

Visibility improving

We expect demand to remain robust, driven by better consumer sentiments and increased government benefit (latest being enhancing the tax exemption limit), which will result in higher disposable income for the target customers.

We arrive at a target price of 4,195 (18x EV/EBITDA). We recommend a BUY call on the company.

Outlook:

- Sentiment among lower-income consumers has improved. Although January was challenging, it was managed efficiently.
- Organized retail is capturing a larger market share.
- Limeroad: Focus on reducing losses (54% decrease in Q3FY25) with seven quarters of improvement.
- Store count guidance for FY26 of ~60 stores will be maintained unless rental costs increase significantly.
- Gross margin may be sacrificed to some extent to maintain relevant product mix to drive growth
- Target to increase the sales per square foot of Unlimited to reach V-mart levels in the next three years

Key Financial Highlights:

- Revenue at 10267 mn, +15% YoY/+55% QoQ
- Core V-Mart business grew by 19% YoY to Rs 8634mn, Unlimited grew by 6% to Rs 1528mn.
- New business Lime-Road contributed 1% towards overall Revenue at Rs 294 mn
- EBITDA at Rs 1714 mn, +43% YoY, +344% QoQ
- EBIDTA margins at 16.7% as against 13.5% YoY, 5.8% QoQ
- Profit of Rs 716 mn vs profit of 282 mn last year vs loss of 565 mn QoQ

Financial Summary

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net sales	16,662	24,648	27,856	32,879	38,200	44,154
Adjusted net profit	116	(78)	(968)	(189)	374	825
EPS (Rs)	5.9	(3.9)	(48.9)	(9.5)	18.9	41.7
P/B (x)	8.1	8.1	9.3	9.5	9.0	8.2
EV/EBITDA (x)	38.0	30.6	38.9	21.8	17.7	14.9
D/E	-	0.2	0.1	0.2	0.2	0.2
RoE (%)	1.4	(0.9)	(13.0)	(2.6)	4.9	9.7
Dividend yield (%)	0.02	-	-	-	0.06	0.06

Source: Company, Dalal & Broacha Research

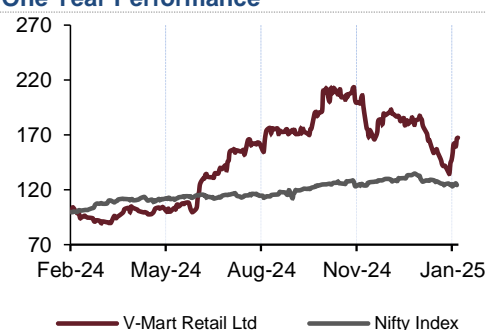
Rating	TP (Rs)	Up/Dn (%)
BUY	4,195	19

Market data

Current price	Rs	3,518
Market Cap (Rs.Bn)	(Rs Bn)	70
Market Cap (US\$ Mn)	(US\$ Mn)	800
Face Value	Rs	10
52 Weeks High/Low	Rs	4520 / 1814.3
Average Daily Volume	('000)	236
BSE Code		534976
Bloomberg		VMART

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Dec-24	Sep-24
Promoters	44	44
Public	56	56
Total	100	100

Source: BSE

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Conference Call Key Takeaways

DEMAND (industry level)

- Consumer sentiments have improved and more footfalls being witnessed (+40% YoY)
- Demand in festivals and winters was satisfactory
- Youth/GenZ ability to spend has increased which is driving a lot of growth (for V-mart contribution from Youth consumers has gone up to ~27% from 22%)
- Competitive intensity increased value fashion segment

V-Mart Core

- SSG was 10% and SSVG (volume) at 10%
- V-mart Core EBITDA margin at 17.9%
- LTL sales across regions was similar
- 19 Stores opened and 0 closed in Q3

UNLIMITED

- SSG was 11% and SSVG (volume) at 11%
- UNLIMITED EBITDA margin at 15.4%,
- Within the southern region, Tamil Nadu has performed better while Telangana is still struggling
- New stores opened are having better or similar EBITDA margins than V-mart stores and much better than legacy stores where the size was bigger and cost higher.
- 2 stores opened and 0 were closed

