

V-Mart Retail

Estimate change 

TP change 

Rating change 

CMP: INR3,253

TP: INR3,500 (+8%)

Neutral

Strong performance amid weak environment

Bloomberg	VMART IN
Equity Shares (m)	20
M.Cap.(INRb)/(USD\$)	64.3 / 0.8
52-Week Range (INR)	3734 / 1591
1, 6, 12 Rel. Per (%)	1/45/19
12M Avg Val (INR M)	93

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	27.9	32.6	37.9
EBITDA	2.1	3.6	4.7
NP	-1.0	-0.1	0.5
EBITDA Margin (%)	7.6	11.1	12.4
Adj. EPS (INR)	-53.5	-3.0	29.5
EPS Gr. (%)	NM	NM	NM
BV/Sh. (INR)	412.8	409.8	439.3

Ratios

Net D:E	1.8	2.0	1.9
RoE (%)	NM	NM	7.0
RoCE (%)	0.4	4.6	7.1
Payout (%)	0.0	0.0	0.0

Valuations

P/E (x)	NM	NM	110.2
EV/EBITDA (x)	36.6	22.0	17.0
EV/Sales (x)	2.3	2.0	1.7
Div. Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	44.3	44.3	44.3
DII	32.6	34.0	31.0
FII	15.5	15.3	14.8
Others	7.6	6.4	9.9

FII Includes depository receipts

- VMART's EBITDA jumped 89% YoY (beat) in 1QFY25, aided by 11% SSSG, a reduction in Limeroad losses and controlled ad spending.
- We raise our EBITDA estimates by 14%/11% for FY25/FY26, considering strong cost-control measures (rationalizing losses in Limeroad), the closure of non-performing stores, and improved SSSG (as indicated in our [report](#)) appeared to have played out in VMART's favor.
- We estimate a CAGR of 17%/48% in revenue/EBITDA over FY24-26. The ongoing demand recovery in the value fashion category could be a key growth driver for VMART. **Reiterate Neutral with a TP of INR3,500.**

EBITDA up 89% YoY (big beat) led by SSSG and reduction in LR losses

- Revenue grew 16% YoY to INR7.9b (in line), led by 11% blended SSSG and 4% footprint addition. SSSG for V-Mart (core) and Unlimited has improved for the third straight quarter and stood at 12% and 8%, respectively.
- The company opened 7 new stores (5 in V-Mart and 2 in Unlimited) and closed 3 stores of Unlimited (none in V-Mart) during the quarter, taking the total store count to 448 (V-Mart 370 and Unlimited 78).
- Gross profit grew 14% YoY to INR2.8b (in line), but margins declined 60bp YoY, led by a decline in Limeroad's revenue contribution.
- Other expenses declined 21% YoY to INR937m, which could mainly be due to lower losses in Limeroad, closures of loss-making stores, and lower ad spending.
- Resultantly, EBITDA grew by 89% YoY to INR990m (47% beat), with margin expansion of ~490bp to 12.6%. Pre Ind-AS 116 EBITDA stood at INR437m with 5.6% margin.
- PAT stood at INR121m (vs. est. loss of INR176m), led by EBITDA improvement.

Highlights from the management commentary

- Demand recovery:** The management expects better demand trends going forward as employment is picking up on the ground level. The management is getting a good response in July, similar to 1Q.
- Guidance:** The company guided for SSSG of ~10% or high single digits, which should bring back pre-Ind-AS EBITDA margin of ~8.5%.
- Store addition:** The management plans to add 50 new stores in FY25. While most of the unprofitable store have already been closed now, 3-4 closures are expected.
- Inventory:** Inventory management will led to improvement in working capital and freshness in the upcoming festive season. The company has also reported higher shrinkage due to strict provision policies and provisioning on aged inventories.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motiloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Valuation and view

- Improved performance of V-Mart/Unlimited stores and the company's decision to close down non-performing stores and reduce losses in the online segment will address near-term profitability concerns mentioned earlier in our [report](#).
- The massive growth opportunity in the value fashion segment and VMART's strong execution capability remain key drivers of VMart's success. These drivers have the potential to sustain double-digit revenue growth for an extended period, underpinned by new store additions. With its low price points, cost leadership, strong liquidity, and prudent inventory management, VMART has a competitive edge over its rivals.
- The stock has recovered from its recent lows; a recovery in demand and improved profitability in the online segment remain the key catalysts for the stock going forward.
- We raise our EBITDA estimates for FY25/FY26 by 14%/11%, factoring in a CAGR of 17%/48% in revenue/ EBITDA over FY24-26. **We reiterate our Neutral rating with a TP of INR3,500 (premised on 35x pre Ind-AS EV/EBITDA on Mar'26E).**

