V-Mart Retails Ltd.

Instrument	Amount Rated (Rs. Crore)	Rating Action
Cash credit	62.00 (enhanced from 52.00)	[ICRA]A+ (Stable) (Re-affirmed)
Non-fund based limits	1.00	[ICRA]A1 (Re-affirmed)

ICRA has re-affirmed its long-term rating of [ICRA]A+ (pronounced ICRA A Plus) to the Rs.62.0-crore^ (enhanced from 52.00) fund-based bank lines of V-Mart Retail Ltd. (VMRL)†. ICRA has also re-affirmed its short-term rating of [ICRA]A1 (pronounced ICRA A one) to the Rs. 1.0-crore, non-fund based bank limits of VMRL. The outlook on the long-term rating is 'Stable'.

The ratings re-affirmation takes into account the established track record of the promoters and the long-term presence of the company in the retail industry. VMRL has a diversified product portfolio across various segments such as apparel, non apparel and kirana bazaar. The ratings positively factor in VMRL's widespread geographic presence (129 operational stores as on August 31, 2016); most of its stores are located in tier II and tier III cities. The ratings continue to factor in the strong financial profile of VMRL as is evident from the growth in operating income, healthy profitability margins, comfortable capital structure and strong debt protection metrics. The ratings continue to positively factor in the company's established relationships with around 1200 vendors, which ensures cost optimisation and smooth operations.

The ratings are, however, constrained by VMRL's modest scale of operations and high competitive intensity in the retail sector due to the presence of numerous unorganised players as well as organised players in the brick-and-mortar and online segments. The ratings also take into account the industry's high working capital intensity of operations and the risks to the inventory in the form of obsolescence, damage, being out of fashion etc. which may adversely impact the company's profit margins. However, VMRL has been able to manage its inventory position better over the last few years, as indicated in the decline in inventory days to 114 as on March 31, 2016, from 141 as on March 31, 2012. VMRL' operations remain vulnerable to the low demand for its products, which has affected the same store sales growth metric adversely over the last few quarters.

Going forward, the company's ability to scale up its operations in the face of competition, efficiently manage its working capital cycle, improve operational indicators and maintain a healthy financial profile will be the key rating sensitivity.

Company Profile

VMRL was incorporated as Varin Commercial Private Limited in 2002. It opened its first retail store in Gujarat in 2003. VMRL is involved in value retailing across three verticals, namely, apparel, non apparel and kirana, with its operations spread across tier-2 and tier-3 cities of northern, eastern and western India. Some of the major states in which the company operates are Gujarat, Madhya Pradesh, Uttar Pradesh, Bihar, Jharkhand, Punjab and Rajasthan.

Recent Results

In 2015-16 VMRL reported a net profit of Rs. 27.82 crore on an operating income of Rs. 809.38 crore, as against a net profit of Rs. 37.37 crore on an operating income of Rs. 720.50 crore in the previous year.

October 2016

^ *100 lakh = 1 crore = 10 million*

† *For complete rating scale and definitions, please refer to ICRA's website (www.icra.in) or other ICRA Rating Publications.*

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