

Aditya Vision Ltd

Analyst Recommendation: BUY

BSE Code: 540205

NSE: AVL

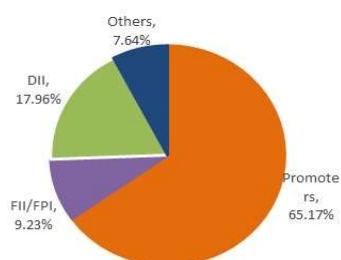
CMP: Rs 495
2 Year Target - Rs 603

Face Value	1.0
Market Cap (Rs Cr)	6,368
52 week high/low	575/218
Dividend Yield	0.18
Shares O/S (Cr)	12.9
Book Value per Share (Rs)	42.1
Sensex	85,445
Nifty	26,178

1 yr. Price Chart of Stock and Nifty



Shareholding pattern as on 30th June 2024



Investor's Rationale

- Aditya Vision (AVL) is one of India's prominent multi-brand consumer electronics retailers. From a single store in 1999 (Patna) to 145 stores at FY24-end, the brand has cemented its position in states such as Bihar, Jharkhand, and UP.
- The company's operative markets – mainly in the Hindi heartland – offer significant growth potential as they are characterised by lower penetration, rising income levels, lower competition from national players, and better electricity availability. Additionally, we expect the shift towards LFS (large format stores) in the durables industry to continue.
- The company would continue to aggressively expand its store network in existing markets (mainly UP), while entering new markets of MP, Chhattisgarh, and West Bengal eventually. We expect the store network to go from 145 at FY24 to 220 by FY27-end.
- AVL's operative markets best placed: AVL mainly operates in the Hindi heartland (UP, Bihar and Jharkhand) which benefits from factors such as lower penetration (refer exhibit 30 and 31), rising income levels, increased availability of financing options, and lower competition. We see these markets growing faster than overall consumer durable industries and AVL most likely will get benefited from these tailwinds.

Valuation

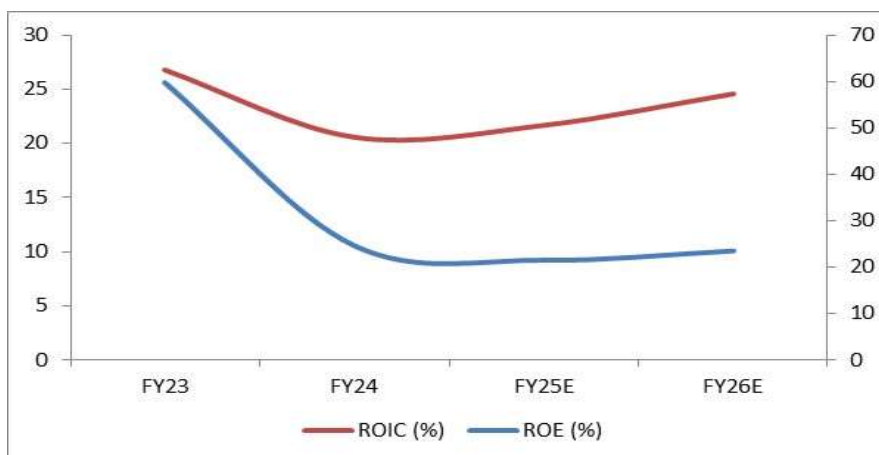
We expect the stock's premium valuations (vis-à-vis peers) to sustain led by faster growth and superior return ratios. Initiate coverage with LONG and a Dec'25 TP of Rs 603 at 40x on a fwd. EPS of 15.1.

(Rs Million)	FY23	FY24	FY25E	FY26E
Revenue	13,222.0	17,433.0	22,443.0	28,083.0
EBITDA	1,330.0	1,675.0	2,138.0	2,702.0
Adj. profit	641.0	771.0	1,149.0	1,513.0
Adj. EPS (Rs.)	5.3	6.0	8.9	11.8
P/E (x)	93.7	83.0	55.9	42.4
ROE (%)	59.70	24.70	21.60	23.60
ROIC (%)	26.80	20.60	21.70	24.60

