

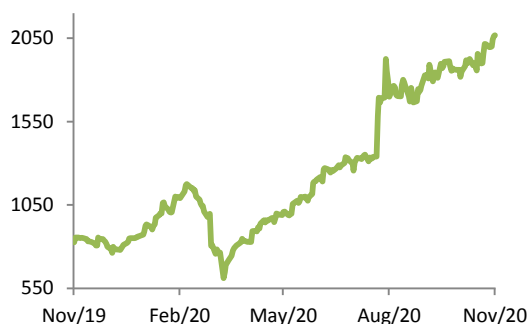
Vaibhav Global Ltd

| | |
|----------------|----------|
| Recommendation | HOLD |
| CMP | Rs. 2118 |
| Target Price | Rs. 2247 |
| Sector | Retail |

Stock Details

| | |
|-------------------------------|------------|
| BSE Code | 532156 |
| NSE Code | VAIBHAVGBL |
| Bloomberg Code | VGM IN |
| Market Cap (Rs cr) | 6,883 |
| Free Float (%) | 41.7 |
| 52- wk HI/Lo (Rs) | 2120/490 |
| Avg. volume BSE + NSE (Qrtly) | 35,500 |
| Face Value (Rs) | 10.0 |
| Dividend per share (FY 20) | Rs 33.74 |
| Shares o/s (Crs) | 3.23 |

| Relative Performance | 1Mth | 3Mth | 1Yr |
|----------------------|-------|-------|--------|
| Vaibhav | 11.1% | 21.7% | 150.1% |
| Sensex | 7.0% | 15.2% | 8.3% |



Shareholding Pattern 30 Sept 20

| | |
|---------------------------|-------|
| Promoters Holding | 58.34 |
| Institutional (Incl. FII) | 31.54 |
| Corporate Bodies | 0.68 |
| Public & others | 9.40 |

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Increased guidance reflects higher visibility

Vaibhav Global Ltd (VGL) reported robust sales growth of 23.4% at Rs 599 cr with one of the company's highest ever EBITDA margins at 16%, an improvement of 230 bps yoy and 260 bps qoq. The strong performance was led by robust growth in retail business which grew by 29% yoy. The company witnessed broad based growth. Both US and UK grew at healthy rates during the quarter. US grew by 19.4% and UK by 27.2% in constant currency terms.

The company continues to make steady progress to diversify its business. Non jewellery business contributes 32% in 1HFY21 as against 22% for FY20. However, essential products sales has moderated from 13.5% in Q1 to just 3.5% in Q2, reflecting the core strength of the business and not just opportunistic revenues.

Gross margins remained robust at 62.9%, above the management's threshold of 60%. However, moderation in employees cost and other expenses led to improvement in EBITDA margins, which is a testament to our rationale of operating leverage playing out with higher sales growth.

Driven by the robust demand outlook, the management has increased the growth guidance to 18-20% in constant currency from earlier 15-17%. The management is also confident of achieving 15-17% cc growth for medium term, despite strong FY21.

Key highlights

- Both TV and Web witnessed strong volume growth of 21% and 37% respectively in Q1FY21.
- The average selling price (ASP) for TV has improved sequentially to \$29.4 against \$24.1/\$30.3 in Q1FY21/Q2FY20 respectively. The improvement in ASP coincides with reduction in essential goods. For Web segment, the ASP continue to remain stable at \$21.7 compred to \$20.6/\$22.3 in Q1FY21/Q2FY20 respectively.
- In H1, the contribution of Budget Pay to total retail revenue was 36% as against 39% in FY20.
- On trailing 12 months basis, the company served approx. 4,50,000 unique customers, a jump of 27% yoy.
- The company has listed its products on Amazon Japan and Germany for the first time as a pilot project.
- The company declared interim dividend of Rs 5/share during the quarter, taking the cumulative dividend to Rs 10/share in FY21

