

# V-Mart Retail

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	VMART IN
Equity Shares (m)	79
M.Cap.(INRb)/(USDb)	53.9 / 0.6
52-Week Range (INR)	962 / 458
1, 6, 12 Rel. Per (%)	8/-12/-19
12M Avg Val (INR M)	443

## Financials & Valuations (INR b)

Y/E March	FY26	FY27E	FY28E
Sales	37.9	44.7	52.0
EBITDA	5.1	6.2	7.6
NP	1.2	1.6	2.0
EBITDA Margin (%)	13.6	13.9	14.7
Adj. EPS (INR)	15.7	19.6	25.3
EPS Gr. (%)	506.7	24.7	29.0
BV/Sh. (INR)	119.8	139.5	164.8

## Ratios

Net D:E	1.0	1.0	0.8
RoE (%)	14.2	15.1	16.7
RoCE (%)	10.6	11.0	12.0

## Valuations

P/E (x)	42.8	34.3	26.6
EV/EBITDA (x)	12.2	10.3	8.5
EV/Sales (x)	1.4	1.2	1.0

## Shareholding pattern (%)

As of	Mar-26	Dec-25	Mar-25
Promoter	44.2	44.2	44.3
DII	31.9	32.5	32.9
FII	16.9	17.0	17.5
Others	7.0	6.4	5.3

FII includes depository receipts

**CMP: INR678 TP: INR900 (+33%) Buy**

## Strong end to FY26; impact of raw material inflation key near-term monitorable

- VMART delivered a strong 4QFY26 with ~25% YoY revenue growth on the back of a sharp acceleration in blended SSSG to 12% (vs. flat in 3QFY26).
- Pre-IND AS EBITDA grew 5.2x YoY as margin expanded ~250bp YoY, driven by operating leverage, partly offset by elevated inventory provisioning and higher A&P spends (both were muted in 9MFY26).
- Management indicated that the demand environment remains stable and the company has been taking several steps to cushion the challenges posed by raw material inflation and their availability (secured most of the supplies till Dec'26) without necessitating a significant price hike.
- Medium-term guidance has been retained at ~13-15% annual area additions, with SSSG target of 5-8%.
- We moderate our FY27 gross margin estimate by ~50bp and, as a result, cut our FY27-28E pre-INDAS EBITDA estimates by 6-7%.
- We now model a CAGR of 17%/23%/27% in revenue/Pre-IND AS EBITDA/adj. PAT over FY26-28E, supported by ~14% CAGR in store additions, mid-single-digit SSSG, and operating leverage benefits.
- We reiterate **BUY with a revised TP of INR900**, based on 20x FY28E EV/Pre-IND AS EBITDA. Despite the recent run-up, valuations remain undemanding at ~15x FY28E EV/pre-IND AS EBITDA (vs. ~29x for VMM).

## Strong 4Q with 12% SSSG and ~250bp pre-IND AS EBITDA margin expansion

- 4QFY26 revenue grew 24.5% YoY (already disclosed) to INR9.7b, driven by 12% blended SSSG and ~16% YoY store additions.
- V-Mart opened 29 new stores (25 in V-Mart and four in Unlimited) and closed six stores (five in V-Mart and one in Unlimited) during 4Q, bringing the total store count to 577 (80 net additions in FY26).
- Gross profit grew 21% YoY to INR3.1b (in line), as gross margins contracted ~95bp YoY to 32.1% (~60bp miss), driven by higher inventory provision (~220bp, up 210bp QoQ and YoY).
- Employee expenses grew 3% YoY to INR1b (9% lower vs. estimates).
- Other expenses grew ~14% YoY to INR1.05b (7% higher than our estimate), driven by 27% YoY increase in A&P spends (up ~5bp YoY).
- Resultantly, reported EBITDA stood at INR1.06b (+56% YoY, in line), with margins expanding ~220bp YoY to 10.9% (~25bp miss).
- Pre-IND AS EBITDA grew 5.2x YoY to INR325m, with margins expanding ~250bp YoY to 3.3% (in line).
- Depreciation increased 47% YoY (in line) due to accelerated store additions, while interest cost rose ~11% YoY (13% below our estimate).
- V-Mart's adjusted PAT stood at INR104m (vs. our estimate of INR98m and losses YoY), led by higher EBITDA and lower finance costs.

### Solid FY26 with mid-single-digit SSSG and significant margin expansion

- Revenue grew ~16.5% YoY to INR37.9b, driven mainly by ~16% store additions and ~5% blended SSSG.
- Reported EBITDA grew 36% YoY to INR5.1b as margin expanded ~200bp YoY to 13.55%, driven by operating leverage.
- V-Mart's pre-INDAS EBITDA stood at INR2.36b (up 66% YoY), with margin expanding ~180bp YoY to 6.2%.
- Reported PAT grew 2.7x YoY to INR1.24b.

### FCF generation of INR350m in FY26 despite an increase in capex

- Inventory days declined to ~95 (vs. 111 YoY), while payable days moderated to 47 (vs. 57 YoY). As a result, core working capital days stood at 48 (vs. 53 YoY). Core WC grew at a modest ~5% YoY to INR4.97b (vs. ~16.5% YoY growth in revenue).
- Driven by a sharp increase (~66% YoY) in pre-INDAS EBITDA and favorable working capital movement, V-Mart's OCF (after leases and interest) more than doubled to INR1.95b (vs. INR0.9b YoY).
- With acceleration in store additions, capex rose ~30% YoY to INR1.6b (vs. INR1.2b YoY). Despite high capex, V-Mart's FCF (after interest and leases) stood at INR350m (vs. outflow of ~INR325m YoY).
- As a result, V-Mart's net debt (excluding leases) moderated to ~INR0.6b (from ~INR1b YoY).

### Unlimited continues its outperformance; LR losses further reduced

- **V-Mart (core):** 4Q revenue grew ~25% YoY to INR8.2b, driven by 20 net store additions (up 16% YoY) and 12% SSSG. 4Q EBITDA grew 42% YoY to INR0.9b, as margin expanded ~135bp YoY to 10.9%, driven by operating leverage.
- **Unlimited:** 4Q revenue grew ~28% YoY to INR1.5b, driven by 3 net store addition in 4Q (up 16.5% YoY) and 9% SSSG. Unlimited's 4Q EBITDA grew 63% YoY to INR205m, as margin expanded ~300bp YoY to 13.8%, driven by operating leverage and higher gross margin.
- **LimeRoad (LR):** Commission income declined ~6% YoY to INR99m (+60% QoQ), while operating loss reduced ~56% YoY to INR30m (vs. INR68m loss YoY), driven by reduction in other expenses.

