



V-Mart's results in-line with expectations || current nos include acquisition of Arvind Life stores_

- **Revenue:** up by 92.6% YoY to Rs 3379.7mn QoQ +91% (+8% over 2FY20) *(includes 1 month sale of 74-retail stores purchased from Arvind Lifestyle)*
- **EBITDA:** at Rs 206.5mn v/s loss of Rs 3.4mn YoY and loss of Rs 19.6mn QoQ (Q2FY20 was +ve 113.19mn)
- **EBIDTA margins stood at 6.1% v/s loss YoY and QoQ loss** (Q2FY20 EBIDTA margins were at 3.6%)
- **PBT:** loss of Rs 194.5mn v/s loss of Rs 257.36mn YoY (loss of Rs 385mn QoQ (Q2FY20 was loss of Rs 229mn)
- **PAT:** loss stood at Rs 141.45mn (as deferred tax credit stood at Rs 53mn) v/s loss of Rs 189.6mn YoY and loss of Rs 180mn in Q2FY20

Expenses as a % of sales

- **RM:** to Revenue stood 69.3% v/s 71.24% YoY and 69% QoQ
- **Other expenses:** 12.3% v/s 12% YoY and 13.3% QoQ
- **Employee Costs:** increased YoY by 39% to Rs. 416mn +24% QoQ on account of acquisition *(Rs 19.5mn for employee stock option has been recorded as employee benefit expenses)*
- **Depreciation:** grew by 6% YoY to Rs. 273mn (QoQ +7%)
- **Finance Cost:** grew by 15% YoY to Rs. 169mn (QoQ +9%)
- Rental concession stood at Rs 83.3mn v/s 167.4mn YoY

Other Key Takeaways

- Footfalls at 1.9x YoY and 80%of Q2FY20.
- Conversion rate increased to 64.6% v/s 60%
- SSG in Sept-quarter for mature stores was ~85%

Outlook

- Week over week demand improving. During Diwali mature stores recovered 100%. Revenue (ex of acquisition) grew by 1% over pre pandemic.
- Apparel buying has normalized with footfalls recovering to 80% of pre-pandemic levels
- Integration of acquired stores from Arvind going well, clocked revenue of Rs 230mn in Q2FY22 (i.e.1 month sale). V-mart kind of profitability will take some time.
- Cost pressure from cotton price rise and expected GST rate change (especially its impact on existing inventory) are medium term challenges

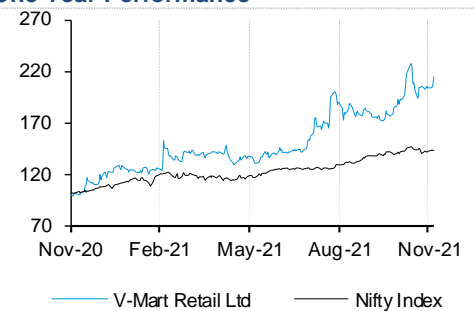
Rating	TP (Rs)	Up/Dn (%)
Partial Profit Booking	3,840	-10

Market data

Current price	Rs	4,248
Market Cap (Rs.Bn)	(Rs Bn)	84
Market Cap (US\$ Mn)	(US\$ Mn)	1,132
Face Value	Rs	10
52 Weeks High/Low	Rs	4,620/1,950
Average Daily Volume	('000)	40
BSE Code		534976
Bloomberg		VMART.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Sep-21	Jun-21
Promoters	46.44	44.66
Public	53.56	53.34
Total	100	100

Source: BSE

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Financial Summary

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net sales	14,337	16,620	10,755	16,512	26,618
Adjusted net profit	657	494	(62)	472	1,026
Free cash flow	332	227	469	(1,019)	2,090
EPS (Rs)	36.3	27.2	(3.1)	23.9	52.0
growth (%)		-25%	NA	NA	118%
P/E (x)	116.4	155.1	(1,340.4)	176.6	81.2
P/B (x)	18.7	16.7	10.1	9.6	8.6
EV/EBITDA (x)	57.5	38.2	67.5	40.3	25.1
D/E	0.0	0.0	-	0.0	0.0
RoCE (%)	25.7	26.1	3.4	13.2	20.8
RoE (%)	16.1	10.8	(0.8)	5.4	10.6
Dividend yield (%)	0.0	0.0	-	-	0.0

