

Vaibhav Global Ltd

Recommendation	HOLD
CMP	Rs. 689
Target Price	Rs. 851
Sector	Retail

Stock Details

BSE Code	532156
NSE Code	VAIBHAVGBL
Bloomberg Code	VGM IN
Market Cap (Rs cr)	2,260
Free Float (%)	33.7
52- wk HI/Lo (Rs)	795/496
Avg. volume BSE + NSE (Qrtly)	19,950
Face Value (Rs)	10.0
Dividend (FY 18)	-
Shares o/s (Cr)	3.26

Relative Performance	1Mth	3Mth	1Yr
Vaibhav	-0.5%	-4.3%	27.1%
Sensex	5.9%	6.7%	11.6%

Shareholding Pattern 30th June 18

Promoters Holding	66.30
Institutional (Incl. FII)	20.36
Corporate Bodies	1.87
Public & others	11.47

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Positive Outlook

Vaibhav Global Ltd (VGL) has emerged stronger and wiser from the difficult times it faced due to intense competition. It is growing well on tracks and reported 17% growth in Q1FY19 (11% in constant currency). The management has maintained its guidance of 12-15% cc for FY19 which we believe is achievable. The company reported gross margins of 60%, in-line with company's guidance of full year. EBITDA margins for the quarter have improved to 9.4% vs 5.8%/8.2% in Q1FY18/Q4FY18. As we have keep highlighting that the company's business model involves high fixed cost (cost of channel, employees, inventory etc) hence the leverage of higher growth directly translates to EBITDA level which is evident from the improvement seen in margins during current quarter. We believe there is further scope of improvement in EBITDA margins in coming quarters.

Key highlights

- TV sales witnessed volume growth of just 1% vs 1.7% seen in Q1FY18. Web sales saw volume growth of 6% vs 33% in Q1FY18.
- We believe due to integrated offering by the company, the TV and web platforms should not be seen separately as both drive the traffic to each other and continue to converge.
- To rationalize its costs further, the company is negotiating broadcasting and content cost. With respect to this ongoing negotiation, the company was off air for one of the affiliates for 2.5 months in Q1 in US. This impacted the customer reach (though it managed to offset the dip by adding more customers in other segments). The process is complete now and it got on-air From Aug month. Though this would marginally increase the expenses in Q2, but would help in increasing volumes.
- Due to the above aberration the company reported merely 1% increase in US whereas UK continues to report strong growth of 33% in local currency.
- UK growth was led by higher share of lifestyle products which stands at 24% vs 16.5% in Q1FY18.
- The company added 34,000 new customers and now total number of unique customers are 3,34,000
- Customer retention rate in US was 47.5% and in UK 52%
- The free cash flow for the quarter was Rs 41 cr vs Rs18 cr

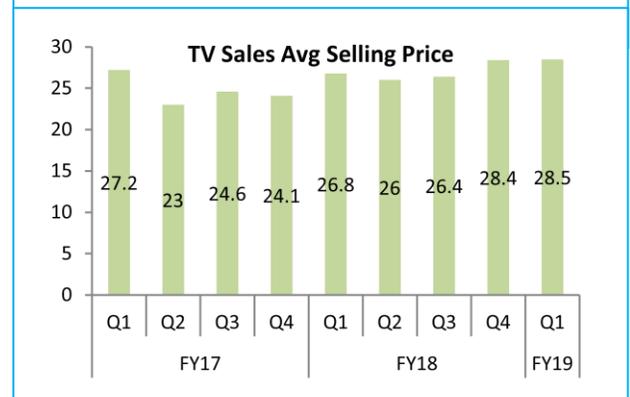
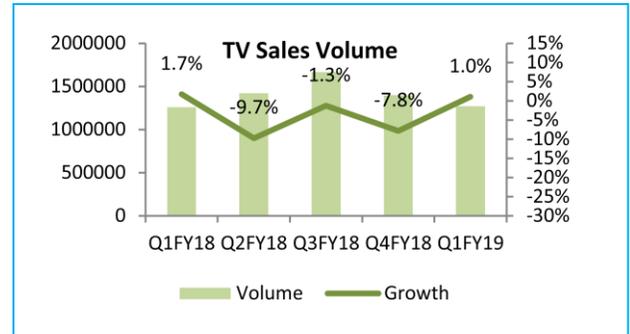
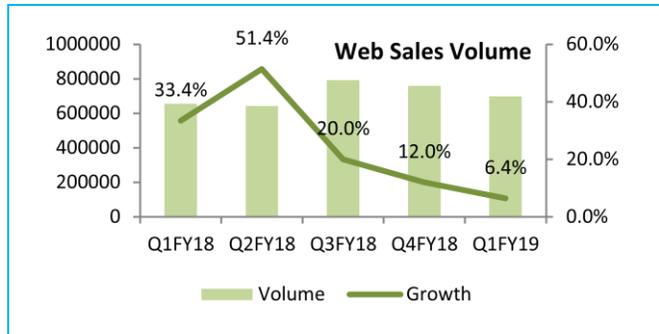
Valuations and Recommendations

