



6th Aug, 2024

Worst is behind

We believe that the worst is behind and overall demand would continue to improve basis the consumer sentiments & better monsoon leading to higher disposable income for its target customers. The company has undertaken various initiatives in the last few quarters to bring back the customers to their stores by reducing the ASP, introducing products as per new trend, improving customer experience and closing down the non-profitable stores which resulted in a better Q1 performance. **We upgrade our target EV/EBITDA multiple from 15x to 18x on account of better visibility and early signs of profitable growth.**

Outlook:

- The management is confident of exiting FY25 with a better performance than FY24 with focus on achieving pre covid Pre IND AS EBITDA margins of 8-8.5% in next couple of years provided 10% SSG is maintained
- Consumer sentiment has improved and are willing to spend due to better visibility of income as monsoons are predicted to be good
- Store target for FY25 on a gross level at 50
- Limeroad: Focus is on reducing the losses which would be 50% lower than in FY24

Key Financial Highlights:

- Revenue at 7861 mn, +16% YoY/+18% QoQ
- Core V-Mart business grew by 20% YoY to Rs 6500mn, Unlimited grew by 5% to Rs 1245mn.
- New business Lime-Road contributed 1% towards overall Revenue at Rs 116 mn
- EBITDA at Rs 990 mn, +89% YoY, +146% QoQ
- EBITDA margins at 12.6% as against 7.7% YoY, 6% QoQ
- Profit of Rs 121 mn vs loss of 219 mn last year vs loss of 389 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	37,690	43,204
Adjusted net profit	116	(78)	(1,129)	(470)	139	445
EPS (Rs)	5.9	(3.9)	(57.1)	(23.8)	7.0	22.5
P/B (x)	7.6	7.6	8.6	9.2	9.0	8.5
EV/EBITDA (x)	35.7	28.8	39.4	23.7	18.1	15.7
D/E	-	0.2	0.1	0.2	0.2	0.2
RoCE (%)	8.7	8.9	(2.9)	10.0	18.7	23.7
RoE (%)	1.4	(0.9)	(15.1)	(6.7)	1.9	5.9
Dividend yield (%)	0.02	-	-	-	0.06	0.06

Source: Company, Dalal & Broacha Research

Rating	TP (Rs)	Up/Dn (%)
BUY ON DIPS	3,397	4

Market data

Current price	Rs	3,253
Market Cap (Rs.Bn)	(Rs Bn)	64
Market Cap (US\$ Mn)	(US\$ Mn)	767
Face Value	Rs	10
52 Weeks High/Low	Rs	3733.5 / 1591
Average Daily Volume	('000)	33
BSE Code		534976
Bloomberg		VMART.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Jun-24	Mar-24
Promoters	44.33	44.33
Public	55.67	55.67
Total	100.00	100.00

Source: BSE

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Conference Call Key Takeaways

DEMAND (industry level)

- Consumer sentiments have improved and more footfalls being witnessed (+36% YoY)
- As per the management the consumption pattern has changed wherein customers are demanding fast fashion at valuable prices
- UP, Karnataka, Uttrakhand, West Bengal, Uttar Pradesh have performed relatively better
- According to the management, there is pressure on premium segment of fashion

V-Mart Core

- SSG was 12% and SSVG (volume) at 10%
- Repeat customers contributed (70%) more to growth than newer ones
- V-mart Core EBITDA margin at 13.4%
- No price cuts taken, change in ASP is on account of change in product mix
- 5 Stores opened and none closed in Q1

UNLIMITED

- SSG was 8% and SSVG (volume) at 15%
- Price cuts at UNLIMITED led to higher footfalls
- Getting traction from new customers + purchases from existing customers
- Growth would have been 18% if we remove the impact of stores closed in the previous quarter
- UNLIMITED EBITDA margin at 18%
- 2 stores opened and 3 were closed

LIME ROAD:

- EBITDA loss of 10crs for Q1 vs 25.6crs in Q1FY24
- Although earlier management had guided for breakeven in FY25, losses would continue in FY25 to the tune of 40-50% of FY24 EBITDA losses (i.e ~28 to 35crs in FY25) and even in FY26 losses would continue
- The company has launched a LIMEROAD branded store in Karnataka as a pilot project which would have a premium touch in terms of experience, lower inventory/sqft with low price points
- Advertisement cost has been reduced to a very large extent in Lime road which also impacted revenue however led to improved profitability

OTHER DETAILS:

- Limited scope seen in increasing gross margins, target is to increase volume to help improve the operating margins
- The majority savings in other expenses due to reduction in manpower costs, power&fuel and advertisement cost.
- Management will close down 3 to 4 non-performing stores in FY25
- Freshness index up 10% YoY
- 26crs was spent on capex in Q1, 43crs of freecash flow generated in Q1

Quarterly Performance Analysis

Particulars (Rs Mns)	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
Revenue	7,861	6,785	16%	6,686	18%
Other Income	46	15	208%	44	5%
Total	7,907	6,800		6,730	
Total RM Cost	5,094	4,358	17%	4,567	12%
Gross Profit	2,767	2,427	14%	2,119	31%
Employee Cost	841	717	17%	670	25%
Other Expenses	937	1,186	-21%	1,047	-11%
Total	6,871	6,261		6,284	
EBIDTA	990	525	89%	402	146%
Depreciation	568	499	14%	607	
EBIT	468	41		(161)	
Interest Cost	375	330	14%	359	
PBT and exceptional item	93	(290)	-132%	(520)	-118%
exceptional item	-	-		-	
PBT	93	(290)		(520)	
Taxes	(28)	(70)		(131)	
Reported PAT	121	(219)		(389)	-131%
EPS	6.1	(11.1)		(19.7)	
as a % to sales					
RM	64.8%	64.2%		68.3%	
Gross profit margins	35.2%	35.8%		31.7%	
Employee Costs	10.7%	10.6%		10.0%	
Other expenses	11.9%	17.5%		15.7%	
Operating margins	12.6%	7.7%		6.0%	
Tax rate (on PBT)	-30.3%	24.2%		25.1%	

Source: Dalal & Broacha Research, Company

Exhibit 1

Particulars	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Stores	391	405	414	423	431	437	454	444.00	448.00
Net Additions	11	14	9	9	8	6	17	-10	4
Retail Space YTD in lacs Sq feet	34.00	36.00	37.00	37.00	37.70	38.22	39.71	38.60	39.00
Increase	1.00	2.00	1.00	0.00	0.70	0.52	1.49	-1.11	0.40
Sales Per Sq Ft Per Mth In Rs as per Presentation	626.00	516.00	766.00	584.00	632.00	502.00	795.00	635.00	711.00
Sales Per Sq Ft Per Mth * 3 (for Qtr)	1878	1548	2298	1752	1896	1506	2385	1905	2133
Growth	17.4%	48.7%	-10.9%	53.7%	1.0%	-2.7%	3.8%	8.7%	12.5%
Average Sq Ft per Store	8696	8889	8937	8747	8747	8747	8747	8694	8705
SSS Growth YTD							9MFY24	Q4FY24	
- Value %	137%	57%	30%	23%	-3%	-13%	1%	6%	11%
- Volume %	124%	49%	29%	25%	3%	6%	6%	5%	11%