Source: Company

Conference Call Key Takeaways

DEMAND

- Current Scenario: Week-over-week demand has been improving
- Pre-Winter collection doing well despite at higher price.
- Smaller towns i.e. tier 3 and 4 off take for industry in-general has been slow, as inflation was a relatively heavy for them.
- Shift from un-organised to organized has picked up pace with pandemic.
- Agri-Income and good monsoons hopefully should improve demand in Q3 FY22

Acquired Store Update (74 "Unlimited stores acquired from Arvind)

- Contributed ~ 4.5% on H1FY22 sales at ~Rs 231mn (i.e.1 month sale) || For FY20 full year sales were at Rs 5.3bn
- Process and people integration till date has done well. Understanding Customer behavior in southern market is under process
- V-mart's inventory too is being put for sale in these stores
- No Over-hang of corporate over heads.
- V-mart level of profitability will take sometime

OTHER KTA's

- Inventory management was good. Current inventory @ Rs 5601mn of which Rs 1100mn is for South India stores
- Gross margins remained at similar levels of Q2FY20 on account of price increases, better product mix and lower discounts in EOSS
- Overall ASP increased by 8%, however in case of apparel was 18% YoY as cotton price rose.

DIGITAL Transformation

- Revitalizing Omni channel || Current contribution is 1%
- Plan to bring digital sales up to 5% of total contribution in next 2-3 years with hyper local delivery.

GST Issue

- GST on sale expected to increase to 12%
- Currently on sale 85% items have 5% GST and 15% have 12% GST (as some FMCG products are included)
- With 12% the company will be able to absorb higher input tax credit paid on Capex & services but the worry is getting consumer to pay more for same goods. Also some inventory wherein the input is @ 5% will have to be sold at 12%

Capex trajectory unchanged

- Retail space expansion of 20-25% to continue.
- Current store count at 376 (as on date) || gross additions 24 V-mart 74 Unlimited , and another ~15 stores will be added by year end, thus 40+ stores of V-mart will be added in FY22
- 50 to 60 properties are always under consideration
- H2FY22 Capex ~ Rs 400mn
- Major part of ware house capex in FY23

Quarterly Performance Analysis

Exhibit 1

Particulars (Rs Mns)	Q2FY22	Q2FY21	YoY (%)	Q1FY22	QoQ (%)
Revenue	3379.7	1755.1	93	1774.1	91
Other Income	40.7	150.2	(73)	45.1	(10)
Total	3420.4	1905.2	80	1819.2	88
Total RM Cost	2342.3	1250.3	87	1224.0	91
Gross Profit	1037.5	504.8	106	550.1	89
Employee Cost	416.0	300.2	39	334.3	24
Other Expenses	414.9	208.1	99	235.4	76
Total	3173.2	1758.5	80	1793.7	77
EBIDTA	206.5	-3.4	(6,138)	-19.6	(1,154)
Depreciation	272.5	257.4	6	254.7	7
EBIT	-25.3	-110.7	(77)	-229.3	(89)
Interest Cost	169.2	146.7	15	155.9	9
PBT and exceptional item	-194.5	-257.4	(24)	-385.1	(49)
exceptional item	0.0	0.0		0.0	
PBT	-194.5	-257.4	(24)	-385.1	(49)
Taxes	-53.1	-67.7		-98.0	
Reported PAT	-141.4	-189.6	(25)	-287.1	(51)
EPS	-7.2	-10.4		-14.6	
as a % to sales					
RM	69.3%	71.2%		69.0%	
GPM	30.7%	28.8%		31.0%	
Employee Costs	12.3%	17.1%		18.8%	
Other expenses	12.3%	11.9%		13.3%	
OPM	6.1%	-0.2%		-1.1%	
Tax rate (on PBT)	27.3%	26.3%		25.4%	

