

V-Mart's Q4FY21 results were slightly lower than estimates

- **Revenue:** grew by 6% to Rs. 3518.73mn
- **EBITDA:** grew by 20.5% YoY to Rs. 335.6mn
- **PBT:** Loss at Rs 22.9mn as against loss of Rs 104.6mn
- **PAT:** loss stood at Rs 15mn as against loss of Rs 84.5mn YoY

Expenses as a % of sales

- **RM:** 70% v/s 71.5% YoY and 63.3% QoQ
- **Other expenses:** 10.2% v/s 9.1% YoY and 7.7% QoQ
- **Employee Costs:** reduced by 3% to Rs. 355.4mn YoY
- **Depreciation:** grew by 1.3% YoY to Rs. 255.6mn
- **Finance Cost:** grew by 5.5% to Rs. 146.4mn

Other Key Takeaways

- Footfalls at 88% YoY || Basket Size increased by 8%
- Revitalizing Omni platform
- Conversion rate increased to 61.1% v/s 55% YoY and transaction size too increased to Rs 851 v/s Rs790
- Working capital now under control. Inventory @ 4283mn v/s 4779mn last year, with higher no of stores and more fresh-stuff introduced.

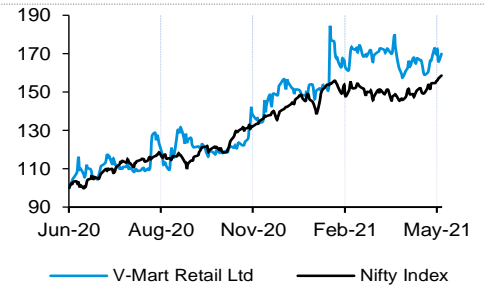
Rating	TP (Rs)	Up/Dn (%)
BUY ON DIPS	2598	-5

Market data

Current price	Rs	2742
Market Cap (Rs.Bn)	(Rs Bn)	54
Market Cap (US\$ Mn)	(US\$ Mn)	745
Face Value	Rs	10
52 Weeks High/Low	Rs	3129/1571
Average Daily Volume	('000)	29
BSE Code		534976
Bloomberg		VMART:IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Mar-21	Dec-20
Promoters	46.67	50.6
Public	53.33	49.4
Others	0	0
Total	100	100

Source: BSE

Financial Summary

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net sales	14,337	16,620	10,755	12,493	22,261
Adjusted net profit	657	494	(62)	44	957
Free cash flow	332	226	469	942	461
EPS (Rs)	36.3	27.2	(3.1)	2.3	48.6
growth (%)		-25%	NA	NA	2058%
P/E (x)	76.3	101.7	(878.6)	1,229.2	57.0
P/B (x)	12.3	10.9	6.6	6.6	5.9
EV/EBITDA (x)	37.6	25.9	45.5	40.7	19.0
D/E	0.0	0.0	-	-	-
RoCE (%)	25.7	26.0	3.4	5.1	19.0
RoE (%)	16.1	10.8	(0.8)	0.5	10.4
Dividend yield (%)	0.1	0.1	-	-	0.1

Source: Company

Kunal Bhatia
(022) 67141442
kunal.bhatia@dalal-broacha.com

Conference Call Key Takeaways

DEMAND

- Current Scenario: Q4FY21 demand momentum, has been impacted by 2nd wave. Festive period in Q4FY21 (i.e. Holi) sales had reached Q4FY19 levels.
- Agri-Income and good monsoons hopefully should improve demand in Q2 and Q3 FY22
- People has become cautious and savings for uncertainty and health
- Apparel business is a aspirational based
- Focusing on children clothing as they outgrow

Revenue recovery in
Q1:17%, Q2: 56%, Q3: 84%,
Q4FY21: 106%

COMPETITION

- 150 of 170 towns where V-Mart is, nationalized larger players like Reliance are present.
- Price-wise they are 30-35% expensive
- V-marts' understanding of the local needs and wants is superior to competition.

