

V-MART

Top-line disappoints; Margins surprise positively!

V-MART remains one of the most nimble retailers in our universe. Its strong value proposition, leaner balance sheet and better inventory fungibility vs peers, should help V-MART navigate the COVID-19 crisis better than peers. A fragmented landlord base could further help V-MART lower its fixed costs base, ergo, help restrict the COVID19-led damage to its P&L and balance sheet. We maintain our BUY RECO on the stock with a DCF-based TP of Rs. 1,800/sh implying 22x FY22 EV/EBITDA (FY22 EBITDA cut is 21%).

- Top line disappoints:** Revenue grew -3.4% YoY to Rs. 3.3bn (HSIE: Rs.3.48bn) in 4Q. (SSSG: -18%). Pre-COVID19 performance remained robust underpinned by the late onset of winter. (Revenue up 29% YoY, SSSG: 8%, EBITDA up 60% until 15th Mar-2020, COVID19-led revenue loss: Rs. 0.75bn). In FY20, Revenue grew 16% YoY to Rs. 16.6 bn. (SSSG at -2.3%). Pre-COVID19 revenue growth/SSSG came in at 21%/3.2% resp. Plans to introduce wellness products like fashion masks and Essentials in more stores may partially cushion the expected revenue decline in FY21.
- Margins remain healthy:** While GM at 28.5% (in-line) were down 45bp YoY courtesy ad-hoc inventory loss provision of Rs 90 mn, Adj. EBITDA margins declined 334bp YoY to 1.8% (HSIE: -0.5%) in 4Q as COVID19-induced store closures impacted profitability and fixed costs remained under-absorbed. The beat on EBITDAM was primarily led by lower-than expected cost of retailing. Adj. Cost of Retailing inched up 281bp YoY to 26.6% (HSIE: 29%) in 4Q. Losses at Rs. 84mn in 4Q were lower than expected given the EBITDA beat and lower tax-outgo (HSIE: Rs. 191mn). In FY20 GM/EBITDAM remained flat/declined 130bp resp to 32.3/8% resp. (normalized GM: 32.7%).
- Crawling back to normalcy:** V-MART added 52/9 stores (net) in FY20/4QFY20, nearly all stores were shut during the lockdown. However, since May, ~140/185 permitted stores are now operational (witnessing ~40% of Pre-COVID19 footfalls during operational hours).
- Core Cash Conversion deteriorates:** Core CC Cycle deteriorated to 60 days in FY20 (vs 49 days in FY19) as the company couldn't off-load Mar-20 inventory given the lockdown (Inventory days jumped to 105 days in FY20 vs 84 days in FY19). Note: Pre-COVID Inventory days improved to 80 days.
- Bank Sanction increased:** V-MART increased its Bank Sanction limits (Very Few retailers have managed to do this) to Rs. 2.3bn (vs Rs. 0.8bn in Feb-20) and only 15% of this limit is utilized. Assuming a 25% reduction in Fixed cost run-rate to Rs. 180-190mn, V-MART has >6 months of Fixed Cost cover.

(Rs mn)	4QFY20	4QFY19	YoY (%)	3QFY20	QoQ (%)	FY19	FY20E	FY21E	FY22E
Net Revenue	3,327	3,445	(3.4)	5,622	(40.8)	14,337	16,630	14,035	18,841
Adj EBITDA	61	178	(66.0)	944	(93.6)	1,329	1,324	940	1,457
APAT	(164)	(9)	NM	504	NM	616	799	444	822
EPS (Rs)	(4.6)	(0.5)	NM	32.1	NM	34.1	44.2	24.5	45.4
P/E (x)						40.4	36.1	65.0	35.1
EV/EBITDA (x)						21.3	21.9	29.5	19.0
Core RoCE(%)						21.5	19.2	9.9	17.8

Source: Company, HSIE Research

BUY

CMP (as on 1 June 2020)	Rs 1,625
Target Price	Rs 1,800
NIFTY	9,826

KEY CHANGES	OLD	NEW
Rating	Buy	Buy
Price Target	Rs 2,000	Rs 1,800
EPS %	FY21	FY22E
	-35.2	-21

KEY STOCK DATA

Bloomberg code	VMART IN
No. of Shares (mn)	18
MCap (Rs bn) / (\$ mn)	29/391
6m avg traded value (Rs mn)	67
52 Week high / low	Rs 2,545/1,200

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(27.1)	(7.5)	(34.1)
Relative (%)	(14.1)	10.9	(18.0)

SHAREHOLDING PATTERN (%)

	Dec-19	Mar-20
Promoters	51.99	51.99
FIs & Local MFs	10.29	15.10
FPIs	26.05	23.49
Public & Others	11.67	9.42
Pledged Shares	0.0	0.0