We continue to like the asset light business model of VGL and we believe that company is in healthy growth phase which would improve the EBITDA margins further. We expect the company to report 14.1% sales CAGR over FY18-21E with net profit CAGR of 11%, due to higher tax rate. At CMP it is trading at a PE of 15.4x on our FY20E earnings. We recommend HOLD on the stock with a target price of Rs 851 (19x FY20E).

Year	Net Sales (Rs. cr)	Growth %	EBIDTA	EBIDTAM (%)	APAT	PATM (%)	EPS (Rs.)	P/E (x)	EV/Sales (x)	ROE
FY16A	1575.4	9.5%	148.4	9.4%	112.5	7.1%	34.5	20.0	1.42	22.8%
FY17E	1851.2	17.5%	181.4	9.8%	130.9	7.1%	40.2	17.2	1.18	21.3%
FY18E	2091.2	13.0%	204.9	9.8%	145.5	7.0%	44.6	15.4	1.01	19.5%
FY19E	2337.3	11.8%	229.1	9.8%	159.9	6.8%	49.1	14.0	0.87	18.2%

Vaibhav Global Ltd

Segmental Breakup:



Quarterly Table

Particulars (Rs Cr)	Q1FY19	Q1FY18	yoy	Q4FY18	qoq
Total Revenues	385.9	329.7	17.1%	419.8	-8.1%
Cost of materials	62.2	37.3	67.0%	114.8	-45.8%
Purchase and Mfg	91.7	81.1	13.0%	74.7	22.7%
Employees Cost	73.4	64.6	13.6%	70.1	4.6%
Other exps	122.4	127.7	-4.1%	125.7	-2.6%
EBITDA	36.3	19.0	90.7%	34.5	5.1%
<i>margins</i>	<i>9.4%</i>	<i>5.8%</i>		<i>8.2%</i>	
Depreciation	6.0	7.4		5.7	
EBIT	30.3	11.6	161.5%	28.8	5.4%
Interest	1.6	1.4	11.7%	1.3	27.1%
Other Income	8.1	6.1		5.7	
PBT	36.8	16.2	126.9%	33.2	10.8%
Tax	6.8	1.2	482.3%	2.2	214.4%
<i>Tax rate</i>	<i>18.4%</i>	<i>7.2%</i>		<i>6.5%</i>	
EO items	0.0	0.0		0.0	
PAT reported	30.0	15.1	99.4%	31.1	-3.4%
Equity Capital	32.5	32.5		32.5	
EPS	9.23	4.63	99.4%	9.81	-5.8%

