

**CMP: INR 467**

**Rating: BUY**

**TP: INR 656**

**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)	8145
52w H/L (INR)	543/ 269
Avg Yearly Volume (in 000')	342

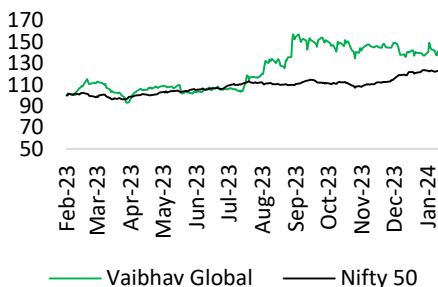
**Shareholding Pattern %**

(As on December, 2023)

Promoters	57.24
FII	22.05
DII	5.37
Public & Others	15.28

Stock Performance (%)	1m	6m	12m
Vaibhav Global	25.4	40.61	68.79
Nifty 50	23.85	11.08	23.16

**VGL Vs Nifty 50**



VGL surpassed estimates across all fronts with strong margin improvement, seeing enhanced gross and EBITDA margins with operating leverage benefits. Revenue was up 22.7% YoY to INR 8,883 Mn (26% QoQ), beating our estimate of INR 8,829 Mn by 0.6%. EBITDA demonstrated strong YoY growth, surging by 52.2% to reach INR 934 Mn (+47.1% QoQ) and outperforming our estimated figures of INR 883 Mn by 5.8%. EBITDA Margin expanded 200bps YoY to 10.5% (+150bps QoQ), beating our estimate of 10%. PAT grew 20.1% YoY to INR 471 Mn (62.4% QoQ) slightly higher than our estimate of INR 468 Mn by 0.6%.

**Postponed headquarters construction plan:** The company acquired land in Austin, Texas, two years ago for a new headquarters. However, due to rapid inflation and increased construction costs, the plan to build has been put on hold. The land is now on the balance sheet, with the expectation of revisiting the plan in 8-10 years, contingent on business growth and favorable economic conditions. Currently, the company is considering leasing its current location or moving to larger rental premises.

**Guidance:** The company is confident in achieving the settled guidance of 13-15% revenue growth for FY24 and even higher in FY25 with decent operating leverage. The growth is expected to be high single digits for the US and UK with additional growth from Ideal World and Mindful Soul. They anticipate operating leverage to persist into the future and targets a mid-teen growth as total guidance in the next six to eight quarters. Long term margins are targeted at 15-16%

**Ideal World scaling up well:** It has already achieved breakeven on direct costs by leveraging shared resources- integration with the UK business was completed this quarter. The company aims for profitability in the next 9 months and envisions comparable margins to its core business within 12-24 months as it scales.

**Mindful Souls continues to maintain a good level of profitability:** The business is being integrated with their existing digital businesses to harness synergies, and is already decently margin accretive (PBT of 10%). Simultaneously, it aims to optimize the profitability of this business by leveraging their established supply chain capabilities. Mindful Souls is fully assimilated with VGL.

**Valuation and outlook:** The company's acquisitions are set to yield leverage benefits, driving profits and growth. The emphasis on diversification across geographies, products, and the growth of the digital business will facilitate expansion. As macro challenges gradually ease, these initiatives position the company for sustained growth and confidence in achieving the given guidance. We remain positive on VGL, valuing the company at P/E of 33x of its FY26E EPS of INR 20, with a TP of INR 656 yielding an upside of 41%, and a BUY rating.

INR Mn	FY22	FY23	FY24 E	FY25 E	FY26 E
Revenue	27,524	26,909	30,400	35,851	41,213
Growth	8%	-2%	13%	18%	15%
EBITDA	3,032	2,273	3,040	4,339	5,397
EBITDA Margin	11%	8%	10%	12%	13%
PAT	2,371	1,051	1,510	2,441	3,379
EPS (INR)	14.20	6.30	8.99	14.44	19.87
P/E (x)	32.85	74.02	51.89	32.30	23.48

