



## Result Update @ Dalal & Broacha

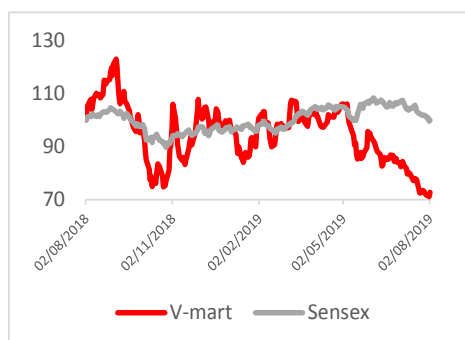
### SELL

Current Price	1800
52 Week Range	1750/3298
Target Price	1671
Upside/Downside	-7%

### Key Share Data

Market Cap (Rs.bn)	32.67
Market Cap (US\$ mn)	463.4
No of o/s shares (mn)	18.1
Face Value	10.0
Monthly Avg.	
vol(BSE+NSE) Nos'000	7.07
BSE Code	534976
NSE Code	VMART
Bloomberg	VMART IN

### Price performance



### % Shareholding

	Jun-19	Mar-19
Promoters	52.46	52.99
Public	47.54	47.01
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

### V-mart Retail Ltd Q1FY20 revenues beat estimates but PAT disappoints

**Revenues:** 25.3+% Y-o-Y to Rs.4526.87mn v/s Rs.3612.01Mn;

**Stores:** 227 stores as against 179 stores grew by 27% YoY; Stores added 13 Q-o-Q/ 48 stores YoY

**Employee cost** +32% Y-o-Y to Rs 373.03mn on account of higher store openings and additional Rs.8.76mn on account of cost of employee stock options granted

### As % to Revenue (Pre IND-AS 116)

Raw Material Costs: 69.41% as against 66.4%

Other Expense: flat at 13.8% as against 13.8% YoY

**Comparable EBITDA (Pre-IND-AS 116):** de-growth of 10.4% to Rs.387.03mn as against Rs.432.18mn/Margins: 8.5% as against 12%

**Reported EBIDTA:** grew by 33% to Rs 577.95mn vs Rs.432.18Mn  
EBIDTA margins at 12.8% as against 12% y-o-y

**Depreciation:** +235.9% to Rs. 220mn (IND-AS116 amount: Rs. 140.33mn, comparable amount: Rs. 79.67 as against 65.5)

**Finance Cost:** +5960.1% to Rs. 119.9mn (IND-AS116 amount: Rs. 1184.54mn, comparable amount: Rs. 1.54mn as against 1.98)

**Reported PBT:** de growth of 30.7% to Rs. 258.84mn

**PBT (Ex-IND-AS116):** de growth of 11% to Rs. 332.58mn

**Tax Rate on reported PBT:** 32% v/s 33.5%

**Reported PAT:** de grew by 29.2% to Rs. 175.97mn

**EPS on reported PAT:** Rs. 9.71 v/s Rs.13.74

### V-Mart Q1FY20 Conference call KTA

1. Company attained 5% SSG and 6% Volume growth
2. Retail space increased by 25% y-o-y to 1.88mn sq.ft/increased by 5% q-o-q

### Financials (Rs. Mn)

Year	Op Income	% Growth	EBIDTA	OPM%	PAT	% Growth	EPS	PE (x)	ROE%	ROCE%
FY17	10,017.3	23.8%	847.8	8.5%	439.3	64.6%	24.3	74.0	16.3	21.7
FY18	12,223.7	22.0%	1,328.0	10.9%	762.3	73.5%	42.1	42.7	21.9	31.6
FY19	14,337.5	17.3%	1,328.6	9.3%	657.2	-13.8%	36.3	49.7	16.1	25.7
FY20E	17,043.6	18.9%	1,414.2	8.3%	732.6	11.5%	40.4	44.5	15.3	22.3
FY21E	20,345.8	19.4%	1,719.4	8.5%	882.9	20.5%	48.7	37.0	15.7	22.9



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3. Has witnessed low spending in rural areas, consumer confidence is down/income levels are not impacted
4. Gross Profit Margin was impacted due to early start to end of season sale and higher consumer offers
5. Contribution of Private label to revenues stood at 67%/target maximum contribution of private labels is 75%
6. Shrinkage reduced from 1.3% to 1% Y-o-Y
7. Reduced Inventory days from 76 days to 66 days
8. Growth was broad based/U.P and Bihar grew fastest out of all states V-Mart is present in
9. Full year volume growth is expected to be 5-8%/In Q4FY19 guidance of 7-8% volume growth was given

**Outlook:** V-mart has stated that raw material cost would remain elevated throughout the year as the company will have more consumer offers. Advertisement and sales promotion expense will also be higher in the coming 3 quarters to reap benefits of the upcoming festive seasons. The company's sudden acceleration in store openings (55 v/s earlier expectations of 30-35) coupled with more consumer offers is an effort to counter the growing competition by national players such as Trent and ABFRL with their mass market brands and as such believe in the short to medium term the margins would remain under pressure.

**Valuation:** We reduce our revenue estimates by 3% and 2% in FY20 & FY21 on account of a lower volume growth of 6% compared to 8% earlier and expect lower gross margins as per management commentary. As per new estimates, at CMP of Rs. 1800, the stock on P/E basis is trading at 44.5x and 37x FY20e & FY21e earnings of Rs. 40.4 and Rs. 48.7.

On weighted average basis, we assign a P/E multiple of 30x FY21e earnings (with 70% weight) and 22x FY21e EV/EBITDA (with weight of 30%) arriving at a target price of Rs. 1671 i.e. downside of 7%. **We Maintain SELL on the stock.**



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