DIGITAL Transformation

- Revitalizing Omni channel || in actuality Omni is ~3% competition where V-mart is present || V-Mart online presence will be preferred by its regular buyer who have already experienced the stores
- Plan to bring digital sales up to 5% of total contribution in next 2-3 years
- Focusing on data analytics to understand consumer patters and behaviors
- Increasing automation and bring more customers to adopt online.
- Conversions on online platform is low
- Home delivery started

Gross Margins

- Higher sale of full price products and less discounts aided gross margins
- Yarn prices have increased and mitigating measures have been taken.
- Freshness was the key to Gm improvement.
- Full year shrinkage up at 2% v/s 1.6% YoY as write off's done, looses taken and provision made towards inventory
- Introduced new merchandise collections for leisure and comfort wear at economical price points.

Capex trajectory unchanged

- Rs 400mn spent towards 20store opening in FY21
- In FY22 and FY23 total planned expansion is 20% in sqft area (each year) approximately 40 stores in FY22
- Rent concession for FY21 is Rs 260mn of which Rs100mn netted off from rent and Rs 160mn from Other Income

Funds raised: Rs 3750mn via QIP at Rs 2450

Inventory Situation:

- In absolute terms higher QOQ as fresh products were added as per festive demand, however on store levels it is at normalized levels

Inventory levels as on

Q4FY20:	Rs.	4779mn,
Q2FY21:	Rs.	3645mn
Q3FY21:	Rs.	2978mn
Q4FY21:	Rs	4283mn

Kirana

- **sales** increased to 8.2% v/s 7.4% and more impulsive purchase products were introduced

Quarterly Performance Analysis**Exhibit 1**

Particulars	Post IND-AS 116			Q3FY21	QoQ (%)
	Q4FY21	Q4FY20	YoY (%)		
Revenue	3519	3327	6	4700	(25)
Other Income	43	8	453	3	1,403
Total	3562	3334	7	4703	(24)
Total RM Cost	2470	2377	4	2975	(17)
Gross Profit	1049	949	10	1725	(39)
Employee Cost	355	368	(3)	325	10
Other Expenses	358	303	18	362	(1)
Total	3183	3048	4	3662	(13)
EBIDTA	336	278	21	1038	(68)
Depreciation	256	252	1	254	1
EBIT	123	34	262	787	(84)
Interest Cost	146	139	6	150	(3)
PBT and exceptional iter	-23	-105	(78)	637	(104)
exceptional item	0	0		0	
PBT	-23	-105	(78)	637	(104)
Taxes	-8	-20		158	
Reported PAT	-15	-84	(83)	479	(103)
EPS	-1	-5		26	
as a % to sales					
RM	70.2%	71.5%		63.3%	
GPM	29.8%	28.5%		36.7%	
Employee Costs	10.1%	11.0%		6.9%	
Other expenses	10.2%	9.1%		7.7%	
OPM	9.5%	8.4%		22.1%	
Tax rate (on PBT)	35.6%	19.3%		24.9%	

Source: Dalal & Broacha Research, Company

Exhibit 2

Particulars	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Stores	266	266	264	274	279
Net Additions	9	0	-2	10	5
Retail Space YTD in lacs Sq feet	22.1	22.2	22.0	23.0	23.00
Increase	1.10	0.10	(0.2)	1.00	0.00
Sales Per Sq Ft Per Mth In Rs as per Presentation	619	357	299	895	569
SSS: Apparel YTD					
- Volume %	-18%	-84%	-55%	-52%	
- Value %	-18%	-85%	-56%	-50%	
Segment Contribution					
-Fashion (%)	92	90	91	92	91
-Kirana (%)	8	10	9	8	9
Total	100	100	100	100	100
Sales Mix					
Apparels (%)	78.7	78.3	79.3	79.3	77.9
Non Apparels (%)	13.1	11.2	12.1	14	12.7
Kirana (%)	8.2	10.5	8.6	6.7	9.4
Total	100	100	100	100	100

Source: Dalal & Broacha Research, Company

Exhibit 3

Particulars	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Foot Fall (lacs)	82	15	35	83	72
Conversion Rate	55%	68%	60%	62%	61.10%
Average Selling Price (Rs)					
Total (Rs)	222	247	183	262	202
Apparels (Rs.)	357	179	254	446	327
Transaction size (Rs)	790	824	844	968	851
Store Count YTD	266	266	264	274	279
Tier 1	58	59	59	63	65
Tier 2	35	35	35	37	37
Tier 3	141	139	138	140	142
Tier 4	32	33	32	34	35
Store allocation	100%	100%	100%	100%	100%
Tier 1 %	22%	22%	22%	23%	23%
Tier 2 %	13%	13%	13%	14%	13%
Tier 3 %	53%	52%	52%	51%	51%
Tier 4 %	12%	12%	12%	12%	13%

Source: Dalal & Broacha Research, Company

Valuation & Outlook

Outlook:

V-Mart was able to deliver a positive growth of 6% in Q4FY21 however the momentum has been impacted by 2nd wave.