Source: Company, Arihant Capital Research

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<b>INR Mn (Consolidated)</b>	<b>Q3FY24</b>	<b>Q2FY24</b>	<b>Q3FY23</b>	<b>Q-o-Q</b>	<b>Y-o-Y</b>
<b>Net Revenue</b>	<b>8883</b>	<b>7050</b>	<b>7237</b>	<b>26.01%</b>	<b>22.76%</b>
Raw Material Costs	3112	2544	2696	22.33%	15.42%
Gross Profit	5772	4506	4541	28.08%	27.11%
<i>Gross Margin</i>	<i>64.97%</i>	<i>63.92%</i>	<i>62.74%</i>	<i>105bps</i>	<i>223bps</i>
Employee costs	1526	1366	1310	11.75%	16.49%
Other Expenses	3311	2506	2616	32.15%	26.57%
<b>EBITDA</b>	<b>934</b>	<b>635</b>	<b>615</b>	<b>47.14%</b>	<b>52.06%</b>
<i>EBITDA margin</i>	<i>10.52%</i>	<i>9.01%</i>	<i>8.49%</i>	<i>151bps</i>	<i>203bps</i>
Other Non Operating Income	56	34	144	62.87%	-61.35%
Depreciation	235	226	196	3.67%	19.58%
<b>EBIT</b>	<b>756</b>	<b>443</b>	<b>563</b>	<b>70.55%</b>	<b>34.33%</b>
Finance costs	32	29	15	9.62%	112.67%
Exceptional Items	39	-	-	-	-
<b>PBT</b>	<b>685</b>	<b>414</b>	<b>548</b>	<b>65.39%</b>	<b>25.05%</b>
Tax Expense	213	124	156	72.79%	37.15%
<i>Effective tax rate</i>	<i>31.17%</i>	<i>29.83%</i>	<i>28.42%</i>	<i>134bps</i>	<i>275bps</i>
<b>PAT</b>	<b>471</b>	<b>290</b>	<b>392</b>	<b>62.24%</b>	<b>20.24%</b>
<i>PAT margin</i>	<i>5.31%</i>	<i>4.12%</i>	<i>5.42%</i>	<i>118bps</i>	<i>-11bps</i>

Source: Company, Arianth Capital Research

### Q3FY24 Concall Highlights:

- In Q3FY24, TV networks reached 139 million households. There were 3.5 lakh new registrations on a TTM basis, with a customer retention rate of 37%. Customers purchased an average of 23 pieces TTM.
- Q3FY24 volumes were up 16% y-o-y. Excluding the impact of acquisitions, volumes were up 7% y-o-y.
- Company expects to achieve breakeven in H2 FY25, having invested in major TV networks and digital platforms.
- For Germany, the August numbers were flat QoQ due to a clearance event. In Q3, the focus was shifted to categories with lower returns and adjusted price points. Germany is expected to be breakeven in H2FY25, which requires revenues of 3 Mn EUR per month (currently at 1.9 Mn EUR).
- The India-UK FTA may impact jewelry product costs by 5%, but with high gross margins, the overall impact is expected to be limited, potentially around 50 basis points.
- In Q3, there was a 2-3% growth in the unique customer base, driven by efforts such as household expansion in the US (aiming for 100 Mn households vs the current 70 Mn), exploring the OTT space, and optimizing digital marketing to ensure first purchase profitability. The focus is on incremental growth for leverage without significant costs associated with cable countries.
- In Q3, the company generated 1 Mn KWH of energy through their solar power plants. To date, they have generated 14.5 Mn KWH. The target is to become carbon neutral in scope one and two greenhouse gas emissions by 2031.
- Mindful Souls was acquired to boost the digital business, and the company aims for a 50% digital share by FY27. Investments in furthering the omnichannel presence encourages transactions on both offline and digital platforms.
- Company expects the contribution from non-jewelry products to reach 50% by FY28 (29% for 9MFY24).
- The board has declared a third interim dividend of this FY amounting to INR 1.5 per share.

## Income Statement

Period end (INR Mn)	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
<b>Net sales</b>	<b>18,140</b>	<b>19,865</b>	<b>25,401</b>	<b>27,524</b>	<b>26,909</b>
<i>Growth (%)</i>		10%	28%	8%	-2%
Operating expenses	16,107	17,247	21,699	24,711	24,913
<b>EBITDA</b>	<b>2,032</b>	<b>2,618</b>	<b>3,702</b>	<b>2,814</b>	<b>1,996</b>
<b>EBITDA Margin %</b>	<b>11%</b>	<b>13%</b>	<b>15%</b>	<b>10%</b>	<b>7%</b>
<i>Growth (%)</i>		29%	41%	-24%	-29%
Depreciation	246	314	391	548	778
Other income	142	145	177	218	276
Exceptional Items	0	0	0	282	0
<b>EBIT</b>	<b>1,928</b>	<b>2,450</b>	<b>3,488</b>	<b>2,766</b>	<b>1,495</b>
Finance cost	47	86	46	61	82
<b>Profit before tax</b>	<b>1,882</b>	<b>2,363</b>	<b>3,442</b>	<b>2,705</b>	<b>1,413</b>
Tax	340	461	724	334	362
<b>Profit / (Loss) for the period</b>	<b>1,542</b>	<b>1,903</b>	<b>2,718</b>	<b>2,371</b>	<b>1,051</b>
<b>PAT Margin %</b>	<b>8%</b>	<b>10%</b>	<b>11%</b>	<b>9%</b>	<b>4%</b>
<i>Growth (%)</i>		13%	12%	-19%	-55%
Total other comprehensive Income (Net of Tax)	50	235	-22	61	432
<b>Total Income (including comprehensive income)</b>	<b>1,592</b>	<b>2,138</b>	<b>2,696</b>	<b>2,432</b>	<b>1,483</b>
Basics EPS	47.27	58.65	16.77	14.56	6.39
Diluted EPS	45.84	57.92	16.32	14.24	6.29

