

**ELECTRONICS MART INDIA LIMITED**

Strong Quarter, Optimistic outlook

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Electronics Mart (EMIL) had a strong Q3 in the backdrop of good festive season despite seasonally weak period. Revenues were up 21% YoY for Q3FY24 while the SSG stood at 13.4% with sales mix for mobiles/Large Appliances/Mobiles at 42%/44%14% for Q3FY24. Management expects the demand trend to remain positive on expectation of good summer further helping DCR/ NCR region on its way forward for break even. The EBITDA also demonstrated substantial growth, reaching ₹1,153 mn in Q3FY24, a 58% increase YoY. The EBITDA margins for Q3FY24 were 6.4% up by 154bps. PAT in Q3FY24 was up 2x YoY to ₹458 mn. Management reiterated its margins guidance to be in the range of 6.5% to 7% with revenues growing at ~18-20% YoY primarily driven by the existing stores. In Q3FY24, the company successfully opened 7 MBOs, adding to the 21 stores opened in the first 9 months of FY24. As of December 2023, the company's store count stands at 147, with 125 leased stores, 11 owned stores, and 11 partly owned and partly leased stores. Going ahead, the company targets opening 25-30 stores in the upcoming years, the company aims to solidify its presence in Telangana, Andhra Pradesh, and Delhi NCR markets. Going ahead the focus on expanding the store network and enhancing the customer experience indicates promising prospects for future growth. Considering the 9MFY24 performance we have tweaked our estimates accordingly and introduced FY26E financials. The company valuations have been reasonable compared to competition and we maintain Buy on the stock with revised PT of ₹270.

**Q3FY24 Result Summary**

Revenues were up 21% YoY for Q3FY24 where contribution from AC remained higher in large appliances. The SSG stood at 13.4% with sales mix for mobiles/Large Appliances/Mobiles at 42%/44%14% for Q3FY24. In the North Cluster revenues were higher by 51% at ₹830 mn while higher by 21% YoY in South cluster. Gross margins were higher due to plugging leakages across costs that are directly proportional to the sales revenues. Going ahead expect 14% gross margins to sustain. Margins during Q3FY24 stood at 6.4(+154bps YoY) largely contributed due to sales of higher margins ACs and fixed cost remained line with expectation. Higher business promotions and ads due to new region additions led to lower margins YoY. PAT in Q3FY24 was up 2x YoY to ₹458 mn. In Q3FY24, the company successfully opened 7 MBOs, adding to the 21 stores opened in the first 9 months of FY24

Key Financials	FY21	FY22	FY23E	FY24E	FY25E	FY26E
Total Sales (₹ mn)	32,019	43,493	54,457	66,118	77,966	90,179
EBITDA Margins (%)	6.4	6.7	6.2	6.9	7.1	7.5
PAT Margins (%)	1.8	2.4	2.3	2.6	2.8	3.3
EPS (₹)	2.0	3.5	3.2	4.4	5.6	7.8
P/E (x)	118.7	67.0	72.7	52.7	41.5	29.9
P/BV (x)	14.1	11.7	7.5	11.2	8.8	6.8
EV/EBITDA (x)	36.7	25.8	28.1	21.1	17.4	14.3
RoE (%)	12.7	19.1	13.8	17.1	23.7	25.7
RoCE (%)	14.2	18.8	13.3	22.8	24.2	25.6

Rating	BUY
Current Market Price (₹)	232
12 M Price Target (₹)	270
Potential upside (%)	16

**Stock Data**

Sector :	Consumer
FV (₹) :	10
Total Market Cap (₹ bn) :	89
Free Float Market Cap (₹ bn) :	24
52-Week High / Low (₹)	245 / 62
BSE Code / NSE Symbol	543626 / EMIL
Bloomberg :	EMIL IN

**Shareholding Pattern**

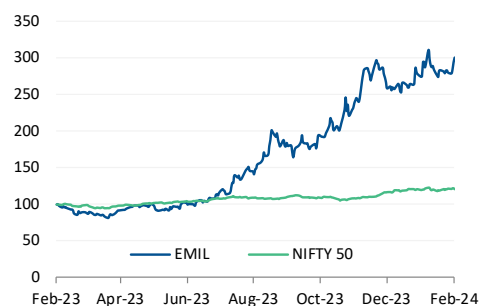
(%)	Dec-23	Sep-23	Jun-23	Mar-23
Promoter	72.97	72.97	77.97	77.97
FPIs	4.99	4.51	3.44	3.38
MFs	15.85	14.43	9.88	8.79
Insurance	0.18	0.22	0.65	1.03
Others	6.01	7.87	8.06	8.83

