

**Growth Story Remains on Track; Maintain BUY**
**Est. Vs. Actual for Q3FY25:** Revenue – **INLINE** ; EBITDA – **BEAT**; PAT – **BEAT**
**Changes in Estimates post Q3FY25**
**FY26E/FY27E:** Revenue: -2%/-1%; EBITDA: 3%/2%, PAT: -18%/-3%

**Recommendation Rationale**

- Beating Operating performance:** V-Mart Retail posted a healthy 15.5% YoY revenue growth, which was in line with expectations and driven by a robust 10% YoY same-store sales growth (SSSG). Demand remained strong, supported by the festive season, followed by wedding and winter sales that picked up in December. Management noted early signs of recovery in semi-urban and rural markets. EBITDA margins expanded by 323 bps to 16.7%, led by gross margin expansion, the closure of loss-making Unlimited stores, and a 54% reduction in Lime Road losses. Management remains optimistic about demand recovery, backed by sustained growth in footfalls.
- Long-term Story Intact:** The company has implemented key measures, including 1) Reducing expenses and losses to bring the Lime Road business toward profitability, with Lime Road losses reduced by 54% YoY in Q3FY25; 2) Enhancing its Omni-channel model, which is aiding in customer retention for V-Mart and Unlimited; 3) Emphasizing product quality aligned with the latest fashion trends; and 4) Maintaining its store opening guidance at 50 stores per year. Additionally, demand is anticipated to recover going forward, supported by a budget boost and government initiatives benefiting V-Mart's core customer base. Furthermore, stable inflation is expected to bolster the company's mid to long-term prospects.

**Sector Outlook: Positive**
**Company Outlook & Guidance:** We have marginally increased our FY25/26 EBITDA estimates as we remain positive on the stock.

**Current Valuation:** 20x Dec-26 EV/EBITDA (Earlier valuation: 23x Dec-26 EV/EBITDA)

**Current TP:** Rs 4,370/share (vs. earlier TP of Rs 5,000/share).

**Recommendation:** With a 24% upside potential from the CMP, we **maintain our BUY** rating on the stock.

**Financial Performance**

Revenue grew 16% YoY, driven by same-store sales growth (SSSG) of 10% YoY and a 40% YoY increase in footfall. Gross margins improved by 25 bps YoY to 35.8%, supported by improved sell-through of new winter merchandise. EBITDA margins improved to 16.7%, up 323 bps, led by a 54% reduction in Lime Road losses and strong operating leverage. The company incurred Rs 83 Cr in capex during 9MFY25, primarily for 49 new store openings and refurbishments. Net PAT stood at Rs 72 Cr.

**Key Financials (Standalone)**

(Rs Cr)	Q3FY25	QoQ (%)	YoY (%)	Axis Est.	Variance (%)
Net Sales	1,027	55.3	15.5	1,027	(0.0)
EBITDA	171	343.7	43.2	140	22.5
EBITDA Margin (%)	16.7	1085 bps	323 bps	13.6	306 bps
Net Profit	72	(226.8)	153.7	30	138.8
EPS (Rs)	36	(226.8)	153.7	15	138.8

Source: Company, Axis Research

 (CMP as of 05<sup>th</sup> February 2025)

CMP (Rs)	3521
Upside /Downside (%)	24%
High/Low (Rs)	4517/1814
Market cap (Cr)	6972
Avg. daily vol. (6m)Shrs '000.	41
No. of shares (Cr)	2

**Shareholding (%)**

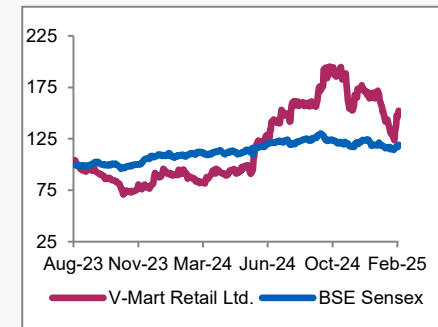
	Jun-24	Sep-24	Dec-24
Promoter	44.3	44.3	44.3
FII's	15.5	16.0	17.3
MFs / UTI	30.6	31.5	31.7
FUs/ Banks	0.0	0.0	0.0
Others	9.6	8.2	6.7

**Financial & Valuations**

Y/E Mar (Rs Cr)	FY25E	FY26E	FY27E
Net Sales	3,203	3,723	4,326
EBITDA	371	443	514
Net Profit	-1	44	96
EPS (Rs)	(0.6)	22.0	48.5
PER (x)		159.8	72.6
EV/EBITDA (x)	22.2	18.3	15.5
RoE (%)	9.3	8.8	7.9

**Change in Estimates (%)**

Y/E Mar	FY26E	FY27E
Sales	-2%	-1%
EBITDA	3%	2%
PAT	-18%	-3%

**Relative Performance**


Source: Ace Equity, Axis Securities

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## Outlook

The company is actively pursuing steps to achieve its objectives: 1) Reducing expenses and losses by closing unprofitable Unlimited stores and steering the Lime Road business toward profitability; 2) Strengthening its omnichannel model to regain customers of V-Mart and Unlimited; 3) Focusing on product quality and staying aligned with fashion trends; and 4) Adhering to its store opening target of 55 stores per year. Additionally, demand is expected to recover further, particularly in rural and smaller towns (V-Mart's core customer base), supported by a budget boost, government infrastructure spending, and stable inflation, projected to enhance the company's prospects over the mid-to-long term.

