



### Recovery in sight

We believe that the worst is behind and overall demand should start picking due to better consumer sentiments & better monsoon predictions leading to higher disposable income for its target customers. We do not expect a V-shaped recovery rather a gradual one. The management is taking the right steps by closing down the non-profitable stores which should aid in improving the overall bottom line.

#### Outlook:

- Consumer sentiment has improved as compared to previous quarters
- 23 stores will be shutdown in Q4 as they have not contributed to profitability
- Store target for FY25 on a gross level @ 50
- Limeroad: Focus is on profitability

#### Key Financial Highlights:

- Revenue at 6686 mn, +13% YoY/-25% QoQ
- Core V-Mart business grew by 12% YoY to Rs 5486mn, Unlimited grew to Rs 1047mn.
- New business Lime-Road contributed 2.2% towards overall Revenue at Rs 152 mn
- EBITDA at Rs 402 mn, grew 75% YoY
- EBIDTA margins at 6% as against 3.9% YoY.
- Loss of Rs 389 mn vs loss of 370 mn last year vs profit of 282 mn QoQ

#### Financial Summary

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net sales	16,662	24,648	27,856	31,765	36,448
Adjusted net profit	116	(78)	(1,129)	(678)	(19)
EPS (Rs)	5.9	(3.9)	(57.1)	(34.3)	(0.9)
P/B (x)	5.1	5.1	5.8	6.4	6.4
EV/EBITDA (x)	25.4	20.9	28.7	18.7	14.6
D/E	-	0.2	0.1	0.3	0.2
RoCE (%)	8.7	8.9	(2.9)	8.5	18.6
RoE (%)	1.4	(0.9)	(15.1)	(10.0)	(0.3)
Dividend yield (%)	0.03	-	-	-	0.09

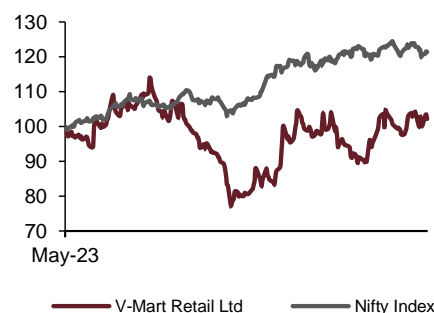
Source: Company, Dalal & Broacha Research

Rating	TP (Rs)	Up/Dn (%)
<b>ACCUMULATE</b>	<b>2,260</b>	<b>3</b>

#### Market data

Current price	Rs	2,194
Market Cap (Rs.Bn)	(Rs Bn)	42
Market Cap (US\$ Mn)	(US\$ Mn)	508
Face Value	Rs	10
52 Weeks High/Low	Rs	2445/1591
Average Daily Volume	('000)	17
BSE Code		534976
Bloomberg		VMART.IN
Source: Bloomberg		

#### One Year Performance



Source: Bloomberg

% Shareholding	Mar-24	Dec-23
Promoters	44	44
Public	56	56
<b>Total</b>	<b>100</b>	<b>100</b>

Source: BSE

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## Conference Call Key Takeaways

### DEMAND (industry level)

- Consumer sentiments have improved and more footfalls being witnessed
- Better monsoons will play a huge role in increasing the consumption in Tier 2/3/4 cities
- As per the management the consumption pattern has changed wherein more spend is happening on low ASP products
- UP, Madhya Pradesh, Rajasthan have started to see green shoots in terms of consumption
- March, April and May (till date) has been positive in terms of sales growth

### V-Mart Core

- Repeat customers contributed more to growth than newer ones
- Open to close some more stores if they do not contribute positively to profitability
- Gross margins saw some contraction due to liquidation of high cost inventory, write down of some inventory and discounts in winter wear
- 8 Stores opened and 10 closed in Q4

### UNLIMITED

- New stores opened have done reasonably well than legacy stores
- Customers are more inclined towards buying low priced products
- Have got good response to the new GenZ collections and would be expanding into it more
- Inventory of UNLIMITED stores is a bit higher as the store size are larger than V-Mart core (15% of total inventory)
- Gross margins remained at similar levels
- 1 opened and 9 were closed

### LIME ROAD:

- EBITDA loss of 12crs for Q4 vs 21.5crs in Q4FY23
- 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)

### 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 stores closed in Q4 would be seen in FY25 as lot of the stores were closed in March. The annual savings would be ~4 to 5 crs
- Management will continue to close down non-performing stores
- Focusing on keeping the inventory fresh
- ASP were strategically reduced by 5% in FY24 to attract more customers and expects the prices to be stable from here on
- Inventory per store has decreased from 2.1crs to 1.8crs as on March'24

