA/PAT vs our estimate. While store additions remained healthy (+26% yoy, 8 stores added in the quarter), revenue growth for the quarter was impacted by extended monsoons in key markets (Hyderabad, Vijaywada), postponement of buying to festive month (October) due to Shraddh period (in Sep this year). Base quarter also benefitted from extended summer. Same store sales declined by 0.6%, Bill cuts increased by 7% while average ticket size was flat yoy. In terms of region-wise performance, south cluster sales grew by just 4%, impacted by flattish growth in largest market of Telangana. North cluster grew by 56% yoy aided by store additions. Incentive/commission income was flat for the quarter. Management reiterated its store addition guidance of 25-30 stores and sales growth of 15-18% for FY25E.
- Weaker mix and scale deleverage drive overall earnings miss:** In terms of product mix, salience of large appliances (high-margin category) declined by 100bps yoy to 36% while that of Mobiles increased by 300bps yoy to 51%. As a result, gross margins declined by 75bps yoy to 14.2% (JMfe: 14.5%). Staff costs and other overheads grew 8.8% yoy and 14.9% yoy, ahead of revenue growth, led by higher store additions. Resultant EBITDA declined by 13.1% to 839mn (10% below our estimates), with a margin decline of 130bps to 6.1% (JMfe: 6.7%). In terms of regional performance, pre-IND AS EBITDA margin for south cluster stood at 7.8% while north cluster saw EBITDA loss of INR 15mn (impact of higher store additions which also includes 7-8 stores for which costs have been incurred but are not operational yet).

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	244
Upside/(Downside)	33.4%
Previous Price Target	270
Change	-9.6%

Key Data – EMIL IN

Current Market Price	INR183
Market cap (bn)	INR70.4/US\$0.8
Free Float	35%
Shares in issue (mn)	300.0
Diluted share (mn)	384.7
3-mon avg daily val (mn)	INR424.4/US\$5.0
52-week range	262/166
Sensex/Nifty	79,496/24,141
INR/US\$	84.4

Price Performance

%	1M	6M	12M
Absolute	-15.4	-15.4	-3.5
Relative*	-13.4	-22.6	-21.2

* To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	50,467	58,615	68,025	77,843	89,848
Sales Growth (%)	24.2	16.1	16.1	14.4	15.4
EBITDA	3,361	4,494	5,103	5,881	6,814
EBITDA Margin (%)	6.2	7.2	7.0	7.0	7.1
Adjusted Net Profit	1,228	1,839	2,087	2,395	2,812
Diluted EPS (INR)	3.2	4.8	5.4	6.2	7.3
Diluted EPS Growth (%)	-7.9	49.8	13.4	14.8	17.4
ROIC (%)	13.2	13.9	13.5	13.9	14.4
ROE (%)	13.8	14.4	14.2	14.1	14.4
P/E (x)	57.3	38.3	33.7	29.4	25.0
P/B (x)	5.9	5.1	4.5	3.9	3.4
EV/EBITDA (x)	17.9	13.6	12.0	10.5	9.1
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 11/Nov/2024

JM Financial Research is also available on:
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Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Exhibit 1. 2Q & 1HFY25 snapshot: Revenue inline; adverse product mix and higher other expenses led to miss on profits (INR mn)

	2QFY25	2QFY24	YoY chg %	2QFY25E	% Var	1HFY25	1HFY24	YoY chg %
Net Sales	13,861	13,132	5.6%	13,920	-0.4%	33,610	29,968	12.2%
Gross Profit	1,962	1,957	0.2%	2,018	-2.8%	4,902	4,414	11.0%
Gross Profit Margin %	14.2%	14.9%	-75 bps	14.5%	-35 bps	14.6%	14.7%	-14 bps
Staff Cost	283	260	8.8%	310	-8.8%	614	536	14.5%
Other Expenses	840	731	14.9%	780	7.6%	1,911	1,612	18.5%
EBITDA	839	966	-13.1%	928	-9.6%	2,377	2,266	4.9%
EBITDA margin - % of net sales	6.1%	7.4%	-130 bps	6.7%	-61 bps	7.1%	7.6%	-49 bps
Depreciation	313	255	22.9%	305	2.7%	615	501	22.7%
EBIT	526	711	-26.0%	623	-15.6%	1,762	1,765	-0.1%
Interest Expense	225	235	-4.3%	270	-16.8%	510	505	1.0%
Financial Other Income	24	25	-3.9%	25	-4.6%	46	50	-8.4%
PBT	325	501	-35.1%	378	-14.1%	1,298	1,309	-0.9%
Taxes	80	127	-37.4%	96	-17.4%	327	333	-1.6%
Net Profit	245	374	-34.3%	282	-12.9%	970	976	-0.6%

