

**ELECTRONICS MART INDIA LIMITED**

Descent Quarter, Optimistic outlook

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Electronics Mart (EMIL) had a descent Q4 in the backdrop of good summer season. The company achieved a 15% YoY revenue growth in Q4FY24 and FY24 while the SSSG stood at 7.3% and 8.4% in Q4FY24 and FY24 with sales mix for mobiles/Large Appliances/Small Appliances at 42%/45%/13% for FY24. The EBITDA also demonstrated 18% and 33% growth with EBITDA margins improving to 7.1% and 7.2% in Q4FY24 and FY24 respectively. The company also reported a 12%/ 50% YoY increase in PAT for Q4FY24 and FY24 respectively. EMIL focused on expanding its store network, adding 33 new MBOs and 1 new EBO in FY24, with a total of 160 stores. The company's sales mix was dominated by large appliances and mobiles, and it faced initial challenges in new store productivity due to recent openings. Looking ahead, EMIL aims to open 30+ new stores in FY25 and achieve a SSSG target of 9-10% for existing stores while sustaining similar margin levels for FY25.

The company plans to focus on increasing mobile phone penetration, expanding into built-in kitchen appliances, and enhancing store productivity. However, concerns were raised about cannibalization, margin expansion in Delhi NCR, and small appliances degrowth in Q4. EMIL also highlighted higher inventory levels due to seasonal stocking and expressed confidence in managing working capital effectively through internal accruals and IPO proceeds. Going ahead the focus on expanding the store network and enhancing the customer experience indicates promising prospects for future growth. Considering the FY24 performance we have tweaked our estimates accordingly. The company valuations have been reasonable compared to competition and we maintain **BUY** on the stock with revised PT of ₹240.

**Q4FY24 Result Summary**

Revenues were up 15% YoY for Q4FY24 wherein strong consumer demand for premium appliances like large screen television, smart inverter, ACs, spacious refrigerators and top loading washing machines, among others were seen in large appliances. The SSSG stood at 7.3% with sales mix for mobiles/Large Appliances/Small Appliances at 42%/45%/15% for Q4FY24. In the North Cluster revenues were higher by 30% at ₹690mn while higher by 15% YoY in South cluster. EBITDA Margins in the North cluster were on the lower side as operations in Delhi NCR began in August 2022, which shall perform in line of South Cluster (EBITDA margins of 7.3%) in coming years. Margins during Q4FY24 stood at 7.1 (+30bps YoY) and expanded 100 bps YoY for FY24 largely contributed due to sales of higher margins.

Key Financials	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Sales (₹ mn)	32,019	43,493	54,457	62,854	77,421	89,235
EBITDA Margins (%)	6.4	6.7	6.2	7.2	7.2	7.4
PAT Margins (%)	1.8	2.4	2.3	2.9	3.0	3.2
EPS (₹)	2.0	3.5	3.2	4.8	6.0	7.4
P/E (x)	105.9	59.8	64.9	43.3	34.7	28.1
P/BV (x)	12.6	10.4	6.7	5.8	5.0	4.2
EV/EBITDA (x)	33.0	23.2	25.3	19.1	15.4	13.1
RoE (%)	12.7	19.1	13.8	14.4	15.4	16.3
RoCE (%)	14.2	18.8	13.3	16.8	19.2	20.1

Rating	<b>BUY</b>
Current Market Price (₹)	<b>207</b>
12 M Price Target (₹)	<b>240</b>
Potential upside (%)	<b>16</b>

**Stock Data**

Sector :	Consumer
FV (₹) :	10
Total Market Cap (₹ bn) :	80
Free Float Market Cap (₹ bn) :	21
52-Week High / Low (₹)	245 / 72
BSE Code / NSE Symbol	543626 / EMIL
Bloomberg :	EMIL IN

**Shareholding Pattern**

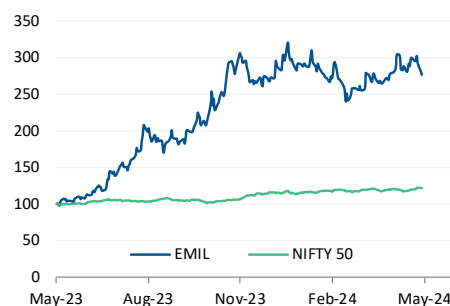
(%)	Mar-24	Dec-23	Sep-23	Jun-23
Promoter	72.97	72.97	72.97	77.97
FPIs	5.12	4.99	4.51	3.44
MFs	16.23	15.85	14.43	9.88
Insurance	-	0.18	0.22	0.65
Others	5.68	6.01	7.87	8.06

Source: BSE

**Price Performance**

(%)	1M	3M	6M	9M
EMIL	-0.3%	1.8%	-9.6%	177.1%
Nifty 50	2.1%	4.3%	15.1%	23.1%

\* To date / current date : May 28, 2024

**EMIL vs Nifty 50**

ACs and fixed cost remained in line with expectation. Higher business promotions and ads due to new region additions led to lower margins YoY. The company also reported a 12%/ 50% YoY increase in PAT for Q4FY24 and FY24. EMIL focused on expanding its store network, adding 33 new MBOs and 1 new EBO in FY24, with a total of 160 stores. The company's sales mix was dominated by large appliances and mobiles, and it faced initial challenges in new store productivity due to recent openings.