- 137crs was spent on capex
- 44crs of freecash flow generated

## Quarterly Performance Analysis

Particulars (Rs Mns)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Revenue	6,686	5,939	13%	8,891	-25%
Other Income	44	75	-41%	130	-66%
<b>Total</b>	<b>6,730</b>	<b>6,014</b>		<b>9,021</b>	
<b>Total RM Cost</b>	<b>4,567</b>	<b>4,043</b>	13%	<b>5,734</b>	-20%
Gross Profit	2,119	1,896	12%	3,157	-33%
Employee Cost	670	680	-1%	772	-13%
Other Expenses	1,047	987	6%	1,189	-12%
<b>Total</b>	<b>6,284</b>	<b>5,710</b>		<b>7,694</b>	
<b>EBIDTA</b>	<b>402</b>	<b>229</b>	75%	<b>1,197</b>	-66%
Depreciation	607	484	25%	583	
<b>EBIT</b>	<b>(161)</b>	<b>(180)</b>		<b>744</b>	
Interest Cost	359	336	7%	376	
<b>PBT and exceptional item</b>	<b>(520)</b>	<b>(516)</b>	1%	<b>369</b>	-241%
exceptional item	-	-		-	
<b>PBT</b>	<b>(520)</b>	<b>(516)</b>		<b>369</b>	
Taxes	(131)	(146)		87	
<b>Reported PAT</b>	<b>(389)</b>	<b>(370)</b>		<b>282</b>	
<b>EPS</b>	<b>(19.7)</b>	<b>(18.7)</b>		<b>14.3</b>	
<b>as a % to sales</b>					
RM	68.3%	68.1%		64.5%	
Gross profit margins	31.7%	31.9%		35.5%	
Employee Costs	10.0%	11.5%		8.7%	
Other expenses	15.7%	16.6%		13.4%	
Operating margins	6.0%	3.9%		13.5%	
Tax rate (on PBT)	25.1%	28.3%		23.5%	

Source: Dalal & Broacha Research, Company

### Exhibit 1

Particulars	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24E	Q3FY24E	Q4FY24E
Stores	380	391	405	414	423	431	437	454	444.00
Net Additions	6	11	14	9	9	8	6	17	-10.00
Retail Space YTD in lacs Sq feet	33.00	34.00	36.00	37.00	37.00	37.70	38.22	39.71	38.60
Increase	0.00	1.00	2.00	1.00	0.00	0.70	0.52	1.49	-1.11
Sales Per Sq Ft Per Mth In Rs as per Presentation	380.00	626.00	516.00	766.00	584.00	632.00	502.00	795.00	635.00
Sales Per Sq Ft Per Mth * 3 ( for Qtr)	1140	1878	1548	2298	1752	1896	1506	2385	1905
Growth	-33.2%	17.4%	48.7%	-10.9%	53.7%	1.0%	-2.7%	3.8%	8.7%
Average Sq Ft per Store	8684	8696	8889	8937	8747	8747	8747	8747	8694
<b>SSS Growth YTD</b>								<b>9MFY24</b>	<b>Q4FY24</b>
- Value %	23%	137%	57%	30%	23%	-3%	-13%	1%	6%
- Volume %	21%	124%	49%	29%	25%	3%	6%	6%	5%

