V-Mart (VMART)

ICICI direct Research

CMP: ₹ 2760 | Target: ₹ 3500 (27%) | Target Period: 12 months | BUY

April 1, 2021

Initiating Coverage

Well poised to capture value fashion opportunity…

V-Mart, having over the years built its fortress in non-tier I cities, is well poised to capture market share in the growing ~₹ 2.5 trillion value fashion industry. The company enjoys strong moats that would provide an edge over increasing competition in tier III-IV regions. We like V-Mart owing to its a) immaculate record of high revenue growth trajectory (revenue CAGR: 23% in FY13-20), b) higher cash conversion model (CFO/EBITDA: ~60%), c) stringent working capital cycle (average NWC days: 50), d) capital efficient business model RoCE: ~25%. The recent QIP worth ₹ 375 crore would further strengthen balance sheet with proceeds being utilised in meeting long term supply chain infrastructure needs by setting up a new warehouse.

Sustained focus on enhancing retail footprint in tier II-IV cities

V-Mart is always believed to possess the first mover advantage having built a robust store network with immense experience (~18 years) in tier II/III cities. The company has 274 stores of which 78% are in non-tier 1 cites. V-Mart follows a cluster based approach of adding stores within a radius of 50-100 km. This gives it better economies of scales, supply chain efficiencies and better understanding of fashion needs of the specific region. The company, in the last two years, has further expanded its reach in the interior parts of the country by opening stores in tier IV cities (~12% of total stores). The markets in the non-tier 1 cities are largely penetrated by regional and unorganised players. Hence, we believe there lies an immense opportunity to scale up business from current levels. V-Mart is currently present in ~190 cites and expects to penetrate 500 cities and towns.

Robust business model with best in class operating metrics

V-Mart has over the years established profitable store economics with new stores breaking even in the first year of its operations and having a payback period of two and half to three years. With high asset turn of ~6x (capex/sq ft: ~₹ 1400) and 14% EBITDA margins (ex-corporate expenses), the company generates healthy pre-tax RoIC of ~40% at the store level. Tight leash on operating overheads and lower rental costs (~ ₹ 35/sq ft per month), enables the company to deliver consistent profitability.

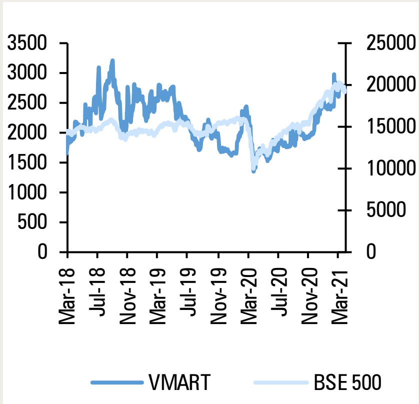
Valuation & Outlook

Over the last few years, V-Mart has been able to fund its business growth through internal accruals and IPO proceeds. Barring FY20, the company has over the years consistently generated FCF (cumulative FCF in FY15-19: ~₹ 86 crore) leading to virtually debt free status. Given the inherent strength of the business model, it has withstood pandemic challenges with revenues recovering to ~84% pre-Covid levels in Q3FY21. While the pandemic may cause near term challenges, we like V-Mart as a structural long term story to play the unorganised to modern retail shift. We pencil in revenue CAGR of 46% in FY21-23E (on a favourable base) with square feet addition CAGR of 20% in the same period. We expect EBITDA margins to remain range bound at ~9% (pre-Ind-AS) as the company focuses on enhancing market share by passing on the benefits on margin. We initiate coverage on the stock with a **BUY** recommendation and target price of ₹ 3500 (20x FY23E EV/EBITDA).

Particulars

Particulars	Amount
Market Capitalisation (₹ crore)	5,433.1
Total Debt (FY20) (₹ crore)	1.1
Cash & Investment (FY20) (₹ crore)	13.7
EV (₹ crore)	5,420.4
52 Week H / L	3128 / 1324
Equity Capital (₹ crore)	19.7
Face Value (₹)	10.0

Price Performance



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ICICI Securities – Retail Equity Research

Key Financial Summary

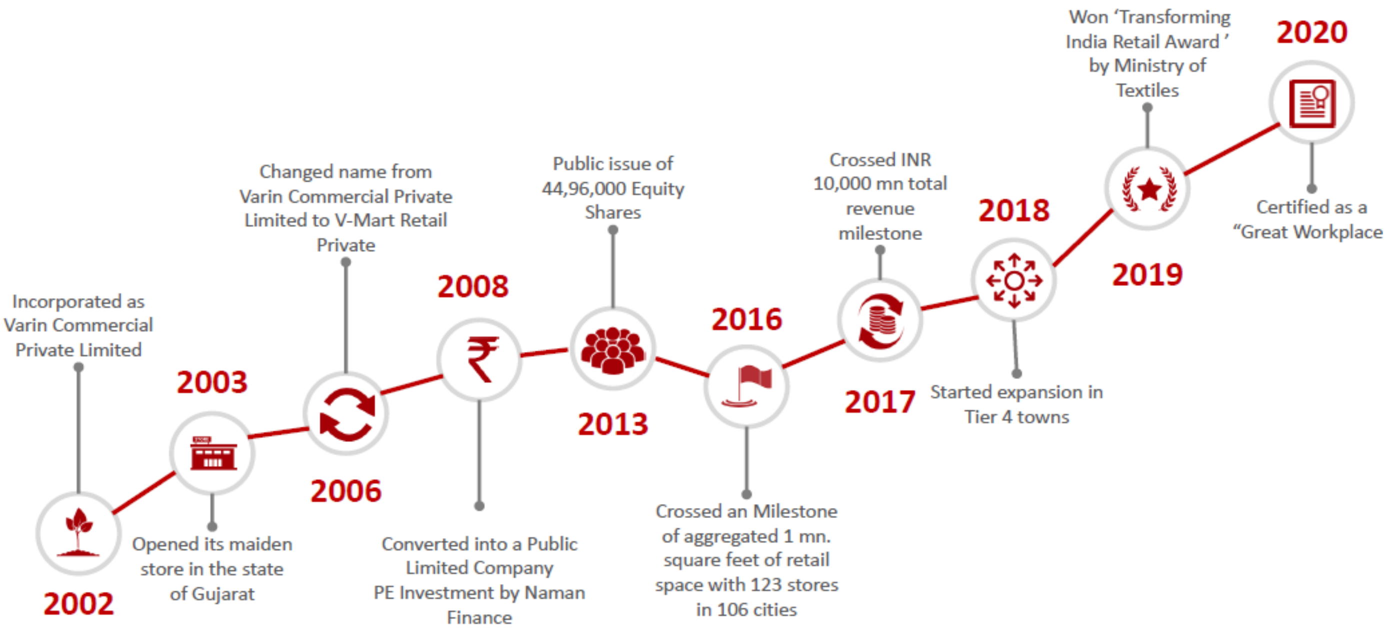
	FY19	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E)
Net Sales	1,433.7	1,662.0	1,094.5	1,925.5	2,340.9	12.1%
EBITDA	132.9	213.7	127.0	265.3	328.8	15.4%
PAT	61.6	49.3	-6.1	85.1	111.3	
P/E (x)	81.3	101.6	NA	63.8	48.8	
EV/Sales (x)	3.4	3.0	4.6	2.6	2.2	
EV/EBITDA (x)	37.0	23.4	39.3	19.1	15.5	
RoCE (%)	27.2	27.0	5.0	18.2	20.4	
RoE (%)	15.0	10.7	-0.7	9.4	11.0	

Source: Company, ICICI Direct Research

Company Background

Incorporated in 2002 (as Varin Commercial), V-Mart is India's leading value fashion retailer operating a chain of value retail stores in tier II, III, IV cities. The company operates on the *"price less fashion"* principle and aims to offer fashionable and trendy products at affordable prices. Products offered include apparels, accessories, general merchandise and grocery. Since opening its maiden store in 2003 in Gujarat, V-Mart has adopted a calibrated approach to expand its store footprint to 188 cities and 19 states having total 274 stores with retail space of ~2.3 million square feet as on 9MFY21. The company targets middle class section of the society whose annual income ranges between ₹ 1 lakh and ₹ 10 lakh and largely residing in non-Tier I cites.

