

V-Mart Retail

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	VMART IN
Equity Shares (m)	20
M.Cap.(INRb)/(USDb)	89 / 1.1
52-Week Range (INR)	4502 / 1591
1, 6, 12 Rel. Per (%)	17/101/150
12M Avg Val (INR M)	118

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	27.9	33.3	39.0
EBITDA	2.1	3.9	4.7
NP	-1.0	0.0	0.4
EBITDA Margin (%)	7.6	11.6	12.1
Adj. EPS (INR)	-53.5	-1.9	20.3
EPS Gr. (%)	NM	NM	NM
BV/Sh. (INR)	412.8	410.9	431.2

Ratios

Net D:E	1.8	2.2	2.3
RoE (%)	NM	NM	4.8
RoCE (%)	0.4	5.1	6.6
Payout (%)	0.0	0.0	0.0

Valuations

P/E (x)	NM	NM	221.5
EV/EBITDA (x)	48.2	27.4	22.7
EV/Sales (x)	3.2	2.8	2.4
Div. Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	44.3	44.3	44.3
DII	32.8	32.6	32.6
FII	16.0	15.5	14.3
Others	6.9	7.6	8.7

FII Includes depository receipts

CMP: INR4,500 TP: INR4,750 (+5%) Neutral

Strong SSSG and lower LR losses drive 2Q beat

- V-Mart Retail's (VMART) revenue grew 20% YoY in 2QFY25, led by strong SSSG and store additions. EBITDA beat our estimate by 30%, aided by better productivity, improvement in gross margin for offline format, and lower losses in LimeRoad (LR).
- We broadly maintain our revenue/EBITDA estimates for FY25/FY26. We expect revenue/EBITDA CAGR of 17%/39% over FY24-27 as we build in improved SSSG and lower losses in the online segment.
- Consistent demand recovery in the value fashion category could be the key growth driver for VMART. **Reiterate Neutral with a TP of INR4,750.**

Big beat on EBITDA led by strong SSSG and reduction in LR losses

- Revenue grew 20% YoY to INR6.6b, driven by 15% blended SSSG and 7% YoY store additions.
- VMART opened 21 new stores (16 in V-Mart and 5 in Unlimited) and closed two V-Mart stores during the quarter, taking the total store count to 467 (V-Mart: 384 and Unlimited: 83).
- Gross profit grew 17% YoY to INR2.2b (in line), as gross margin contracted 100bp YoY to 33.6% (50bp miss), due to lower commission from LR. For offline business, gross margins improved 60bp YoY.
- Employee expenses grew 21% YoY to INR865m on incentive payouts.
- Other expenses declined 18% YoY to INR969m, mainly on account of lower losses in the online segment (LR EBITDA loss down 63% YoY) and closure of the unprofitable stores.
- Consequently, EBITDA stood at INR386m (30% beat) with margin at 5.8% (135bp beat).
 - 2QFY25 pre-Ind AS EBITDA margin came in at -2.8% (vs. -9% YoY).
- Depreciation and interest grew 11% and 9% YoY, respectively.
- Loss before tax stood at INR580m (vs. our estimate of INR624m loss).
- For 1HFY25, revenue/EBITDA rose 18%/2.6x YoY, but net loss continued at INR444m. For 2HFY25, we expect revenue/EBITDA growth of 21%/55%, led by 11% SSSG.
- Despite an increase in EBITDA, the company's FCF (outflow) stood at INR613m in 1HFY25 (vs. outflow of INR387m YoY) due to the amount blocked in WC (higher inventory for festive period) and capex of INR610m. This led to a rise in net debt to INR1.38b (vs. INR781m in FY24).

Highlights from the management commentary

- Guidance:** GM of offline business is expected to remain stable over the medium term; however, the drag from lower LR commissions could impact blended gross margins. Overall, VMART expects to get back to pre-Ind-AS EBITDA margin of 7-8% (pre-Covid margins) in the next 2-3 years.
- Demand trends in 2Q:** The management indicated there has been a slight recovery in overall demand after elections. Some parts of rural markets have recovered, while urban demand is still under pressure.