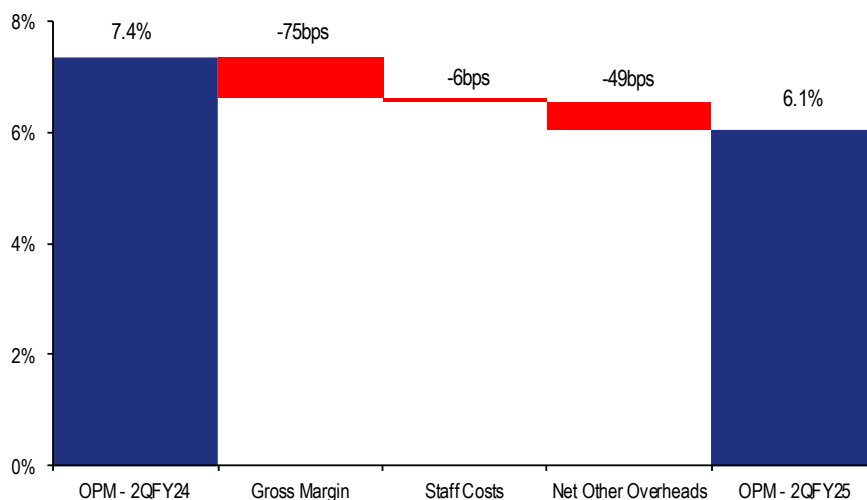
Source: Company, JM Financial

Exhibit 2. Costs Breakdown

% of sales	2QFY25	2QFY24	2QFY25E	1HFY25	1HFY24
Cost of Goods Sold	85.8%	85.1%	85.5%	85.4%	85.3%
Staff Cost	2.04%	1.98%	2.2%	1.8%	1.8%
Other Expenses	6.1%	5.6%	5.6%	5.7%	5.4%
Depreciation	2.3%	1.9%	2.2%	1.8%	1.7%

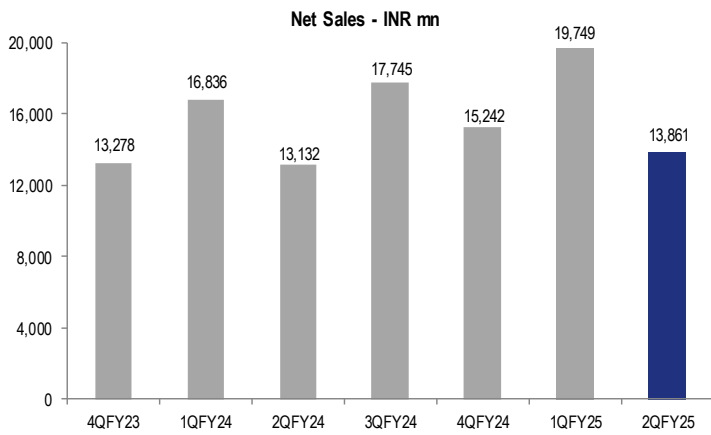
Source: Company, JM Financial

Exhibit 3. Operating margins declined on account of GPM compression along with higher other overheads