Source : BSE

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Earnings Call Highlights

- V-MART exhibited a strong and near to perfect quarter till 15 March 2020 with revenues growing at 29% YoY, LTL growth of 8% and EBITDA growth of 60% YoY courtesy the late onset of winter, marriage season in full swing in Feb and an early Holi. The performance deteriorated post COVID-19 as it brought in poor consumer sentiments, near-total store shutdown, lesser absorption of fixed costs and a stressful environment to function in. Revenues de-grew 3.4% YoY to Rs. 3.33 bn with SSSG at -18% in Q4. There was a loss in sales of Rs. 0.75 bn due to COVID-19 impact in March'20. Average Sales Price grew at 5.5% YoY to Rs 790 in 4Q as the company continued pushing higher priced products during the festive season and reduced discounting activities. GM fell by 45 bp YoY to 28.5% in 4Q because of an ad-hoc inventory loss provision made for Rs 0.09 bn. On a normalized basis, GM in 4Q would have been higher by 30 bp. 0.6% out of 1.6% shrinkage is due to COVID19. Adj. EBITDA margins at 1.8% in 4Q eroded due to under-absorption of fixed costs. Ex-COVID Impact, shrinkage stood at 0.9% for FY20. Adj EBITDA/PAT at Rs 0.06/-1 bn in 4Q.
- Revenues grew 16% YoY to Rs. 16.6 bn in FY20 (Pre-COVID revenues growing at 21% YoY). SSSG for the full year that was running at 3.2% till mid-March fell to -2.3% in FY20.
- V-MART added net 9/52 stores QoQ/YoY in 4QFY20 taking up store count to 266. It couldn't open 5 new stores in 4Q as planned because of COVID-19.
- Gross cap-ex at Rs 0.55 bn. V-MART also took assets on lease to build up warehousing capacity and store expansions amounting to Rs 0.07 bn taking the net cap-ex to Rs 0.62 bn. It plans to conserve cash and hence all future expansion plans are halted. It will defer opening of new stores at least for a period of 3 months and the new warehouse it was planning to open in FY21 will be postponed for now.
- V-MART's cash position remains strong with FCF of Rs 0.32 bn and is debt-free on 31 March 2020. It focuses on cash conservation, cost reduction, discharging operational expenses and ensuring optimum availability of working capital. It had Rs 1.5 bn working capital limits undrawn and Rs 2.3 bn available in banking lines at year end.
- V-MART's expenses remain in range. There was an increase in employee costs and rentals as a percentage to sales due to a weak base courtesy COVID-19. V-MART paid full rentals and salaries until now but plans to cut down significantly on these heavy bearing fixed costs by 50-60%. It doesn't plan to conduct any layoffs; although, it does plan to bring in salary cuts and deferrals from May'20. It also has been in continuous negotiations with landlords in order to cut down or waive rentals during and post lockdown and has managed to close deals with 1/3rd of the total landlords. Rent during the lockdown is expected to be 30% of the normal pay-outs. Reduction of 25%/30% is expected in employee costs/rentals in 1QFY21.
- V-MART plans to shut bottom- performing stores or swap them to better locations in order to make them profitable by increasing throughput and reducing rental costs. It also plans to add more FMCG offerings at its stores while stating that this is not a strategic shift.

- V-MART plans to exploit its omni-channel play and milk it well. It doesn't plan to increase ad spends to market this. It expects omni-channel led sales to constitute 4-5% of total sales in the next 2 years.
- V-MART had larger inventory on its books at year end as the company couldn't off-load Mar-20 inventory given the lockdown. Bulk of the inventory belongs to the core category and isn't seasonal so the company sees no problems in its liquidation. It can sell the current lying stock till Sep'21 and it doesn't plan to resort to deep discounting such as its peers in order to liquidate its inventory. V-MART feels that consumers prefer value proposition and it strives to provide that so it shall face no issues.

Quarterly Snapshot

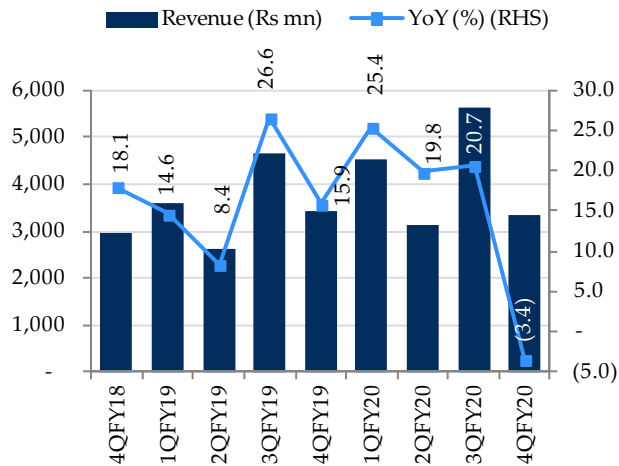
Rs. Mn	4QFY19	3QFY20	4QFY20	YoY (%)	QoQ (%)	4QFY20E	Variance (%)
Net Revenue	3,445	5,622	3,327	(3.4)	(40.8)	3,485	(4.6)
Total COGS	2,447	3,581	2,377	(2.8)	(33.6)	2,492	(4.6)
Gross Profit	999	2,041	949	(4.9)	(53.5)	994	(4.5)
Gross Profit Margin (%)	29.0	36.3	28.5	(45 bps)	(777 bps)	28.5	3 bps
Total Operating expenses	821	873	671	(18.3)	(23.1)	784	(14.4)
Reported EBITDA	178	1,168	278	56.6	(76.2)	210	32.5
EBITDA Margin (%)	5.2	20.8	8.4	321 bps	(1241 bps)	6.0	234 bps
Adj EBITDA	178	944	61	(66.0)	(88377 bps)	(18)	NM
Adj EBITDA Margin (%)	5.2	16.8	1.8	(334 bps)	(1498 bps)	(0.5)	NM
Depreciation	72	245	252	248.5	3.1	255	(1.1)
EBIT	105	923	26	(75.0)	(97.2)	(45)	NM
EBIT Margin (%)	3.1	16.4	0.8	(227 bps)	(1564 bps)	(1.3)	NM
Finance cost	3	158	139	3,915.8	(12.3)	150	(7.6)
Other income	23	4	8	(65.2)	81.1	15	(49)
PBT	125	770	(104)	NM	NM	(179)	NM
Exceptional Item	-	-	-			-	
Tax Expenses	60	188	(20)	NM	NM	12	NM
Effective Tax Rate (%)	48.2	24.4	19.3	(2894 bps)	(508 bps)	(6.4)	NM
Share of associate earnings	-	-	-			-	
EO items	73	-	-	NM	-	-	
PAT	(9)	582	(84)	NM	NM	(191)	NM
APAT	(9)	504	(164)	NM	NM	(277)	NM
APAT margin (%)	(0.3)	9.0	(4.9)	NM	NM	(7.9)	NM