- **Store additions:** The management guided for the addition of 55-60 stores in FY25. Store renovation is driving higher capex; however, average capex per store has not increased meaningfully. The management aspires for 12-13% annual sq. ft. additions over the long term.
- **Demand outlook:** The management highlighted that Oct'24 demand was below its expectation due to delayed winters in North. Further, it indicated that growth in Pujo sales in East India was also softer.
- **Inventory:** The company has a conservative inventory policy. Any item that is not sold is provisioned after two seasons. Inventory days have improved by 11% to 111 days.

Valuation and view

- Improved performance of V-Mart/Unlimited stores, closure of non-performing stores and lower losses in the online segment have addressed 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 triggers. These drivers can help VMART potentially sustain double-digit revenue growth for an extended period, led 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, in our view.
- The stock has seen a healthy recovery from its recent lows. A recovery in demand and improved profitability in the online segment would remain the key catalysts for the stock going forward.
- We broadly maintain our revenue/EBITDA estimates for FY25/FY26. We expect revenue/EBITDA CAGR of 17%/39% over FY24-27 as we build in improved SSSG and lower losses in the online segment.
- We value VMART at 20.5x Dec'26E EBITDA to arrive at our TP of INR4,750. **We maintain our Neutral rating on VMART.**

Consol. Quarterly Earning Model

Y/E March	FY24				FY25E				FY24	FY25E	FY25	(INR m) Est. Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			2QE	
Revenue	6,785	5,494	8,891	6,686	7,861	6,610	10,741	8,055	27,856	33,267	6,610	0
YoY Change (%)	15.4	8.5	14.4	12.6	15.9	20.3	20.8	20.5	13.0	19.4	20.3	
Total Expenditure	6,261	5,488	7,694	6,284	6,871	6,224	9,087	7,232	25,725	29,414	6,313	-1
EBITDA	525	7	1,197	402	990	386	1,654	823	2,131	3,853	297	30
EBITDA Margin (%)	7.7	0.1	13.5	6.0	12.6	5.8	15.4	10.2	7.6	11.6	4.5	
Depreciation	499	532	583	607	568	592	628	646	2,221	2,434	602	-2
Interest	330	359	376	359	375	391	411	426	1,424	1,604	375	4
Other Income	15	20	130	44	46	18	44	32	210	140	56	-68
PBT	-290	-864	369	-520	93	-580	659	-218	-1,305	-46	-624	-7
Tax	-70	-223	87	-131	-28	-15	165	-133	-337	-11	189	
Rate (%)	24.2	25.8	23.5	25.1	-30.3	2.6	25.0	61.1	25.9	25.0	-30.3	
Reported PAT	-219	-641	282	-389	121	-565	494	-85	-968	-34	-813	-30
Adj PAT	-219	-641	282	-389	121	-565	494	-85	-968	-34	-813	-30
YoY Change (%)	-207.3	466.8	41.3	5.3	-155.3	-11.9	75.1	-78.2	1,132.9	-96.5	26.8	

E: MOFSL Estimates

Exhibit 1: Valuation based on Dec'26E EBITDA

	Methodology	Driver (INR m)	Multiple	Fair Value (INRm)	Value/sh (INR)
EBITDA	Dec'26E EV/EBITDA	5,445	20.5	1,11,629	5,644
Less Net debt				17,681	894
Total Value				93,948	4,750
Shares o/s (m)				19.8	
CMP (INR)					4,500
Upside (%)					6

Source: MOFSL, Company

Segment wise

- SSSG for VMart and Unlimited stood at 16% and 11%, respectively.
- **Limeroad's** revenue declined 53% YoY to INR104m. Adjusted for this, VMART's revenue (including Unlimited stores) was up 23% YoY.
- **V-Mart (core)** revenue stood at INR5.4b, up 27% YoY, with throughput of ~INR1,600/sq.ft. SSSG remained strong at 16%.
- **Unlimited** revenue stood at INR1.1b (up 8% YoY), with throughput of ~INR1,400/sqft (+11% SSSG).