Exhibit 1: Timeline

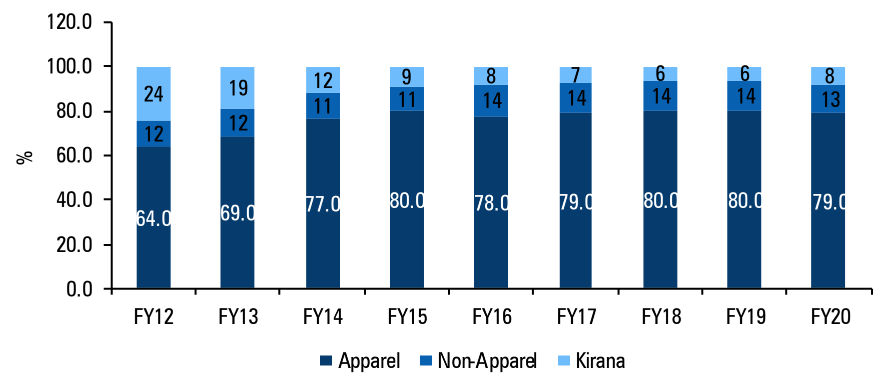


Source: Company, ICICI Direct Research

Well thought out product assortment with optimal private label share

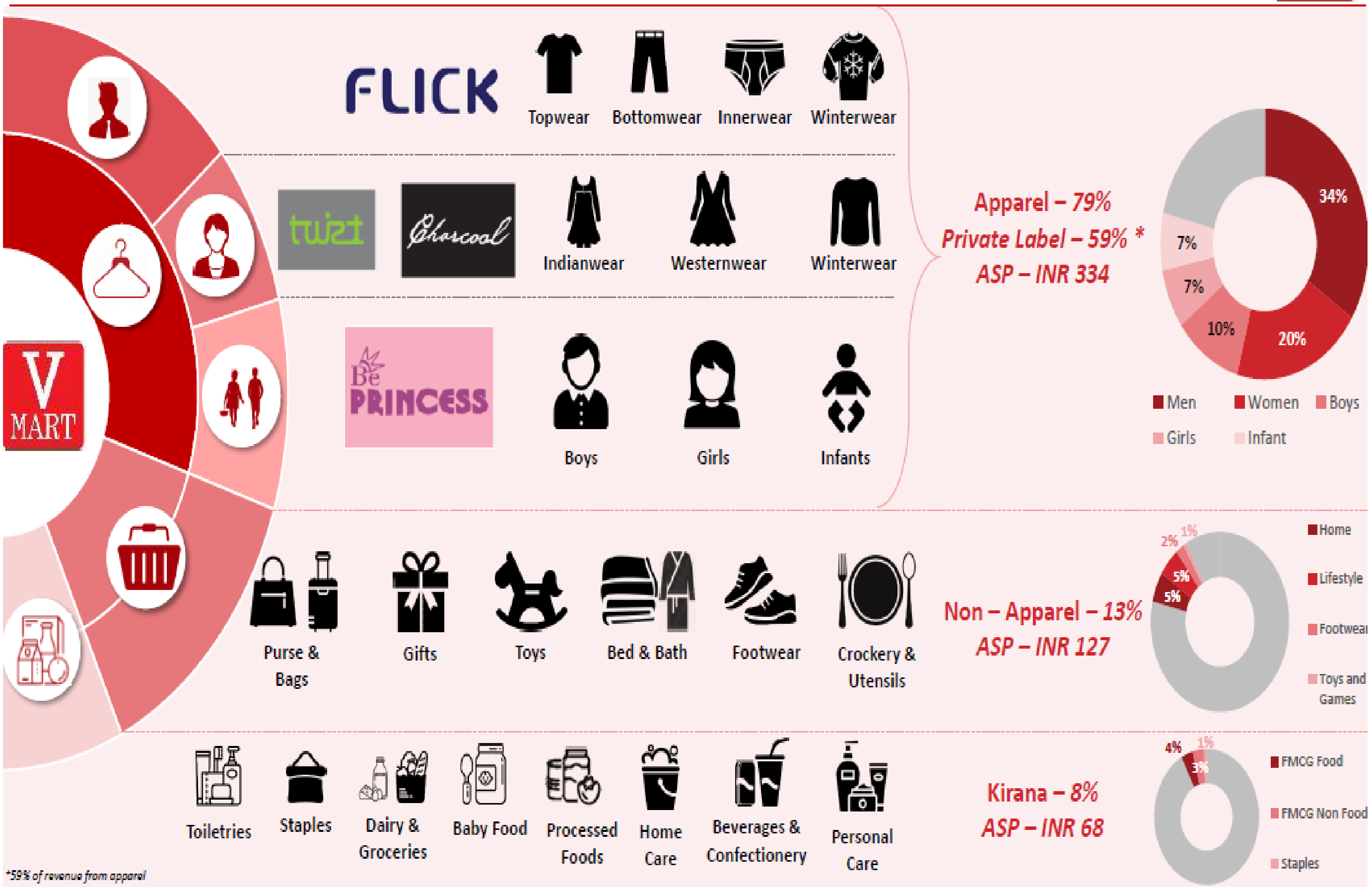
The company has a well thought out assortment of products with apparels being the dominant category, followed by non-apparels and kirana. The share of apparels in the overall mix has improved from 64% in FY12 to 80% in FY20. V-Mart offers an optimal mix of private and market labels with a wide and differentiated assortment. The company has developed several private labels such as Flick, Twist, Kidistan, etc, with private labels contributing ~60% to revenues (from 20% in FY12). The management expects to increase the share of private label brands to ~70% over the next two years. The share of apparels over the years has been range bound at ~80%. We expect the company to maintain the current mix, going forward.

Exhibit 2: Revenue split product mix



Source: Company, ICICI Direct Research

Exhibit 3: One stop family shop with products designed to cater to needs of entire family

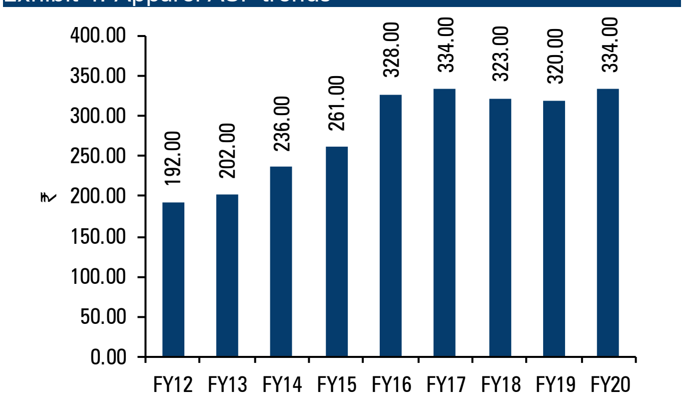


Source: Company, ICICI Direct Research

Product offered at sharper price point

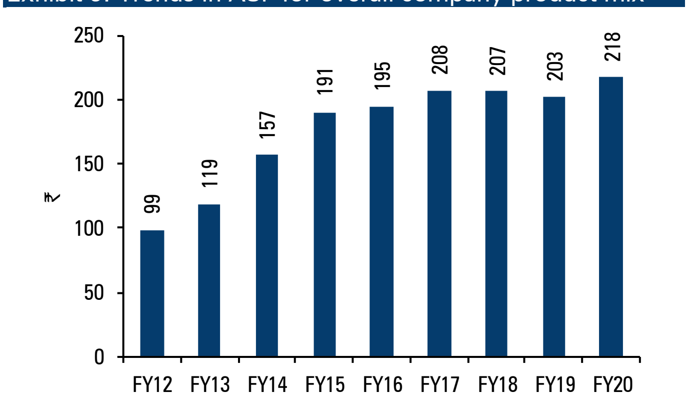
V-Mart operates at sharper price points with average selling price (ASP) of apparels at ~₹ 335/piece, ~35-40% cheaper than other national brands (₹ 500-700). Tight cost control measures and efficiency in sourcing enables the company to deliver products at affordable price points. While overall ASPs have grown at mere 2% CAGR to ₹ 218 in FY16-20, V-Mart saw an improvement in transaction size with 5% CAGR to ₹ 790 in the same period. Customer footfalls also witnessed a significant surge, with the rate more than doubling in the last five years, with steady conversion ratio at ~60%.