KPIs	4QFY19	3QFY20	4QFY20	YoY (%)	QoQ (%)	4QFY20E	Variance (%)
Revenue Mix	3,445	5,622	3,327	(3.4)	(40.8)	3,485	
Apparels	2,742	4,464	2,618	(4.5)	(41.3)	2,781	
Non-apparels	462	787	436	(5.6)	(44.6)	488	
Kirana	241	371	273	13.1	(26.5)	216	
No. of Stores	214	257	266	24.3	3.5	265	0.4
Retail Space (mn sq ft)	1.79	2.10	2.21	23.5	5.2		
Sales per sq ft per month (Rs)	722	941	619	(14.3)	(34.2)	804	(23.0)
Footfalls(lakhs)	84	115	82	(2.4)	(28.7)		
Conversion rate %	58	60	55	(5.8)	(7.6)	-	
Effective footfalls(lakhs)	49	68	45	(8.1)	(34.1)	-	
Shrinkage(% of sales)	0.4	2.1	1.8	350.0	(14.3)	-	
Transaction size (Rs)	749	884	790	5.5	(10.6)	790	
SSSG%							
Value	4	1	(18)	NM	NM	(5)	NM
Volume	4	(3)	(21)	NM	NM	-	
Adj. Operating Expenses (Rs mn)	821	1099	886	7.9	(19.4)	1010	(12.3)
Employee expenses	328	406	368	12.1	(9.4)	403	(8.9)
Other expenses	493	693	519	5.2	(25.2)	607	(14.5)
Adj. Cost of retailing							
Employee expenses	9.5	7.2	11.0	154 bps	383 bps	11.6	(52 bps)
Other expenses	14.3	12.3	15.6	128 bps	325 bps	17.4	(181 bps)
Total Opex (As % of sales)	23.8	19.6	26.6	281 bps	708 bps	29.0	(234 bps)

Source: Company, HSIE Research

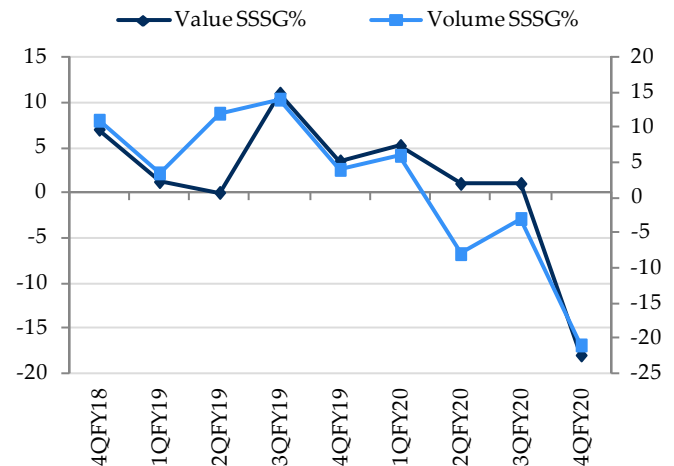
Story in Charts

Revenue and growth (Rs. mn, YoY %)