LIME ROAD:

- EBITDA loss of 6.5crs for Q3FY25 vs 14.1crs in Q3FY24
- Advertisement cost has been reduced to a very large extent in Limeroad which also impacted revenue however led to improved profitability
- Will remain as fashion forward omni arm of V-Mart with now 3Mn app downloads

OTHER DETAILS:

- Gross margins overall +30bps on YoY basis on account of better/fresh merchandise sale and better product mix due to winter season.
- Employee cost up 25% YoY on account of ESOP and minimum wage hikes in Odisha and Jharkhand stores and general rise in incentives
- Other Expenses down on account of reduced Lime Road Expenses as well as drop in logistics cost and closure of non-profitable stores
- 83crs was spent on capex in 9MFY25 (~49crs on new stores), ~59crs of Freecashflow generated in 9MFY25
- Inventory days has decreased by 15% to 92days
- Management is of the opinion that Reliance retail should not possess huge competition considering their ASP is 60-70% higher.

Quarterly Performance Analysis

Particulars (Rs Mns)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
Revenue	10,267	8,891	15%	6,610	55%
Other Income	34	130	-74%	18	91%
Total	10,301	9,021		6,627	
Total RM Cost	6,596	5,734	15%	4,389	50%
Gross Profit	3,672	3,157	16%	2,221	65%
Employee Cost	953	772	24%	865	10%
Other Expenses	1,005	1,189	-15%	969	4%
Total	8,554	7,694		6,224	
EBIDTA	1,714	1,197	43%	386	344%
Depreciation	626	583	7%	592	
EBIT	1,122	744		(189)	
Interest Cost	424	376	13%	391	
PBT and exceptional item	697	369	89%	(580)	-220%
exceptional item	-	-		-	
PBT	697	369	89%	(580)	
Taxes	(19)	87		(15)	
Reported PAT	716	282	154%	(565)	-227%
EPS	36.2	14.3		(28.6)	
as a % to sales					
RM	64.2%	64.5%		66.4%	
Gross profit margins	35.8%	35.5%		33.6%	
Employee Costs	9.3%	8.7%		13.1%	
Other expenses	9.8%	13.4%		14.7%	
EBITDA Margins	16.7%	13.5%		5.8%	
Tax rate (on PBT)	-2.7%	23.5%		2.6%	

Source: Dalal & Broacha Research, Company

Exhibit 1

Particulars	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Stores	414	423	431	437	454	444	448	467	488
Net Additions	9	9	8	6	17	(10)	4	19	21
Retail Space YTD in lacs Sq feet	37	37	38	38	40	39	39	40	42
Increase	1	-	1	1	1	(1)	0	1	2
Sales Per Sq Ft Per Mth In Rs as per Presentation	766	584	632	502	795	635	711	579	897
Sales Per Sq Ft Per Mth * 3 (for Qtr)	2,298	1,752	1,896	1,506	2,385	1,905	2,133	1,737	2,691
Growth	-11%	54%	1%	-3%	4%	9%	13%	15%	13%
Average Sq Ft per Store	8,937	8,747	8,747	8,747	8,747	8,694	8,705	8,565	8,607
SSS Growth YTD					9MFY24	Q4FY24	Q1FY25	H1FY25	Q3FY25
- Value %	30%	23%	-3%	-13%	1%	6%	11%	15%	10%
- Volume %	29%	25%	3%	6%	6%	5%	11%	7%	10%