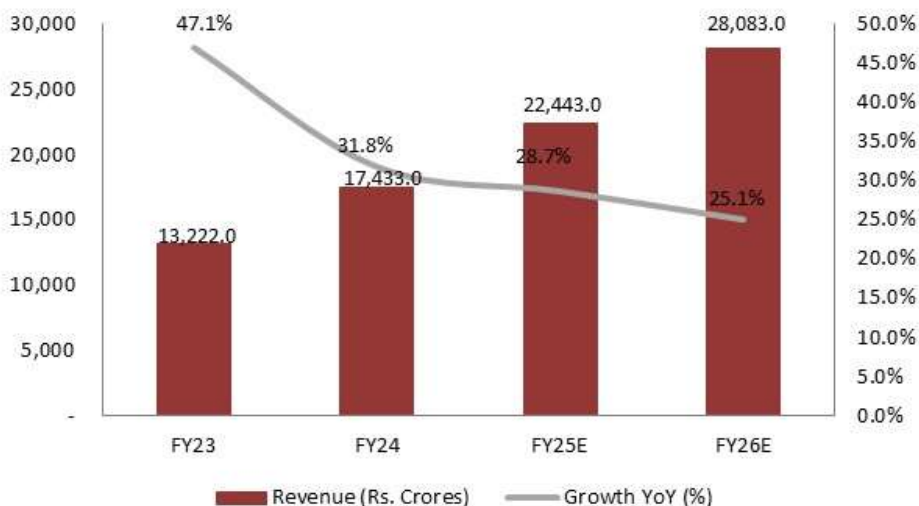
Investment Rationale

- Organised players would grab a higher growth share driven by increased brand awareness, a strong distribution network, a better shopping experience, and loyalty programs.
- On the demand side, while rural demand remains weak at the current juncture, it is set to outpace urban demand over the mid-to-long term backed by lower penetration, rising income, and increased need of aspirational products.
- Despite headwinds in terms of demonetisation and GST implementation, India's retail industry clocked a 6% CAGR over FY17-FY22E backed by higher income levels, better affordability, positive consumer sentiment, and rising urbanisation. Over FY22E-FY26E, Indian retail industry is expected to grow at a 12% CAGR driven by a consumption revival, rising income levels, and rapid urbanisation.
- Over the last few years, the organised retail share has increased from 8% in FY17 to 12% in FY20 due to its better product assortment, shopping experience, availability of financing options, and consumer offers. Going ahead as well, the share of organised retail would continue to increase backed by these factor
- Over the last few years, penetration of alternate channels like modern format stores (MFR) and e-commerce has been rising. Increased need of a better shopping experience and convenience have led consumers shifting to these channels.
- While many argue that e-commerce remains a key risk to MFR, we believe these channels tend to grow together over the mid-to-long term.
- AVL entered Bihar with its first store launched in FY1999; till FY06, it operated under a single store given the limited opportunity in the state due to poor electrification. Eventually, the company identified huge potential and growth drivers in this market (lower penetration, rising income, government electrification drive), and after cracking the market mantra, it initiated aggressive store expansion in the state. AVL's store count in Bihar increased from 19 in FY17 to 104 in FY24, at a 27% CAGR. Over the years, the company has not closed a single store – a key positive in our view.
- Going ahead, AVL aims to expand into all (highly populated) states of the Hindi heartland. To this end, it would enhance presence in Bihar (sub-districts), Jharkhand, UP (eastern and central UP), and then from FY26 onwards enter adjoining markets of Chhattisgarh, Madhya Pradesh, and West Bengal where dynamics are similar. However, majority of the store openings will be in UP and Bihar market.
- AVL intends to open 25-30 new stores in FY25 and have a store network of 200 by FY26. Additionally, it would open different store formats specifically for kitchen appliances.
- We expect the company's store network to grow from 150 at 1Q-end to 220 at FY27E-end. We see the store network in Bihar/Jharkhand/UP increasing from 104/24/17 at FY24-end to 119/32/55 at FY27E-end. Other than these markets, we expect AVL to enter MP, West Bengal, and Chhattisgarh, for which we model a store count of 2/2/10 at FY27E-end.

