

Shoppers Stop

Refer to important disclosures at the end of this report

Relatively slower recovery

- Q3 revenue declined ~30% YoY, largely in line with our/Street expectations. The recovery remains slow due to higher mall exposure (74 mall stores out of total 85 stores). With staggered multiplex opening, SHOP expects full revenue recovery by Q2/Q3FY22E.
- Cost savings have been good at Rs3.8bn/Rs4.5bn in 9MFY21/FY21E, of which Rs2bn is expected to sustain in FY22E. However, SHOP indicated plans to re-invest these savings partially in augmenting its omni-channel capabilities.
- SHOP retired Rs1.3bn debt in Q3FY21 using its Rs3bn rights issue proceeds. The rights issue has addressed negative net worth and liquidity concerns, turning net cash positive (Rs0.5bn net cash balance as of Dec'20 end).
- Recovery remains slow due to higher exposure to malls, which are yet to fully recover. The appointment of new CEO with a strong track record is positive. We wait for improvement indicators before turning constructive. Retain Hold with a revised TP of Rs220.

Higher mall exposure leads to a slower recovery: While all stores are fully operational, footfalls still remain low (~50% of pre-Covid levels) due to partial opening of multiplex/food-courts, leading to a slower recovery (~70% of pre-covid sales in Q3FY21). SHOP expects full recovery by Q2/Q3FY22E. SHOP continues to expect 10-12 department store additions in FY22E with higher salience in Tier2/3 towns and relatively smaller store size (~25,000sqft vs. ~35,000sqft earlier). Connectivity of stores with Amazon remained at Q2FY21 levels i.e. 50 out of total 85 stores. However, SHOP highlighted that listed SKUs have increased to 61,000 vs. 20,000 earlier and tech-integration issues have been completely resolved.

Decent cost savings but omni-channel growth shall partially erode gains: Higher discounts on private labels and provision related to inventory obsolescence (~Rs30/160mn in Q3/9MFY21) led to a ~400bps YoY decline in gross margins on expected lines. Cost savings have been decent at ~Rs0.8bn/Rs3.8bn in Q3/9MFY21. SHOP maintained its guidance of Rs4.5bn cost savings in FY21E and expects ~Rs2bn of these savings to sustain into FY22E. It plans to invest some of these savings to drive growth in the omni-channel business.

CEO suggests no major change in strategy: New CEO Venu Nair (Ex-Westside/M&S/ABFRL) suggested no major deviation from earlier strategy of focusing on private labels, omni-channel, beauty and personal shoppers. However, he indicated focus on (1) filling the category gaps within private labels to garner value-focused consumers, (2) new monthly launches to drive consumer interest in beauty and (3) improving order fulfillment capabilities for omni-channel, leading to an increase in omni-channel mix (~25% by FY24E vs. 6.0%/1.5% in Q3FY21/FY20). Private brands/Beauty contributed ~13%/16% of overall sales in Q3FY21.

Await improvement in recovery; maintain Hold: While new CEO has a good track record, slower recovery due to higher mall exposure (74/85 stores are in malls) and growth challenges in the past keep us on the sideline as of now. Retain Hold with a revised TP of Rs220 (vs. Rs210 earlier) on roll over to Dec'22E EBITDA from Sep'22E EBITDA. Target Price is based on 10x Dec'22E pre-IndAS116 EBITDA.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Consumer Goods & Retail \(page 7\)](#)

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	34,813	33,810	16,868	30,693	34,637
EBITDA	2,533	5,494	114	5,442	6,527
EBITDA Margin (%)	7.3	16.3	0.7	17.7	18.8
APAT	788	(1,209)	(2,513)	17	427
EPS (Rs)	9.0	(13.7)	(23.0)	0.2	3.9
EPS (% chg)	27.0	(253.6)	0.0	0.0	2,365.4
ROE (%)	8.2	(21.7)	(166.2)	1.1	24.8
P/E (x)	23.1	(15.0)	(9.0)	1,306.0	53.0
EV/EBITDA (x)	6.9	7.0	351.1	7.3	5.8
P/BV (x)	1.9	13.3	13.6	14.4	12.0

