



DALAL & BROACHA
STOCK BROKING PVT. LTD.

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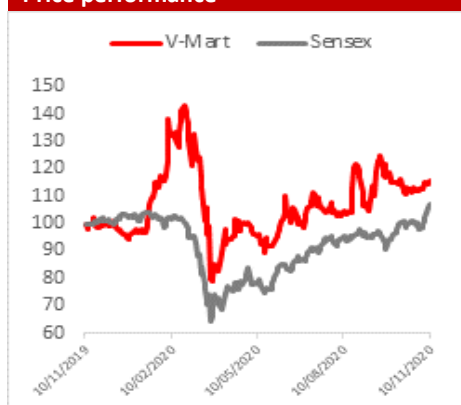
ACCUMULATE

Current Price	1970
52 Week Range	1294/2545
Target Price	2202
Upside	12%

Key Share Data

Market Cap (Rs.bn)	36
Market Cap (US\$ mn)	481
No of o/s shares (mn)	18
Face Value	10
Monthly Avg. vol(BSE+NSE) Nos'000	25
BSE Code	534976
NSE Code	VMART
Bloomberg	VMART:IN

Price performance



% Shareholding	Sep-20	Jun-20
Promoters	50.80	51.16
Public	49.20	48.84
Others	0.00	0.00
Total	100.0	100.0

Result are in line with estimates

Financials, compared on YoY basis and Post Ind-AS 116

Revenue: de-grew by 44.1% to Rs. 1755.06mn

EBITDA: loss of Rs. 3.42mn as against profit of Rs. 113.19mn (**our expectation was loss of Rs. 31.05mn**)

PBT: loss of Rs. 257.36mn as against loss of Rs. 228.78mn

PAT: loss of Rs. 189.64mn as against loss of Rs. 182.34mn (**Tax Benefit: of Rs. 67.72mn, Other Income of Rs. 150.2mn on account of rental concessions worth Rs. 146.16mn**)

Expenses as a % of sales

RM: 71.24% v/s 68.83% YoY and 69.19% QoQ

Other expenses: 11.9% v/s 15.2% YoY and 14.1% QoQ

Employee Costs: reduced by 23% to Rs. 300.15mn

Rent: got concessions to the tune of Rs. 167.40mn (Rs. 21.25mn netted off from rent expenses in P/L and Rs. 146.16mn recorded in other income)

Depreciation: grew by 15.6% to Rs. 257.4mn

Finance Cost: grew by 11.9% to Rs. 146.71mn

Other Key Takeaways

1) **Gross debt position:** (i) March 2020: Rs. 10.47mn, (ii) June 2020: Rs. 324.62mn, (iii) September 2020: Rs. 474.73mn

2) **Inventory Reduction:** (i) March 2020: Rs. 4779.22mn, (ii) June 2020: Rs. 4288.32mn, (iii) September 2020: Rs. 3645.94mn

Outlook: Q2 was marred with localized lockdowns especially in key states such as U.P, Bihar (~60% of stores) which impacted them heavily. As part of Unlock 5.0, much of the disruptions dissipated by end of September 2020 which is positive for the company. **It is now known that rural economy is faring better than urban for which V-Mart will be a key beneficiary. Further relaxations and continued drop in active cases may result in consumers being more relaxed to venture outdoors and which will prove essential in this festive season. Management is cautiously optimistic on recovery going forward.**

Valuation: at CMP, the stock is trading at 12.9x FY22e EV/EBITDA with an EBITDA of Rs. 2722.6mn. We assign a 14.5x FY22e EV/EBITDA multiple to arrive at a target price of Rs. 2202, i.e. upside of 12%. We upgrade our rating from **Neutral to Accumulate.**

FINANCIALS (Rs. Mn)

Year	Op Income	% Growth	EBITDA	OPM%	PAT	% Growth	EPS	PE (x)	ROE%	ROCE%
FY19	14,337.5	17.3%	1,328.6	9.3%	657.2	-13.8%	36.3	54.3	16.1	25.7
FY20*	16,620.2	15.9%	2,137.2	12.9%	493.7	-24.9%	27.2	72.3	10.8	26.0
FY21E*	9,464.7	-43.1%	723.5	7.6%	(540.2)	-209.4%	(29.7)	(66.1)	(13.3)	(6.5)
FY22E*	19,425.7	105.2%	2,722.6	14.0%	648.9	-220.1%	35.7	55.1	13.8	29.4

