

V-Mart Retail

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR2,147 TP: INR2,200 (+2%) Neutral

Bloomberg	VMART IN
Equity Shares (m)	20
M.Cap.(INRb)/(USDb)	42.5 / 0.5
52-Week Range (INR)	2445 / 1591
1, 6, 12 Rel. Per (%)	3/14/-19
12M Avg Val (INR M)	92

Healthy SSSG drives operating performance

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	27.9	31.5	35.8
EBITDA	2.1	3.1	4.0
NP	-1.0	-0.5	0.2
EBITDA Margin (%)	7.6	9.8	11.3
Adj. EPS (INR)	-53.5	-26.4	9.0
EPS Gr. (%)	NM	NM	NM
BV/Sh. (INR)	412.8	386.3	395.3

Ratios

Net D:E	1.8	2.2	2.2
RoE (%)	NM	NM	2.3
RoCE (%)	0.4	2.6	5.3
Payout (%)	0.0	0.0	0.0

Valuations

P/E (x)	NM	NM	237.3
EV/EBITDA (x)	26.2	18.7	14.4
EV/Sales (x)	1.5	1.4	1.3
Div. Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	44.3	44.3	44.3
DII	34.0	34.0	31.8
FII	15.3	14.3	14.2
Others	6.4	7.4	9.7

FII Includes depository receipts

- V-Mart Retail (VMART)'s EBITDA jumped 75% YoY (beat) fueled by 13% YoY revenue growth (in line), mainly supported by store additions and a 5%/5%/13% SSSG for Blended/VMart/Unlimited stores. This, along with the controlled costs of retailing, supported earnings for 4QFY24.
- Strong cost-control measures in the form of rationalizing losses within the online segment, the closure of non-performing stores, and improved SSSG (as indicated in our [recent report](#)) appeared to have played out in VMART's favor. We estimate its revenue/EBITDA CAGR at 13%/38% over FY24-26. A demand recovery within the value fashion category could be a key driver of growth. **Reiterate Neutral with a TP of INR2,200.**

Revenue growth in line; continues to post a Pre-Ind-AS operating loss

- VMART's revenue grew 13% YoY to INR6.7b (in line), led by 6% SSSG and 5% footprint additions in 4QFY24.
- The company opened nine new stores (eight VMart and one Unlimited) and closed 19 stores (10 VMART and nine Unlimited) during the quarter, taking the total store count to 444 (365 VMart and 79 Unlimited).
- Gross profit grew 12% YoY to INR2.1b (in line) but margin dipped 20bp YoY.
- Employee and other expenses declined 2% QoQ but grew 6% YoY (11%/8% lower than est). This could mainly be because of reducing losses within the online segment (Limeroad) and the closure of loss-making stores.
- Resultantly, EBITDA grew 75% YoY to INR402m (53% beat) with a margin expansion of ~210bp to 6.0%. However, the company reported a Pre-Ind-AS operating loss of ~INR116m and a margin of -1.7% for 4QFY24.
- VMART reported a loss of INR389m (5% beat) due to higher depreciation (26% YoY) and finance costs (7% YoY). Adjusted for the tax related to the previous year, the loss stood at INR605m (vs. INR523m loss in 4QFY23).
- VMART's revenue grew 13% YoY, while EBITDA declined 21% YoY in FY24; it reported a loss of INR968m (vs. INR78m loss) during the year.
- OCF stood at INR1.8b in FY24 (vs. -INR23m in FY23), led by a release of WC amounting to INR1.7b. Capex dipped to INR1.2b (from INR2.8b in FY23). FCF after interest stood at INR431m (vs. cash outflow of INR2.8b in FY23). Consequently, this led to a net debt reduction of INR411m to INR781m in FY24.

Highlights from the management commentary

- **Demand recovery trends:** Management expects a better environment going forward, led by: 1) early signs of recovery in MP/RJ/UP, 2) good monsoons and rabi crops, 3) a decline in prices of food and staples (due to controlled inflation in 4QFY24), and d) rising customer footfalls, who are at the base of the pyramid.
- **Current environment:** Sales improved in 4QFY24 on the back of festivals – Holi/Eid. Post-Diwali, the company anticipated recovery, particularly in the small towns of East India. To date, April and May were good despite the slow marriage season. Post-election, there could be a revival in growth. Management witnessed a recovery after 7-10 days of the previous elections.