Exhibit 4: Apparel ASP trends



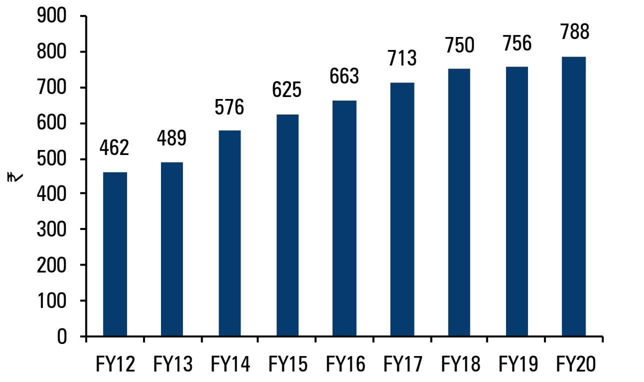
Source: Company, ICICI Direct Research

Exhibit 5: Trends in ASP for overall company product mix



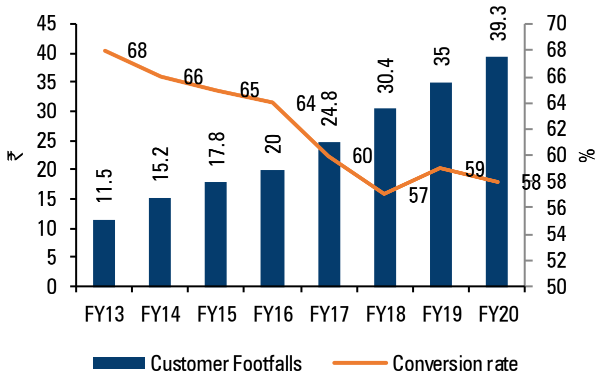
Source: Company, ICICI Direct Research

Exhibit 6: Average ticket size trend



Source: Company, ICICI Direct Research

Exhibit 7: Customer footfall trend and conversion ratio

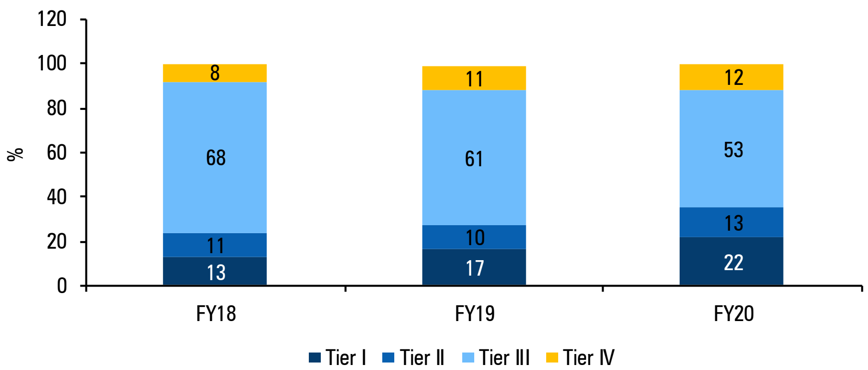


Source: Company, ICICI Direct Research

Champion in non-metro cites

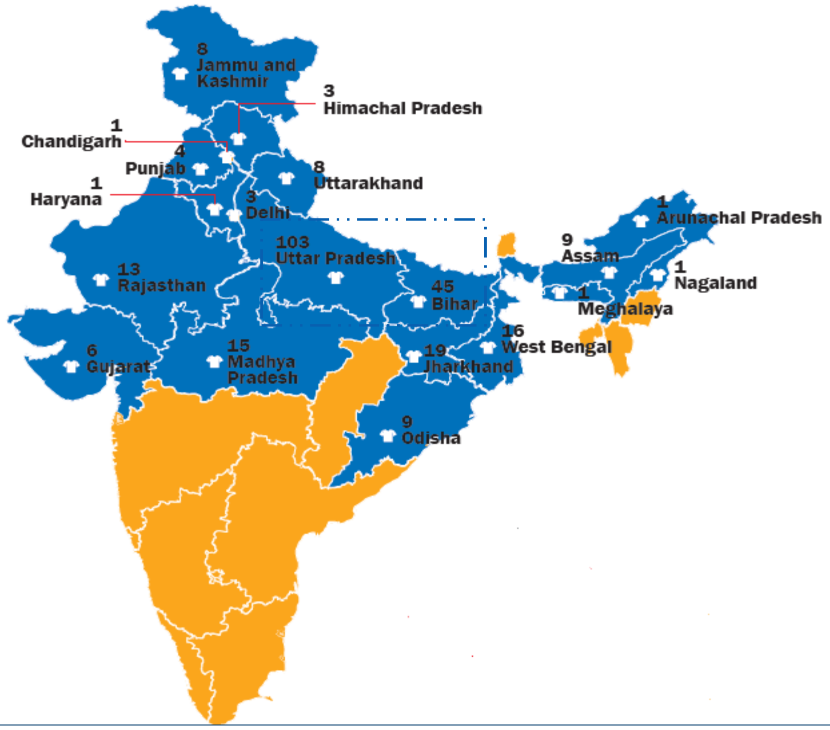
Over the years, V-Mart has efficiently built its fortress around aspirational customers mainly focused on semi urban/rural India. Most national brands first aim to position themselves in large urban centres and then extend to smaller cities. V-Mart has reversed its rollout direction and opted to positon itself in semi-urban India while being present in locations having population of not less than 15 lakh. The company has 274 stores of which ~78%are in non-tier I cites. V-Mart follows a cluster based approach of 'creeping expansion', which is aimed at generating visibility, supply chain efficiencies, rapid scalability leading to buying/procurement flexibility and cost savings. Typically, a new store is strategically placed within a 50-150 km radius of an existing store cluster. Currently, stores are largely concentrated in the northern and eastern region, with UP and Bihar constituting highest number of stores (~39% and 17%, respectively). Despite having ~114 stores in UP, the company believes it can further add 200 incremental stores in the state. V-Mart is currently present in 188 cities. Also, given the scalable business model, the management believes it can have a presence in more than 500 towns and cities. In the last two years, the company has further expanded its reach in the interior parts of the country by opening stores in tier IV cities (~12% of total stores) where it enjoys first mover advantage compared to other national brands, which have a minuscule presence or are still contemplating entering the consumer space of tier IV cities.

Exhibit 8: Majority of stores present in Tier III cities



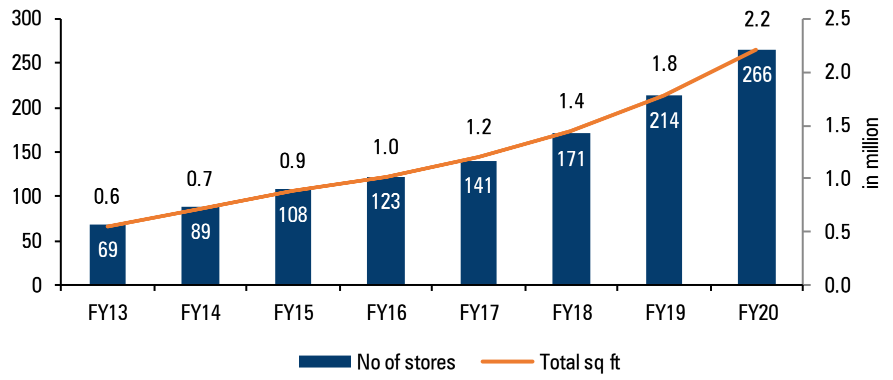
Source: Company ICICI Direct Research

Exhibit 9: UP, Bihar comprise most stores



Source: Company, ICICI Direct Research

Exhibit 10: Number of stores, total square feet trend



Source: Company, ICICI Direct Research

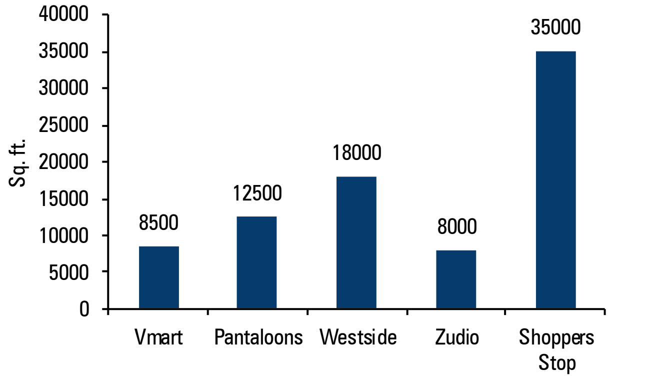
Favourable store operating metrics

V-Mart has built a scalable and efficient business model to grow and expand in a calibrated manner for several years to come. Over the years, it has established profitable store economics with new stores breaking even in the first year of their operations and having payback period of two-and-a-half to three years, on an average. Since the products are priced at aggressive price points, gross margins are among the lowest in the industry (Exhibit: 13) However, the company makes up for the same through tight cost control measures. Also, given the fact that V-Mart operates in non-tier-1 cites, lease rental outflows are lowest among other apparel retailers (Exhibit: 15). The company operates mid-sized stores ranging between 8000 and 9000 sq ft, with lower capex requirements (₹ 1400/sq ft vs. peers: ₹ 2500-3000/sq ft). With high asset turn (A/TO) of ~6x and 14% EBITDA margins at the store level (4-5% corporate level expenses) the company generates healthy pre-tax RoIC of ~40% at the store level. Despite ASPs being substantially lower than other players, V-Mart generates healthy throughput per store on account of better inventory churns. The company generates revenue/sq. ft. of ₹ 8000-8500.

