

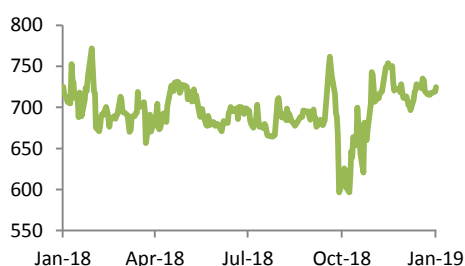
Vaibhav Global Ltd. (VGL)

Recommendation	BUY
CMP	Rs. 725
Target Price	Rs. 887
Sector	Retail

Stock Details

BSE Code	532156
NSE Code	VAIBHAVGBL
Bloomberg Code	VGM IN
Market Cap (Rs cr)	2362
Free Float (%)	34.64
52- wk HI/Lo (Rs)	795/573
Avg. volume (BSE+NSE) (Qrtly)	23,720
Face Value (Rs)	10.0
Dividend (FY18)	-
Shares o/s (Cr)	3.26

Relative Performance	1Mth	3Mth	1Yr
Vaibhav	2.2%	16.1%	-0.1%
Sensex	0.4%	3.1%	7.3%

Shareholding Pattern 30th Sept 18

Promoters Holding	65.36
Institutional (Incl. FII)	21.38
Corporate Bodies	1.83
Public & others	11.43

Runjhun Jain – AVP

+91-22 3926 8177

runjhun.jain@nirmalbang.com**Back On Track – Huge Potential Ahead**

Vaibhav Global Ltd's (VGL) journey has been a roller coaster ride since its inception. After having a decade or so smooth and growth phase at the start, it faced huge losses during the global turmoil which pushed the company into CDR. However, the management took corrective steps in terms of restructuring the business (like converting the business model from pure jewellery company to retail company, shutting down of loss making subsidiaries etc). Post this, the company not only came out of the process but had its most profitable years. However, this attracted PE funded new players with much more aggressiveness and newer schemes which impacted VGL's growth as well as profitability (in FY16 sales declined by 6% and EBITDA margins came down to 4.5% from peak of 11.4% in FY12). Still this didn't deter the management's confidence who took the whole situation as an opportunity to rebuild the model and restore the customer's confidence. The proactive management took various initiatives like restructuring of its back end operations, launched Budget pay (EMI), introduction of easy returns policy, launch of mobile app etc. All this steps brought the company to a level playing field and also, translated into higher realizations. VGL has high fixed cost (cost of channel, employees, inventory etc) model which is boon in case of growth period (higher volumes and/or better realizations) as the higher growth directly translates to EBITDA margins.

We are projecting 15% CAGR in sales between FY18-FY21E however expects EBITDA/PAT to grow by 23%/22% during the same period. (marginal decline in PAT growth is due to increase in tax rates)

Key Highlights

- Post the introduction of Budget Pay and easy return policy, the average selling price has been increase for both Web and TV sales. TV average selling price has been increase to \$26.6 from \$24 in FY16 and for web sales it has increased to \$19.7 from \$15 in FY16.
- Budget pay comprised 39% and 37% of net sales in US and UK respectively.
- Due to strong balance sheet (net debt free, 20%+ return ratios), healthy cash flows and no major capex lined up, the company has announced a dividend (of Rs 5 per share), after a gap of three years.

Valuations and Recommendations

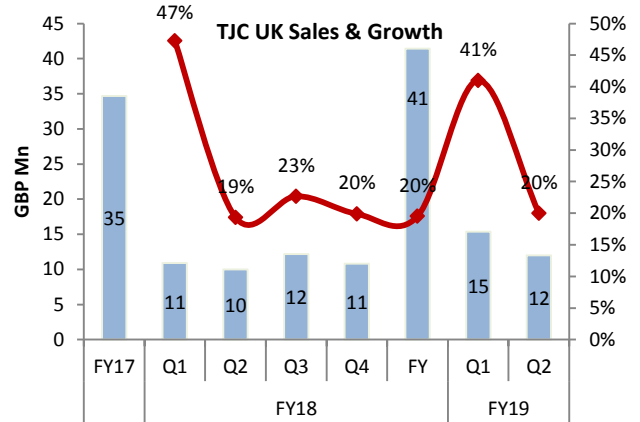
Over the years, VGL has positioned itself as a strong player in discount electronic retail segment. It provides an unmatched value proposition of offering lowest average selling price in addition to all the options which customers offer. It has the benefit of low cost base which gives it leverage in competing with other players.