### Key highlights from the management commentary

- **Demand trends:** Overall consumption environment remained healthy, particularly across tier-2 and tier-3 towns, aided by wedding season, festival demand and an early summer season where the company benefited from advance preparation of summer merchandise. While demand remained resilient, the company acknowledged that inflationary pressures on consumers' daily baskets could potentially impact sentiment if geopolitical situation-led inflation persists for a prolonged period.
- **Margins:** Gross margin contraction was primarily due to higher inventory provisioning (1% for FY26, in line with the company's long-standing policy). However, management highlighted that inventory health improved significantly, which should support better gross margins going ahead through fresher merchandise, lower markdowns, and improved product mix. EBITDA margin

expansion was led by operating leverage, lower offline marketing spends, lower ESOP expenses and continued operational efficiencies.

- **Raw material inflation:** On a ballpark basis, 10% increase in crude prices typically translates into ~5% increase in yarn costs, which eventually results in ~1.5-2% increase in apparel costs. The crude price increase has already led to around 8-9% increase in yarn prices and ~3-4% increase in garment costs in certain categories. Instead of aggressively passing on costs, the company plans selective price hikes (~1-2%), fabric optimization, lightweight material usage, vendor negotiations, and sourcing efficiencies to protect margins without hurting demand, **avoiding the sharp pricing actions seen during FY23.**
- **Store Expansion:** The company opened 80 net stores (92 gross) during FY26. Management maintained its guidance of 13-15% annual area additions. New stores are reportedly delivering throughput better than the network average, reinforcing management's confidence in store selection and market opportunity.

#### Valuation and view

- The improved productivity of VMART/Unlimited stores and lower losses in the online segment have led to an improvement in VMART's overall profitability (pre-IND AS margins up ~180bp YoY to 6.2% in FY26).
- However, VMART still lags value fashion peers on profitability, which provides room for further margin expansion.
- VMART remains a key beneficiary of the unorganized-to-organized retail shift and the massive growth opportunity in value fashion. However, raw material inflation due to the West Asia conflict and its impact on demand/margins remains a key near-term monitorable.
- We moderate our FY27 gross margin estimate by ~50bp and as a result cut our FY27-28E pre-INDAS EBITDA estimates by 6-7%.
- We now model a CAGR of 17%/23%/27% in revenue/Pre-IND AS EBITDA/adj. PAT over FY26-28E, supported by ~14% CAGR in store additions, mid-single-digit SSSG, and operating leverage benefits.
- V-Mart has run up from its recent lows, but still trades at undemanding ~15x FY28 EV/pre-IND AS EBITDA (vs. ~29x for VMM). We believe risk-reward remains attractive with mid-to-high teen growth visibility and headroom for margin expansion.
- We reiterate **BUY with a revised TP of INR900** (earlier 945), based on ~20x FY28E EV/Pre-IND AS EBITDA (implies ~10.75x reported EBITDA). VMART remains one of our top picks in retail space ([link for our detailed thesis](#)).

## Consol. Quarterly Earnings Summary

(INR m)

Y/E March	FY25				FY26				FY25	FY26	FY26	Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
<b>Revenue</b>	<b>7,861</b>	<b>6,610</b>	<b>10,267</b>	<b>7,801</b>	<b>8,852</b>	<b>8,069</b>	<b>11,264</b>	<b>9,709</b>	<b>32,539</b>	<b>37,894</b>	<b>9,710</b>	<b>0</b>
YoY Change (%)	15.9	20.3	15.5	16.7	12.6	22.1	9.7	24.5	16.8	16.5		
Total Expenditure	6,871	6,224	8,554	7,119	7,591	7,354	9,169	8,646	28,768	32,759	8,621	0
<b>EBITDA</b>	<b>990</b>	<b>386</b>	<b>1,714</b>	<b>681</b>	<b>1,262</b>	<b>715</b>	<b>2,095</b>	<b>1,063</b>	<b>3,771</b>	<b>5,135</b>	<b>1,089</b>	<b>-2</b>
EBITDA Margin (%)	12.6	5.8	16.7	8.7	14.3	8.9	18.6	10.9	11.6	13.6	11.2	
Depreciation	568	592	626	544	679	711	779	801	2,330	2,971	786	2
Interest	375	391	424	174	182	175	206	192	1,365	755	220	-13
Other Income	46	18	34	23	29	34	40	47	121	150	47	1
<b>PBT</b>	<b>93</b>	<b>-580</b>	<b>697</b>	<b>229</b>	<b>429</b>	<b>-136</b>	<b>1,150</b>	<b>116</b>	<b>198</b>	<b>1,560</b>	<b>130</b>	<b>-11</b>
Exceptionals				242			21		-242	21		
Tax	-28	-15	-19	44	93	-47	249	13	-18	308	33	
Rate (%)	-30.3	2.6	-2.7	19.1	21.8	34.8	22.1	10.8	-4.1	20.0	25.0	
<b>Reported PAT</b>	<b>121</b>	<b>-565</b>	<b>716</b>	<b>185</b>	<b>336</b>	<b>-89</b>	<b>880</b>	<b>104</b>	<b>458</b>	<b>1,231</b>	<b>98</b>	<b>6</b>
<b>Adj PAT</b>	<b>121</b>	<b>-565</b>	<b>716</b>	<b>-57</b>	<b>336</b>	<b>-89</b>	<b>901</b>	<b>104</b>	<b>216</b>	<b>1,252</b>	<b>98</b>	<b>6</b>
YoY Change (%)	-155.3	-11.9	153.7	-85.4	176.8	-84.3	25.8	nm	nm	479.9		

E: MOFSL Estimates

## Exhibit 1: We ascribe a TP of INR900 based on ~20x pre-IND-AS FY28E EV/EBITDA (implying ~10.75x FY28E EV/reported EBITDA)

	Methodology	Driver (INR m)	Multiple	Fair Value (INR m)	Value/sh (INR)
Pre-IND AS EBITDA	FY28E EV/EBITDA	3,586	20	71,949	906
Less net debt				492	6
<b>Total Value</b>				<b>71,457</b>	<b>900</b>
Shares o/s (m)				79.4	
CMP (INR)					674
<b>Upside (%)</b>					<b>34</b>