Source: Company, Dalal & Broacha Research,

Exhibit 2

Particulars	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Segment Contribution									
-Fashion (%)	90	90	89	86	91	89	90	87	90
-Kirana (%)	10	10	11	14	9	11	10	13	10
Total	100	100	100	100	100	100	100	100	100
Sales Mix									
Apparels (%)	79	79	79	76	82	79	81	76	80
Non Apparels (%)	11	11	10	10	9	10	9	11	10
Kirana (%)	10	10	11	14	9	11	10	13	10
Total	100	100	100	100	100	100	100	100	100
FootFall (lacs)	126	112	130	110	150	140	180	170	220
Conversion Rate	55%	58%	56%	55.00%	52.00%	49.00%	47.00%	45.00%	43%
Shrinkage	0%	0%	1.3%	0.70%	NA	NA	1.70%	1.50%	1.40%
Average Selling Price (Rs)	YTD	Q4FY23	Q1FY24	H1FY24	9MFY24	Q4FY24	Q1FY25	Q2FY25	9MFY25
Total (Rs)	291	233	219	209	233	232	220	214	234
Total Vmart		214	197	187	211	215	202	195	216
Total Unlimited		453	451	434	451	409	421	416	431
Apparels (Rs.)	500	382	345	326	361	351	322	325	357
Apparels Vmart		365	320	301	338	337	304	305	339
Apparels Unlimited		498	485	459	480	438	445	442	461
Transaction size (Rs)	1,044	1,069	977	1,057	1,073	1,065	1,036	1,001	1,058
Vmart			881	899	980	980	961	923	981
Unlimited			1,997	1,947	2,014	1,911	1,816	1,730	1,797
Store Count YTD	414	423	431	437	454	444	448	467	488
Tier 1	111	106	109	109	108	104	104	107	110
Tier 2	53	52	52	53	55	53	53	55	55
Tier 3	188	212	217	220	234	233	237	248	263
Tier 4	62	53	53	55	57	54	54	57	60
Store allocation	100%	100%	100%	100%	100%	100%	100%	100%	100%
Tier 1 %	27%	25%	25%	25%	24%	23%	23%	23%	23%
Tier 2 %	13%	12%	12%	12%	12%	12%	12%	12%	11%
Tier 3 %	45%	50%	50%	50%	52%	52%	53%	53%	54%
Tier 4 %	15%	13%	12%	13%	13%	12%	12%	12%	12%

Source: Dalal & Broacha Research, Company

Valuation & Outlook

We expect demand to remain robust, driven by better consumer sentiments and increased government benefit (latest being enhancing the tax exemption limit), which will result in higher disposable income for the target customers. V-Mart Retail is poised for robust performance in the coming years, thanks to its strategic focus on enhancing profitability and adapting to evolving consumer preferences.

V-Mart's strategic initiatives and market adaptability, coupled with cost optimization efforts, position the company for a brighter future. Recent efforts of lowering average selling prices (ASP), updating product lines to align with current trends, enhancing the customer experience, and closing unprofitable stores, all of which have contributed to improved operational performance.

We arrive at a target price of 4,195 (18x EV/EBITDA). We recommend a BUY call on the company.

Financials

P&L (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	16,662	24,648	27,856	32,879	38,200	44,154
Cost of sales	(14,618)	(21,959)	(25,726)	(29,051)	(33,441)	(38,451)
Operating Profit	2,043	2,689	2,130	3,828	4,758	5,703
Depreciation	(1,307)	(1,800)	(2,221)	(2,456)	(2,670)	(2,873)
PBIT	736	889	(91)	1,372	2,088	2,830
Other income	140	150	210	115	173	220
Interest	(772)	(1,169)	(1,424)	(1,614)	(1,763)	(1,950)
Profit before tax	104	(130)	(1,305)	(127)	498	1,100
Exceptional and Extra Or	-	-	-	-	-	-
PBT (Post Extra Ordinary)	104	(130)	(1,305)	(127)	498	1,100
Provision for tax	12	52	(337)	(62)	(125)	(275)
Reported PAT	116	(78)	(1,643)	(189)	374	825
MI	-	-	-	-	-	-
Adjusted PAT	116	(78)	(968)	(189)	374	825