Consolidated - Quarterly Earning Model

Y/E March	(INR m)											
	FY24				FY25E				FY24	FY25E	FY25	Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1QE	Var. (%)
Revenue	6,785	5,494	8,891	6,686	7,861	6,372	10,138	8,219	27,856	32,590	7,860	0
YoY Change (%)	15.4	8.5	14.4	12.6	15.9	16.0	14.0	22.9	13.0	17.0	15.8	
Total Expenditure	6,261	5,488	7,694	6,284	6,871	6,117	8,618	7,373	25,725	28,979	7,189	-4
EBITDA	525	7	1,197	402	990	255	1,521	846	2,131	3,611	671	48
EBITDA Margin (%)	7.7	0.1	13.5	6.0	12.6	4.0	15.0	10.3	7.6	11.1	8.5	
Depreciation	499	532	583	607	568	602	638	697	2,221	2,506	613	-7
Interest	330	359	376	359	375	375	375	293	1,424	1,417	352	7
Other Income	15	20	130	44	46	56	67	71	210	240	60	-23
PBT	-290	-864	369	-520	93	-667	574	-73	-1,305	-72	-234	-140
Tax	-70	-223	87	-131	-28	202	-174	-18	-337	-18	-59	
Rate (%)	24.2	25.8	23.5	25.1	-30.3	-30.3	-30.3	24.2	25.9	25.0	25.0	
Reported PAT	-219	-641	282	-389	121	-868	748	-55	-968	-54	-176	-169
Adj PAT	-219	-641	282	-389	121	-868	748	-55	-968	-54	-176	-169
YoY Change (%)	-207.3	466.8	41.3	5.3	-155.3	35.4	165.0	-85.8	1,132.9	-94.4	-19.9	

Exhibit 1: Valuation based on FY26E EBITDA

	Methodology	Driver (INR m)	Multiple	Fair Value (INRm)	Value/sh (INR)
EBITDA	FY26E EV/EBITDA	4,693	18	84,466	4,272
Less Net debt				15,181	768
Total Value				69,285	3,500
Shares o/s (m)				19.8	
CMP (INR)					3,252
Upside (%)					8

Source: MOFSL, Company

Segment wise

- SSSG for VMart and Unlimited stood at 12% and 8%, respectively.
- **Limeroad** revenue declined 33% YoY to INR116m. This is positive, as it curtail the consol EBITDA loss.
- **Unlimited** revenue, with throughput of ~INR1,719/sqft, stood at ~INR1.3b, up ~5% YoY.
- **V-Mart (core)** revenue stood at ~INR6.5b (calculated), up ~20% YoY, with throughput of ~INR2,235/sqft.



Concall highlights

Demand Environment:

- The management is getting a good response in July, similar to 1Q.
- In addition, the management is hopeful as the festive season begins in 2Q, compared to 3Q last year.
- The retailers, who cater to the higher end of the value segment, are facing some pressure.

Company efforts: The company has been focusing on the GenZ collection, adapting to the changing needs of consumers and focusing on quality. This has enabled it to increase the footfall across stores.

Unlimited:

- The company's pricing approach at Unlimited in the southern market has been well appreciated and the management is gaining confidence from the same.
- Unlimited sales were marginally impacted by store closures (15 stores since last year). Normalizing for the same, sales growth would be 18%, in line with V-Mart sales.

Limeroad:

- The company has opened a Limeroad store in Hubli, Karnataka, which is a pilot store where the company has tried to bring in more elevated fashion with lighter density of inventory. The prices are same or even lower. It is trying to make a niche market for new generation customers. The management will experiment with the Limeroad brand and plans to open 4-5 more pilot stores. Based on their performance, it will decide on budget allocation next year.
- The company has cut down on marketing spending on Limeroad to make the business sustainable. This affected sales (INR116m vs. INR174m YoY).
- The management expects a QoQ reduction in EBITDA loss (20-30%) of Limeroad over the next few quarters.
- In terms of losses in Limeroad, the management expects this year to be half of previous year.

