

**SELL**

TP: Rs 1,665 | ▼ 11%

**V-MART RETAIL**

Retail

08 September 2020

## Revival hopes pinned on Q3 festive season

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

- VMART now has ~90% of its stores operational given the gradual unlocking across the country. However, store timings have reduced in many geographies due to continued restrictions.
- Footfalls are at 70-75% of normal levels whereas conversion to buying customers is high as only those with immediate requirements are stepping into stores.
- Average selling price is declining but the average bill size has risen 15-20% as customers are purchasing a higher number of items.
- VMART is now seeing some pick-up in non-routine purchases by customers (for items such as trousers), unlike the initial unlock phase where sales mostly comprised regular-use products such as trackpants, t-shirts and shorts.
- Like-to-like store sales are currently ~60% of year-ago levels.
- Rental renegotiations with landlords due to the Covid-19 lockdown/slowdown should yield savings of Rs 150mn-200mn for the company in FY21. These are one-time savings and will normalise in FY22.
- Employee cost rationalisation should save Rs 150mn-200mn of staff costs in FY21.
- VMART has started purchasing stock for the upcoming festival season in Q3 and is hopeful of better demand during the period with unlocking.
- The company has used only ~15% of its working capital limits so far.
- Management is not planning any net addition to stores in FY21 but will undertake relocation or closure of some underperforming outlets.
- On 5 September, the company passed an enabling resolution to raise up to Rs 5bn as a precautionary measure in case the pandemic continues and the situation worsens, necessitating fund raising. These funds are not intended for M&A activity.

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Ticker/Price	VMART IN/Rs 1,874
Market cap	US\$ 460.7mn
Shares o/s	18mn
3M ADV	US\$ 0.6mn
52wk high/low	Rs 2,545/Rs 1,200
Promoter/FPI/DII	51%/23%/26%

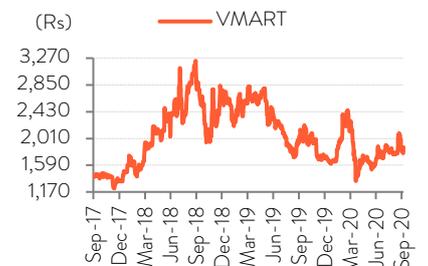
Source: NSE

### KEY FINANCIALS

Y/E 31 Mar	FY21E	FY22E	FY23E
Total revenue (Rs mn)	13,336	21,158	25,772
EBITDA (Rs mn)	1,719	2,946	3,618
Adj. net profit (Rs mn)	151	901	1,120
Adj. EPS (Rs)	8.3	49.6	61.7
Adj. EPS growth (%)	(69.5)	497.9	24.3
Adj. ROAE (%)	3.2	17.5	18.3
Adj. P/E (x)	225.7	37.7	30.4
EV/EBITDA (x)	19.6	11.3	9.0

Source: Company, BOBCAPS Research

### STOCK PERFORMANCE



Source: NSE

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### Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

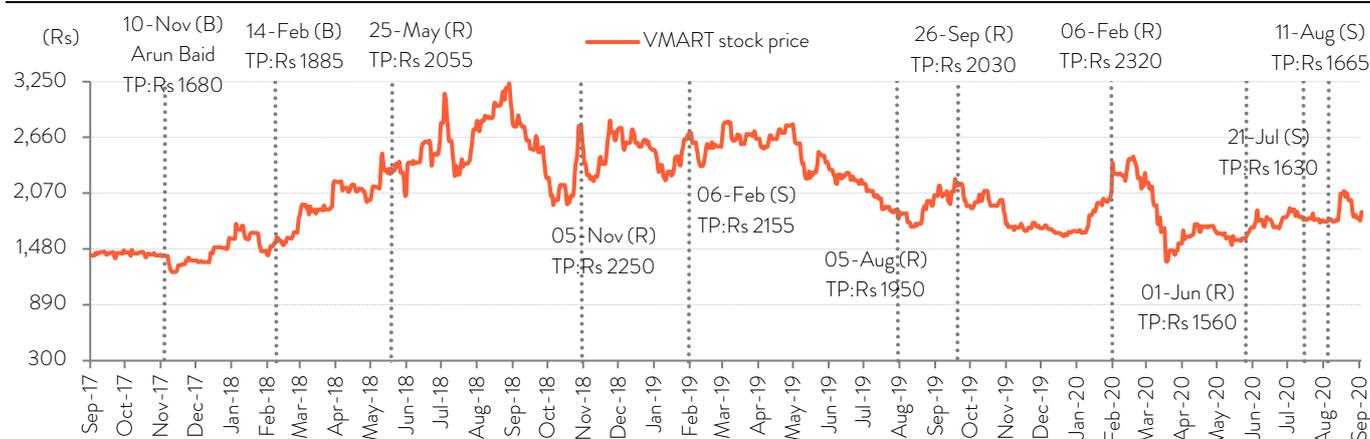
**ADD** – Expected return from >+5% to +15%

**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)

### RATINGS AND TARGET PRICE (3-YEAR HISTORY): V-MART RETAIL (VMART IN)



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

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