

New acquisition creates synergies and expands addressable market

CMP: INR 394

Rating: BUY

TP: INR 616

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)	7,283
52w H/L (INR)	469/ 269
Avg Yearly Volume (in 000')	277

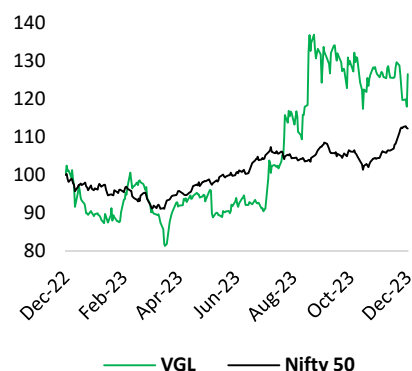
Shareholding Pattern %

(As on September, 2023)

Promoters	57.12
FII	22.66
DII	5.72
Public & Others	14.48

Stock Performance (%)	1m	3m	12m
Vaibhav Global	0.1	(2.4)	25.9
Nifty 50	7.3	4.0	12.2

VGL Vs Nifty 50



Vaibhav Global Limited (VGL) is a global TV retailer across the value segment present in jewelry, accessories, and lifestyle product segments in the US, Germany, and the UK with an omnichannel reach. They have direct access to 141mn households (+11% YoY) through their home shopping networks. The company owns Shop LC for the USA, Shop TJC for the UK, and ShopLC for Germany which are 24-hour live shopping channels. It also owns proprietary web platforms tjc.co.uk, shoplc.com & shoplc.de to deepen customer engagement. It has also launched applications for retail platforms on smartphones. VGL has manufacturing units in India and China.

Shop TJC UK, a wholly owned step-down subsidiary of the company, entered into an Agreement to acquire assets of **Ideal World Ltd** via an Asset Sale Agreement. Ideal World, with its proprietary TV shopping channel, is into teleshopping and digital retail of lifestyle products. With a legacy of 20+ years, it is one of the major teleshopping brands in the UK. Shop TJC acquired Ideal World's IP rights, broadcasting rights, studio equipment, and other intangible assets. The transaction was funded through internal accruals for a total consideration of GBP 1,125,000.

Shop TJC UK, also entered into an agreement to acquire 100% Share Capital of **Mindful Souls BV**, an e-commerce company dealing in subscription based online sales of fashion jewelry, gemstones, and lifestyle products for a purchase consideration of EUR 12 Mn funded through internal accruals. Incorporated in 2018 in Netherlands, it is mainly serving United States, through proprietary e-commerce website, and marketplaces. Over 90% of revenue is derived from US. It also has presence in UK/EU, Canada, and Australia.

Outlook: VGL's growth prospects have improved significantly post these acquisitions, beating our previous expectations of an 8-10% revenue growth in FY24, and mid-teens revenue growth from FY25 onward. We are positive on the stock given growing registrations, future inorganic opportunities, improving customer retention, and repeat sales- all of which will create long-term value for shareholders. So far, they do not plan to enter any new markets and will instead focus on growing in existing markets, improving balance sheet health, as well as cost and price management.

Ideal World clocked in a revenue of GBP 151 mn in FY20 (+16% YoY), EBITDA of GBP 13 mn (8.6%). Both of these factors have the potential to scale up significantly. It could add revenues of about GBP 65 mn to VGL. It had earlier slowed down operations, but is now quickly regaining market share (and reaching breakeven) in the UK and is one of the top 3 teleshopping companies. It can add additional revenues of GBP 80-100 Mn to VGL's topline over the next 2 years.

Mindful Soul's performance has also been robust having achieved annual turnover of EUR 18 Mn with a healthy PBT margin of ~10% in 2022.

Currently we have a target price of INR 616 on the stock, valued at a P/E multiple of 31x the FY26E EPS of INR 20.

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Investment Rationale:

Improving customer sentiment across key markets: In the US and UK, consumer sentiments remain muted but are showing obvious signs of improvement. The company continuously endeavors to improve customer outreach and household expansion continues in these markets by adding more TV cable and OTA households. **This acquisitions were undertaken for the same reason.** The current opportunity size of the UK market is USD 2-2.5 bn.

Consistently gaining market share in the UK: In FY17 the company's market share in the UK was 4.8%, which went up to 10.1% by FY22. **VGL continued to grow in the UK through the pandemic and with the acquisition of the assets of Ideal World, this is only expected to go up drastically.**

Profitability position ahead of the market: VGL boasts an industry-leading gross margin of 60%. Part of this is due to the company's focus on increasing the share of B2C revenues which are currently 29% vs. the target 50% by FY25. It also has a robust brand portfolio of 31 brands across the value chain, but mostly in the value segment. **This acquisition has further widened their customer reach and will lead to margin expansion from the synergies and efficiencies that arise.**

Particulars (INR Mn)	FY22	FY23	FY24 E	FY25 E	FY26 E	FY27 E
Total revenue	27,743	27,185	30,650	36,101	41,463	47,567
<i>Growth</i>		-2%	13%	18%	15%	15%
EBITDA	3,032	2,273	3,040	4,159	6,679	8,472
<i>Growth</i>		-25%	34%	37%	61%	27%
EBITDA Margin	10.93%	8.36%	9.92%	11.52%	16.11%	17.81%
PAT	2,371	1,051	1,510	2,308	3,379	4,354
<i>Growth</i>		-56%	44%	53%	46%	29%
EPS (INR- Diluted)	14.20	6.30	8.99	13.66	19.87	25.43
<i>Growth</i>		-56%	43%	52%	45%	28%
P/E (x)	27.73	62.49	43.81	28.84	19.83	15.49

Source: Arianth 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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