ASP:

- The apparel ASP grew 3%, led by product mix. ASP declined in South because of a strategic shift toward sharper and more value-driven product pricing.
- The company took its last price hike two years ago. For the last one year, it has been decreasing prices. The management expects ASP to stabilize at these levels.

Margins:

- The decrease in revenue of Limeroad affected the gross margin by 60bp at the company level.
- Overall, lower discounting and LFL growth will help to improve or sustain margin in future, as per the management.
- The management expects FY25 gross margin of its offline business to remain steady YoY.
- The management expects to reach the pre-Covid EBITDA margin of 8-10% once it starts clocking SSSG of 10% or high single digits on a consecutive basis. However, the management is affirmative of reaching the said level at the exit of next year.

Store guidance: The management maintains the store expansion target of 50 stores. It expects to close 3-4 stores during the year. It aims to open more stores before the festival season.

Others:

- Marketing expenses decreased 59%, primarily led by a decrease in marketing spending in Limeroad.
- As per the management, new stores tend to deliver higher margins. For new stores, the plan is to take the store at the company's EBITDA level within two months of operations.
- About 70% of sales come from repeat customers.
- Geographic performance: Overall, all states saw good growth, while states like UP, Bihar, Uttarakhand, West Bengal and Karnataka saw relatively better traction in footfall.

Exhibit 2: Quarterly performance

P&L (INR m)	1QFY24	4QFY24	1QFY25	YoY%	QoQ%	1QFY25E	v/s est (%)
Revenue	6,785	6,686	7,861	15.9	17.6	7,860	0.0
Raw Material cost	4,358	4,567	5,094	16.9	11.5	5,208	-2.2
Gross Profit	2,427	2,119	2,767	14.0	30.6	2,652	4.4
Gross Margin (%)	35.8	31.7	35.2	-57bps	350bps	33.7	146bps
Employee Costs	717	670	841	17.3	25.5	765	9.8
Other Expenses	1,186	1,047	937	-21.0	-10.5	1,215	-22.9
EBITDA	525	402	990	88.7	146.0	671	47.5
EBITDA margin (%)	7.7	6.0	12.6	486bps	NM	8.5	406bps
Depreciation and amortization	499	607	568	13.8	-6.5	613	-7.4
EBIT	25	-205	422	1554.3	NM	57	633.9
EBIT margin (%)	0.4	-3.1	5.4	499bps	NM	0.7	463bps
Finance Costs	330	359	375	13.5	4.4	352	6.6
Other income	15	44	46	207.9	4.7	60	-22.7
Exceptional item	0	0	0	0.0	0.0	0	NM
Profit before Tax	-290	-520	93	-132.2	-117.9	-234	-139.8
Tax	-70	-131	-28	-59.8	-78.4	-59	-51.9
Tax rate (%)	24.2	25.1	-30.3	-5450bps	-5540bps	25.0	-5526bps
Profit after Tax	-219	-389	121	-155.3	-131.2	-176	-169.1

Source: MOFSL, Company

Exhibit 3: Summary of our revised estimates

Particulars	FY25E	FY26E
Revenue (INR m)		
Old	32,313	37,331
Actual/New	32,590	37,900
Change (%)	0.9	1.5
EBITDA (INR m)		
Old	3,177	4,211
Actual/New	3,611	4,693
Change (%)	13.7	11.4
EBITDA margin (%)		
Old	9.8	11.3
Actual/New	11.1	12.4
Change (bp)	125	110
Net Profit (INR m)		
Old	-421	273
Actual/New	-54	534
Change (%)	87.2	95.4
EPS (INR)		
Old	-23	15
Actual/New	-3	30
Change (%)	87.2	95.4

Source: MOFSL, Company

Story in charts

Exhibit 4: Revenue growth led by SSSG

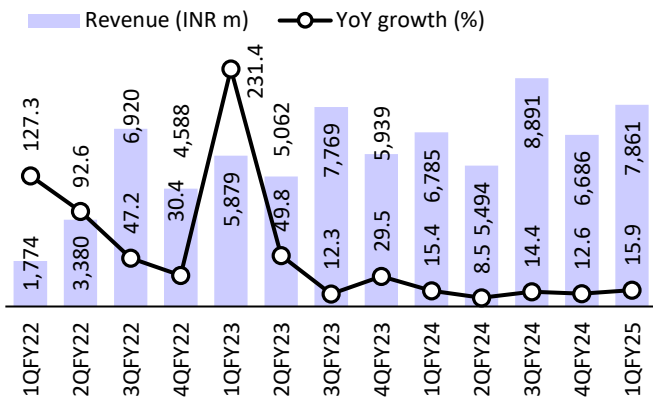


Exhibit 5: Gross margin contracted YoY led by decrease in Limeroad revenue contribution

