

Shoppers Stop

Estimate change 

TP change 

Rating change 

Bloomberg	SHOP IN
Equity Shares (m)	110
M.Cap.(INRb)/(USD\$b)	68.8 / 0.8
52-Week Range (INR)	944 / 574
1, 6, 12 Rel. Per (%)	10/-19/-16
12M Avg Val (INR M)	92

Financials & Valuations Stand (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	42.1	45.1	50.0
EBITDA	7.1	7.0	8.1
Adj. PAT	0.6	0.1	0.1
EBITDA Margin (%)	16.9	15.6	16.3
Adj. EPS (INR)	5.5	0.8	0.6
EPS Gr. (%)	-50.1	-85.6	-21.5
BV/Sh. (INR)	29.5	39.8	40.7

Ratios

Net D:E	8.2	8.7	11.1
RoE (%)	21.8	2.7	2.0
RoCE (%)	8.6	6.0	5.8
Payout (%)	0.0	0.0	0.0

Valuations

P/E (x)	112.3	780.4	994.0
EV/EBITDA (x)	13.4	13.8	13.0
EV/Sales (x)	2.3	2.2	2.1
Div. Yield (%)	0.0	0.0	0.0

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	65.6	65.6	65.6
DII	25.3	22.7	22.0
FII	3.3	7.1	6.9
Others	5.8	4.7	5.6

FII includes depository receipts

CMP: INR625

TP: INR700 (+12%)

Neutral

Growth improves slightly; INTUNE ramp-up key trigger

- Shoppers Stop (SHOP) reported in-line results, with a slight pick-up in revenue growth (+9% YoY) on 4% LFL growth (-4% YoY in 2Q).
- EBITDA rose 11% YoY, driven by higher gross margins on lower write-offs and improved intake margins in private brands.
- The management reiterated its guidance of maintaining ~5% LFL for 2HFY25 (4% in 3Q), supported by a higher number of weddings, and expects to open ~32 stores in 4Q (6 Department, 26 INTUNE).
- SHOP has aggressive store expansion plans for its fast fashion format, INTUNE (90-100 store openings in FY26), with break-even targeted by 3Q-4QFY26. We believe the ramp-up in INTUNE will remain the key trigger.
- Our FY25-26 revenue/EBITDA estimates are broadly unchanged. We build in ~10% revenue/EBITDA CAGR for SHOP over FY24-27E.
- We value SHOP at 12x Mar'27E EV/EBITDA to arrive at our TP of INR700 (earlier INR670). **Reiterate Neutral.**

In-line results, slight pick-up in growth

- SHOP's standalone revenue grew 9% YoY to INR13.1b (in-line, 4% YoY in 2Q) driven by 4% LFL growth, while net store additions remained muted.
- The company added 1 Department store (closed 4), 6 Beauty stores (closed 8), and 9 INTUNE stores. The respective store counts stand at 109, 85, and 59, bringing the total store count to 284 (net addition of 4 stores QoQ).
- Gross profit was up 11% YoY to INR5.3b (in-line), as gross margins expanded ~90bp YoY to 40.7%, driven by higher intake margins in private brands, lower write-offs, and optimized markdowns.
- Employee cost/other expenses increased 10%/11% YoY.
- EBITDA rose 11% YoY to INR2.4b (in-line) as EBITDA margins expanded 45bp YoY to 18.3%. This was driven by gross margin expansion, which was partly offset by other expenses.
- SHOP generated **INR1.1b EBITDA (Pre-Ind-AS) for 3QFY25**, with pre-Ind-AS margin **expanding 100bp YoY to 7.8%**.
- Depreciation and interest costs were up 16%/12% YoY.
- Reported PAT came in at INR488m (vs. est. of INR408m), primarily driven by higher other income.
- Net debt declined INR0.8b QoQ to INR0.9b.

INTUNE continues to ramp up; slight moderation in the Beauty segment

- Revenue from INTUNE stood at INR630m (vs. INR410m QoQ), with its presence expanding to 59 stores (vs. 50 QoQ). The company expects to open 26 INTUNE stores in 4Q.
- Private Brands revenue declined ~2% YoY to INR1.9b (vs. 15% YoY decline in 2Q).
- The Beauty segment reported modest ~3% YoY revenue growth to INR2.7b (excl. the distribution channel) and 6% YoY growth (incl. the distribution channel).

