

Shoppers Stop

Disappointment in core business continues

STOP's top-line grew 4.2% YoY to ~INR10.68bn (in-line). Department store format is estimated to have declined by 3-4%; -5-7% in SSSG terms. Beauty (incl. distribution) grew 19% in Q2. "Intune" expansion remains on track, but unit economics remains a key monitorable. Margins disappointed too, given the negative SSSG-led unfavourable operating leverage. GM/EBITDAM contracted by 82/184bps YoY to 39.9/1.8% (HSIE: 40.5/3%). We lower our FY26/27 EBITDA estimates by 15/10%, respectively, to account for a slower recovery in core and slower stabilisation of Intune margins than earlier expected. Maintain our SELL rating, with a DCF-based TP of INR610/sh (earlier INR660/sh), implying 21x Sep-26E EV/EBITDA.

- Q2FY25 highlights:** Revenue grew 4.2% YoY to INR10.68bn (in-line). Consolidated revenue grew 7.2% YoY. Revenue/SSSG decline for the core department store is estimated at -3-4%/-5-7%, respectively. Subdued demand was attributed to fewer wedding dates, extended rains and weak discretionary spending. Beauty (incl. distribution) grew 19% to INR 2.57bn in Q2 (ex-distribution growth stood at 10% YoY). Revenue from private brands stood at INR1.56bn (contributing 12% to sales). The average transaction value (ATV) and items per bill were up by 9/2% YoY each. GM contracted by 82bps YoY to 39.9% (HSIE: 40.5%) EBITDAM followed suit (@ 1.8%; down 184bps YoY vs HSIE: 3%), led by negative SSSG-led unfavourable operating leverage. Management highlighted that for Intune, LTL sales per sq ft remains at ~ INR 11k revenue per sq. ft. Net WC stood at -29 days for H1FY25. However, payable days (support) remain high at 187 days. STOP opened 1/19/5 department/Intune/HomeStop stores in Q2. Store addition guidance (FY25) – 7 department stores/50 Intune stores/2 HomeSTOP stores/4 Beauty EBOs respectively in H2. Capex for Q2 stood at INR 430mn. Net debt stands at INR 1.68bn in H1; should exit FY25 at INR1.2-1.3bn as per the management.
- Outlook:** STOP's rising focus on non-apparel + value retail is certainly encouraging; WC management is an area that needs work though. Execution remains key monitorable for 'Intune'. We reduce our FY26/27 EBITDA estimates by 15/10% respectively to account for a slower recovery in core and slower stabilisation of Intune margins. Maintain our SELL rating, with a DCF-based TP of INR610/sh, implying 21x Sep-26E EV/EBITDA.

Quarterly financial summary

(Rs mn)	2Q FY25	2Q FY24	YoY (%)	1Q FY25	QoQ (%)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Revenue	10,681	10,252	4.2	10,337	3.3	24,938	39,984	42,132	45,638	54,670	62,653
Adj EBITDA	1,468	1,598	(8.1)	1,421	3.3	(234)	2,827	1,991	2,029	2,879	3,681
APAT	(220)	18	(1,336.0)	(225)	(2.3)	(867)	1,193	739	174	513	967
EPS (Rs)	(1.81)	0.61	(398.6)	(2.05)	(11.4)	(7.9)	10.9	6.7	1.6	4.7	8.8
P/E (x)						(110.5)	65.3	99.1	458.3	155.3	82.3
EV/EBITDA (x)						(340.4)	28.2	40.3	40.2	28.4	17.9
Core RoCE(%)						(12.6)	18.6	7.3	4.4	6.7	20.7

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(Rs mn)	FY25E			FY26E			FY27E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	45,638	46,780	(2.4)	54,670	54,644	0.0	62,653	62,395	0.4
Gross Profit	18,525	19,269	(3.9)	22,273	22,508	(1.0)	25,619	25,701	(0.3)
Gross Profit Margin (%)	40.6	41.2	-60 bps	40.7	41.2	-45 bps	40.9	41.2	-30 bps
EBITDA	2,029	2,434	(16.6)	2,879	3,383	(14.9)	3,681	4,089	(10.0)
EBITDA margin (%)	4.4	5.2	-76 bps	5.3	6.2	-92 bps	5.9	6.6	-68 bps

Source: Company, HSIE Research

SELL

CMP (as on 23 Oct 2024)	INR 705
Target Price	INR 610
NIFTY	24,436

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 660	INR 610
	FY26E	FY27E
EBITDA %	-14.9	-10.0

KEY STOCK DATA

Bloomberg code	SHOP IN
No. of Shares (mn)	110
MCap (INR bn) / (\$ mn)	78/921
6m avg traded value (INR mn)	84
52 Week high / low	INR 943/616

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(5.5)	(0.5)	8.2
Relative (%)	(5.1)	(9.1)	(15.8)

SHAREHOLDING PATTERN (%)

	Jun-24	Sep-24
Promoters	65.58	65.57
FIs & Local MFs	22.21	21.92
FPIs	7.43	7.08
Public & Others	4.78	5.43
Pledged Shares	6.44	6.44

Source : BSE

-Pledged shares as % of total shares

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