



TM

07 February 2024

Aditya Vision Ltd

Continues to grow ahead of guidance; fund raise to provide long-term growth capital

RESULT UPDATE

Sector: Speciality Retail Rating: BUY

CMP: Rs 3,566 Target Price: Rs 5,120

Stock Info

| | |
|----------------|---------------------|
| Sensex/Nifty | 72,152/ 21,930 |
| Bloomberg | AVL IN |
| Equity shares | 12 |
| 52-wk High/Low | Rs 3,979/1,251 |
| Face value | Rs10 |
| M-Cap | Rs 42.8bn/\$ 0.52bn |
| 3-m Avg volume | \$0.8mn |

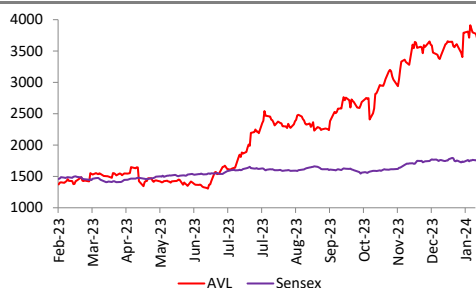
Financial Snapshot (Rs mn)

| Y/E Mar | FY24E | FY25E | FY26E |
|-----------------|--------|--------|--------|
| Sales | 17,811 | 23,451 | 30,699 |
| Adj. PAT | 893 | 1,271 | 1,641 |
| Adj. EPS (Rs) | 74.2 | 99.2 | 128.0 |
| PE (x) | 48.0 | 36.0 | 27.9 |
| EV/EBITDA (x) | 25.0 | 20.3 | 15.9 |
| P/BV (x) | 19.9 | 7.4 | 6.0 |
| EV/Sales | 2.4 | 1.9 | 1.4 |
| RoE (%) | 41.4 | 20.7 | 21.4 |
| RoCE (%) | 32.5 | 20.7 | 21.5 |
| NWC (days) | 64.1 | 67.1 | 67.1 |
| Net gearing (x) | 1.2 | -0.1 | -0.1 |

Shareholding pattern (%)

| | Dec 23 | Sept 23 | Jun 23 |
|----------|--------|---------|--------|
| Promoter | 61.2 | 61.2 | 67.6 |
| -Pledged | - | - | - |
| FII | 0.5 | 0.5 | 0.5 |
| DII | 6.6 | 4.6 | 0.1 |
| Others | 31.7 | 33.7 | 31.7 |

Stock Performance (1-year)



Aditya Vision Ltd (AVL IN) reported strong revenue growth of 30% with EBITDA growth of 20% with margins impacted somewhat by ESOP expenses and a slightly inferior product mix. Revenue growth was led by 14% SSSG, 42% increase in store count and 36% increase in retail footprint. EBITDA margin contracted 87bps to 10.5% led by increase in employee cost (Rs 20mn ESOP impact) and other expenses. PAT grew 13.6% lower than revenue and EBITDA growth due to increase in depreciation costs on account of new store openings and higher tax.

Key Highlights: 1) Company is raising Rs 2.82bn long-term growth capital via preferential issue to Capital Group which will help save interest costs and make the company debt-free as well, 2) More than 30% stores are still less than one year old and should drive strong SSSGs for the next 2 years 3), SSSG stood at 14% for 3QFY24 and 18% for 9MFY24, 4) Employee cost includes ESOP amount of Rs60mn for 9MFY23, 5) Company is looking to replicate its successful Bihar story now in the eastern UP market over the next 2-3 years which is significantly under-penetrated, 6) Management plans to reach 145 stores in FY24 and open 25 stores per annum going forward which we view as a very conservative guidance, and 7) Bihar contributed 84%, Jharkhand 11% and UP 5% to revenue in 3Q.

We expect AVL to increase its store count to 215 by FY26 and believe it would continue to post double-digit SSSG to generate 32%/37% revenue/PAT CAGR over FY23-26E. Gradual maturing of newly-opened stores would drive strong earnings growth, while return ratios are likely to come off till the time the significant fund raise gets deployed. We adjust our estimates to factor in slightly lower margins and benefits of the recent fund raise and reiterate our BUY rating with a revised TP of Rs 5,120 (from Rs 5,070), based on 40x FY26E earnings, implying 23x FY26E EV/EBITDA.