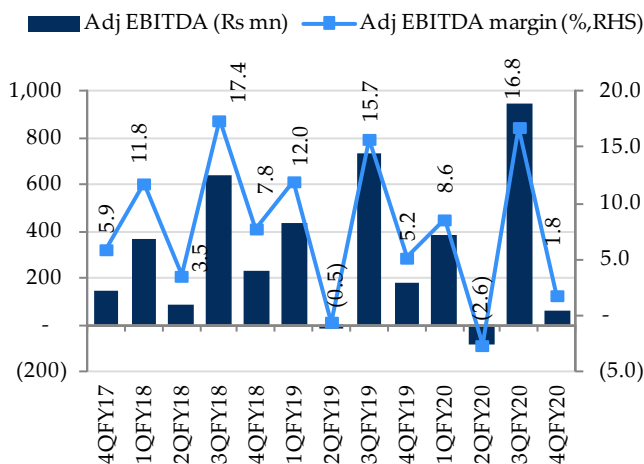
Source: Company, HSIE Research

Value SSSG % and Volume SSSG %



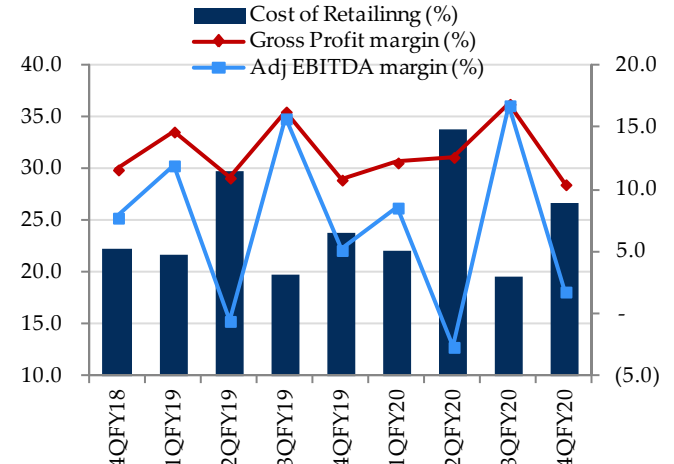
Source: Company, HSIE Research

Adj. EBITDA and margin (Rs. mn, %)



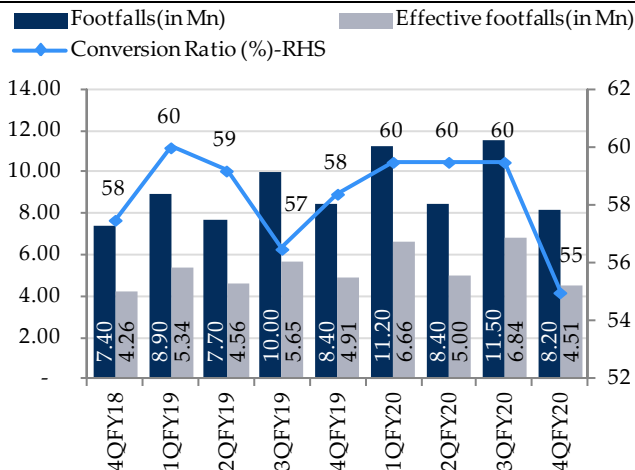
Source: Company, HSIE Research

Gross profit margin, EBITDA margin, Op-ex margin(%)



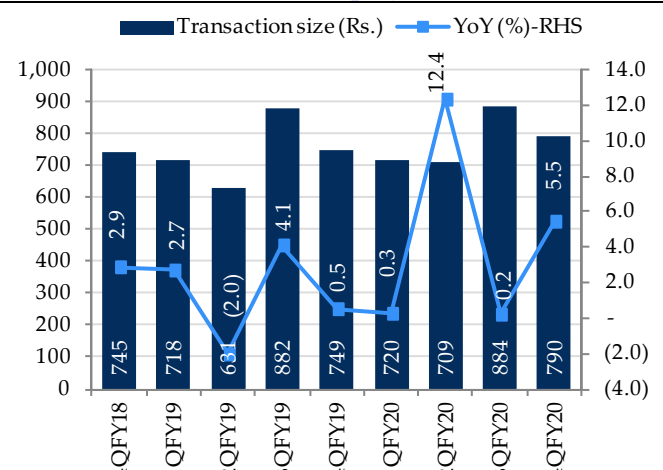
Source: Company, HSIE Research

V-MART: Footfalls and conversion ratio (%)