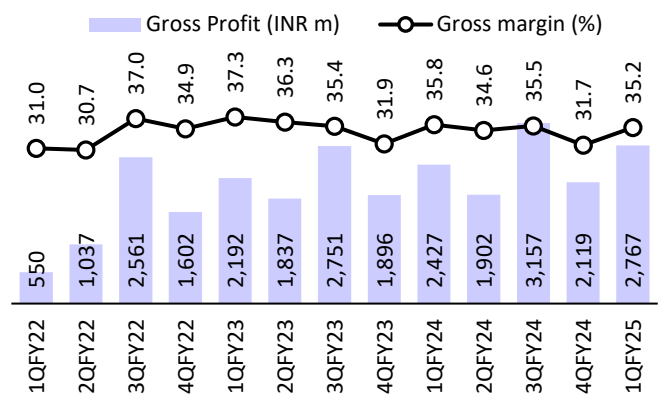


Exhibit 6: SSSG improvement, decline in LR losses/ad spending aided EBITDA improvement

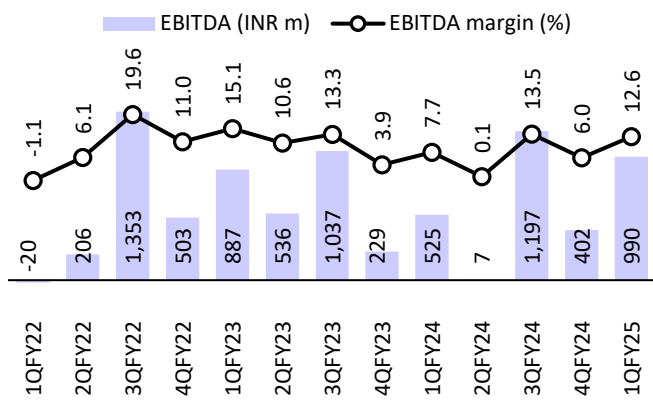
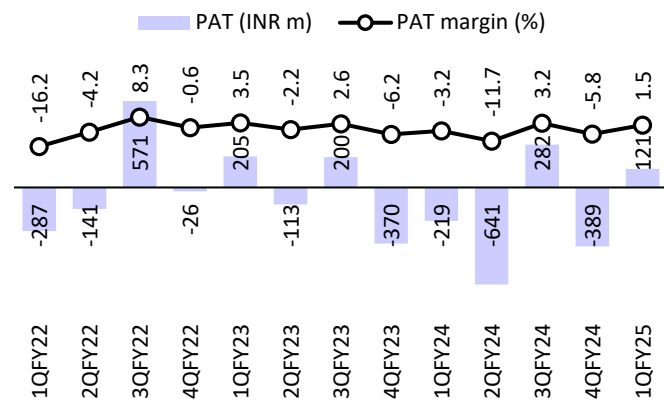
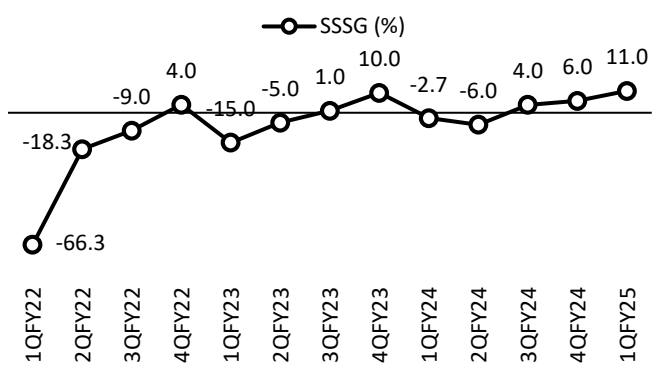