We like the asset light business model of VGL and we believe that company is ready for its next leg of growth journey. We expect sales to grow at CAGR of 15% during FY18-21E and EBITDA margins to improve from 9.4% in FY18 to 11.5% in FY21E. **We recommend BUY on the stock with a target price of Rs 887 (16x FY20E).**

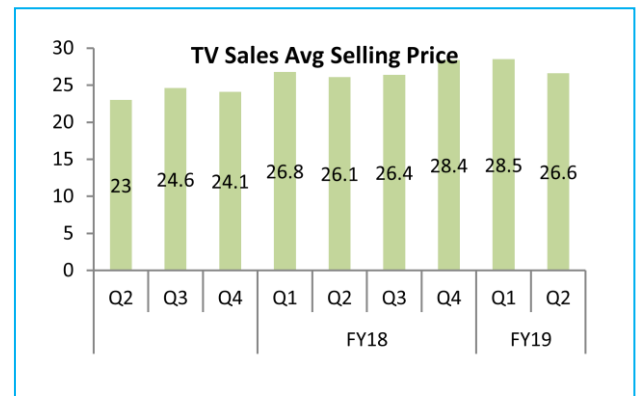
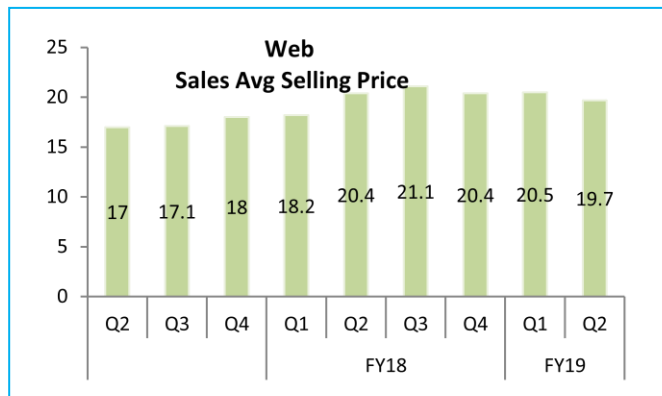
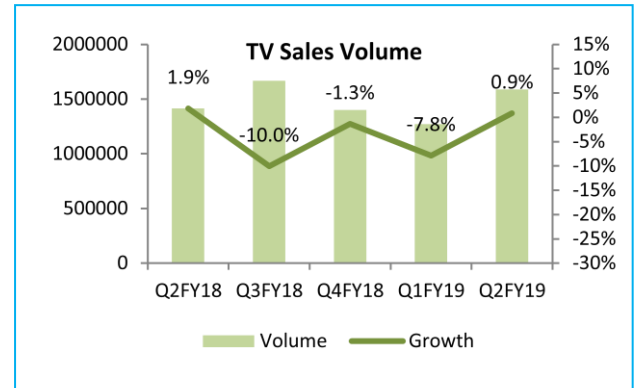
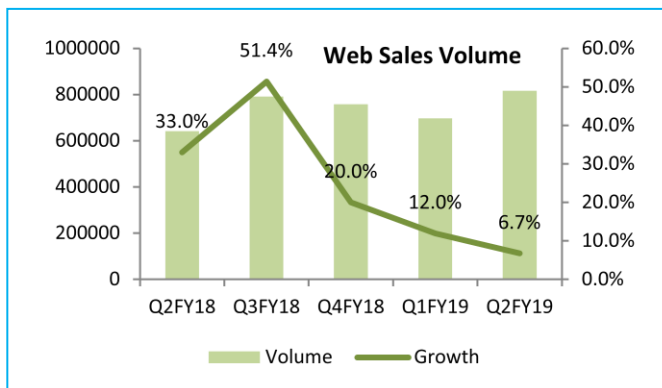
Year (Rs cr)	Net Sales	Growth	EBIDTA	EBIDTAM	APAT	PATM	EPS	P/E	EV/Sales	ROE
FY18A	1575.4	9.5%	148.4	9.4%	112.5	7.1%	34.5	21.0	1.50	22.8%
FY19E	1851.2	17.5%	194.4	10.5%	143.3	7.7%	44.0	16.5	1.25	23.4%
FY20E	2134.9	15.3%	243.4	11.4%	180.7	8.5%	55.5	13.1	1.04	23.9%
FY21E	2422.2	13.5%	278.6	11.5%	206.2	8.5%	63.3	11.4	0.86	22.2%

Vaibhav Global Ltd. (VGL)

Local Currency Growth (YoY):



Segmental Breakup:



Vaibhav Global Ltd. (VGL)