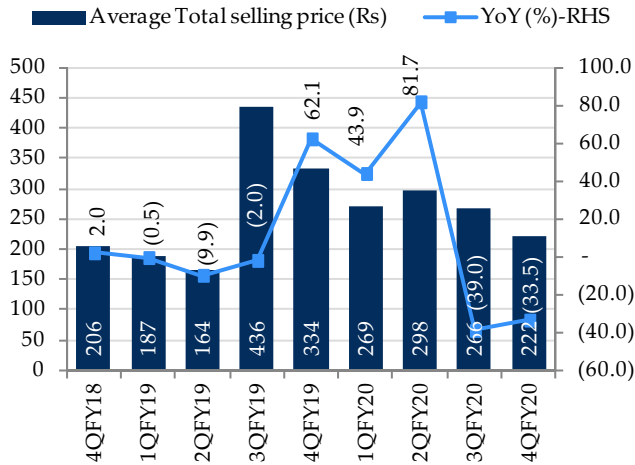
Source: Company, HSIE Research

V-MART: Transaction size up by 5.5% YoY in 4Q



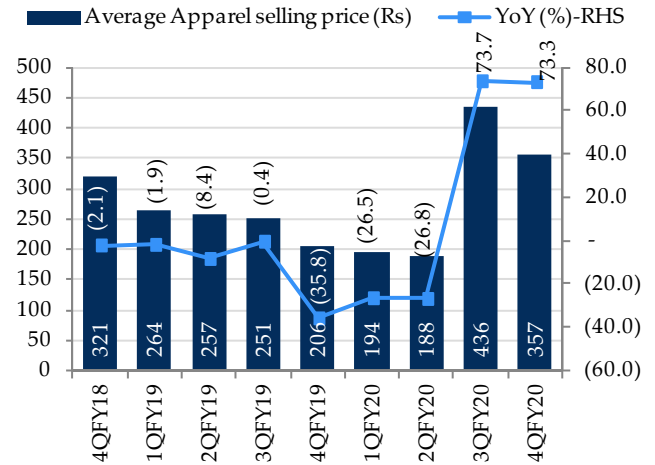
Source: Company, HSIE Research

V-MART: Average total selling price



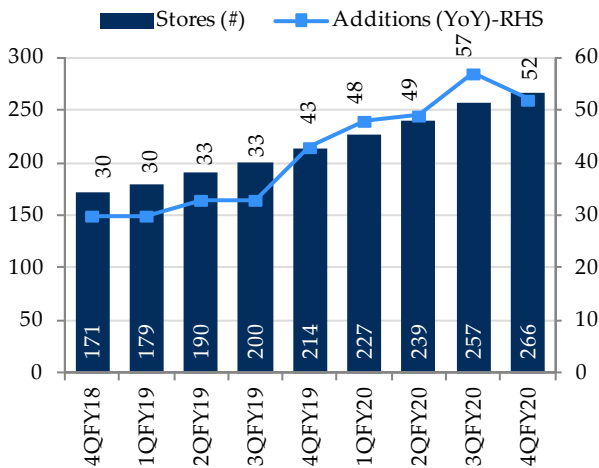
Source: Company, HSIE Research

V-MART: Average apparel selling price



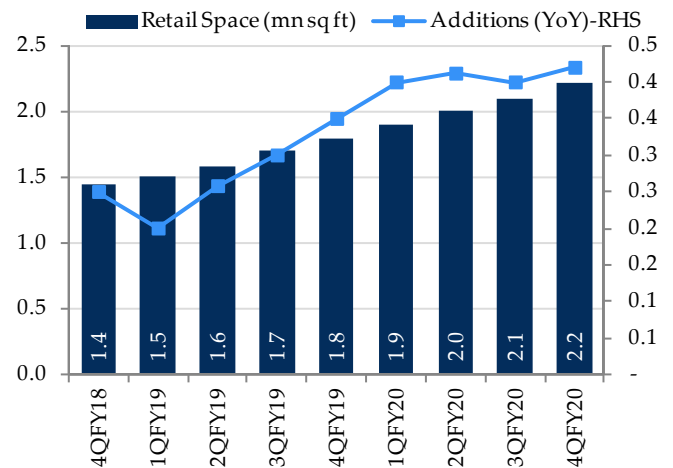
Source: Company, HSIE Research

V-MART: 52/9 YoY/QoQ net stores added in 4Q



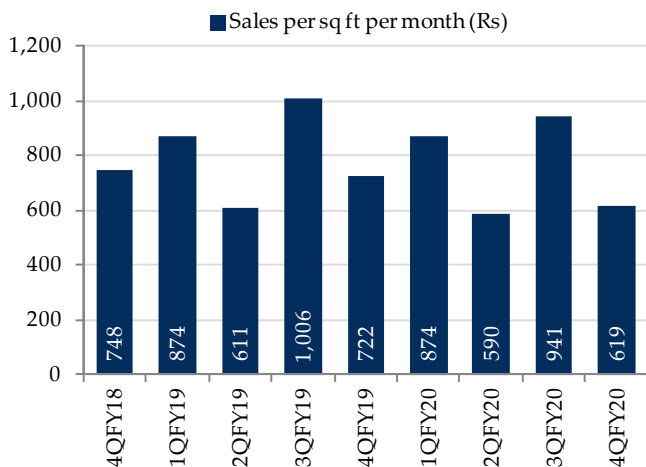
Source: Company, HSIE Research

V-MART: Retail space stands at ~ 2.2 mn sq ft



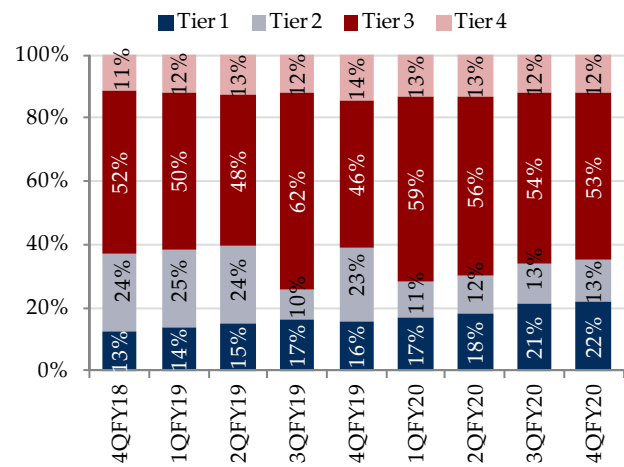
Source: Company, HSIE Research

V-MART: Sales per sq ft per month (Rs.)