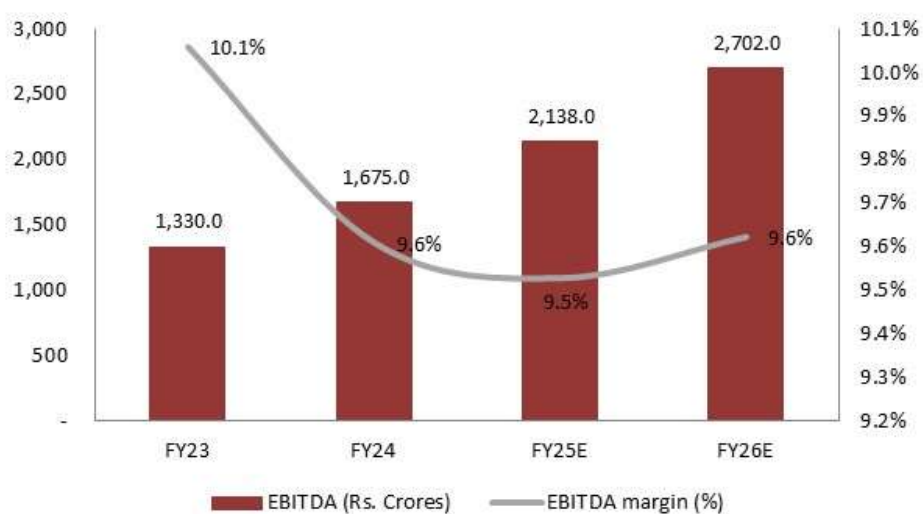
Return ratios



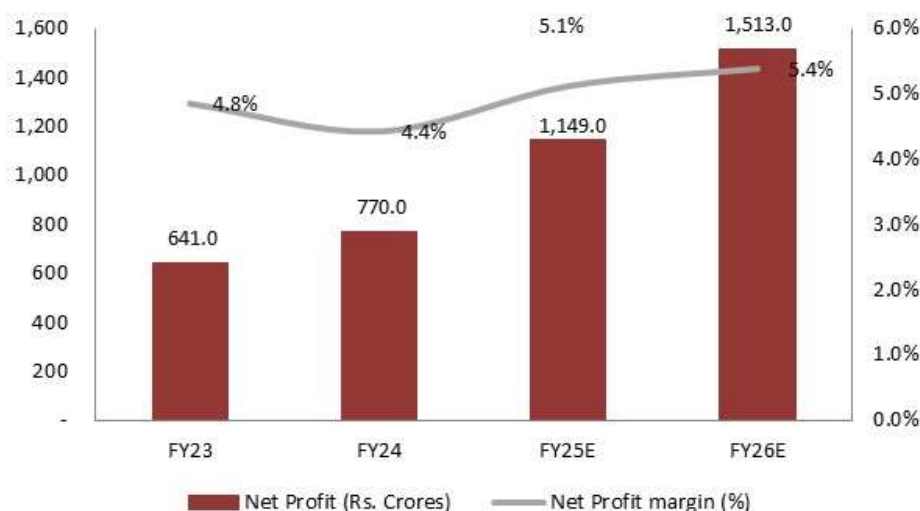
Revenue growth will be strong



EBITDA will maintain strong growth



Net profit will maintain strong growth



Outlook and Valuation

We forecast a 25% revenue CAGR (vs. management guidance of 20-25%) over FY24-FY27E with EBITDA margins remaining around current levels. AVL is currently trading at 56x/42x FY25E/FY26E P/E – higher than peers such as EMIL. However, considering superior growth, better margins, and stronger return ratios, we expect its premium valuations to sustain. Initiate with LONG

We expect stock's premium valuations (vis-à-vis peers) to sustain led by faster growth and superior return ratios. Initiate coverage with LONG and a Dec'25 TP of Rs 603 at 40x on a fwd. EPS of 15.1.

Aditya Vision Limited - Company Overview

Aditya Vision (AVL) is a modern multi-brand consumer electronics retail chain headquartered in Patna, Bihar, and is amongst India's top 10 retailers. It sells more than 10,000 SKUs of 100+ brands in the markets of Bihar, Jharkhand, and UP. The company had a network of 150 stores at 1QFY25-end with 105 stores in Bihar, 25 in Jharkhand, and 20 in UP.

From a single retail store in Patna in 1999 to 150 stores at 1QFY25-end, the company has expanded its presence to most regions of Bihar, Jharkhand, and eastern UP. Over FY17- FY24, AVL's store network has grown at a 34% CAGR. A key positive over the years has been zero store closures.

