

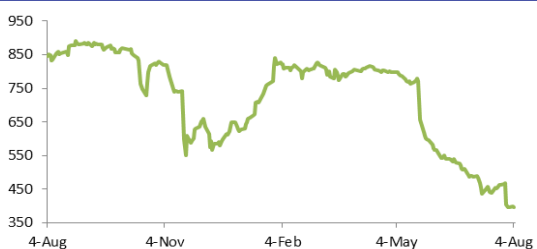
Vaibhav Global Ltd. (VGL)

Recommendation	BUY
CMP (05/08/15)	Rs. 397
Target Price	Rs. 493
Sector	Retail

Stock Details

BSE Code	532156
NSE Code	VAIBHAVGBL
Bloomberg Code	VGM IN
Market Cap (Rs cr)	1,278
Free Float (%)	43.60
52- wk HI/Lo (Rs)	975/390
Avg. volume NSE (Quarterly)	24,890
Face Value (Rs)	10.0
Dividend (FY 15)	24%
Shares o/s (Cr)	3.24

Relative Performance	1Mth	3Mth	1Yr
Vaibhav	-18.8%	-50.2%	-53.0%
Sensex	0.5%	2.3%	9.1%



Shareholding Pattern	30 th June 15
Promoters Holding	56.40
Institutional (Incl. FII)	19.06
Corporate Bodies	4.33
Public & others	20.21

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Limited downside

Due to its ongoing restructuring to face competition Vaibhav Global posted yet another muted quarter with Sales declining 8% yoy to Rs 276.4 cr. Key reasons for the same are (1) Decline in B2B sales of Rs 20 cr (2) Loss of revenues of rs 11 due to launch of new website (3) discontinuation of high end (low margin) products. Web volumes were down 13% yoy whereas TV volumes grew by 5% yoy. Volumes were flat in US but pricing was down by 4% however exchange of 6% helped the company in registering overall growth of 2% in rupee terms in US. In UK volumes were down by 5%. To be more customer friendly, VGL has started new Mobile and Tablet Apps. Also, to face the competition the company has also started the sales return policy and is expected to start EMI option from Q2FY16. We believe, now VGL is at par with other players in terms of offerings and still has its edge of lower price points products. It is also in the process of starting Beauty and Home furnishing products however, it is most likely to start from FY17 onwards. EBITDA margins declined to 5.3% from 8.7% in Q1FY15 and 9.7% in Q4FY15 despite higher gross margins (74.7% vs 69% in Q1/65.1% in Q4 (on account of change in accounting of export incentive on closing inventory). Net profit has declined by 66% to Rs 7.3 cr due to (1) Lower top line (2) Higher depreciation (3) higher tax provisions.

- Web sales de-grew by 8.5% to Rs 54 cr due to transition to newer platforms. TV sales were muted at 1% yoy decline to Rs 207 cr. TV Sales was impacted because of lower average realizations though volumes saw uptick.
- In-line with market practice, VGL is also starting with EMI option from Q2 onwards (though the scale and price points are not yet decided). We believe this would increase the working capital needs of the company however, considering its healthy cash flows it won't impact much. VGL has recently initiated the sales return policy in US (it is already allowing that in UK and get around 20% sales returns, in-line with market norms). Management believes it won't impact their gross margins as it would recover the shipping and processing cost from the customers and later can re-sell the products. Above initiatives brings VGL at par with other competitors in terms of offerings.
- EBITDA margins have come down to 5.3% from 8.7% in Q1FY15 and 9.7% in Q4FY15 due to (1) increase in fixed cost for addition of clients (reaching 105 mn households) (2) transition charges (3) expenses towards set up future categories – Beauty and Home Furnishing. Due to ongoing restructuring and transition phase, we are not anticipating any improvement in margins for the year and expect VGL to report 9.8%/10% for FY16E/FY17E respectively

Valuations and Recommendations

Though we continue to like asset light business model of VGL which can generate high ROCE and free cash, we believe the stock can remain range bound in near future. We expect the company to realize the full benefit of its efforts from FY17 and believe it could return to double digit growth then. **At CMP of Rs. 397, VGL is trading at a PE of 12.9x/10.6x on FY16E/FY17E expected earnings. At 15x FY17E earnings our target price comes to Rs. 493 per share. We recommend BUY.**

Year	Net Sales (Rs. in cr)	Growth %	EBIDTA	EBIDTAM (%)	APAT	PATM (%)	EPS (Rs.)	P/E (x)	EV/Sales (x)	ROE
FY14A	1298.3	45.4%	142.2	11.0%	152.5	11.7%	47.1	8.4	1.0	77.8%
FY15A	1375.5	6.0%	134.0	9.7%	103.2	7.5%	31.9	12.5	0.9	36.8%
FY16E	1454.6	5.8%	120.7	8.3%	82.8	5.7%	25.6	15.5	0.9	22.8%
FY17E	1683.9	15.8%	151.6	9.0%	106.5	6.3%	32.9	12.1	0.7	23.9%

