

Remain Cautiously Optimistic, Festive and Pent Up Demand To Follow



Better than expectations with ~50% recovery

- **Revenue:** +127% YoY to Rs 1774.1mn (QoQ -49.6%)
- **EBIDTA loss:** declined YoY to Rs 19.6mn v/s 58.4mn (QoQ EBIDTA pft was Rs 335.6mn)
- **EBIDTA margins:** @ -1.1% v/s -7.5% YoY (QoQ +9.5%)
- **PBT (loss):** at Rs 385.13mn v/s Rs 453.6mn YoY (QoQ -22.9mn)
- **PAT (loss):** stood at Rs 287mn v/s loss of Rs 336.3mn YoY (QoQ loss Rs 14.8mn)

Other Details

- **Rm to Revenue** 69% v/s 69.2% YoY (QoQ 70.2%)
- **Employee cost** increased by 77% YoY to Rs 334.3mn (includes Rs 20.43mn towards Esops) (Q4FY21 was Rs 355.4mn)
- **Other Expenses to Revenue** 13.3% v/s 14.1% YoY (10.25 QoQ)

Other Key Takeaways

- Rent Concession in Q1FY22 Rs 17.66mn v/s 25.96mn YoY

Outlook:

- Cautiously optimistic, with MoM improvement in sales, once store opening hours increase especially in bigger states i.e. UP and Bihar lot of pent-up plus festive and wedding related demand is expected to come-in.
- Good monsoons have led Agri & rural income to be stable
- Integration of 74 stores purchased from Arvind in Sept-21 would also give additional revenue and store expansion plan continues to be in the range of 20-25% YoY

Rating	TP (Rs)	Up/Dn (%)
ACCUMULATE	3725	7

Market data

Current price	Rs	3490
Market Cap (Rs.Bn)	(Rs Bn)	68
Market Cap (US\$ Mn)	(US\$ Mn)	914
Face Value	Rs	10
52 Weeks High/Low	Rs	4085/1700
Average Daily Volume	('000)	22
BSE Code		534976
Bloomberg		VMART:IN
Source: Bloomberg		

One Year Performance



Source: Bloomberg

% Shareholding	Jun-21	Mar-21
Promoters	46.66	46.67
Public	53.34	53.33
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	16,121	27,477
Adjusted net profit	657	494	(62)	137	925
Free cash flow	332	226	469	(943)	1,561
EPS (Rs)	36.3	27.2	(3.1)	6.9	46.9
growth (%)		-25%	NA	NA	575%
P/E (x)	96.3	128.3	(1,108.5)	502.3	74.4
P/B (x)	15.5	13.8	8.3	8.2	7.4
EV/EBITDA (x)	47.5	32.0	56.3	39.3	21.8
D/E	0.0	0.0	-	0.0	0.0
RoCE (%)	25.7	26.0	3.4	10.9	22.3
RoE (%)	16.1	10.8	(0.8)	1.6	10.0
Dividend yield (%)	0.1	0.0	-	-	0.1

Source: Company

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Conference Call Key Takeaways

- **Demand** for June was good and July and August is showing improvement MoM. However, still lower than 2019 levels due to restricted hours.
- **Q1FY22 had 49% of operational days with limited no of hours.**
- Income of rural India is better on a YoY basis with higher MSP, better agri-output due to good monsoon which should aid growth for V-Mart.
- Main states i.e. Bihar and UP are still working with restricted hours and post-Independence day some ease in restrictions are expected that would be positive for demand
- Metros and tier 1&2 did better v/s Rural in some states
- **Price increase of 5-6% aided ASP for apparel to +19% YoY and transaction size +3% YoY.** Rising input cost of yarn gave no option but to take price increases
- Online share @ 1% of sales, serving entire India. Online is still making losses. Aim is to increase it to 5% in-terms of contribution.
- Employee cost increased as
 - a. Variable part was restricted in last year
 - b. Minimum wages also increased
- **Inventory** on a YoY basis is down by 15% as order placement was optimized at the same time fresh order for autumn and winter is in full swing
- **Shrinkage @ 4.9%** is above average but as % of inventory is @ 2.5%
- Aiming to complete integration with 'Unlimited' brand by September 2021
- **Rent savings** would be limited due to partial lockdowns only
- **Expansion plans** on the retail footprint, the company reaffirmed its plan to add 20-25% of retail space annually in FY22 and FY23
- New warehouse would be operational in next 9-12 months period. It should improve replenishment and lead time (currently bought down by 20% v/s historic levels)