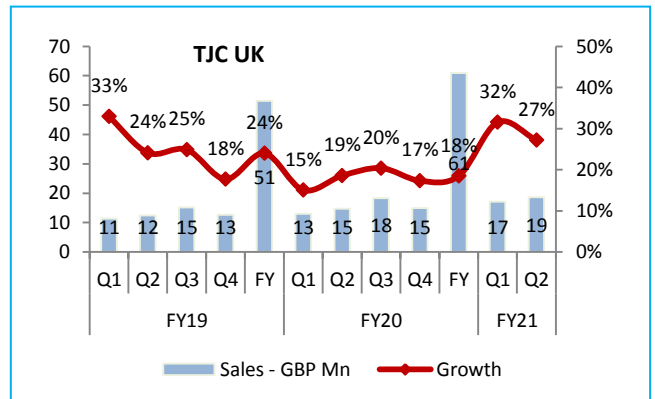
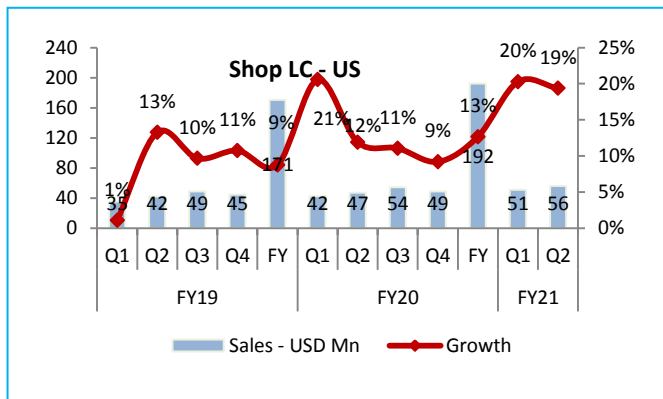
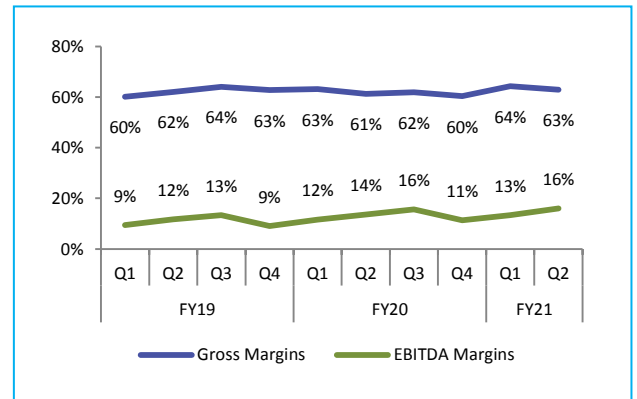
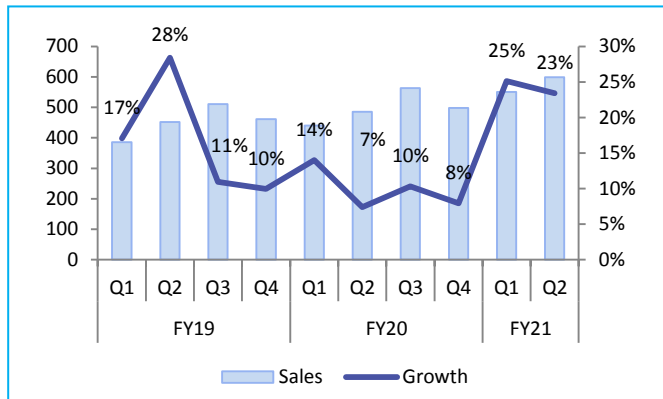
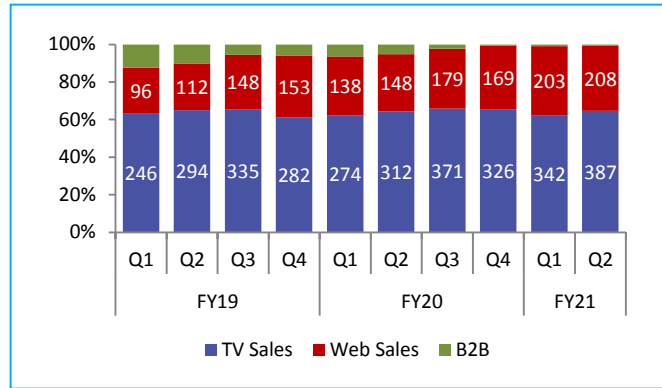
Valuations and Recommendations

The stock has outperformed the broader indices backed by its strong and consistent financial performance. Given the resilience shown by the company in current unprecedented times, we remain positive on the future prospects of the company for coming period. We are projecting 23% CAGR in sales between FY20-FY22E however expects EBITDA to grow faster at 31% during the same period, led by improvement in EBITDA margins to 15% in FY22E from 13.2% in FY20. **The stock is currently trading at 20.7x on our FY22E earnings, which is still inexpensive as compared to other FMCG players. We recommend HOLD on the stock with a target price of Rs 2247 (22x FY22E).**

| Year | Net Sales (Rs. cr) | Growth % | EBIDTA | EBIDTAM (%) | APAT | PATM (%) | EPS (Rs.) | P/E (x) | EV/Sales (x) | ROE |
|-------|--------------------|----------|--------|-------------|-------|----------|-----------|---------|--------------|-------|
| FY19A | 1814.0 | 15.1% | 203.3 | 11.2% | 154.2 | 8.5% | 47.8 | 44.3 | 3.68 | 24.7% |
| FY20A | 1986.5 | 9.5% | 261.8 | 13.2% | 190.3 | 9.6% | 58.9 | 35.9 | 3.39 | 26.3% |
| FY21E | 2438.7 | 22.8% | 353.6 | 14.5% | 257.5 | 10.6% | 79.8 | 26.5 | 2.71 | 30.3% |
| FY22E | 3010.7 | 23.5% | 451.6 | 15.0% | 329.6 | 10.9% | 102.1 | 20.7 | 2.15 | 30.3% |