### Outlook and Valuation

The company clearly focuses on 1) premium products and strong product depth with only top brands in various categories, 2) 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.

The company clearly dominance in two states (Andhra & Telangana) and its targeting with strong growth potential in the third (Delhi/NCR), which is a much larger market. Going ahead the focus on expanding the store network and enhancing the customer experience indicates promising prospects for future growth. Considering the FY24 performance we have tweaked our estimates accordingly. The company's valuations have been reasonable compared to competition and we maintain **BUY** on the stock with revised PT of ₹240.

**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.

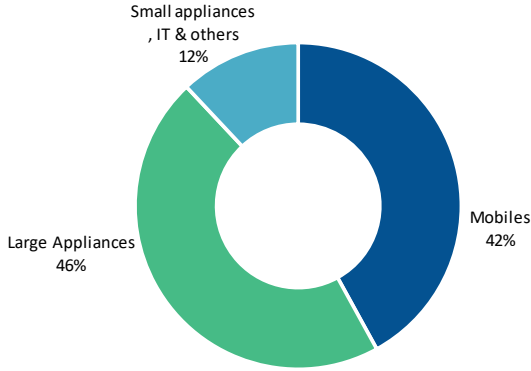
### Quarterly performance

(₹ mn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ(%)
Net Sales	15,242	13,278	14.8	17,745	-14.1
COGS	13,040	11,441	14.0	15,214	-14.3
Gross Profit	2,202	1,837	19.9	2,532	-13.0
Gross margin (%)	14.4	13.8	60 bps	14	40 bps
Employee cost	294	244	20.5	284	3.7
Other Expenditure	831	684	21.6	1,095	-24.1
EBITDA	1,076	909	18.4	1,153	-6.6
Margins (%)	7.1	6.8	30 bps	6	110 bps
Depreciation	293	231	26.7	263	11.4
Interest	280	271	3.4	291	-3.6
Other Income	30	55	-45.6	21	39.8
PBT	533	461	15.4	620	-14.1
Tax	127	100	26.8	162	-21.8
Rate (%)	24	22		26	
Adjusted PAT	405	361	12.3	458	-11.4
Pat Margin (%)	2.7	2.7	0 bps	2.6	-10 bps
No of shares	385	385	-	385	-
EPS (₹)	1.1	0.94	12.3	1.2	933.0