Source: Dalal & Broacha Research, Company

## Exhibit 2

Particulars	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
<b>SSS Growth YTD</b>								<b>9MFY24</b>	<b>Q4FY24</b>
- Value %	23%	137%	57%	30%	23%	-3%	-13%	1%	6%
- Volume %	21%	124%	49%	29%	25%	3%	6%	6%	5%
	up to FY19	up to FY19							
<b>Segment Contribution</b>									
-Fashion (%)	91	91	88	90	90	89	86	91	89
-Kirana (%)	9	9	12	10	10	11	14	9	11
Total	100	100	100	100	100	100	100	100	100
<b>Sales Mix</b>									
Apparels (%)	80.1	80.7	77.4	79.4	79.2	78.8	76	82	79
Non Apparels (%)	10.8	9.9	10.3	10.9	11.1	10.4	10	9	10
Kirana (%)	9.1	9.4	12.3	9.7	9.7	10.5	14	9	11
Total	100	100	100	100	100	100	100	100	100
<b>FootFall (lacs)</b>	80	102	95	126	112	130	110	150	140
<b>Conversion Rate</b>	63%	62%	62%	55%	58%	56%	55.00%	52.00%	49.00%
<b>Shrinkage</b>	-1%	0%	0%	0%	0%	1%	0.70% NA		
<b>Average Selling Price (Rs)</b>	<b>YTD</b>	<b>YTD</b>	<b>YTD</b>	<b>YTD</b>	<b>Q4FY23</b>	<b>Q1FY24</b>	<b>H1FY24</b>	<b>9MFY24</b>	<b>Q4FY24</b>
Total (Rs)	244	233	223	291	233	219	209	233	232
Total Vmart	220				214	197	187	211	215
Total Unlimited	523				453	451	434	451	409
Apparels (Rs.)	411	370	384	500	382	345	326	361	351
Apparels Vmart	384				365	320	301	338	337
Apparels Unlimited	568				498	485	459	480	438
<b>Transaction size (Rs)</b>	981	994	961	1,044	1,069	977	1057	1073	1065
Vmart	898					881	899	980	980
Unlimited	1,776					1,997	1947	2014	1911
<b>Store Count YTD</b>	<b>380</b>	<b>391</b>	<b>405</b>	<b>414</b>	<b>423</b>	<b>431</b>	<b>437</b>	<b>454</b>	<b>444</b>
Tier 1	104	105	110	111	106	109	109	108	104
Tier 2	54	54	53	53	52	52	53	55	53
Tier 3	166	172	179	188	212	217	220	234	233
Tier 4	56	60	63	62	53	53	55	57	54
<b>Store allocation</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Tier 1 %	27%	27%	27%	27%	25%	25%	25%	24%	23%
Tier 2 %	14%	14%	13%	13%	12%	12%	12%	12%	12%
Tier 3 %	44%	44%	44%	45%	50%	50%	50%	52%	52%
Tier 4 %	15%	15%	16%	15%	13%	12%	13%	13%	12%

Source: Dalal &amp; Broacha Research, Company

## Valuation & Outlook

We believe that the worst is behind and overall demand should start picking due to better consumer sentiments & better monsoon predictions leading to higher disposable income for its target customers. We do not expect a V-shaped recovery rather a gradual one. 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 and improving customer experience, however things are yet to improve significantly as there been pressure due to higher competition from organized and unorganized players. The management is taking the right steps by closing down the non-profitable stores which should aid in improving the overall bottomline. ***We believe the downside in the stock is limited and therefore maintain our recommendation of ACCUMULATE with a target price of Rs 2260.***

## Financials

P&L (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	16,662	24,648	27,856	31,765	36,448
Cost of sales	(14,618)	(21,959)	(25,887)	(28,672)	(32,408)
<b>Operating Profit</b>	<b>2,043</b>	<b>2,689</b>	<b>1,969</b>	<b>3,092</b>	<b>4,040</b>
Depreciation	(1,307)	(1,800)	(2,221)	(2,371)	(2,522)
PBIT	736	889	(252)	721	1,518
Other income	140	150	210	55	53
Interest	(772)	(1,169)	(1,424)	(1,454)	(1,590)
Profit before tax	104	(130)	(1,466)	(678)	(19)
Exceptional and Extra Or	-	-	-	-	-
PBT ( Post Extra Ordinari	104	(130)	(1,466)	(678)	(19)
Provision for tax	12	52	(337)	-	-
<b>Reported PAT</b>	<b>116</b>	<b>(78)</b>	<b>(1,804)</b>	<b>(678)</b>	<b>(19)</b>
MI	-	-	-	-	-
<b>Adjusted PAT</b>	<b>116</b>	<b>(78)</b>	<b>(1,129)</b>	<b>(678)</b>	<b>(19)</b>