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

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Highlights from the management commentary

- **Demand trends:** Demand trends in 3QFY25 were mixed, with strong LFL growth in October driven by the festive season, followed by a weak November. Management indicated that demand trends in Dec'24 were below expectations for most retailers. Discretionary spending remained subdued, though slightly better than 2QFY25.
- **Demand outlook:** Management reiterated its guidance of ~5% LFL growth in 2HFY25 (delivered 4% LFL in 3Q), driven by the wedding season. SHOP expects to sustain ~5% LFL over the medium term, supported by its customer-relevant campaigns.
- **Store openings:** SHOP plans to open 32 stores in Q4 across all formats (6 Department/26 INTUNE). Management noted that ~11 INTUNE stores could not be opened in 3QFY25 due to the GRAP order banning construction in Delhi NCR. For FY26, the company aims to add gross 12-15 Department stores (closure of 2-3) and ~80-90 INTUNE stores.
- **INTUNE:** Management indicated that INTUNE is closer to store EBITDA breakeven at current store productivity levels of ~INR9k/sq ft. Mature stores (>6 months) are at ~25% higher productivity levels. 3QFY25 was the first winter season for most INTUNE stores, so the company was conservative on the availability of winter wear, which pulled down productivity. However, overall trends remained positive. SHOP expects to achieve complete breakeven for INTUNE by 3QFY26/4QFY26.

Valuation and view

- SHOP's focus on: 1) opening smaller stores (30k sq ft vs. existing average of 50k sq ft) to improve store efficiency; 2) rationalizing unprofitable stores; 3) reviving private label brands; 4) focusing on the high-growth and margin-accretive Beauty segment; and 5) an aggressive store ramp-up in INTUNE, could help sustain growth amid the weak discretionary demand environment.
- SHOP has aggressive store expansion plans for its fast fashion format, INTUNE (90-100 store openings in FY26), with break-even expected by 3Q-4QFY26. We believe the ramp-up in INTUNE will remain a key trigger. However, expanding design and private label merchandising capabilities in INTUNE will be crucial to enhance its value proposition.
- Our FY25-26 revenue/EBITDA estimates are broadly unchanged. We build in ~10% revenue/EBITDA CAGR for SHOP over FY24-27E.
- We value SHOP at 12x Mar'27E EV/EBITDA (earlier Dec'26E EV/EBITDA) to arrive at our TP of INR700 (earlier INR675). **Reiterate Neutral.**

Standalone - Quarterly Earning Model

(INR m)

Y/E March	FY24				FY25				FY24	FY25E	FY25	Est. Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Total Revenue from Operations	9,816	10,252	12,068	9,997	10,337	10,681	13,115	10,961	42,132	45,094	12,938	1
YoY Change (%)	4.2	1.7	6.6	9.1	5.3	4.2	8.7	9.6	5.4	7.0		
Total Expenditure	8,093	8,654	9,914	8,356	8,916	9,213	10,715	9,205	35,016	38,050	10,570	1
EBITDA	1,723	1,598	2,154	1,641	1,421	1,468	2,399	1,756	7,116	7,044	2,368	1
EBITDA Margin (%)	17.6	15.6	17.8	16.4	13.7	13.7	18.3	16.0	16.9	15.6	18.3	(0)
Depreciation	1,050	1,081	1,112	1,118	1,167	1,214	1,293	1,298	4,361	4,971	1,262	2
Interest	541	548	579	568	604	638	647	502	2,236	2,391	658	-2
Other Income	73	105	33	346	35	97	223	76	557	432	98	127
PBT before EO expense	204	74	496	301	-314	-286	682	32	1,076	114	545	25
Extra-Ord expense	0	-49	0	-16	0	-21	0	0	-65	0	0	
PBT	204	25	496	285	-314	-307	682	32	1,011	114	545	25
Tax	55	8	141	69	-89	-87	195	8	272	26	137	
Rate (%)	26.9	29.9	28.3	24.2	28.4	28.3	28.5	25.2	26.9	23.3	25.2	
Reported PAT	149	18	356	216	-225	-220	488	24	739	87	408	20
Adj PAT	149	52	356	48	-225	-199	488	24	605	87	408	20
YoY Change (%)	-34.4	-74.1	-42.7	-70.5	-250.7	-482.6	37.2	-50.1	-50.1	-85.6	-34.3	

