V-Mart Retail Ltd

Q3FY26 Result Update | Retail

DALAL & BROACHA
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V-Mart Q3FY26: Beat on Margin Expansion Amid Festive Headwinds

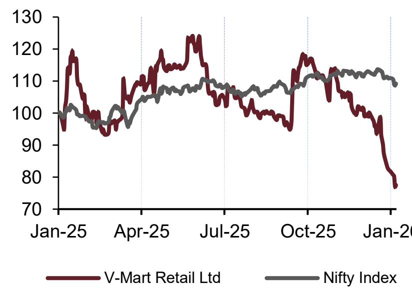
- Revenue increased by 10% YoY to Rs 11264mn. Despite Durga Puja's shift to Q2 affecting quarterly figures, combined Q2–Q3 revenue rose 15%, reflecting robust underlying demand.
- 23 stores in Q3 and 63 stores added YTD (total 554); new stores outperform on throughput.
- Same store sales growth for Q3FY26 stood at 0% v/s 10% YoY. Volume basis SSS stood at 2% YoY. (V-mart @1% and Unlimited @ 7%)
- EBIDTA on an overall basis increased by 22% YoY to Rs 2095mn and margins increased by 190 to 18.6% aided by gross margins improvement of 40bps and drop in other expenses by 4% on a YoY basis.
- Lime Road losses decreased by 60% to Rs 26mn.
- Improved inventory health led to better gross margins.
- Exceptional items of Rs 21mn is on account of the new labor code.
- Adjusted PAT for Q3FY26 stood at Rs 886mn up by 24% YoY.

Rating	TP (Rs)	Up/Dn (%)
BUY	**696**	**20**

Market data		
Current price	**Rs**	**578**
Market Cap (Rs.Bn)	(Rs Bn)	46
Market Cap (US$ Mn)	(US$ Mn)	500
Face Value	Rs	10
52 Weeks High/Low	Rs	962.47 / 550.5
Average Daily Volume	('000)	137
BSE Code		534976
Bloomberg		VMART

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	**Dec-25**	**Sep-25**
Promoters	44	44
Public	56	56
Total	**100**	**100**

Source: BSE

Financial Summary

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E
Net sales	27,856	32,539	36,863	41,693
Adjusted net profit	(968)	458	871	922
EPS (Rs)	(12.2)	5.8	11.0	11.6
P/B (x)	6.2	5.7	5.1	4.7
EV/EBITDA (x)	28.0	14.2	11.4	10.6
D/E	0.1	0.2	0.1	0.1
RoE (%)	(13.0)	5.6	9.7	9.3
Dividend yield (%)	-	-	-	0.34

Source: Company, Dalal & Broacha Research

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Conference Call Key Takeaways

Outlook: Demand Stable, Not Buoyant

- Consumer fundamentals remain stable but cautious, rather than weak.
- Inflation is largely controlled, rural sentiment has improved due to good monsoons and higher MSPs, and formalization continues to structurally benefit organized retail.
- Urban sentiment on the other hand is being weighed down by global uncertainty, geopolitical risks, and weather volatility
- Spending has become more deliberate and occasion-led (festivals, weddings, events). Impulse-driven demand remains muted, and household savings are under pressure.

Vmart (Core)

- Revenue +9% YoY to Rs 9450mn, with 0% LFL.
- EBIDTA increase by 16% YoY to Rs 1793mn (margins stood at 19% v/s 17.9% YoY)

Unlimited

- Revenue +15% YoY to Rs 1752mn with 2% LFL
- healthy **10% volume growth** over a nine-month period, significantly outperforming the 1% volume growth seen in the core V-Mart segment
- EBIDTA increased by 40% YoY to Rs 328mn (margins @ 18.7% v/s 15.3% YoY)
- Since the acquisition, more than 45 new stores have been opened under the Unlimited brand. These newer stores are delivering better sales per square foot and profitability, aligning closely with the established V-Mart model
- Management emphasized that they are focusing on **EBITDA margins and store-level profitability** for Unlimited rather than chasing "headline growth" or topline numbers

Lime Road

- LimeRoad Net Merchandise value stood at Rs 294mn a drop of 20% YoY and commission income stood at Rs 62mn as against Rs 105mn YoY.
- **40% year-on-year decline** in LimeRoad commission income impacted the overall gross margin, though it now represents a very small share of total revenue
- LimeRoad’s loss reduced YoY as well as QoQ basis , on a YoY basis it stood at Rs 26mn a drop of 60% (Q2FY26 loss was Rs 34mn)
- 100% of online orders fulfilled from stores are now **prepaid**.