Concall highlights

- **Demand trends in 2Q:** The management indicated there has been a slight recovery in overall demand after elections. Some parts of rural markets have recovered, while urban demand is still under pressure.
- **Demand outlook:** The management noted that Oct'24 demand was below their expectation due to delayed winters in North. Further, sales growth during Pujo in East India was also softer.
- **Value vs. Premium:** The management indicated that a change in consumer behavior and changing preference toward fast fashion is favoring the value retail formats.
- **Store guidance:** VMART reiterated its guidance of 55-60 store additions in FY25. Bulk of store closures are already done. Renovation of stores is driving higher capex; however, average capex per store has not increased meaningfully. The management aspires for annual ~12-13% sq. ft. addition over the long term.
- **Margin guidance:** Gross margins were impacted by reduction in commission income from LR. However, the offline business gross margin has improved by 60bp YoY, driven by better product mix, an early festive season and lower discounts. GM of offline business is expected to remain stable over the medium term; however, the drag from lower LR commissions could impact blended gross margins. VMART's other expenses decreased on account of: a) unprofitable store closures and b) reduction in logistics. Overall, VMART expects to get back to pre-Ind-AS EBITDA margin of 7-8% (pre-Covid margins) in the next 2-3 years.
- **Limeroad (LR):** VMART is looking to build a sustainable business model, which would also boost its omni-channel capabilities. The management is committed toward making LR profitable in the medium term (expects break-even in 1.5-2 years).
- **Operational metrics:** Sales from repeat customers have touched 70%. Average selling price (ASP) in apparel increased by 4%, driven by better sales mix, while footfall also increased by 54%.
- **ASP increase:** Increase in ASP was due to a change in mix toward higher fashion content items. VMART has not taken any price hike and does not intend to take one.
- **Inventory:** VMART has a conservative inventory policy. Any item which is unsold for two seasons is provisioned. Inventory days have improved by 11% to 111 days. However, the management noted that the increased adoption of fast fashion also poses risk of making inventory obsolete.

Exhibit 2: Quarterly performance

P&L (INR m)	2QFY24	1QFY25	2QFY25	YoY%	QoQ%	2QFY25E	v/s est (%)
Revenue	5,494	7,861	6,610	20.3	-15.9	6,610	0.0
Raw Material cost	3,593	5,094	4,389	22.2	-13.8	4,356	0.8
Gross Profit	1,902	2,767	2,221	16.8	-19.7	2,254	-1.5
Gross Margin (%)	34.6	35.2	33.6	-101bps	-160bps	34.1	-50bps
Employee Costs	713	841	865	21.4	2.9	859	0.7
Other Expenses	1,182	937	969	-18.0	3.5	1,097	-11.7
EBITDA	7	990	386	5664.2	-61.0	297	29.8
EBITDA margin (%)	0.1	12.6	5.8	572bps	NM	4.5	134bps
Depreciation and amortization	532	568	592	11.4	4.3	602	-1.6
EBIT	-525	422	-206	-60.7	NM	-305	32.3
EBIT margin (%)	-9.6	5.4	-3.1	644bps	NM	-4.6	149bps
Finance Costs	359	375	391	9.1	4.4	375	4.4
Other income	20	46	18	-11.1	-61.9	56	-68.2
Exceptional item	0	0	0	0.0	0.0	0	NM
Profit before Tax	-864	93	-580	-32.9	-722.2	-624	7.1
Tax	-223	-28	-15	-93.4	-47.5	189	
Tax rate (%)	25.8	-30.3	2.6	-2325bps	3281bps	-30.3	
Profit after Tax	-641	121	-565	-11.9	-565.5	-813	30.5

Source: MOFSL, Company

Exhibit 3: Summary of our estimate changes

Particulars	FY25E	FY26E	FY27E
Revenue (INR m)			
Old	33,596	39,300	
Actual/New	33,267	39,046	44,853
Change (%)	-1.0	-0.6	
EBITDA (INR m)			
Old	3,790	4,945	
Actual/New	3,853	4,717	5,688
Change (%)	1.7	-4.6	
EBITDA margin (%)			
Old	11.3	12.6	
Actual/New	11.6	12.1	12.7
Change (bp)	30	-50	
Net Profit (INR m)			
Old	-55	647	
Actual/New	-34	368	854
Change (%)	37.1	-43.1	

Source: MOFSL, Company

Story in charts

Exhibit 4: Revenue growth led by strong SSSG

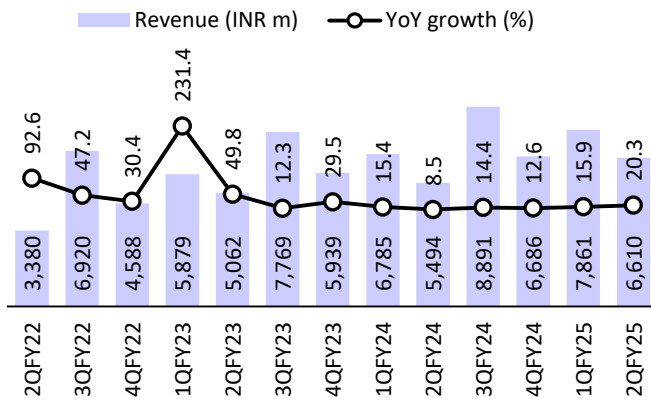


Exhibit 5: GM contracted YoY due to lower Limeroad commissions; offline GM improved 60bp YoY