- **ASP has stabilized:** The corrections in prices/ASP are almost over and are stable along with inventory optimization. From here on, the company wants to keep building the growth momentum.
- **Store addition:** Management anticipates adding 40-50 stores in FY25, with the possibility of **closing** 5-7 stores.

Valuation and view

- Improved performance within VMart stores, driven by festive demand and the company's decision to close down non-performing stores and reduce losses in the online segment, addresses the 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 seen a healthy recovery from its recent lows; a recovery in demand and improved profitability within the online segment would remain the key catalysts for the stock going forward.
- We broadly maintain our revenue/EBITDA estimates, factoring in a revenue/EBITDA CAGR of 13%/38% over FY24-26. **We reiterate our Neutral rating with a TP of INR2,200 (premised on 15x EV/EBITDA on Mar'26E).**

Consolidated - Quarterly Earning Model

Y/E March	FY23				FY24				FY23	FY24	FY24	Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		4QE	Var. (%)	
Revenue	5,879	5,062	7,769	5,939	6,785	5,494	8,891	6,686	24,648	27,856	6,677	0
YoY Change (%)	231.4	49.8	12.3	29.5	15.4	8.5	14.4	12.6	47.9	13.0	12.4	
Total Expenditure	4,992	4,526	6,732	5,710	6,261	5,488	7,694	6,284	21,959	25,725	6,401	-2
EBITDA	887	536	1,037	229	525	7	1,197	402	2,689	2,131	277	45
EBITDA Margin (%)	15.1	10.6	13.3	3.9	7.7	0.1	13.5	6.0	10.9	7.6	4.1	
Depreciation	402	441	473	484	499	532	583	607	1,800	2,221	531	14
Interest	247	279	307	336	330	359	376	359	1,169	1,424	360	0
Other Income	41	27	7	75	15	20	130	44	150	210	15	201
PBT	278	-157	264	-516	-290	-864	369	-520	-130	-1,305	-600	-13
Tax	74	-44	64	-146	-70	-223	87	-131	-52	-337	-167	
Rate (%)	26.5	27.9	24.4	28.3	24.2	25.8	23.5	25.1	39.7	25.9	27.9	
Reported PAT	205	-113	200	-370	-219	-641	282	-389	-78	-968	-432	-10
Adj PAT	205	-113	200	-370	-219	-641	282	-389	-78	-968	-432	-10
YoY Change (%)	-171.2	-20.0	-65.0	1,314.5	-207.3	466.8	41.3	5.3	-167.4	1,132.9	17.0	

E: MOFSL Estimates

Exhibit 1: Valuation based on FY26E EBITDA

	Methodology	Driver (INR m)	Multiple	Fair Value (INRm)	Value/sh (INR)
EBITDA	FY26E EV/EBITDA	4,044	15	59,532	3,011
Less Net debt				16,037	811
Total Value				43,495	2,200
Shares o/s (m)				19.8	
CMP (INR)					2,135
Upside (%)					3

Source: MOFSL, Company



Segment wise

- SSSG for VMart (core) and Unlimited stood at 4% and 13%, respectively.
- Limeroad's revenue grew 27% YoY to INR152m. Adjusted for this, VMart's revenue (including the Unlimited stores) was up 12% YoY.
- Unlimited's revenue with a throughput of ~INR1,200/sqft (+13% SSSG) stood at ~INR950m (calculated), which grew ~9% YoY.
- VMart (core)'s revenue stood at ~INR5.6b (calculated), which grew ~13% YoY with a throughput of ~INR1,800/sqft.