Revenue grew 30% with 14% SSSG: Revenue grew 30% YoY to Rs 4,133mn on the back of 14% SSSG, strong store expansion (42% YoY) and sq.ft expansion (36% YoY). Further, given that more than 30% of total stores are less than a year old, SSSG is expected to remain strong for the next 2-3 years. During the quarter, company opened 2 stores and focused on scaling-up the stores opened in the past few quarters. Till date, company has opened 138 stores (100 stores in Bihar, 22 stores in Jharkhand and 16 stores in UP). Management plans to reach 145 stores in FY24 and targets to reach 200 stores by FY26, which we see as a very conservative guidance. Bihar contributed 84%, Jharkhand 11% and UP 5% to revenue in 3Q. Company has crossed 50% market share in Bihar and 15% market share in Jharkhand market. We build in a store opening run rate of 35 stores per annum driving a 32% revenue CAGR over FY23-26E.

EBITDA Margin contracted 87bps YoY to 10.5%: EBITDA Margin contracted 87bps YoY to 10.5% due to increase in employee cost and other operating costs. Employee cost is higher on account of Rs 20mn ESOP costs totaling to Rs 60mn in 9MFY24 while other expenses are higher on account of expenses related to new store openings. PAT grew 13.6% to Rs 222mn lower than revenue and EBITDA growth due to increase in depreciation and higher tax. We build in some decline in margins on account of a reduction in proportion of large appliances in the overall revenue mix and higher costs as the company expands into newer market, albeit they should still stay above 9% in our view.

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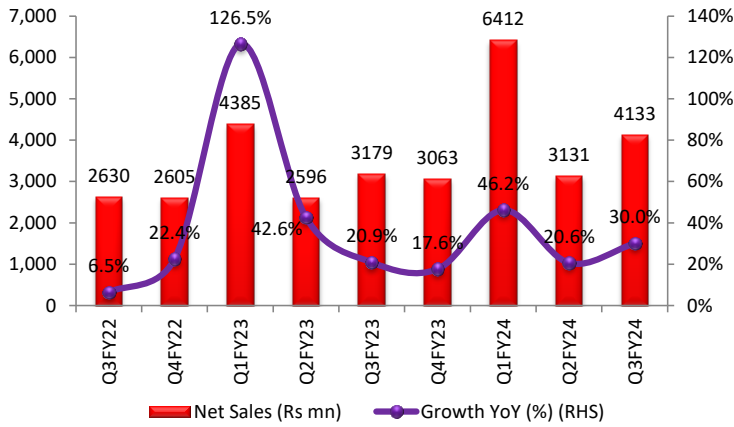
Fund raise of Rs 2.82 bn provides long-term growth capital: Management is raising Rs 2.82bn through a preferential issue which will be used for aggressive store expansion, long-term working capital requirements and some part-payment of debt, which should drive a reduction in interest costs. Given the significant size of fund raise and limited capex requirements of the company, the return ratios would look lower till the time these funds get fully deployed by the company. But given a cash-rich balance sheet now, the company is very well placed to capture any growth opportunities coming its way even beyond its targeted footprint expansion.

Exhibit 1: Quarterly performance

| YE March (Rs mn) | Q3FY24 | Q3FY23 | Q2FY24 | YoY (%) | QoQ (%) |
|----------------------------|--------------|--------------|--------------|-------------|--------------|
| Net Revenues | 4,133 | 3,179 | 3,131 | 30.0 | 32.0 |
| Purchase of stock in trade | 3,500 | 2,627 | 2,889 | 33.3 | 21.2 |
| (% of sales) | 84.7 | 82.6 | 92.2 | | |
| Stock adjustment | (51) | 0 | (225) | #DIV/0! | (77.2) |
| (% of sales) | (1.2) | 0.0 | (7.2) | | |
| Gross Profit | 684 | 552 | 467 | 23.8 | 46.3 |
| Gross margin (%) | 16.5% | 17.4% | 14.9% | | |
| Employee cost | 141 | 105 | 135 | 34.5 | 4.4 |
| (% of sales) | 3.4 | 3.3 | 4.3 | | |
| Others | 108 | 85 | 102 | 26.9 | 5.9 |
| (% of sales) | 2.6 | 2.7 | 3.2 | | |
| EBITDA | 435 | 362 | 231 | 20.0 | 88.6 |
| EBITDA margin (%) | 10.5 | 11.4 | 7.4 | | |
| Other income | 9 | 4 | 25 | 117.1 | (64.0) |
| PBIDT | 444 | 366 | 255 | 21.1 | 73.8 |
| Depreciation | 80 | 61 | 68 | 32.7 | 18.8 |
| Finance cost | 74 | 67 | 64 | 9.9 | 14.1 |
| PBT | 290 | 239 | 123 | 21.3 | 135.3 |
| Tax | 68 | 44 | 27 | 56.1 | 153.5 |
| ETR (%) | 23.5 | 18.3 | 21.8 | | |
| | | | | | |
| Adjusted PAT | 222 | 195 | 96 | 13.6 | 130.2 |
| PATAMI margin | 5.4 | 6.1 | 3.1 | | |
| Exceptional item | 0 | 0 | 0 | | |
| Reported PAT | 222 | 195 | 96 | 13.6 | 130.2 |
| No. of shares (mn) | 12.0 | 12.0 | 12.0 | | |
| Adj EPS (Rs) | 18.4 | 16.2 | 8.0 | | |