Metros and tier 1&2 did better v/s Rural in some states

Aiming to complete integration with 'Unlimited' brand by September 2021

Quarterly Performance Analysis

Exhibit 1

Particulars	Post IND-AS 116			Q4FY21	QoQ (%)
	Q1FY22	Q1FY21	YoY (%)		
Revenue	1774.1	780.6	127	3518.7	(50)
Other Income	45.1	13.9	223	43.4	4
Total	1819.2	794.6	129	3562.2	(49)
Total RM Cost	1224.0	540.2	127	2470.1	(50)
Gross Profit	550.1	240.5	129	1048.7	(48)
Employee Cost	334.3	188.7	77	355.4	(6)
Other Expenses	235.4	110.1	114	357.7	(34)
Total	1793.7	839.0	114	3183.2	(44)
EBIDTA	-19.6	-58.4	(66)	335.6	(106)
Depreciation	254.7	263.0	(3)	255.6	(0)
EBIT	-229.3	-307.5	(25)	123.5	(286)
Interest Cost	155.9	146.1	7	146.4	6
PBT and exceptional iter	-385.1	-453.6	(15)	-22.9	1,581
exceptional item	0.0	0.0		0.0	
PBT	-385.1	-453.6	(15)	-22.9	1,581
Taxes	-98.0	-117.3		-8.2	
Reported PAT	-287.1	-336.3	(15)	-14.7	1,847
EPS	-14.6	-18.5		-0.7	
as a % to sales					
RM	69.0%	69.2%		70.2%	
GPM	31.0%	30.8%		29.8%	
Employee Costs	18.8%	24.2%		10.1%	
Other expenses	13.3%	14.1%		10.2%	
OPM	-1.1%	-7.5%		9.5%	
Tax rate (on PBT)	25.4%	25.9%		35.6%	

Source: Dalal & Broacha Research, Company

Exhibit 2

Particulars	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Stores	266	264	274	279	282
<i>Net Additions</i>	<i>0</i>	<i>-2</i>	<i>10</i>	<i>5</i>	<i>3</i>
Retail Space YTD in lacs Sq feet	22.2	22.0	23.0	23.00	23.20
<i>Increase</i>	<i>0.10</i>	<i>(0.2)</i>	<i>1.00</i>	<i>0.00</i>	<i>0.20</i>
Sales Per Sq Ft Per Mth In Rs as per Present at ion	357	299	895	569	533
SSS: Apparel YTD					
- Volume %	-84%	-55%	-52%		-66%
- Value %	-85%	-56%	-50%		-66%
Segment Contribution					
-Fashion (%)	90	91	92	91	91
-Kirana (%)	10	9	8	9	9
Total	100	100	100	100	100
Sales Mix					
Apparels (%)	78.3	79.3	79.3	77.9	80
Non Apparels (%)	11.2	12.1	14	12.7	10.7
Kirana (%)	10.5	8.6	6.7	9.4	9.3
Total	100	100	100	100	100

Source: Dalal & Broacha Research, Company

Exhibit 3

Particulars	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Foot Fall (lacs)	15	35	83	72	31
Conversion Rate	68%	60%	62%	61.10%	70.70%
Average Selling Price (Rs)					
Total (Rs)	179	183	262	202	193
Apparels (Rs.)	247	254	446	327	295
Transaction size (Rs)	824	844	968	851	848
Store Count YTD	266	264	274	279	282
Tier 1	59	59	63	65	65
Tier 2	35	35	37	37	38
Tier 3	139	138	140	142	143
Tier 4	33	32	34	35	36
Store allocation	100%	100%	100%	100%	100%
Tier 1 %	22%	22%	23%	23%	23%
Tier 2 %	13%	13%	14%	13%	13%
Tier 3 %	52%	52%	51%	51%	51%
Tier 4 %	12%	12%	12%	13%	13%

Source: Dalal & Broacha Research, Company

Valuation & Outlook

Outlook & Valuations:

Cautiously optimistic, with MoM improvement in sales, once store opening hours increase especially in bigger states i.e. UP and Bihar lot of pent-up plus festive and wedding related demand is expected to come-in.

Good monsoons have led Agri & rural income to be stable.

Integration of 74 stores purchased from Arvind in Sept-21 would also give additional revenue and store expansion plan continues to be in the range of 20-25% YoY

Valuations (considering the acquisition): At Rs 3490 on EV/EBIDTA basis for FY22e and FY23e, V-Mart trades at 39x and 22x respectively. We revise our estimates and valuing the stock at 23x EV/EBIDTA for FY23 and **arrive at a target price of Rs 3725 and change our recommendation from Buy on Dips to Accumulate**