Per store operating metrics

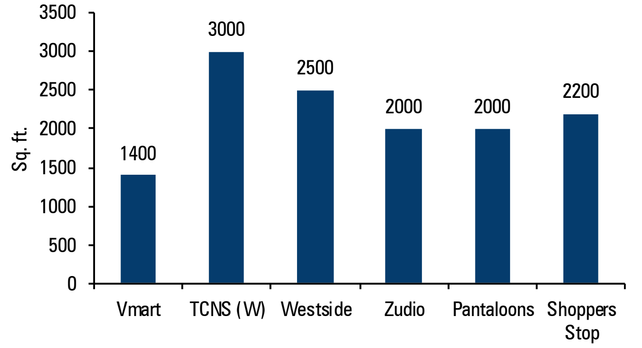
Per store operating Metrics	
Revenue/sq ft (₹)	8500
Store level EBITDA margin	14%
EBITDA (₹)	1190
Depreciation	140
EBIT	1050
Capex/sq ft (₹)	1400
Working capital days	50
Working capital (₹)	1164
Total Capital employed	2564
RoCE	**41%**
Payback Period	**2.5-3 years**

Exhibit 11: Average store size vs. peers



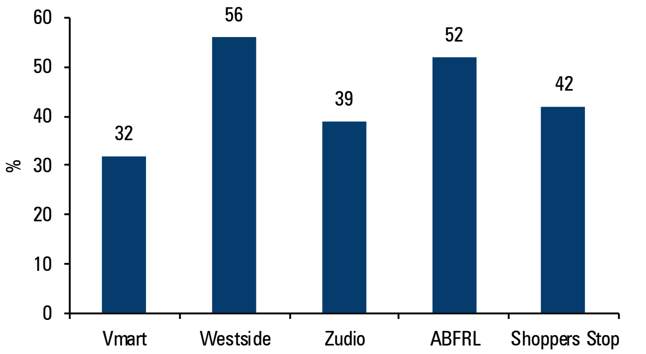
Source: Company, ICICI Direct Research

Exhibit 12: Capex per sq ft (approximate) vs. peers



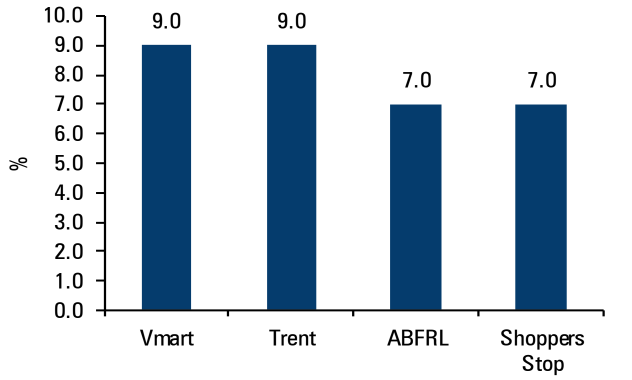
Source: Company, ICICI Direct Research

Exhibit 13: Gross margin vs. peers



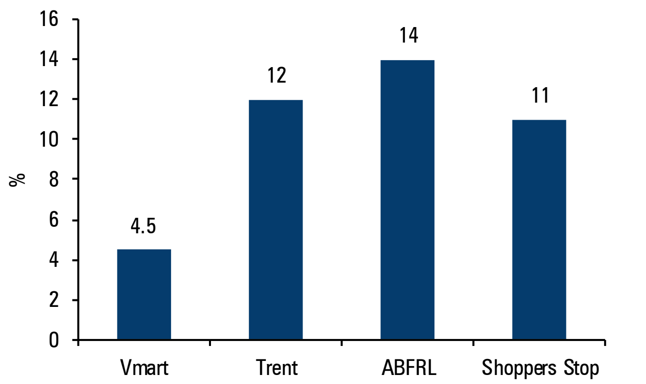
Source: Company, ICICI Direct Research

Exhibit 14: EBITDA margins vs. peers (pre-Ind-AS 116)



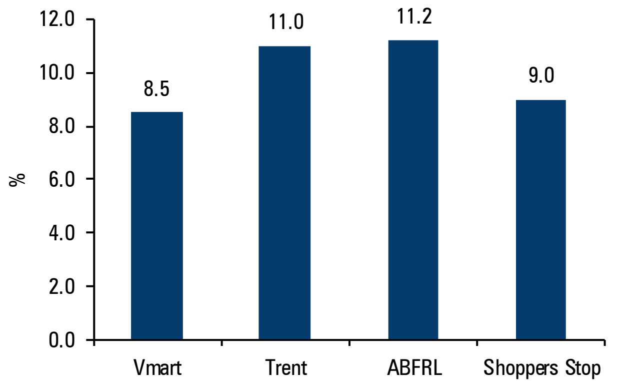
Source: Company, ICICI Direct Research

Exhibit 15: Rental as % of sales vs. peers (pre-Ind-AS 116)



Source: Company, ICICI Direct Research

Exhibit 16: Employee cost as percentage of sales vs. peers



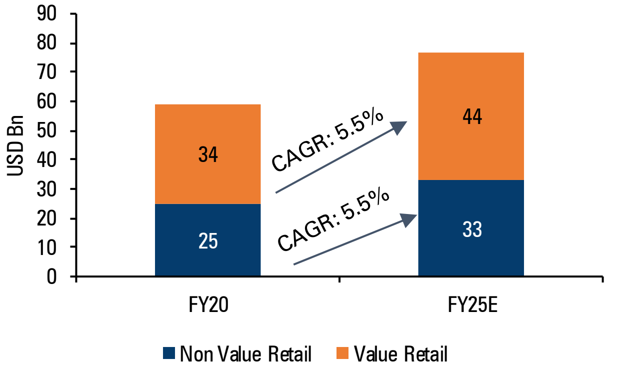
Source: Company, ICICI Direct Research

Investment Rationale

Value fashion industry on cusp of breakout

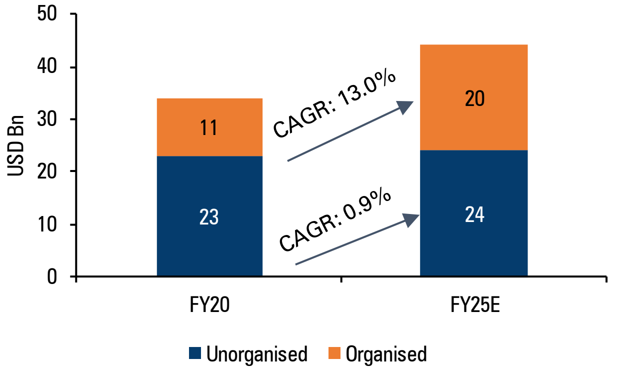
Value retail constitutes ~60% of the overall apparel retail market, which is mainly dominated by unorganised players (~67%). Value fashion (VF) offers the biggest untapped opportunity in the Indian apparel sector with the organised segment of the industry at an inflection point. Moreover, in the current context, given its higher emphasis on value-for-money positioning, particularly in the 'VF mass' segment where the average selling price is less than ₹ 350, value fashion among all apparel segments, is the least vulnerable to consumption shock resulting from a drastic fall in discretionary spending. Also given its 'defensive' (more affordable) price positioning, value fashion is the most likely segment in the apparel retail to see an early bounce back and is expected to lead a gradual recovery. Over the long term, the biggest sustained driver of value fashion in India is anticipated to be favourable consumer demographics, riding on the back of an increasing per capita income and growing disposable income.

Exhibit 17: Value retail dominates 60% of apparel market



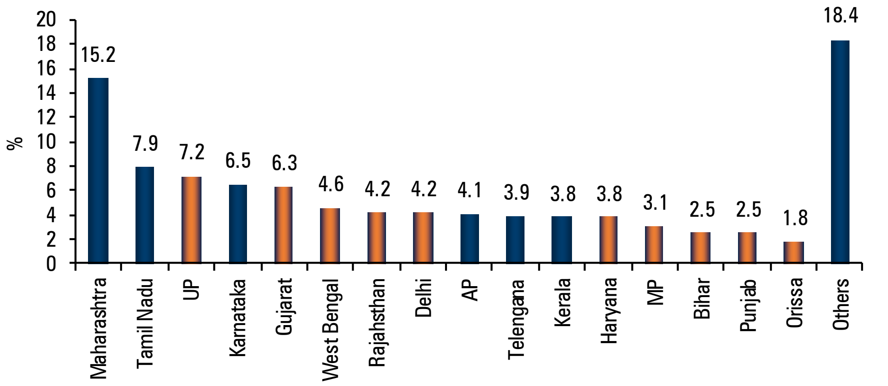
Source: Company, ICICI Direct Research

Exhibit 18: Break-up of value retail segment



Source: Company, ICICI Direct Research

Exhibit 19: State wise value retail spending (percentage of total value retail in India)