Exhibit 7: PAT turned positive led by EBITDA improvement



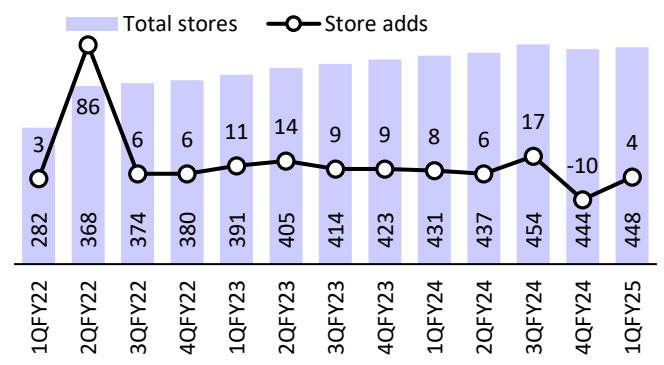
Source: Company, MOFSL

Exhibit 8: SSSG improving from the last three quarters



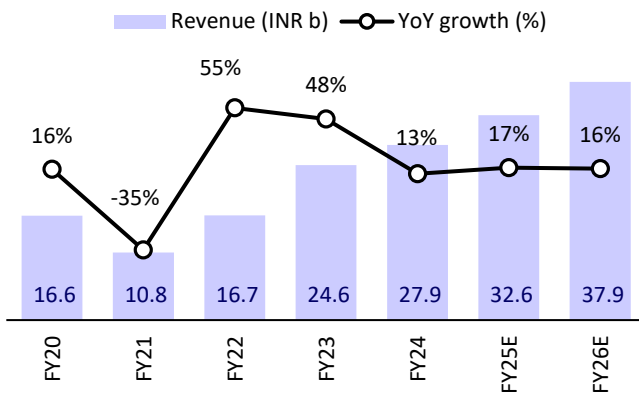
Source: Company, MOFSL

Exhibit 9: Closed 3 stores and opened 7 stores; total 448 stores



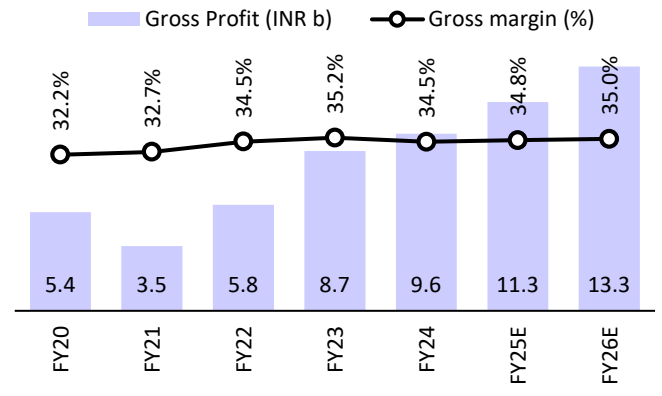
*incl 74 stores for unlimited from 2QFY22 Source: Company, MOFSL