Balance Sheet	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	197	198	198	198	198	198
Reserves	8,299	8,292	7,272	7,083	7,457	8,282
Net worth	8,496	8,490	7,470	7,281	7,655	8,480
Non Current Liabilities	8,538	11,203	12,061	13,135	14,566	15,586
Current Liabilities	3,961	7,733	8,922	10,995	12,394	13,561
CAPITAL EMPLOYED	20,995	27,425	28,453	31,411	34,615	37,627
	20,581	26,655	27,814	30,715	34,215	37,202
Non Current Assets	11,598	16,078	17,466	18,900	20,443	21,799
Fixed Assets	11,174	15,547	16,646	18,200	20,243	21,599
Non Current Investments	38	-	-	-	-	-
Deferred Tax Asset	386	531	821	700	200	200
Long Term Loans and Adv	-	-	-	-	-	-
Other NON Current Asset	414	770	639	696	400	425
Current Assets	8,983	10,577	10,348	11,815	13,772	15,403
Current investments	1,211	85	47	47	47	47
Inventories	6,682	8,706	8,161	8,558	9,942	10,887
Trade Receivables	-	-	-	-	-	-
Cash and Bank Balances	350	181	272	1,133	1,750	2,131
Short Term Loans and Adv	5	4	2	2	2	2
Other Current Assets	735	1,601	1,866	2,076	2,030	2,335

Cash Flow St. (Rs. mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Profit	116	(78)	(1,643)	(189)	374	825
Add: Dep. & Amort.	1,307	1,800	2,221	2,456	2,670	2,873
Cash profits	1,423	1,721	579	2,267	3,044	3,698
(Inc)/Dec in						
-Sundry debtors	-	-	-	-	-	-
-Inventories	(2,399)	(2,024)	546	(397)	(1,385)	(945)
-Loans/advances	124	1	2	-	-	-
'-Current Liab and Provisior	1,142	2,142	1,452	1,694	1,294	1,092
'- Other Non Current Assets	0	(1,222)	(134)	(267)	341	(330)
Change in working capital	(1,134)	(1,104)	1,866	1,030	250	(182)
CF from Oper. activities	290	618	2,445	3,298	3,294	3,516
CF from Inv. activities	(208)	(2,194)	(2,308)	(2,858)	(3,176)	(3,135)
CF from Fin. activities	(6)	1,406	(46)	421	500	-
Cash generated/(utilised)	76	(170)	92	860	618	381
Cash at start of the year	275	350	181	272	1,133	1,750
Cash at end of the year	350	181	272	1,133	1,750	2,131

Ratios	FY22	FY23	FY24	FY25E	FY26E	FY27E
OPM	12.3	10.9	7.6	11.6	12.5	12.9
NPM	0.7	(0.3)	(3.4)	(0.6)	1.0	1.9
Tax rate	11.9	(39.7)	25.8	48.7	(25.0)	(25.0)
Growth Ratios (%)						
Net Sales	54.9	47.9	13.0	18.0	16.2	15.6
Operating Profit	55.7	31.6	(20.8)	79.7	24.3	19.8
PBIT	160.7	20.8	(110.2)	(1,609.7)	52.2	35.5
PAT	(287.7)	(167.0)	1,140.3	(80.5)	(297.8)	120.8
Per Share (Rs.)						
Net Earnings (EPS)	5.9	-3.9	-48.9	-9.5	18.9	41.7
Cash Earnings (CPS)	72.1	87.1	63.4	114.6	153.9	187.0
Dividend	0.8	-	-	-	2.0	2.0
Book Value	430.2	429.4	377.6	368.1	387.0	428.7
Free Cash Flow	4.1	(79.7)	6.9	22.2	6.0	19.3
Valuation Ratios						
P/E(x)	593.1	(885.8)	(71.4)	(366.1)	185.1	83.8
P/B(x)	8.1	8.1	9.3	9.5	9.0	8.2
EV/EBIDTA(x)	38.0	30.6	38.9	21.8	17.7	14.9
Div. Yield(%)	0.0	-	-	-	0.1	0.1
FCF Yield(%)	0.1	(2.3)	0.2	0.6	0.2	0.6
Return Ratios (%)						
ROE	1.4	(0.9)	(13.0)	(2.6)	4.9	9.7
ROCE	8.7	8.9	(1.1)	15.2	23.1	28.6

Source: Dalal & Broacha Research, Company

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