Concall highlights

Current environment

- Management expects a better environment going forward, led by: 1) early signs of recovery in MP/RJ/UP, 2) good monsoons and rabi crops, 3) a decline in prices of food and staples (due to controlled inflation in 4QFY24), and d) rising customer footfalls, who are at the base of the pyramid.
- Inflation was controlled in 4QFY24; hence the food/staples prices have reduced or remained muted, which used to be higher in the entire two-year period.
- The agricultural income should also bring higher mobility in the consumption space due to better Rabi crops.
- Monsoon is good this time compared to the earlier two years; however, monsoon was weaker in UP and Bihar, which impacted some part of the consumption.
- Post-election, there could be a revival in growth. Management witnessed a recovery after 7-10 days of the previous elections.
- Management sees changes in the consumption pattern as people are spending more on lower price-point products than premium products.
- In the low price per-ticket items, consumer footfalls are increasing led by the customers who are at the base of the pyramid.
- Management is witnessing improvement in footfalls due to price stabilization.

Gross margin hurt in 4Q

- Sales improved in 4QFY24 on the back of festivals – Holi/Eid. Post-Diwali, the company anticipated recovery, particularly in the small towns of East India. To date, April and May were good despite the slow marriage season.
- GM contracted due to inventory provisioning; old inventory was sold at more discounts and reduced ASP.
- The corrections in prices/ASP are almost over and are stable along with inventory optimization. From here on, the company wants to keep building the growth momentum.

Does not see much impact of competition going forward

- No impact in North India and impact seen in South India; however, that has been nullified in this quarter.
- Company is taking a lot of initiatives in targeting the youth segment (where Zudio caters)

Growth plans

- Company is focusing more on Tier 3 towns of South India to open stores.
- A major portion of the closure happened at the end of FY24. The company closed 12 stores in South and 12 in India; the benefit will accrue in FY25.
- Not more than 5-7 closure in FY25 and to open 40-50 new stores.

Unlimited

- New stores are working even better than old stores.
- Lot of correction on the inventory cleanup has done and improving the merchandising.
- Also reduced prices by 20% in last 1.0-1.5 years, which improved the footfalls.

Limeroad

- Management indicated that doing LR breakeven in 4QFY24 was difficult.
- Restricting losses and made changes in the way management run.
- 40-50% of the losses were incurred in FY24

Others

- Added a new member in the management team in order to strengthen marketing.

Exhibit 2: Quarterly performance

P&L (INR m)	4QFY23	3QFY24	4QFY24	YoY%	QoQ%	4QFY24E	v/s est (%)
Revenue	5,939	8,891	6,686	12.6	-24.8	6,680	0.1
Raw Material cost	4,043	5,734	4,567	12.9	-20.4	4,530	0.8
Gross Profit	1,896	3,157	2,119	11.8	-32.9	2,150	-1.4
Gross Margin (%)	31.9	35.5	31.7	-23bp	-381bp	32.2	-49bp
Employee Costs	680	772	670	-1.5	-13.1	752	-10.8
Other Expenses	987	1,189	1,047	6.1	-11.9	1,136	-7.8
EBITDA	229	1,197	402	75.5	-66.4	263	52.9
EBITDA margin (%)	3.9	13.5	6.0	216bp	NM	3.9	208bp
Depreciation and amortization	484	583	607	25.5	4.2	504	20.4
EBIT	-255	614	-205	-19.5	NM	-241	-15.0
EBIT margin (%)	-4.3	6.9	-3.1	122bp	NM	-3.6	54bp
Finance Costs	336	376	359	6.8	-4.4	343	4.8
Other income	75	130	44	-41.2	-66.0	15	200.7
Exceptional item	0	0	0	0.0	0.0	0	NM
Profit before Tax	-516	369	-520	0.8	-241.0	-569	-8.7
Tax	-146	87	-131	-10.6	-251.1	-159	-17.8
Tax rate (%)	28.3	23.5	25.1	-320bp	169bp	27.9	-281bp
Profit after Tax	-370	282	-389	5.3	-237.9	-410	-5.1

Source: MOFSL, Company

Exhibit 3: Summary of our estimate changes

Particulars	FY25E	FY26E
Revenue (INR m)		
Old	31,337	35,705
Actual/New	31,467	35,844
Change (%)	0.4	0.4
EBITDA (INR m)		
Old	3,228	4,142
Actual/New	3,078	4,044
Change (%)	-4.6	-2.4
EBITDA margin (%)		
Old	10.3	11.6
Actual/New	9.8	11.3
Change (bp)	-52	-32
Net Profit (INR m)		
Old	-65	517
Actual/New	-478	163
Change (%)	-639.0	-68.5
EPS (INR)		
Old	-4	29
Actual/New	-26	9
Change (%)	-639.0	-68.5