## Valuation & Recommendation

We remain optimistic about the company and expect Revenue/EBITDA growth of 16%/33% CAGR over FY24-27E. **We maintain our BUY rating on the stock with a revised TP of Rs 4,370/share. Our TP implies an upside of 24% from the CMP.**

## Other Concall highlights

- **Expansion Strategy:** In Q3FY25, V-Mart Retail expanded its footprint with 19 new V-Mart stores and 2 Unlimited stores, bringing the total count to 488 (403 V-Mart and 85 Unlimited stores). The company remains on track to meet its FY25 target of net 50 store openings, with the rationalisation of unprofitable stores largely complete—only 3-4 more closures are expected based on performance reviews. Management continues to adopt a cautious and strategic approach toward new store expansions, ensuring sustainable growth.
- **Segment-wise Performance:** V-Mart reported a 19% sales growth, while Unlimited posted a more modest 6% increase. Despite an 11% like-to-like (LTL) growth, Unlimited's overall performance was impacted by the closure of 12 unprofitable stores in the previous year, creating an unfavourable base effect.
- **ASP:** The average selling price (ASP) remained stable for V-Mart, while Unlimited saw a 5% decline due to shifts in its merchandise mix. ASP is expected to stay within a similar range, barring seasonal or mix-related fluctuations. LTL sales growth was consistent across all tiers. Tier III and Tier IV stores in Southern India performed slightly better than Tier I and Tier II, reflecting the successful adaptation of V-Mart's small-town strategy within Unlimited. For the V-Mart brand, LTL growth remained uniform across most market segments.
- **Inventory Days:** Inventory days improved by 15% YoY to 92 days, with quarter-end inventory standing at Rs 18 Cr. The company continues to enhance product management through technology-driven advancements in design, sourcing, quality control, and replenishment cycles, leading to improved sell-through rates and healthier inventory levels. While progress has been made, management remains focused on further optimising inventory cycles through ongoing initiatives and strategic improvements on the product front.
- **LimeRoad – Continued Improvement in Profitability:** LimeRoad's business remains on an improvement trajectory, with EBITDA losses narrowing by 54% YoY in Q3, marking the seventh consecutive quarter of reduction. The strategy remains focused on positioning LimeRoad as V-Mart's fashion-forward omni-channel arm, enhancing customer experience by enabling seamless order placements through the app. Initially aimed at addressing size and colour unavailability in offline stores, the platform is gradually expanding to offer a more expansive product catalogue beyond the physical retail footprint.

## Key Risks to Our Estimates and TP

- Increase in competitive intensity,
- Weakening demand environment.

## Change in Estimates

	Old est.		Revised est.		% Revision	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	3,810	4,386	3,723	4,326	-2%	-1%
EBITDA	431	503	443	514	3%	2%
PAT	53	99	44	96	-18%	-3%
EPS (Rs)	27	50	22	48	-18%	-3%

Source: Company, Axis Securities

**Results Review**

	Q3FY24	Q2FY25	Axis Est.	Q3FY25	% Change (YoY)	% Change (QoQ)	Axis Est. Var (%)
<b>Net Sales</b>	<b>889</b>	<b>661</b>	<b>1,027</b>	<b>1,027</b>	<b>15.5</b>	<b>55.3</b>	<b>(0.0)</b>
<b>Gross Profit</b>	<b>316</b>	<b>222</b>	<b>359</b>	<b>367</b>	<b>16.3</b>	<b>65.3</b>	<b>2.2</b>
<b>Gross Margin (%)</b>	<b>35.5</b>	<b>33.6</b>	<b>35.0</b>	<b>35.8</b>	<b>25 bps</b>	<b>216 bps</b>	<b>76 bps</b>
Employee Expenses	77	87	89	95	23.6	10.2	7.5
Other Expenses	119	97	131	100	(15.5)	3.6	(23.1)
<b>EBITDA</b>	<b>120</b>	<b>39</b>	<b>140</b>	<b>171</b>	<b>43.2</b>	<b>343.7</b>	<b>22.5</b>
<b>EBITDA Margin (%)</b>	<b>13.5</b>	<b>5.8</b>	<b>13.6</b>	<b>16.7</b>	<b>323 bps</b>	<b>1085 bps</b>	<b>306 bps</b>
Oth. Inc	13	2	2	3	(74.1)	91.0	89.1
Interest	38	39	40	42	13.0	8.4	7.3
Depreciation	58	59	62	63	7.4	5.6	0.6
<b>PBT</b>	<b>37</b>	<b>(58)</b>	<b>40</b>	<b>70</b>	<b>89.1</b>	<b>(220.3)</b>	<b>74.4</b>
Tax	9	(1)	10	(2)	(121.8)	27.7	(118.9)
<b>PAT</b>	<b>28</b>	<b>(57)</b>	<b>30</b>	<b>72</b>	<b>153.7</b>	<b>(226.8)</b>	<b>138.8</b>
<b>EPS</b>	<b>14</b>	<b>(29)</b>	<b>15</b>	<b>36</b>	<b>153.7</b>	<b>(226.8)</b>	<b>138.8</b>