Source: Company, Emkay Research

CMP	Target Price
Rs 207 as of (January 18, 2021)	Rs 220 (▲) 12 months
Rating	Upside
HOLD (■)	6.4 %

Change in Estimates

EPS Chg FY21E/FY22E (%)	(31)/NA
Target Price change (%)	4.7
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	(23.0)	0.2
Consensus	(34.3)	(8.7)
Mean Consensus TP (12M)	Rs 202	

Stock Details

Bloomberg Code	SHOP IN
Face Value (Rs)	5
Shares outstanding (mn)	109
52 Week H/L	424 / 124
M Cap (Rs bn/USD bn)	23 / 0.31
Daily Avg Volume (nos.)	2,95,423
Daily Avg Turnover (US\$ mn)	0.8

Shareholding Pattern Dec '20

Promoters	65.5%
FIIIs	5.6%
DIIIs	19.8%
Public and Others	9.2%

Price Performance

(%)	1M	3M	6M	12M
Absolute	-	27	41	(46)
Rel. to Nifty	(6)	3	4	(54)

Relative price chart



Source: Bloomberg

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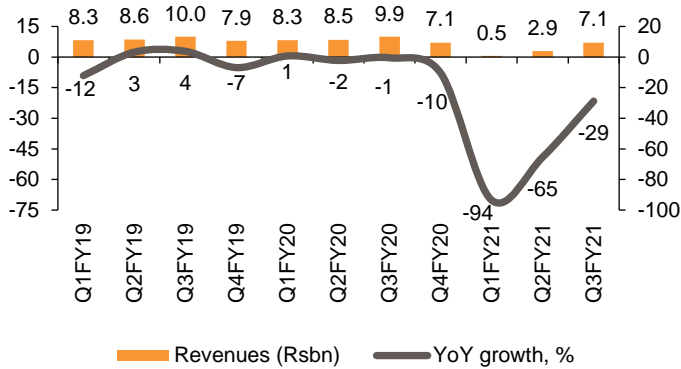
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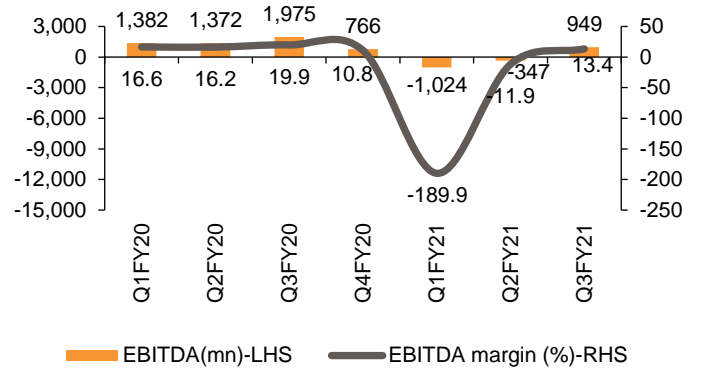
Story in Charts

Exhibit 1: Decent recovery but higher mall exposure continued to impact revenues in Q3FY21



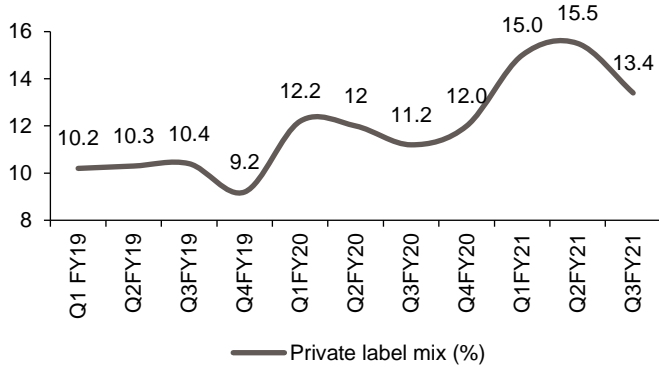
Source: Company, Emkay Research

Exhibit 2: EBITDA turned positive with decent savings in employee costs, rentals and other overheads