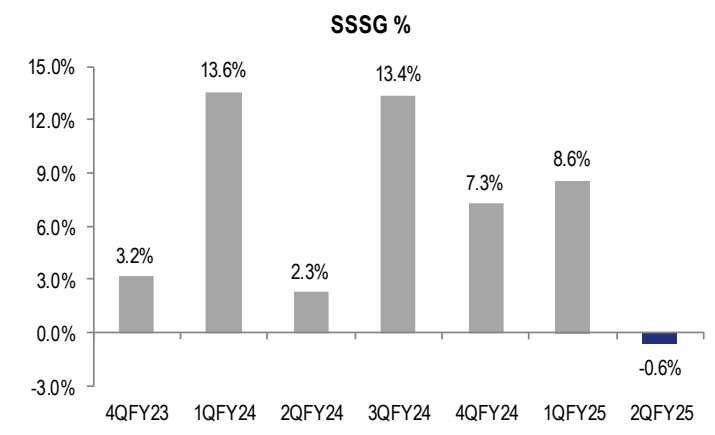
Source: Company, JM Financial

Exhibit 4. Net sales growth moderated to 5.6% yoy...



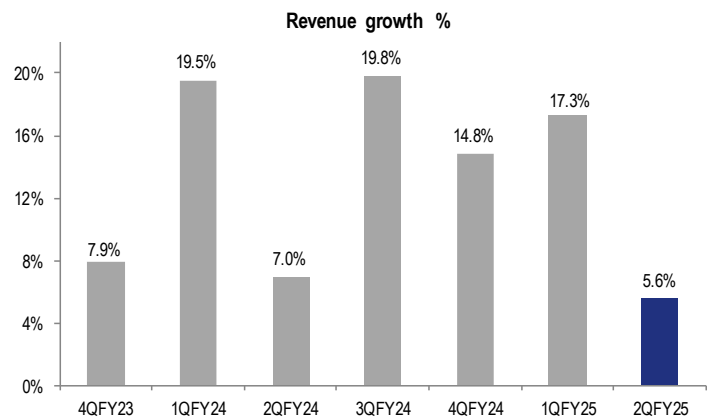
Source: Company, JM Financial

Exhibit 5. ...as SSSG declined by 0.6% yoy



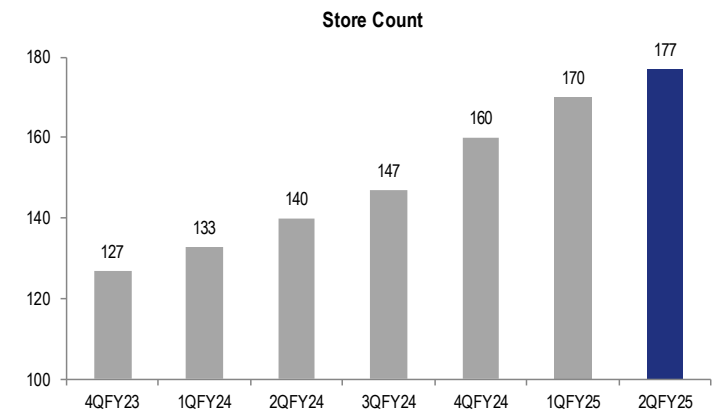
Source: Company, JM Financial

Exhibit 6. Revenue grew 5.6% during the quarter driven by store additions



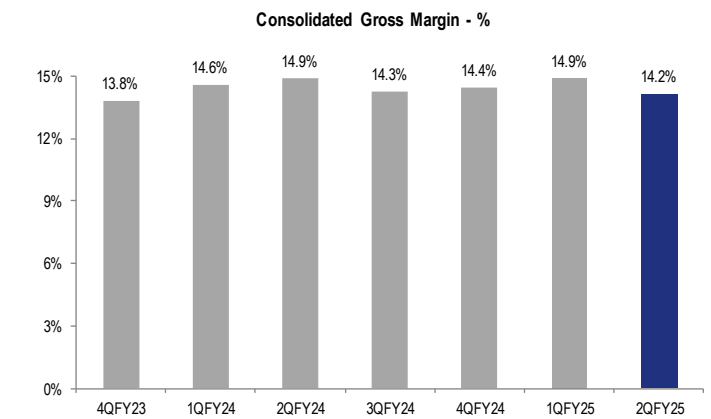
Source: Company, JM Financial

Exhibit 7. Store count grew 26.4% yoy with net additions of 7 stores during the quarter