Source: Company, HSIE Research

V-MART: Presence in cities



Source: Company, HSIE Research

Assumptions

	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E	FY22E
Revenue (Rs mn)	2,819	3,835	5,750	7,202	8,093	10,017	12,224	14,337	16,630	14,035	18,841
YoY (%)	31.3	36.0	49.9	25.3	12.4	23.8	22.0	17.3	16.0	(15.6)	34.2
SSSG (%)						13.2	8.6	3.7	(2.3)	(26.0)	28.1
Expansion-led growth (%)						9.4	12.4	13.2	18.7	14.0	4.8
SSSG - Volume (%)											
Revenue mix (%)											
Apparel	64.0	68.8	76.8	74.7	76.9	78.7	79.7	79.9	79.6	75.2	82.4
Non-apparel	12.0	11.9	11.1	15.9	15.3	14.3	14.0	13.6	13.0	11.8	10.7
Kirana	24.0	19.3	12.2	9.4	7.8	7.0	6.3	6.4	7.4	13.0	6.9
ASP	99	119	156.8	191	200	208	207	203			
-Apparel (ASP)	192	202	235.8	261	327.9	334	323	320			
Trasaction size (Rs)	462	489	576.2	625.4	663	713	750	754			
Bill Cuts (mn)	6.1	7.8	10.0	11.5	12.2	14.0	16.3	19.0			
Stores (#)	55	69	89	108	123	141	171	214	266	276	346
Additions (#)	10	14	20	19	15	18	30	43	52	10	70
Retail Area (mn. Sq. ft)	0.5	0.6	0.7	0.9	1.0	1.2	1.4	1.8	2.2	2.3	2.9
Additions (mn. Sq. ft)	0.1	0.1	0.2	0.2	0.1	0.2	0.3	0.4	0.4	0.1	0.6
Per sq. ft metrics											
Revenue	6,863	7,563	8,928	8,947	8,564	9,107	9,296	8,878	8,308	6,227	7,304
Gross Profit	2,044	2,308	2,664	2,561	2,519	2,718	2,982	2,870	2,681	1,947	2,328
EBITDA	687	785	811	791	654	771	1,010	823	661	417	565
Margins (%)											
Gross margin	29.8	30.5	29.8	28.6	29.4	29.8	32.1	32.3	32.3	31.3	31.9
EBITDA margin (%)	10.0	10.4	9.1	8.8	7.6	8.5	10.9	9.3	8.0	6.7	7.7

Source: Company, HSIE Research

Change in Estimates

(Rs mn)	FY20E			FY21E			FY22E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	16,630	16,779	(0.9)	14,035	18,372	(23.6)	18,841	23,043	(18.2)
Gross Profit	5,367	5,402	(0.6)	4,389	5,731	(23.4)	6,005	7,326	(18.0)
Gross Profit Margin (%)	32.3	32.2	8 bps	31.3	31.2	8 bps	31.9	31.8	8 bps
EBITDA	1,324	1,235	7.2	940	1,268	(25.8)	1,457	1,865	(21.9)
EBITDA margin (%)	8.0	7.4	60 bps	6.7	6.9	(20 bps)	7.7	8.1	(36 bps)
APAT	799	694	15.1	444	685	(35.2)	822	1,040	(21.0)
APAT margin (%)	4.8	4.1	67 bps	3.2	3.7	(57 bps)	4.4	4.5	(15 bps)
EPS (Rs)	44.2	38.4	15.1	24.5	37.8	(35.2)	45.4	57.5	(21.0)

Source: Company, HSIE Research

Peer Set Comparison

Company	CMP	M cap (Rs bn)	Reco	TP	EPS (Rs)			EV/EBITDA (x)			P/E (x)			Core RoCE(%)		
					FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Avenue	2,305	1,370	SELL	1,700	21.9	22.9	34.0	74.8	72.6	49.1	109.6	104.8	70.6	19.1	15.0	19.6
ABFRL	131	101	ADD	120	(1.0)	(2.3)	(0.1)	26.8	54.2	24.7	NM	NM	NM	(8.6)	(1.1)	4.1
Shoppers Stop	164	27	RED	190	0.5	(6.4)	(0.1)	5.6	10.1	5.3	NM	NM	NM	0.3	(11.5)	(2.7)
V Mart	1,625	29	BUY	1,800	44.2	24.5	45.4	22.5	30.3	19.5	37.1	66.9	36.1	19.2	9.9	17.8
Trent	508	214	ADD	460	4.3	1.4	5.0	32.8	41.8	28.7	7.3	7.2	6.7	NM	3.9	7.0
TCNS	345	21	RED	390	13.6	11.1	16.6	17.3	21.3	12.9	25.4	31.0	20.8	15.5	11.2	18.1
Titan	958	851	ADD	1,080	16.6	16.2	24.8	38.1	36.9	26.6	57.6	59.1	38.7	18.0	16.2	15.1
Reliance Retail			NR	375	9.8	9.7	12.5	24.5	23.7	18.8	38.2	38.8	30.0	24.3	19.1	20.4

Source: Company, HSIE Research, Note: Reliance Retail- TP, EV/EBITDA and P/E are on Fair Value