Exhibit 10: Expect 17% revenue CAGR over FY24-26



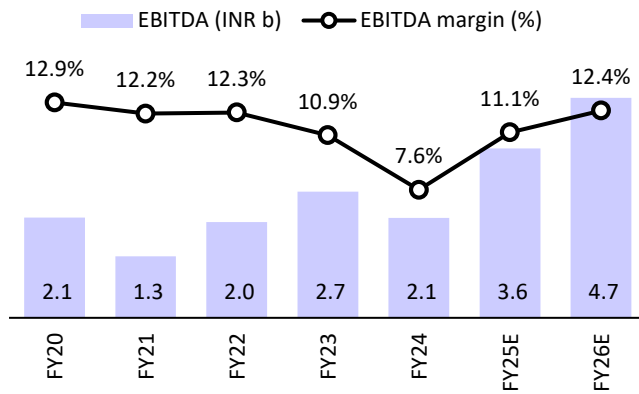
Source: Company, MOFSL

Exhibit 11: Expect 50bp improvement in GM over FY24-26



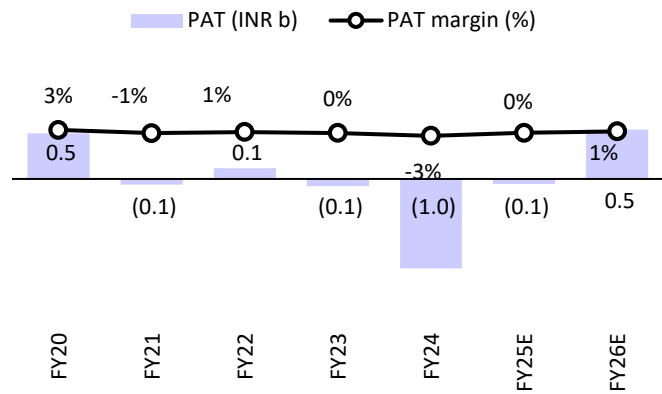
Source: Company, MOFSL

Exhibit 12: Expect 48% EBITDA CAGR over FY24-26



Source: Company, MOFSL

Exhibit 13: Expect PAT trend to improve from FY26



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Income from Operations	14,337	16,620	10,755	16,662	24,648	27,856	32,590	37,900
Change (%)	17.3	15.9	-35.3	54.9	47.9	13.0	17.0	16.3
Raw Materials	9,703	11,263	7,236	10,911	15,971	18,251	21,255	24,642
Employees Cost	1,257	1,536	1,169	1,796	2,555	2,871	3,324	3,714
Other Expenses	996	396	1,038	1,821	3,178	4,604	4,400	4,851
Total Expenditure	13,008	14,483	9,442	14,618	21,959	25,725	28,979	33,208
% of Sales	90.7	87.1	87.8	87.7	89.1	92.4	88.9	87.6
EBITDA	1,329	2,137	1,312	2,043	2,689	2,131	3,611	4,693
Margin (%)	9.3	12.9	12.2	12.3	10.9	7.6	11.1	12.4
Depreciation	276	939	1,030	1,307	1,800	2,221	2,506	2,760
EBIT	1,053	1,198	282	736	889	-91	1,106	1,933
Int. and Finance Charges	16	548	589	772	1,169	1,424	1,417	1,481
Other Income	59	45	210	140	150	210	240	260
PBT Bif. EO Exp.	1,096	695	-97	104	-130	-1,305	-72	712
EO Items	-98	0	0	0	0	0	0	0
PBT after EO Exp.	998	695	-97	104	-130	-1,305	-72	712
Total Tax	382	202	-35	-12	-52	-337	-18	178
Tax Rate (%)	38.3	29.0	35.8	-12.0	39.7	25.9	25.0	25.0
Minority Interest	0	0	0	0	0	0	0	0
Reported PAT	616	493	-62	116	-78	-968	-54	534
Adjusted PAT	715	493	-62	116	-78	-968	-54	534
Change (%)	-8.0	-31.0	-112.6	-287.7	-167.4	1,132.9	-94.4	-1,094.0
Margin (%)	5.0	3.0	-0.6	0.7	-0.3	-3.5	-0.2	1.4

Consolidated - Balance Sheet

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	181	182	197	197	198	198	198	198
Total Reserves	3,911	4,408	8,055	8,299	8,292	7,272	7,218	7,753
Net Worth	4,093	4,589	8,252	8,496	8,490	7,470	7,416	7,950
Minority Interest	0	0	0	0	0	0	0	0
Total Loans	0	11	0	0	1,478	1,100	2,000	2,000
Deferred Tax Liabilities	-118	-160	-253	-386	-531	-874	-874	-874
Other long term liabilities	111	5,218	5,751	9,131	11,964	12,938	13,350	13,558
Lease Liabilities		5,157	5,678	9,022	11,838	12,813	13,278	13,486
Capital Employed	4,086	9,658	13,750	17,240	21,400	20,633	21,893	22,635
Net Fixed Assets	1,655	6,670	6,965	11,110	14,455	16,607	16,913	17,305
Right to use assets		4,921	5,180	8,283	10,643	11,197	10,824	10,501
Capital WIP	40	25	22	64	1,092	38	38	38
Total Investments	607	79	3,189	1,248	85	47	47	47
Curr. Assets, Loans&Adv.	3,898	5,302	5,836	8,186	11,261	10,885	12,303	13,860
Inventory	3,290	4,779	4,283	6,682	8,706	8,161	9,375	10,384
Account Receivables	0	0	0	0	0	0	0	0
Cash and Bank Balance	166	50	275	351	202	272	159	258
Loans and Advances	443	473	1,278	1,153	2,353	2,452	2,768	3,219
Curr. Liability & Prov.	2,114	2,418	2,261	3,368	5,493	6,945	7,408	8,615
Account Payables	1,483	1,968	1,917	2,906	4,883	6,337	6,697	7,788
Other Current Liabilities	534	451	345	462	610	608	712	828
Provisions	97	0	0	0	0	0	0	0
Net Current Assets	1,784	2,884	3,574	4,818	5,768	3,940	4,894	5,245
Appl. of Funds	4,086	9,658	13,750	17,240	21,400	20,633	21,893	22,635