Source: MOFSL, Company

Story in charts

Exhibit 4: Revenue growth led by SSSG and store adds YoY

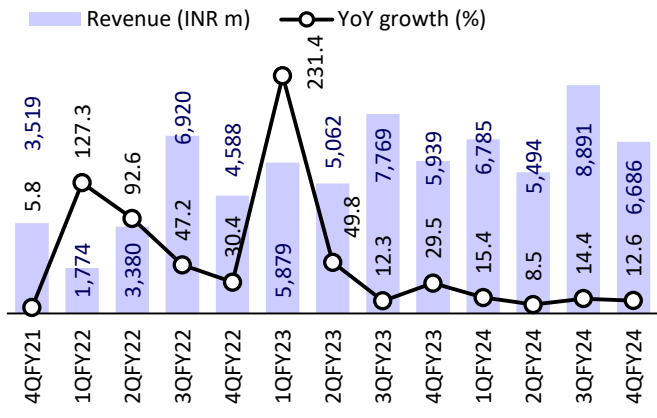


Exhibit 5: Gross margin contracted YoY due to write-offs and inventory provisioning

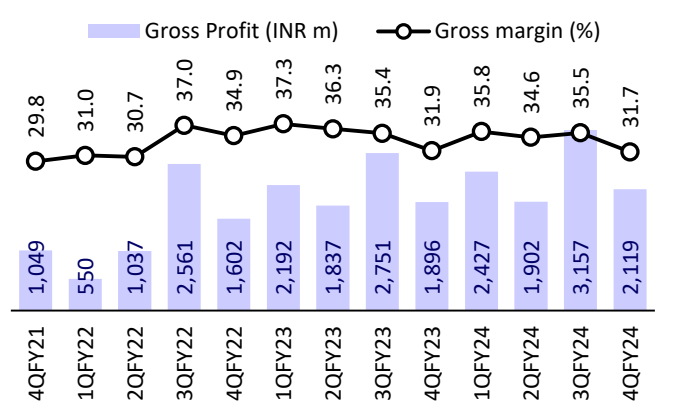


Exhibit 6: Cost control and revenue growth aided EBITDA YoY

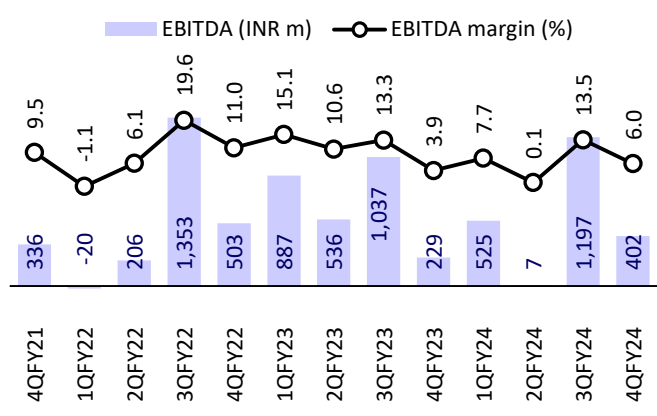
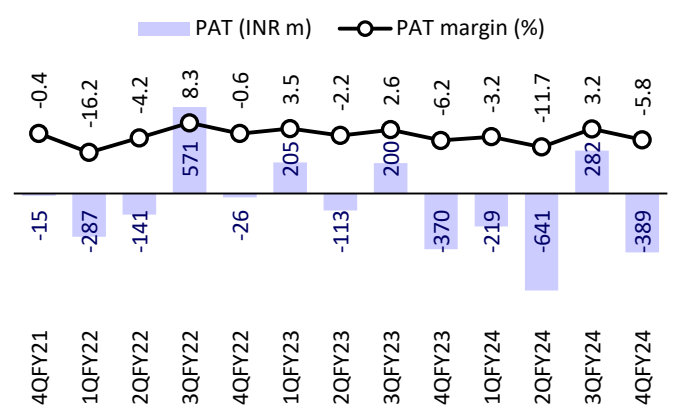
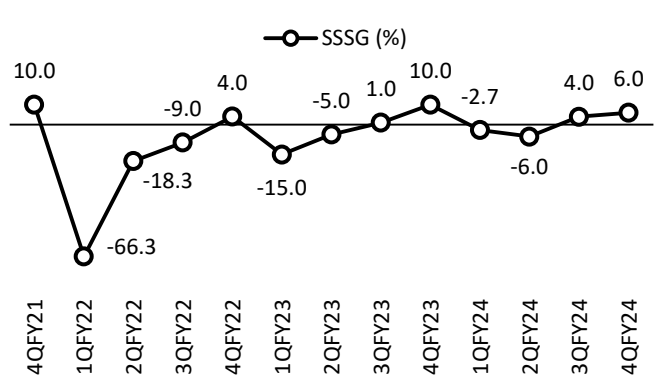