Source: MOFSL, Company

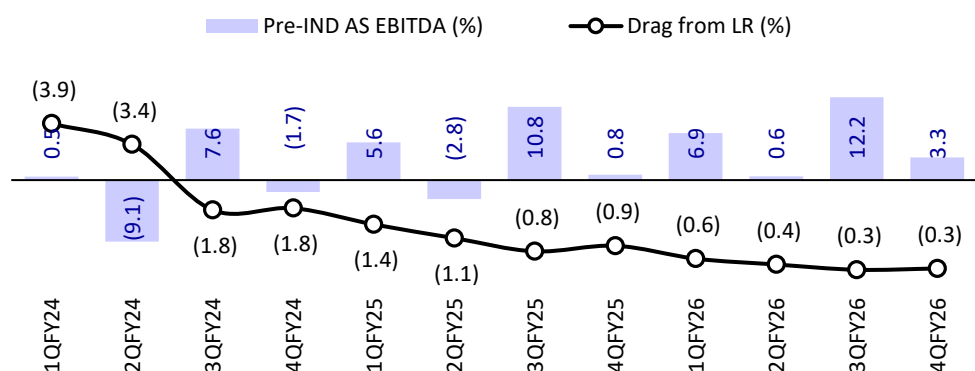
## Exhibit 2: Quarterly performance

P&L (INR m)	4QFY25	3QFY26	4QFY26	YoY%	QoQ%	4QFY26E	vs. est (%)
<b>Revenue</b>	<b>7,801</b>	<b>11,264</b>	<b>9,709</b>	<b>24.5</b>	<b>-13.8</b>	<b>9,710</b>	<b>0.0</b>
Raw Material cost	5,219	7,191	6,588	26.2	-8.4	6,532	0.9
<b>Gross Profit</b>	<b>2,582</b>	<b>4,073</b>	<b>3,121</b>	<b>20.9</b>	<b>-23.4</b>	<b>3,178</b>	<b>-1.8</b>
<b>Gross Margin (%)</b>	<b>33.1</b>	<b>36.2</b>	<b>32.1</b>	<b>-95bps</b>	<b>-401bps</b>	<b>32.7</b>	<b>-58bps</b>
Employee Costs	974	1,018	1,005	3.2	-1.2	1,103	-8.8
Other Expenses	926	960	1,053	13.7	9.7	986	6.8
<b>EBITDA</b>	<b>681</b>	<b>2,095</b>	<b>1,063</b>	<b>56.0</b>	<b>-49.3</b>	<b>1,089</b>	<b>-2.4</b>
<b>EBITDA margin (%)</b>	<b>8.7</b>	<b>18.6</b>	<b>10.9</b>	<b>221bps</b>	<b>-765bps</b>	<b>11.2</b>	<b>-27bps</b>
IND AS Rent	619	719	757	22.2	5.3	757	0.0
<b>Pre-IND AS EBITDA</b>	<b>62</b>	<b>1,376</b>	<b>306</b>	<b>391.6</b>	<b>-77.7</b>	<b>333</b>	<b>-8.0</b>
<b>EBITDA margin (%)</b>	<b>0.8</b>	<b>12.2</b>	<b>3.2</b>	<b>236bps</b>	<b>-906bps</b>	<b>3.4</b>	<b>-27bps</b>
Depreciation and amortization	544	779	801	47.4	2.9	786	2.0
EBIT	138	1,316	261	89.7	NM	304	14.0
EBIT margin (%)	1.8	11.7	2.7	93bps	-899bps	3.1	-44bps
Finance Costs	174	206	192	10.6	-6.4	220	-12.6
Other income	23	40	47	102.6	19.2	47	0.9
Exceptional item	-242	21	-9	0.0	0.0	0	NM
<b>Profit before Tax</b>	<b>-255</b>	<b>1,129</b>	<b>125</b>	<b>-149.2</b>	<b>-88.9</b>	<b>130</b>	<b>-3.9</b>
Tax	44	249	13			33	
Tax rate (%)	-17.2	22.1	10.0			25.0	
<b>Profit after Tax</b>	<b>-298</b>	<b>880</b>	<b>113</b>			<b>98</b>	<b>15.2</b>

Source: MOFSL, Company

**Exhibit 3: Core V-Mart (INR m)**

	4QFY25	1QFY25	2QFY26	3QFY26	4QFY26	YoY%	QoQ%	FY25	FY26
<b>Revenue</b>	<b>6,556</b>	<b>7,407</b>	<b>6,624</b>	<b>9,450</b>	<b>8,163</b>	<b>24.5</b>	<b>-13.6</b>	<b>27,062</b>	<b>31,644</b>
% YoY	19.5	14.0	23.3	9.5	24.5			20.7	16.9
<b>Gross Profit</b>	<b>2,077</b>	<b>2,516</b>	<b>2,189</b>	<b>3,356</b>	<b>2,522</b>	<b>21.4</b>	<b>-24.9</b>	<b>8,994</b>	<b>10,580</b>
<b>Gross Margin (%)</b>	<b>31.7</b>	<b>34.0</b>	<b>33.0</b>	<b>35.5</b>	<b>30.9</b>	-79bps	-462bps	<b>33.2</b>	<b>33.4</b>
Cost of Retailing	1,454	1,453	1,584	1,563	1,635	12.4	4.6	5,603	6,235
CoR excl. rentals	22.2	19.6	23.9	16.5	20.0	-215bps	349bps	20.7	19.7
<b>EBITDA</b>	<b>623</b>	<b>1,063</b>	<b>605</b>	<b>1,793</b>	<b>887</b>	<b>42.4</b>	<b>-50.5</b>	<b>3,391</b>	<b>4,345</b>
<b>EBITDA margin (%)</b>	<b>9.5</b>	<b>14.4</b>	<b>9.1</b>	<b>19.0</b>	<b>10.9</b>	136bps	-811bps	<b>12.5</b>	<b>13.7</b>
<b>Stores</b>	<b>412</b>	<b>421</b>	<b>438</b>	<b>458</b>	<b>478</b>	<b>16.0</b>	<b>4.4</b>	<b>412</b>	<b>478</b>
<b>Area</b>	<b>3.5</b>	<b>3.6</b>	<b>3.7</b>	<b>3.9</b>	<b>4.04</b>	<b>15.4</b>	<b>3.6</b>	<b>3.5</b>	<b>4.04</b>
<b>SPSF</b>	<b>1,900</b>	<b>2,086</b>	<b>1,815</b>	<b>2,487</b>	<b>2,056</b>	<b>8.2</b>	<b>-17.3</b>	<b>8,201</b>	<b>8,394</b>
<b>Unlimited (INR m)</b>									
<b>Revenue</b>	<b>1,164</b>	<b>1,383</b>	<b>1,380</b>	<b>1,752</b>	<b>1,487</b>	<b>27.7</b>	<b>-15.1</b>	<b>5,071</b>	<b>6,002</b>
% YoY	11.2	11.1	21.7	14.7	27.7			7.4	18.4
<b>Gross Profit</b>	<b>421</b>	<b>545</b>	<b>461</b>	<b>654</b>	<b>543</b>	<b>29.0</b>	<b>-17.0</b>	<b>1,839</b>	<b>2,203</b>
<b>Gross Margin (%)</b>	<b>36.1</b>	<b>39.4</b>	<b>33.4</b>	<b>37.3</b>	<b>36.5</b>	35bps	-83bps	<b>36.3</b>	<b>36.7</b>
Cost of Retailing	295	300	317	326	338	14.6	3.6	1,150	1,281
CoR excl. rentals	25.3	21.7	23.0	18.6	22.7	-261bps	410bps	22.7	21.3
<b>EBITDA</b>	<b>126</b>	<b>245</b>	<b>144</b>	<b>328</b>	<b>205</b>	<b>62.7</b>	<b>-37.5</b>	<b>689</b>	<b>922</b>
<b>EBITDA margin (%)</b>	<b>10.8</b>	<b>17.7</b>	<b>10.4</b>	<b>18.7</b>	<b>13.8</b>	296bps	-494bps	<b>13.6</b>	<b>15.4</b>
<b>Stores</b>	<b>85</b>	<b>89</b>	<b>95</b>	<b>96</b>	<b>99</b>	<b>16.5</b>	<b>3.1</b>	<b>85</b>	<b>99</b>
<b>Area</b>	<b>0.8</b>	<b>0.8</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>	<b>17.5</b>	<b>4.4</b>	<b>0.8</b>	<b>0.9</b>
<b>SPSF</b>	<b>1,455</b>	<b>1,729</b>	<b>1,624</b>	<b>1,947</b>	<b>1,616</b>	<b>11.1</b>	<b>-17.0</b>	<b>6,501</b>	<b>6,899</b>
<b>LimeRoad (INR m)</b>									
<b>NMV</b>	<b>234</b>	<b>188</b>	<b>192</b>	<b>235</b>	<b>205</b>	<b>-12.5</b>	<b>-12.8</b>	<b>1,101</b>	<b>820</b>
% YoY	-35.2	-35.4	-31.7	-20.2	-12.5			-34.5	-42.9
<b>Commission Income</b>	<b>105</b>	<b>62</b>	<b>66</b>	<b>62</b>	<b>99</b>	<b>-5.7</b>	<b>59.7</b>	<b>506.0</b>	<b>289</b>
<b>Take rate (%)</b>	<b>44.8</b>	<b>33.0</b>	<b>34.4</b>	<b>26.4</b>	<b>48.3</b>	350bps	2191bps	<b>46.0</b>	<b>35.2</b>
Cost of Retailing	173	108	101	85	129	-26	52	816	423
<b>EBITDA</b>	<b>-68</b>	<b>-46</b>	<b>-35</b>	<b>-23</b>	<b>-30</b>	<b>-56</b>	<b>30</b>	<b>-310</b>	<b>-134</b>