AVL enjoys a dominant position in Bihar with a > 50% market share (source: CRISIL). The company entered the Jharkhand market during FY22 and has already attained leadership. In FY23, AVL ventured into the UP market.

AVL's customer-centric approach – providing the best shopping experience, product range, competitive pricing, fast installation (same day), and strong aftersales services – has helped create a loyal customer base. Well-entrenched customer relations and long-term brand connects position AVL as a differentiated brand in the underpenetrated Bihar market. Customer engagement, and personalised service and trust remain key focus areas for the company.

Balance sheet (Consolidated)

Rs In Million	FY23	FY24	FY25E	FY26E
Equity share capital	120	128	129	129
Preference Share Capital				
Reserves & surplus	1243	4739	5656	6906
Shareholders funds	1363	4867	5785	7035
Total Debt	2706	1253	753	753
Other long term liabilities	1364	1790	2319	2748
Account Payables	536	620	776	971
Other Current Liabilities	207	225	299	374
Sources of funds	6176	8755	9932	11881
Gross block	2360	3258	4049	4745
Depreciation	-531	-817	-1189	-1638
Net block	1829	2441	2861	3107
Capital work in progress	81	89	0	0
Others	646	361	450	450
Receivables	2	4	5	6
Loans and advances	19	24	31	38
Other current assets	341	541	424	531
Cash & Cash Equivalents.	320	962	627	823
Inventory	2938	4333	5534	6926
Uses of funds	6176	8755	9932	11881

Profit & Loss Account (Consolidated)

Rs In Million	FY23	FY24	FY25E	FY26E
Revenue	13222	17433	22443	28083
Direct costs	11112	14655	18871	23618
Employee costs	395.0	568.0	707.0	860.0
Other expenses	385	535	727	903
Total operating expenses	11892	15758	20305	25381
EBITDA	1330	1675	2138	2702
Depreciation and amortisation	204	286	372	449
EBIT	1126	1389	1766	2253
Interest expenses	295	388	304	333
Other income	29	65	83	103
Extraordinary items	0	0	0	0
Profit before tax	860	1066	1545	2023
Provision for tax	219	296	396	510
Core profit				
Profit after tax	641	770	1149	1513
EPS	5.3	6.0	8.9	11.8

Cash Flow (Consolidated)

Rs In Million	FY23	FY24	FY25E	FY26E
Profit Before Tax	860	1067	1545	2023
Depreciation	204	286	372	449
Others	273	488	0	0
Tax paid	210	334	396	510
Change in WC	-951	-1568	-863	-1236
Operating cash flow	596	606	1450	1746
Capex	-299	-334	-175	-175
Change in Invest.	-570	-211	0	0
Others	27	62	0	0
Investing Cashflow	-842	-482	-175	-175
Change in Debt	1141	-1453	-500	0
Change in Equity	0	2809	1	0
Others	-454	-673	-319	-355
Financing Cashflow	687	684	-819	-355
Net Change in Cash	441	808	457	1216

Key Ratios & Valuations (Consolidated)

Year to March	FY23	FY24	FY25E	FY26E
P/E	93.7	83	55.9	42.4
P/B	44.1	13.1	11.1	9.1
P/FCFF	-134.8	-243.1	90.5	80.3
EV/EBITDA	51.1	39.6	31.2	24.8
EV/Sales	5.1	3.8	3	2.4
ROE	59.7	24.7	21.6	23.6
ROIC	26.8	20.6	21.7	24.6
PAT Margin	4.9	4.4	5.1	5.4
Inventory Days	81	91	90	90
Payable Days	18	15	15	15
Non-cash WC days	71	85	80	80
Dividend Payout	11.7	19	16.8	14.4



Equity Research

Large Cap.	Return	Mid/Small Cap.	Return
Buy	More than equal to 10%	Buy	More than equal to 15%
Hold	Between 10% & -5%	Accumulate*	Upside between 10% & 15%
Reduce	Less than -5%	Hold	Between 0% & 10%
		Reduce/sell	Less than 0%

* To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.



Member: BSE, NSE, MCX, MCX-SX, CDSL

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