Source: Company, ICICI Direct Research. : States in which V-Mart is present

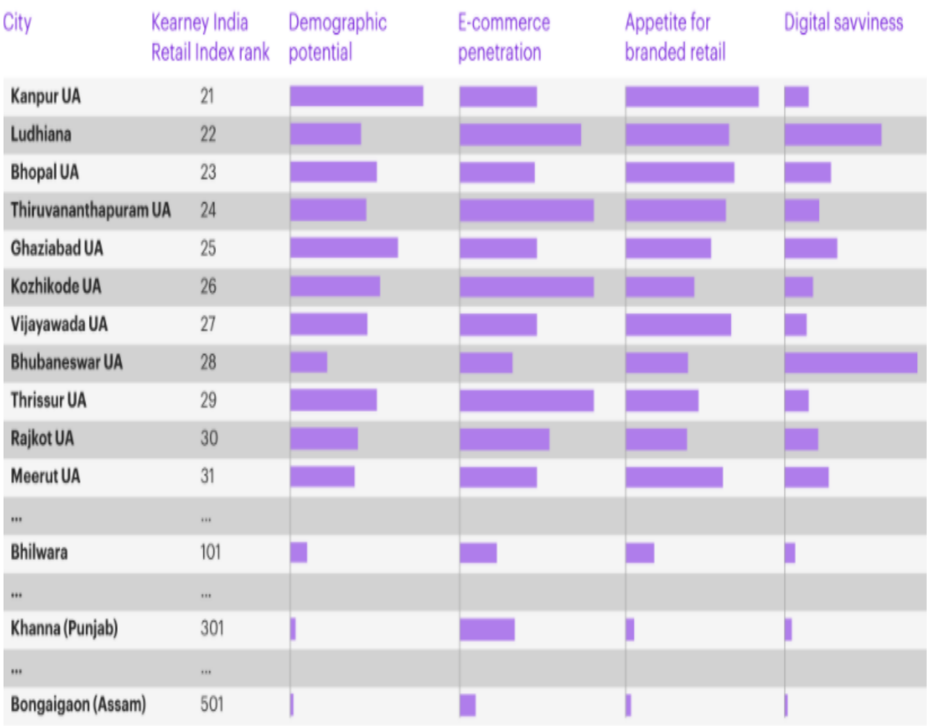
V-Mart is present in 19 states that constitute 40%+ of India's value retail market

Well placed to capture potential demand via footprint expansion into small towns

The retail ecosystem in smaller cities/towns is undergoing a paradigm shift owing to an inflow of private investments for expansion of retail businesses and to promote establishment of shopping complexes, malls and high streets focused on shopping. As per industry estimates, between 2006 and 2017, tier II and smaller cities received five times more investments in retail infrastructure than tier I and metro cities. The potential of smaller towns and cities for retail footprint expansion can also be gauged from the fact that the per capita trade activities GVA growth in tier II-IV has been ~10% compared to 8% for Tier I cities. The higher disposable incomes, enhanced internet penetration and improvement in other related infrastructure has led to faster evolution of Tier II/III cities into Tier I.

Tier II to IV towns have been under penetrated by national brands, which provides ample scope for existing players to position their brands/products to satisfy the ever increasing and unaddressed demand for better brands/products. The potential demand in smaller cities/towns can also be assessed from the fact that 65% of leading apparel e-commerce platforms revenue is generated from tier II and smaller cities/towns. Another aspect of the tier II-IV cities business has been their resilience during the pandemic along with a faster revenue recovery compared to Metros and Tier I cities.

Exhibit 20: Cities beyond top 20 expected to drive next wave of retail growth

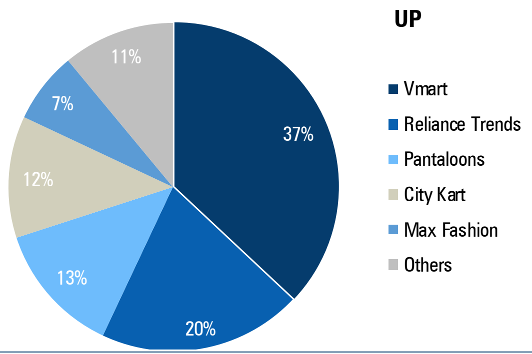


Source: Kearney analysis, ICICI Direct Research

V-Mart's business model of focusing on Tier II to Tier IV has demonstrated strong profitable growth over the years. This has led other larger listed players to recently expand/contemplate to expand their presence in Tier II to Tier IV cities/towns. For instance, Trent is expanding its penetration in newer towns through its Zudio format, ABFRL through Peter England Red stores and Reliance Retail through 'Trends Small Town'.

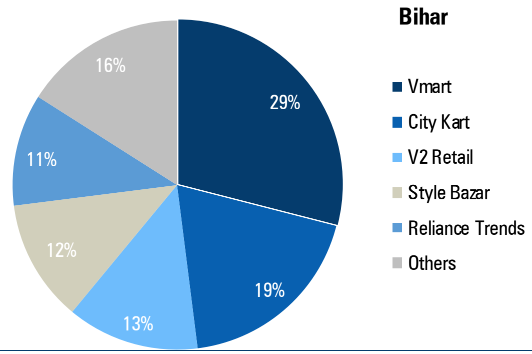
We believe that competition will increase gradually as newer players scale up their presence in smaller towns and cities served by players like V-Mart. However, V-Mart appears to have the first mover advantage with strong regional sourcing capabilities and sharper understanding of the customer's taste in the regional markets in which it operates, which provides it the competitive edge. Another distinguishing factor for V-Mart is that its price points are comparatively lower than the aspiring large entrants and pertinent for capturing demand from the mass segment of customers. V-Mart's product portfolio appears to be apt for serving the small towns and cities with focus on value retailing. Also, it has a lean cost structure owing to lower operational costs due to lower rentals and advertisements cost compared to larger players. The combination of multiple operational benefits enables it to operate at a low cost structure thereby enhancing its ability to keep product prices low with enhanced consumer stickiness, which positions V-Mart on a path of sustained profitable growth.

Exhibit 21: Share of stores among organised players in key states…



Source: Company, ICICI Direct Research

Exhibit 22: ….V-Mart competes with other leading retailers



Source: Company, ICICI Direct Research

The strength of the business model could be gauged from the fact that, despite high competition in the regions in which it operates, the company has been successful in establishing its presence and maintaining/adding to its market share

V-Mart's key recipe for its successful business model has also been its strong sourcing capabilities. The company has an extensive vendor base of 550+ vendors who have been associated with the company for more than a decade. V-Mart sources 80% of requirements from the top 20 vendors. The company has, over the years, rationalised its vendor base from ~1500 to 550. This has resulted in better control over inventory, maintaining uniform quality and garnering economies of scale.

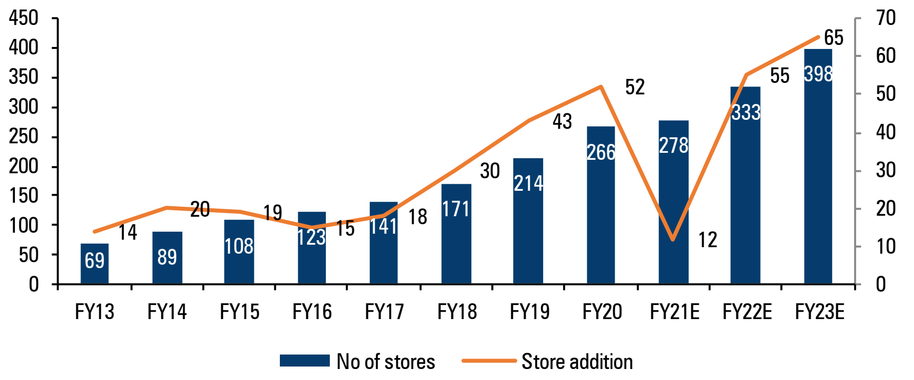
Supply chain infrastructure upgradation to meet long term store expansion plans

V-Mart is planning to invest in upgrading its supply chain infrastructure to serve its future store expansion needs. The company has planned a total capex of ~ ₹ 250 crore for building a new warehouse close to its existing warehouse at Bilaspur for which it has already acquired a land parcel. V-Mart's lease for the Bilaspur warehouse is valid till December 2021. The company will then shift the entire warehousing operations to the new warehouse. The new warehouse would have the capacity to serve ~1000 stores. The warehouse and related infrastructure would be scaled up in phases. We have factored in a capex of ₹ 90 crore in FY22E for setting up the initial phase of the warehouse. The balance capex on warehouse and other related infrastructure of ₹ 160 crore is expected to be spent over FY23E and FY24E.