**Exhibit 4: Robust pre-IND AS EBITDA margin expansion with LR drag reducing**


Source: MOFSL, Company

**Exhibit 5: Key operational metrics**

Operational Metrics	4QFY25	3QFY26	4QFY26	YoY%	QoQ%
<b>Stores</b>					
Core Vmart stores	412	458	478	16.0	4.4
Unlimited stores	85	96	99	16.5	3.1
<b>Total stores</b>	<b>497</b>	<b>554</b>	<b>577</b>	<b>16.1</b>	<b>4.2</b>
<b>Store productivity (INR per month)</b>					
Vmart (core) revenue per sqft	633	829	685	8.2	-17.3
Unlimited revenue per sqft	485	649	539	11.1	-17.0
<b>ASP (INR)</b>	<b>4QFY25</b>	<b>3QFY26</b>	<b>4QFY26</b>	<b>YoY%</b>	<b>QoQ%</b>
Vmart standalone	213	249	213	0.0	-14.5
Unlimited	401	429	389	-3.0	-9.3
<b>Blended ASP</b>	<b>228</b>	<b>267</b>	<b>229</b>	<b>0.4</b>	<b>-14.2</b>
<b>Total Volume (in m)</b>					
Vmart core	30.8	38.0	38.3	24.5	1.0
Unlimited	2.9	4.1	3.8	31.7	-6.4
<b>Total</b>	<b>34.2</b>	<b>42.2</b>	<b>42.4</b>	<b>23.9</b>	<b>0.5</b>
<b>ATV (INR)</b>					
Vmart core	965	1,034	992	2.8	-4.0
Unlimited	1,594	1,756	1,581	-0.8	-10.0
<b>Blended ATV</b>	<b>1,006</b>	<b>1,108</b>	<b>1,048</b>	<b>4.2</b>	<b>-5.4</b>
<b>Total bills (in m)</b>					
Vmart core	6.8	9.1	8.2	21.1	-10.0
Unlimited	0.7	1.0	0.9	28.8	-5.7
<b>Total</b>	<b>7.8</b>	<b>10.2</b>	<b>9.3</b>	<b>19.5</b>	<b>-8.9</b>

**Exhibit 6: Summary of our estimate changes**

Particulars	FY26E	FY27E	FY28E
<b>Revenue (INR m)</b>			
Old		44,849	52,333
Actual/New	37,894	44,693	52,045
Change (%)		-0.3	-0.5
<b>EBITDA (INR m)</b>			
Old		6,408	7,751
Actual/New	5,135	6,220	7,626
Change (%)		-2.9	-1.6
<b>EBITDA margin (%)</b>			
Old		14.3	14.8
Actual/New	13.6	13.9	14.7
Change (bp)		-37	-16
<b>Pre-INDAS EBITDA (INR m)</b>			
Old		3,057	3,796
Actual/New	2,358	2,835	3,586
Change (%)		-7.3	-5.5
<b>Pre-INDAS EBITDA margin (%)</b>			
Old		6.8	7.3
Actual/New	6.2	6.3	6.9
Change (bp)		-47	-36
<b>Net Profit (INR m)</b>			
Old		1,619	2,116
Actual/New	1,240	1,559	2,011
Change (%)		-3.7	-4.9