*- Numbers are Post IND-AS 116



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Conference Call Key Takeaways

- 1) **Demand Recovery:** in Q2FY21 was at 56% and there is continued sequential improvement in October 2020. Festive season has been delayed by ~20 days.
- 2) **Store re-openings:** at 95% by end of September 2020, with 72% operational days when compared YoY and v/s ~34% in Q1FY21.
- 3) **Quarter gone by:** EOSS period was longer YoY as piled up inventory needed to be sold. Company closed 2 stores in the quarter, total store count at 264. Company does not expect any more store closures going forward.
- 4) **Working capital management:** Zero purchases since March 2020 till August 2020 as priority was to clear summer inventory. **Trade payables** days have reduced QoQ and will like to maintain at similar levels going forward. Current inventory at Rs. 3645.94mn (down 15% QoQ)/currently stores are well stocked on winter inventory (winter season start earlier than expected in North India)
- 5) **Costs:** (i) **Employee costs:** have rolled back salary cuts and will be at pre-covid levels from Q3FY21e, (ii) **Ad & promotions:** will increase in H2FY21 as recoveries continue to improve and aim for a successful festive season
- 6) **Store Count:** (i) **Tier 1:** 59, (ii) **Tier II:** 35, (iii) **Tier III:** 138, (iv) **Tier IV:** 32
- 7) **SSG, SS Volume growth:** stood at (-) 70.6% and (-) 69.3% respectively in H1FY21 as against 3.2% and (-)0.2% in H1FY20
- 8) **ASP:** (i) **Total:** Rs. 183 v/s Rs. 188, (ii) **Apparel:** Rs. 254 v/s Rs. 298
- 9) **Fund raise:** Management expects profitability to improve going forward and thus have put immediate fund raise under review.

Quarterly Snapshot

Particulars	Post IND-AS 116					
	Q2FY20	Q2FY21	YoY (%)	H1FY20	H1FY21	YoY (%)
Revenue	3141.59	1755.06	-44.1%	7672.05	2535.68	-66.9%
Other Income	11.77	150.15	1175.7%	32.6	164.09	403.3%
Total	3153.36	1905.21	-39.6%	7704.65	2699.77	-65.0%
Total RM Cost	2162.29	1250.25	-42.2%	5304.53	1790.4	-66.2%
Gross Profit	979.3	504.81	-48.5%	2367.52	745.28	-68.5%
Employee Cost	390	300.15	-23.0%	763.03	488.89	-35.9%
Other Expenses	476.11	208.08	-56.3%	913.35	318.22	-65.2%
Total	3028.4	1758.48	-41.9%	6980.91	2597.51	-62.8%
Operating profit	113.19	-3.42	-103.0%	691.14	-61.83	-108.9%
Depreciation	222.59	257.38	15.6%	442.54	520.39	17.6%
EBIT	-97.63	-110.65	13.3%	281.20	-418.13	-248.7%
Interest Cost	131.15	146.71	11.9%	251.14	292.83	16.6%
PBT and exceptional item	-228.78	-257.36	12.5%	30.06	-710.96	-2465.1%
exceptional item	0	0		0	0	
PBT	-228.78	-257.36	12.5%	30.06	-710.96	-2465.1%
Taxes	-48.36	-67.72		34.51	-184.99	
Reported PAT	-180.42	-189.64	5.1%	-4.45	-525.97	11719.6%
EPS	-9.95	-10.44		36.25	27.20	
as a % to sales						
RM	68.8%	71.2%		69.1%	70.6%	
GPM	31.2%	28.8%		30.9%	29.4%	
Employee Costs	12.4%	17.1%		9.9%	19.3%	
Other expenses	15.2%	11.9%		11.9%	12.5%	
OPM	3.6%	-0.2%		9.0%	-2.4%	
Tax rate (on PBT)	21.1%	26.3%		114.8%	26.0%	