Exhibit 7: VMART continued to post losses



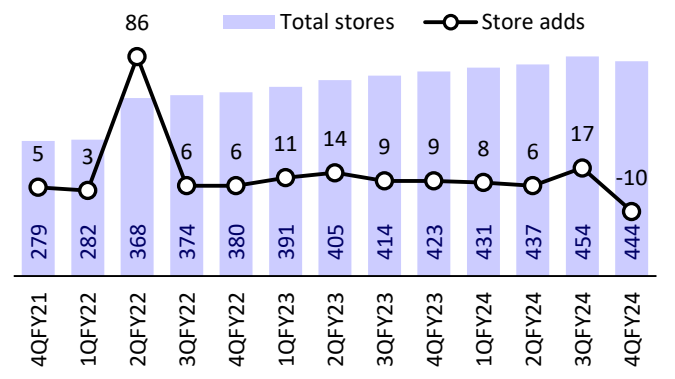
Source: Company, MOFSL

Exhibit 8: SSSG improving from the last two quarters



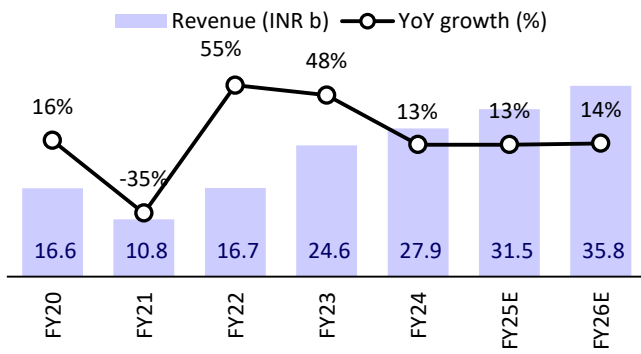
Source: Company, MOFSL

Exhibit 9: Closed 19 stores and opened 9 stores, resulting in net closure



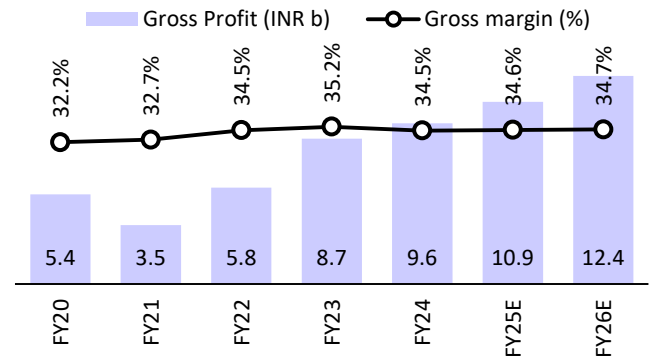
*incl 74 stores for unlimited from 2QFY22 Source: Company, MOFSL