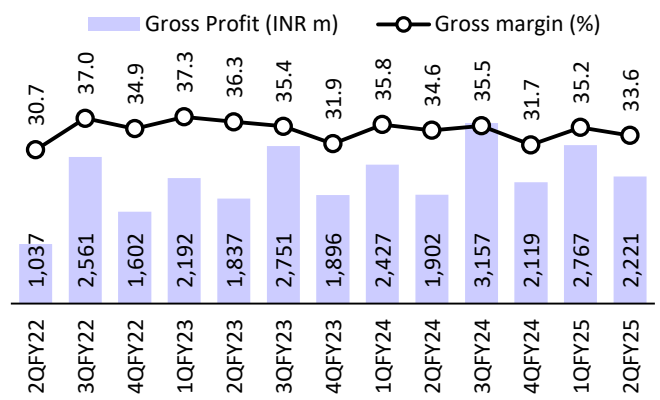


Exhibit 6: SSSG improvement, decline in LR losses aided EBITDA improvement

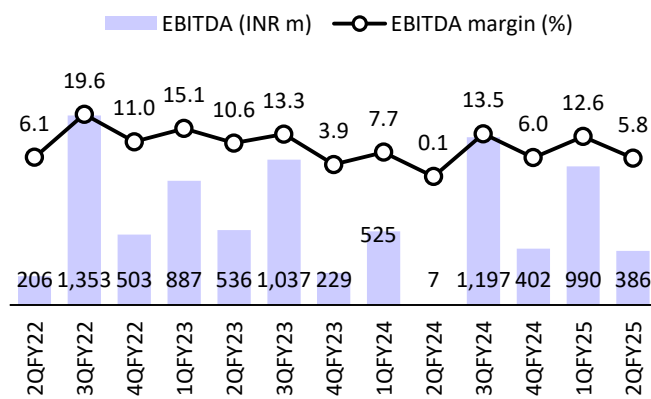
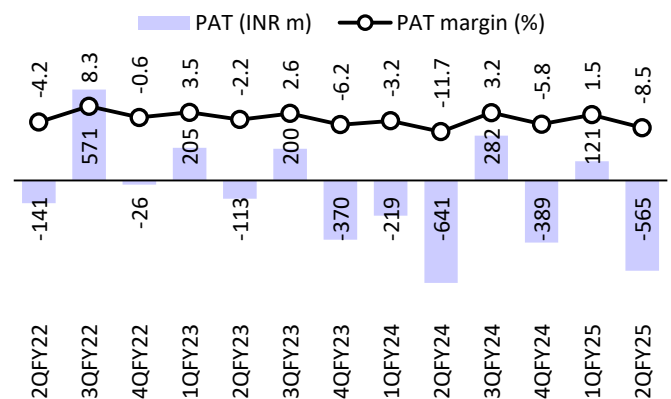
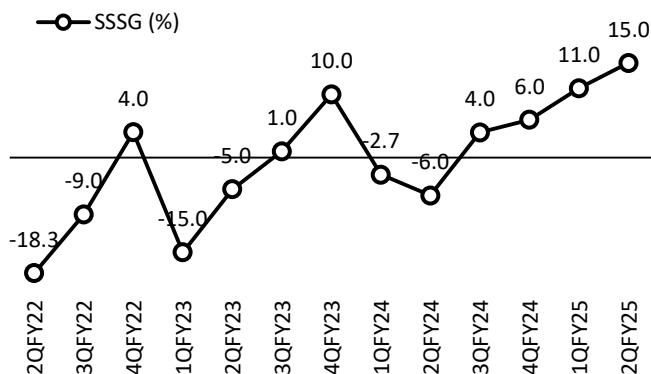


Exhibit 7: Continue to post loss in 2Q as it remains a seasonally smaller quarter