E: MOFSL Estimates

Exhibit 1: Valuation based on Mar'27E EV/EBITDA

	Methodology	Driver (INR b)	Multiple	Fair Value (INR b)	Value/sh (INR)
Enterprise Value	EV/EBITDA	9.5	12	114	1,043
Less Net debt				38	343
Equity Value				77	700
Shares o/s (m)				110	
CMP (INR)					618
Upside (%)					13

Source: MOFSL, Company



Highlights from the management commentary

- **Demand trends:** Demand trends in 3QFY25 were mixed, with strong LFL growth in October driven by the festive season, followed by a weak November. Management indicated that demand trends in Dec'24 were below expectations for most retailers. Discretionary spending remained subdued, though slightly better than 2QFY25.
- **Demand outlook:** Management reiterated its guidance for ~5% LFL growth in 2HFY25 (delivered 4% LFL in 3Q), driven by the wedding season. SHOP expects to **sustain** ~5% LFL over the medium term, supported by its customer-relevant campaigns.
- **Store openings:** SHOP plans to open 32 stores in Q4 across all formats (6 Department/26 INTUNE). Management noted that ~11 INTUNE stores could not be opened in 3QFY25 due to the GRAP order banning construction in Delhi NCR. For FY26, the company aims to add gross 12-15 Department stores (closure of 2-3) and ~80-90 INTUNE stores.
- **Store closures:** Management noted that store rationalization is an important aspect of **retail** in line with demand/market trends. However, a large part of the company's store rationalization was completed in 3Q.
- **INTUNE:** Management indicated that INTUNE is closer to store EBITDA breakeven at current store productivity levels of ~INR9k/sq ft. Mature stores (>6 months) are at ~25% higher productivity levels. 3QFY25 was the first winter season for most INTUNE stores, so the company was conservative on the availability of winter wear, which pulled down productivity. However, overall trends remained positive. SHOP expects to achieve complete breakeven in INTUNE by 3QFY26/4QFY26.
- **INTUNE store economics:** A typical INTUNE store is ~5k sq ft in size, with 6-8 weeks of **inventory**. At current store productivity, the store payback period is ~3 years, which management expects to further reduce as store productivity improves.
- **Premiumization:** There has been a consistent progress on premiumization over the last 18 months, with contribution of premium products to the overall mix rising to 64% (vs 54% in 1QFY24). To ride the premiumization wave, the company has been adding new brands, such as D&G, Jimmy Choo, Gant, A|X, etc.
- **Beauty segment:** Beauty remains a strategic pillar for the company, with its **contribution** to the SHOP's revenue mix on the rise. During 3Q, there was some softness in the Beauty segment, especially in the masstige category. However, the company remains focused on sustainable long-term growth rather than relying on discount-led customer acquisition strategy. The company has stepped up its beauty distribution and launched same-day delivery from two of its stores.
- **Capex guidance:** Expect FY25 overall capex of INR2.3b (including INR200m for a warehouse in **Bhiwandi**). However, working capital is expected to remain similar, except for a slight increase due to the ramp-up of INTUNE.