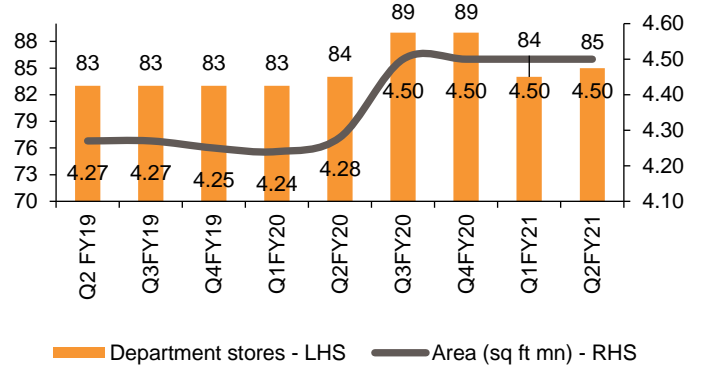
Source: Company, Emkay Research

Exhibit 3: Share of private labels decreased on a QoQ basis but still remains elevated YoY due to increasing focus on value by consumers



Source: Company, Emkay Research

Exhibit 4: New store additions remained muted in Q3FY21



Source: Company, Emkay Research

Exhibit 5: Actual vs. Estimates (Q3FY21)

Rs mn	Actual	Estimates		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Sales	7,076	6,964	6,849	1.6%	3.3%	Revenues were largely in-line
EBITDA	949	1,094	808	-13.3%	17.5%	Gross margins were in-line
EBITDA margin (%)	13.4%	15.7%	11.8%	-220	160	EBITDA margins were slightly lower
PAT	-207	-104	-382	98.7%	-45.8%	Lower margins led to lower PAT

Source: Company, Emkay Research

Exhibit 6: Quarterly Performance (Standalone)

Y/E, Mar (Rs mn)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY (%)	QoQ (%)	FY20TD	FY21TD	YoY (%)
Revenue	9,941	7,092	539	2,924	7,076	-28.8	142.0	26,718	10,539	-60.6
Expenditure	7,966	6,326	1,563	3,271	6,127	-23.1	87.3	21,989	10,961	-50.2
Consumption of RM	5,704	4,256	366	1,974	4,347	-23.8	120.1	15,421	6,687	-56.6
as % of sales	57.4%	60.0%	67.9%	67.5%	61.4%			57.7%	63.4%	
Employee Cost	844	718	748	545	660	-21.8	21.2	2,501	1,953	-21.9
as % of sales	8.5%	10.1%	138.7%	18.6%	9.3%			9.4%	18.5%	
Other expenditure	1,417	1,352	449	752	1,120	-21.0	48.9	4,068	2,321	-42.9
as % of sales	14.3%	19.1%	83.3%	25.7%	15.8%			15.2%	22.0%	
EBITDA	1,975	766	-1,024	-347	949	-51.9		4,729	-422	
Depreciation	934	1,696	997	941	1,003	7.4	6.6	2,696	2,941	9.1
EBIT	1,041	-930	-2,021	-1,288	-54			2,033	-3,363	
Other Income	66	64	1,040	631	310	369.5	-50.9	271	1,981	630.1
Interest	478	508	552	607	535	12.1	-11.8	1,436	1,695	18.0
PBT	629	-1,375	-1,533	-1,264	-279			868	-3,077	
Total Tax	681	-247	-382	-342	-72			950	-796	
Adjusted PAT	-52	-1,128	-1,151	-922	-207			-81	-2,281	
(Profit)/loss from JV's/Ass/MI	0.0	0.0	0.0	0.0	0.0			0	0	
APAT after MI	-52	-1,128	-1,151	-922	-207			-81	-2,281	
Extra ordinary items	0	200	0	100	0			0	100	
Reported PAT	-52	-1,328	-1,151	-1,022	-207			-81	-2,381	
Reported EPS	-0.6	-15.1	-13.1	-11.6	-1.9			-0.9	-26.6	

Margins (%)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	(bps)	(bps)	FY20TD	FY21TD	(bps)
EBIDTA	19.9	10.8	-189.9	-11.9	13.4			17.7	-4.0	
EBIT	10.5	-13.1	-374.9	-44.0	-0.8			7.6	-31.9	
EBT	6.3	-19.4	-284.3	-43.2	-3.9			3.2	-29.2	
PAT	-0.5	-15.9	-213.5	-31.5	-2.9			-0.3	-21.6	
Effective Tax rate	108.3	18.0	24.9	27.0	25.9			109.4	25.9	

