



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

Analyst: Kunal Bhatia / Suraj Nandu

## Result Update @ Dalal & Broacha

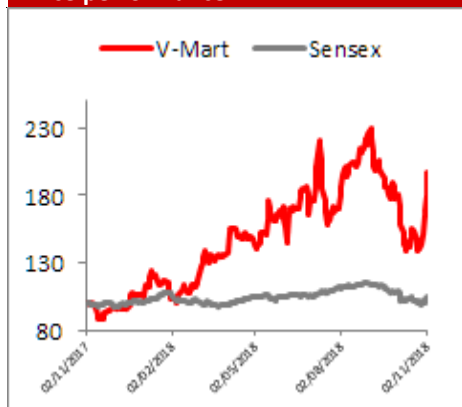
### Buy on Dips

Current Price	2641
52 Week Range	1192/3288

### Key Share Data

Market Cap (Rs.bn)	47.89
Market Cap (US\$ mn)	656.02
No of o/s shares (mn)	18.1
Face Value	10.0
Monthly Avg.	
vol(BSE+NSE) Nos'000	24.93
BSE Code	534976
NSE Code	VMART
Bloomberg	VMART IN

### Price performance



V-Mart Retail Ltd Q2FY19 Results were below expectations on account of high store openings (+11 Q-o-Q) leading to higher costs and shift of 2 major festivals i.e Durga Puja/Navratra and Diwali to Q3FY19.

### Quarterly Update

V-Mart posted **revenue** growth of 8.5% Y-o-Y to Rs. 2621.90mn. with a volume growth of 12% and flat value growth

Total Stores Count stands at 190, (+11 in the Quarter and +33 from last year same quarter)

**Employee Costs** as % of sales increased to 11.5% from 9.8% last year due to high store openings. In absolute terms the cost increased 27% Y-o-Y to Rs. 300.66.

**Other Expenses** as a % of sales increased to 18.3% from 15.9% last year on account of higher rental costs ( 4.9% vs 4.5% as percent of sales), and higher A&P costs (2.6% Vs 2.2%)

**EBIDTA** de-grew 116.5%, posting a loss of (-ve) Rs.14.15Mn as against a profit of Rs.85.79Mn. Margins stood at (-ve) 0.5% V/s +3.5%

**Interest Cost** decreased by 66.7% to Rs. 1.98mn

**Exceptional Item:** Provision for Diminution in value of investments of Rs. 24.5Mn was taken on account of an investment made by the company worth Rs.73.49Mn. The Investee company defaulted and thus the partial provision was created

**Profit Before Tax** reported a loss of (-ve) 96.85Mn, as against a profit of Rs.38.38Mn

**Profit After Tax:** Loss of (-ve) Rs 40.25mn as against profit of Rs. 27.50Mn. The company got a tax benefit of Rs. 56.6 Mn resulting in a reduction of loss.

### H1FY19 Update

**Revenue:** increased by 11.9% to Rs. 6233.91Mn V/s Rs. 5570.5Mn

**Additional stores opened:** 19 V/s 16

**Raw Material** as a % of sales stood at 68.2% /vs 69.5% in H1FY18

**Employee Costs:** grew 24.8% to Rs. 583.28 Mn V/s Rs. 467.4Mn

**Other Expenses:** grew 26.1% to Rs. 978.27Mn V/s Rs.775.76Mn

**EBITDA:** De-grew 8.5% to Rs. 418.03Mn V/s Rs.456.88Mn

**EBITDA Margins:** Stood at 6.7% V/s 8.2%

**PBT:** de-grew by (-ve) 23.5% to Rs. 276.29Mn V/s 361.77Mn

**Tax Rate:** stood at 25% vs 31% on account of tax benefit in Q2FY19

**PAT:** (-ve) 17% growth to Rs.208.41Mn Vs Rs 251.06Mn

**EPS:** Rs. 11.50 Vs. Rs.13.83

### % Shareholding

	Sept-18	June-18
Promoters	53.95	54.05
Public	46.05	45.95
Others	0	0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

### Valuation & Outlook

The Management has guided 6% SSG growth as against 9% earlier, thus we cut our EPS estimates from Rs. 48.1 in FY19E and Rs.59.4 in FY20E to Rs. 44.3 and Rs.55.5 in FY19E and FY20E respectively.. At CMP of Rs 2642, the stock is trading at 59.7x its FY19e EPS of Rs 44.1 and 47.6x its FY20e EPS of Rs 55.5. Our Target price of Rs. 2205 in our Coverage report dated March 8<sup>th</sup>, 2018 is achieved. We recommend investors to **Buy On Dips**.