Exhibit 2: Standalone quarterly performance (INR m)

Standalone P&L (INR m)	3QFY24	2QFY25	3QFY25	YoY%	QoQ%	3QFY25E	v/s Est (%)
Total Revenue	12,068	10,681	13,115	9	23	12,938	1
Raw Material cost	7,272	6,423	7,783	7	21	7,698	1
Gross Profit	4,796	4,259	5,332	11	25	5,240	2
Gross margin (%)	39.7	39.9	40.7	92	79	40.5	16
Employee Costs	964	1,014	1,064	10	5	1,035	3
SGA Expenses	1,678	1,777	1,869	11	5	1,837	2
EBITDA	2,154	1,468	2,399	11	63	2,368	1
EBITDA margin (%)	17.8	13.7	18.3	45	455	18.3	-1
Depreciation and amortization	1,112	1,214	1,293	16	7	1,262	2
EBIT	1,042	254	1,106	6	335	1,105	0
EBIT margin (%)	8.6	2.4	8.4	-19.7	605.2	8.5	-11
Finance Costs	579	638	647	12	1	658	-2
Other income	33	97	223	568	130	98	127
Exceptional item	0	-21	0	NM	NM	0	NM
Profit before Tax	496	-307	682	NM	NM	545	25
Tax	141	-87	195	NM	NM	137	42
Tax rate (%)	28.3	28.3	28.5	16.7	22.5	25.2	332
Profit after Tax	356	-220	488	37	NM	408	20
Adj Profit after Tax	356	-199	488	37	NM	408	20

Source: MOFSL, Company

Exhibit 3: Standalone estimate revision summary

Standalone performance	FY25E	FY26E	FY27E
Revenue (INR m)			
Old	44,752	49,938	55,469
Actual/New	45,094	50,044	55,995
Change (%)	0.8	0.2	0.9
EBITDA (INR m)			
Old	6,892	8,323	10,154
Actual/New	7,044	8,142	9,517
Change (%)	2.2	-2.2	-6.3
EBITDA margin (%)			
Old	15.4	16.7	18.3
Actual/New	15.6	16.3	17.0
Change (bp)	22	-40	-131
Net Profit (INR m)			
Old	-190	7	714
Actual/New	87	68	520
Change (%)	n/m	n/m	-27.1
EPS (INR)			
Old	-1.7	0.1	6.5
Actual/New	0.8	0.6	4.7
Change (%)	n/m	n/m	-27.1