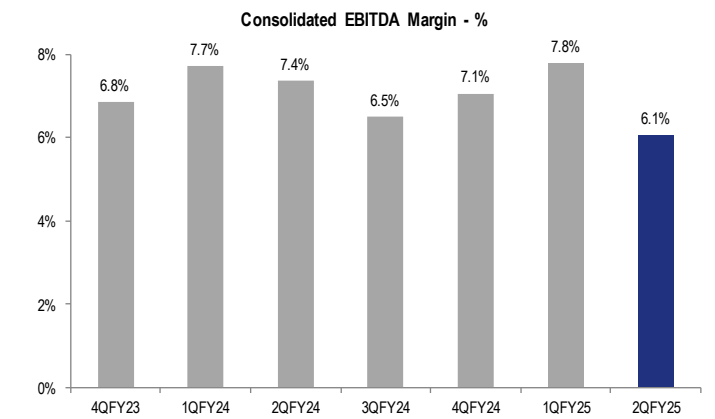
Source: Company, JM Financial

Exhibit 8. Gross margins declined c.70-75 bps yoy/qoq to 14.2%



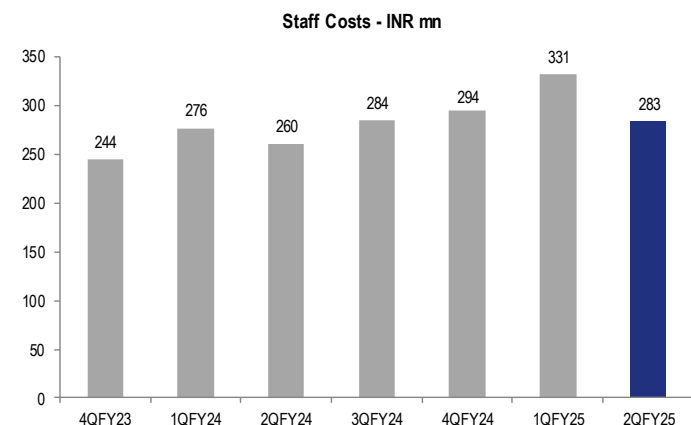
Source: Company, JM Financial

Exhibit 9. EBITDA margins declined by 130bps yoy



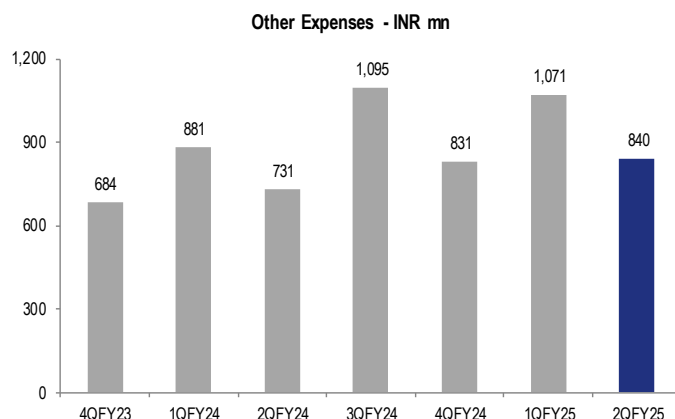
Source: Company, JM Financial

Exhibit 10. Staff cost grew 8.8% yoy



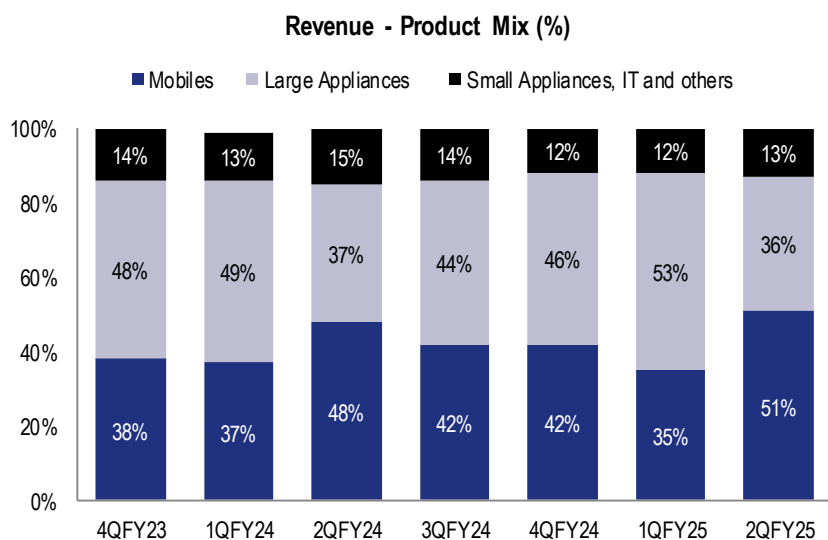
Source: Company, JM Financial

Exhibit 11. Other expenses grew 14.9% yoy, c.2.7x the rate of growth in revenue



Source: Company, JM Financial

Exhibit 12. Weaker mix - Revenue mix was over indexed on Mobiles this time



Source: Company, JM Financial

Exhibit 13. Revision in estimates

INR mn	Revised			Earlier			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Sales	72,521	83,433	96,300	73,212	84,221	97,211	-1%	-1%	-1%
EBITDA	5,103	5,881	6,814	5,333	6,195	7,223	-4%	-5%	-6%
PAT	2,087	2,395	2,812	2,171	2,523	2,994	-4%	-5%	-6%
EPS (INR)	5.4	6.2	7.3	5.6	6.6	7.8	-4%	-5%	-6%

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Sales	50,467	58,615	68,025	77,843	89,848	
Sales Growth	24.2%	16.1%	16.1%	14.4%	15.4%	
Other Operating Income	3,990	4,239	4,496	5,590	6,452	
Total Revenue	54,457	62,854	72,521	83,433	96,300	
Cost of Goods Sold/Op. Exp	47,050	53,707	62,006	71,335	82,337	
Personnel Cost	940	1,115	1,287	1,523	1,771	
Other Expenses	3,106	3,538	4,125	4,694	5,379	
EBITDA	3,361	4,494	5,103	5,881	6,814	
EBITDA Margin	6.2%	7.2%	7.0%	7.0%	7.1%	
EBITDA Growth	15.1%	33.7%	13.5%	15.3%	15.8%	
Depn. & Amort.	854	1,057	1,291	1,506	1,729	
EBIT	2,507	3,438	3,812	4,375	5,085	
Other Income	110	101	94	71	59	
Finance Cost	985	1,077	1,112	1,241	1,379	
PBT before Excep. & Forex	1,632	2,462	2,794	3,206	3,765	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	1,632	2,462	2,794	3,206	3,765	
Taxes	404	622	707	811	953	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	1,228	1,839	2,087	2,395	2,812	
Adjusted Net Profit	1,228	1,839	2,087	2,395	2,812	
Net Margin	2.3%	2.9%	2.9%	2.9%	2.9%	
Diluted Share Cap. (mn)	384.7	384.7	384.7	384.7	384.7	
Diluted EPS (INR)	3.2	4.8	5.4	6.2	7.3	
Diluted EPS Growth	-7.9%	49.8%	13.4%	14.8%	17.4%	
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	FY23A	FY24A	FY25E	FY26E	FY27E	