Source: Company, Emkay Research

Exhibit 7: Changes in estimates

	FY21E			FY22E			FY23E		
	Earlier	Revised	% Change	Earlier	Revised	% Change	Earlier	Revised	% Change
Revenues	18,407	16,868	-8.4	30,557	30,693	0.4	34,487	34,637	0.4
EBITDA	2,922	114	-96.1	5,456	5,442	-0.3	6,569	6,527	-0.6
EBITDA Margin (%)	-6.2	0.7	680 bps	17.9	17.7	-10 bps	19.0	18.8	-20 bps
PAT	(2,919)	(2,613)	-10.5	(450)	17	NA	349	427	22.2
EPS (Rs)	-33.2	-23.0	-30.7	-5.1	0.2	NA	4.0	3.9	-1.7

Source: Company, Emkay Research

Exhibit 8: Peer comparison

Companies	Price (Rs)	Mcap (Rs bn)	Reco	TP (Rs)	EPS (Rs)			P/E (x)			EV / EBITDA (x)		
					FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
ABFRL	176	147	Buy	180	-5.0	2.5	3.5	-35.0	69.9	50.9	61.8	10.8	9.3
Jubilant FoodWorks	2,733	380	Buy	2,500	20.8	42.1	51.8	131.7	65.0	52.7	45.6	30.4	25.4
Page Industries	28,432	335	Hold	19,250	278.8	423.1	483.0	102.0	67.2	58.9	67.1	46.1	40.4
Shoppers Stop	207	23	Hold	210	-23.0	0.2	3.9	-9.0	1306.0	53.0	358.5	7.5	6.0
Titan Company	1,477	1,356	Buy	1,450	11.0	23.8	30.1	133.7	62.1	49.0	80.5	41.0	32.7

Source: Company, Emkay Research

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	34,813	33,810	16,868	30,693	34,637
Expenditure	32,280	28,315	16,754	25,251	28,110
EBITDA	2,533	5,494	114	5,442	6,527
Depreciation	1,351	4,392	3,804	3,874	4,308
EBIT	1,182	1,102	(3,690)	1,568	2,218
Other Income	179	335	2,268	241	265
Interest expenses	124	1,944	1,928	1,784	1,874
PBT	1,237	(507)	(3,351)	25	610
Tax	449	703	(838)	7	183
Extraordinary Items	0	(200)	(100)	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	788	(1,409)	(2,613)	17	427
Adjusted PAT	788	(1,209)	(2,513)	17	427

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	440	440	547	547	547
Reserves & surplus	9,337	926	1,110	1,021	1,332
Net worth	9,776	1,366	1,657	1,568	1,879
Minority Interest	0	0	0	0	0
Loan Funds	0	21,915	20,678	20,678	20,678
Net deferred tax liability	(320)	(2,641)	(2,641)	(2,641)	(2,641)
Total Liabilities	9,457	20,640	19,694	19,605	19,915
Net block	5,994	19,126	17,741	16,472	15,735
Investment	2,935	2,057	2,057	2,057	2,057
Current Assets	15,199	16,727	9,496	15,887	18,435
Cash & bank balance	167	13	1,715	1,883	3,604
Other Current Assets	3,896	3,936	1,849	3,364	3,796
Current liabilities & Provision	14,977	17,370	9,700	14,911	16,411
Net current assets	222	(643)	(204)	976	2,024
Misc. exp	0	0	0	0	0
Total Assets	9,457	20,640	19,694	19,605	19,915