Story in charts

Exhibit 4: Standalone revenue increased 9% YoY

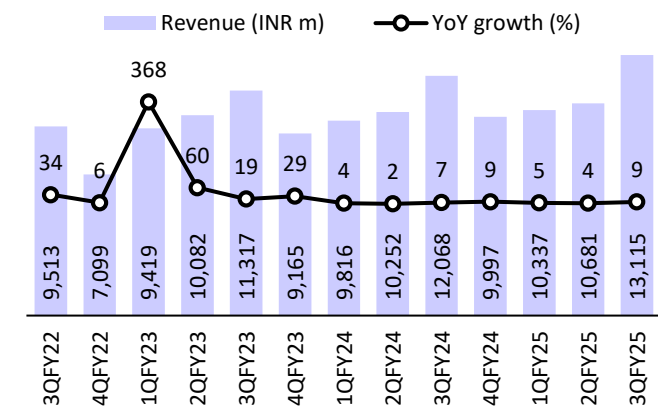


Exhibit 5: GM expanded ~90bp YoY

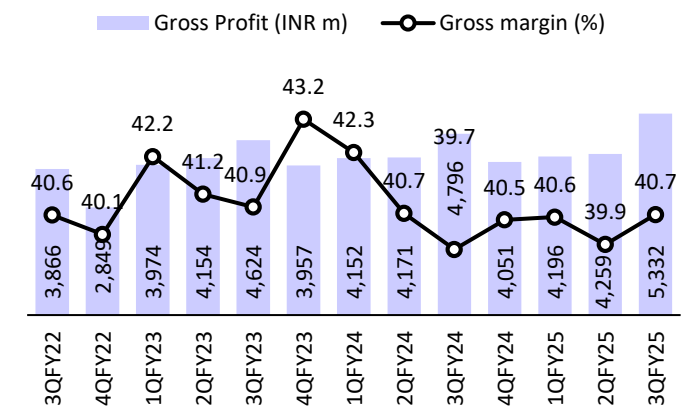


Exhibit 6: Standalone EBITDA margin expanded ~45bp YoY

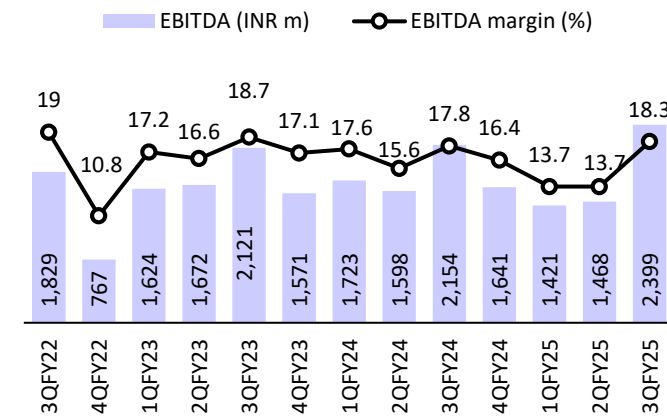


Exhibit 7: As a result, PAT improved sharply

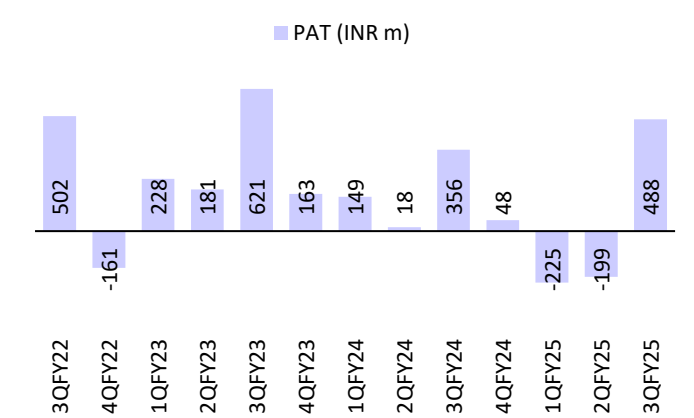


Exhibit 8: Beauty store count stood at 146, including SIS