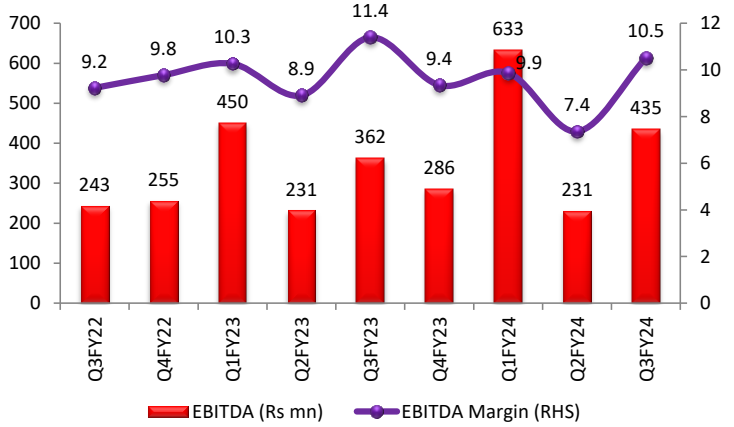
Source: Company, Systematix Institutional Research

Exhibit 2: Revenue grew 30% YoY



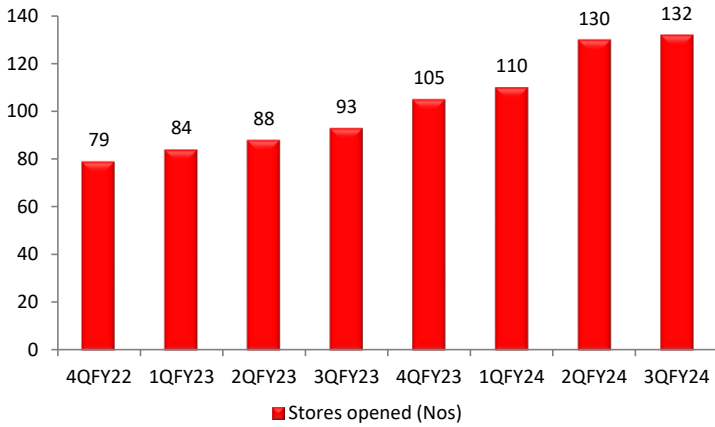
Source: Company, Systematix Institutional Research

Exhibit 3: EBITDA margin down 87bps to 10.5%



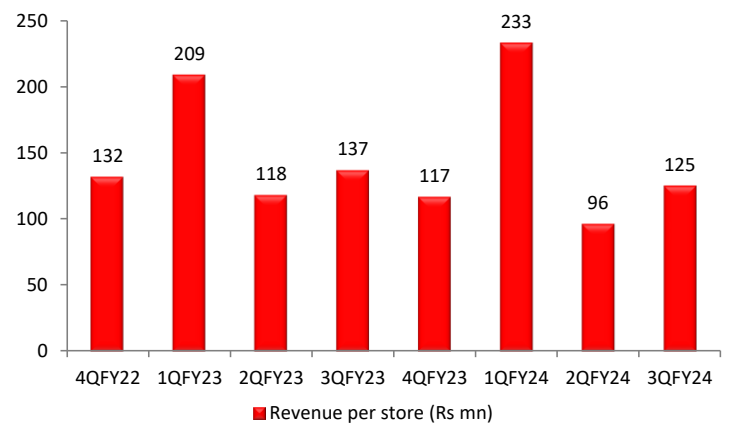
Source: Company, Systematix Institutional Research