**Note: The stock is out of ASM segment from 30<sup>th</sup> October, 2018**

### 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	108.6	16.3	21.7
FY18	12,223.7	22.0%	1,328.0	10.9%	777.2	76.9%	42.9	61.5	22.4	31.6
FY19E	14,068.9	15.1%	1,402.8	10.0%	802.4	3.3%	44.3	59.7	19.0	24.2
FY20E	16,614.7	18.1%	1,690.9	10.2%	1,006.7	25.5%	55.5	47.6	19.4	24.4

**Other KTA's**

- 37% of total stores, i.e. 70 out of 190 stores are in areas where Durga puja is rigourously followed and thus sales were low in these stores.
- on a comparison basis of sales growth during Durga Puja of last year to this year, the company has already seen a SSG of 14%
- The company has seen good demand in the first month of Q3FY19 negating any de growth seen in the last quarter
- The share of Kirana is higher in this Quarter (7% V/s 6%) due to offering of Pulse items as well as non FMCG items. Even though the share is higher the Kirana sales are more volume based and thus no to low effect is come on price
- The company had liquidated most of their inventory of last quarter by offering it at lower prices, there is little difference in inventory numbers now as inventory stocking for the upcoming festive season was done.
- This Quarter the growth was volume based and flat in value terms leading to a 12% drop in Average selling price (Rs. 246) in Apparells and a 5% drop in transacton size to Rs. 613 from Rs.644 in the same quarter last year
- Loyal customers contribute more than 50% to their overall revenues
- The company is seeing higher competition in Tier 3 and Tier 4 towns and cities. The management states that as opposed to the earlier view of first mover advantage, the company is seeing more presence of competitors in some areas.
- 20 stores refurbished this quarter with an average cost of Rs.30-35 lacs per store. The company policy is to refurbish stores every 5 years.



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V- Mart				
All Amounts in Millions				
Particulars	Q1FY19	Q2FY19	H1FY18	H1FY19
Revenue from Operations	3612.01	2621.9	5570.5	6233.91
<i>Growth</i>		8.4%		11.9%
Other Income	8.9	10.4	19.38	19.35
<b>Total</b>	<b>3620.94</b>	<b>2632.32</b>	<b>5589.88</b>	<b>6253.26</b>
<i>Growth</i>		8.4%		11.9%
<b>Expenses</b>				
cost of materials consumed			0	0
Purchase of stock in trade	2271.35	2644.74	4383.14	4916.09
Changes in inventories of stock in trade	126.12	-787.88	-512.68	-661.76
<b>COGS</b>	<b>2397.47</b>	<b>1856.86</b>	<b>3870.46</b>	<b>4254.33</b>
<i>% of sales</i>	66.4%	70.8%	69.5%	68.2%
<i>Growth</i>		8.4%		9.9%
Employee Benefit Expense	282.62	300.66	467.4	583.28
<i>% of sales</i>	7.8%	11.5%	8.4%	9.4%
<i>Growth</i>		27.0%		24.8%
Other Expenses	499.74	478.53	775.76	978.27
<i>% of sales</i>	13.8%	18.3%	13.9%	15.7%
<i>Growth</i>		24.7%		26.1%
<b>Total</b>	<b>3179.83</b>	<b>2636.05</b>	<b>5113.62</b>	<b>5815.88</b>
<i>% of sales</i>	88.0%	100.5%	91.8%	93.3%
<i>Growth</i>		13.0%		13.7%
<b>EBITDA excluding other income</b>	<b>432.18</b>	<b>-14.15</b>	<b>456.88</b>	<b>418.03</b>
<b>EBITDA MARGINS</b>	<b>12.0%</b>	<b>-0.5%</b>	<b>8.2%</b>	<b>6.7%</b>
<i>Growth</i>		-116.5%		-8.5%
<b>EBITDA including other income</b>	<b>441.11</b>	<b>-3.73</b>	<b>476.26</b>	<b>437.38</b>
<i>% of sales</i>	12.2%	-0.1%	8.5%	7.0%
<i>Growth</i>		-104.0%		-8.2%
Depreciation	65.5	66.7	103.8	132.2
<i>Growth</i>		33.5%		27.4%
<b>EBIT</b>	<b>375.62</b>	<b>-70.44</b>	<b>372.46</b>	<b>305.18</b>
Finance costs	1.98	1.91	10.69	3.89
<i>Growth</i>		-66.7%		-63.6%
Provision for diminution in value of investments		24.5		24.5
<b>PBT befor exceptional item</b>	<b>373.64</b>	<b>-72.35</b>	<b>361.77</b>	<b>301.29</b>
<i>% of sales</i>	10%	-3%	6%	5%
<i>Growth</i>		-288.5%		-16.7%
prior period income/(expense) (net)	0	0	0	0
<b>PBT</b>	<b>373.64</b>	<b>-96.85</b>	<b>361.77</b>	<b>276.79</b>
<b>Tax Expense</b>				
Current tax	133.82	-46.08	142.4	87.74
Deferred tax	-8.83	-10.52	-31.69	-19.35
<b>Total</b>	<b>124.99</b>	<b>-56.6</b>	<b>110.71</b>	<b>68.39</b>
<b>Tax Rate</b>	<b>33%</b>	<b>58%</b>	<b>31%</b>	<b>25%</b>
<b>PAT</b>	<b>248.65</b>	<b>-40.25</b>	<b>251.06</b>	<b>208.40</b>
<b>NPM</b>	<b>6.9%</b>	<b>-1.5%</b>	<b>4.5%</b>	<b>3.3%</b>
<i>Growth</i>		-246.4%		-17.0%
Extraordinary item	0.00	0.00	0	0
Other Comprehensive Income	0.48	2.85	-0.78	3.33
<b>Total Comprehensive Income</b>	<b>249.13</b>	<b>-37.40</b>	<b>250.28</b>	<b>211.73</b>
Equity	180.97	181.27	180.97	181.27
Face Value	10	10	10	10
Number of Shares	18.097	18.127	18.097	18.127
<b>Basic EPS Calculated</b>	<b>13.74</b>	<b>-2.22</b>	<b>13.87</b>	<b>11.50</b>