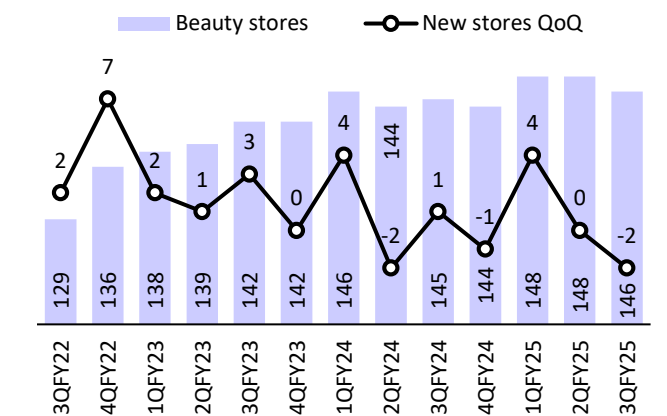


Exhibit 9: Closed net three department stores

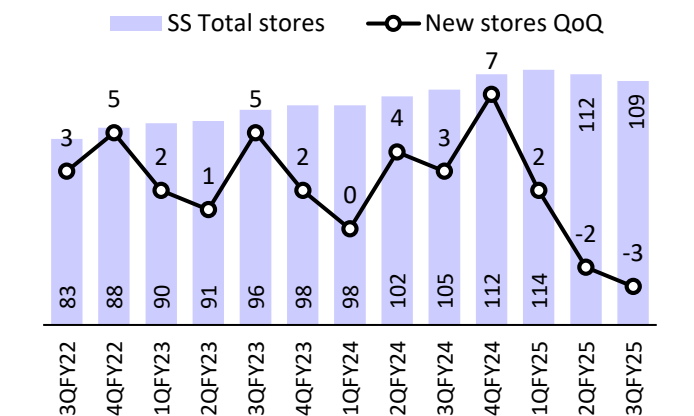


Exhibit 10: Strong growth in INTUNE revenue

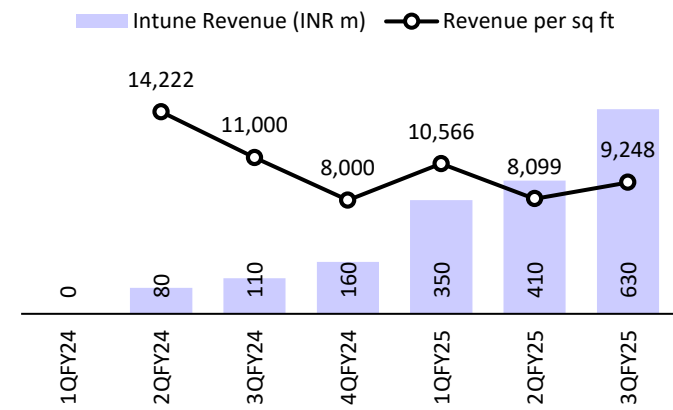


Exhibit 11: Strong pace of store expansion continues

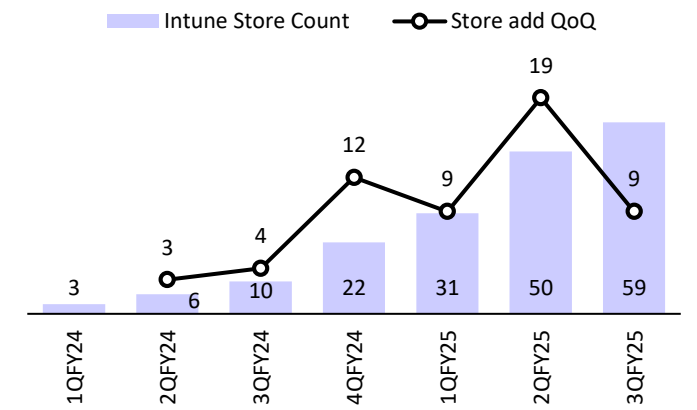
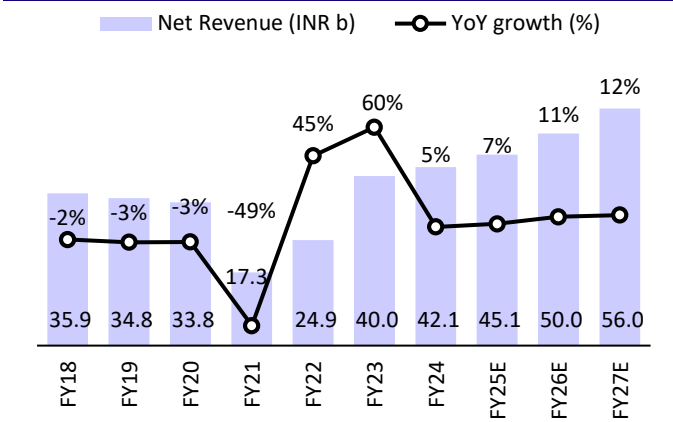
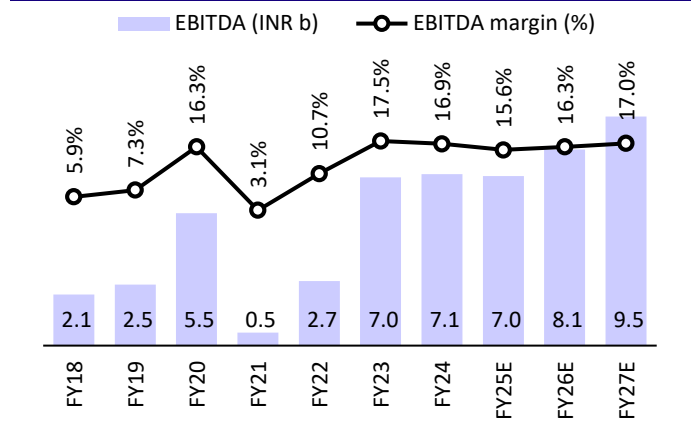