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Quarterly Snapshot

Particulars	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Stores	179	190	200	214	227	239	257	266	266	264
<i>Net Additions</i>	<i>8</i>	<i>11</i>	<i>10</i>	<i>14</i>	<i>13</i>	<i>12</i>	<i>18</i>	<i>9</i>	<i>0</i>	<i>-2</i>
Retail Space YTD in lacs Sq feet	15	16.00	17.00	17.90	18.80	20.00	21.00	22.10	22.20	22.00
<i>Increase</i>	<i>0.6</i>	<i>1.0</i>	<i>1.0</i>	<i>0.9</i>	<i>0.9</i>	<i>1.2</i>	<i>1.0</i>	<i>1.10</i>	<i>0.10</i>	<i>-0.20</i>
Sales Per Sq Ft Per Mth In Rs as per Presentation	874	611	1006	722	874	590	941	619	357	299
SSS: Apparel										
- Volume %	4.0%	12.0%	14.0%	4.0%	6%	-8%	-3%	-18%	-84%	-55%
- Value %	1	0	4	4%	5%	1%	1%	-18%	-85%	-56%
Segment Contribution										
-Fashion (%)	94	93	94	93	94	90	93	92	90	91
-Kirana (%)	6	7	6	7	6	10	7	8	10	9
Total	100	100	100	100	100	100	100	100	100	100
Sales Mix										
Apparels (%)	81.7	79.5	79.6	79.6	82.1	77	79.4	78.7	78.3	79.3
Non Apparels (%)	12.3	13.3	13.6	13.4	11.5	13	14	13.1	11.2	12.1
Kirana (%)	6	7.2	6.8	7	6.4	10	6.6	8.2	10.5	8.6
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
FootFall (lacs)	89	77	100	84	112	84	115	82	15	35
Conversion Rate	60%	59.20%	56.50%	58.40%	59.50%	59.50%	59.50%	55.00%	68.20%	59.50%
Average Selling Price (Rs)										
Total (Rs)	187	164	251	206	194	188	266	222	247	183
Apparels (Rs.)	264	246	436	334	269	298	436	357	179	254
Transaction size (Rs)	718	631	882	749	720	709	884	790	824	844
Store Count YTD	179	190	200	214	227	239	257	266	266	264
Tier 1	25	29	30	34	38	44	55	58	59	59
Tier 2	44	46	47	50	26	28	33	35	35	35
Tier 3	89	91	97	99	133	135	138	141	139	138
Tier 4	21	24	26	31	30	32	31	32	33	32
Store allocation	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Tier 1 %	14.0%	15.3%	15.0%	15.9%	16.7%	18.4%	21.4%	21.8%	22.2%	22.3%
Tier 2 %	24.6%	24.2%	23.5%	23.4%	11.5%	11.7%	12.8%	13.2%	13.2%	13.3%
Tier 3 %	49.7%	47.9%	48.5%	46.3%	58.6%	56.5%	53.7%	53.0%	52.3%	52.3%
Tier 4 %	11.7%	12.6%	13.0%	14.5%	13.2%	13.4%	12.1%	12.0%	12.4%	12.1%