Source: Company, Axis Securities

## Financials (Standalone)

### Profit & Loss

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
<b>Net sales</b>	<b>2,786</b>	<b>3,203</b>	<b>3,723</b>	<b>4,326</b>
Growth, %	13.0	15.0	16.3	16.2
Total income	2,786	3,203	3,723	4,326
Raw material expenses	(1,825)	(2,098)	(2,420)	(2,812)
Employee expenses	(287)	(310)	(372)	(454)
Other Operating expenses	(23,613)	(25,910)	(30,009)	(34,849)
<b>EBITDA (Core)</b>	<b>213</b>	<b>371</b>	<b>443</b>	<b>514</b>
Growth, %	(20.8)	74.0	19.4	16.1
Margin, %	7.6	11.6	11.9	11.9
Depreciation	(222)	(231)	(244)	(246)
<b>EBIT</b>	<b>(9)</b>	<b>140</b>	<b>199</b>	<b>269</b>
Growth, %	(110.2)	(1,645.0)	41.6	35.3
Margin, %	(0.3)	4.4	5.3	6.2
Interest paid	(142)	(157)	(158)	(161)
Other Income	21	15	18	22
<b>Pre-tax profit</b>	<b>(131)</b>	<b>(2)</b>	<b>59</b>	<b>130</b>
Tax provided	34	0	(15)	(34)
<b>Profit after tax</b>	<b>(97)</b>	<b>(1)</b>	<b>44</b>	<b>96</b>
Growth, %	1,132.6	(98.7)	(3,657.8)	120.0
<b>Net Profit (adjusted)</b>	<b>(10)</b>	<b>(0)</b>	<b>4</b>	<b>10</b>
Unadj. shares (Cr)	2	2	2	2
Wtdavg shares (Cr)	2	2	2	2

Source: Company, Axis Securities

### Balance Sheet

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Cash & bank	27	99	223	395
Marketable securities at cost	5	5	5	5
Debtors	-	-	-	-
Inventory	816	938	1,091	1,267
Other current assets	187	187	187	187
Total current assets	1,035	1,229	1,505	1,854
Investments	-	-	-	-
Gross fixed assets	2,067	2,197	2,327	2,457
Less: Depreciation	(406)	(637)	(881)	(1,126)
Add: Capital WIP	4	4	4	4
Net fixed assets	1,665	1,564	1,450	1,334
Non-current assets	59	59	59	59
<b>Total assets</b>	<b>2,845</b>	<b>2,939</b>	<b>3,101</b>	<b>3,334</b>
Current liabilities	8,922	9,870	11,054	12,426
Provisions	-	-	-	-
Total current liabilities	8,922	9,870	11,054	12,426
Non-current liabilities	1,206	1,206	1,206	1,206
Total liabilities	2,098	2,193	2,312	2,449
Paid-up capital	20	20	20	20
Reserves & surplus	727	726	770	865
Shareholders' equity	747	746	789	885
<b>Total equity &amp; liabilities</b>	<b>2,845</b>	<b>2,939</b>	<b>3,101</b>	<b>3,334</b>

Source: Company, Axis Securities

**Cash Flow**

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Pre-tax profit	(131)	(2)	59	130
Depreciation	222	231	244	246
Chg in working capital	164	(27)	(34)	(39)
Total tax paid	(1)	0	(15)	(34)
<b>Cash flow from operating activities</b>	<b>255</b>	<b>202</b>	<b>254</b>	<b>302</b>
Capital expenditure	(332)	(130)	(130)	(130)
Other investing activities	-	-	-	-
<b>Cash flow from investing activities</b>	<b>(328)</b>	<b>(130)</b>	<b>(130)</b>	<b>(130)</b>
Free cash flow	(73)	72	124	172
Dividend (incl. tax)	-	-	-	-
Other financing activities	-	-	-	-
<b>Cash flow from financing activities</b>	<b>80</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net change in cash	6	72	124	172