Vaibhav Global Ltd

Consolidated Financials

P&L (Rs. Cr)	FY18A	FY19E	FY20E	FY21E	Balance Sheet (Rs Cr)	FY18A	FY19E	FY20E	FY21E
Net Sales	1575.4	1851.2	2091.2	2337.3	Share Capital	32.6	32.6	32.6	32.6
% change	9.5%	17.5%	13.0%	11.8%	Reserves & Surplus	517.6	648.5	776.8	919.5
EBITDA	148.4	181.4	204.9	229.1	Net Worth	550.2	681.0	809.4	952.1
EBITDA margin (%)	9.4%	9.8%	9.8%	9.8%	Total Borrowings	66.6	74.0	79.5	84.1
Depn & Amort	25.5	30.9	36.5	42.9	Other Non-Current Lia	3.7	3.7	3.7	3.7
Operating income	123.0	150.5	168.4	186.1	Trade Payables	102.7	118.3	133.6	149.3
Interest	4.3	4.8	5.2	5.5	Provisions	16.1	16.1	16.1	16.1
Other Income	10.5	12.0	12.0	12.0	Other CL	23.6	23.6	23.6	23.6
PBT	129.1	157.7	175.3	192.7	Total Liabilities	763	917	1066	1229
Tax	16.7	26.8	29.8	32.8	Net Fixed Assets	119.7	123.8	122.3	119.4
EO	0.0	0.0	0.0	0.0	Other non current ass	44.4	44.4	44.4	44.4
Adj PAT	112.5	130.9	145.5	159.9	Inventories	351.6	411.4	464.7	519.4
PAT margin (%)	7.1%	7.1%	7.0%	6.8%	Debtors	129.0	154.3	174.3	194.8
Sh o/s - Diluted	3.3	3.3	3.3	3.3	Cash & Bank	67.5	129.5	203.5	291.6
Adj EPS	34.5	40.2	44.6	49.1	Other Current Assets	50.6	53.5	56.7	59.5
EPS growth (%)	73.7%	16.4%	11.1%	9.9%	Total Assets	763	917	1066	1229
Cash EPS	42.3	49.7	55.8	62.2	Cash Flow (Rs. Cr)	FY18A	FY19E	FY20E	FY21E
Quarterly (Rs Cr)	Sept.17	Dec.17	Mar.18	Jun.18	Operating Cash Flow				
Net Sales	351.8	460.2	419.8	385.9	Op CF before tax & WC	148.4	181.4	204.9	229.1
EBITDA	26.2	57.1	34.5	36.3	Change in WC	-96.1	-72.3	-61.2	-62.3
Dep & Amorz	6.6	5.6	5.7	6.0	Tax	-16.7	-26.8	-29.8	-32.8
Operating Income	19.5	51.5	28.8	30.3	CF from Operation	35.7	82.3	114.0	134.0
Interest	0.7	0.9	1.3	1.6	Investing Activities				
Other Inc.	2.3	2.6	3.7	4.2	Capex	-13.9	-35.0	-35.0	-40.0
PBT	23.6	55.2	34.1	36.8	Inv & Oth Income	17.4	12.0	12.0	12.0
Tax	3.7	9.7	2.2	6.8	CF from Investing	3.4	-23.0	-23.0	-28.0
EO	0.0	0.0	0.0	0.0	Financing				
PAT	20.0	45.5	31.9	30.0	Sh Capital	1.7	0.0	0.0	0.0
EPS (Rs.)	6.1	14.0	9.8	9.2	Loans	-18.0	7.5	5.4	4.7
Ratios	FY18A	FY19E	FY20E	FY21E	Interest Paid	-4.3	-4.8	-5.2	-5.5
EBITDA margin (%)	9.4%	9.8%	9.8%	9.8%	Dividend & Others	-25.7	0.0	-17.2	-17.2
PAT margin (%)	7.1%	7.1%	7.0%	6.8%	CF from Financing	-46.3	2.7	-16.9	-17.9
PAT Growth (%)	74.2%	16.4%	11.1%	9.9%	Net Chg. in Cash	-7.2	62.0	74.1	88.1
Price Earnings (x)	20.0	17.2	15.4	14.0	Cash at beginning	74.6	67.5	129.5	203.5
ROE (%)	22.8%	21.3%	19.5%	18.2%	Cash at end	67.5	129.5	203.5	291.6
ROCE (%)	21.7%	21.9%	20.5%	19.3%	Per Share Data	FY18A	FY19E	FY20E	FY21E
Debt/Equity Ratio (x)	0.12	0.11	0.10	0.09	Adj EPS	34.5	40.2	44.6	49.1
Price/BV (x)	4.1	3.3	2.8	2.4	BV per share	168.8	209.0	248.4	292.2
EV / Sales	1.4	1.2	1.0	0.9	Cash per share	20.7	39.7	62.5	89.5
EV / EBITDA	15.1	12.1	10.3	8.9	Dividend per share	0.0	0.0	4.5	4.5

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