Exhibit 4: Total stores opened (aggressive store opening continues)



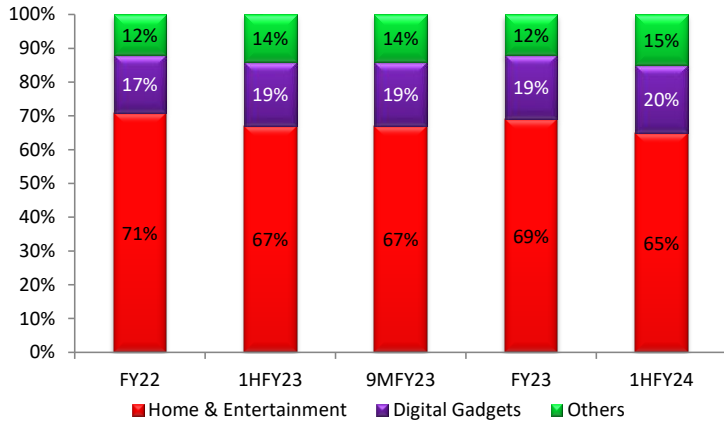
Source: Company, Systematix Institutional Research

Exhibit 5: Revenue per store - Annualized



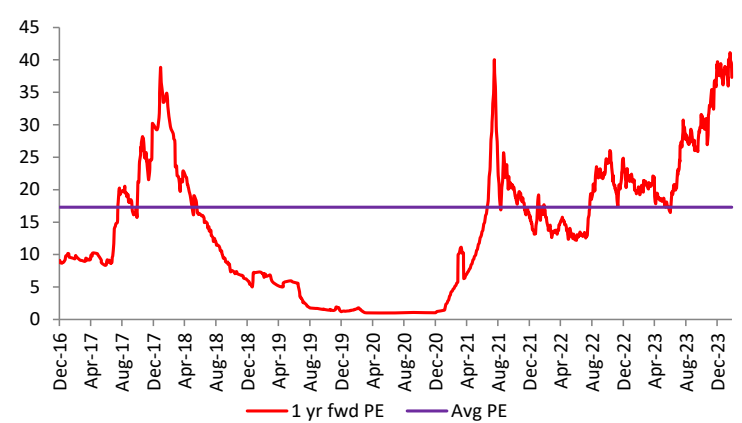
Source: Company, Systematix Institutional Research

Exhibit 6: Digital gadgets contribution expanded to 21%



Source: Company, Systematix Institutional Research

Exhibit 7: Currently trades at 37x one year forward PE



Source: Company, Systematix Institutional Research

FINANCIALS

Profit & Loss Statement

| YE: Mar (Rs mn) | FY22 | FY23 | FY24E | FY25E | FY26E |
|-------------------------|--------------|---------------|---------------|---------------|---------------|
| Revenue | 8,991 | 13,222 | 17,811 | 23,451 | 30,699 |
| Gross profit | 1,424 | 2,110 | 2,761 | 3,518 | 4,451 |
| GP margin (%) | 15.8% | 16.0% | 15.5% | 15.0% | 14.5% |
| Operating profit | 831 | 1,330 | 1,714 | 2,209 | 2,791 |
| OP margin (%) | 9.2% | 10.1% | 9.6% | 9.4% | 9.1% |
| Depreciation | 161 | 204 | 303 | 361 | 414 |
| EBIT | 670 | 1,126 | 1,411 | 1,848 | 2,377 |
| Interest expense | 253 | 295 | 304 | 223 | 262 |
| Other income | 15 | 29 | 67 | 74 | 82 |
| Profit before tax | 431 | 860 | 1,175 | 1,700 | 2,197 |
| Taxes | 79 | 218 | 282 | 428 | 556 |
| Tax rate (%) | 18.2% | 25.4% | 24.0% | 25.2% | 25.3% |
| Adj. PAT | 353 | 641 | 893 | 1,271 | 1,641 |
| Exceptional loss | - | - | - | - | - |
| Net profit | 353 | 641 | 893 | 1,271 | 1,641 |
| EPS | 29.3 | 53.3 | 74.2 | 99.2 | 128.0 |