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	1,237	(707)	(3,451)	25	610
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(133)	710	1,264	(1,012)	674
Operating Cashflow	1,829	(817)	(1,683)	733	2,973
Capital expenditure	(991)	(2,143)	(500)	(700)	(1,400)
Free Cash Flow	838	(2,960)	(2,183)	33	1,573
Investments	(224)	(1,116)	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(571)	(930)	1,768	(459)	(1,135)
Equity Capital Raised	11	0	3,000	0	0
Loans Taken / (Repaid)	(474)	1,237	(1,237)	0	0
Dividend paid (incl tax)	(66)	(70)	(96)	(106)	(116)
Other Financing Cash Flow	(489)	490	0	0	0
Financing Cashflow	(1,143)	1,592	1,617	(106)	(116)
Net chg in cash	115	(155)	1,702	169	1,721
Opening cash position	52	167	13	1,715	1,883
Closing cash position	167	13	1,715	1,883	3,604

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	7.3	16.3	0.7	17.7	18.8
EBIT Margin	3.4	3.3	(21.9)	5.1	6.4
Effective Tax Rate	36.3	(138.7)	25.0	30.0	30.0
Net Margin	2.3	(3.6)	(14.9)	0.1	1.2
ROCE	14.1	9.6	(7.1)	9.2	12.6
ROE	8.2	(21.7)	(166.2)	1.1	24.8
RoIC	19.0	9.0	(21.5)	10.0	14.9

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	9.0	(13.7)	(23.0)	0.2	3.9
CEPS	24.3	36.2	11.8	35.6	43.3
BVPS	111.1	15.5	15.1	14.3	17.2
DPS	0.8	0.8	0.9	1.0	1.1

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	23.1	(15.0)	(9.0)	1,306.0	53.0
P/CEPS	8.5	5.7	17.5	5.8	4.8
P/BV	1.9	13.3	13.6	14.4	12.0
EV / Sales	0.5	1.2	2.7	1.4	1.2
EV / EBITDA	6.9	7.0	351.1	7.3	5.8
Dividend Yield (%)	0.4	0.4	0.4	0.5	0.5

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.1)	14.9	10.5	11.0	8.3
Net Debt/EBIDTA	(0.2)	3.7	152.8	3.2	2.4
Working Cap Cycle (days)	0.6	(7.1)	(41.5)	(10.8)	(16.7)

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	(3.1)	(2.9)	(50.1)	82.0	12.8
EBITDA	19.7	116.9	(97.9)	4,673.1	19.9
EBIT	18.6	(6.8)	(434.8)	0.0	41.5
PAT	578.7	(279.0)	0.0	0.0	2,365.4

Quarterly (Rs mn)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Revenue	9,941	7,092	539	2,924	7,076
EBITDA	1,975	766	(1,024)	(347)	949
EBITDA Margin (%)	19.9	10.8	(189.9)	(11.9)	13.4
PAT	(52)	(1,328)	(1,151)	(1,022)	(207)
EPS (Rs)	(0.6)	(15.1)	(13.1)	(11.6)	(1.9)

Source: Company, Emkay Research

Shareholding Pattern (%)	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Promoters	63.9	63.9	63.9	63.9	65.5
FIs	7.0	7.0	6.7	6.6	5.6
DIs	22.8	21.1	20.8	19.4	19.8
Public and Others	6.4	8.1	8.6	10.2	9.2

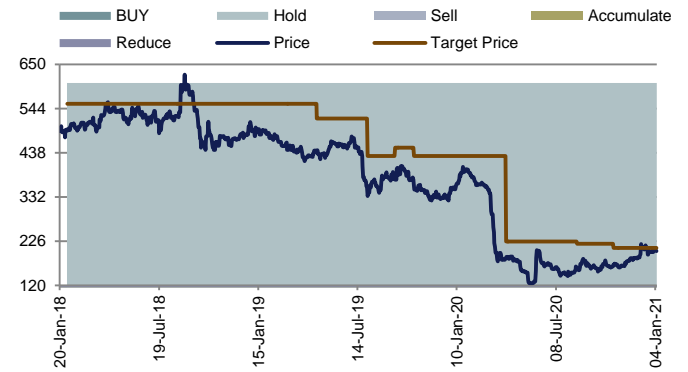
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
20-Oct-20	170	210	12m	Hold	Ashit Desai
15-Aug-20	163	220	12m	Hold	Ashit Desai
17-Jun-20	165	225	12m	Hold	Ashit Desai
14-Apr-20	184	225	12m	Hold	Ashit Desai
08-Apr-20	187	225	12m	Hold	Ashit Desai
03-Feb-20	389	430	12m	Hold	Ashit Desai
25-Dec-19	326	430	12m	Hold	Ashit Desai
24-Oct-19	356	430	12m	Hold	Ashit Desai
20-Sep-19	374	450	12m	Hold	Ashit Desai
01-Aug-19	334	430	12m	Hold	Ashit Desai
01-May-19	438	520	12m	Hold	Ashit Desai
09-Apr-19	418	555	12m	Hold	Ashit Desai
31-Jan-19	485	555	12m	Hold	Ashit Desai
30-Apr-18	536	555	12m	Hold	Sameep Kasbekar
02-Feb-18	491	555	12m	Hold	Sameep Kasbekar

