

OCTOBER 21, 2015

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF V-MART RETAIL LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	45	CARE A (Single A)	Reaffirmed
Short-term Bank Facilities	8	CARE A1 (A One)	Reaffirmed
Total Facilities	53 (Rupees Fifty Three crore only)		

Rating Rationale

The ratings for the bank facilities of V-Mart Retail Limited (VMRL) continue to derive strength from the experienced promoters, widespread geographical coverage and large supplier base. The ratings also factor in consistent growth in the operating income, stable profitability margins and comfortable capital structure. However, these rating strengths are partially offset by the moderate scale of operations, working capital intensive nature of business and intensely competitive 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, 2015, the company was operating a total of 108 stores.

In FY15 (refers to the period April 1 to March 31), VMRL reported a total operating income of Rs.720.60 crore and a PAT of Rs.37.16 crore as compared with Rs.575.20 crore of the total income and Rs.25.16 crore of PAT in FY14. During Q1FY16 (UA), the company reported an operating income of Rs.204.66 crore (Rs.165.04 crore during Q1FY15) and PAT of Rs.11.19 crore (Rs.9.03 crore during Q1FY15).

Analyst Contact

Name: Mr Gaurav Dixit

Tel: 011-4533 3235

Cell: +919717070079

Email: gaurav.dixit@careratings.com

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

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CONTACT

Head Office Mumbai

Mr. Sanjay Kumar Agarwal

Mobile: + 91 8108007676

E-mail: sanjay.agarwal@careratings.com

Mr. Amod Khanorkar

Mobile: + 91 9819084000

E-mail: amod.khanorkar@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Mehul Pandya

 32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com

BENGALURU

Mr. Dinesh Sharma

 Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-99000 41975

Tel: +91-80-4115 0445, 4165 4529

E-mail: dinesh.sharma@careratings.com

CHANDIGARH

Mr. Sajan Goyal

 2nd Floor, S.C.O. 196-197, Sector 34-A,
 Chandigarh - 160 022.

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com

CHENNAI

Mr. V Pradeep Kumar

 Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com

COIMBATORE

Mr. V Pradeep Kumar

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com

HYDERABAD

Mr. Saikat Roy

 401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.

Cell : + 91 9820998779

Tel: +91-40-4010 2030

E-mail: saikat.roy@careratings.com

JAIPUR

Mr. Rakesh Jayaraman

 304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.

Cell: +91 – 76655 96136

Tel: +91-141-402 0213 / 14

E-mail: rakesh.jayaraman@careratings.com

KOLKATA

Ms. Priti Agarwal

 3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com

NEW DELHI

Ms. Swati Agrawal

 13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com

PUNE

Mr. Rahul Patni

 9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.

Cell: +91-78754 33355

Tel: +91-20- 4000 9000

E-mail: rahul.patni@careratings.com

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