Vaibhav Global Ltd

Segmental Breakup:



Quarterly Table

| Particulars (Rs Cr) | Q2FY21 | Q1FY21 | qoq | Q2FY20 | yoy |
|-----------------------|--------------|--------------|--------------|--------------|--------------|
| Total Revenues | 598.8 | 550.4 | 8.8% | 485.2 | 23.4% |
| Cost of materials | 38.5 | 35.2 | 9.3% | 60.6 | -36.5% |
| Purchase and Mfg | 183.5 | 161.4 | 13.7% | 127.2 | 44.2% |
| Employees Cost | 103.1 | 101.7 | 1.4% | 86.2 | 19.6% |
| Other exps | 177.9 | 178.5 | -0.3% | 144.8 | 22.8% |
| EBITDA | 95.8 | 73.5 | 30.3% | 66.3 | 44.4% |
| <i>margins</i> | <i>16.0%</i> | <i>13.4%</i> | | <i>13.7%</i> | |
| Depreciation | 8.3 | 9.9 | | 7.6 | |
| EBIT | 87.5 | 63.6 | 37.6% | 58.7 | 48.9% |
| Interest | 1.4 | 0.7 | 97.9% | 1.1 | 32.6% |
| Other Income | 3.1 | 4.1 | | 3.2 | |
| PBT | 89.1 | 67.0 | 33.2% | 60.9 | 46.3% |
| Tax | 18.6 | 14.1 | 32.0% | 12.0 | 55.1% |
| <i>Tax rate</i> | <i>20.9%</i> | <i>21.0%</i> | | <i>19.7%</i> | |
| EO items | 0.0 | 0.0 | | 0.0 | |
| PAT reported | 70.6 | 52.9 | 33.4% | 49.0 | 44.1% |
| EPS | 21.86 | 16.38 | 33.4% | 15.17 | 44.1% |