Almost 63% of V-Mart's store are in tier3&4; these too are severely impacted in the 2nd wave which was not the case last time. Agri-income is expected to improve with better monsoon, however alternate income source has reduced due to lock-downs. With health-related cost going up focus has shifted towards family savings and thus RECOVERY will takes its own time.

V-mart as a business model has all the right tools and capability to capture growth whenever it returns and investment in digital and continuation on capex (including new warehouse) gives us confidence on the long-term future of the company and we remain cautiously optimistic on the stock.

Valuation: We have reworked our numbers on account of 2nd wave. on EV/EBITDA basis, the stock trades at 41x and 19x FY22e and FY23e EBITDA of Rs. 1493mn and Rs. 3233mn respectively. **We value the company at 18x FY23 to arrive at a target price of Rs. 2598, i.e.,5% lower than CMP of Rs 2742. We change our recommendations from Accumulate to "Buy on Dips"**

Financials

V-Mart Retail Ltd						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	12,492.6	22,261.3	Net Profit	597.5	493.7	(62.0)	44.3	956.8
Cost of sales	(13,008.9)	(14,483.1)	(9,442.5)	(10,999.4)	(19,028.5)	Add: Dep. & Amort.	276.3	939.2	1,029.7	1,070.1	1,485.7
Operating Profit	1,328.6	2,137.2	1,312.1	1,493.3	3,232.8	Cash profits	873.7	1,432.9	967.7	1,114.4	2,442.5
Depreciation	(276.3)	(939.2)	(1,029.7)	(1,070.1)	(1,485.7)	(Inc)/Dec in					
PBIT	1,052.3	1,197.9	282.4	423.2	1,747.1	-Sundry debtors	-	-	-	-	-
Other income	41.1	45.5	210.4	298.1	289.4	-Inventories	(218.7)	(1,489.4)	496.1	175.9	(3,211.6)
Interest	(16.1)	(547.8)	(589.5)	(662.0)	(757.9)	-Loans/advances	(23.9)	(22.6)	(14.6)	(12.8)	(21.2)
Profit before tax	1,077.3	695.6	(96.6)	59.2	1,278.6	'-Current Liab and Provisions	204.0	254.6	(145.0)	165.2	1,651.8
Exceptional and Extra Ordin:	(98.0)	-	-	-	-	'- Other Non Current Assets	(89.6)	(8.1)	(789.9)	(42.5)	(46.7)
PBT (Post Extra Ordinary)	979.3	695.6	(96.6)	59.2	1,278.6	Change in working capital	(128.2)	(1,265.4)	(453.3)	285.8	(1,627.8)
Provision for tax	(381.9)	(201.9)	34.6	(14.9)	(321.8)	CF from Oper. activities	745.6	167.5	514.4	1,400.2	814.8
Reported PAT	597.5	493.7	(62.0)	44.3	956.8	CF from Inv. activities	(764.9)	(245.0)	(3,911.5)	(1,303.7)	(535.5)
MI	-	-	-	-	-	CF from Fin. activities	(8.4)	(28.7)	3,621.9	(2.2)	(47.8)
Adjusted PAT	657.2	493.7	(62.0)	44.3	956.8	Cash generated/(utilised)	(27.8)	(106.2)	224.8	94.4	231.4
						Cash at start of the year	183.9	156.1	49.9	274.7	369.0
						Cash at end of the year	156.1	49.9	274.7	369.0	600.4
Balance Sheet	FY19	FY20	FY21	FY22E	FY23E	Ratios	FY19	FY20	FY21	FY22E	FY23E