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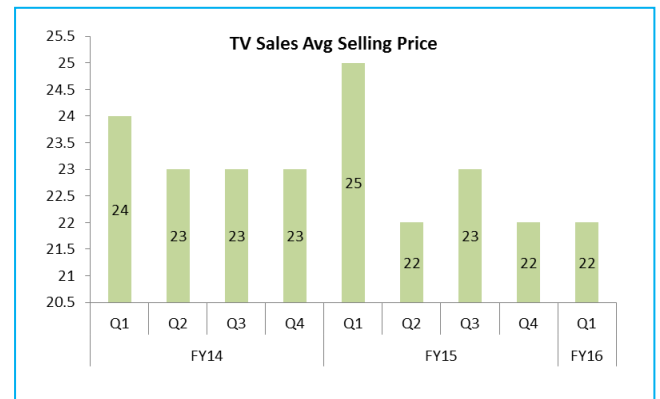
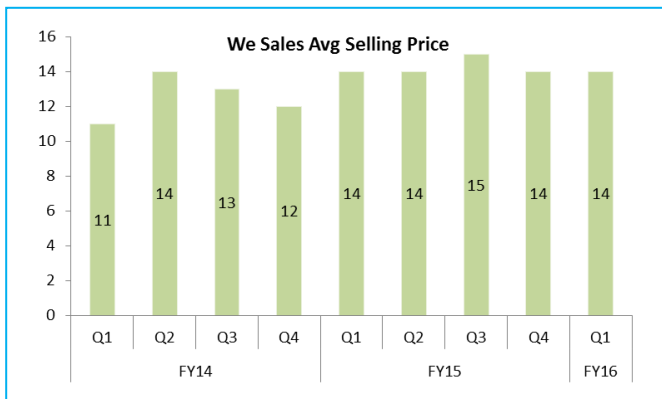
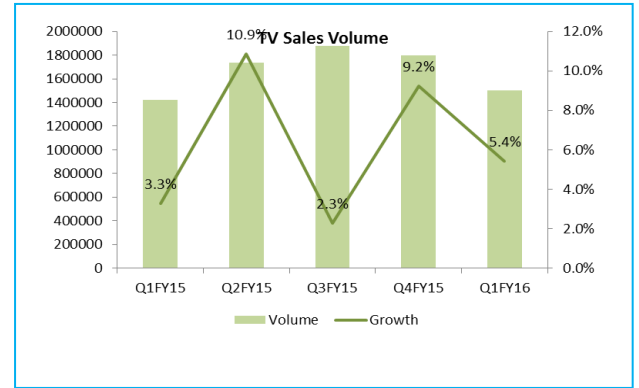
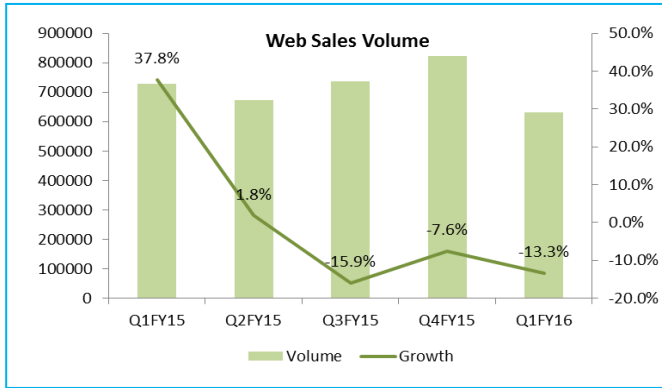
Consolidated Result Table

Rs. crore

Particulars (Rs Cr)	Q1FY16	Q4FY15	yoy	Q1FY15	qoq
Total Revenues	278.9	363.9	-23.3%	303.2	-8.0%
Cost of materials	13.5	84.9	-84.1%	42.2	-68.0%
Purchase of goods	57.0	48.7	17.2%	51.8	10.2%
Employees Cost	54.4	59.5	-8.6%	46.4	17.3%
Admin & other exps	139.3	137.0	1.7%	136.5	2.0%
EBITDA	14.7	33.9	-56.5%	26.3	-44.0%
<i>margins</i>	<i>5.3%</i>	<i>9.3%</i>		<i>8.7%</i>	
Depreciation	4.3	2.5		2.0	
EBIT	10.4	31.4	-66.7%	24.4	-57.2%
Interest	1.3	3.0	-58.6%	2.5	-49.2%
Other Income	1.9	1.5		3.5	
PBT	11.1	29.9	-62.8%	25.4	-56.3%
Tax	4.3	-6.9	-162.8%	3.6	21.0%
<i>Tax rate</i>	<i>39.1%</i>	<i>-23.2%</i>		<i>14.1%</i>	
EO items	0.0	0.0		0.0	
PAT reported	6.8	36.8	-81.6%	21.8	-69.0%
Equity Capital	32.4	32.4		32.4	
FV	2.0	2.0		2.0	
EPS	2.26	11.36	-80.1%	6.74	-66.5%

Vaibhav Global Ltd. (VGL)

Segmental Breakup:



Vaibhav Global Ltd. (VGL)