Source: Dalal & Broacha Research, Company

Exhibit 2

Particulars	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Segment Contribution									
-Fashion (%)	91	88	90	90	89	86	91	89	90
-Kirana (%)	9	12	10	10	11	14	9	11	10
Total	100	100	100	100	100	100	100	100	100
Sales Mix									
Apparels (%)	81	77	79	79	79	76	82	79	81
Non Apparels (%)	10	10	11	11	10	10	9	10	9
Kirana (%)	9	12	10	10	11	14	9	11	10
Total	100	100	100	100	100	100	100	100	100
FootFall (lacs)	102	95	126	112	130	110	150	140	180
Conversion Rate	62%	62%	55%	58%	56%	55.00%	52.00%	49.00%	47.00%
Shrinkage	0%	0%	0%	0%	1.3%	0.70% NA			1.70%
Average Selling Price (Rs)	YTD	YTD	YTD	Q4FY23	Q1FY24	H1FY24	9MFY24	Q4FY24	Q1FY25
Total (Rs)	233	223	291	233	219	209	233	232	220
Total Vmart				214	197	187	211	215	202
Total Unlimited				453	451	434	451	409	421
Apparels (Rs.)	370	384	500	382	345	326	361	351	322
Apparels Vmart				365	320	301	338	337	304
Apparels Unlimited				498	485	459	480	438	445
Transaction size (Rs)	994	961	1,044	1,069	977	1,057	1,073	1,065	1,036
Vmart					881	899	980	980	961
Unlimited					1,997	1,947	2,014	1,911	1,816
Store Count YTD	391	405	414	423	431	437	454	444	448
Tier 1	105	110	111	106	109	109	108	104	104
Tier 2	54	53	53	52	52	53	55	53	53
Tier 3	172	179	188	212	217	220	234	233	237
Tier 4	60	63	62	53	53	55	57	54	54
Store allocation	100%	100%	100%	100%	100%	100%	100%	100%	100%
Tier 1 %	27%	27%	27%	25%	25%	25%	24%	23%	23%
Tier 2 %	14%	13%	13%	12%	12%	12%	12%	12%	12%
Tier 3 %	44%	44%	45%	50%	50%	50%	52%	52%	53%
Tier 4 %	15%	16%	15%	13%	12%	13%	13%	12%	12%

Source: Dalal & Broacha Research, Company

Valuation & Outlook

We believe that the worst is behind and overall demand would continue to improve basis the consumer sentiments & better monsoon leading to higher disposable income for its target customers. V-Mart Retail is poised for a stronger performance in the coming years, driven by its strategic focus on improving profitability and adapting to changing consumer preferences. The management's confidence in achieving pre-COVID pre IND AS EBITDA margins of 8-8.5% within the next couple of years, contingent on maintaining a 10% SSG, underscores their commitment to enhancing financial performance. In conclusion, V-Mart Retail's strategic initiatives, coupled with its adaptability to market conditions and focus on cost optimization, position the company for a brighter future. The company has undertaken various initiatives in the last few quarters to bring back the customers to their stores by reducing the ASP, introducing products as per new trend, improving customer experience and closing down the non-profitable stores which resulted in a better Q1 performance. **We upgrade our target EV/EBITDA multiple from 15x to 18x on account of better visibility and early signs of profitable growth. We arrive at a target price of Rs 3,397 (based on June'26 EBITDA), an upside of 4% from CMP and recommend investors BUY ON DIPS.**

Financials

P&L (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Net Sales	16,662	24,648	27,856	32,879	37,690	43,204
Cost of sales	(14,618)	(21,959)	(25,887)	(29,554)	(33,276)	(38,045)
Operating Profit	2,043	2,689	1,969	3,325	4,414	5,160
Depreciation	(1,307)	(1,800)	(2,221)	(2,456)	(2,817)	(3,030)
PBIT	736	889	(252)	869	1,597	2,130
Other income	140	150	210	115	131	159
Interest	(772)	(1,169)	(1,424)	(1,454)	(1,590)	(1,695)
Profit before tax	104	(130)	(1,466)	(470)	139	594
Exceptional and Extra Or	-	-	-	-	-	-
PBT (Post Extra Ordinary)	104	(130)	(1,466)	(470)	139	594
Provision for tax	12	52	(337)	-	-	(150)
Reported PAT	116	(78)	(1,804)	(470)	139	445
MI	-	-	-	-	-	-
Adjusted PAT	116	(78)	(1,129)	(470)	139	445