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Consumer Goods & Retail



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Sector

Consumer Goods & Retail

Analyst bio

Ashit Desai holds a PGDM and FRM (US GARP) with 12 years of research experience on the sell side. His team currently covers 24 stocks in the Indian Consumer and Retail space.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
Consumer Goods & Retail	11.18	11.18	0%	0	100.00
Asian Paints	1.45	0.61	-58%	-84	5.44
Berger Paints	0.23	0.00	-100%	-23	0.00
Britannia Industries	0.53	0.68	28%	15	6.05
Colgate-Palmolive	0.26	0.30	17%	4	2.71
Dabur India	0.38	0.43	14%	5	3.87
Emami	0.12	0.00	-100%	-12	0.00
Godrej Consumer Products	0.37	0.00	-100%	-37	0.00
Hindustan Unilever	2.61	2.19	-16%	-42	19.63
ITC	2.37	2.56	8%	20	22.93
Marico	0.27	0.30	13%	4	2.71
Nestle India	0.79	0.63	-20%	-16	5.66
Pidilite Industries	0.33	0.00	-100%	-33	0.00
Radico Khaitan	0.00	0.37	NA	37	3.31
United Breweries	0.11	0.61	451%	50	5.45
United Spirits	0.00	0.45	NA	45	4.07
Varun Beverages	0.11	0.24	126%	13	2.14
ABFRL	0.07	0.27	290%	20	2.43
Jubilant FoodWorks	0.21	0.22	7%	1	2.01
Page Industries	0.20	0.23	12%	2	2.01
Shoppers Stop	0.00	0.00	NA	0	0.00
Titan Company	0.77	1.07	40%	31	9.58
Cash	0.00	0.00	NA	0	0.00

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

	Base					Latest
	01-Apr-19	17-Jan-20	17-Jul-20	16-Oct-20	16-Dec-20	15-Jan-21
EAP - Consumer Goods & Retail	100.0	109.9	106.2	102.9	120.4	122.0
BSE200 Neutral Weighted Portfolio (ETF)	100.0	104.0	100.5	99.2	115.8	117.2

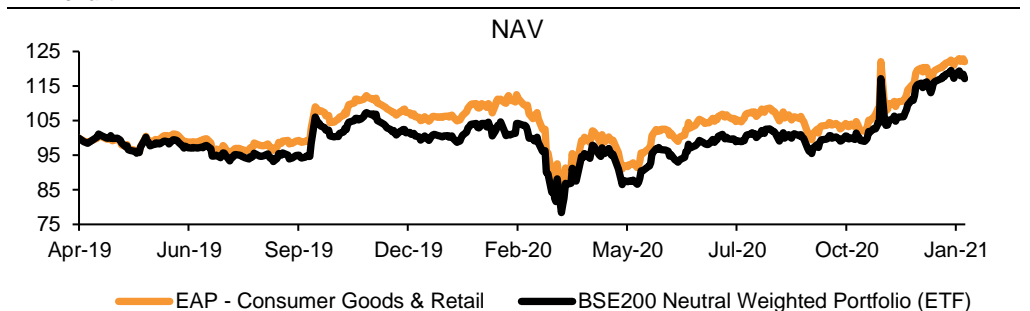
*Performance measurement base date 1st April 2019 | Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Consumer Goods & Retail	1.4%	18.5%	14.9%	11.1%
BSE200 Neutral Weighted Portfolio (ETF)	1.2%	18.2%	16.6%	12.7%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

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