Source: MOFSL, Company

**Exhibit 7: Key assumptions for VMART retail**

	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
VMART	214	266	279	307	341	365	412	478	543	608
Unlimited	-	-	-	73	82	79	85	99	119	144
<b>Store count</b>	<b>214</b>	<b>266</b>	<b>279</b>	<b>380</b>	<b>423</b>	<b>444</b>	<b>497</b>	<b>577</b>	<b>662</b>	<b>752</b>
Net store additions		52	13	101	43	21	53	80	85	90
VMART	1.8	2.2	2.3	2.5	2.9	3.1	3.5	4.0	4.6	5.1
Unlimited	-	-	-	0.8	0.8	0.8	0.8	0.9	1.1	1.3
<b>Retail area (m sqft)</b>	<b>1.8</b>	<b>2.2</b>	<b>2.3</b>	<b>3.3</b>	<b>3.7</b>	<b>3.9</b>	<b>4.3</b>	<b>5.0</b>	<b>5.7</b>	<b>6.4</b>
<b>Core VMART (INR m)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>	<b>FY28</b>
Revenue	14,337	16,620	10,755	14,539	20,100	22,419	27,063	31,644	37,051	42,620
SPSF (per month)	665	691	398	506	623	625	683	699	717	735
EBITDA	1,329	2,138	1,312		2,621	2,404	3,392	4,345	5,112	6,136
margin	9.3	12.9	12.2		13.0	10.7	12.5	13.7	13.8	14.4
<b>Unlimited (INR m)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>	<b>FY28</b>
Revenue				2,123	4,379	4,720	5,071	6,002	7,426	9,241
SPSF (per month)				466	456	492	542	575	601	625
EBITDA					501	416	689	922	1,162	1,520
margin					11.4	8.8	13.6	15.4	15.7	16.5

Source: MOFSL, Company



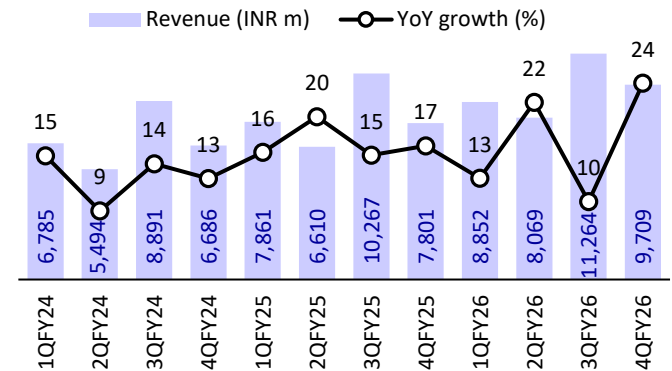
## Detailed takeaways from the management interaction

- **Demand trends:** Overall consumption environment remained healthy, particularly across tier-2 and tier-3 towns, aided by wedding season, festival demand and an early summer season where the company benefited from advance preparation of summer merchandise. While demand remained resilient, the company acknowledged that inflationary pressures on consumers' daily baskets could potentially impact sentiment if geopolitical situation-led inflation persists for a prolonged period.
- **Margins:** Gross margin decline was primarily due to higher inventory provisioning (1% for FY26, in line with the company's long-standing policy). However, management highlighted that inventory health improved significantly, which should support better gross margins going ahead through fresher merchandise, lower markdowns, and improved product mix. EBITDA margin expansion was led by operating leverage, lower offline marketing spends, lower ESOP expenses and continued operational efficiencies.
- **Raw material inflation:** On a ballpark basis, a 10% increase in crude prices typically translates into a ~5% increase in yarn costs, which eventually results in ~1.5-2% increase in apparel costs. The crude price increase has already led to around 8-9% increase in yarn prices and ~3-4% increase in garment costs in certain categories. Instead of aggressively passing on costs, the company plans selective price hikes (~1-2%), fabric optimization, lightweight material usage, vendor negotiations, and sourcing efficiencies to protect margins without hurting demand, **avoiding the sharp pricing actions seen during FY23.**
- **Store Expansion:** The company opened 80 net stores (92 gross) during FY26. Management maintained its guidance of 13-15% annual area additions. New stores are reportedly delivering throughput better than the network average, reinforcing management's confidence in store selection and market opportunity.
- **Competitive intensity:** Management expressed confidence that the worst phase of weak demand and competitive disruption is behind as aggressive expansion by some retailers is stretching the bandwidth and V-Mart sees an opportunity to gain market share. The organization has spent the last four years strengthening technology systems, vendor partnerships, design capabilities and operational processes, which are now supporting sustained SSSG.
- **Inventory discipline:** V-Mart continues to focus on fresher assortments, faster replenishment cycles, liquidation of aged inventory, and sharper merchandising. Inventory days improved by three days on a rolling basis, while per-store inventory declined 13% YoY. This is expected to support future gross margins. Product mix is also gradually shifting toward higher-value combinations such as kurta sets, improving basket size and consumer spend.
- **Supply chain and sourcing:** Labor shortages and sourcing disruptions across manufacturing hubs remain a near-term challenge, partly due to rising labor costs and regional disruptions. To mitigate risks, ~50-60% of fabric requirements for the upcoming festive/winter season have already been pre-booked, while alternate sourcing routes, including imports from China, are also being explored. Faster sourcing cycles and better vendor planning continue to improve responsiveness and inventory turns.

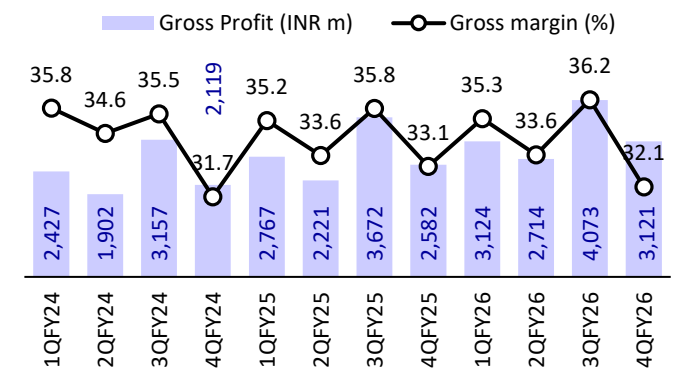
- **Unlimited:** The Southern markets under the Unlimited format continued to deliver strong momentum, supported by better throughput from new stores and operational efficiencies. The company has now developed a good grip over its South business and is becoming more confident in scaling up expansion in the region. The South India team has been strengthened and store additions are being pursued cautiously to ensure long-term profitability and sustainable returns on capital. While Unlimited SPSF would likely rise faster than VMART (core) SPSF, management expects some gap to remain between the two format's productivity, given that VMART (core) also sells FMCG, which has higher throughput and is value-focused (vs. some element of brands business in Unlimited).
- **Capex:** Capex stood at INR370m in 4Q and ~INR1.6b for FY26, with investments directed toward new store additions, refurbishment of existing stores and technology initiatives. Management guided for FY27 capex of ~INR1.7-1.8b, with incremental spending beyond store additions and refurbishment capex to be largely focused on technology and AI-led interventions. Capex per store remains stable at INR120-130m (~INR1,500/sq.ft) and the reported capex also includes capex on periodic refurbishments undertaken every 4-6 years.
- **PAT:** The company is moving toward pre-Covid profitability levels, with sustained operational improvements supporting the recovery. Adjusted PAT increased significantly during FY26, aided by better operating leverage, inventory management and cost efficiencies. While management refrained from providing a timeline for achieving pre-Covid PAT margin levels, it stated that efforts are directed toward achieving those levels notwithstanding the challenges posed by inflation and increase in minimum wages.
- **Geographical expansion potential in core markets:** Uttar Pradesh and Bihar remain the large growth markets with meaningful store expansion opportunities (~50-70% growth potential in store count over the next five years) despite significant penetration.
- **Return ratios:** The company has historically targeted ROCE levels of around 15-18%, while current ROCE stands at around 14.5%. Over the medium to long term, the company aims to improve ROCE toward 20-22% levels. Management noted that investments made over the past few years in warehouses, Unlimited integration and loss funding have impacted returns temporarily. Going forward, improved profitability and operating leverage are expected to support better capital efficiency metrics.