Exhibit 10: Expect 13% revenue CAGR over FY24-26



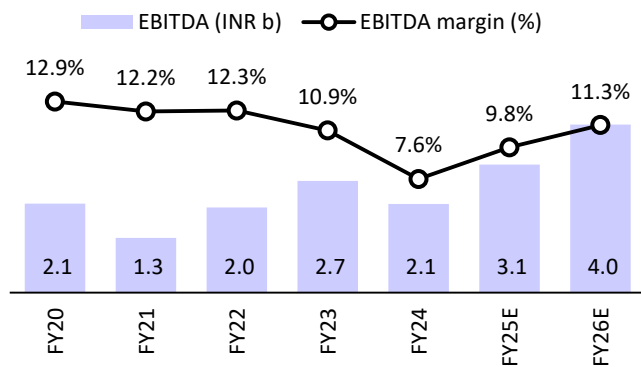
Source: Company, MOFSL

Exhibit 11: Expect 10bp YoY improvement in GM



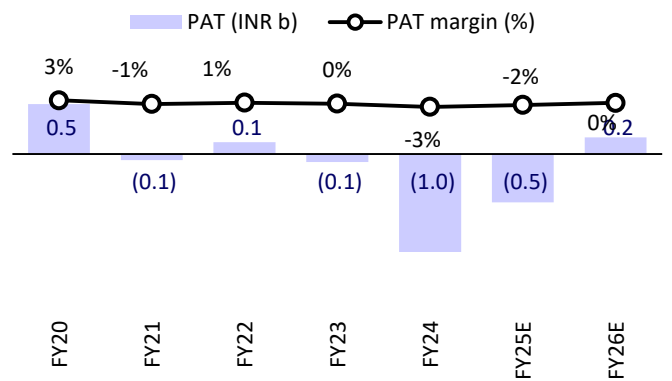
Source: Company, MOFSL

Exhibit 12: Expect 38% EBITDA CAGR over FY24-26



Source: Company, MOFSL

Exhibit 13: Expected PAT trend to improve from FY25



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	31,467	35,844
Change (%)	17.3	15.9	-35.3	54.9	47.9	13.0	13.0	13.9
Raw Materials	9,703	11,263	7,236	10,911	15,971	18,251	20,585	23,413
Employees Cost	1,257	1,536	1,169	1,796	2,555	2,871	3,147	3,549
Other Expenses	996	396	1,038	1,821	3,178	4,604	4,657	4,839
Total Expenditure	13,008	14,483	9,442	14,618	21,959	25,725	28,389	31,801
% of Sales	90.7	87.1	87.8	87.7	89.1	92.4	90.2	88.7
EBITDA	1,329	2,137	1,312	2,043	2,689	2,131	3,078	4,044
Margin (%)	9.3	12.9	12.2	12.3	10.9	7.6	9.8	11.3
Depreciation	276	939	1,030	1,307	1,800	2,221	2,556	2,672
EBIT	1,053	1,198	282	736	889	-91	522	1,372
Int. and Finance Charges	16	548	589	772	1,169	1,424	1,400	1,414
Other Income	59	45	210	140	150	210	240	260
PBT Bif. EO Exp.	1,096	695	-97	104	-130	-1,305	-638	217
EO Items	-98	0	0	0	0	0	0	0
PBT after EO Exp.	998	695	-97	104	-130	-1,305	-638	217
Total Tax	382	202	-35	-12	-52	-337	-159	54
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	-478	163
Adjusted PAT	715	493	-62	116	-78	-968	-478	163
Change (%)	-8.0	-31.0	-112.6	-287.7	-167.4	1,132.9	-50.5	-134.0
Margin (%)	5.0	3.0	-0.6	0.7	-0.3	-3.5	-1.5	0.5

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	6,794	6,956
Net Worth	4,093	4,589	8,252	8,496	8,490	7,470	6,991	7,154
Minority Interest	0	0	0	0	0	0	0	0
Total Loans	0	11	0	0	1,478	1,100	3,000	3,000
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	12,857	13,002
Lease Liabilities		5,157	5,678	9,022	11,838	12,813	12,784	12,930
Capital Employed	4,086	9,658	13,750	17,240	21,400	20,634	21,975	22,283
Net Fixed Assets	1,655	6,670	6,965	11,110	14,455	16,607	15,911	16,050
Right to use assets		4,921	5,180	8,283	10,643	11,197	10,590	10,158
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	12,700	13,804
Inventory	3,290	4,779	4,283	6,682	8,706	8,161	9,483	10,802
Account Receivables	0	0	0	0	0	0	0	0
Cash and Bank Balance	166	50	275	351	202	272	447	-154
Loans and Advances	443	473	1,278	1,153	2,353	2,452	2,770	3,156
Curr. Liability & Prov.	2,114	2,418	2,261	3,368	5,493	6,945	6,722	7,657
Account Payables	1,483	1,968	1,917	2,906	4,883	6,337	6,035	6,874
Other Current Liabilities	534	451	345	462	610	608	687	783
Provisions	97	0	0	0	0	0	0	0
Net Current Assets	1,784	2,884	3,574	4,818	5,768	3,940	5,978	6,147
Appl. of Funds	4,086	9,657	13,750	17,240	21,400	20,633	21,974	22,282