Source: Company, LKP Research

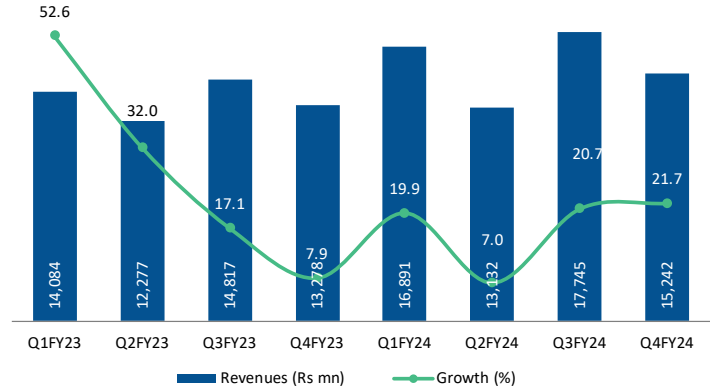
Financials in charts

Revenue Split Q4FY24



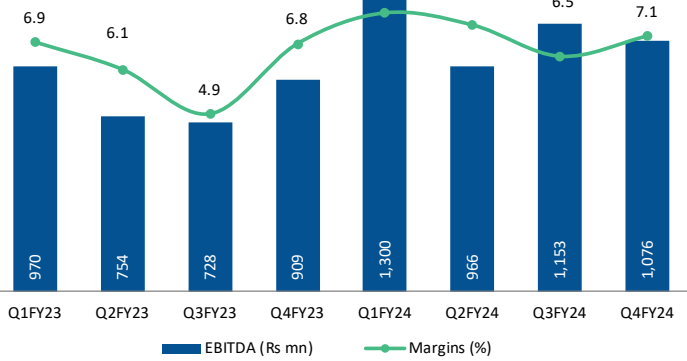
Source: Company, LKP Research

Revenues Trend



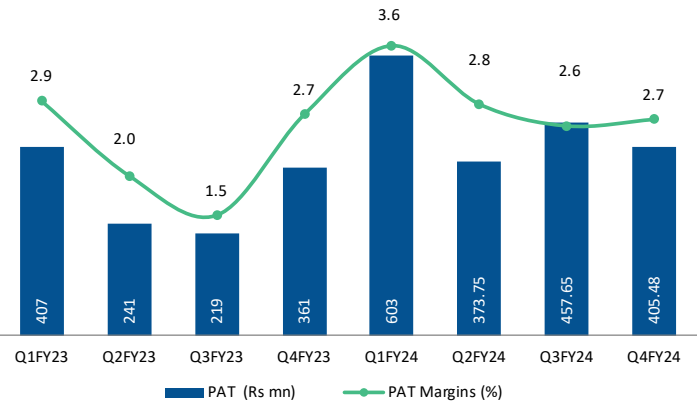
Source: Company, LKP Research

EBITDA & Margins



Source: Company, LKP Research

PAT & PAT Margins



Source: Company, LKP Research

### Q4FY24 conference call KTAS

- Store Additions: 33 new MBOs and 1 new EBO in FY24.
- Total Stores: 160 (147 MBOs, 13 EBOs)
- Geographic Focus: Expansion concentrated in Andhra Pradesh, Telangana, and Delhi NCR region
- Sales Mix For FY24: Large appliances (45%), followed by mobiles (42%)
- New Store Productivity: Lower initially due to 6 new MBOs opened in March 2024.

### Future Outlook

- Store Expansion: Aiming for 30+ new stores in FY25, with 10 opening in the first quarter.
- SSSG Target: 9-10% for existing stores, and 15%+ blended growth including new stores.
- Sustaining Margin Growth in FY25: Anticipates similar margin levels to FY24.
- Geographic Expansion: Plans to continue expansion in existing markets and explore peripheral regions.
- Focus Areas: Increasing mobile phone penetration, expanding into built-in kitchen appliances, and enhancing store productivity.

### Concerns

- Cannibalization: Utilized strategically to penetrate new markets and customer segments.
- Margin Expansion in Delhi NCR: Lower than historical margins due to high initial investment in property acquisition.
- Small Appliances Degrowth in Q4: Temporary sales halt, expected to return to growth.
- Two stores both in Delhi and Telangana regions were ready for operations but due to some entrants they did not operate in during Q4.

### Others

- Inventory Management: Higher inventory levels due to stocking for seasonal and upcoming festive season.
- Working Capital: Expected to be managed effectively through internal accruals and IPO proceeds.
- 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.

### Profit and Loss Statement - Consolidated

(₹ mn)	FY22	FY23	FY24	FY25E	FY26E
Total Income	43,493	54,457	62,854	77,421	89,235
Raw material Cost	37,554	47,050	53,707	65,921	75,760
Employee Cost	788	940	1,115	1,548	1,874
Other expenses	2,232	3,106	3,538	4,358	5,023
<b>Total operating Expenses</b>	<b>40,574</b>	<b>51,096</b>	<b>58,360</b>	<b>71,827</b>	<b>82,657</b>
<b>EBITDA</b>	<b>2,919</b>	<b>3,361</b>	<b>4,494</b>	<b>5,593</b>	<b>6,578</b>
<i>EBITDA Margins(%)</i>	6.7	6.2	7.2	7.2	7.4
Depreciation & Amortisation	713	854	1,057	1,258	1,497
EBIT	2,206	2,507	3,438	4,335	5,081
Interest	846	985	1,077	1,382	1,423
Other Income	38	110	101	116	134
Recurring PBT	1,398	1,632	2,462	3,069	3,792
Add: Extraordinaries	-	-	-	-	-
Add: Share in associates					
<b>PBT</b>	<b>1,398</b>	<b>1,632</b>	<b>2,462</b>	<b>3,069</b>	<b>3,792</b>
Less: Taxes	359	404	622	777	959
Less: Minority Interest & Share in associates					
<b>Net Income (Reported)</b>	<b>1,039</b>	<b>1,228</b>	<b>1,839</b>	<b>2,293</b>	<b>2,832</b>
<b>Adjusted Net Income</b>	<b>1,039</b>	<b>1,228</b>	<b>1,839</b>	<b>2,293</b>	<b>2,832</b>