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## Result Update@ Dalal & Broacha

P&L (Rs mn)	FY16	FY17	FY18	FY19E	FY20E	Cash Flow St. (Rs. mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	8,092.6	10,017.3	12,223.7	14,068.9	16,614.7	Net Profit	276.4	439.3	777.2	785.4	1,006.7
Cost of sales	(7,474.2)	(9,169.5)	(10,895.8)	(12,666.1)	(14,923.8)	Add: Dep. & Amort.	190.1	185.5	229.3	268.3	313.9
<b>Operating Profit</b>	<b>618.3</b>	<b>847.8</b>	<b>1,328.0</b>	<b>1,402.8</b>	<b>1,690.9</b>	<b>Cash profits</b>	<b>466.5</b>	<b>624.8</b>	<b>1,006.5</b>	<b>1,053.7</b>	<b>1,320.6</b>
Depreciation	(190.1)	(185.5)	(229.3)	(268.3)	(313.9)	(Inc)/Dec in					
PBIT	428.2	662.3	1,098.7	1,134.5	1,377.0	-Sundry debtors	-	-	-	-	-
Other income	11.7	41.4	41.4	27.8	89.8	-Inventories	(212.2)	(647.5)	(379.4)	(463.6)	(639.6)
Interest	(31.2)	(35.2)	(15.3)	(7.8)	(7.8)	-Loans/advances	(40.5)	150.3	(113.0)	(24.2)	(28.0)
Profit before tax	408.8	668.4	1,124.8	1,154.6	1,459.0	-Current Liab and Provisions	317.0	596.3	172.8	323.9	422.1
Exceptional and Extra Ordinary	14.4	-	-	(24.5)	-	- Other Non Current Assets	(0.3)	(102.2)	0.4	(10.3)	(11.3)
PBT ( Post Extra Ordinary)	423.2	668.4	1,124.8	1,130.1	1,459.0	Change in working capital	63.9	(3.1)	(319.2)	(174.1)	(256.8)
Provision for tax	(146.8)	(229.2)	(347.6)	(344.7)	(452.3)	<b>CF from Oper. activities</b>	<b>530.4</b>	<b>621.7</b>	<b>687.2</b>	<b>879.6</b>	<b>1,063.8</b>
<b>Reported PAT</b>	<b>276.4</b>	<b>439.3</b>	<b>777.2</b>	<b>785.4</b>	<b>1,006.7</b>	<b>CF from Inv. activities</b>	<b>(434.4)</b>	<b>(638.4)</b>	<b>(149.2)</b>	<b>(420.2)</b>	<b>(358.3)</b>
MI	-	-	-	-	-	<b>CF from Fin. activities</b>	<b>(86.8)</b>	<b>3.1</b>	<b>(368.0)</b>	<b>402.6</b>	<b>(50.3)</b>
<b>Adjusted PAT</b>	<b>266.9</b>	<b>439.3</b>	<b>777.2</b>	<b>802.4</b>	<b>1,006.7</b>	<b>Cash generated/(utilised)</b>	<b>9.2</b>	<b>(13.6)</b>	<b>170.1</b>	<b>862.0</b>	<b>655.2</b>
						Cash at start of the year	33.6	42.8	29.2	199.3	1,061.3
						Cash at end of the year	42.8	29.2	199.3	1,061.3	1,716.5
<b>Balance Sheet</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19E</b>	<b>FY20E</b>	<b>Ratios</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19E</b>	<b>FY20E</b>
Equity capital	180.7	180.7	181.0	181.3	181.3	OPM	7.6	8.5	10.9	10.0	10.2
Reserves	2,126.5	2,519.7	3,293.4	4,047.7	5,004.1	NPM	3.3	4.4	6.3	5.7	6.0
<b>Net worth</b>	<b>2,307.2</b>	<b>2,700.4</b>	<b>3,474.4</b>	<b>4,229.0</b>	<b>5,185.4</b>	Tax rate	(35.9)	(34.3)	(30.9)	(29.9)	(31.0)