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	-26.4	9.0
Cash EPS	54.8	79.2	53.5	78.7	95.1	69.3	114.8	156.7
BV/Share	226.1	253.6	456.0	469.5	469.1	412.8	386.3	395.3
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	54.1	78.3	NM	331.9	NM	NM	NM	237.3
Cash P/E	39.0	27.0	39.9	27.1	22.4	30.8	18.6	13.6
P/BV	9.4	8.4	4.7	4.5	4.6	5.2	5.5	5.4
EV/Sales	2.7	2.3	3.9	2.5	1.8	1.5	1.4	1.3
EV/EBITDA	28.9	20.5	36.2	24.9	20.6	26.2	18.7	14.4
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	2.0	89.4
Return Ratios (%)								
RoE	18.9	11.4	NM	1.4	NM	NM	NM	2.3
RoCE	18.1	12.7	2.7	6.2	3.2	0.4	2.6	5.3
RoIC	21.2	13.3	1.8	6.4	3.0	-0.3	1.9	4.7
Working Capital Ratios								
Fixed Asset Turnover (x)	8.7	2.5	1.5	1.5	1.7	1.7	2.0	2.2
Asset Turnover (x)	3.5	1.7	0.8	1.0	1.2	1.4	1.4	1.6
Inventory (Days)	84	105	145	146	129	107	110	110
Debtor (Days)	0	0	0	0	0	0	0	0
Creditor (Days)	38	43	65	64	72	83	70	70
Leverage Ratio (x)								
Current Ratio	1.8	2.2	2.6	2.4	2.0	1.6	1.9	1.8
Interest Cover Ratio	65.3	2.2	0.5	1.0	0.8	-0.1	0.4	1.0
Net Debt/Equity	-0.2	0.0	-0.4	-0.2	0.1	0.1	0.4	0.4

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) Before Tax	993	695	-97	104	-130	-1,305	-638	217
Depreciation	268	939	1,030	1,307	1,800	2,221	2,556	2,672
Interest & Finance Charges	16	548	589	772	1,169	1,424	1,400	1,414
Direct Taxes Paid	-332	-241	-35	-118	-182	-26	159	-54
(Inc)/Dec in WC	-270	-1,091	182	-1,985	-857	1,716	-1,916	-769
CF from Operations	674	850	1,669	80	1,800	4,030	1,561	3,480
Others	89	13	-176	-192	8	-171	-240	-260
CF from Operating incl EO	763	863	1,493	-113	1,808	3,859	1,321	3,220
(Inc)/Dec in FA	-407	-546	-406	-1,494	-2,783	-1,209	-1,281	-1,451
Free Cash Flow	357	317	1,087	-1,606	-976	2,650	40	1,769
(Pur)/Sale of Investments	-339	550	-3,092	2,676	1,192	46	0	0
Others	12	2	-690	54	5	-14	852	260
CF from Investments	-734	5	-4,188	1,237	-1,586	-1,178	-429	-1,191
Issue of Shares	19	13	3,713	76	35	7	0	0
Inc/(Dec) in Debt	-3	8	-11	0	1,478	-378	1,900	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	-2,618	-2,629
CF from Fin. Activity	-44	-943	2,869	-1,045	-374	-2,590	-718	-2,629
Inc/Dec of Cash	-14	-75	174	80	-152	92	174	-600
Opening Balance (excluding bank bal.)	137	123	48	222	302	150	242	416
Closing Balance	123	48	222	302	150	242	416	-185
Bank balance	43	1	53	49	52	31	31	31
Closing Balance (including bank balance)	166	50	275	351	202	273	447	-154

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