

CMP: INR 248

Rating: BUY

TP: INR 491

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)	4,124
52w H/L (INR)	394/178
Avg Yearly Volume (in 000')	625.6

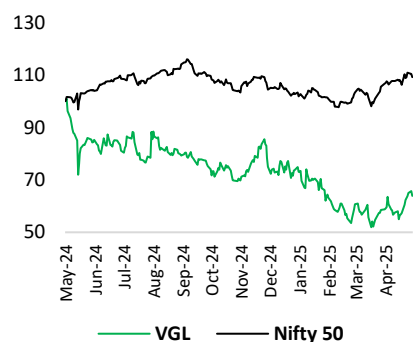
Shareholding Pattern %

(As on Mar 2025)

Promoters	57.30
FII	18.59
DII	0.85
Public & Others	23.08

Stock Performance (%)	1m	3m	12m
Vaibhav Global	8.9	2.1	(35.5)
Nifty 50	1.83	8.0	9.9

VGL Vs Nifty 50



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Vaibhav Global reported Q4FY25 revenue of INR 8,498 Mn, largely in line with estimates (INR 8,486 Mn), growing 7.5% YoY, though down 13.0% QoQ due to seasonality. EBITDA came in at INR 633 Mn, missing estimates by 12% (Est: INR 721 Mn), but up 18% YoY. However, it declined 42% QoQ, reflecting elevated cost pressures and limited operating leverage. EBITDA margin contracted to 7.4%, missing estimates by 110 bps (Est: 8.5%), down 270 bps QoQ, but up 60 bps YoY. PAT stood at INR 341 Mn, beating estimates by 12% (Est: INR 304 Mn), up 35% YoY but down 47% QoQ, aided by lower tax and finance costs sequentially. Operationally, the quarter saw improved cost discipline, a favorable digital mix, and a benign base effect. TV revenues were flat YoY (+0.5%), while digital sales grew ~15% YoY, driving sequential margin support. Though people and shipping costs remained elevated, these were partially offset by gains from digital scale and improved marketing efficiency. Geographic performance was encouraging, with both Germany and Ideal World maintaining EBITDA breakeven/profitability, a positive surprise amid macro headwinds. Management continues to emphasize inventory rationalization, OTT expansion, and improving unit economics across regions.

Management Guidance & Strategy: For FY26, management guided for 8–12% revenue growth, slightly lower than its previous 12–15% band, citing macroeconomic uncertainty and subdued consumer sentiment. Beyond FY26, the company expects mid-teens growth aided by operating leverage. The strategic focus remains on achieving a 50% digital revenue mix by FY27 (currently at 39%), with Germany already at 30% and the UK scaling steadily. The Ideal World brand is expected to meaningfully support profitability, while Mindful Souls continues to sustain high margins with product innovation and supply chain integration. VGL aims for 50% of B2C sales from lifestyle products over the medium term.

Lab-grown diamonds gaining traction: The category has doubled its share across geographies, supporting gross margins.

Outlook and Valuation: Despite near-term pressures, VGL's ongoing digital pivot, operational execution, and global brand consolidation provide a strong foundation for margin recovery. However, we adopt a measured stance given external macro uncertainties and tempered growth guidance. The stock trades in line with its historical mid-cycle multiples. While upside may be limited near term without a re-rating catalyst, continued margin improvement and TAM expansion—particularly in Germany—could provide optionality. That said, we remain constructive on the long-term story, and assign our TP as INR 491, valuing the company at 25x FY27E EPS of INR 20.

INR Mn	FY24	FY25	FY26 E	FY27 E
Revenue	30,410	33,796	38,634	44,091
Growth	13.0%	11.1%	14.3%	14.1%
EBITDA	2,951	3,173	4,309	5,444
EBITDA Margin	9.7%	9.4%	11.2%	12.3%
PAT	1,267	1,531	2,430	3,339
EPS (INR)	7.60	9.12	14.38	19.63
P/E (x)	32.64	27.20	17.25	12.64

Source: Company, Arihant Capital Research

Margin Pressure Eases; Digital Momentum Sustained: Q4FY25 EBITDA margin declined to 7.4%, impacted by ongoing digital investments and margin softness in the UK. However, the full-year EBITDA margin held at 9.4%, only marginally lower than FY24, highlighting underlying operational resilience. Digital continues to drive structural growth, with revenue rising 15% YoY and now contributing 41% of total sales. Management remains confident in achieving its 50% digital revenue mix target by FY27, supported by strong customer metrics and expanding OTT traction.