Financials and valuations

Ratios								
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	39.5	27.3	-3.4	6.4	-4.3	-53.5	-3.0	29.5
Cash EPS	54.8	79.2	53.5	78.7	95.1	69.3	135.5	182.0
BV/Share	226.1	253.6	456.0	469.5	469.1	412.8	409.8	439.3
DPS	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	6.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)								
P/E	82.3	119.3	NM	505.5	NM	NM	NM	110.2
Cash P/E	59.4	41.1	60.8	41.3	34.2	46.9	24.0	17.9
P/BV	14.4	12.8	7.1	6.9	6.9	7.9	7.9	7.4
EV/Sales	4.1	3.5	5.9	3.8	2.7	2.3	2.0	1.7
EV/EBITDA	44.1	30.0	53.0	35.7	28.8	36.6	22.0	17.0
Dividend Yield (%)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	19.7	17.5	55.2	-81.3	-49.3	134.0	53.5	133.5
Return Ratios (%)								
RoE	18.9	11.4	NM	1.4	NM	NM	NM	7.0
RoCE	18.1	12.7	2.7	6.2	3.2	0.4	4.6	7.1
RoIC	21.2	13.3	1.8	6.4	3.0	-0.3	4.0	6.6
Working Capital Ratios								
Fixed Asset Turnover (x)	8.7	2.5	1.5	1.5	1.7	1.7	1.9	2.2
Asset Turnover (x)	3.5	1.7	0.8	1.0	1.2	1.4	1.5	1.7
Inventory (Days)	84	105	145	146	129	107	105	100
Debtor (Days)	0	0	0	0	0	0	0	0
Creditor (Days)	38	43	65	64	72	83	75	75
Leverage Ratio (x)								
Current Ratio	1.8	2.2	2.6	2.4	2.0	1.6	1.7	1.6
Interest Cover Ratio	65.3	2.2	0.5	1.0	0.8	-0.1	0.8	1.3
Net Debt/Equity	-0.2	0.0	-0.4	-0.2	0.1	0.1	0.2	0.2

Consolidated - Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) Before Tax	993	695	-97	104	-130	-1,305	-72	712
Depreciation	268	939	1,030	1,307	1,800	2,221	2,506	2,760
Interest & Finance Charges	16	548	589	772	1,169	1,424	1,417	1,481
Direct Taxes Paid	-332	-241	-35	-118	-182	-26	18	-178
(Inc)/Dec in WC	-270	-1,091	182	-1,985	-857	1,716	-1,119	-252
CF from Operations	674	850	1,669	80	1,800	4,030	2,750	4,522
Others	89	13	-176	-192	8	-171	-240	-260
CF from Operating incl EO	763	863	1,493	-113	1,808	3,859	2,510	4,262
(Inc)/Dec in FA	-407	-546	-406	-1,494	-2,783	-1,209	-1,451	-1,621
Free Cash Flow	357	317	1,087	-1,606	-976	2,650	1,059	2,641
(Pur)/Sale of Investments	-339	550	-3,092	2,676	1,192	46	0	0
Others	12	2	-690	54	5	-14	240	260
CF from Investments	-734	5	-4,188	1,237	-1,586	-1,178	-1,211	-1,361
Issue of Shares	19	13	3,713	76	35	7	0	0
Inc/(Dec) in Debt	-3	8	-11	0	1,478	-378	900	0
Interest Paid	-16	-933	-589	-772	-1,164	-1,427	0	0
Dividend Paid	-44	-31	0	0	-15	0	0	0
Others	0	0	-244	-349	-708	-792	-2,312	-2,803
CF from Fin. Activity	-44	-943	2,869	-1,045	-374	-2,590	-1,412	-2,803
Inc/Dec of Cash	-14	-75	174	80	-152	92	-113	98
Opening Balance (excluding bank bal.)	137	123	48	222	302	150	242	128
Closing Balance	123	48	222	302	150	242	128	227
Bank balance	43	1	53	49	52	31	31	31
Closing Balance (including bank balance)	166	50	275	351	202	273	159	258

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SELL	< - 10%
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