Exhibit 12: Expect ~10% revenue CAGR over FY24-27



Source: MOFSL, Company

Exhibit 13: Expect EBITDA margin to expand gradually



Source: MOFSL, Company

Standalone financials and valuations

Standalone - Income Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	33,810	17,251	24,938	39,984	42,132	45,094	50,044	55,995
Change (%)	-2.9	-49.0	44.6	60.3	5.4	7.0	11.0	11.9
Raw Materials	19,676	10,651	15,034	23,274	24,963	26,853	29,526	32,578
Employees Cost	3,219	2,575	2,693	3,493	3,818	4,162	4,744	5,361
Lease Rentals	560	0	0	0	0	0	0	0
Other Expenses	4,860	3,492	4,536	6,229	6,235	7,035	7,632	8,539
Total Expenditure	28,315	16,717	22,263	32,996	35,016	38,050	41,902	46,479
% of Sales	83.7	96.9	89.3	82.5	83.1	84.4	83.7	83.0
EBITDA	5,494	534	2,675	6,988	7,116	7,044	8,142	9,517
Margin (%)	16.3	3.1	10.7	17.5	16.9	15.6	16.3	17.0
Depreciation	4,392	3,847	3,520	3,816	4,361	4,971	5,619	6,248
EBIT	1,102	-3,313	-844	3,172	2,754	2,073	2,523	3,268
Int. and Finance Charges	1,944	2,200	2,054	2,092	2,236	2,391	2,885	3,049
Other Income	335	2,188	1,661	561	557	432	453	476
PBT bef. EO Exp.	-507	-3,325	-1,238	1,641	1,076	114	91	696
EO Items	-200	-224	-150	-20	-65	0	0	0
PBT after EO Exp.	-707	-3,549	-1,388	1,621	1,011	114	91	696
Total Tax	703	-797	-521	429	272	26	23	175
Tax Rate (%)	-99.5	22.5	37.5	26.4	26.9	23.3	25.2	25.2
Minority Interest	0	0	0	0	0	0	0	0
Reported PAT	-1,409	-2,752	-867	1,192	739	87	68	520
Adjusted PAT	-1,609	-2,976	-717	1,212	605	87	68	520
Change (%)	-260.8	84.9	-75.9	-269.2	-50.1	-85.6	-21.5	660.8
Margin (%)	-4.8	-17.3	-2.9	3.0	1.4	0.2	0.1	0.9

Standalone - Balance Sheet

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	440	547	548	548	550	550	550	550
Total Reserves	926	1,270	435	1,771	2,690	2,777	2,845	3,365
Net Worth	1,366	1,817	983	2,320	3,240	3,327	3,395	3,915
Total Loans	21,915	20,054	20,934	23,527	27,317	30,338	40,197	50,290
Lease Liabilities	20,678	19,116	18,995	22,487	26,069	26,069	26,069	26,069
Deferred Tax Liabilities	-2,641	-3,424	-3,740	-3,312	-3,043	-3,043	-3,043	-3,043
Capital Employed	20,640	18,447	18,177	22,535	27,513	30,621	40,549	51,162
Gross Block	11,457	11,923	14,913	12,080	13,545	15,872	18,705	21,607
Less: Accum. Deprn.	5,930	6,912	10,432	7,469	8,097	9,587	11,337	13,377
Net Fixed Assets	5,527	5,011	4,481	4,612	5,448	6,285	7,368	8,230
Right to use assets	13,257	12,096	12,764	16,361	20,299	23,298	33,205	43,874
Capital WIP	443	29	140	339	211	339	339	339
Total Investments	2,057	1,279	1,464	734	554	554	554	554
Curr. Assets, Loans&Adv.	16,727	13,902	15,240	20,629	22,831	23,951	24,880	26,225
Inventory	12,239	8,472	10,075	14,863	16,153	16,061	15,082	16,875
Account Receivables	351	348	382	304	703	753	835	935
Cash and Bank Balance	13	416	321	254	162	921	2,063	695
Loans and Advances	4,125	4,666	4,462	5,208	5,813	6,217	6,899	7,720
Curr. Liability & Prov.	17,370	13,870	15,913	20,139	21,830	23,806	25,797	28,060
Account Payables	14,967	11,399	14,419	18,259	19,547	21,336	23,055	24,991
Other Current Liabilities	2,295	2,409	1,409	1,841	2,283	2,471	2,742	3,068
Provisions	108	62	86	39	0	0	0	0
Net Current Assets	-643	32	-673	490	1,001	145	-917	-1,835
Appl. of Funds	20,640	18,447	18,177	22,535	27,513	30,621	40,549	51,162

