

## V-Mart Retail : Average Issue

**IPO Note: Showed good growth in competitive segment. PE is bit High**

**Ranking:\*\***



### Issue details

Price band (Rs)	Rs.195-215
IPO Opening Date	01/02/13
IPO Closing Date	05/02/13
Issue Size	Rs. 87.67 - 96.66 Crore

### Valuations & Recommendation

The company's total income has grown at a CAGR of 30.21% from Rs 98.07 crore in Fiscal 2008 to Rs 281.95 crore in Fiscal 2012. Its profit after tax has grown at a CAGR of 33.04% from Rs 3.52 crore in Fiscal 2008 to Rs 11.04 crore in Fiscal 2012. V-Mart's total income stood at Rs 250.06 crore for the eight month period ended on November 30, 2012 and profit after tax was Rs 13.08 crore for the same period. After this issue, its equity will increase to Rs 17.96 crore. For the eight month ended Nov 2012 the company reported a revenue of Rs 250Cr and profit of Rs 13Cr. The Company post IPO will have equity of Rs 17.95Cr. The likely EPS for FY13 will be around Rs 10. **The company is demanding a PE multiple of 21 which is little bit high.** The company showed a good growth in last ten years. **Only risk taking investors may enter at current price or conservative investors may enter at lower level after listing.**

## Highlights

- V-Mart Retail is one of the pioneers in setting up stores across various small Indian towns and cities in Tier-II and Tier-III cities
- At present, the company own and operate 62 stores spread across 53 cities and 10 states and union territories
- Higher competition from the un-organized retailers who traditionally have strong foothold in local areas.
- Company operates in highly competitive, high working capital intensive segment.
- CARE has assigned an 'IPO Grade 3', indicating average fundamentals, to the initial public issue of the company
- Track record of retail companies in terms of return to shareholders has not been encouraging.
- For the eight month ended Nov 2012 the company reported a revenue of Rs 250Cr and profit of Rs 13Cr.

## Company Introduction Company Profile

V Mart is one of the pioneers in setting up stores across various small Indian towns and cities including Sultanpur, Ujjain, Motihari. At present, the company own and operate 62 stores spread across 53 cities and 10 states and union territories, with a total area of 5.06 lac



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### Financial Summary (RS. In Crore)

Particulars	1211(08)	FY2012	FY2011	FY2010
Sales	250.02	281.87	214.75	144.12
OPM %	11.4	10.3	9.0	8.2
Net Profit	13.08	11.04	6.27	2.33
EPS (Rs)	10.9	6.1	3.5	1.3

\*Annualised on post issue equity of Rs 17.94 crore  
Face value Rs 10

### RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

Sq. Ft. The company's stores are located in New Delhi, Gujarat, Uttar Pradesh, Bihar, Punjab, Chandigarh, Haryana, Jammu and Kashmir, Rajasthan and Madhya Pradesh. The average size of the store is approximately 8,000 Sq. Ft. Around 80.40% of its total income is from apparels and general merchandise and 19.45% of revenue is from Kirana Bazaar.

### Expansion Plan

The company intends to further expand, increase reach and widen the presence in Tier-II and Tier-III cities and towns over next three years and utilize the net proceeds of the fresh issue for this purpose. It operates with total store area of 5.06 lakh sq. ft. and plans to add an additional store area of 4.77 lakh sq. ft. by opening 60 more stores over next three years (10 in the current fiscal and 25 each in FY 2014 and FY 2015). It has entered into nine memorandums of understanding in relation to the stores to be opened in FY 2013 and FY 2014. It is in the advance level of negotiations with respect to other locations for opening the stores. Notably, the store size ranges from of 7,000-57,600 sq ft with most of the stores of 15,500 sq. ft. Majority of the stores (around 35 stores) are expected to be in the Bihar, Uttar Pradesh and West Bengal states.

### IPO Proceed

The Company proposes to raise Rs 96.66-87.67 crore and is expected to utilize major share of funds amounting to Rs 69.47 crore to open 60 new stores, Rs 4.39 crore for the expansion of distribution centers and Rs 10 crore for the working capital requirement. Through the pre-IPO placement it has raised 26.25 crore recently. Notably, The issue includes an offer for sale by Naman Finance and Investment Private Limited, the selling shareholder. This is expected to bring down its stake to 8.74% after the issue from 21.74% prior to the issue.

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