Source: BSE

**Price Performance**

(%)	1M	3M	6M	9M
EMIL	9.5%	26.0%	112.7%	200.5%
Nifty 50	1.0%	11.7%	11.0%	21.5%

\* To date / current date : February 8, 2024

**EMIL vs Nifty 50**

### Outlook & Valuation

Clear focus on premium products and strong product depth with only top brands in various categories, 2) focuses on retailing top brands rather than adding private labels to avoid discounting and inventory issues, 3) simple and flat floor and corporate reporting structure, which enables cost controls, quick decision making and higher employee incentives, 4) clear dominance in two states with strong growth potential in the third, which is a much larger market, 5) enjoys superior store metrics than peers, led by higher realisations, higher bill sizes and superior product mix which drive higher store throughputs, 6) robust relationships with top brands in all electronics categories. Considering the 9MFY24 performance we have tweaked our estimates accordingly and introduced FY26E financials. The company valuations have been reasonable compared to competition and we maintain Buy on the stock with revised PT of ₹270.

**Key Risks:** 1) Intensified aggression by larger players like Croma, Reliance and Vijay Sales, 2) muted demand conditions driving down trading or higher discounting, and 3) brand acceptance issues in the new Delhi/NCR market.

### Exhibit 1: Quarterly performance

(₹ mn)	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ(%)
Net Sales	17,887	14,817	20.7	13,132	36.2
COGS	15,356	12,892		11,175	
Gross Profit	2,532	1,925	31.5	1,957	29.4
<i>Gross margin (%)</i>	14.2	13.0	116.1	15	
Employee cost	284	270	5.1	260	9.2
Other Expenditure	1,094	927	18.0	731	49.8
EBITDA	1,153	728	58.5	966	19.3
<i>Margins (%)</i>	6.4	4.9	153.6	7	
Depreciation	263	216	21.6	255	3.2
Interest	291	246	18.3	235	23.8
Other Income	21	31	-30.8	25	-14.8
PBT	620	296	109.7	501	23.8
Tax	162	77	111.7	127	27.4
<i>Rate (%)</i>	26	26		25	
Adjusted PAT	458	219	109.0	374	22.5
<i>Pat Margin (%)</i>	2.6	1.5		2.8	
No of shares	385	385		385	
EPS (₹)	1.2	0.57	109.0	1.0	-
SSG (%)	14	10		14	
No. of stores	6	0		0	
Store Additions (Net)	7	0		14	