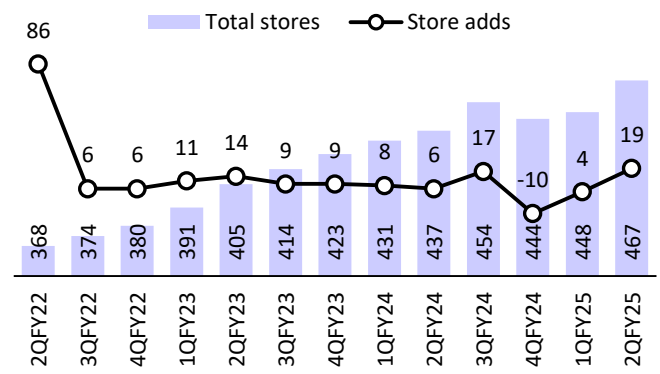
Source: Company, MOFSL

Exhibit 8: SSSG improving from the last four quarters

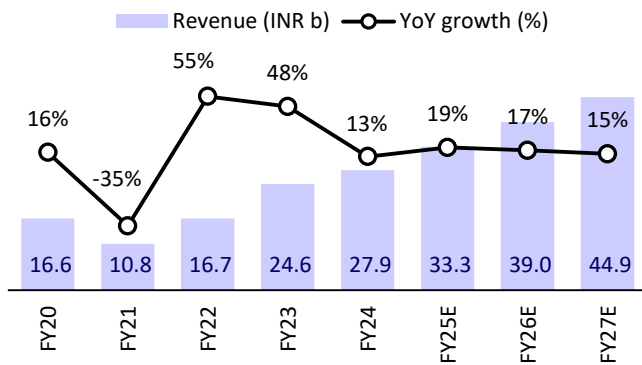


Source: Company, MOFSL

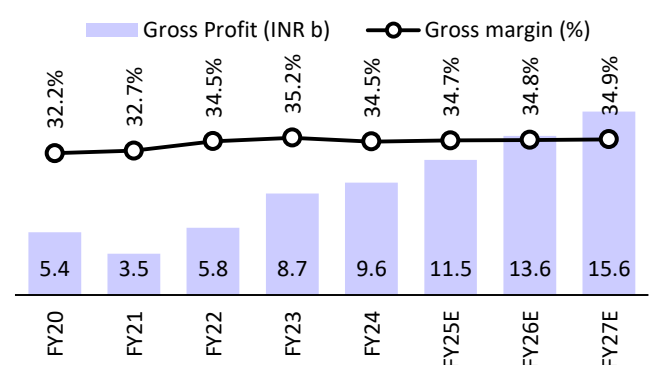
Exhibit 9: Closed 2 V-Mart stores and opened 21 new stores, taking total store count to 467 stores



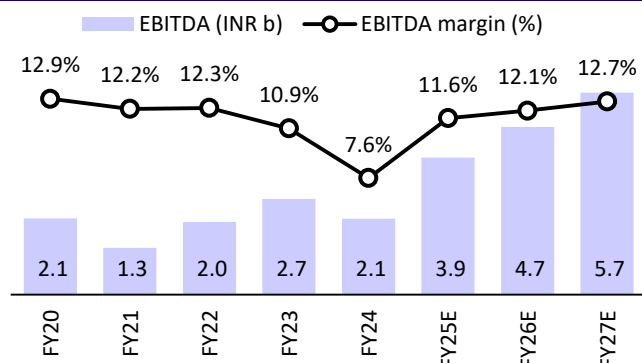
*incl 74 stores for unlimited from 2QFY22 Source: Company, MOFSL