Turnaround in Germany and Ideal World: Both Germany and Ideal World operations achieved EBITDA breakeven in H2FY25, marking a key inflection in profitability. Management expects Germany to turn slightly profitable in FY26, while Ideal World is guided to deliver a ~100 bps EBITDA margin improvement on the back of better cost discipline and operating leverage.

Macroeconomic and Strategic Context: Tariff risks in the US remain a watchpoint, but the company has proactively built inventory buffers to mitigate short-term disruptions. That said, consumer sentiment continues to be a key variable, especially in the US and UK markets. VGL's strategic initiatives—focused on talent density, AI-led process automation, and SG&A optimization—are expected to unlock meaningful operating leverage in the medium term.

Strong Cash Generation and Financial Position: Cash flows remain robust with free cash flow of INR 127 Cr in FY25 and a net cash position of INR 170 Cr, providing significant balance sheet flexibility for future growth and M&A-led expansion.

Regional Highlights – Q4FY25

- **US:** Revenue grew 2% YoY with ASP steady at **\$38**. **OTT revenue** scaled to a **\$12.1 Mn annualized run rate**; repeat rates remained strong.
- **UK:** Ideal World sustained EBITDA profitability; household reach expanded to **27 Mn**.
- **Germany:** Revenue rose **19% YoY** (in EUR); lifestyle product mix reached **19%**; EBITDA breakeven maintained.
- **Mindful Souls:** Delivered a **7% PBT margin**; launched **11 new SKUs** with strong direct-to-consumer engagement.

Operational Performance Snapshot

- **7.1 lakh unique customers** (+21% YoY); **7% growth ex-acquisitions**
- **4.1 lakh new customers** added over TTM
- **Customer retention at 44%**; average **22 repeat purchases** per customer
- **Digital revenue forms 41%** of B2C sales; **in-house brands** contribute 33%
- **German operations** achieved full-quarter **EBITDA breakeven**

Macroeconomic Outlook

- **US retail** was subdued in early FY25 amid economic and tariff headwinds but showed improvement in later months
- **UK market** remains challenging due to economic instability and cautious consumer behavior
- **India–UK FTA and US–China trade dialogues** offer potential tailwinds
- **VGL's low-cost, vertically integrated model** helps cushion against global cost inflation and import risks

Other Highlights

- Board has recommended a **final dividend of INR 1.5/share**, resulting in a **64% payout ratio** for FY25
- **Digital segment CAGR stands at 15% over five years**, now contributing **41% to total revenue**.

P&L (INR Mn)	FY23	FY24	FY25	FY26 E	FY27 E
Sales	27,185	30,676	34,076	38,919	44,381
COGS	(10,471)	(10,758)	(11,692)	(14,101)	(15,873)
Gross Profit	16,438	19,651	22,104	24,818	28,508
- margin (%)	60%	64%	65%	64%	64%
OPEX	14,166	16,700	18,932	20,509	23,064
EBITDA	2,273	2,951	3,173	4,309	5,444
- margin (%)	8%	10%	9%	11%	12%
D&A	(778)	(934)	(1,022)	(972)	(922)
EBIT	1,495	2,017	2,151	3,337	4,523
Extraordinary item	-	(81)	-	-	-
PBT	1,413	1,820	2,001	3,197	4,393
Tax	(362)	(552)	(470)	(767)	(1,054)
PAT	1,051	1,267	1,531	2,430	3,339
Balance Sheet (INR Mn)	FY23	FY24	FY25	FY26 E	FY27 E
Share Capital	330	331	332	332	332
Reserves & Surplus	11,683	12,246	13,167	15,350	18,442
Total shareholder's funds	12,013	12,577	13,500	15,682	18,774
Non-current liabilities	657	1,075	1,046	1,048	1,049
Current liabilities	5,215	5,239	5,854	5,634	5,834
Total equity and liabilities	17,885	18,890	20,400	22,364	25,657
Non-current assets	5,596	6,702	6,512	6,756	6,766
Current assets	12,289	12,188	13,888	15,608	18,891
Total assets	17,885	18,890	20,400	22,364	25,657
Cash Flow (INR Mn)	FY23	FY24	FY25	FY26 E	FY27 E
Cash flow from operations	1,272	2,344	3,110	5,524	10,695
Cash flow from investing	402	(3,742)	(1,111)	(1,501)	(1,222)
Cash flow from financing	(1,027)	907	(4,215)	(4,209)	(6,377)
Increase/(decrease) in cash	675	(491)	(2,216)	(186)	3,096
Opening cash balance	431	1,106	3,128	3,236	3,286
Closing cash balance	1,106	614	912	3,049	6,382

Source: Company, 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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