Consolidated Financials

| P&L (Rs. Cr) | FY19A | FY20A | FY21E | FY22E |
|-----------------------------|---------------|---------------|---------------|---------------|
| Net Sales | 1814.0 | 1986.5 | 2438.7 | 3010.7 |
| % change | 15.1% | 9.5% | 22.8% | 23.5% |
| EBITDA | 203.3 | 261.8 | 353.6 | 451.6 |
| EBITDA margin (%) | 11.2% | 13.2% | 14.5% | 15.0% |
| Depn & Amort | 24.6 | 31.4 | 36.9 | 42.4 |
| Operating income | 178.6 | 230.5 | 316.7 | 409.2 |
| Interest | 4.7 | 8.6 | 9.8 | 12.1 |
| Other Income | 14.2 | 14.5 | 15.0 | 15.0 |
| PBT | 188.2 | 236.3 | 321.9 | 412.0 |
| Tax | 34.0 | 46.1 | 64.4 | 82.4 |
| EO | 0.0 | 0.0 | 0.0 | 0.0 |
| Adj PAT | 154.2 | 190.3 | 257.5 | 329.6 |
| PAT margin (%) | 8.5% | 9.6% | 10.6% | 10.9% |
| Sh o/s - Diluted | 3.2 | 3.2 | 3.2 | 3.2 |
| Adj EPS | 47.8 | 58.9 | 79.8 | 102.1 |
| EPS growth (%) | 37.1% | 23.4% | 35.4% | 28.0% |
| Cash EPS | 55.4 | 68.7 | 91.2 | 115.3 |
| Quarterly (Rs Cr) | Dec.19 | Mar.20 | Jun.20 | Sept.20 |
| Net Sales | 563.3 | 498.1 | 550.4 | 598.8 |
| EBITDA | 88.3 | 56.4 | 73.5 | 95.8 |
| Dep & Amorz | 7.6 | 7.8 | 9.9 | 8.3 |
| Operating Income | 80.8 | 48.6 | 63.6 | 87.5 |
| Interest | 2.5 | 4.1 | 0.7 | 1.4 |
| Other Inc. | 3.6 | 4.0 | 4.1 | 3.1 |
| PBT | 81.8 | 48.4 | 67.0 | 89.1 |
| Tax | 16.3 | 8.7 | 14.1 | 18.6 |
| EO | 0.0 | 0.0 | 0.0 | 0.0 |
| PAT | 65.6 | 39.7 | 52.9 | 70.6 |
| EPS (Rs.) | 20.3 | 12.3 | 16.4 | 21.9 |
| Ratios | FY19A | FY20A | FY21E | FY22E |
| EBITDA margin (%) | 11.2% | 13.2% | 14.5% | 15.0% |
| PAT margin (%) | 8.5% | 9.6% | 10.6% | 10.9% |
| PAT Growth (%) | 37.1% | 23.4% | 35.4% | 28.0% |
| Price Earnings (x) | 44.3 | 35.9 | 26.5 | 20.7 |
| ROE (%) | 24.7% | 26.3% | 30.3% | 30.3% |
| ROCE (%) | 25.9% | 29.2% | 34.4% | 35.0% |
| Debt/Equity Ratio (x) | 0.10 | 0.09 | 0.08 | 0.07 |
| Price/BV (x) | 9.8 | 9.1 | 7.2 | 5.6 |
| EV / Sales | 3.7 | 3.4 | 2.7 | 2.2 |
| EV / EBITDA | 32.8 | 25.7 | 18.7 | 14.3 |
| Balance Sheet (Rs Cr) | FY19A | FY20A | FY21E | FY22E |
| Share Capital | 32.7 | 32.3 | 32.3 | 32.3 |
| Reserves & Surplus | 664.0 | 719.0 | 918.5 | 1190.0 |
| Net Worth | 696.7 | 751.3 | 950.7 | 1222.3 |
| Total Borrowings | 66.4 | 64.4 | 73.2 | 90.3 |
| Other Non-Current Lia | 0.0 | 25.2 | 25.2 | 25.2 |
| Trade Payables | 123.0 | 143.1 | 175.7 | 216.9 |
| Provisions | 25.9 | 23.3 | 23.3 | 23.3 |
| Other CL | 30.6 | 83.6 | 83.6 | 83.6 |
| Total Liabilities | 943 | 1091 | 1332 | 1662 |
| Net Fixed Assets | 117.3 | 162.7 | 162.2 | 159.8 |
| Other non current ass | 31.2 | 41.9 | 41.9 | 41.9 |
| Inventories | 396.1 | 420.2 | 528.4 | 652.3 |
| Debtors | 117.8 | 134.8 | 169.4 | 209.1 |
| Cash & Bank | 226.0 | 175.4 | 295.5 | 452.8 |
| Other Current Assets | 54.1 | 155.9 | 134.3 | 145.8 |
| Total Assets | 943 | 1091 | 1332 | 1662 |
| Cash Flow (Rs. Cr) | FY19A | FY20A | FY21E | FY22E |
| Op CF before tax & WC | 203.3 | 261.8 | 353.6 | 451.6 |
| Change in WC | -4.8 | -19.0 | -88.6 | -133.9 |
| Tax | -34.0 | -46.1 | -64.4 | -82.4 |
| CF from Operation | 164.5 | 196.8 | 200.6 | 235.3 |
| Investing Activities | | | | |
| Capex | -34.5 | -37.6 | -36.4 | -40.0 |
| Inv & Oth Income | 7.7 | -49.2 | 15.0 | 15.0 |
| CF from Investing | -26.8 | -86.8 | -21.4 | -25.0 |
| Financing | | | | |
| Sh Capital | 3.2 | -43.7 | 0.0 | 0.0 |
| Loans | -0.2 | -2.0 | 8.7 | 17.2 |
| Interest Paid | -4.7 | -8.6 | -9.8 | -12.1 |
| Dividend | -19.7 | -109.3 | -58.1 | -58.1 |
| Others | 42.1 | 3.1 | 0.0 | 0.0 |
| CF from Financing | 20.8 | -160.5 | -59.2 | -53.1 |
| Net Chg. in Cash | 158.5 | -50.5 | 120.1 | 157.3 |
| Cash at beginning | 67.5 | 226.0 | 175.4 | 295.5 |
| Cash at end | 226.0 | 175.4 | 295.5 | 452.8 |
| Per Share Data | FY19A | FY20A | FY21E | FY22E |
| Adj EPS | 47.8 | 58.9 | 79.8 | 102.1 |
| BV per share | 215.9 | 232.8 | 294.6 | 378.7 |
| Cash per share | 70.0 | 54.4 | 91.6 | 140.3 |
| Dividend per share | 6.1 | 33.9 | 15.0 | 15.0 |

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