Profit before Tax	1,632	2,462	2,794	3,206	3,765	
Depn. & Amort.	854	1,057	1,291	1,506	1,729	
Net Interest Exp. / Inc. (-)	875	976	1,018	1,170	1,320	
Inc (-) / Dec in WCcap.	-2,870	-2,185	-1,964	-2,426	-2,889	
Others	-11	-8	0	0	0	
Taxes Paid	-485	-703	-707	-811	-953	
Operating Cash Flow	-6	1,598	2,432	2,644	2,972	
Capex	-2,372	-1,619	-994	-1,021	-1,048	
Free Cash Flow	-2,378	-21	1,439	1,624	1,924	
Inc (-) / Dec in Investments	-550	473	0	0	0	
Others	-84	-22	94	71	59	
Investing Cash Flow	-3,007	-1,169	-900	-950	-989	
Inc / Dec (-) in Capital	4,646	0	0	0	0	
Dividend + Tax thereon	0	0	0	0	0	
Inc / Dec (-) in Loans	1,335	-143	0	0	0	
Others	-1,281	-1,464	-1,699	-1,903	-2,110	
Financing Cash Flow	4,700	-1,606	-1,699	-1,903	-2,110	
Inc / Dec (-) in Cash	1,688	-1,177	-166	-208	-127	
Opening Cash Balance	344	2,032	855	688	480	
Closing Cash Balance	2,032	855	688	480	353	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Fund	11,843	13,697	15,783	18,178	20,990	
Share Capital	3,847	3,847	3,847	3,847	3,847	
Reserves & Surplus	7,996	9,849	11,936	14,331	17,143	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	7,271	7,128	7,128	7,128	7,128	
Def. Tax Liab. / Assets (-)	-251	-317	-317	-317	-317	
Total - Equity & Liab.	18,863	20,507	22,594	24,989	27,801	
Net Fixed Assets	4,513	5,442	5,732	5,909	5,959	
Gross Fixed Assets	6,019	7,262	8,256	9,277	10,325	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	915	1,223	1,618	2,065	2,562	
Capital WIP	-591	-597	-906	-1,303	-1,803	
Investments	0	0	0	0	0	
Current Assets	15,128	16,261	18,223	20,626	23,606	
Inventories	7,735	9,693	11,127	12,801	14,775	
Sundry Debtors	1,384	1,814	1,987	2,286	2,638	
Cash & Bank Balances	2,032	855	688	480	353	
Loans & Advances	1,044	619	680	778	898	
Other Current Assets	2,933	3,280	3,741	4,281	4,942	
Current Liab. & Prov.	778	1,196	1,361	1,546	1,764	
Current Liabilities	654	1,063	1,228	1,413	1,630	
Provisions & Others	124	133	133	134	134	
Net Current Assets	14,350	15,065	16,862	19,080	21,842	
Total - Assets	18,863	20,507	22,594	24,989	27,801	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Margin	2.3%	2.9%	2.9%	2.9%	2.9%	
Asset Turnover (x)	3.5	3.1	3.3	3.4	3.6	
Leverage Factor (x)	1.8	1.6	1.5	1.4	1.4	
RoE	13.8%	14.4%	14.2%	14.1%	14.4%	