## Story in charts

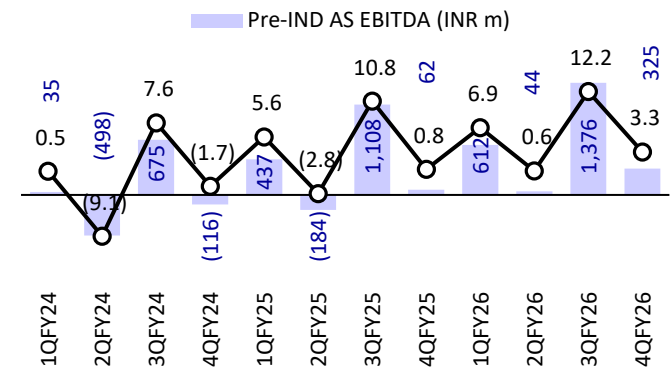
**Exhibit 8: Revenue grew 24% YoY driven by area additions and double-digit SSSG**



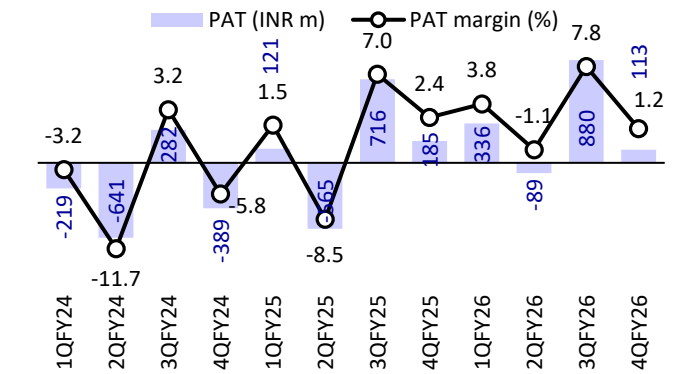
**Exhibit 9: GM moderated ~100bp YoY due to high inventory provisions**