Source: Company, Axis Securities

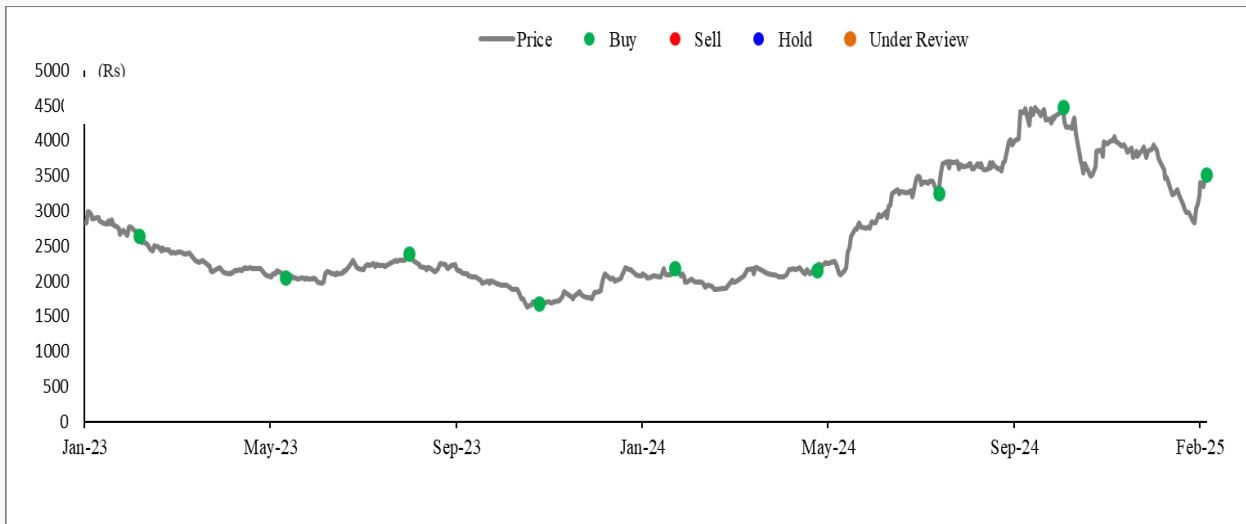
**Ratio Analysis**

(%)

Y/E March	FY24	FY25E	FY26E	FY27E
<b>Per Share data</b>				
EPS (INR)	(48.9)	(0.6)	22.0	48.5
Growth, %				120.0
FDEPS (INR)	(48.9)	(0.6)	22.0	48.5
CFPS (INR)	122.1	94.8	119.0	141.6
DPS (INR)	-	-	-	-
<b>Return ratios</b>				
Return on assets (%)	1.6	5.4	6.7	8.0
Return on equity (%)	(13.0)	(0.2)	5.5	10.8
Return on capital employed (%)	2.3	7.9	10.2	12.6
<b>Turnover ratios</b>				
Asset turnover (x)	1.4	1.7	2.0	2.4
Sales/Total assets (x)	1.0	1.1	1.2	1.3
Sales/Net FA (x)	1.7	2.0	2.5	3.1
Working capital/Sales (x)	0.0	0.0	0.0	0.0
Receivable days	-	-	-	-
Inventory days	106.9	106.9	106.9	106.9
Payable days	89.9	93.9	94.2	94.2
Working capital days	14.5	15.7	16.9	17.8
<b>Liquidity ratios</b>				
Current ratio (x)	1.2	1.2	1.4	1.5
Quick ratio (x)	0.2	0.3	0.4	0.5
Interest cover (x)	(0.1)	0.9	1.3	1.7
Total debt/Equity (%)	1.7	1.7	1.6	1.4
<b>Valuation</b>				
PER (x)			159.8	72.6
PEG (x) - y-o-y growth	(0.1)	57.6	(0.0)	0.6
Price/Book (x)	9.3	9.3	8.8	7.9
EV/Net sales (x)	3.0	2.6	2.2	1.8
EV/EBITDA (x)	39.1	22.2	18.3	15.5
EV/EBIT (x)		58.8	40.9	29.6

Source: Company, Axis Securities

## V-Mart Retail Price Chart and Recommendation History



Date	Reco	TP	Research
08-Feb-23	BUY	3,300	Result Update
19-May-23	BUY	2,500	Result Update
11-Aug-23	BUY	2,650	Result Update
07-Nov-23	BUY	1,870	Result Update
09-Feb-24	BUY	2,450	Result Update
16-May-24	BUY	2,400	Result Update
07-Aug-24	BUY	3,650	Result Update
31-Oct-24	BUY	5,000	Result Update
06-Feb-25	BUY	4,370	Result Update

Source: Axis Securities

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<b>Ratings</b>	<b>Expected absolute returns over 12 – 18 months</b>
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.