## Balance Sheet

Period end (INR Mn)	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Share capital	327	323	325	328	330
Reserves & surplus	6,640	7,190	9,313	10,940	11,683
<b>Shareholders' funds</b>	<b>6,967</b>	<b>7,513</b>	<b>9,638</b>	<b>11,268</b>	<b>12,013</b>
Non Controlling Intrest	0	0	0	15	17
<b>Non-current liabilities</b>					
Long-term borrowings	0	0	0	26	23
Other non-current liabilities	38	289	236	547	617
<b>Current liabilities</b>					
ST borrowings	664	644	917	969	1,123
Other current liabilities	1,756	2,463	3,161	4,080	4,092
<b>Total (Equity and Liabilities)</b>	<b>9,425</b>	<b>10,910</b>	<b>13,951</b>	<b>16,905</b>	<b>17,885</b>
<b>Non-current assets</b>					
Fixed assets (Net block)	697	745	827	2,576	2,530
Non-current Investments	93	75	75	105	82
Intangible Assets	301	641	615	942	1,117
Other non-current assets	394	584	748	1,927	1,867
<b>Current assets</b>					
Cash & current investment	2,440	2,572	4,684	1,911	2,735
Other current assets	5,500	6,292	7,002	9,444	9,554
<b>Total (Assets)</b>	<b>9,425</b>	<b>10,910</b>	<b>13,951</b>	<b>16,905</b>	<b>17,885</b>

Source: Company, Aриhant Capital Research

**Cash Flow Statement**

Period end (INR Mn)	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
<b>Profit before tax</b>	<b>1,882</b>	<b>2,363</b>	<b>3,442</b>	<b>2,705</b>	<b>1,413</b>
Depreciation	246	314	391	548	778
Change in working capital	-100	-341	-210	-1,678	-986
Total tax paid	-206	-430	-577	-689	-323
Others	221	230	212	-8	390
<b>Cash flow from oper. (a)</b>	<b>2,043</b>	<b>2,135</b>	<b>3,258</b>	<b>879</b>	<b>1,272</b>
Capital expenditure	-204	-299	-569	-3,005	-354
Change in investments	-42	-582	-2,020	2,016	562
Others	2	-992	-89	539	194
<b>Cash flow from inv. (b)</b>	<b>-245</b>	<b>-1,874</b>	<b>-2,679</b>	<b>-450</b>	<b>402</b>
<b>Free cash flow (a+b)</b>	<b>1,798</b>	<b>261</b>	<b>579</b>	<b>429</b>	<b>1,674</b>
Equity raised/(repaid)	23	-506	158	131	150
Debt raised/(repaid)	-8	-35	277	382	165
Dividend	-197	-1,092	-795	-1,014	-1,023
Others	-47	-210	-214	-220	-319
<b>Cash flow from fin. (c)</b>	<b>-228</b>	<b>-1,844</b>	<b>-575</b>	<b>-721</b>	<b>-1,027</b>
<b>Net chg in cash (a+b+c)</b>	<b>1,570</b>	<b>-1,583</b>	<b>5</b>	<b>-292</b>	<b>647</b>

Valuation summary (Rs Mn)	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Net Sales	18,140	19,865	25,401	27,524	26,909
EBIDTA	2,032	2,618	3,702	2,814	1,996
Net Profit	1,542	1,903	2,718	2,371	1,051
Diluted EPS	45.8	57.9	16.3	14.2	6.3
EV/EBIDTA (x)	8.7	8.7	31.9	20.2	19.2
P/BV (x)	3.0	3.3	12.9	5.4	3.7
RoE (%)	22%	25%	28%	21%	9%
Debt/Equity (x)	0.1	0.1	0.1	0.1	0.1

**Liquidity Ratio**

Period end (x)	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Current Ratio	3.0	3.3	12.9	5.4	3.7
Quick Ratio	1.6	1.5	1.8	1.0	1.1
Dividend Payout NP	0.5	2.8	1.5	0.4	0.9
Earnings Retention (%)	89%	46%	79%	59%	6%
Debt/Equity (x)	0.1	0.1	0.1	0.1	0.1

**Key ratios**

Period end (%)	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Adjusted EPS (Rs)	45.8	57.9	16.3	14.2	6.3
EBITDA	2,032	2,618	3,702	2,814	1,996
EBITDA margin	11%	13%	15%	10%	7%
Tax rate	18%	19%	21%	12%	26%
PAT	1,542	1,903	2,718	2,371	1,051
PAT Margin	8%	10%	11%	9%	4%
ROA	16%	17%	19%	14%	6%
ROE	22%	25%	28%	21%	9%
RoCE	28%	31%	35%	21%	12%
Book value per share	213	233	296	69	73
Enterprise Value	1,901	2,396	12,373	6,122	4,370

Source: Company, Aриhant Capital Research

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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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