**Exhibit 10: EBITDA margin expanded ~255bp on robust cost controls**

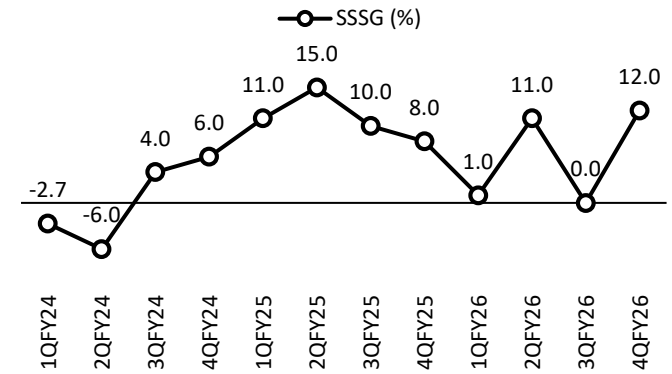


**Exhibit 11: VMART remained PAT positive in 4QFY26**



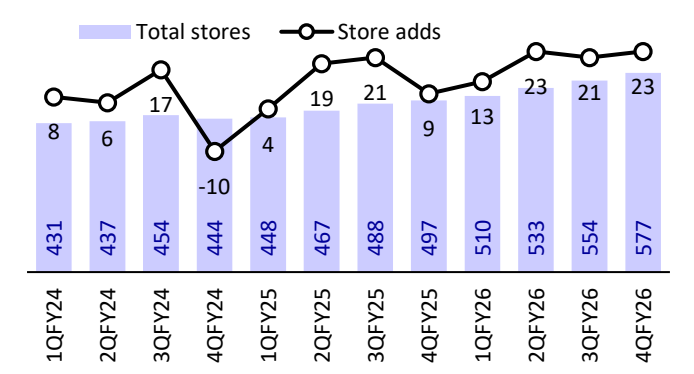
Source: Company, MOFSL

**Exhibit 12: Blended SSSG accelerated to 12%**



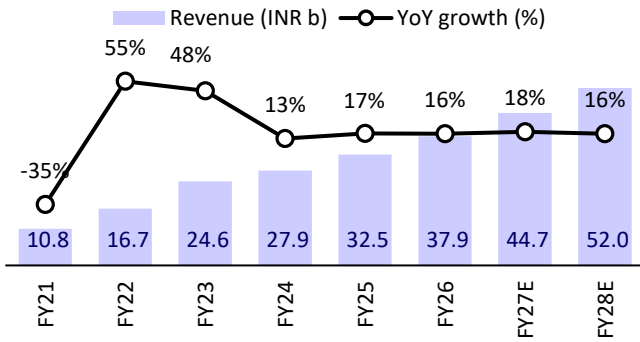
Source: Company, MOFSL

**Exhibit 13: V-mart opened 23 new stores; the total store count stood at 577 (+80 in FY26)**



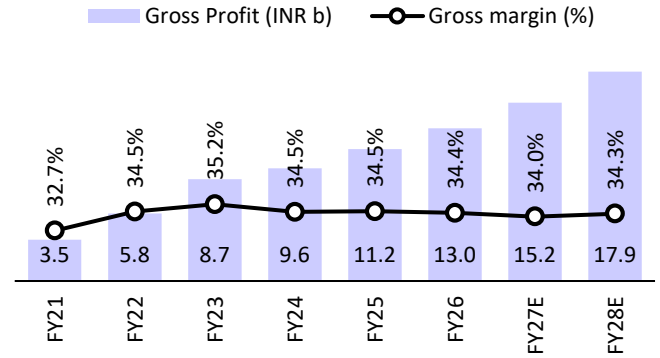
Source: Company, MOFSL

**Exhibit 14: Expect 17% revenue CAGR over FY26-28**



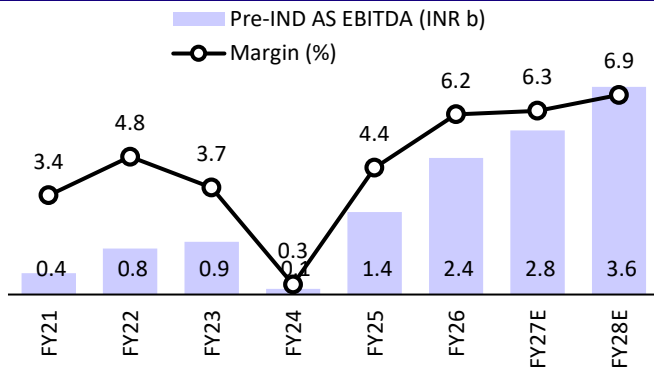
Source: Company, MOFSL

**Exhibit 15: GM to remain largely flat over FY26-28E**



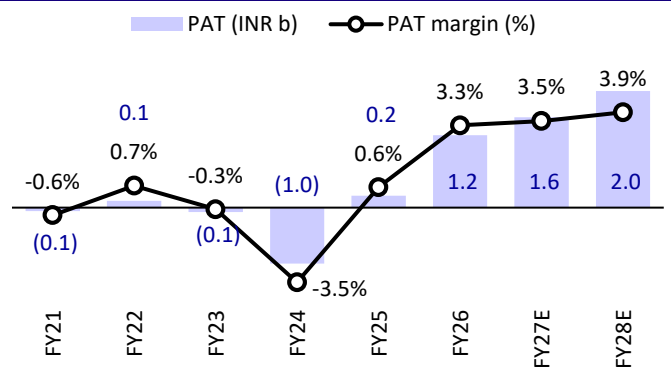
Source: Company, MOFSL

**Exhibit 16: Expect 23% EBITDA CAGR over FY26-28**



Source: Company, MOFSL

**Exhibit 17: Profitability to improve sharply over FY26-28E**



Source: Company, MOFSL

## Financials and valuations

Consolidated - Income Statement								(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
<b>Total Income from Operations</b>	<b>10,755</b>	<b>16,662</b>	<b>24,648</b>	<b>27,856</b>	<b>32,539</b>	<b>37,894</b>	<b>44,693</b>	<b>52,045</b>
Change (%)	-35.3	54.9	47.9	13.0	16.8	16.5	17.9	16.5
Raw Materials	7,236	10,911	15,971	18,251	21,297	24,862	29,479	34,181
Employees Cost	1,169	1,796	2,555	2,871	3,634	3,949	4,549	5,210
Other Expenses	1,038	1,821	3,178	4,604	3,837	3,948	4,445	5,027
<b>Total Expenditure</b>	<b>9,442</b>	<b>14,618</b>	<b>21,959</b>	<b>25,725</b>	<b>28,768</b>	<b>32,759</b>	<b>38,473</b>	<b>44,419</b>
% of Sales	87.8	87.7	89.1	92.4	88.4	86.4	86.1	85.3
<b>EBITDA</b>	<b>1,312</b>	<b>2,043</b>	<b>2,689</b>	<b>2,131</b>	<b>3,771</b>	<b>5,135</b>	<b>6,220</b>	<b>7,626</b>
Margin (%)	12.2	12.3	10.9	7.6	11.6	13.6	13.9	14.7
Depreciation	1,030	1,307	1,800	2,221	2,330	2,971	3,435	4,149
<b>EBIT</b>	<b>282</b>	<b>736</b>	<b>889</b>	<b>-91</b>	<b>1,441</b>	<b>2,164</b>	<b>2,785</b>	<b>3,477</b>
Int. and Finance Charges	589	772	1,169	1,424	1,365	755	902	1,014
Other Income	210	140	150	210	121	150	200	225
<b>PBT Bif. EO Exp.</b>	<b>-97</b>	<b>104</b>	<b>-130</b>	<b>-1,305</b>	<b>198</b>	<b>1,560</b>	<b>2,083</b>	<b>2,688</b>
EO Items	-	-	-	-	242	-12	-	-
<b>PBT after EO Exp.</b>	<b>-97</b>	<b>104</b>	<b>-130</b>	<b>-1,305</b>	<b>440</b>	<b>1,548</b>	<b>2,083</b>	<b>2,688</b>
Total Tax	-35	-12	-52	-337	-18	308	524	677
Tax Rate (%)	35.8	-12.0	39.7	25.9	-4.1	19.9	25.2	25.2
<b>Reported PAT</b>	<b>-62</b>	<b>116</b>	<b>-78</b>	<b>-968</b>	<b>458</b>	<b>1,240</b>	<b>1,559</b>	<b>2,011</b>
<b>Adjusted PAT</b>	<b>-62</b>	<b>116</b>	<b>-78</b>	<b>-968</b>	<b>206</b>	<b>1,250</b>	<b>1,559</b>	<b>2,011</b>
Change (%)	-112.6	-287.7	-167.4	1,132.9	-121.3	506.7	24.7	29.0
Margin (%)	-0.6	0.7	-0.3	-3.5	0.6	3.3	3.5	3.9

Consolidated - Balance Sheet								(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	197	197	198	198	198	795	795	795
Total Reserves	8,055	8,299	8,292	7,272	7,904	8,716	10,275	12,286
<b>Net Worth</b>	<b>8,252</b>	<b>8,496</b>	<b>8,490</b>	<b>7,470</b>	<b>8,102</b>	<b>9,511</b>	<b>11,070</b>	<b>13,081</b>
Total Loans	0	0	1,478	1,100	1,490	1,000	500	0
Deferred Tax Liabilities	-253	-386	-531	-874	-917	-838	-838	-838
Other long term liabilities	5,751	9,131	11,964	12,938	6,505	8,768	10,183	11,371
Lease Liabilities	5,678	9,022	11,838	12,813	6,336	8,576	10,111	11,299
<b>Capital Employed</b>	<b>13,751</b>	<b>17,241</b>	<b>21,401</b>	<b>20,634</b>	<b>15,180</b>	<b>18,442</b>	<b>20,916</b>	<b>23,615</b>
Gross Block	6,965	11,110	14,455	16,607	10,385	13,659	16,181	18,292
<b>Net Fixed Assets</b>	<b>6,965</b>	<b>11,110</b>	<b>14,455</b>	<b>16,607</b>	<b>10,385</b>	<b>13,659</b>	<b>16,181</b>	<b>18,292</b>
Right to use assets	5,180	8,283	10,643	11,197	4,699	7,502	9,601	11,371
Capital WIP	22	64	1,092	38	43	83	83	83
<b>Total Investments</b>	<b>3,189</b>	<b>1,248</b>	<b>85</b>	<b>47</b>	<b>51</b>	<b>184</b>	<b>1</b>	<b>1</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>5,836</b>	<b>8,186</b>	<b>11,261</b>	<b>10,885</b>	<b>12,967</b>	<b>13,036</b>	<b>14,848</b>	<b>17,144</b>
Inventory	4,283	6,682	8,706	8,161	9,868	9,875	11,632	13,546
Cash and Bank Balance	275	351	202	272	394	195	7	259
Loans and Advances	1,278	1,153	2,353	2,452	2,705	2,965	3,392	3,522
<b>Curr. Liability &amp; Prov.</b>	<b>2,261</b>	<b>3,368</b>	<b>5,493</b>	<b>6,945</b>	<b>8,266</b>	<b>8,519</b>	<b>10,380</b>	<b>12,087</b>
Account Payables	1,917	2,906	4,883	6,337	7,620	4,910	6,122	7,129
Other Current Liabilities	345	462	610	608	646	3,610	4,257	4,958
<b>Net Current Assets</b>	<b>3,574</b>	<b>4,818</b>	<b>5,768</b>	<b>3,940</b>	<b>4,702</b>	<b>4,516</b>	<b>4,469</b>	<b>5,057</b>
<b>Appl. of Funds</b>	<b>13,750</b>	<b>17,240</b>	<b>21,400</b>	<b>20,633</b>	<b>15,180</b>	<b>18,442</b>	<b>20,916</b>	<b>23,615</b>

