

OCTOBER 07, 2016

CARE ASSIGNS 'CARE A1+' RATINGS TO THE PROPOSED COMMERCIAL PAPER ISSUE OF V-MART RETAIL LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Proposed Commercial Paper (CP) issue*	20 (Rupees Twenty crore only)	CARE A1+ (A One Plus)	Assigned

*carved out of the sanctioned working capital limits of the company.

Rating Rationale

The rating of V-Mart Retail Limited (VMRL) takes into account the healthy financial risk profile backed by efficient operating parameters leading to consistent growth in operating income, stable profit margins and comfortable capital structure. The rating continues to derive strength from the experienced promoters, widespread geographical coverage and large supplier base. However, these rating strengths are partially offset by the moderate scale of operations, working capital intensive nature of business and intense competition in the retail sector.

Going forward, the company's ability to increase the scale of operations in line with expansion in the number of stores as envisaged without any adverse impact on profitability and capital structure and efficient supply chain management shall be the key rating sensitivities.

Background

VMRL was incorporated as Varin Commercial Private Limited in 2002. The company started its operations in the value retail segment by opening their first retail store in Gujarat in 2003. In 2006, the name of the company was changed to V-Mart Retail Pvt Limited; and in 2008, the constitution was changed to public limited and the name of the company was changed to the present one. The equity shares of VMRL were listed on the stock exchange in February 2013 with the company raising Rs.84.23 crore from the IPO.

VMRL is engaged in value retailing across three verticals, namely, Apparels, General Merchandise and 'Kirana' Bazaar. VMRL's operations are mainly spread in tier-2 and tier-3 cities of northern, eastern and western parts of the country. Some of the major states in which the company operates are New Delhi, Gujarat, Madhya Pradesh, Uttar Pradesh, Bihar, Punjab and Rajasthan. As on June 30, 2016, the company was operating a total of 127 stores.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

In FY16 (refers to the period April 1 to March 31), VMRL reported a total operating income of Rs.810.03 crore and a PAT of Rs.27.63 crore as compared with Rs.720.60 crore of the total income and Rs.37.16 crore of PAT in FY15. During Q1FY17 (UA), the company reported an operating income of Rs.227.11 crore (Rs.204.66 crore during Q1FY16) and PAT of Rs.9.15 crore (Rs.11.19 crore during Q1FY16).

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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