



DALAL & BROACHA
STOCK BROKING PVT. LTD.

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Result Update @ Dalal & Broacha

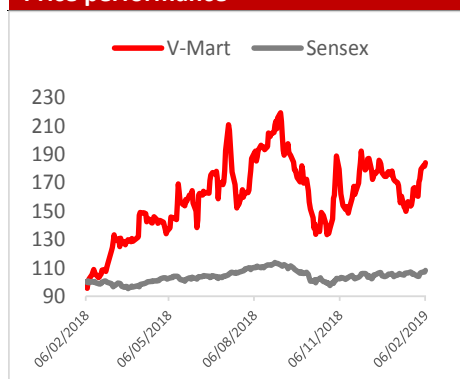
Neutral

Current Price	2719
52 Week Range	1392/3298

Key Share Data

Market Cap (Rs.bn)	49.28
Market Cap (US\$ mn)	689.23
No of o/s shares (mn)	18.1
Face Value	10.0
Monthly Avg. vol(BSE+NSE) Nos'000	
BSE Code	534976
NSE Code	VMART
Bloomberg	VMART IN

Price performance



% Shareholding

	Dec-18	Sept-18
Promoters	53.95	53.95
Public	46.05	46.05
Others	0	0
Total	100.0	100.0

V-mart Retail Ltd Q3FY19 results were better than expectations on back of a strong festive quarter with 11% SSG

Revenues: Grew 26.6% Y-o-Y to Rs.4658.3mn as against Rs.3679.63Mn

Stores: 200 stores as against 167 stores up 20% YoY; Store additions +10 Q-o-Q/ +29 stores YTD

Employee cost increased 30% Y-o-Y to Rs 346.2mn on account of higher store openings and ESOP worth Rs.28mn allotted this quarter

EBITDA: grew by 14.6% to Rs 733.51mn as against Rs.640.16Mn/margins at 15.7% as against 17.4% y-o-y

As % to Revenue

Raw Material Costs: 64.4% as against 63.9%

Other Expense: 12.4% as against 11.5% YoY

PAT: grew by 13.7% to Rs. 416.93mn

EPS: Rs. 23 as against Rs.20.27

9MFY19 v/s 9MFY18

Revenue: grew by 17.8% to Rs. 10892.21Mn/Additional Stores Opened: 29 as against 26

Raw Material as a % to Sales stood at 66.6% as against 67.2%

Employee Cost: increased by 26.8% to Rs. 929.52Mn as against 733.3Mn

Other Expenses: increased by 29.6% to Rs. 1554.91Mn as against 1199.65Mn

EBITDA: increased 5% to Rs.1151.54Mn/Margins stood at 10.6% as against 11.9%

PAT: grew 1.2% to Rs. 625.33mn

EPS:Rs.34.55 as against Rs.34.14

Other KTA

1) During the festive period, i.e. from 6th Sept to 13th Nov, the company registered overall and LTL growth of 49% and 27% respectively

2) Volume SSG stood at 14% and for 9 months stood at 3.7% compared to 9.2% in 9MFY18 ; management stated that 9.2% was high and beating this would be difficult

3) Company is witnessing high and increasing competitive pressure from National as well as private retailers

4) End of Season Sale (EOS) started early in December which led to lower realisations

5) Company will open 38-39 stores for FY19 (29 opened in 9MFY19) and guided for equal openings in FY20

6) Company is witnessing good demand in East India where the company still does not have a strong presence

7) For the quarter the company is marginally Free Cash Negative, but positive for the 9 month period

Outlook: The company is facing increasing competitive pressure in all areas currently present (tier 1-4), losing the premium it enjoyed for being the first mover into deeper India. A key thing to watch would be the company's response to the increased competition in key areas.

Valuation at CMP of Rs. 2719, on PE basis the stock is trading at 45.43x FY20e EPS of Rs. 59.6 and 38.5x FY21e EPS of Rs. 70.4. We rollover our valuations to FY21e and as such assigning an industry average P/E multiple of 39x FY21e and 22x EV/EBITDA multiple with equal weight to each; we arrive at a Target price of Rs. 2752. As per our estimates at current valuations the stock is fairly priced and thus we change our rating from Accumulate to Neutral

Financials (Rs. Mn)