Store addition pace to resume from FY22 onwards

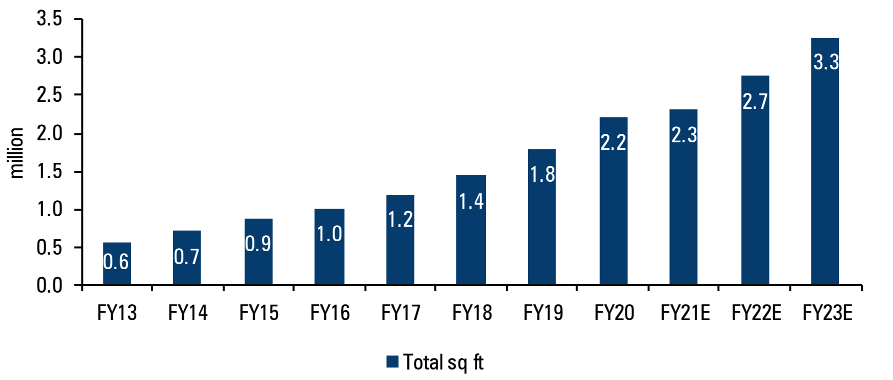
V-Mart has enhanced its footprint at over 20% CAGR over the last seven years (FY13-20). The company added more than 200 stores during the same period taking the total store count to 274 as on 9MFY21. In the initial stages (in 2003-12), V-Mart was at an experimental stage and opened mere 55 stores. Post FY12, as the store economics turned feasible, the store addition trajectory gained significant momentum with the company adding, on an average, 20 stores annually. The trajectory further accelerated with V-Mart nearly doubling its store addition pace with 43, 52 store additions in FY19, FY20, respectively. Pandemic induced challenges impacted the pace in FY21 with mere eight store additions in YTDFY21. We expect the store addition trajectory to resume its momentum and pencil in 55, 65 new store addition in FY22, FY23E, respectively, taking total count to ~400 stores by FY23E. We expect total retail space to increase at 20% CAGR in FY21-23E with total area of 3.3 million square feet by FY23E. Of the overall portfolio of stores only 5-6% are loss making. The company has shut a mere 8% of stores over the last 18 years. This reflects the inherent strength of the business model and management's understanding of the key business metrics that has enabled it to profitably operate store across the geographies in which it operates.

Exhibit 23: Total stores, store addition pace



Source: Company, ICICI Direct Research

Exhibit 24: We anticipate square feet addition to grow at 20% CAGR in FY21-23E

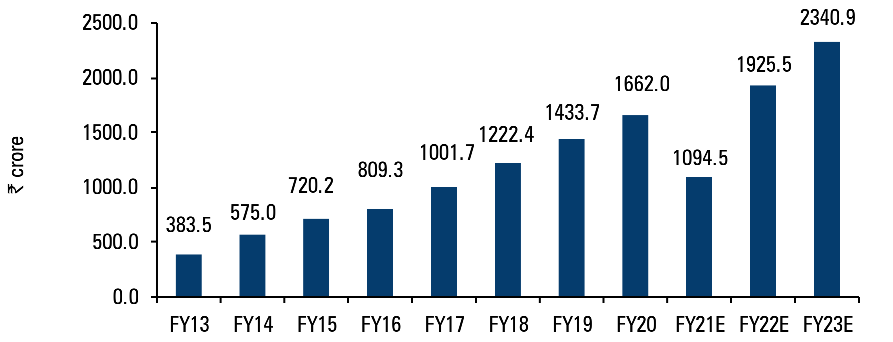


Source: Company, ICICI Direct Research

Strong store addition to support revenue growth

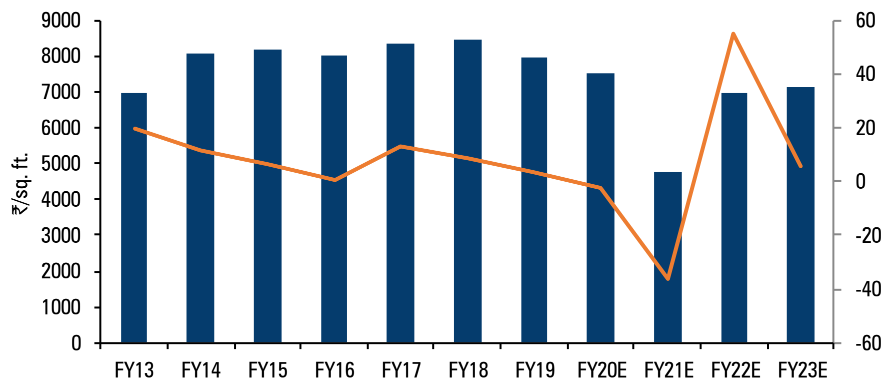
Reflecting the store addition pace, revenues have grown at a robust 23% CAGR in FY13-20. The growth has been supported by healthy store addition pace and steady same store sales growth (~6% average in the last five years). Marred by store closures and several lockdown restrictions, the retail sector was among worst hit in FY21E. Given V-Mart's strong distribution network encompassing mainly tier II/III cities, resilient product categories and healthy balance sheet, the company was able to witness a swift demand recovery. Subsequently, its revenue recovery rate was among the fastest in the industry with sales reaching ~84% of pre-Covid levels in Q3FY21. The recovery rate is expected to further accelerate from Q4FY21 onwards. We expect V-Mart to exit FY21E with revenue de-growth of 34%. However, strong demand recovery and resumption in store addition pace from FY21 onwards is expected to translate into revenue CAGR of 46% in FY21-23E (on a favourable base). We build in average SSSG of ~8% in FY20-23E.

Exhibit 25: Revenue trend



Source: Company, ICICI Direct Research

Exhibit 26: Revenue per sq ft, SSSG trend

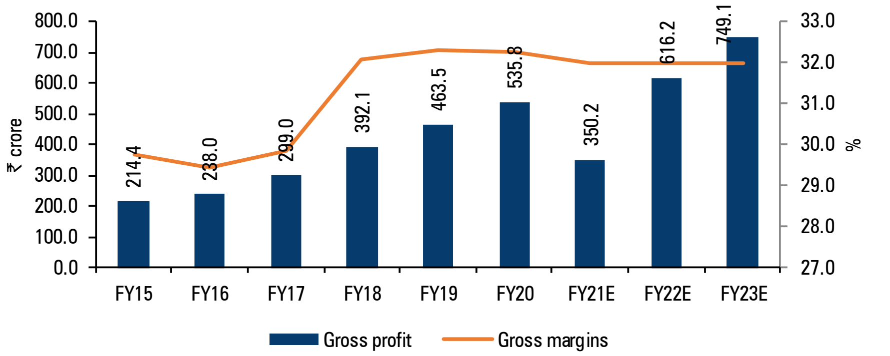


Source: Company, ICICI Direct Research

EBITDA margins to remain range bound

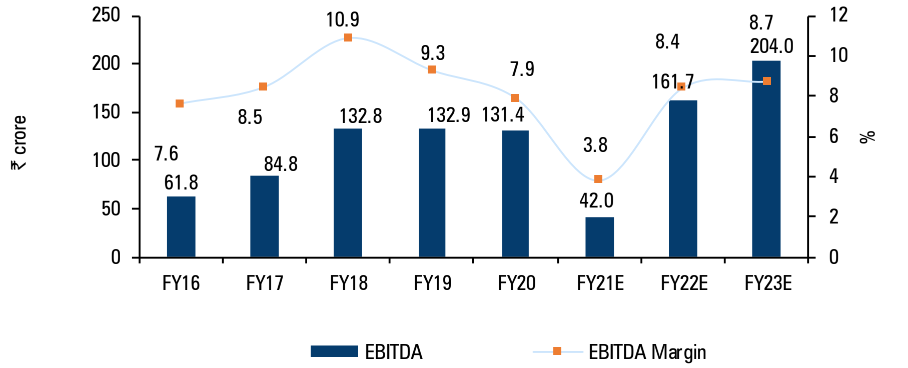
The company witnessed a steady improvement in gross margins from ~28% in FY12 to 32% in FY20 on the back of a change in product mix (from kirana to apparels) and increase in the share of private label brands (from ~20% to 60%). With an increased competitive scenario, we expect gross margins to be maintained in the range of 32-33% despite the share of private label brands being expected to inch up, going forward. The management has indicated that any benefit on margins would be passed on to consumers. Despite being in the expansionary stage, V-Mart has recorded robust EBITDA CAGR of 19% in FY13-20E, with EBITDA margins ranging at 9-10% (pre-Ind-AS 116). The company's key focus in FY21 was on rationalisation of operating overheads to minimise cash burns owing to substantially lowers sales. It achieved significant cost reductions with employee and other expenses declining ~30% and ~50%, respectively. With sales nearing pre-Covid levels, we expect operating expense to also revert back to its pre-Covid levels from FY22E onwards. We expect EBITDA margins to remain range bound at 8-9% in FY22, FY23E, with EBITDA CAGR of 16% in FY20-23E. Subsequently, we expect PAT to grow at CAGR of 14% in FY20-23E.