- LimeRoad functions as a clear "omni-enablement platform" for the company, with its technology backbone being leveraged to support store fulfillment

Financials

- Q3 is historically V-Mart’s strongest quarter, driven by Diwali and winter demand. This year, **winter was delayed across North and West India until ~20th December**, while parts of East and South India faced cyclones and excess rainfall during peak festive periods.
- Winter demand was **delayed, not lost.**
- Gross margin expansion came despite a ~40% decline in LimeRoad commission income, which historically inflated gross margins. Excluding LimeRoad, offline gross margins expanded ~70 bps YoY, driven by:
    a. Higher full-price sell-through
    b. Improved inventory health
    c. Lower shrinkage and provisioning
    d. Better product mix
- Management did **not resort to heavy discounting**, choosing instead to protect margins and wait for demand normalization
- Total expenses grew only 1% YoY, delivering strong operating leverage. The cost discipline was broad-based:
    a. Manpower productivity improved
    b. Marketing spends reduced via digital and loyalty-led traffic
    c. LimeRoad losses curtailed
- Inventory & Working Capital: **Healthier** Than Before, Working Capital **Discipline intact**

  Inventory days increased marginally to **95 days**, mainly due to a strategic shift towards higher fashion inventory relative to FMCG. However, inventory quality improved:
    a. Older stock aggressively liquidated in prior quarters
    b. Lower provisioning and shrinkage
    c. No signs of overstocking despite weather disruptions
- Cash Flow & Capital Allocation: Core Strength:
    a. Q3 capex: ₹57 bn (new stores + refurbishments)
    b. 9M free cash flow: ₹63 bn positive
    c. Store expansion remains 100% internally funded

- Store Expansion
    a. **23 stores added in Q3**, taking total to **554**
    b. New stores are ramping up faster than historical averages
    c. Long-term area growth target: 13–14% CAGR
    d. Normalized SSSG expectation: 5–8%
    e. monthly rental cost for Unlimited stores is ~**65 rupees per square foot**, which is higher than the ~Rs 48–49 average for V-Mart stores
- Private label sales stood at 70%.
- Free Cash Flow YTD stood at Rs 628mn as against Rs 574mn YoY

Quarterly Performance Analysis

Particulars (Rs Mns)	Q3FY26	Q3FY26	YoY (%)	Q2FY26	QoQ (%)
Revenue	11,264	10,267	10%	8,069	40%
Other Income	40	34	17%	34	15%
Total	**11,303**	**10,301**		8,103	
Total RM Cost	**7,191**	**6,596**	9%	**5,355**	34%
Gross Profit	**4,073**	**3,672**	11%	**2,714**	50%
Employee Cost	1,018	953	7%	976	4%
Other Expenses	960	1,005	-4%	1,022	-6%
Total	**9,169**	**8,554**		**7,354**	
EBIDTA	**2,095**	**1,714**	22%	**715**	193%
Depreciation	779	626	24%	711	10%
EBIT	**1,356**	**1,122**		**38**	
Interest Cost	206	424	-52%	175	18%
PBT before exceptional item	**1,150**	**697**		**(136)**	
exceptional item	21	-		-	
PBT	**1,129**	**697**	62%	**(136)**	-930%
Taxes	249	(19)		(47)	
PAT (Adj)	**886**	**716**	24%	**(89)**	-1098%
EPS	**11.1**	**9.1**		**(1.1)**	
as a % to sales					
RM	63.8%	64.2%		66.4%	
Gross profit margins	**36.2%**	**35.8%**		**33.6%**	
Employee Costs	9.0%	9.3%		12.1%	
Other expenses	8.5%	9.8%		12.7%	
EBITDA Margins	**18.6%**	**16.7%**		**8.9%**	
Tax rate (on PBT)	22.1%	-2.7%		34.8%	