Financials

Consolidated Income Statement

Year End (March)	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
Net Revenues	7,202	8,093	10,017	12,224	14,337	16,630	14,035	18,841
Growth (%)	25.3	12.4	23.8	22.0	17.3	16.0	(15.6)	34.2
COGS	5,141	5,712	7,028	8,303	9,703	11,263	9,646	12,835
Employee Expense	489	623	783	984	1,257	1,536	1,297	1,715
A&P Expense	148	191	226	262	339	394	225	377
Rent Expense	328	400	452	526	672	942	869	1,094
Other Expenses	459	549	682	821	1,037	1,171	1,059	1,364
EBITDA	637	618	848	1,328	1,329	1,324	940	1,457
EBITDA Growth (%)	21.9	(2.9)	37.1	56.7	0.1	(0.4)	(29.0)	54.9
EBITDA Margin (%)	8.8	7.6	8.5	10.9	9.3	8.0	6.7	7.7
Depreciation	46	190	186	229	276	334	362	435
EBIT	591	428	662	1,099	1,053	990	578	1,022
Other Income (Including EO Items)	4	26	41	41	(39)	45	87	146
Interest	42	31	35	15	16	34	72	70
PBT	553	423	668	1,125	998	1,001	593	1,099
Total Tax	180	147	229	348	382	202	149	277
RPAT	374	276	439	777	616	799	444	822
Exceptional Gain/(loss)	(18)	14	-	-	(98)	-	-	-
Adjusted PAT	392	262	439	777	714	799	444	822
APAT Growth (%)	55.8	(33.1)	67.6	77.0	(8.1)	11.9	(44.4)	85.2
Adjusted EPS (Rs)	21.8	14.5	24.3	42.9	39.5	44.2	24.5	45.4
EPS Growth (%)	55.3	(33.3)	67.6	76.7	(8.1)	11.9	(44.4)	85.2

Source: Company, HSIE Research

Consolidated Balance Sheet

Year End (March)	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
SOURCES OF FUNDS								
Share Capital - Equity	180	181	181	181	181	182	182	182
Reserves	1,869	2,127	2,520	3,293	3,911	4,643	5,087	5,844
Total Shareholders' Funds	2,049	2,307	2,700	3,474	4,093	4,825	5,269	6,025
Long Term Debt	15	-	6	3	0	-	-	-
Short Term Debt	290	270	351	3	219	229	729	229
Total Debt	306	270	357	6	219	229	729	229
Net Deferred Taxes	(6)	(42)	(79)	(92)	(118)	(160)	(160)	(160)
Other Non-current Liabilities & Provns	50	84	37	42	60	-	-	-
TOTAL SOURCES OF FUNDS	2,398	2,619	3,016	3,430	4,254	4,894	5,838	6,095
APPLICATION OF FUNDS								
Net Block	981	1,103	1,173	1,447	1,655	1,749	1,421	2,031
CWIP	7	23	12	35	40	25	25	25
Other Non-current Assets	1	1	0	1	12	53	53	53
Total Non-current Assets	989	1,127	1,185	1,483	1,707	1,827	1,499	2,109
Inventories	1,832	2,044	2,692	3,071	3,290	4,779	4,034	4,640
Debtors	-	-	-	-	-	-	-	-
Other Current Assets	211	252	204	317	431	420	347	455
Cash & Equivalents	252	366	748	536	773	129	1,867	1,452
Total Current Assets	2,295	2,662	3,644	3,924	4,493	5,328	6,247	6,548
Creditors	752	956	1,599	1,668	1,483	1,968	1,661	2,230
Other Current Liabilities & Provns	133	215	214	309	464	293	247	332
Total Current Liabilities	885	1,171	1,813	1,977	1,946	2,261	1,908	2,562
Net Current Assets	1,410	1,491	1,831	1,947	2,547	3,067	4,339	3,986
TOTAL APPLICATION OF FUNDS	2,398	2,619	3,016	3,430	4,254	4,894	5,838	6,095