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	16,121.0	27,476.8	Net Profit	597.5	493.7	(62.0)	137.0	924.6
Cost of sales	(13,008.9)	(14,483.1)	(9,442.5)	(14,069.0)	(23,753.4)	Add: Dep. & Amort	276.3	939.2	1,029.7	1,136.5	1,656.2
Operating Profit	1,328.6	2,137.2	1,312.1	2,052.0	3,723.4	Cash profits	873.7	1,432.9	967.7	1,273.4	2,580.9
Depreciation	(276.3)	(939.2)	(1,029.7)	(1,136.5)	(1,656.2)	(Inc)/Dec in					
PBIT	1,052.3	1,197.9	282.4	915.6	2,067.2	-Sundry debtors	-	-	-	-	-
Other income	41.1	45.5	210.4	195.3	150.2	-Inventories	(218.7)	(1,489.4)	496.1	(1,017.0)	(2,980.6)
Interest	(16.1)	(547.8)	(589.5)	(927.8)	(981.2)	-Loans/advances	(23.9)	(22.6)	(14.6)	(12.8)	(21.2)
Profit before tax	1,077.3	695.6	(96.6)	183.1	1,236.2	'-Current Liab and Provisions	204.0	254.6	(145.0)	804.8	1,919.4
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)	183.1	1,236.2	Change in working capital	(128.2)	(1,265.4)	(453.3)	(267.5)	(1,129.1)
Provision for tax	(381.9)	(201.9)	34.6	(46.1)	(311.5)	CF from Oper. activities	745.6	167.5	514.4	1,005.9	1,451.7
Reported PAT	597.5	493.7	(62.0)	137.0	924.6	CF from Inv. activities	(764.9)	(245.0)	(3,911.5)	(815.2)	(1,006.0)
MI	-	-	-	-	-	CF from Fin. activities	(8.4)	(28.7)	3,621.9	15.7	(46.2)
Adjusted PAT	657.2	493.7	(62.0)	137.0	924.6	Cash generated/(utilised)	(27.8)	(106.2)	224.8	206.5	399.5
						Cash at start of the year	183.9	156.1	49.9	274.7	481.1
						Cash at end of the year	156.1	49.9	274.7	481.1	880.6
Balance Sheet	FY19	FY20	FY21	FY22E	FY23E	Ratios	FY19	FY20	FY21	FY22E	FY23E
Equity capital	181.3	181.5	197.0	197.1	197.1	OPM	9.3	12.9	12.2	12.7	13.6
Reserves	3,911.4	4,407.8	8,055.2	8,185.3	9,063.8	NPM	4.6	3.0	(0.6)	0.8	3.3
Net worth	4,092.7	4,589.3	8,252.2	8,382.5	9,260.9	Tax rate	(35.4)	(29.0)	(35.8)	(25.2)	(25.2)
Non Current Liabilities	111.3	4,439.6	5,381.3	10,573.2	11,178.9	Growth Ratios (%)					
Current Liabilities	2,114.4	3,207.6	2,631.9	4,949.0	6,976.1	Net Sales	17.3	15.9	(35.3)	49.9	70.4
CAPITAL EMPLOYED	6,318.4	12,236.5	16,265.4	23,904.7	27,416.0	Operating Profit	0.0	60.9	(38.6)	56.4	81.5
Non Current Assets	2,112.3	7,060.6	7,446.2	16,178.0	17,002.4	PBIT	(4.2)	13.8	(76.4)	224.2	125.8
Fixed Assets	1,704.8	6,695.1	6,987.4	15,747.9	16,551.2	PAT	(13.8)	(24.9)	(112.6)	(320.8)	575.0
Non Current Investments	98.3	33.2	36.2	36.2	36.2	Per Share (Rs.)					
Deferred Tax Asset	118.3	160.1	252.7	252.7	252.7	Net Earnings (EPS)	36.3	27.2	(3.1)	6.9	46.9
Long Term Loans and Advan	96.0	118.9	128.3	141.2	162.3	Cash Earnings (CPS)	51.5	78.9	49.1	64.6	130.9
Other NON Current Assets	95.0	53.4	41.6	44.3	47.3	Dividend	2.0	1.7	-	-	2.0
Current Assets	4,206.1	5,175.9	8,819.2	7,682.4	10,366.2	Book Value	225.7	252.8	418.8	425.2	469.8
Current investments	508.5	45.8	3,153.6	753.6	13.6	Free Cash Flow	(1.1)	(4.3)	(172.4)	9.7	22.6
Inventories	3,289.8	4,779.2	4,283.1	5,300.0	8,280.7	Valuation Ratios					
Trade Receivables	-	-	-	-	-	P/E(x)	96.3	128.3	(1,108.5)	502.3	74.4
Cash and Bank Balances	156.1	49.9	274.7	481.1	880.6	P/B(x)	15.5	13.8	8.3	8.2	7.4
Short Term Loans and Advan	0.6	0.3	5.4	5.4	5.4	EV/EBIDTA(x)	47.5	32.0	56.3	39.3	21.8
Other Current Assets	251.0	300.7	1,102.4	1,142.2	1,185.9	Div. Yield(%)	0.1	0.0	-	-	0.1
CAPITAL DEPLOYED	6,318.4	12,236.5	16,265.4	23,904.7	27,416.0	FCF Yield(%)	(0.0)	(0.1)	(4.9)	0.3	0.6
						Return Ratios (%)					
						ROE	16.1	10.8	(0.8)	1.6	10.0
						ROCE	25.7	26.0	3.4	10.9	22.3

Source: Dalal & Broacha Research, Company

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