

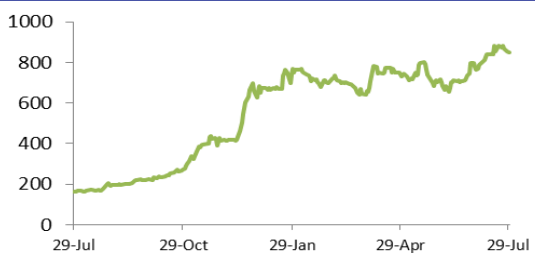
Vaibhav Global Ltd. (VGL)

Recommendation	HOLD
CMP	Rs. 850
Target Price	Rs. 925
Sector	Retail

Stock Details

BSE Code	532156
NSE Code	VAIBHAVGBL
Bloomberg Code	VGM IN
Market Cap (Rs cr)	2,767
Free Float (%)	62.9%
52- wk HI/Lo (Rs)	910/160
Avg. volume BSE (Quarterly)	15,039
Face Value (Rs)	10.0
Dividend (FY 14)	NIL
Shares o/s (Cr)	3.2

Relative Performance	1Mth	3Mth	1Yr
Vaibhav	6.9%	16.6%	422.9%
Sensex	2.7%	16.4%	34.8%

Shareholding Pattern 30th June 14

Foreign Promoter	40.78
Indian Promoters Holding	
Institutional (Incl. FII)	15.87
Corporate Bodies	4.8
Public & others	38.55

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Outlook continues to remain positive

As expected, the company reported sales growth of 20.3% yoy to Rs 301 cr, on account of sluggish TV Sales, which posted volume growth of 3.3% (vs 24.5% in Q4FY14 and 25.1% in Q1FY14), was down because of (1) Change in call center from in-house to third party (2) Build up of inventory at studio – as indicated by the company before the start of the quarter (3) Installation of new software. On account of above factors, we believe Q1 is a temporary blip and expect the growth to be normalized from Q3 onwards (Q2 is seasonally weak quarter for the company). Web sales volume grew by 36% and we expect to remain strong for the rest for the year. EBITDA has declined 24.5% yoy to Rs 26.3 cr. Consequently margins have also come down to 8.7% as against 13.9% in Q1FY14.

We continue to like asset light business model of VGL which can generate high ROCE and free cash. VGL has stabilized itself as a retailer of discount fashion accessories through TV channel in US and UK market with access to over 100 million households and also trying to monetize its TV channel through development of web sales. **We expect VGL to report an EPS of Rs. 45.2 and Rs. 58.8 in FY15E and FY16E respectively. At CMP of Rs. 850, VGL is trading at a PE of 18.8x FY15E and 14.5x FY16E. On 16x FY16E earnings our target price comes to Rs. 925 per share. We maintain HOLD rating.**

- **Increase in average selling price:** VGL reported increase in average selling price both in TV sales and Web sales segment. This is testament to company's growing acceptability in the targeted markets. Web sales average selling price is \$14 as compared to \$11 in Q1FY14 whereas TV sales average price is \$25 as compared to \$ 24 in Q1FY14.
- **Web Sales supported the sales growth:** Web sales grew by 79% to Rs 59 cr, compensated the decline in TV sales were impacted on account of one-time factors. We expect the company to continue the growth momentum for Web sales and believe TV sales to come back on track from Q3 onwards.
- **EBITDA declined:** VGL reported an EBITDA margin of 8.7% down from 13.9% in Q1FY14 due to additional one-time cost the company has incurred during the quarter. The fact can be validated by difference between the gross margins which 68.8% in Q1FY15 vs 70.5% in Q1FY14. We expect VGL to report 12.4% margins for FY15E as against 11.0% in FY14.
- **PAT down:** PAT is partially down by lower EBITDA and partially by higher tax. PAT for Q1FY15 is Rs 21.8 cr, down 45.5% yoy. As VGL's accumulated losses got over, it's both units – US and India have started paying tax (India under MAT and US full tax) and expected to have average tax rate of 25% for FY15.
- **Strong Cash Flow:** The Company is having strong cash flow and utilizing the same to repay its debt. It has repaid Rs 29 cr in Q1FY15 and likely to debt free by FY15.