Source: Dalal & Broacha Research, Company

Balance Sheet	FY22	FY23	FY24E	FY25E	FY26E
Equity capital	197	198	198	198	198
Reserves	8,299	8,292	7,272	6,595	6,576
<b>Net worth</b>	<b>8,496</b>	<b>8,490</b>	<b>7,470</b>	<b>6,792</b>	<b>6,774</b>
<b>Non Current Liabilites</b>	8,538	11,203	12,061	12,829	14,099
<b>Current Liabilites</b>	3,961	7,733	8,922	10,608	11,842
<b>CAPITAL EMPLOYED</b>	<b>20,995</b>	<b>27,425</b>	<b>28,453</b>	<b>30,229</b>	<b>32,714</b>
<b>Non Current Assets</b>	11,598	16,078	17,466	18,915	20,336
Fixed Assets	11,174	15,547	16,646	18,215	20,136
Non Current Investments	38	-	-	-	-
Deferred Tax Asset	<b>386</b>	<b>531</b>	<b>821</b>	<b>700</b>	<b>200</b>
Long Term Loans and Adv.	-	-	-	-	-
Other NON Current Asset	414	770	639	696	400
<b>Current Assets</b>	8,983	10,577	10,348	10,619	11,979
<b>Current investments</b>	1,211	85	47	47	47
Inventories	6,682	8,706	8,161	8,268	9,486
Trade Receivables	-	-	-	-	-
<b>Cash and Bank Balances</b>	<b>350</b>	<b>202</b>	<b>272</b>	<b>226</b>	<b>413</b>
Short Term Loans and Adv	5	4	2	2	2
Other Current Assets	735	1,580	1,866	2,076	2,030

Cash Flow St. (Rs. mn)	FY22	FY23	FY24E	FY25E	FY26E
Net Profit	116	(78)	(1,804)	(678)	(19)
Add: Dep. & Amort.	1,307	1,800	2,221	2,371	2,522
<b>Cash profits</b>	<b>1,423</b>	<b>1,721</b>	<b>418</b>	<b>1,694</b>	<b>2,503</b>
<b>(Inc)/Dec in</b>					
-Sundry debtors	-	-	-	-	-
-Inventories	(2,399)	(2,024)	546	(107)	(1,219)
-Loans/advances	124	1	2	-	-
'-Current Liab and Provisior	1,142	2,142	1,452	1,391	1,146
'- Other Non Current Assets	0	(1,201)	(155)	(267)	341
Change in working capital	(1,134)	(1,083)	1,845	1,017	268
<b>CF from Oper. activities</b>	<b>290</b>	<b>639</b>	<b>2,263</b>	<b>2,711</b>	<b>2,772</b>
<b>CF from Inv. activities</b>	<b>(208)</b>	<b>(2,194)</b>	<b>(2,308)</b>	<b>(3,178)</b>	<b>(3,085)</b>
<b>CF from Fin. activities</b>	<b>(6)</b>	<b>1,406</b>	<b>115</b>	<b>421</b>	<b>500</b>
<b>Cash generated/(utilised)</b>	<b>76</b>	<b>(149)</b>	<b>71</b>	<b>(46)</b>	<b>187</b>
Cash at start of the year	275	350	202	272	226
Cash at end of the year	350	202	272	226	413
Ratios	FY22	FY23	FY24E	FY25E	FY26E
OPM	12.3	10.9	7.1	9.7	11.1
NPM	0.7	(0.3)	(4.0)	(2.1)	(0.1)
Tax rate	11.9	(39.7)	23.0	-	-
<b>Growth Ratios (%)</b>					
Net Sales	54.9	47.9	13.0	14.0	14.7
Operating Profit	55.7	31.6	(26.8)	57.0	30.6
PBIT	160.7	20.8	(128.3)	(386.3)	110.6
PAT	(287.7)	(167.0)	1,346.7	(40.0)	(97.3)
<b>Per Share (Rs.)</b>					
Net Earnings (EPS)	5.9	-3.9	-57.1	-34.3	-0.9
Cash Earnings (CPS)	72.1	87.1	55.2	85.6	126.6
Dividend	0.8	-	-	-	2.0
Book Value	430.2	429.4	377.6	343.4	342.5
Free Cash Flow	4.1	(78.6)	(2.3)	(23.6)	(15.8)
<b>Valuation Ratios</b>					
<b>P/E(x)</b>	<b>370.5</b>	<b>(553.4)</b>	<b>(38.3)</b>	<b>(63.8)</b>	<b>(2,320.2)</b>
P/B(x)	5.1	5.1	5.8	6.4	6.4
EV/EBIDTA(x)	25.4	20.9	28.7	18.7	14.6
Div. Yield(%)	0.0	-	-	-	0.1
<b>FCF Yield(%)</b>	<b>0.2</b>	<b>(3.6)</b>	<b>(0.1)</b>	<b>(1.1)</b>	<b>(0.7)</b>
<b>Return Ratios (%)</b>					
ROE	1.4	(0.9)	(15.1)	(10.0)	(0.3)
ROCE	8.7	8.9	(2.9)	8.5	18.6

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