

BOB Economics Research | Weekly Wrap

US 10Y moves closer to 1%

V-Mart Retail | Target: Rs 1,750 | -20% | SELL

Early onset of winter boosting sales

SUMMARY

India Economics: Weekly Wrap

US 10Y yield increased by 13bps on the back of hope of US fiscal stimulus. DXY index fell by 1.2% with weak payrolls and progress on vaccine. Oil prices too rose by 2.2% as OPEC+ agreed on production cuts. Global equities continued to make fresh highs, including India where RBI's liquidity stance is positive for equities. GST collections were steady and gives room for spending. RBI's new inflation forecast rules out a rate cut. High frequency data, IIP and Covid-19 cases will be the focal point for India in the week.

[Click here for the full report.](#)

V-Mart Retail

Key takeaways from our recent interaction with the V-Mart Retail management (VMART): (1) VMART now has most of its stores operational post unlocking. Also, store timings have normalised in most geographies barring a few states such as Gujarat. (2) Footfalls are at 70-75% of year-ago levels whereas conversion to buying customers remains high. (3) Average selling price has risen YoY due to increased sales of winterwear which are priced higher.

[Click here for the full report.](#)

TOP PICKS

LARGE-CAP IDEAS

Company	Rating	Target
Cipla	Buy	900
GAIL	Buy	155
Petronet LNG	Buy	330
TCS	Buy	3,180
Tech Mahindra	Buy	1,040

MID-CAP IDEAS

Company	Rating	Target
Alkem Labs	Buy	3,600
Greenply Industries	Buy	150
Laurus Labs	Buy	410
Transport Corp	Buy	300
Mahanagar Gas	Sell	750

Source: BOBCAPS Research

DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	0.97	6bps	7bps	(87bps)
India 10Y yield (%)	5.90	(3bps)	0bps	(77bps)
USD/INR	73.80	0.2	0.8	(3.6)
Brent Crude (US\$/bbl)	49.25	1.1	24.0	(23.5)
Dow	30,218	0.8	10.0	7.9
Shanghai	3,445	0.1	5.3	18.3
Sensex	45,080	1.0	12.0	11.5
India FII (US\$ mn)	3 Dec	MTD	CYTD	FYTD
FII-D	376.1	267.1	(14,352.1)	(4,592.6)
FII-E	498.8	1,002.3	17,108.0	23,711.0

Source: Bank of Baroda Economics Research

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WEEKLY WRAP

07 December 2020

US10Y moves closer to 1%

US 10Y yield increased by 13bps on the back of hope of US fiscal stimulus. DXY index fell by 1.2% with weak payrolls and progress on vaccine. Oil prices too rose by 2.2% as OPEC+ agreed on production cuts. Global equities continued to make fresh highs, including India where RBI's liquidity stance is positive for equities. GST collections were steady and gives room for spending. RBI's new inflation forecast rules out a rate cut. High frequency data, IIP and Covid-19 cases will be the focal point for India in the week.

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Markets

- **Bonds:** US 10Y yield rose by 13bps (0.97%) amidst hopes of US\$ 908bn coronavirus aid plan. UK 10Y yield rose by 7bps (0.35%) amidst expectation of a trade deal between UK and EU before 31 Dec 2020. China 10Y yield fell by 1bps (3.3%) amidst better macro prints. Oil prices rose by 2.2% (US\$ 49/bbl) as OPEC+ planned to cut output by 7.2mbpd from Jan'21. India's 10Y yield fell by 1bps (5.9%) as RBI maintained accommodative stance. System liquidity surplus rose to Rs 5.8tn as on 4 Dec 2020 compared with Rs 5.4tn in the previous week.
- **Currency:** Except JPY (lower), other global currencies closed higher against the dollar. DXY fell by 1.2% to nearly two-and-a-half year low. Renewed expectations from US fiscal talks and progress of vaccine explain a weaker US\$. INR appreciated by 0.3% in the week supported by foreign inflows of US\$ 1.3bn.
- **Equity:** Barring Dax, other global indices ended the week higher on hopes of Covid-19 vaccine. Amongst other indices, FTSE (2.9%) gained the most. Sensex too climbed up by 2.1% led by real estate and metal stocks. RBI's liquidity stance is also positive for equity markets. This was followed by Shanghai Comp (1.1%) as China's services PMI edged upwards.
- **Upcoming key events:** In current week, markets will watch CPI prints of US, China and Germany and industrial production of European economies. In addition, ECB policy decision and Germany's ZEW index results are also awaited. On the domestic front, industrial production data and progress of Covid-19 cases will be tracked.



SELL

TP: Rs 1,750 | ▼ 20%

V-MART RETAIL

Retail

07 December 2020

Early onset of winter boosting sales

Following are key takeaways from our recent interaction with the V-Mart Retail management (VMART):

- VMART now has most of its stores operational post unlocking. Also, store timings have normalised in most geographies barring a few states such as Gujarat.
- Footfalls are at 70-75% of year-ago levels whereas conversion to buying customers remains high.
- Average selling price has risen YoY due to increased sales of winterwear which are priced higher.
- Like-to-like store sales are currently at 80-90% of year-ago levels.
- Due to the early onset of winter in geographies such as Uttar Pradesh and Bihar this year, demand for winterwear products has picked up faster than the same period last year.
- 'Durga Puja' festival sales were tepid (at 70-75% of last year's sales) but Diwali did see a pickup (80-90% of last year's sales) enabled by the early winter arrival.
- Demand has been healthy in VMART's key markets of Uttar Pradesh and Bihar, with sales momentum in most eastern markets improving post October.
- The company has not given any additional discounts during the quarter which should enable it to protect gross margins.
- A majority of the benefits from lower rentals came through in H1FY21 with some spillover in Q3. Employee cost should largely normalise from Q3.
- VMART went into the third quarter with lower inventory YoY – this contributed to loss of sales during the quarter.
- The company has minimal debt and plans to be net-debt free in Q3FY21 due to high liquidation of inventory.
- Management plans to add 8-10 stores by Q4FY21.

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Ticker/Price	VMART IN/Rs 2,178
Market cap	US\$ 536.7mn
Shares o/s	18mn
3M ADV	US\$ 0.8mn
52wk high/low	Rs 2,545/Rs 1,200
Promoter/FPI/DII	51%/23%/26%

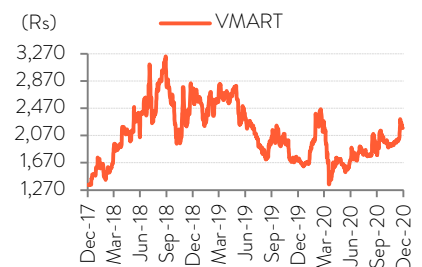
Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY21E	FY22E	FY23E
Total revenue (Rs mn)	13,336	21,158	25,772
EBITDA (Rs mn)	1,742	2,996	3,749
Adj. net profit (Rs mn)	139	895	1,114
Adj. EPS (Rs)	7.7	49.3	61.4
Adj. EPS growth (%)	(71.3)	542.4	24.5
Adj. ROAE (%)	3.0	17.4	18.2
Adj. P/E (x)	283.8	44.2	35.5
EV/EBITDA (x)	22.5	13.1	10.4

Source: Company, BOBCAPS Research

STOCK PERFORMANCE



Source: NSE

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Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

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