<b>Non Current Liabilities</b>	<b>105.2</b>	<b>72.0</b>	<b>84.0</b>	<b>91.9</b>	<b>99.5</b>	<b>Growth Ratios (%)</b>					
<b>Current Liabilities</b>	<b>1,419.6</b>	<b>2,134.7</b>	<b>1,944.1</b>	<b>2,712.8</b>	<b>3,127.4</b>	Net Sales	12.4	23.8	22.0	15.1	18.1
<b>CAPITAL EMPLOYED</b>	<b>3,832.0</b>	<b>4,907.1</b>	<b>5,502.4</b>	<b>7,033.7</b>	<b>8,412.2</b>	Operating Profit	(2.9)	37.1	56.6	5.6	20.5
<b>Non Current Assets</b>	<b>1,467.4</b>	<b>1,383.4</b>	<b>1,709.9</b>	<b>1,778.2</b>	<b>1,835.0</b>	PBIT	(27.6)	54.7	65.9	3.3	21.4
Fixed Assets	1,126.5	1,184.7	1,482.6	1,520.7	1,565.1	PAT	(30.8)	64.6	76.9	3.3	25.5
Non Current Investments	130.3	58.5	63.4	63.4	63.4	<b>Per Share (Rs.)</b>					
Deferred Tax Asset	42.2	78.6	92.0	111.4	111.4	Net Earnings (EPS)	14.8	24.3	42.9	44.3	55.5
Long Term Loans and Advances	168.4	61.7	72.0	82.7	95.2	Cash Earnings (CPS)	25.3	34.6	55.6	59.1	72.9
Other NON Current Assets	1.0	103.1	102.7	113.0	124.3	Dividend	-	1.3	1.3	2.0	2.2
<b>Current Assets</b>	<b>2,363.6</b>	<b>3,420.5</b>	<b>3,689.8</b>	<b>5,142.5</b>	<b>6,452.9</b>	Book Value	127.7	149.5	192.0	233.3	286.1
Current investments	193.4	659.9	276.9	390.7	390.7	Free Cash Flow	5.3	(0.9)	29.7	25.3	38.9
Inventories	2,044.3	2,691.8	3,071.1	3,534.7	4,174.3	<b>Valuation Ratios</b>					
Trade Receivables	-	-	-	-	-	P/E(x)	178.8	108.6	61.5	59.7	47.6
Cash and Bank Balances	42.8	29.2	199.3	1,061.3	1,716.5	P/B(x)	20.7	17.7	13.8	11.3	9.2
Short Term Loans and Advances	82.3	0.9	0.8	-	-	EV/EBIDTA(x)	77.5	56.7	35.8	33.7	27.6
Other Current Assets	1.0	38.8	141.7	155.9	171.5	Div. Yield(%)	-	0.0	0.0	0.1	0.1
<b>CAPITAL DEPLOYED</b>	<b>3,832.0</b>	<b>4,907.1</b>	<b>5,502.4</b>	<b>7,033.7</b>	<b>8,412.2</b>	<b>FCF Yield(%)</b>	<b>0.2</b>	<b>(0.0)</b>	<b>1.1</b>	<b>1.0</b>	<b>1.5</b>
						<b>Return Ratios (%)</b>					
						ROE	11.6	16.3	22.4	19.0	19.4
						ROCE	16.6	21.7	31.6	24.2	24.4

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<b>Contact</b>	<b>Email ID</b>	<b>Contact No.</b>	<b>Sector</b>
Mr. Kunal Bhatia	kunal.bhatia@dalal-broacha.com	022 67141442	Auto, Auto Ancillary, FMCG
Ms.Charulata Gaidhani	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma /Healthcare
Mr. Mayank Babla	Mayank.babla@dalal-broacha.com	022 67141142	IT, Telecom, Media
Ms.Abhilasha Satale	Abhilasha.satale@dalal-broacha.com	022 67141438	Mid- cap senior analyst
Mrs. Richa.Singh	richa.singh@dalal-broacha.com	022 67141444	Analyst

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

Tel: 91-22- 2282 2992, 2287 6173, (D) 6630 8667 Fax: 91-22-2287 0092

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