Source: Dalal & Broacha Research, Company

Exhibit 1

Particulars	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26
Stores	**488**	**497**	**510**	**533**	**554**
Net Additions	*21*	*9*	*13*	*23*	*21*
Retail Space YTD in lacs Sq feet	42	43	44	46	48
Increase	*2*	*1*	*1.00*	*2.00*	*2.00*
Sales Per Sq Ft Per Mth In Rs as per Presentation	**897**	**653**	**716**	**640**	**843**

Exhibit 2

SSS Growth YTD	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26
- Value %	10%	8%	1%	11%	0%
- Volume %	10%	8%	1%	6%	2%
Sales Mix	**Q3FY25**	**Q4FY25**	**Q1FY26**	**Q2FY26**	**Q3FY26**
Apparels (%)	80	78	80	77	80
Non Apparels (%)	10	11	10	11	10
Kirana (%)	10	11	10	12	10
Total	100	100	100	100	100
FootFall (lacs)	220	180	200	190	250
Conversion Rate	43.0%	45.0%	48.0%	47.0%	42.0%
Shrinkage	1.4%	1.1%	0.7%	0.9%	0.6%
Average Selling Price (Rs)	**Q3FY25**	**Q4FY25**	**Q1FY26**	**Q2FY26**	**Q3FY26**
Total (Rs)	271	228	218	214	267
Total Vmart	253	213	201	196	249
Total Unlimited	457	401	396	383	429
Apparels (Rs.)	414	343	326	347	422
Apparels Vmart	401	328	309	331	412
Apparels Unlimited	493	433	434	427	477
	9MFY25	**FY25**	**Q1FY26**	**H1FY26**	**9MFY26**
Transaction size (Rs)	1,058	1,045	1,004	981	1,028
Vmart	981	977	932	910	956
Unlimited	1,797	1,746	1,716	1,643	1,685
Store Count YTD	**488**	**497**	**510**	**533**	**554**
Tier 1	110	110	112	122	125
Tier 2	55	56	59	63	70
Tier 3	263	269	277	286	295
Tier 4	60	62	62	62	64
Store allocation	**100%**	**100%**	**100%**	**100%**	**100%**
Tier 1 %	23%	22%	22%	23%	23%
Tier 2 %	11%	11%	12%	12%	13%
Tier 3 %	54%	54%	54%	54%	53%
Tier 4 %	12%	12%	12%	12%	12%

Source: Dalal & Broacha Research, Company

Valuation & Outlook

V-Mart delivered a strong Q3 performance despite significant external challenges, including delayed winter, uneven festive demand, and regional weather disruptions. While revenue growth slowed due to these calendar and climate factors, the core business momentum held firm—evidenced by margin expansion, robust operating leverage, healthy cash flows, and disciplined capital use. This quarter highlights the resilience of V-Mart's value retail model, where profitability stems from execution and efficiency rather than heavy discounting or pricing power.

Notably, the company avoided aggressive discounts to safeguard margins and await demand recovery, prioritizing long-term returns over short-term sales. This approach confirms that margin improvements are structural and operationally driven, not temporary or accounting-based.

V-Mart's results emphasize earnings quality over headline growth. The company navigated tough seasonality while preserving margins, cash flows, and balance sheet strength. Its scalable model, executed with discipline, positions V-Mart to grow earnings steadily across market cycles.

This was a quarter of validation, not acceleration.

Management's guidance remains cautious and realistic.

We maintain our BUY rating with a target price of Rs 696 (12x post IND-AS FY27E EV/EBITDA), supported by strong brand execution, improving operations, and tight inventory management.