Source: Dalal & Broacha Research, Company

Exhibit 2

Particulars	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Stores	264	274	279	282	368
<i>Net Additions</i>	-2	10	5	3	86
Retail Space YTD in lacs Sq feet	22.0	23.0	23.00	23.20	31.99
Sales Per Sq Ft Per Mth In Rs as per Presentation	299	895	569	533	347.00
SSS: Apparel YTD					
- Volume %	-55%	-52%		-66%	
- Value %	-56%	-50%		-66%	
Segment Contribution					
-Fashion (%)	91	92	91	91	91
-Kirana (%)	9	8	9	9	9
Total	100	100	100	100	100

Source: Dalal & Broacha Research, Company

Exhibit 3

Particulars	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
FootFall (lacs)	35	83	72	31	66
Conversion Rate	60%	62%	61.10%	70.70%	64.60%
Average Selling Price (Rs)					
Total (Rs)	183	262	202	193	197
Apparels (Rs.)	254	446	327	295	302
Transaction size (Rs)	844	968	851	848	838
Store Count YTD	264	274	279	282	368
Tier 1	59	63	65	65	100
Tier 2	35	37	37	38	56
Tier 3	138	140	142	143	157
Tier 4	32	34	35	36	55
Store allocation	100%	100%	100%	100%	100%
Tier 1 %	22%	23%	23%	23%	27%
Tier 2 %	13%	14%	13%	13%	15%
Tier 3 %	52%	51%	51%	51%	43%
Tier 4 %	12%	12%	13%	13%	15%

Source: Dalal & Broacha Research, Company

Valuation

Valuation: We have reworked our numbers and for FY22e and FY23e on EV/EBITDA basis, the stock trades at 40.3x and 25.1x respectively. We value the company at 23x EV/EBITDA on FY23 numbers to arrive at a **target price of Rs. 3840**, i.e., 10% lower than CMP of Rs 4170. Our target price of Rs 3725 as per our last update has already been achieved, we **change our recommendation from Accumulate to Partial Profit Booking** in the stock at current levels.

