

V-Mart Retail Ltd. Based in New Delhi is one of the pioneers in setting up stores across various small Indian towns and cities including Sultanpur, Ujjain, Motihari (Source: Indian Retail Industry 2012 – CARE Research). The Company is primarily operating in Tier II and Tier III cities, with a chain of "value retail" departmental stores offering apparels, general merchandise and kirana, catering to the entire family. It opened its first store by the name of "V-Mart" at Ahmedabad, Gujarat in Oct, 2003 and currently owns and operates 62 stores spread across 53 cities and 10 states and union territories, with a total area of ~5.06 lac sq. ft. The stores are located in New Delhi, Gujarat, Uttar Pradesh, Bihar, Punjab, Chandigarh, Haryana, Jammu and Kashmir, Rajasthan and Madhya Pradesh. The Company has established stores in high – street areas and shopping hubs of such cities. The average size of the store is ~8,000 sq. ft. VMRL is a closely held company. Mr. Lalit Agarwal – CMD holds over 16 years of experience in the retail industry and has also been the CEO of Vishal Retail. He left Vishal Retail to start up his own venture in 2002. His brother Mr. Hemant Agarwal - Whole Time Director has supported the Company in developing a huge vendor base. Mr. Madan Agarwal – Whole Time Director father of Mr. Lalit and Hemant Agarwal has more than three decades of experience in retail industry and mentored the Company.

At the upper band of the issue price, VMRL is valued at 20x – Annualized EPS/share of Rs. 10.94 on post IPO equity at upper end of the price band which we believe is expensive considering secondary market conditions and macro economic trends. With due consideration to factors like a) working capital intensive nature of business, b) poor profitability margin, c) competition in the retail space by existing players and various online shopping portals offering premium products at reasonable prices, d) moderate scale of operations, e) premium valuation, we recommend investors to "AVOID" the issue.

Financial summary

Y/e 31 Mar (Rs. mn)	8MFY13	FY12	FY11	FY10
Total income	2,501	2,820	2,148	1,442
EBITDA	285	289	194	119
EBITDA Margin (%)	11.38	10.26	9.03	8.22
Reported PAT	131	110	63	10
PAT margin (%)	5.23	3.92	2.92	1.61
EPS (Rs.)	10.9	6.13	3.51	0.56
P/E (x) at upper end of price band	20	35	61	384
Equity Capital	139.48	73.41	73.41	68.53
Networth	677.22	546.46	439.45	375.35
Total Debt	401.20	399.96	377.53	284.01
Debt/Equity (x)	0.59	0.73	0.86	0.76
RoNW (%)	19.34	20.12	14.33	2.66

Source: RHP, Ajcon Research, Note: ** Annualised EPS on Post IPO equity, EPS for all the years in the above metric are calculated on Post IPO equity,

Issue date	February 01 – 05, 2013	
Fresh Issue size	Rs. 593.6 mn at upper end of the price band	
Offer for sale(OFS) size	Rs. 373.0 mn at upper end of the price band	
FV	Rs.10	
Price Band	Rs. 195 - 215 per share	
Lot size	50 Equity Shares and in multiples of 50 Equity Shares thereafter.	
Issue structure	QIB: 50% Retail: 35% Non – Institutional: 15%	
Type of issue	Fresh Issue: 2.76 mn equity shares Offer for sale: 1.73 mn equity shares	
Equity shares post issue	17.95 mn equity shares	
Post issue market capitalization	Rs. 3,860.9 mn at upper end of the price band	
Book Running Lead Managers	Anand Rathi Advisors Ltd.	
IPO Grading	Grade 3/5 by CARE indicating average fundamentals	
Registrar to the issue	Karvy Computershare Pvt. Ltd.	
Shareholding Pattern (%)	Pre Issue	Post Issue
Promoters	40.81	34.54
Promoter Group	28.70	24.29
Others	0.52	0.44
# Selling shareholder	21.74	8.74
##Pre-IPO placement	8.22	6.96
Public – Fresh Issue	-	15.37
Public - OFS	-	9.66
Total	100	100

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OBJECTS OF THE ISSUE

S. No.	Particulars	Amount (Rs. in mn)
1	To open 60 new stores	697.04
2.	Expansion of Distribution centres	43.87
3.	Working Capital Requirements	100.00
4.	General Corporate Purposes	-

Source: RHP, Ajcon Research

COMPANY PERFORMANCE

The Company's total income has grown at a CAGR of 30.21% from Rs. 980.71 mn in FY 08 to Rs. 2,819.54 mn in FY12. Its profit after tax has grown at a CAGR of 33.04% from Rs. 35.24 mn in FY 2008 to Rs. 110.40 million in FY 12. V-Mart's total income stood at Rs. 2,500.59 mn for the eight month period ended on November 30, 2012 and profit after tax was Rs. 130.80 million for the same period.

Around 80.40% of its total income is from apparels and general merchandise and 19.45% of revenue is from Kirana Bazaar for the eight months period ended November 30, 2012. V-Mart's stores have grown from 22 in Fiscal 2008 to 62 as on the date of the Red Herring Prospectus and square feet under operation has increased from 2.11 lac Sq.Ft. in Fiscal 2008 to 5.06 lac Sq.Ft. as on the date of the Red Herring Prospectus.

#The selling shareholder is "Naman Finance and Investment Private Ltd." Part of Aditya Birla group.

##PRE IPO PLACEMENT

Pre IPO placement of 12,50,000 equity shares at Rs. 210 (Rs. 26.25 crores) to pre-IPO investors - Antique Finsec Private Ltd., Antique Stock Broking Ltd, Four Dimensions Securities (India)Ltd, Lata M Bhanshali, Merit Credit Corp. Ltd. and Tejal Rohit Kothari.



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