Equity capital	181.3	181.5	197.0	197.0	197.0	OPM	9.3	12.9	12.2	12.0	14.5
Reserves	3,911.4	4,407.8	8,055.2	8,097.3	9,006.3	NPM	4.6	3.0	(0.6)	0.3	4.2
Net worth	4,092.7	4,589.3	8,252.2	8,294.3	9,203.3	Tax rate	(35.4)	(29.0)	(35.8)	(25.2)	(25.2)
						Growth Ratios (%)					
Non Current Liabilities	111.3	4,439.6	5,381.3	5,710.9	6,526.8	Net Sales	17.3	15.9	(35.3)	16.2	78.2
Current Liabilities	2,114.4	3,207.6	2,631.9	3,429.0	5,225.8	Operating Profit	0.0	60.9	(38.6)	13.8	116.5
CAPITAL EMPLOYED	6,318.4	12,236.5	16,265.4	17,434.2	20,955.8	PBIT	(4.2)	13.8	(76.4)	49.8	312.9
Non Current Assets	2,112.3	7,060.6	7,446.2	8,912.5	10,094.4	PAT	(13.8)	(24.9)	(112.6)	(171.5)	2,058.1
Fixed Assets	1,704.8	6,695.1	6,987.4	8,482.5	9,643.1	Per Share (Rs.)					
Non Current Investments	98.3	33.2	36.2	36.2	36.2	Net Earnings (EPS)	36.3	27.2	(3.1)	2.3	48.6
Deferred Tax Asset	118.3	160.1	252.7	252.7	252.7	Cash Earnings (CPS)	51.5	78.9	49.1	56.6	124.0
Long Term Loans and Advan	96.0	118.9	128.3	141.2	162.3	Dividend	2.0	1.7	-	-	2.0
Other NON Current Assets	95.0	53.4	41.6	44.3	47.3	Book Value	225.7	252.8	418.8	421.0	467.1
Current Assets	4,206.1	5,175.9	8,819.2	8,477.4	10,814.2	Free Cash Flow	(1.1)	(4.3)	(172.4)	4.9	14.2
Current investments	508.5	45.8	3,153.6	2,853.6	1,703.6	Valuation Ratios					
Inventories	3,289.8	4,779.2	4,283.1	4,107.2	7,318.8	P/E(x)	76.3	101.7	(878.6)	1,229.2	57.0
Trade Receivables	-	-	-	-	-	P/B(x)	12.3	10.9	6.6	6.6	5.9
Cash and Bank Balances	156.1	49.9	274.7	369.0	600.4	EV/EBIDTA(x)	37.6	25.9	45.5	40.7	19.0
Short Term Loans and Advan	0.6	0.3	5.4	5.4	5.4	Div. Yield(%)	0.1	0.1	-	-	0.1
Other Current Assets	251.0	300.7	1,102.4	1,142.2	1,185.9	FCF Yield(%)	(0.0)	(0.2)	(6.2)	0.2	0.5
CAPITAL DEPLOYED	6,318.4	12,236.5	16,265.4	17,434.2	20,955.8	Return Ratios (%)					
						ROE	16.1	10.8	(0.8)	0.5	10.4
						ROCE	25.7	26.0	3.4	5.1	19.0

Source: Dalal & Broacha Research, Company

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Name	Designation	Email	Phone	Sector
Mr. Kunal Bhatia	Head of Research	kunal.bhatia@dalal-broacha.com	022 67141442	Auto Auto Ancillary FMCG
Mrs.Charulata Gaidhani	Sr. Analyst	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma Healthcare
Mr. Mayank Babla	Sr. Analyst	mayank.babla@dalal-broacha.com	022 67141412	IT Telecom Media
Mr. Avinash Tanawade	Sr. Analyst	avinash.tanawade@dalal-broacha.com	022 67141449	BFSI
Mr. Akshay Ashok	Analyst	akshay.ashok@dalal-broacha.com	022 67141486	BFSI
Ms. Timshar Dhamodiwala	Associate	timshar.dhamodiwala@dalal-broacha.com	022 67141441	IT Telecom Media

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.

Tel: 91-22- 2282 2992, 2287 6173, Fax: 91-22-2287 0092

E-mail: equity.research@dalal-broacha.com