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V-Mart Retail Ltd											
P&L (Rs mn)	FY18	FY19	FY20	FY21E	FY22E	Cash Flow St. (Rs. mn)	FY18	FY19	FY20	FY21E	FY22E
Net Sales	12,223.7	14,337.5	16,620.2	9,464.7	19,425.7	Net Profit	762.3	597.5	493.7	(540.2)	648.9
Cost of sales	(10,895.7)	(13,008.9)	(14,483.1)	(8,741.2)	(16,703.1)	Add: Dep. & Amort.	229.3	276.3	939.2	1,020.7	1,205.5
Operating Profit	1,328.0	1,328.6	2,137.2	723.5	2,722.6	Cash profits	991.6	873.7	1,432.9	480.5	1,854.4
Depreciation	(229.3)	(276.3)	(939.2)	(1,020.7)	(1,205.5)	(Inc)/Dec in					
PBIT	1,098.7	1,052.3	1,197.9	(297.2)	1,517.1	-Sundry debtors	-	-	-	-	-
Other income	26.6	41.1	45.5	167.6	19.3	-Inventories	(379.4)	(218.7)	(1,489.4)	1,408.2	(1,418.9)
Interest	(15.3)	(16.1)	(547.8)	(595.6)	(669.3)	-Loans/advances	(10.1)	(23.9)	(22.6)	(17.8)	(20.5)
Profit before tax	1,109.9	1,077.3	695.6	(725.2)	867.1	-Current Liab and Provisions	169.4	204.0	254.6	(930.3)	1,241.7
Exceptional and Extra Ordin	-	(98.0)	-	-	-	- Other Non Current Assets	(114.5)	(89.6)	(8.1)	(34.2)	(37.6)
PBT (Post Extra Ordinary)	1,109.9	979.3	695.6	(725.2)	867.1	Change in working capital	(334.6)	(128.2)	(1,265.4)	425.9	(235.2)
Provision for tax	(347.6)	(381.9)	(201.9)	185.0	(218.3)	CF from Oper. activities	657.0	745.6	167.5	906.4	1,619.2
Reported PAT	762.3	597.5	493.7	(540.2)	648.9	CF from Inv. activities	(149.2)	(764.9)	(245.0)	(839.9)	(1,198.9)
MI	-	-	-	-	-	CF from Fin. activities	(353.1)	(8.4)	(28.7)	491.4	(496.7)
Adjusted PAT	762.3	657.2	493.7	(540.2)	648.9	Cash generated/(utilised)	154.7	(27.8)	(106.2)	557.9	(76.4)
						Cash at start of the year	29.2	183.9	156.1	49.9	607.8
						Cash at end of the year	183.9	156.1	49.9	607.8	531.3
Balance Sheet	FY18	FY19	FY20	FY21E	FY22E	Ratios	FY18	FY19	FY20	FY21E	FY22E
Equity capital	181.0	181.3	181.5	181.7	181.7	OPM	10.9	9.3	12.9	7.6	14.0
Reserves	3,293.4	3,911.4	4,407.8	3,894.6	4,511.0	NPM	6.2	4.6	3.0	(5.6)	3.3
Net worth	3,474.4	4,092.7	4,589.3	4,076.2	4,692.6	Tax rate	(31.3)	(35.4)	(29.0)	(25.5)	(25.2)
Non Current Liabilites	80.6	111.3	4,439.6	4,855.3	5,759.0	Growth Ratios (%)					
Current Liabilites	1,944.0	2,114.4	3,207.6	2,809.5	3,747.6	Net Sales	22.0	17.3	15.9	(43.1)	105.2
CAPITAL EMPLOYED	5,499.0	6,318.4	12,236.5	11,741.1	14,199.3	Operating Profit	56.6	0.0	60.9	(66.1)	276.3
Non Current Assets	1,824.7	2,112.3	7,060.6	7,385.5	8,406.1	PBIT	65.9	(4.2)	13.8	(124.8)	(610.5)
Fixed Assets	1,482.6	1,704.8	6,695.1	6,998.0	8,055.7	PAT	73.5	(13.8)	(24.9)	(209.4)	(220.1)
Non Current Investments	63.4	98.3	33.2	33.2	33.2	Per Share (Rs.)					
Deferred Tax Asset	92.0	118.3	160.1	160.1	160.1	Net Earnings (EPS)	42.1	36.3	27.2	(29.7)	35.7
Long Term Loans and Adva	72.0	96.0	118.9	136.7	157.2	Cash Earnings (CPS)	54.8	51.5	78.9	26.5	102.1
Other NON Current Assets	114.7	95.0	53.4	57.5	62.0	Dividend	1.3	2.0	1.7	-	-
Current Assets	3,674.4	4,206.1	5,175.9	4,355.6	5,731.2	Book Value	192.0	225.7	252.8	224.4	258.3
Current investments	276.9	508.5	45.8	45.8	45.8	Free Cash Flow	28.1	(1.1)	(4.3)	3.7	23.1
Inventories	3,071.1	3,289.8	4,779.2	3,371.0	4,789.9	Valuation Ratios					
Trade Receivables	-	-	-	-	-	P/E(x)	46.7	54.3	72.3	(66.1)	55.1
Cash and Bank Balances	183.9	156.1	49.9	607.8	531.3	P/B(x)	10.2	8.7	7.8	8.8	7.6
Short Term Loans and Adva	0.8	0.6	0.3	0.3	0.3	EV/EBIDTA(x)	26.7	26.7	16.7	49.2	12.9
Other Current Assets	141.7	251.0	300.7	330.8	363.8	Div. Yield(%)	0.1	0.1	0.1	-	-
CAPITAL DEPLOYED	5,499.0	6,318.4	12,236.5	11,741.1	14,199.3	FCF Yield(%)	1.4	(0.1)	(0.2)	0.2	1.2
						Return Ratios (%)					
						ROE	21.9	16.1	10.8	(13.3)	13.8
						ROCE	31.6	25.7	26.0	(6.5)	29.4



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