Year	Op Income	% Growth	EBITDA	OPM%	PAT	% Growth	EPS	PE (x)	ROE%	ROCE%
FY17	10,017.3	23.8%	847.8	8.5%	439.3	64.6%	24.3	111.8	16.3	21.7
FY18	12,223.7	22.0%	1,328.0	10.9%	777.2	76.9%	42.9	63.3	22.4	31.6
FY19E	14,330.5	17.2%	1,415.8	9.9%	797.3	2.6%	44.0	61.8	18.9	24.3
FY20E	17,076.9	19.2%	1,822.9	10.7%	1,081.8	35.7%	59.7	45.6	20.6	26.2
FY21E	20,008.2	17.2%	2,132.8	10.7%	1,284.1	18.7%	70.8	38.4	19.8	25.1



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V- Mart All Amounts in Millions	Q3FY18	Q3FY19	9MFY18	9MFY19
Particulars				
Revenue from Operations	3679.63	4658.3	9250.13	10892.21
<i>Growth</i>		<i>26.6%</i>		<i>17.8%</i>
Other Income	9.73	17.3	29.11	36.67
Total	3689.36	4675.62	9279.24	10928.88
<i>Growth</i>		<i>26.7%</i>		<i>17.8%</i>
Expenses				
cost of materials consumed		0	0	0
Purchase of stock in trade	1880.87	2449.73	6264.01	7365.82
Changes in inventories of stock in trade	468.81	552.18	-43.87	-109.58
COGS	2349.68	3001.91	6220.14	7256.24
<i>% of sales</i>	<i>63.9%</i>	<i>64.4%</i>	<i>67.2%</i>	<i>66.6%</i>
<i>Growth</i>		<i>27.8%</i>		<i>16.7%</i>
Employee Benefit Expense	265.9	346.24	733.3	929.52
<i>% of sales</i>	<i>7.2%</i>	<i>7.4%</i>	<i>7.9%</i>	<i>8.5%</i>
<i>Growth</i>		<i>30.2%</i>		<i>26.8%</i>
Other Expenses	423.89	576.64	1199.65	1554.91
<i>% of sales</i>	<i>11.5%</i>	<i>12.4%</i>	<i>13.0%</i>	<i>14.3%</i>
<i>Growth</i>		<i>36.0%</i>		<i>29.6%</i>
Total	3039.47	3924.79	8153.09	9740.67
<i>% of sales</i>	<i>82.6%</i>	<i>84.3%</i>	<i>88.1%</i>	<i>89.4%</i>
<i>Growth</i>		<i>29.1%</i>		<i>19.5%</i>
EBITDA excluding other income	640.16	733.51	1097.04	1151.54
EBIDTA MARGINS	17.4%	15.7%	11.9%	10.6%
<i>Growth</i>		<i>14.6%</i>		<i>5.0%</i>
EBITDA including other income	649.89	750.83	1126.15	1188.21
<i>% of sales</i>	<i>17.6%</i>	<i>16.1%</i>	<i>12.1%</i>	<i>10.9%</i>
<i>Growth</i>		<i>15.5%</i>		<i>5.5%</i>
Depreciation	58.59	71.7	162.39	203.91
<i>Growth</i>		<i>22.4%</i>		<i>25.6%</i>
EBIT	591.3	679.12	963.76	984.3
Finance costs	3.05	8.79	13.74	12.68
<i>Growth</i>		<i>188.2%</i>		<i>-7.7%</i>
Provision for dimunition in value of investments		0		24.5
PBT before exceptional item	588.25	670.33	950.02	947.12
<i>% of sales</i>	<i>16%</i>	<i>14%</i>	<i>10%</i>	<i>9%</i>
<i>Growth</i>		<i>14.0%</i>		<i>-0.3%</i>
prior period income/expense) (net)	0	0		
PBT	588.25	670.33	950.02	947.12
Tax Expense				
Current tax	196.96	259.01	339.36	346.75
Deferred tax	24.44	-5.61	-7.25	-24.96
Total	221.4	253.4	332.11	321.79
Tax Rate	38%	38%	35%	34%
PAT	366.85	416.93	617.91	625.33
NPM	9.9%	8.9%	6.7%	5.7%
<i>Growth</i>		<i>13.7%</i>		<i>1.2%</i>
Extraordinary item	0.00	0.00	0	0
Other Comprehensive Income	-0.98	0.35	-1.76	3.68
Total Comprehensive Income	365.87	417.28	616.15	629.01
Equity	180.97	181.27	180.97	180.97
Face Value	10	10	10	10
Number of Shares	18.097	18.127	18.097	18.097
Basic EPS Calculated	20.27	23.00	34.14	34.55
Dilluted EPS	20.27	23.00	34.14	34.55



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