Source: Company, Systematix Institutional Research

Balance Sheet

| YE: Mar (Rs mn) | FY22 | FY23 | FY24E | FY25E | FY26E |
|-------------------------------|--------------|--------------|--------------|--------------|---------------|
| Equity capital | 120 | 120 | 120 | 128 | 128 |
| Reserves | 667 | 1,243 | 2,039 | 6,015 | 7,528 |
| Debt | 1,565 | 2,706 | 2,706 | 706 | 706 |
| Deferred tax liab (net) | (58) | (71) | (71) | (71) | (71) |
| Other non current liab. | 1,176 | 1,364 | 2,064 | 2,664 | 3,264 |
| Total liabilities | 3,470 | 5,362 | 6,858 | 9,442 | 11,555 |
| Fixed Asset | 391 | 556 | 675 | 752 | 814 |
| Investments | 1 | - | - | - | - |
| Other Non-current Assets | 1,398 | 1,929 | 2,466 | 2,866 | 3,234 |
| Inventories | 2,101 | 2,938 | 3,953 | 5,268 | 6,897 |
| Sundry debtors | 4 | 1 | 2 | 3 | 4 |
| Cash & equivalents | 14 | 35 | 155 | 1,079 | 1,429 |
| Loans and Advances | 244 | 645 | 645 | 645 | 645 |
| Sundry creditors | 576 | 536 | 830 | 964 | 1,262 |
| Other current liabilities | 108 | 207 | 207 | 207 | 207 |
| Total Assets | 3,470 | 5,362 | 6,858 | 9,442 | 11,555 |

Source: Company, Systematix Institutional Research

Cash Flow

| YE: Mar (Rs mn) | FY22 | FY23 | FY24E | FY25E | FY26E |
|---------------------------|------------|--------------|------------|------------|------------|
| PBIT | 431 | 860 | 1,175 | 1,700 | 2,197 |
| Depreciation | 161 | 204 | 303 | 361 | 414 |
| Tax paid | (123) | (231) | (282) | (428) | (556) |
| Working capital Δ | (409) | (950) | (722) | (1,183) | (1,331) |
| Other operating items | 256 | 293 | 236 | 148 | 180 |
| Operating cashflow | 315 | 176 | 710 | 598 | 903 |
| Capital expenditure | (181) | (299) | (200) | (175) | (175) |
| Free cash flow | 135 | (123) | 510 | 423 | 728 |
| Equity raised | - | - | - | 2,828 | - |
| Investments | - | - | - | - | - |
| Debt financing/disposal | 295 | 1,141 | - | (2,000) | - |
| Interest Paid | (253) | (295) | (236) | (148) | (180) |
| Dividends paid | (60) | (72) | (96) | (115) | (128) |
| Other items | (62) | (86) | (58) | (63) | (70) |
| Net Δ in cash | 1 | 21 | 120 | 924 | 351 |

Source: Company, Systematix Institutional Research

Ratios

| YE: Mar | FY22 | FY23 | FY24E | FY25E | FY26E |
|-----------------------|-------|-------|-------|-------|-------|
| Revenue growth (%) | 20.2 | 47.1 | 34.7 | 31.7 | 30.9 |
| Op profit growth (%) | 55.6 | 60.1 | 28.9 | 28.9 | 26.4 |
| Net profit growth (%) | 72.5 | 81.8 | 39.2 | 42.4 | 29.0 |
| OPM (%) | 9.2 | 10.1 | 9.6 | 9.4 | 9.1 |
| Net profit margin (%) | 3.9 | 4.9 | 5.0 | 5.4 | 5.3 |
| RoCE (%) | 32.8 | 39.6 | 32.5 | 20.7 | 21.5 |
| RoNW (%) | 44.8 | 47.1 | 41.4 | 20.7 | 21.4 |
| EPS (Rs) | 29.3 | 53.3 | 74.2 | 99.2 | 128.0 |
| DPS (Rs) | 6.0 | 7.5 | 8.0 | 9.0 | 10.0 |
| BVPS (Rs) | 65.4 | 113.3 | 179.5 | 479.3 | 597.3 |
| Debtor days | 0 | 0 | 0 | 0 | 0 |
| Inventory days | 85 | 81 | 81 | 82 | 82 |
| Creditor days | 23 | 15 | 17 | 15 | 15 |
| P/E (x) | 121.6 | 66.9 | 48.0 | 36.0 | 27.9 |
| P/B (x) | 54.5 | 31.5 | 19.9 | 7.4 | 6.0 |
| EV/EBITDA (x) | 51.8 | 32.4 | 25.0 | 20.3 | 15.9 |

Source: Company, Systematix Institutional Research

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| | | | |
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