

HSIE Results Daily

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Results Review

- **Shoppers Stop:** STOP, given its predominant mall-based presence (~87% of stores), remained among the worst-hit companies by the pandemic in FY21 within our apparel universe. However, 4Q recovery (95% of baseline sales) has been better than expected (HSIE: -87.5%). Gross margin improved sequentially (GAAP: 40.9% vs HSIE: 37.9%). Absolute operating cost structure was in line. We continue to remain circumspect on the longevity of the business as cost arbitrage between pure-play department stores and online platforms continues to shrink with each passing year. We meaningfully cut our FY22 EBITDA estimates to account for the second wave impact. FY23 EBITDA estimates remain largely unchanged. Maintain SELL recommendation with a DCF-based TP of INR 180/sh (implying 9x FY23 EV/EBITDA).

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Shoppers Stop

Better-than-expected print

STOP, given its predominant mall-based presence (~87% of stores), remained among the worst-hit companies by the pandemic in FY21 within our apparel universe. However, 4Q recovery (95% of baseline sales) has been better than expected (HSIE: -87.5%). Gross margin improved sequentially (GAAP: 40.9% vs HSIE: 37.9%). Absolute operating cost structure was in line. We continue to remain circumspect on the longevity of the business as cost arbitrage between pure-play department stores and online platforms continues to shrink with each passing year. We meaningfully cut our FY22 EBITDA estimates to account for the second wave impact. FY23 EBITDA estimates remain largely unchanged. Maintain SELL recommendation with a DCF-based TP of INR 180/sh (implying 9x FY23 EV/EBITDA).

- 4QFY21 highlights:** Q4 saw ~95% recovery in sales (INR 6.7bn) but on a low base. Two-year sales declined at ~8% CAGR. Footfalls were down 17% but higher bill sizes (+6% YoY) and growth in digital sales (+188% YoY) cushioned the sales decline to ~5%. STOP expects a weak Q1 due to lockdowns and higher mall salience (73 of 84 stores in malls). The company closed six department stores and opened one in FY21 (84 stores vs. 89 at FY20-end). It expects to open 10 department stores and 10 beauty stores in FY22, with a Capex of ~INR 0.8bn (funded via internal accruals). Reported GM improved 95bps YoY to 40.9% (HSIE: 37.9%), courtesy better full-price sales in revenue mix and improving private label mix (+250bp YoY). Reported EBITDA grew ~25% YoY to INR 956mn. EBITDAM expanded 344bps to 14.2% (HSIE: 9%). The beat was primarily a function of better-than-expected revenue and GM print. Absolute cost structure (INR 1.8bn) remained in line. Cash and equivalence stood at INR 1.7bn and debt stood at Rs1.3bn at FY21-end.
- Outlook:** Company sports a net cash position (post the INR 3bn rights issue). However, we continue to remain circumspect on the longevity of the format (pure-play department stores) as their cost arbitrage vis-à-vis online platforms continues to shrink rapidly. This makes the former less competitive with time. Hence, we maintain our SELL recommendation on the stock with a DCF-based TP of INR 180/sh (implying 9x FY23 EV/EBITDA).

Quarterly financial summary

(INR mn)	4Q FY21	4Q FY20	YoY (%)	3Q FY21	QoQ (%)	FY19	FY20	FY21E	FY22E	FY23E
Net Revenue	6,712	7,092	(5.4)	7,076	(5.2)	34,813	33,810	17,251	24,680	32,168
Adj EBITDA	956	766	24.8	949	0.7	2,533	1,807	(1,896)	303	1,971
APAT	(371)	(1,328)	(72.1)	(207)	79.1	788	(1,299)	(2,686)	(847)	663
EPS (Rs)	(3.39)	(15.09)	(77.5)	(1.89)	79.1	9.0	(14.8)	(30.5)	(9.6)	7.5
EV/EBITDA (x)						12.2	17.9	(17.1)	94.8	12.8
Core RoCE(%)						9.7	(63.5)	123.7	22.4	(0.8)

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(INR mn)	FY21E			FY22E			FY23E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	17,251	16,743	3.0	24,680	29,411	(16.1)	32,168	32,490	(1.0)
Gross Profit	6,600	6,201	6.4	10,015	12,217	(18.0)	13,439	13,821	(2.8)
Gross Profit Margin (%)	38.3	37.0	122 bps	40.6	41.5	(96 bps)	41.8	42.5	(76 bps)
EBITDA	(1,896)	(2,003)	(5.3)	303	1,496	(79.8)	1,971	1,978	(0.4)
EBITDA margin (%)	(11.0)	(12.0)	97 bps	1.2	5.1	(386 bps)	6.1	6.1	4 bps

Source: Company, HSIE Research

SELL

CMP (as on 01 July 2021)	INR 239
Target Price	INR 180
NIFTY	15,680

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 170	INR 180
	FY22E	FY23E
EBITDA %	NM	-0.4

KEY STOCK DATA

Bloomberg code	SHOP IN
No. of Shares (mn)	109
MCap (INR bn) / (\$ mn)	26/351
6m avg traded value (INR mn)	81
52 Week high / low	INR 270/140

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	10.7	16.1	49.0
Relative (%)	6.1	6.8	1.2

SHAREHOLDING PATTERN (%)

	Dec-20	Mar-21
Promoters	65.46	65.46
FIs & Local MFs	15.12	14.85
FPIs	5.58	5.76
Public & Others	13.84	13.93
Pledged Shares	6.47	6.47

Source : BSE

Pledged shares as % of total shares

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Rating Criteria

BUY: >+15% return potential
 ADD: +5% to +15% return potential
 REDUCE: -10% to +5% return potential
 SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Jay Gandhi	Shoppers Stop	MBA	NO

Disclosure:

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