Year	Net Sales (Rs. in cr)	Growth %	EBIDTA	EBIDTAM (%)	APAT	PATM (%)	AEPS (Rs.)	P/E (x)	EV/Sales (x)	ROE
FY13A	892.9	38.1%	63.9	7.2%	57.1	6.4%	17.8	48.1	3.0	26.7%
FY14A	1298.3	45.4%	142.2	11.0%	132.8	10.2%	41.3	20.6	2.1	67.6%
FY15E	1619.8	24.8%	200.4	12.4%	145.6	9.0%	45.2	18.8	1.6	47.6%
FY16E	1996.5	23.3%	255.0	12.8%	189.2	9.5%	58.8	14.5	1.3	40.0%

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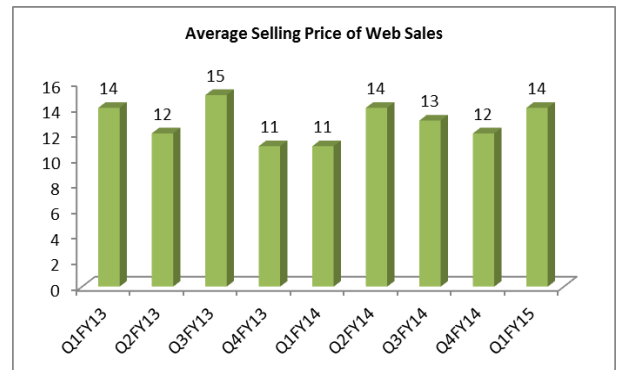
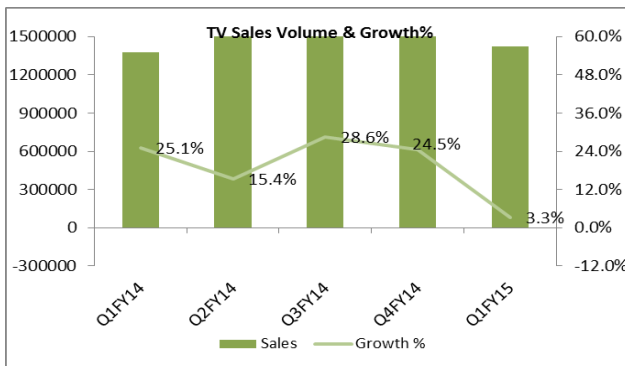
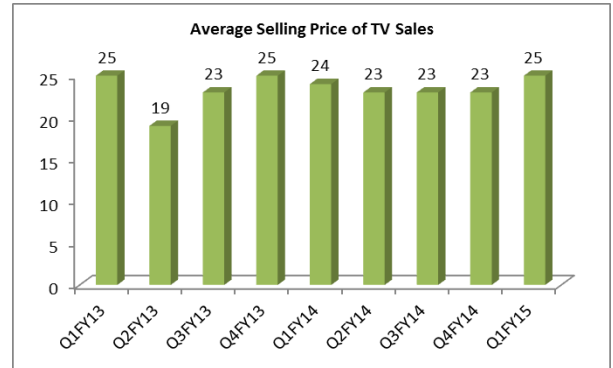
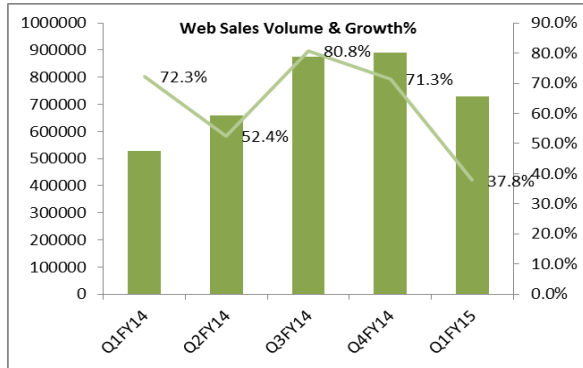
Q1FY15 Consolidated Result Analysis