### Balance Sheet

(₹ mn)	FY22	FY23	FY24	FY25E	FY26E
<b>Assets</b>					
Total Current Assets	10,056	15,128	16,261	17,034	18,655
of which cash & cash eqv.	344	2,032	855	596	506
Total Current Liabilities & Provisions	6,418	7,825	9,766	10,384	11,044
Net Current Assets	3,637	7,303	6,495	6,650	7,610
Investments	-	-	-	-	-
Net Fixed Assets	7,849	11,421	13,564	15,506	17,209
Capital Work-in-Progress	238	139	449	463	477
Goodwill	-	-	-	-	-
<b>Total Assets</b>	<b>11,725</b>	<b>18,863</b>	<b>20,507</b>	<b>22,619</b>	<b>25,296</b>
<b>Liabilities</b>					
Borrowings	5,936	7,271	7,128	6,978	6,858
Deferred Tax Liability	(176)	(251)	(317)	(349)	(384)
Minority Interest	-	-	-	-	-
Equity Share Capital	3,000	3,847	3,847	3,847	3,847
Face Value per share (₹)	10.0	10.0	10.0	10.0	10.0
Reserves & Surplus	2,965	7,996	9,849	12,142	14,974
Net Worth	5,965	11,843	13,697	15,989	18,822
<b>Total Liabilities</b>	<b>11,725</b>	<b>18,863</b>	<b>20,507</b>	<b>22,619</b>	<b>25,296</b>

## Key Ratios

(₹ mn)	FY22	FY23	FY24	FY25E	FY26E
<b>Per Share Data (in ₹)</b>					
AEPS	3.5	3.2	4.8	6.0	7.4
CEPS	1.1	5.3	2.2	1.5	1.3
BVPS	19.9	30.8	35.6	41.6	48.9
DPS	-	-	-	-	-
<b>Growth Ratios (%)</b>					
Total Revenues	35.8	25.2	15.4	23.2	15.3
EBITDA	43.2	15.1	33.7	24.4	17.6
PAT	77.2	18.2	49.8	24.6	23.5
AEPS	77.2	(7.8)	49.8	24.6	23.5
CEPS	(1.8)	360.5	(57.9)	(30.3)	(15.1)
<b>Valuation Ratios</b>					
P/E	59.8	64.9	43.3	34.7	28.1
P/CEPS	180.5	39.2	93.2	133.7	157.5
P/BV	10.4	6.7	5.8	5.0	4.2
EV / EBITDA	23.2	25.3	19.1	15.4	13.1
EV / Sales	1.6	1.6	1.4	1.1	1.0
<b>Operating Ratio</b>					
Raw Material/Sales (%)	86.3	86.4	85.4	85.1	84.9
SG&A/Sales (%)	5.1	5.7	5.6	5.6	5.6
Effective Tax Rate (%)	25.7	24.8	25.3	25.3	25.3
NWC / Total Assets (%)	28.1	27.9	27.5	26.8	28.1
Inventory Turnover (days)	60.0	51.8	56.3	54.0	51.0
Receivables (days)	9.0	9.3	10.5	9.0	8.8
Payables (days)	2.0	1.8	2.7	2.3	2.3
D/E Ratio (x)	1.0	0.6	0.5	0.4	0.4
<b>Return/Profitability Ratio (%)</b>					
RoCE	18.8	13.3	16.8	19.2	20.1
RoNW	19.1	13.8	14.4	15.4	16.3
Dividend Payout Ratio	0.0	0.0	0.0	0.0	0.0
Dividend Yield	0.0	0.0	0.0	0.0	0.0
PAT Margins	2.4	2.3	2.9	3.0	3.2
EBITDA Margins	6.7	6.2	7.2	7.2	7.4

## Cash Flow Statement

(₹ mn)	FY22	FY23	FY24	FY25E	FY26E
PBT	1,398	1,632	2,462	3,069	3,792
Depreciation	713	854	1,057	1,258	1,497
Chng in working capital	(1,386)	(2,870)	(2,185)	(718)	(1,397)
Tax paid	(376)	(485)	(703)	(777)	(959)
Cash flow from operations (a)	2,923	3,349	4,487	5,831	6,871
Free cash flow	2,245	883	6,224	2,768	3,810
Capital expenditure	(679)	(2,466)	1,738	(3,063)	(3,062)
Chng in investments	-	-	-	-	-
Other investing activities	-	(540)	569	-	-
Cash flow from investing (b)	(679)	(3,007)	1,169	(3,063)	(3,062)
Inc/dec in borrowings	457	1,335	(143)	(150)	(120)
Dividend paid (incl. tax)	-	-	-	-	-
Interest paid	(810)	(1,022)	(1,161)	(1,382)	(1,423)
Other financing activities	(137)	(259)	(303)	-	-
Cash flow from financing (c)	(489)	4,700	(1,606)	(1,532)	(1,543)
Net chng in cash (a+b+c)	(6)	1,688	(1,177)	(259)	(90)
Closing cash & cash equivalents	344	2,032	855	596	506

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