

**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%       |

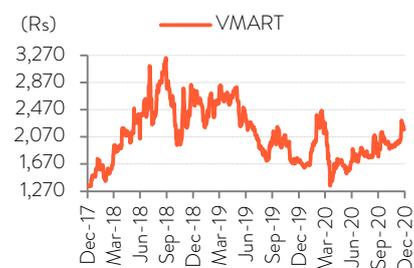
Source: NSE

### 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%

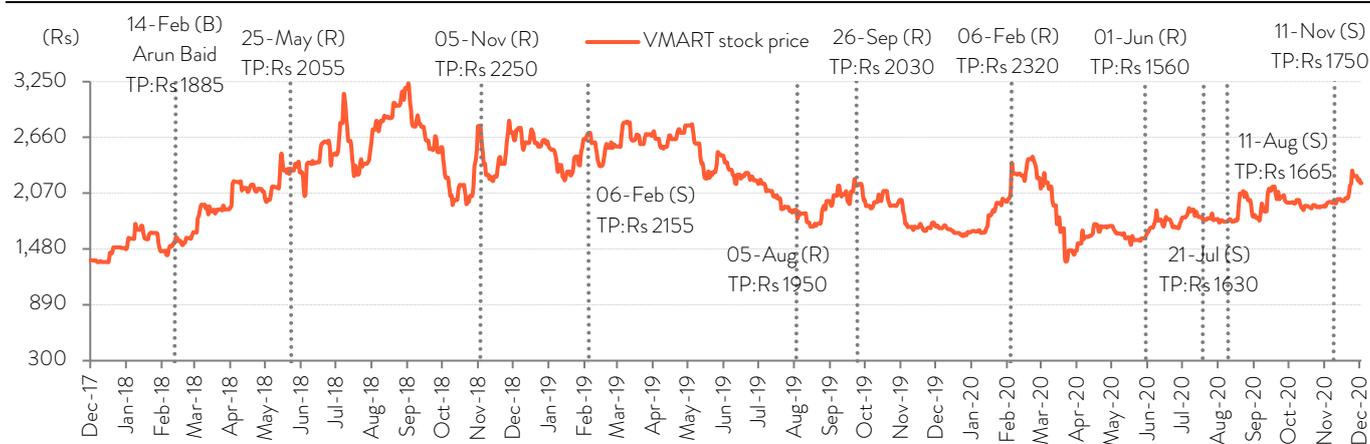
**ADD** – Expected return from >+5% to +15%

**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)

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



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

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