Exhibit 10: Expect 17% revenue CAGR over FY24-27

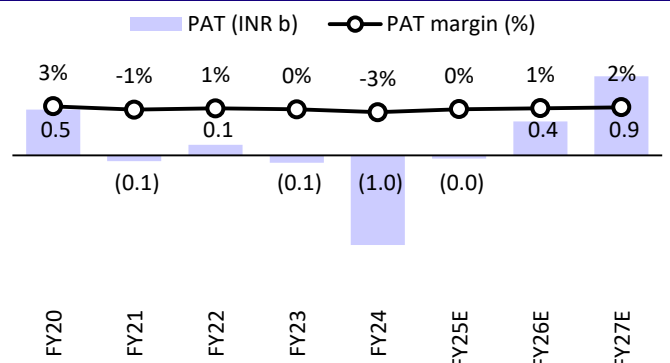
Source: Company, MOFSL

Exhibit 11: Expect 40bp improvement in GM over FY24-27

Source: Company, MOFSL

Exhibit 12: Expect 39% EBITDA CAGR over FY24-27

Source: Company, MOFSL

Exhibit 13: Expected PAT trend to improve from FY26

Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	16,620	10,755	16,662	24,648	27,856	33,267	39,046	44,853
Change (%)	15.9	-35.3	54.9	47.9	13.0	19.4	17.4	14.9
Raw Materials	11,263	7,236	10,911	15,971	18,251	21,729	25,465	29,208
Employees Cost	1,536	1,169	1,796	2,555	2,871	3,426	3,983	4,530
Rent and lease expenses	934	0	90	255	0	0	0	0
Advertising & Sales Promotion	354	0	0	0	0	0	0	0
Other Expenses	396	1,038	1,821	3,178	4,604	4,258	4,881	5,427
Total Expenditure	14,483	9,442	14,618	21,959	25,725	29,414	34,328	39,165
% of Sales	87.1	87.8	87.7	89.1	92.4	88.4	87.9	87.3
EBITDA	2,137	1,312	2,043	2,689	2,131	3,853	4,717	5,688
Margin (%)	12.9	12.2	12.3	10.9	7.6	11.6	12.1	12.7
Depreciation	939	1,030	1,307	1,800	2,221	2,434	2,643	2,887
EBIT	1,198	282	736	889	-91	1,418	2,074	2,801
Int. and Finance Charges	548	589	772	1,169	1,424	1,604	1,744	1,863
Other Income	45	210	140	150	210	140	160	200
PBT Bif. EO Exp.	695	-97	104	-130	-1,305	-46	490	1,138
EO Items	0	0	0	0	0	0	0	0
PBT after EO Exp.	695	-97	104	-130	-1,305	-46	490	1,138
Total Tax	202	-35	-12	-52	-337	-11	123	285
Tax Rate (%)	29.0	35.8	-12.0	39.7	25.9	25.0	25.0	25.0
Minority Interest	0	0	0	0	0	0	0	0
Reported PAT	493	-62	116	-78	-968	-34	368	854
Adjusted PAT	493	-62	116	-78	-968	-34	368	854
Change (%)	-31.0	-112.6	-287.7	-167.4	1,132.9	-96.5	-1,172.3	132.2
Margin (%)	3.0	-0.6	0.7	-0.3	-3.5	-0.1	0.9	1.9

Consolidated - Balance Sheet

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	182	197	197	198	198	198	198	198
Total Reserves	4,408	8,055	8,299	8,292	7,272	7,238	7,606	8,459
Net Worth	4,589	8,252	8,496	8,490	7,470	7,436	7,803	8,657
Total Loans	11	0	0	1,478	1,100	3,000	3,000	3,500
Deferred Tax Liabilities	-160	-253	-386	-531	-874	-874	-874	-874
Other long term liabilities	5,218	5,751	9,131	11,964	12,938	14,182	15,283	16,147
Lease Liabilities	5,157	5,678	9,022	11,838	12,813	14,110	15,210	16,075
Capital Employed	9,658	13,750	17,240	21,400	20,634	23,744	25,212	27,430
Gross Block	6,670	6,965	11,110	14,455	16,607	18,344	19,873	21,157
Net Fixed Assets	6,670	6,965	11,110	14,455	16,607	18,344	19,873	21,157
Right to use assets	4,921	5,180	8,283	10,643	11,197	11,582	11,851	12,016
Capital WIP	25	22	64	1,092	38	38	38	38
Total Investments	79	3,189	1,248	85	47	47	47	47
Curr. Assets, Loans&Adv.	5,302	5,836	8,186	11,261	10,885	12,876	14,130	16,384
Inventory	4,779	4,283	6,682	8,706	8,161	9,570	10,697	12,289
Cash and Bank Balance	50	275	351	202	272	481	116	286
Loans and Advances	473	1,278	1,153	2,353	2,452	2,825	3,316	3,809
Curr. Liability & Prov.	2,418	2,261	3,368	5,493	6,945	7,562	8,876	10,196
Account Payables	1,968	1,917	2,906	4,883	6,337	6,836	8,023	9,216
Other Current Liabilities	451	345	462	610	608	726	853	979
Net Current Assets	2,884	3,574	4,818	5,768	3,940	5,314	5,254	6,188
Appl. of Funds	9,657	13,750	17,240	21,400	20,633	23,744	25,212	27,430

