

REDUCE

TP: Rs 1,560 | ▼ 9%

V-MART RETAIL

Retail

27 June 2020

Management meet takeaways – lower footfalls, higher purchases

We discussed consumptions trends in the wake of Covid-19 with the management of V-Mart Retail (VMART). Following are the key takeaways:

- VMART has opened 80-90% of its stores post lockdown. These are operational for an average of 8-9 hours daily vs. 10-12 hours earlier.
- Footfalls are at ~30% of normal levels but conversion to buying customers is high as only those with immediate needs are stepping into stores.
- The number of items purchased by customers has risen ~40% on average. While ASPs are down ~25%, the average bill size has increased 10-15%.
- Purchases mostly comprise regular-use products such as trackpants, t-shirts and shorts. Demand for kids wear has also been high.
- Like-to-like sales growth is currently at 60-70% YoY though full-month growth would be far lower due to the fewer number of operational days.
- Uttar Pradesh markets have shown stronger demand traction in the wake of the lockdown but Bihar, West Bengal and Assam are still sluggish.
- Rental renegotiations are underway and ~60% of the landlords have agreed to a rent waiver for the lockdown period. VMART is also negotiating for rent cuts and targeting cost savings of 12-15% in FY21.
- Employee cost rationalisation initiatives should save 5-10% of staff costs in FY21.
- VMART is not undertaking new purchases, and sales are currently from the high inventory built up in March. New inventory will be purchased from August for the festival period in Q3.
- The company has used just ~15% of its working capital limits so far. It was net debt-free till FY20.
- VMART has no plans to open new stores for the next few months till clarity emerges on the demand situation post pandemic.

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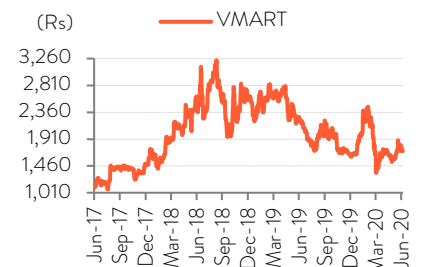
Ticker/Price	VMART IN/Rs 1,710
Market cap	US\$ 410.8mn
Shares o/s	18mn
3M ADV	US\$ 0.7mn
52wk high/low	Rs 2,545/Rs 1,200
Promoter/FPI/DII	52%/23%/25%

Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY20P	FY21E	FY22E
Total revenue (Rs mn)	16,620	14,622	21,872
EBITDA (Rs mn)	2,138	2,021	3,020
Adj. net profit (Rs mn)	493	357	942
Adj. EPS (Rs)	27.2	19.7	51.9
Adj. EPS growth (%)	(31.8)	(27.6)	163.7
Adj. ROAE (%)	11.4	7.5	17.5
Adj. P/E (x)	62.9	87.0	33.0
EV/EBITDA (x)	14.3	15.2	10.1

Source: Company, BOBCAPS Research

STOCK PERFORMANCE

Source: NSE

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Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

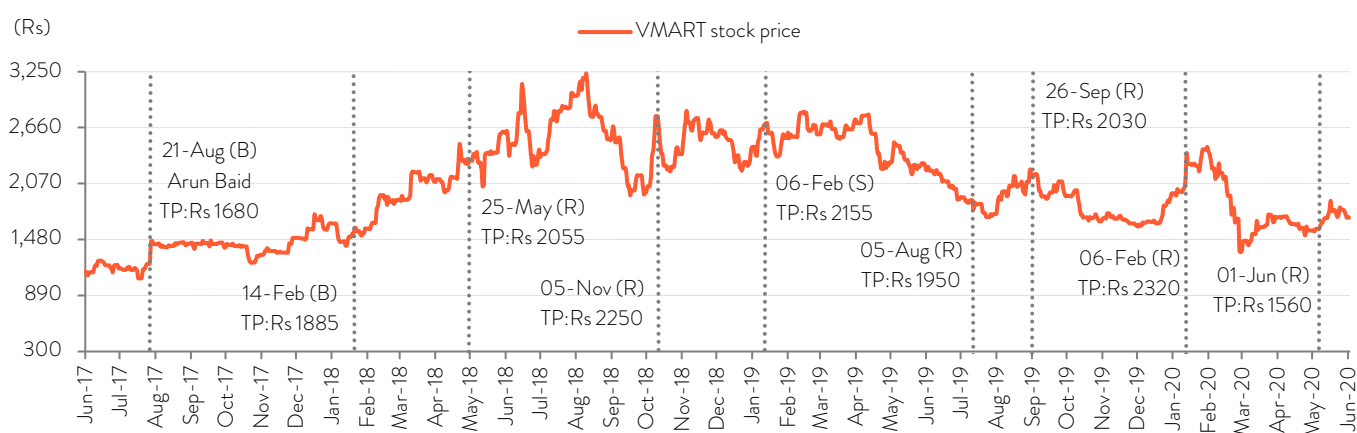
ADD – Expected return from >+5% to +15%

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)

HISTORICAL RATINGS AND TARGET PRICE: V-MART RETAIL (VMART IN)



Note: B – Buy, A – Add, R – Reduce, S – Sell

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