Exhibit 27: Gross margin trend



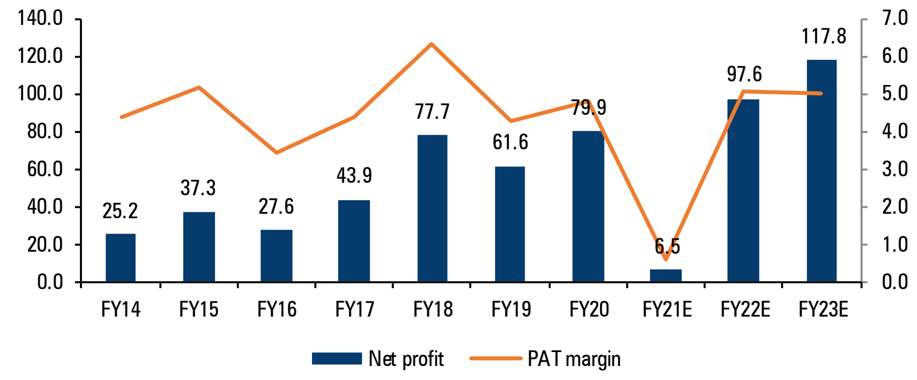
Source: Company, ICICI Direct Research

Exhibit 28: EBITDA and EBITDA margin trend (pre Ind AS-116)



Source: Company, ICICI Direct Research

Exhibit 29: PAT trend (pre-Ind-AS 116)

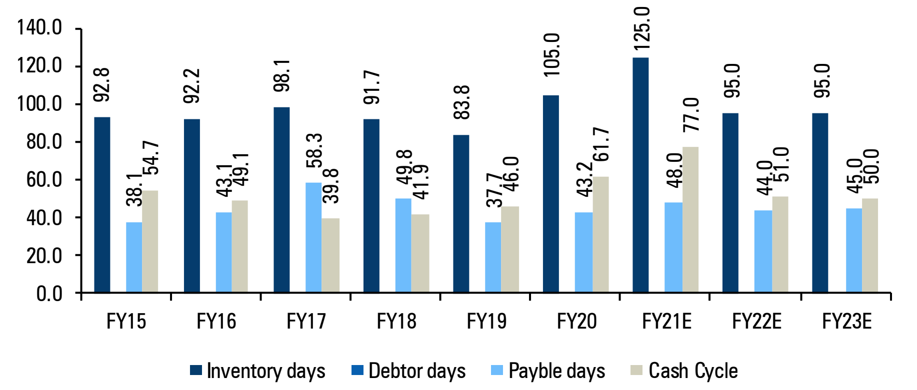


Source: Company, ICICI Direct Research

Healthy balance sheet; expect to report RoCE of 20%+

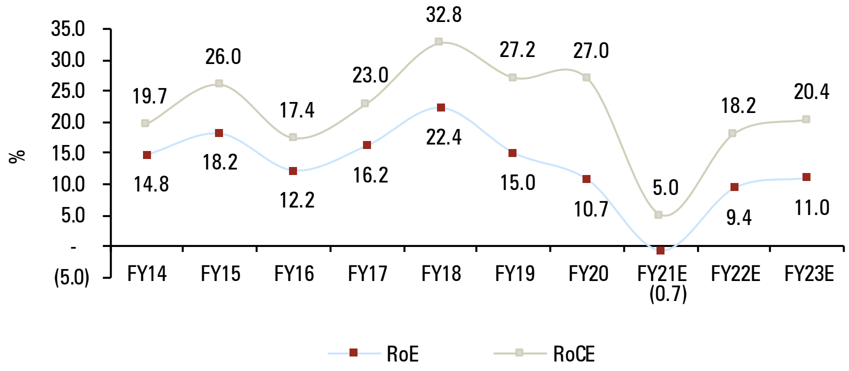
V-Mart has a capital efficient business model, generating healthy gross block asset T/O ratio of ~6x and controlled working capital cycle (average NWC days: ~50 days). This has translated into V-Mart generating healthy RoCE of 25%+. Over the last seven years, the company has generated positive operating cashflows with CFO/EBITDA ratio of 60%+. A distinguishing feature of V-Mart has been that it has restricted itself to internal accruals for store expansion. This is reflected in the company's ability to generate consistent free cash flows over the last six years (barring FY20, since Q4FY20 was disrupted owing to Covid induced lockdowns). In FY21E, V-Mart curtailed new store openings (added eight as on YTDFY21) and materially minimised discretionary capex (capex halved YoY to ₹ 20 crore as on YTDFY21). Going forward, we expect the capex intensity to increase materially on the back of healthy store addition pace and investment in building new warehouse. Healthy operating cashflows, coupled with recent QIP proceeds (₹ 350 crore) would be utilised towards funding the capex requirements. We expect the company to maintain its debt free status, going forward. Recent equity raise is expected to dilute return ratio, going forward.

Exhibit 30: Working capital trend



Source: Company, ICICI Direct Research

Exhibit 31: Return ratio trend



Source: Company, ICICI Direct Research

Recent equity raise through QIP is expected to dilute return ratios, to a certain extent, going forward

Key risk and concerns

Re-imposition of lockdown restrictions

Any re-imposition of lockdown owing to the pandemic can again lead to store closures or restricted movement of people, which can negatively impact store footfalls and lead to lower in-store sales, thereby negatively impacting the estimated revenue growth.

Delay in store rollout

Any significant delay in planned store rollout can result in lower than estimated store additions, which can negatively impact estimated revenues.

Limited ability to pass on raw material inflation

The company operates in a competitive market with many large players entering / planning to enter the space in which the company operates. Recently yarn prices (raw material for apparels that contributes ~80% of V-Mart's revenues) have been increasing. The management indicated that it is likely to take a price hike in the in phases to maintain margins. However, due to enhanced competition, the company may be unable to entirely pass on the increased raw material cost, which can negatively impact gross margins.

Valuation & Outlook

Over the last few years, V-Mart has been able to fund its business growth through internal accruals and IPO proceeds. Barring FY20, the company has, over the years, consistently generated FCF (cumulative FCF in FY15-19: ~₹ 86 crore) resulting in virtually debt free status. Given the inherent strength of the business model, it has withstood pandemic challenges with revenues recovering to ~84% pre-Covid levels in Q3FY21. While the pandemic may cause near term challenges, we like V-Mart as a structural long term story to play the unorganised to modern retail shift. We pencil in revenue CAGR of 46% in FY21-23E (on a favourable base) with square feet addition CAGR of 20% during the same period. We expect EBITDA margins to remain range bound at ~9% (pre-Ind-AS) as the company focuses on enhancing market share by passing benefits on margin. We initiate coverage on the stock with a **BUY** recommendation and a target price of ₹ 3500 valuing it at 20x FY23E EV/EBITDA (*~32x FY23E EV/EBITDA pre-Ind-AS 116).*

Exhibit 32: Valuation summary

	Sales (₹ cr)	Growth (%)	EPS (₹)	EV/Sales (x)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY19	1,433.7	17.3	34.0	3.4	81.3	37.0	15.0	27.2
FY20	1,662.0	15.9	27.2	3.0	101.6	23.4	10.7	27.0
FY21E	1,094.5	-34.1	-3.1	4.6	NA	39.3	-0.7	5.0
FY22E	1,925.5	75.9	43.2	2.6	63.8	19.1	9.4	18.2
FY23E	2,340.9	21.6	56.6	2.2	48.8	15.5	11.0	20.4

Source: Company, ICICI Direct Research

Exhibit 33: Valuation metrics: (Retail sector)

Sector / Company	M Cap	EV/Sales (x)				P/E (x)				EV/EBITDA (x)				RoCE (%)				RoE (%)			
	(₹ Cr)	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E
Trent	25,122	7.8	10.8	6.0	5.0	218.9	-	101.7	80.6	49.8	144.9	37.5	30.9	15.9	3.9	20.5	22.5	5.1	-3.8	10.7	12.3
ABFRL*	17,160	2.1	3.8	2.1	1.8	-	-	67.1	46.4	39.5	-	30.5	24.3	6.5	-8.0	10.5	13.2	-6.0	-14.3	7.8	10.1
TCNS Clothing*	3,104	2.6	4.5	2.5	2.1	57.7	-	32.4	27.2	36.1	-	20.0	16.2	10.6	-13.5	18.0	18.4	7.9	-10.2	13.4	13.7
Shoppers Stop	2,297	1.1	2.5	1.3	1.2	-	-	110.5	53.5	7.0	139.8	7.6	6.7	4.7	-15.5	8.1	9.7	-103.1	-217.2	13.0	21.2
Bata India	18,110	5.6	9.5	5.2	4.5	55.4	-	45.0	35.2	20.7	74.3	19.2	15.8	28.2	-2.3	28.2	31.2	17.2	-1.8	19.2	21.6
Titan Company	1,37,429	6.5	6.8	5.0	4.3	91.5	153.2	63.2	50.8	55.9	83.9	41.0	33.3	28.7	16.5	32.4	33.2	22.5	12.4	24.2	24.8
Relaxo Footwear	22,205	9.2	10.0	7.5	6.5	98.1	93.0	66.7	56.5	54.3	51.0	39.0	33.4	23.9	22.4	26.4	26.6	17.8	16.2	19.3	19.5
Page Industries	34,019	11.5	12.7	9.4	8.0	99.1	107.5	65.4	54.3	63.7	67.9	43.7	36.6	55.7	46.8	64.4	64.4	41.9	36.7	49.8	49.6
Avenue Supermarts	1,86,882	7.4	7.6	5.2	4.1	143.7	170.9	91.6	71.9	86.3	107.7	59.3	46.1	16.4	12.3	19.4	20.9	11.7	9.0	14.4	15.5