Rs. in crore

Particulars	Q1FY15	Q1FY14	YoY%	Q4FY14	QoQ%
Net Sales	301.4	250.6	20.3%	359.6	-16.2%
Other Operating Income	1.8	2.5	-26.9%	4.2	-57.1%
Total Income	303.2	253.1	19.8%	363.9	-16.7%
Increase / Decrease in Stock	-9.6	-16.3		28.0	
Consumption of RM	51.8	53.1	-2.4%	56.9	-8.9%
Purchase of traded goods	51.8	37.2	39.3%	48.7	6.3%
Total Raw-material Cost	94.0	73.9	27.2%	133.5	-29.6%
Gross Profit	207.4	176.7	17.4%	226.1	-8.3%
Employees Cost	46.4	41.4	12.0%	59.5	-22.0%
Other Expenditure	136.5	102.9	32.6%	137.0	-0.4%
Total Expenditure	276.8	218.2	26.9%	330.0	-16.1%
EBITDA	26.3	34.9	-24.5%	33.9	-22.2%
Interest	2.5	3.5	-28.3%	3.0	-18.4%
Other Income	0.0	0.0		0.0	
EBDT	23.9	31.4	-24.1%	30.8	-22.6%
Depreciation	2.0	1.4	36.5%	2.5	-21.8%
Exchange Gain/Loss	3.5	10.8		1.5	
Exceptional Items	0.0	0.0		0.0	
PBT	25.4	40.8	-37.7%	29.8	-14.8%
Tax	3.6	0.7		-6.9	
Reported PAT	21.8	40.0	-45.5%	36.8	-40.6%
EPS (Unit Curr.)	6.8	12.5		11.4	
Equity	32.2	32.1		32.2	
Face Value	10	10		10	
			BPS		BPS
Gross Margin (%)	68.8%	70.5%	120	62.9%	-510
EBITDA (%)	8.7%	13.9%	740	9.4%	-360
EBDT (%)	7.9%	12.5%	810	8.6%	-330
PAT (%)	7.2%	16.0%	7150	10.2%	160

Vaibhav Global Ltd. (VGL)

Segmental Breakup:



Source: Company & Nirmal Bang Research

Vaibhav Global Ltd. (VGL)

Consolidated Financials

Profitability (Rs. In Cr)	FY13	FY14E	FY15E	FY16E
Revenues - Net	892.9	1298.3	1619.8	1996.5
% change	38.1%	45.4%	24.8%	23.3%
EBITDA	63.9	142.2	200.4	255.0
% change	-13.6%	122.6%	40.9%	27.2%
Interest	14.5	14.5	10.7	6.1
Other Income	16.6	15.3	14.5	14.5
EBDT	66.1	143.0	204.2	263.3
Depreciation	7.3	7.5	10.1	11.1
Exp (Gain)/ Loss	163.7	0.0	0.0	0.0
Fores Gain / (Loss)	21.0	19.8	0.0	0.0
PBT	-83.9	155.3	194.1	252.2
Tax	1.7	2.8	48.5	63.1
PAT	-85.6	152.5	145.6	189.2
Adj PAT	57.1	132.8	145.6	189.2
Pref Div @1%	0.4	0.2	0.0	0.0
PAT after Pref Div	56.7	132.5	145.6	189.2
Shares o/s (Cr.)	3.2	3.2	3.2	3.2
EPS	-26.7	47.3	45.2	58.8
Adj EPS*	17.8	41.3	45.2	58.8
Cash EPS	-24.4	49.7	48.4	62.2
DPS (Rs.)	0.0	0.0	0.0	0.0

Quarterly (Rs. In Cr)	Sep.13	Dec.13	Mar.14	Jun.14
Revenue including OI	321.6	374.9	363.9	303.2
EBITDA	29.5	51.8	32.3	22.8
Interest	3.9	4.1	3.0	2.5
EBDT	25.6	47.7	29.3	20.3
Dep	1.7	1.8	2.5	2.0
Other Inc.	0.0	0.0	0.0	0.0
Forex Gain/Loss	11.1	-3.6	1.5	3.5
Exceptional	0.0	0.0	0.0	0.0
PBT	35.0	42.2	28.3	21.9
Tax	2.1	6.8	-6.9	3.6
PAT	32.9	35.4	35.2	18.3
Adjusted EPS (Rs.)	13.7	9.9	11.4	6.8