Balance Sheet	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	197	198	198	198	198	198
Reserves	8,299	8,292	7,272	6,802	6,941	7,385
Net worth	8,496	8,490	7,470	7,000	7,138	7,583
Non Current Liabilities	8,538	11,203	12,061	12,829	14,099	15,085
Current Liabilities	3,961	7,733	8,922	10,878	12,100	13,155
CAPITAL EMPLOYED	20,995	27,425	28,453	30,707	33,337	35,823
	20,581	26,655	27,814	30,011	32,937	35,398
Non Current Assets	11,598	16,078	17,466	18,900	20,321	21,668
Fixed Assets	11,174	15,547	16,646	18,200	20,121	21,468
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	11,111	12,617	13,730
Current investments	1,211	85	47	47	47	47
Inventories	6,682	8,706	8,161	8,558	9,810	10,653
Trade Receivables	-	-	-	-	-	-
Cash and Bank Balances	350	181	272	428	727	693
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)	(1,804)	(470)	139	445
Add: Dep. & Amort.	1,307	1,800	2,221	2,456	2,817	3,030
Cash profits	1,423	1,721	418	1,986	2,955	3,474
(Inc)/Dec in						
-Sundry debtors	-	-	-	-	-	-
-Inventories	(2,399)	(2,024)	546	(397)	(1,252)	(843)
-Loans/advances	124	1	2	-	-	-
'-Current Liab and Provisior	1,142	2,142	1,452	1,661	1,134	987
'- Other Non Current Assets	0	(1,222)	(134)	(267)	341	(330)
Change in working capital	(1,134)	(1,104)	1,866	997	223	(186)
CF from Oper. activities	290	618	2,284	2,983	3,179	3,288
CF from Inv. activities	(208)	(2,194)	(2,308)	(3,248)	(3,379)	(3,323)
CF from Fin. activities	(6)	1,406	115	421	500	-
Cash generated/(utilised)	76	(170)	92	156	299	(35)
Cash at start of the year	275	350	181	272	428	727
Cash at end of the year	350	181	272	428	727	693
Ratios	FY22	FY23	FY24	FY25E	FY26E	FY27E
OPM	12.3	10.9	7.1	10.1	11.7	11.9
NPM	0.7	(0.3)	(4.0)	(1.4)	0.4	1.0
Tax rate	11.9	(39.7)	23.0	-	-	(25.2)
Growth Ratios (%)						
Net Sales	54.9	47.9	13.0	18.0	14.6	14.6
Operating Profit	55.7	31.6	(26.8)	68.8	32.8	16.9
PBIT	160.7	20.8	(128.3)	(444.8)	83.9	33.3
PAT	(287.7)	(167.0)	1,346.7	(58.4)	(129.5)	220.8
Per Share (Rs.)						
Net Earnings (EPS)	5.9	-3.9	-57.1	-23.8	7.0	22.5
Cash Earnings (CPS)	72.1	87.1	55.2	100.4	149.4	175.6
Dividend	0.8	-	-	-	2.0	2.0
Book Value	430.2	429.4	377.6	353.9	360.9	383.4
Free Cash Flow	4.1	(79.7)	(1.2)	(13.4)	(10.2)	(1.8)
Valuation Ratios						
P/E(x)	551.9	(824.3)	(57.0)	(136.9)	464.3	144.7
P/B(x)	7.6	7.6	8.6	9.2	9.0	8.5
EV/EBIDTA(x)	35.7	28.8	39.4	23.7	18.1	15.7
Div. Yield(%)	0.0	-	-	-	0.1	0.1
FCF Yield(%)	0.1	(2.5)	(0.0)	(0.4)	(0.3)	(0.1)
Return Ratios (%)						
ROE	1.4	(0.9)	(15.1)	(6.7)	1.9	5.9
ROCE	8.7	8.9	(2.9)	10.0	18.7	23.7

Source: Dalal & Broacha Research, Company

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