Source: Company, ICICI Direct Research. Financials of ABFRL and TCNS Clothing are based on Pre Ind-AS 116

Proforma profit & loss (pre-Ind-AS 116)

Exhibit 34: Proforma profit & loss (pre-Ind-AS 116}

(Year-end March)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	**383.5**	**575.0**	**720.2**	**809.3**	**1,001.7**	**1,222.4**	**1,433.7**	**1,662.0**	**1,094.5**	**1,925.5**	**2,340.9**
Growth (%)		49.9	25.3	12.4	23.8	22.0	17.3	15.9	(34.1)	75.9	21.6
Total Raw Material Cost	261.3	396.9	505.8	571.2	702.8	830.3	970.3	1,126.3	744.2	1,309.3	1,591.8
Gross Margins (%)	31.9	31.0	29.8	29.4	29.8	32.1	32.3	32.2	32.0	32.0	32.0
Employee Expenses	25.0	38.3	48.9	62.3	78.3	98.4	125.7	153.6	113.8	163.7	194.3
Rental Expense	16.9	24.9	32.8	40.0	45.2	52.6	67.2	94.2	85.0	113.6	137.8
Advertisement spends	8.1	13.6	14.8	19.1	22.6	26.2	33.9	35.4	19.7	44.3	53.8
Power & Fuel	10.6	16.4	19.9	22.8	26.7	33.7	42.2	48.8	28.5	48.1	58.5
Other Expenses	22.4	32.6	34.4	32.1	41.5	48.4	61.5	72.3	61.3	84.7	100.7
Total Operating Expenditure	344.3	522.7	656.6	747.4	917.0	1,089.6	1,300.8	1,530.6	1,052.5	1,763.7	2,136.9
EBITDA	**39.2**	**52.2**	**63.6**	**61.8**	**84.8**	**132.8**	**132.9**	**131.4**	**42.0**	**161.7**	**204.0**
EBITDA Margin	10.2	9.1	8.8	7.6	8.5	10.9	9.3	7.9	3.8	8.4	8.7
Interest	5.8	4.2	4.2	3.1	3.5	1.5	1.6	3.4	2.4	2.0	2.0
Depreciation	7.6	10.9	4.6	19.0	18.6	22.9	27.6	33.4	36.9	43.2	60.5
Other Income	0.2	0.7	2.2	1.2	4.1	4.1	5.9	5.5	6.0	14.0	16.0
Exceptional Expense	-	-	1.8	(1.4)	-	-	9.8	-	-	-	-
PBT	26.0	37.8	55.2	42.3	66.8	112.5	99.8	100.1	8.6	130.5	157.5
Total Tax	8.6	12.7	18.0	14.7	22.9	34.8	38.2	20.2	2.2	32.9	39.7
Profit After Tax	**17.4**	**25.2**	**37.3**	**27.6**	**43.9**	**77.7**	**61.6**	**79.9**	**6.5**	**97.6**	**117.8**

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 35: Profit & loss statement

(Year-end March)	FY20	FY21E	FY22E	FY23E
Net Sales	**1,662.0**	**1,094.5**	**1,925.5**	**2,340.9**
Growth (%)	15.9	(34.1)	75.9	21.6
Total Raw Material Cost	1,126.3	744.2	1,309.3	1,591.8
Gross Margins (%)	32.2	32.0	32.0	32.0
Employee Expenses	153.6	113.8	163.7	194.3
Other Expenses	168.4	109.4	187.1	226.0
Total Operating Expenditure	1,448.3	967.5	1,660.1	2,012.1
EBITDA	**213.7**	**127.0**	**265.3**	**328.8**
EBITDA Margin	12.9	11.6	13.8	14.0
Interest	54.8	49.3	51.0	57.7
Depreciation	93.9	105.8	114.6	138.2
Other Income	4.5	20.0	14.0	16.0
Exceptional Expense	-	-	-	-
PBT	69.5	(8.2)	113.8	148.9
Total Tax	20.2	(2.1)	28.7	37.5
Profit After Tax	**49.3**	**(6.1)**	**85.1**	**111.3**

Source: Company, ICICI Direct Research

Exhibit 36: Cash flow statement

(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit/(Loss) after taxation	49.3	-6.1	85.1	111.3
Add: Depreciation	93.9	105.8	114.6	138.2
Net Increase in Current Assets	-158.0	109.3	-133.7	-101.7
Net Increase in Current Liabilitie:	30.5	-52.8	88.2	56.5
CF from operating activities	**15.8**	**156.2**	**154.3**	**204.4**
(Inc)/dec in Investments	52.8	0.0	0.5	0.6
(Inc)/dec in Fixed Assets	-41.3	-28.0	-152.5	-163.9
Others	0.0	0.0	0.0	0.0
CF from investing activities	**11.5**	**-28.0**	**-152.0**	**-163.3**
Inc / (Dec) in Equity Capital	0.0	1.5	0.0	0.0
Inc / (Dec) in Loan	1.0	-1.1	0.0	0.0
Others	-41.7	304.4	-76.5	-85.5
CF from financing activities	**-40.7**	**304.9**	**-76.5**	**-85.5**
Net Cash flow	-13.4	433.1	-74.2	-44.5
Opening Cash	19.2	5.8	438.9	364.8
Closing Cash	**5.8**	**438.9**	**364.8**	**320.3**

Source: Company, ICICI Direct Research

Exhibit 37: Balance Sheet

(Year-end March)	FY20	FY21E	FY22E	FY23E
Equity Capital	18.2	19.7	19.7	19.7
Reserve and Surplus	440.8	808.0	888.0	991.5
Total Shareholders funds	458.9	827.7	907.7	1,011.2
Total Debt	1.1	-	-	-
Non Current Liabilties	531.5	531.5	531.5	531.5
Source of Funds	**991.5**	**1,359.1**	**1,439.1**	**1,542.7**
Gross block	260.4	288.4	345.8	604.7
Less: Accum depreciation	89.1	126.0	169.2	229.7
Net Fixed Assets	171.3	162.4	176.6	375.0
Capital WIP	2.5	2.5	97.5	2.5
Intangible assets	3.7	3.7	3.7	3.7
Investments	7.9	7.9	7.4	6.8
Inventory	477.9	374.8	501.2	609.3
Cash	5.8	438.9	364.8	320.3
Debtors	-	-	-	-
Loans & Advances & Other	41.2	34.5	41.2	34.5
Total Current Assets	524.9	848.2	907.1	964.0
Creditors	196.8	143.9	232.1	288.6
Provisions & Other CL	35.4	35.5	35.5	35.6
Total Current Liabilities	232.2	179.4	267.6	324.2
Net Current Assets	292.7	668.8	639.5	639.8
LT L& A, Other Assets	513.5	514.0	514.6	514.9
Other Assets	0.0	0.0	0.0	0.0
Application of Funds	**991.5**	**1,359.2**	**1,439.2**	**1,542.7**

Source: Company, ICICI Direct Research

Exhibit 38: Key ratios

(Year-end March)	FY20	FY21E	FY22E	FY23E
Per share data (₹)				
EPS	27.2	-3.1	43.2	56.6
Cash EPS	78.9	50.6	101.4	126.8
BV	252.8	420.5	461.1	513.7
DPS	2.1	0.0	2.6	4.0
Cash Per Share	3.2	223.0	185.3	162.7
Operating Ratios (%)				
EBITDA margins	12.9	11.6	13.8	14.0
PBT margins	4.2	-0.7	5.9	6.4
Net Profit margins	3.0	-0.6	4.4	4.8
Inventory days	105.0	125.0	95.0	95.0
Debtor days	0.0	0.0	0.0	0.0
Creditor days	43.2	48.0	44.0	45.0
Return Ratios (%)				
RoE	10.7	-0.7	9.4	11.0
RoCE	27.0	5.0	18.2	20.4
RoIC	27.9	10.8	30.8	30.2
Valuation Ratios (x)				
P/E	101.6	NA	63.8	48.8
EV / EBITDA	23.4	39.3	19.1	15.5
EV / Sales	3.0	4.6	2.6	2.2
Market Cap / Revenues	3.0	5.0	2.8	2.3
Price to Book Value	10.9	6.6	6.0	5.4
Solvency Ratios				
Debt / Equity	0.0	0.0	0.0	0.0
Debt/EBITDA	0.0	0.0	0.0	0.0
Current Ratio	2.2	2.3	2.0	2.0
Quick Ratio	0.2	0.2	0.2	0.1

Source: Company, ICICI Direct Research

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