Financial

V-Mart Retail Ltd											
P&L (Rs mn)	FY19	FY20	FY21	FY22E	FY23E	Cash Flow St. (Rs. mn)	FY19	FY20	FY21	FY22E	FY23E
Net Sales	14,337.5	16,620.2	10,754.6	16,511.5	26,617.6	Net Profit	597.5	494.1	(62.0)	471.5	1,025.9
Cost of sales	(13,008.9)	(14,482.7)	(9,442.5)	(14,255.6)	(22,981.5)	Add: Dep. & Amort	276.3	939.2	1,029.7	1,103.1	1,625.2
Operating Profit	1,328.6	2,137.5	1,312.1	2,255.9	3,636.1	Cash profits (Inc)/Dec in					
Depreciation	(276.3)	(939.2)	(1,029.7)	(1,103.1)	(1,625.2)	-Sundry debtors	-	-	-	-	-
PBIT	1,052.3	1,198.3	282.4	1,152.8	2,010.9	-Inventories	(218.7)	(1,489.4)	496.1	(1,597.7)	(2,140.9)
Other income	41.1	45.5	210.4	186.7	121.2	-Loans/advances	(23.9)	(22.6)	(9.8)	126.2	-
Interest	(16.1)	(547.8)	(589.5)	(709.4)	(760.6)	-Current Liab and Provisions	204.0	254.6	(145.0)	1,086.1	1,722.3
Profit before tax	1,077.3	695.9	(96.6)	630.1	1,371.5	- Other Non Current Assets	(89.6)	(8.1)	(794.7)	(609.0)	(60.1)
Exceptional and Extra Ordin:	(98.0)	-	-	-	-	Change in working capital	(128.2)	(1,265.4)	(453.3)	(994.5)	(478.7)
PBT (Post Extra Ordinary)	979.3	695.9	(96.6)	630.1	1,371.5	CF from Oper. activities	745.6	167.9	514.4	580.2	2,172.4
Provision for tax	(381.9)	(201.9)	34.6	(158.6)	(345.6)	CF from Inv. activities	(764.9)	(245.0)	(3,911.5)	(322.8)	(1,750.6)
Reported PAT	597.5	494.1	(62.0)	471.5	1,025.9	CF from Fin. activities	(8.4)	(29.1)	3,621.9	(177.0)	(51.3)
MI	-	-	-	-	-	Cash generated/(utilised)	(27.8)	(106.2)	224.8	80.4	370.4
Adjusted PAT	657.2	494.1	(62.0)	471.5	1,025.9	Cash at start of the year	183.9	156.1	49.9	274.7	310.3
						Cash at end of the year	156.1	49.9	274.7	310.3	725.5
Balance Sheet	FY19	FY20	FY21	FY22E	FY23E	Ratios	FY19	FY20	FY21	FY22E	FY23E
Equity capital	181.3	181.5	197.0	197.3	197.3	OPM	9.3	12.9	12.2	13.7	13.7
Reserves	3,911.4	4,407.8	8,055.2	8,503.1	9,477.7	NPM	4.6	3.0	(0.6)	2.8	3.8
Net worth	4,092.7	4,589.3	8,252.2	8,700.5	9,675.1	Tax rate	(35.4)	(29.0)	(35.8)	(25.2)	(25.2)
Non Current Liabilites	111.3	4,439.6	5,381.3	7,581.4	8,121.8	Growth Ratios (%)					
Current Liabilites	2,114.4	3,207.6	2,631.9	3,850.4	5,610.4	Net Sales	17.3	15.9	(35.3)	53.5	61.2
CAPITAL EMPLOYED	6,318.4	12,236.5	16,265.4	20,132.3	23,407.3	Operating Profit	0.0	60.9	(38.6)	71.9	61.2
Non Current Assets	2,112.3	7,060.6	7,446.2	11,539.3	12,198.1	PBIT	(4.2)	13.9	(76.4)	308.2	74.4
Fixed Assets	1,704.8	6,695.1	6,987.4	11,093.3	11,752.1	PAT	(13.8)	(24.8)	(112.6)	(860.1)	117.6
Non Current Investments	98.3	33.2	36.2	39.5	39.5	Per Share (Rs.)					
Deferred Tax Asset	118.3	160.1	252.7	406.4	406.4	Net Earnings (EPS)	36.3	27.2	(3.1)	23.9	52.0
Long Term Loans and Advan	96.0	118.9	128.3	-	-	Cash Earnings (CPS)	51.5	79.0	49.1	79.8	134.3
Other NON Current Assets	95.0	53.4	41.6	459.3	462.3	Dividend	2.0	1.7	-	-	2.0
Current Assets	4,206.1	5,175.9	8,819.2	8,133.8	10,746.9	Book Value	225.7	252.8	418.8	440.9	490.3
Current investments	508.5	45.8	3,153.6	641.4	641.4	Free Cash Flow	(1.1)	(4.2)	(172.4)	13.0	21.4
Inventories	3,289.8	4,779.2	4,283.1	5,880.8	8,021.7	Valuation Ratios					
Trade Receivables	-	-	-	-	-	P/E(x)	116.4	155.1	(1,340.4)	176.6	81.2
Cash and Bank Balances	156.1	49.9	274.7	310.3	725.5	P/B(x)	18.7	16.7	10.1	9.6	8.6
Short Term Loans and Advan	0.6	0.3	0.7	2.8	2.8	EV/EBIDTA(x)	57.5	38.2	67.5	40.3	25.1
Other Current Assets	251.0	300.7	1,107.2	1,298.4	1,355.5	Div. Yield(%)	0.0	0.0	-	-	0.0
CAPITAL DEPLOYED	6,318.4	12,236.5	16,265.4	20,132.3	23,407.3	FCF Yield(%)	(0.0)	(0.1)	(4.1)	0.3	0.5
						Return Ratios (%)					
						ROE	16.1	10.8	(0.8)	5.4	10.6
						ROCE	25.7	26.1	3.4	13.2	20.8

Source: Dalal & Broacha Research, Company

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