## Financials and valuations

### Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>-0.8</b>	<b>1.5</b>	<b>-1.0</b>	<b>-12.2</b>	<b>2.6</b>	<b>15.7</b>	<b>19.6</b>	<b>25.3</b>
Cash EPS	12.2	17.9	21.7	15.8	31.9	53.2	62.9	77.6
BV/Share	104.0	107.0	107.0	94.1	102.1	119.8	139.5	164.8
<b>Valuation (x)</b>								
P/E	n/m	459.6	n/m	n/m	259.8	42.8	34.3	26.6
Cash P/E	55.3	37.6	31.1	42.7	21.1	12.7	10.7	8.7
P/BV	6.5	6.3	6.3	7.2	6.6	5.6	4.8	4.1
EV/Sales	1.2	0.8	0.6	0.5	0.4	1.4	1.2	1.0
EV/EBITDA	44.9	30.4	24.8	31.5	16.2	12.2	10.3	8.5
FCF per share	42.7	-98.9	-85.1	93.8	13.0	14.0	10.5	19.4
<b>Return Ratios (%)</b>								
RoE	NM	1.4	NM	NM	2.6	14.2	15.1	16.7
RoCE	2.7	6.2	3.2	0.4	8.7	10.6	11.0	12.0
RoIC	1.8	6.4	3.0	-0.3	8.6	10.6	10.7	11.8
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	1.5	1.5	1.7	1.7	3.1	2.8	2.8	2.8
Asset Turnover (x)	0.8	1.0	1.2	1.4	2.1	2.1	2.1	2.2
Inventory (Days)	145	146	129	107	111	95	95	95
Creditor (Days)	65	64	72	83	85	47	50	50
<b>Leverage Ratio (x)</b>								
Current Ratio	2.6	2.4	2.0	1.6	1.6	1.5	1.4	1.4
Interest Cover Ratio	0.5	1.0	0.8	-0.1	1.1	2.9	3.1	3.4
Net Debt/Equity	-0.4	-0.2	0.1	0.1	0.1	0.1	0.0	0.0

### Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) Before Tax	-97	104	-130	-1,305	440	1,548	2,083	2,688
Depreciation	1,030	1,307	1,800	2,221	2,330	2,971	3,435	4,149
Interest & Finance Charges	589	772	1,169	1,424	1,365	755	902	1,014
Direct Taxes Paid	-35	-118	-182	-26	-14	-213	-524	-677
(Inc)/Dec in WC	182	-1,985	-857	1,716	-504	-135	-443	-336
<b>CF from Operations</b>	<b>1,669</b>	<b>80</b>	<b>1,800</b>	<b>4,030</b>	<b>3,616</b>	<b>4,926</b>	<b>5,453</b>	<b>6,839</b>
Others	-420	-541	-701	-963	-1,345	-2,216	-2,900	-3,462
<b>CF from Operating incl EO</b>	<b>1,249</b>	<b>-461</b>	<b>1,099</b>	<b>3,067</b>	<b>2,271</b>	<b>2,710</b>	<b>2,552</b>	<b>3,376</b>
(Inc)/Dec in FA	-406	-1,494	-2,783	-1,209	-1,238	-1,599	-1,721	-1,835
<b>Free Cash Flow</b>	<b>843</b>	<b>-1,955</b>	<b>-1,684</b>	<b>1,858</b>	<b>1,033</b>	<b>1,110</b>	<b>831</b>	<b>1,541</b>
(Pur)/Sale of Investments	-3,092	2,676	1,192	46	-	-	183	-
Others	-690	54	5	-14	15	-141	383	225
<b>CF from Investments</b>	<b>-4,188</b>	<b>1,237</b>	<b>-1,586</b>	<b>-1,178</b>	<b>-1,223</b>	<b>-1,740</b>	<b>-1,155</b>	<b>-1,610</b>
Issue of Shares	3,713	76	35	7	42	81	-	-
Inc/(Dec) in Debt	-11	0	1,478	-378	390	-490	(500)	(500)
Interest Paid	-589	-772	-1,164	-1,427	-1,358	-760	(902)	(1,014)
Dividend Paid	0	0	-15	0	0	0	-	-
Others	-	-	-	-	-	-	-	-
<b>CF from Fin. Activity</b>	<b>3,113</b>	<b>-696</b>	<b>335</b>	<b>-1,798</b>	<b>-927</b>	<b>-1,169</b>	<b>-1,402</b>	<b>-1,514</b>
<b>Inc/Dec of Cash</b>	<b>174</b>	<b>80</b>	<b>-152</b>	<b>92</b>	<b>122</b>	<b>-199</b>	<b>-188</b>	<b>252</b>
Opening Balance (excluding bank bal.)	48	222	302	150	272	394	195	7
<b>Closing Balance</b>	<b>222</b>	<b>302</b>	<b>150</b>	<b>242</b>	<b>394</b>	<b>195</b>	<b>7</b>	<b>259</b>
Bank balance	53	49	52	31	-	-	-	-
<b>Closing Balance (including bank balance)</b>	<b>275</b>	<b>351</b>	<b>202</b>	<b>273</b>	<b>394</b>	<b>195</b>	<b>7</b>	<b>259</b>

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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