Source: Company, LKP Research

Financials in charts

Exhibit 2: Revenue Split

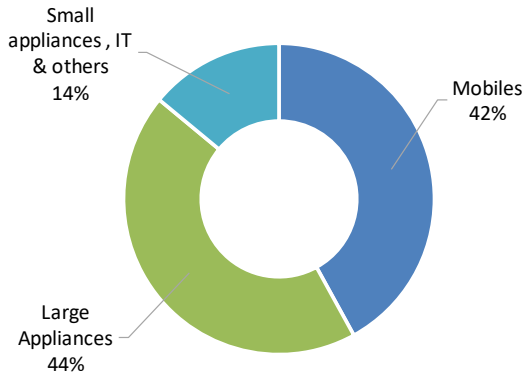


Exhibit 3: Revenues Trend

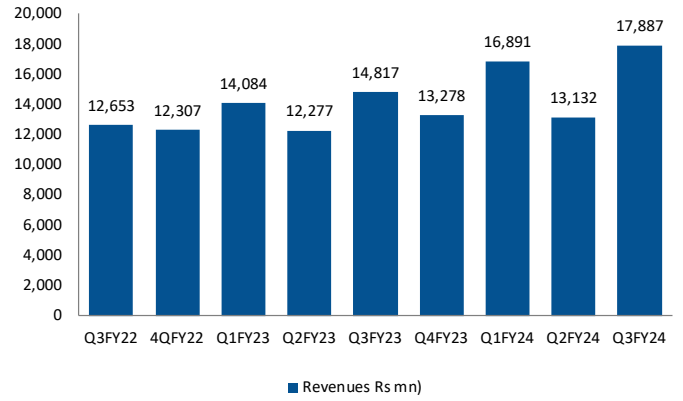


Exhibit 4: EBITDA & Margins

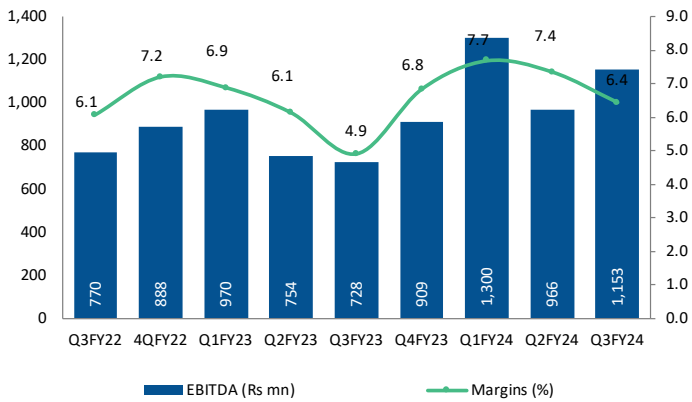


Exhibit 5: PAT & PAT Margins

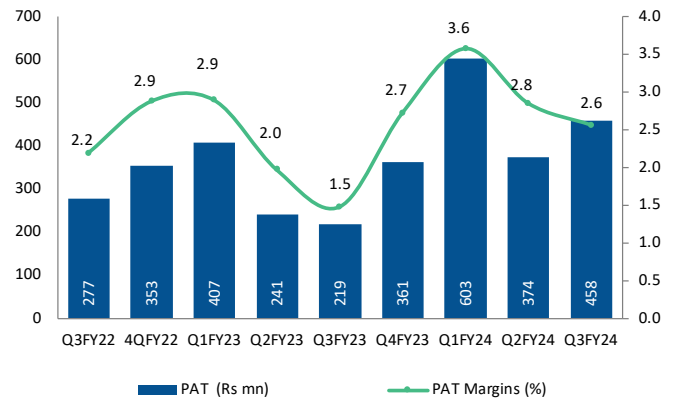


Exhibit 6: Net retail sales per store and SSG growth

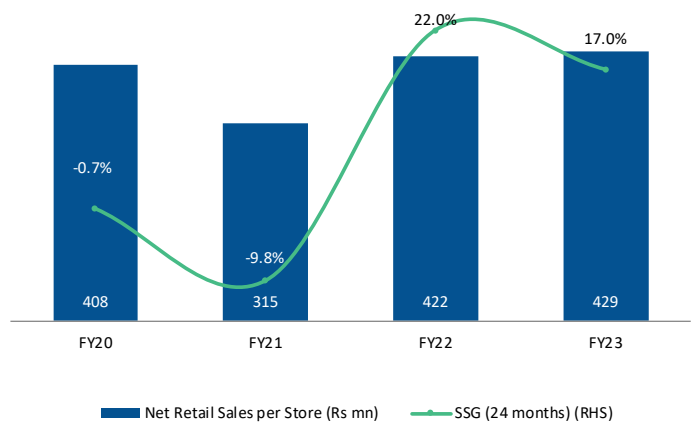
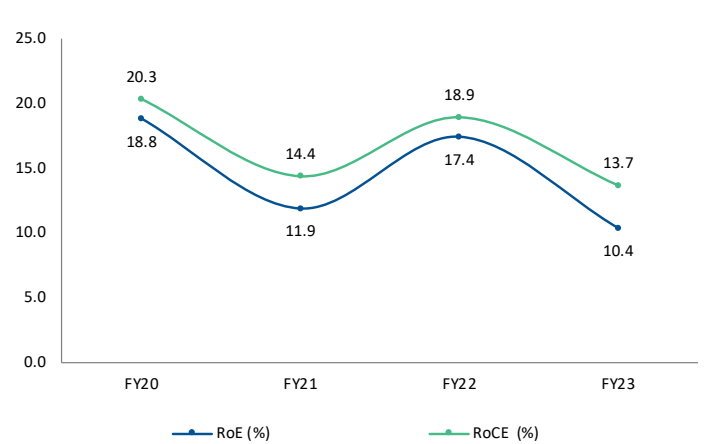