Operational Ratio	FY13	FY14E	FY15E	FY16E
EBITDA margin (%)	7.2%	11.0%	12.4%	12.8%
Adj.PAT margin (%)	6.4%	10.2%	9.0%	9.5%
Adj.PAT Growth (%)	-8.3%	132.5%	9.7%	29.9%
Price Earnings (x)	48.1	20.6	18.8	14.5
Book Value (Rs.)	35.9	72.4	117.6	176.4
ROCE (%)	19.2%	45.0%	51.9%	49.3%
RONW (%)	26.7%	67.6%	47.6%	40.0%
Debt Equity Ratio	1.0	0.5	0.2	0.1
Price / Book Value (x)	23.7	11.7	7.2	4.8
EV / Sales	3.0	2.1	1.6	1.3
EV / EBITDA	41.9	18.7	13.2	10.0

Balance Sheet	FY13	FY14E	FY15E	FY16E
Issued Share Capital	32.1	32.2	32.2	32.2
Redeemable Pref Share	44.0	0.0	0.0	0.0
Total Shares	76.1	32.2	32.2	32.2
Reserves & Surplus	83.1	200.8	346.3	535.5
Net Worth	159.1	232.9	378.5	567.7
Total Loans	160.9	114.1	64.1	38.1
Minority Interest	0.0	0.0	0.0	0.0
Net Deferred Tax Assets	-0.2	0.0	0.0	0.0
Total Liabilities	319.9	347.1	442.6	605.8
Net Fixed Assets	29.0	37.4	32.3	26.2
CWIP	0.0	0.0	0.0	0.0
Goodwill on consolidation	28.7	28.7	28.7	28.7
Investments	0.1	3.0	3.0	3.0
Inventories	209.1	196.2	248.9	323.5
Sundry Debtors	35.6	54.3	94.5	116.5
Cash & Bank	45.9	72.1	99.8	187.4
Loans & Advances	52.5	74.8	93.3	115.0
C A L&A	343.1	397.2	536.4	742.3
CL & P	80.9	119.2	157.8	194.4
Working Capital	262.2	278.0	378.7	547.9
Total Assets	319.9	347.1	442.6	605.8

Cash Flow	FY13	FY14E	FY15E	FY16E
Operating				
Profit Before Tax	-83.9	155.3	194.1	252.2
Direct Taxes paid	-1.6	-2.8	-48.5	-63.1
Depreciation	7.3	7.5	10.1	11.1
Change in WC	-19.5	-4.5	-72.9	-81.6
Interest Expenses	12.4	14.5	10.7	6.1
Ot Op Activities	162.3	0.0	0.0	0.0
CF from Operation	77.0	170.1	93.4	124.8
Investment				
Capex	-13.5	-16.0	-5.0	-5.0
Other Investment	13.8	-2.9	0.0	0.0
Total Investment	0.3	-18.8	-5.0	-5.0
Free Cash Flow	77.3	151.2	88.4	119.8
Financing				
Equity raised/(repaid)	0.0	0.0	0.0	0.0
Issuance of shares	1.0	0.0	0.0	0.0
Repayment of Red. PS	0.0	-44.0	0.0	0.0
Debt raised/(repaid)	-16.7	-46.8	-50.0	-26.0
Dividend (incl. tax) paid	0.0	0.0	0.0	0.0
Interest Expenses	-12.4	-14.5	-10.7	-6.1
Deposits	0.0	0.0	0.0	0.0
Foreign Currency Translator	-21.9	-19.8	0.0	0.0
CFF Financing Activities	-50.1	-125.1	-60.7	-32.1
Net Cash Flow	27.2	26.2	27.7	87.6
Beginning Cash Flow	18.7	45.9	72.1	99.8
Closing Cash Balance	45.9	72.1	99.8	187.4

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