Financials

P&L (Rs mn)	FY24	FY25	FY26E	FY27E
Net Sales	27,856	32,539	36,863	41,693
Cost of sales	(25,726)	(28,768)	(32,104)	(36,456)
Operating Profit	**2,130**	**3,771**	**4,759**	**5,237**
Depreciation	(2,221)	(2,330)	(2,962)	(3,276)
PBIT	(91)	1,441	1,797	1,961
Other income	210	121	136	173
Interest	(1,424)	(1,365)	(769)	(827)
Profit before tax	(1,305)	198	1,164	1,307
Exceptional and Extra Oı	-	242	21	-
PBT (Post Extra Ordinar	(1,305)	440	1,185	1,307
Provision for tax	(337)	18	(299)	(327)
Reported PAT	**(968)**	**458**	**886**	**980**
MI	-	-	-	-
Adjusted PAT	**(968)**	**458**	**871**	**980**

Balance Sheet	FY24	FY25	FY26E	FY27E
Equity capital	198	198	794	794
Reserves	7,272	7,904	8,178	9,159
Net worth	**7,470**	**8,102**	**8,972**	**9,953**
Non Current Liabilites	12,061	4,580	6,119	6,849
Current Liabilites	8,922	11,681	12,946	14,102
CAPITAL EMPLOYED	**28,453**	**24,362**	**28,037**	**30,903**
	27,814	23,535	27,162	29,897
Non Current Assets	17,466	11,277	13,457	14,362
Fixed Assets	16,646	10,429	12,649	13,554
Non Current Investments	-	-	-	-
Deferred Tax Asset	**821**	**849**	**808**	**808**
Long Term Loans and Adv	-	-	-	-
Other NON Current Asset	639	827	875	1,006
Current Assets	10,348	12,258	13,705	15,535
Current investments	47	51	53	53
Inventories	8,161	9,868	10,604	11,994
Trade Receivables	-	-	-	-
Cash and Bank Balances	**272**	**394**	**830**	**940**
Short Term Loans and Adv	2	3	3	3
Other Current Assets	1,866	1,942	2,214	2,546
CAPITAL DEPLOYED	**28,453**	**24,362**	**28,037**	**30,903**

Cash Flow St. (Rs. mn)	FY24	FY25	FY26E	FY27E
Net Profit	(968)	458	886	980
Add: Dep. & Amort.	2,221	2,330	2,962	3,276
Cash profits	**1,253**	**2,788**	**3,848**	**4,256**
(Inc)/Dec in				
-Sundry debtors	-	-	-	-
-Inventories	546	(1,708)	(736)	(1,389)
-Loans/advances	2	(1)	-	-
'-Current Liab and Provisioı	1,452	1,365	1,480	966
'- Other Non Current Assets	(134)	(265)	(320)	(463)
Change in working capital	1,866	(608)	424	(886)
CF from Oper. activities	**3,120**	**2,179**	**4,272**	**3,370**
CF from Inv. activities	**(2,308)**	**(2,592)**	**(2,922)**	**(3,261)**
CF from Fin. activities	**(46)**	**536**	**(915)**	**-**
Cash generated/(utilised)	**767**	**122**	**436**	**109**
Cash at start of the year	181	272	394	830
Cash at end of the year	272	394	830	940

Ratios	FY24	FY25	FY26E	FY27E
OPM	7.6	11.6	12.9	12.6
NPM	(3.4)	1.4	2.4	2.3
Tax rate	25.8	9.2	(25.7)	(25.0)
Growth Ratios (%)				
Net Sales	13.0	16.8	13.3	13.1
Operating Profit	(20.8)	77.0	26.2	10.0
PBIT	(110.2)	(1,686.3)	24.7	9.1
PAT	1,140.3	(147.3)	90.2	12.6
Per Share (Rs.)				
Net Earnings (EPS)	-12.2	5.8	11.0	12.3
Cash Earnings (CPS)	15.8	35.2	48.3	53.6
Dividend	-	-	-	2.0
Book Value	94.4	102.4	113.0	125.3
Free Cash Flow	10.3	(5.2)	17.0	1.4
Valuation Ratios				
P/E(x)	**(47.5)**	**100.4**	**53.0**	**47.1**
P/B(x)	6.2	5.7	5.1	4.6
EV/EBIDTA(x)	28.0	14.2	11.4	10.6
Div. Yield(%)	-	-	-	0.3
FCF Yield(%)	**1.8**	**(0.9)**	**2.9**	**0.2**
Return Ratios (%)				
ROE	(13.0)	5.6	9.7	9.8
ROCE	(1.1)	14.7	18.9	18.7

Source: Dalal & Broacha Research, Company

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