Exhibit 7: RoE & RoCE



**Q3FY23 conference call KTAS**

- The company is focusing on strengthening its position in the areas where it currently operates before exploring new markets. They plan to further expand their store network in Andhra Pradesh, Telangana, and gradually extend their presence to the NCR region.
- The company anticipates a comfortable revenue growth of 15-18% in the coming years, primarily driven by the existing stores
- In Q3 FY24, the company successfully opened 7 MBOs, adding to the 21 stores opened in the first 9 months of FY24
- Store Additions: In Q3 FY24, the company successfully opened 7 MBOs, adding to the 21 stores opened in the first 9 months of FY24
- Revenue contribution from large appliance/ Mobiles/ small appliances, IT and others stood at 44%/42%14%.
- SSG stood at 13.4 for Q3FY24.
- Leased/Owned/ POPL: As of December 2023, the company's store count stands at 147, with 125 leased stores, 11 owned stores, and 11 partly owned and partly leased stores
- Cities presence: Present in 58 cities across four states
- Future store addition plans: The company aims to open 25- 30 stores in the coming year

**Others:**

- The company prioritizes strengthening its position in current markets before venturing into new territories.
- While credit card sales have increased, NDSC remains the highest contributor to revenue.

## Exhibit 8: Profit and Loss Statement - Consolidated

(₹ mn)	FY21	FY22	FY23	FY24E	FY25E	FY25E
Total Income	32,019	43,493	54,457	66,118	77,966	90,179
Raw material Cost	27,673	37,554	47,050	56,266	66,193	76,201
Employee Cost	614	788	940	1,322	1,567	1,822
Other expenses	1,692	2,232	3,106	3,967	4,678	5,411
<b>Total operating Expenses</b>	<b>29,980</b>	<b>40,574</b>	<b>51,096</b>	<b>61,556</b>	<b>72,438</b>	<b>83,433</b>
<b>EBITDA</b>	<b>2,039</b>	<b>2,919</b>	<b>3,361</b>	<b>4,562</b>	<b>5,528</b>	<b>6,745</b>
<i>EBITDA Margins(%)</i>	6.4	6.7	6.2	6.9	7.1	7.5
Depreciation & Amortisation	581	713	854	1,016	1,209	1,439
EBIT	1,457	2,206	2,507	3,546	4,319	5,307
Interest	717	846	985	1,428	1,618	1,497
Other Income	55	38	110	134	158	183
Recurring PBT	796	1,398	1,632	2,253	2,858	3,993
Add: Extraordinaries	-	-	-	-	-	-
Add: Share in associates						
<b>PBT</b>	<b>796</b>	<b>1,398</b>	<b>1,632</b>	<b>2,253</b>	<b>2,858</b>	<b>3,993</b>
Less: Taxes	209	359	404	558	707	1,005
Less: Minority Interest & Share in associates						
<b>Net Income (Reported)</b>	<b>586</b>	<b>1,039</b>	<b>1,228</b>	<b>1,695</b>	<b>2,151</b>	<b>2,988</b>
<b>Adjusted Net Income</b>	<b>586</b>	<b>1,039</b>	<b>1,228</b>	<b>1,695</b>	<b>2,151</b>	<b>2,988</b>

## Exhibit 9: Balance Sheet

(₹ mn)	FY21	FY22	FY23	FY24E	FY25E	FY25E
<b>Assets</b>						
Total Current Assets	8,363	10,056	15,128	14,822	16,938	19,506
of which cash & cash eqv.	350	344	2,032	842	929	971
Total Current Liabilities & Provisions	4,837	6,418	7,825	8,129	8,037	7,882
Net Current Assets	3,526	3,637	7,303	6,693	8,902	11,624
Investments	-	-	-	-	-	-
Net Fixed Assets	6,736	7,849	8,638	8,611	8,718	8,826
Capital Work-in-Progress	20	238	246	253	261	268
Goodwill	-	-	-	-	-	-
<b>Total Assets</b>	<b>10,283</b>	<b>11,725</b>	<b>16,187</b>	<b>15,557</b>	<b>17,881</b>	<b>20,718</b>
<b>Liabilities</b>						
Borrowings	5,479	5,936	7,271	7,843	8,043	7,923
Deferred Tax Liability	(116)	(176)	(251)	(276)	(303)	(334)
Minority Interest	-	-	-	-	-	-
Equity Share Capital	3,000	3,000	3,847	3,847	3,847	3,847
Face Value per share (₹)	10.0	10.0	10.0	10.0	10.0	10.0
Reserves & Surplus	1,919	2,965	7,996	4,142	6,293	9,281
Net Worth	4,919	5,965	11,843	7,989	10,140	13,128
<b>Total Liabilities</b>	<b>10,283</b>	<b>11,725</b>	<b>16,187</b>	<b>15,557</b>	<b>17,881</b>	<b>20,718</b>