Standalone financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)								
EPS	-14.6	-27.1	-6.5	11.0	5.5	0.8	0.6	4.7
Cash EPS	25.3	7.9	25.5	45.7	45.2	60.6	68.1	81.1
BV/Share	12.4	16.5	8.9	21.1	29.5	39.8	40.7	46.9
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)								
P/E	-42.2	-22.8	-94.8	56.1	112.3	780.4	994.0	130.7
Cash P/E	24.4	78.1	24.3	13.5	13.7	10.2	9.1	7.6
P/BV	49.7	37.4	69.2	29.3	21.0	15.5	15.2	13.2
EV/Sales	2.3	5.1	3.5	2.3	2.3	2.2	2.1	2.1
EV/EBITDA	13.9	163.5	33.0	13.0	13.4	13.8	13.0	12.4
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	43.8	-6.6	25.8	38.1	40.5	57.3	68.1	54.5
Return Ratios (%)								
RoE	-28.9	-187.0	-51.2	73.4	21.8	2.7	2.0	14.2
RoCE	17.3	-3.9	2.3	11.5	8.6	6.0	5.8	5.7
RoIC	18.2	-14.7	-3.2	12.5	8.4	5.7	5.7	5.6
Working Capital Ratios								
Fixed Asset Turnover (x)	3.0	1.4	1.7	3.3	3.1	2.8	2.7	2.6
Asset Turnover (x)	1.6	0.9	1.4	1.8	1.5	1.5	1.2	1.1
Inventory (Days)	132	179	147	136	140	130	110	110
Debtor (Days)	4	7	6	3	6	6	6	6
Creditor (Days)	162	241	211	167	169	173	168	163
Leverage Ratio (x)								
Current Ratio	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.9
Interest Cover Ratio	0.6	-1.5	-0.4	1.5	1.2	0.9	0.9	1.1
Net Debt/Equity	14.5	10.1	19.5	9.7	8.2	8.7	11.1	12.5

Standalone - Cash Flow Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	-707	-3,549	-1,388	1,621	1,011	114	91	696
Depreciation	4,392	3,847	3,520	3,816	4,361	4,971	5,619	6,248
Interest & Finance Charges	1,944	2,200	2,054	2,092	2,236	2,391	2,885	3,049
Direct Taxes Paid	-422	124	210	-36	53	-26	-23	-175
(Inc)/Dec in WC	538	-575	899	-1,683	-1,116	1,615	2,204	-450
CF from Operations	5,745	2,046	5,295	5,810	6,544	9,064	10,776	9,367
Others	-101	-1,948	-1,403	-188	-381	-432	-453	-476
CF from Operating incl EO	5,644	99	3,892	5,622	6,164	8,632	10,323	8,891
(Inc)/Dec in FA	-1,786	-823	-1,067	-1,444	-1,712	-2,327	-2,833	-2,902
Free Cash Flow	3,858	-724	2,824	4,178	4,452	6,305	7,490	5,989
(Pur)/Sale of Investments	-1,033	578	-55	796	332	0	0	0
Others	421	-721	-666	-365	-391	-101	48	71
CF from Investments	-2,397	-965	-1,788	-1,013	-1,772	-2,428	-2,785	-2,831
Issue of Shares	0	2,960	25	27	98	0	0	0
Inc/(Dec) in Debt	-400	1,500	-773	-1,102	-26	0	-300	-300
Interest Paid	-1,944	-2,195	-2,056	-2,094	-2,233	-2,391	-2,885	-3,049
Dividend Paid	-80	0	0	0	0	0	0	0
Others	-1,809	-558	0	-2,203	-2,816	-3,459	-3,616	-4,484
CF from Fin. Activity	-4,232	1,707	-2,804	-5,372	-4,977	-5,850	-6,801	-7,833
Inc/Dec of Cash	-986	841	-701	-763	-585	354	737	-1,773
Opening Balance	998	-425	1,022	1,017	747	567	1,326	2,468
Closing Balance	12	416	321	254	162	921	2,063	695

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NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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