Other Highlights

- Volumes have been increasing in low to mid-teens. Thought e company continue to provide separate data for Web and TV sales, the channels converge more now and business is more integrated hence volume growth should be seen in tandem.
- Over the years, VGL has increased its spectrum of products from only jewellery to fashion accessories (watches, handbags, scarves etc.), lifestyle products (Home décor, Bed linens, pillow covers and beauty products etc) which provides opportunities for deeper customer penetration.
- The company reaches to 100mn households on the basis of full time equivalent. It is catering to 329000 unique customers on annual basis. Average annualized quantity purchases by each customer have increased to 29 pieces in Q2FY19 as compared to 24.5 pieces in FY16, driving volumes.
- Vaibhav Global has strong low cost manufacturing base in India with 4 facilities in Jaipur having total capacity of 6 mn units annually. It has also commenced a new 1,00,000sq ft. building at SEZ, Jaipur. It has a dynamic global supply chain and sources from the appropriate micro markets in China/Asia. This helps the company to offer best price to customer through bottom price discovery.
- Guidance: The company has given mid-teens sales growth in constant currency for FY19

Quarterly Table

Particulars (Rs Cr)	Q2FY19	Q2FY18	yoy	Q1FY19	qoq
Total Revenues	451.7	351.8	28.4%	385.9	17.1%
Cost of materials	67.3	44.1	52.6%	62.2	8.1%
Purchase and Mfg	104.1	85.9	21.1%	91.7	13.5%
Employees Cost	86.5	63.7	35.8%	73.4	17.9%
Other exps	140.9	131.9	6.8%	122.4	15.1%
EBITDA	53.0	26.2	102.3%	36.3	46.0%
<i>margins</i>	<i>11.7%</i>	<i>7.4%</i>		<i>9.4%</i>	
Depreciation	6.2	6.6		6.0	
EBIT	46.8	19.5	139.7%	30.3	54.4%
Interest	1.3	0.7	78.9%	1.6	-21.3%
Other Income	2.0	4.8		7.8	
PBT	47.6	23.6	101.2%	36.6	30.1%
Tax	8.4	3.7	128.7%	6.8	23.9%
<i>Tax rate</i>	<i>17.7%</i>	<i>15.6%</i>		<i>18.6%</i>	
EO items	0.0	0.0		0.0	
PAT reported	39.2	20.0	96.2%	29.8	31.5%
Equity Capital	32.5	32.5		32.5	
FV	2.0	2.0		2.0	
EPS	12.03	6.13	96.2%	9.23	30.3%

Vaibhav Global Ltd. (VGL)

Consolidated Financials

P&L (Rs. Cr)	FY18A	FY19E	FY20E	FY21E
Net Sales	1575.4	1851.2	2134.9	2422.2
% change	9.5%	17.5%	15.3%	13.5%
EBITDA	148.4	194.4	243.4	278.6
EBITDA margin (%)	9.4%	10.5%	11.4%	11.5%
Depn & Amort	25.5	30.1	34.9	39.7
Operating income	123.0	164.3	208.5	238.8
Interest	4.3	3.6	2.8	2.4
Other Income	10.5	12.0	12.0	12.0
PBT	129.1	172.7	217.7	248.5
Tax	16.7	29.4	37.0	42.2
EO	0.0	0.0	0.0	0.0
Adj PAT	112.5	143.3	180.7	206.2
PAT margin (%)	7.1%	7.7%	8.5%	8.5%
Sh o/s - Diluted	3.3	3.3	3.3	3.3
Adj EPS	34.5	44.0	55.5	63.3
EPS growth (%)	73.7%	27.4%	26.1%	14.1%
Cash EPS	42.3	53.2	66.2	75.5
Quarterly (Rs Cr)	Dec.17	Mar.18	Jun.18	Sept.18
Net Sales	460.2	419.8	385.9	451.7
EBITDA	57.1	34.5	36.3	53.0
Dep & Amorz	5.6	5.7	6.0	6.2
Operating Income	51.5	28.8	30.3	46.8
Interest	0.9	1.3	1.6	1.3
Other Inc.	2.6	3.7	4.2	0.0
PBT	55.2	34.1	36.8	47.6
Tax	9.7	2.2	6.8	8.4
EO	0.0	0.0	0.0	0.0
PAT	45.5	31.9	30.0	39.2
EPS (Rs.)	14.0	9.8	9.2	12.0
Ratios	FY18A	FY19E	FY20E	FY21E
EBITDA margin (%)	9.4%	10.5%	11.4%	11.5%
PAT margin (%)	7.1%	7.7%	8.5%	8.5%
PAT Growth (%)	74.2%	27.4%	26.1%	14.1%
Price Earnings (x)	21.0	16.5	13.1	11.4
ROE (%)	22.8%	23.4%	23.9%	22.2%
ROCE (%)	21.7%	24.4%	25.9%	24.6%
Debt/Equity Ratio (x)	0.12	0.08	0.05	0.04
Price/BV (x)	4.3	3.5	2.8	2.3
EV / Sales	1.5	1.2	1.0	0.9
EV / EBITDA	15.9	11.9	9.1	7.5