## Exhibit 10: Key Ratios

(₹ mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Per Share Data (in ₹)</b>						
AEPS	2.0	3.5	3.2	4.4	5.6	7.8
CEPS	1.2	1.1	5.3	2.2	2.4	2.5
BVPS	16.4	19.9	30.8	20.8	26.4	34.1
DPS	-	-	-	-	-	0.5
<b>Growth Ratios (%)</b>						
Total Revenues	0.9	35.8	25.2	21.4	17.9	15.7
EBITDA	(10.4)	43.2	15.1	35.8	21.2	22.0
PAT	(34.5)	77.2	18.2	38.0	26.9	38.9
AEPS	(34.5)	77.2	(7.8)	38.0	26.9	38.9
CEPS	(59.8)	(1.8)	360.5	(58.6)	10.4	4.5
<b>Valuation Ratios</b>						
P/E	118.7	67.0	72.7	52.7	41.5	29.9
P/CEPS	198.7	202.3	43.9	106.0	96.1	91.9
P/BV	14.1	11.7	7.5	11.2	8.8	6.8
EV / EBITDA	36.7	25.8	28.1	21.1	17.4	14.3
EV / Sales	2.3	1.7	1.7	1.5	1.2	1.1
<b>Operating Ratio</b>						
Raw Material/Sales (%)	86.4	86.3	86.4	85.1	84.9	84.5
SG&A/Sales (%)	5.3	5.1	5.7	6.0	6.0	6.0
Effective Tax Rate (%)	26.3	25.7	24.8	24.8	24.8	25.2
NWC / Total Assets (%)	30.9	28.1	32.6	37.6	44.6	51.4
Inventory Turnover (days)	63.0	60.0	51.8	48.0	48.0	48.0
Receivables (days)	11.0	9.0	9.3	9.3	9.3	8.0
Payables (days)	1.0	2.0	1.8	1.8	2.3	2.3
D/E Ratio (x)	1.1	1.0	0.6	1.0	0.8	0.6
<b>Return/Profitability Ratio (%)</b>						
RoCE	14.2	18.8	13.3	22.8	24.2	25.6
RoNW	12.7	19.1	13.8	17.1	23.7	25.7
Dividend Payout Ratio	0.0	0.0	0.0	0.0	0.0	6.4
Dividend Yield	0.0	0.0	0.0	0.0	0.0	0.2
PAT Margins	1.8	2.4	2.3	2.6	2.8	3.3
EBITDA Margins	6.4	6.7	6.2	6.9	7.1	7.5

## Exhibit 11: Cash Flow Statement

(₹ mn)	FY21	FY22	FY23E	FY24E	FY25E	FY26E
PBT	796	1,398	1,632	2,253	2,858	3,993
Depreciation	581	713	854	1,016	1,209	1,439
Chng in working capital	(1,258)	(1,386)	(2,870)	(522)	(1,560)	(2,131)
Tax paid	(201)	(376)	(485)	(558)	(707)	(1,005)
Cash flow from operations (a)	2,099	2,923	3,349	4,466	4,947	6,197
Free cash flow	1,508	2,245	883	2,638	3,773	4,795
Capital expenditure	(591)	(679)	(2,466)	(1,828)	(1,174)	(1,402)
Chng in investments	-	-	-	-	-	-
Other investing activities	(8)	0	(540)	-	-	-
Cash flow from investing (b)	(599)	(679)	(3,007)	(1,828)	(1,174)	(1,402)
Inc/dec in borrowings	274	457	1,335	572	200	(120)
Dividend paid (incl. tax)	-	-	-	-	-	(192)
Interest paid	(701)	(810)	(1,022)	(1,428)	(1,618)	(1,497)
Other financing activities	(135)	(137)	(259)	-	-	-
Cash flow from financing (c)	(561)	(489)	4,700	(6,404)	(1,418)	(1,617)
Net chng in cash (a+b+c)	(521)	(6)	1,688	(1,190)	87	42
Closing cash & cash equivalents	350	344	2,032	842	929	971

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