Source: Company, HSIE Research

Consolidated Cash Flow

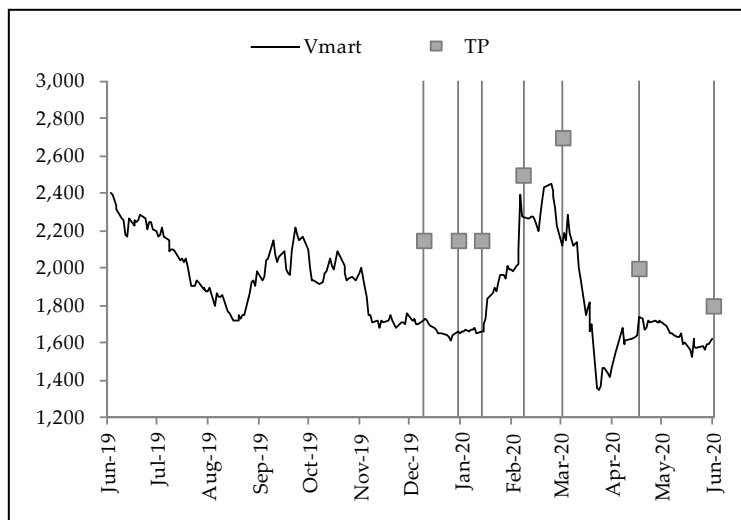
Year ending March	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
Reported PBT	553	423	668	1,125	993	1,001	593	1,099
Non-operating & EO Items	158	173	(22)	8	89	13	(87)	(146)
Interest Expenses	37	31	35	15	16	34	72	70
Depreciation	46	190	179	222	268	334	362	435
Working Capital Change	(227)	(207)	69	(346)	(270)	(1,091)	466	(62)
Tax Paid	(167)	(149)	(243)	(381)	(332)	(241)	(149)	(277)
OPERATING CASH FLOW (a)	399	461	687	643	763	49	1,257	1,118
Capex	(335)	(260)	(415)	(478)	(407)	(546)	(34)	(1,044)
Free Cash Flow (FCF)	64	201	272	166	357	(497)	1,223	74
Investments	145	(101)	(337)	395	(339)	550	-	-
Non-operating Income	0	(10)	25	(68)	12	2	87	146
INVESTING CASH FLOW (b)	(191)	(372)	(728)	(151)	(734)	5	53	(898)
Debt Issuance/(Repaid)	(186)	(50)	47	(366)	(19)	(26)	428	(570)
FCFE	(123)	151	319	(201)	338	(523)	1,651	(496)
Share Capital Issuance	9	8	0	9	19	13	-	-
Dividend	(21)	(53)	(6)	(27)	(44)	(37)	-	(65)
Others	-	-	8	-	-	(60)	-	-
FINANCING CASH FLOW (c)	(199)	(96)	49	(384)	(44)	(110)	428	(635)
NET CASH FLOW (a+b+c)	10	(6)	8	109	(14)	(56)	1,738	(415)
EO Items, Others	-	-	-	-	-	-	-	-
Closing Cash & Equivalents	26	20	29	196	123	110	1,788	1,373

Key Ratios

	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
PROFITABILITY (%)								
GPM	28.6	29.4	29.8	32.1	32.3	32.3	31.3	31.9
EBITDA Margin	8.8	7.6	8.5	10.9	9.3	8.0	6.7	7.7
EBIT Margin	8.2	5.3	6.6	9.0	7.3	6.0	4.1	5.4
APAT Margin	5.4	3.2	4.4	6.4	5.0	4.8	3.2	4.4
RoE	20.9	12.0	17.5	25.2	18.9	17.9	8.8	14.6
RoIC (or Core RoCE)	20.7	12.5	19.2	29.4	21.5	19.2	9.9	17.8
RoCE	18.5	11.2	16.4	24.4	18.9	18.1	9.3	14.7
EFFICIENCY								
Tax Rate (%)	31.4	35.9	34.3	30.9	34.8	20.2	25.2	25.2
Fixed Asset Turnover (x)	5.2	4.8	7.6	6.8	6.4	6.2	5.2	5.0
Inventory (days)	93	92	98	92	84	105	105	90
Debtors (days)	-	-	-	-	-	-	-	-
Other Current Assets (days)	11	11	7	9	11	9	9	9
Payables (days)	38	43	58	50	38	43	43	43
Other Current Liab & Provns (days)	7	10	8	9	12	6	6	6
Cash Conversion Cycle (days)	59	51	39	42	45	64	64	49
Net D/E (x)	0.0	(0.0)	(0.1)	(0.2)	(0.1)	0.0	(0.2)	(0.2)
Interest Coverage (x)	14.2	13.7	18.8	71.9	65.3	29.4	8.0	14.7
PER SHARE DATA (Rs)								
EPS	21.8	14.5	24.3	42.9	39.5	44.2	24.5	45.4
CEPS	24.3	25.0	34.6	55.6	54.7	62.6	44.5	69.5
Dividend	1.50	1.25	1.25	2.00	1.70	-	3.00	6.00
Book Value	113.8	127.7	149.5	192.0	226.1	266.6	291.1	332.9
VALUATION								
P/E (x)	73.3	110.0	65.6	37.1	40.4	36.1	65.0	35.1
P/BV (x)	14.0	12.5	10.7	8.3	7.0	6.0	5.5	4.8
EV/EBITDA (x)	45.4	46.5	33.6	21.3	21.3	21.9	29.5	19.0
EV/Revenues (x)	4.0	3.6	2.8	2.3	2.0	1.7	2.0	1.5
OCF/EV (%)	1.4	1.6	2.4	2.3	2.7	0.2	4.5	4.0
FCF/EV (%)	0.2	0.7	1.0	0.6	1.3	(1.7)	4.4	0.3
FCFE/Mkt Cap (%)	(0.4)	0.5	1.1	(0.7)	1.2	(1.8)	5.7	(1.7)
Dividend Yield (%)	0.1	0.1	0.1	0.1	0.1	-	0.2	0.4

Source: Company, HSIE Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
9-Dec-19	1,692	BUY	2,150
30-Dec-19	1,639	BUY	2,150
12-Jan-20	1,663	BUY	2,150
8-Feb-20	2,280	BUY	2,500
2-Mar-20	2,211	ADD	2,700
18-Apr-20	1,736	BUY	2,000
2-Jun-20	1,625	BUY	1,800

From 2nd March 2020, we have moved to new rating system

Rating Criteria

- BUY: >+15% return potential
 ADD: +5% to +15% return potential
 REDUCE: -10% to +5% return potential
 SELL: >10% Downside return potential

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