Financials and valuations

Ratios								
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)								
EPS	27.3	-3.4	6.4	-4.3	-53.5	-1.9	20.3	47.2
Cash EPS	79.2	53.5	78.7	95.1	69.3	132.6	166.3	206.7
BV/Share	253.6	456.0	469.5	469.1	412.8	410.9	431.2	478.4
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)								
P/E	165.1	NM	699.6	NM	NM	NM	221.5	95.4
Cash P/E	56.8	84.2	57.2	47.3	65.0	33.9	27.1	21.8
P/BV	17.7	9.9	9.6	9.6	10.9	11.0	10.4	9.4
EV/Sales	4.9	8.2	5.3	3.7	3.2	2.8	2.4	2.1
EV/EBITDA	40.6	71.7	47.7	38.0	48.2	27.4	22.7	19.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	17.5	55.2	-81.3	-49.3	134.0	26.0	109.1	126.8
Return Ratios (%)								
RoE	11.4	NM	1.4	NM	NM	NM	4.8	10.4
RoCE	12.7	2.7	6.2	3.2	0.4	5.1	6.6	8.3
RoIC	13.3	1.8	6.4	3.0	-0.3	4.9	6.5	8.1
Working Capital Ratios								
Fixed Asset Turnover (x)	2.5	1.5	1.5	1.7	1.7	1.8	2.0	2.1
Asset Turnover (x)	1.7	0.8	1.0	1.2	1.4	1.4	1.5	1.6
Inventory (Days)	105	145	146	129	107	105	100	100
Debtor (Days)	0	0	0	0	0	0	0	0
Creditor (Days)	43	65	64	72	83	75	75	75
Leverage Ratio (x)								
Current Ratio	2.2	2.6	2.4	2.0	1.6	1.7	1.6	1.6
Interest Cover Ratio	2.2	0.5	1.0	0.8	-0.1	0.9	1.2	1.5
Net Debt/Equity	0.0	-0.4	-0.2	0.1	0.1	0.3	0.4	0.4

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) Before Tax	695	-97	104	-130	-1,305	-46	490	1,138
Depreciation	939	1,030	1,307	1,800	2,221	2,434	2,643	2,887
Interest & Finance Charges	548	589	772	1,169	1,424	1,604	1,744	1,863
Direct Taxes Paid	-241	-35	-118	-182	-26	11	-123	-285
(Inc)/Dec in WC	-1,091	182	-1,985	-857	1,716	-1,218	-305	-764
CF from Operations	850	1,669	80	1,800	4,030	2,787	4,450	4,839
Others	13	-176	-192	8	-171	-140	-160	-200
CF from Operating incl EO	863	1,493	-113	1,808	3,859	2,647	4,290	4,639
(Inc)/Dec in FA	-546	-406	-1,494	-2,783	-1,209	-2,131	-2,131	-2,131
Free Cash Flow	317	1,087	-1,606	-976	2,650	515	2,159	2,508
(Pur)/Sale of Investments	550	-3,092	2,676	1,192	46	0	0	0
Others	2	-690	54	5	-14	140	160	200
CF from Investments	5	-4,188	1,237	-1,586	-1,178	-1,991	-1,971	-1,931
Issue of Shares	13	3,713	76	35	7	0	0	0
Inc/(Dec) in Debt	8	-11	0	1,478	-378	1,900	0	500
Interest Paid	-933	-589	-772	-1,164	-1,427	0	0	0
Dividend Paid	-31	0	0	-15	0	0	0	0
Others	0	-244	-349	-708	-792	-2,347	-2,684	-3,038
CF from Fin. Activity	-943	2,869	-1,045	-374	-2,590	-447	-2,684	-2,538
Inc/Dec of Cash	-75	174	80	-152	92	209	-365	170
Opening Balance (excluding bank bal.)	123	48	222	302	150	242	450	85
Closing Balance	48	222	302	150	242	450	85	255
Bank balance	1	53	49	52	31	31	31	31
Closing Balance (including bank balance)	50	275	351	202	273	481	116	286

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NOTES

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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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