Consolidated Financials

P&L (Rs. Cr)	FY14A	FY15A	FY16E	FY17E	Balance Sheet (Rs Cr)	FY14A	FY15A	FY16E	FY17E
Net Sales	1298.3	1375.5	1454.6	1683.9	Share Capital	32.2	32.4	32.4	32.4
% change	45.4%	6.0%	5.8%	15.8%	Reserves & Surplus	200.8	295.5	367.0	460.3
EBITDA	142.2	134.0	120.7	151.6	Net Worth	233.0	327.9	399.4	492.6
EBITDA margin (%)	11.0%	9.7%	8.3%	9.0%	Deferred Tax Liabilitie	0.0	-0.6	-0.6	-0.6
Depn & Amort	7.5	11.9	14.6	16.3	Other Non-Current Lia	0.0	0.0	0.0	0.0
Operating income	134.7	122.1	106.2	135.3	Total Borrowings	96.4	76.2	56.2	36.2
Interest	14.5	7.3	6.7	4.3	Trade Payables	69.3	74.3	87.3	98.2
Other Income	15.3	12.9	11.0	13.0	Prov. & other CL	78.45	49.31	54.92	61.53
PBT	155.3	127.7	110.4	143.9	Total Liabilities	478.4	529.6	599.6	690.4
Tax	2.8	24.5	27.6	37.4	Net Fixed Assets	66.1	77.0	102.5	101.2
EO	0.0	0.0	0.0	0.0	Total Investments	3.0	33.1	33.1	33.1
Adj PAT	152.5	103.2	82.8	106.5	Loans & Advances	74.5	77.3	81.6	86.1
PAT margin (%)	11.7%	7.5%	5.7%	6.3%	Inventories	196.2	228.3	269.1	302.9
Sh o/s - Diluted	3.2	3.2	3.2	3.2	Debtors	66.4	47.5	72.7	84.2
Adj EPS	47.1	31.9	25.6	32.9	Cash & Bank	72.1	66.3	40.5	82.8
EPS growth (%)	-278.2%	-32.4%	-19.7%	28.6%	Total Assets	478.4	529.6	599.6	690.4
Cash EPS	49.4	35.5	30.1	37.9	Cash Flow (Rs. Cr)	FY14A	FY15A	FY16E	FY17E
Quarterly (Rs Cr)	Sept.14	Dec.14	Mar.15	June.15	Operating Cash Flow				
Net Sales	324.7	396.1	361.9	278.9	Op CF before tax & W	162.0	134.0	120.7	151.6
EBITDA	38.2	44.9	35.0	14.7	Change in WC	20.5	-21.2	-51.8	-32.2
Dep & Amorz	2.4	2.7	4.8	4.3	Tax	-2.8	-24.5	-27.6	-37.4
Operating Income	35.8	42.1	30.1	10.4	CF from Operation	179.7	88.2	41.4	81.9
Interest	1.5	1.9	1.5	1.3	Investing Activities				
Other Inc.	0.9	1.9	-3.8	1.9	Capex	-7.0	-20.2	-40.0	-15.0
PBT	35.3	42.1	24.9	11.7	Inv & Oth Income	12.4	-17.2	11.0	13.0
Tax	10.3	3.3	7.3	4.3	CF from Investing	5.4	-37.4	-29.0	-2.0
EO	0.0	0.0	0.0	0.0	Financing				
PAT	24.9	38.8	17.6	7.3	Dividend Paid	0.0	-9.3	-11.4	-13.3
EPS (Rs.)	7.7	12.0	5.4	2.3	Sh Capital & Premium	0.1	0.2	0.0	0.0
Ratios	FY14A	FY15A	FY16E	FY17E	Interest Paid	-14.5	-7.3	-6.7	-4.3
EBITDA margin (%)	11.0%	9.7%	8.3%	9.0%	Loans & Others	-100.6	-40.2	-20.0	-20.0
PAT margin (%)	11.7%	7.5%	5.7%	6.3%	CF from Financing	-159.0	-56.6	-38.1	-37.6
PAT Growth (%)	-278.2%	-32.4%	-19.7%	28.6%	Net Chg. in Cash	26.2	-5.8	-25.8	42.3
Price Earnings (x)	8.4	12.5	15.5	12.1	Cash at beginning	45.9	72.1	66.3	40.5
ROE (%)	77.8%	36.8%	22.8%	23.9%	Cash at end	72.1	66.3	40.5	82.8
ROCE (%)	42.5%	33.1%	24.6%	27.4%	Per Share Data	FY14A	FY15A	FY16E	FY17E
Debt/Equity Ratio (x)	0.4	0.2	0.1	0.1	Adj EPS	47.1	31.9	25.6	32.9
Price/BV (x)	5.5	3.9	3.2	2.6	BV per share	71.9	101.3	123.3	152.1
EV / Sales	1.0	0.9	0.9	0.7	Cash per share	22.3	20.5	12.5	25.6
EV / EBITDA	9.3	9.7	10.8	8.2	Dividend per share	0.0	2.9	3.0	3.5

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