Balance Sheet (Rs Cr)	FY18A	FY19E	FY20E	FY21E
Share Capital	32.6	32.6	32.6	32.6
Reserves & Surplus	517.6	641.8	803.4	990.6
Net Worth	550.2	674.4	836.0	1023.2
Total Borrowings	66.6	55.5	42.7	36.3
Other Non-Current Li	3.7	3.7	3.7	3.7
Trade Payables	102.7	118.3	136.4	154.8
Provisions	16.1	16.1	16.1	16.1
Other CL	23.6	23.6	23.6	23.6
Total Liabilities	763	892	1059	1258
Net Fixed Assets	119.7	119.6	114.7	105.0
Other non current ass	44.4	44.4	44.4	44.4
Inventories	351.6	411.4	474.4	538.3
Debtors	129.0	154.3	177.9	201.8
Cash & Bank	67.5	108.5	189.6	307.0
Other Current Assets	50.6	53.5	57.6	61.2
Total Assets	763	892	1059	1258
Cash Flow (Rs. Cr)	FY18A	FY19E	FY20E	FY21E
Operating Cash Flow				
Op CF before tax & W	148.4	194.4	243.4	278.6
Change in WC	-96.1	-72.3	-72.7	-73.0
Tax	-16.7	-29.4	-37.0	-42.2
CF from Operation	35.7	92.8	133.7	163.3
Investing Activities				
Capex	-13.9	-30.0	-30.0	-30.0
Inv & Oth Income	17.4	12.0	12.0	12.0
CF from Investing	3.4	-18.0	-18.0	-18.0
Financing				
Sh Capital	1.7	0.0	0.0	0.0
Loans	-18.0	-11.0	-12.8	-6.4
Interest Paid	-4.3	-3.6	-2.8	-2.4
Dividend & Others	-25.7	-19.1	-19.1	-19.1
CF from Financing	-46.3	-33.7	-34.7	-27.8
Net Chg. in Cash	-7.2	41.0	81.0	117.5
Cash at beginning	74.6	67.5	108.5	189.6
Cash at end	67.5	108.5	189.6	307.0
Per Share Data	FY18A	FY19E	FY20E	FY21E
Adj EPS	34.5	44.0	55.5	63.3
BV per share	168.8	207.0	256.6	314.0
Cash per share	20.7	33.3	58.2	94.2
Dividend per share	0.0	5.0	5.0	5.0

Vaibhav Global Ltd. (VGL)

Disclosure:

This Report is published by Nirmal Bang Securities Private Limited (hereinafter referred to as "NBSPL") for private circulation. NBSPL is a registered Research Analyst under SEBI (Research Analyst) Regulations, 2014 having Registration no. INH000001766. NBSPL is also a registered Stock Broker with National Stock Exchange of India Limited and BSE Limited in cash and derivatives segments. It is also a registered Portfolio Manager having registration no as INP000002981.

NBSPL has other business divisions with independent research teams separated by Chinese walls, and therefore may, at times, have different or contrary views on stocks and markets.

NBSPL or its associates have not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market. NBSPL, its associates or analyst or his relatives do not hold any financial interest in the subject company. NBSPL or its associates or Analyst do not have any conflict or material conflict of interest at the time of publication of the research report with the subject company. NBSPL or its associates or Analyst or his relatives hold / do not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report.

NBSPL or its associates / analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months. NBSPL or its associates have not received any compensation or other benefits from the company covered by Analyst or third party in connection with the research report. Analyst has not served as an officer, director or employee of Subject Company and NBSPL / analyst has not been engaged in market making activity of the subject company.

Analyst Certification: I/We, **Runjhun Jain**, the research analysts and authors of this report, hereby certify that the views expressed in this research report accurately reflects my/our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s) principally responsible for the preparation of this research report and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Disclaimer:

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. NBSPL is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. In preparing this research, we did not take into account the investment objectives, financial situation and particular needs of the reader.

This research has been prepared for the general use of the clients of NBSPL and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NBSPL will not treat recipients as customers by virtue of their receiving this report. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NBSPL & its group companies to registration or licensing requirements within such jurisdictions.

The report is based on the information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. We accept no obligation to correct or update the information or opinions in it. NBSPL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. NBSPL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This information is subject to change without any prior notice. NBSPL reserves its absolute discretion and right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, NBSPL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Before making an investment decision on the basis of this research, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. Opinions expressed are subject to change without any notice. Neither the company nor the director or the employees of NBSPL accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Here it may be noted that neither NBSPL, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profit that may arise from or in connection with the use of the information contained in this report.

Copyright of this document vests exclusively with NBSPL.

Our reports are also available on our website www.nirmalbang.com

Nirmal Bang Research (Division of Nirmal Bang Securities Pvt. Ltd.)

B-2, 301/302, Marathon Innova,
 Opp. Peninsula Corporate Park
 Off. Ganpatrao Kadam Marg
 Lower Parel (W), Mumbai-400013
 Board No. : 91 22 6723 8000/8001
 Fax. : 022 6723 8010