

Company at an inflection point; new acquisitions create synergies and expand addressable market; expect margins to expand and stabilize at higher levels

CMP: INR 296

Rating: BUY

TP: INR 581

Stock Info

BSE	532156
NSE	VAIBHAVGBL
Bloomberg	VGM:IN
Reuters	vaib.ns
Sector	Gems, Jewellery And Watches
Face Value (INR)	2
Equity Capital (INR cr)	33
Mkt Cap (INR cr)	4,922
52w H/L (INR)	542/ 263
Avg Yearly Volume (in 000')	646

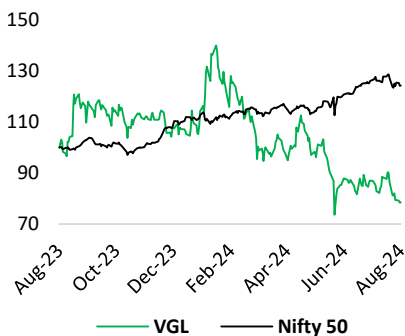
Shareholding Pattern %

(As on June 2024)

Promoters	57.18
FII	21.48
DII	1.88
Public & Others	19.46

Stock Performance (%)	1m	3m	12m
Vaibhav Global	(9.8)	(20.1)	(21.5)
Nifty 50	(1.4)	8.7	24.3

VGL Vs Nifty 50



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VGL's performance was largely in-line with estimates. Revenue was up 14.85% YoY to INR 7,560 Mn, marginally missing our estimate of INR 7,567 Mn by 0.09% (-4.23% QoQ). EBITDA was down 1.73% YoY to INR 571 Mn, missing our estimate of INR 681 Mn by 16.17% (+6.77% QoQ). EBITDA Margin contracted 126bps to 8.69%, missing our estimate of 9% (+62bps QoQ). PAT was up down 7.16% to INR 274 Mn, missing our estimate of INR 300 Mn. (+30.4% QoQ)

Margins were lower due to higher digital expenditure. These will lead to improved customer traction down the road. These expenses are expected to remain stable in an absolute amount. Going forward they will reduce from 20% of revenues to 18%.

Guidance: There is a 14-17% growth target with operating leverage. Germany's supposed to be EBITDA positive in H2, for the whole period. Gross margins are expected to be 200bps higher next year, and a 100bps improvement in EBITDA margins. Ideal world is now profitable on direct cost and expects full cost allocation in 3-6 months

Demand: They are still facing sluggish customer demand in the UK and Europe. The US economy is doing relatively better, however, the jewelry market is doing slightly poorly in the US due to a lower number of marriages

Discontinued business: They exited apparel manufacturing this quarter which impacted the top line, However, it was a low-margin business.

Customer redirection: The redirection of customers from the TV platform to the digital platform leads to their shopping values going up 4x. The average lifetime value of a customer on the TV network is USD 800.

Customer base growth and retention are stable and promising leading to positive performance of TV Networks and business segments like Mindful Souls and Ideal World.

Budget pay: The B2C EMI business doing well on the B2C side, contributing to 38% of B2C revenue.

Outlook and Valuation: The existing B2C business grew by 2.3% in USD, achieving 20% YoY volume growth. Digital revenues now account for 40% of revenue, and there were positive trends in the US, UK, and German markets. Looking ahead, the company aims to achieve 14-17% revenue growth for FY25 with operating leverage, but there are concerns about elevated investment in digital marketing and airtime affecting EBITDA margin, as well as economic uncertainty in the UK and Europe. Currently we have a target price of INR 581, valued at a P/E multiple of 40x the FY26E EPS of INR 14.53.

INR Mn	FY22	FY23	FY24	FY25 E	FY26 E
Revenue	27,524	26,909	30,410	34,949	40,102
Growth	8.4%	-2.2%	13.0%	14.9%	14.7%
EBITDA	3,032	2,273	2,951	3,844	4,812
EBITDA Margin	11.0%	8.4%	9.7%	11.0%	12.0%
PAT	2,371	1,051	1,267	1,711	2,395
EPS (INR)	14.20	6.30	7.60	10.38	14.53
P/E (x)	21.66	48.80	40.49	29.63	21.16

Source: Company, Arihant Capital Research

INR Mn (Consolidated)	Q1FY25	Q4FY24	Q1FY24	Q-o-Q	Y-o-Y
Net Revenue	7,560	7,894	6,583	-4.23%	14.85%
Raw Material Costs	2,342	2,725	2,378	-14.05%	-1.52%
Gross Profit	5,218	5,169	4,205	0.95%	24.11%
<i>Gross Margin</i>	<i>69.03%</i>	<i>65.48%</i>	<i>63.88%</i>	<i>354bps</i>	<i>515bps</i>
Employee costs	1,446	1,548	1,283	-6.61%	12.70%
Other Expenses	3,202	3,086	2,341	3.74%	36.77%
EBITDA	571	535	581	6.77%	-1.73%
<i>EBITDA margin</i>	<i>8.69%</i>	<i>8.07%</i>	<i>9.95%</i>	<i>62bps</i>	<i>-126bps</i>
Other Non Operating Income	86	102	74	-15.58%	16.08%
Depreciation	249	251	222	-0.73%	11.91%
EBIT	408	386	433	5.73%	-5.68%
Finance costs	34	28	28	22.23%	23.34%
Exceptional Items	-	(41)	-	-100.00%	#DIV/0!
PBT	374	317	405	18.10%	-7.68%
Tax Expense	99	106	109	-6.31%	-9.07%
<i>Effective tax rate</i>	<i>26.57%</i>	<i>33.50%</i>	<i>26.98%</i>	<i>-692bps</i>	<i>-41bps</i>
PAT	274	211	296	30.40%	-7.16%
Adj PAT	274	252	296	8.95%	-7.16%

Source: Company, Aриhant Capital Research

Operational highlights

- Content and broadcasting for TJC UK have remained flattish and was 10% sequentially for the US.
- The existing B2C business grew by 2.3% in USD.
- They achieved 20% YoY volume growth with 6% volume growth excluding acquisitions. Ex- acquisitions, the business growth for the year was 4%.
- Digital revenue now accounts for 40% of total revenue.
- HR costs are relatively higher due to Germany and Ideal World kicking off.
- **VGL also received the "IGJ Award" for being the highest exporter of colored gemstones from India**

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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