

October 14, 2014

CARE REVISES THE RATING ASSIGNED TO THE BANK FACILITIES OF V-MART RETAIL LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	45.00 (enhanced from Rs.38 crore)	CARE A (Single A)	Revised from CARE A- (Single A Minus)
Short term Bank Facilities	8.00 (enhanced from Rs.3 crore)	CARE A1 (A One)	Revised from CARE A2+ (A Two Plus)
Total Facilities	53.00		

Rating Rationale

The revision in ratings of the bank facilities of V-Mart Retail Limited (VMRL) takes into account the improved financial risk profile of the company on the back of consistent growth in operating income, stable profit margins and comfortable capital structure. The ratings continue 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 and the company raised 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 August 31, 2014, the company was operating a total of 95 stores.

As per the audited financials for FY14 (refers to the period April 1 to March 31), the company has reported PAT of Rs.25.16 crore on an operating income of Rs.575.20 crore as against PAT of Rs.18 crore on an operating income of Rs.383.65 crore during FY13. As per unaudited results of Q1FY15, the company reported total operating income of Rs.165.04 crore and PAT of Rs.9.03 crore.

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

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