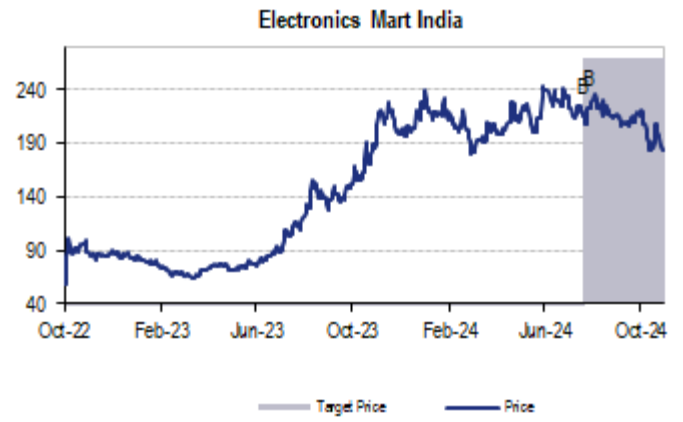
Key Ratios						
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
BV/Share (INR)	30.8	35.6	41.0	47.2	54.6	
ROIC	13.2%	13.9%	13.5%	13.9%	14.4%	
ROE	13.8%	14.4%	14.2%	14.1%	14.4%	
Net Debt/Equity (x)	0.4	0.5	0.4	0.4	0.3	
P/E (x)	57.3	38.3	33.7	29.4	25.0	
P/B (x)	5.9	5.1	4.5	3.9	3.4	
EV/EBITDA (x)	17.9	13.6	12.0	10.5	9.1	
EV/Sales (x)	1.1	1.0	0.8	0.7	0.6	
Debtor days	9	11	10	10	10	
Inventory days	52	56	56	56	56	
Creditor days	5	7	7	7	7	

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

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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

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

* REITs refers to Real Estate Investment Trusts.

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