



V-Mart Retail Q4FY23 topline numbers were better than our estimates and a miss on margins.

Outlook:

- **Unfavorable times:** Higher Competitive intensity, integration costs of newer business, inflation impacting target customer hit V-Mart at One-Go.
- Working on bringing-back mass consumers: Re-introducing important lower-price points which should impact ASP's and margins going ahead. ASP down by 5% in Q4 and 8 to 10% for FY23.
- Store increase target for FY24 @ 60 at a gross level
- Target to increase retail space by ~15% as against the historical record of ~20%
- Working capital would be financed by additional short term debt and has no plans for equity dilution
- Limeroad will not become profitable in FY24
- Intense competition continues
- Expecting mid single digit SSSG (same store sales growth)

Key Financial Highlights:

- Revenue at 5939 mn, +29% YoY/-24% QoQ
- Core V-Mart business grew by 30% YoY to Rs 4940mn , Unlimited by 14% to Rs 881 mn.
- New business Lime-Road contributed 2% towards overall Revenue at Rs 118mn
- EBITDA at Rs 229 mn, dropped 54% YoY and was lower by 78% QoQ
- EBIDTA margins dropped to 3.9% as against 11% YoY on account of loss of 220mn due to integration of Limeroad in Q4.
- Loss of Rs 370mn vs loss of 26mn last year

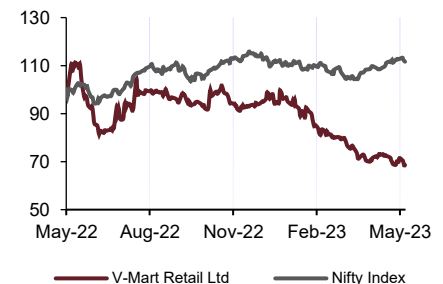
Rating	TP (Rs)	Up/Dn (%)
NEUTRAL	2,155	5

Market data

Current price	Rs	2,056
Market Cap (Rs.Bn)	(Rs Bn)	41
Market Cap (US\$ Mn)	(US\$ Mn)	493
Face Value	Rs	10
52 Weeks High/Low	Rs	3,433 / 1,994
Average Daily Volume	('000)	208
BSE Code		534976
Bloomberg		VMART.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Mar-23	Dec-22
Promoters	44.3	45.8
Public	55.7	54.3
Total	100.0	100.0

Source: BSE

Financial Summary

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Net sales	10,755	16,662	24,648	28,588	34,321
Adjusted net profit	(62)	116	(78)	(117)	300
Free cash flow	469	(621)	(946)	1,429	2,938
EPS (Rs)	(3.1)	5.9	(3.9)	(5.9)	15.2
P/E (x)	(653.0)	348.8	(521.0)	(347.7)	135.3
P/B (x)	4.9	4.8	4.8	4.9	4.7
EV/EBITDA (x)	35.0	24.1	20.0	18.1	14.5
D/E	-	-	0.2	0.2	0.2
RoCE (%)	3.4	8.7	8.9	10.0	15.5
RoE (%)	(0.8)	1.4	(0.9)	(1.4)	3.5
Dividend yield (%)	-	0.04	-	-	0.05

Source: Company, Dalal & Broacha Research

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Conference Call Key Takeaways

DEMAND (industry level)

- Demand was sluggish in Jan & Feb, but have picked up in March.
- Inflation in general is settling lower aiding consumer confidence.
- East and North East India has done well in Q4.
- Demand has not been able to match the supply in the value segment

Gross Margins

- Saw a sharp drop due to strategic price cuts to attract footfall
- ASP was 5% down for Q4

COMPETITION: has increased

- Large players have expanded in V-Mart related markets
- Player like Meesho, Flipkart, Myntra have gained market share

UNLIMITED integration

- Dual pricing approach and control on expenses have helped to reach ~11% operating margins which does not include head office expenses. Should remain at such levels.
- 20 to 22 stores not yet EBITDA positive
- More stores would be added in Southern region and it would run on the Vmart model but would have higher margins

LIME ROAD:

- Sales include only commission income, however costs include marketing, logistics, technology spends
- 88% topline growth and EBITDA levels ahead of expectations
- Total loss for FY23 ~Rs 44 crs of which 12 crs was one time loss
- Maximum loss for FY24 to be in the range of Rs 50 to 60 crores.

OTHER DETAILS:

- **SSS:** 10% for core business, expect mid single digit SSSG for FY24
- Capex: 60 stores to be added on gross level and Rs 20-30 lakhs to be spent for refurbishment for certain stores every year
- Currently online business contribute ~3% of topline, plan is to take upto 8 to 10% in the next couple of years
- Capex for FY23 - 270 crs , of which warehousing cost is 109 crs , 76 crs for LIMEROAD and remaining for refurbishment, new stores and automation/technology
- V-MART core EBITDA margins at 7.5% and 11% (excl overhead expenses of 4%) for UNLIMITED

Quarterly Performance Analysis

Particulars (Rs Mns)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)
Revenue	5,939.12	4,587.76	29.46%	7,768.84	-23.55%
Other Income	75.29	27.90	169.92%	6.96	981.80%
Total	6,014.42	4,615.65		7,775.80	
Total RM Cost	4,043.05	2,985.34	35.43%	5,017.35	-19.42%
Gross Profit	1,896.07	1,602.42	18.33%	2,751.49	-31.09%
Employee Cost	680.21	510.66	33.20%	762.86	-10.83%
Other Expenses	986.58	588.52	67.64%	951.78	3.66%
Total	5,709.84	4,084.52		6,731.99	
EBIDTA	229.28	503.24	-54.44%	1,036.85	-77.89%
Depreciation	484.11	375.97		472.74	
EBIT	(179.53)	155.16	-215.70%	571.07	-131.44%
Interest Cost	336.24	235.24		306.95	
PBT and exceptional item	(515.76)	(80.07)		264.12	
exceptional item	-	-		-	
PBT	(515.76)	(80.07)		264.12	
Taxes	(146.17)	(53.95)		64.40	
Reported PAT	(369.60)	(26.13)		199.72	
EPS	(18.69)	(1.32)		10.10	
as a % to sales					
RM	68.1%	65.1%		64.6%	
Gross profit margins	31.9%	34.9%		35.4%	
Employee Costs	11.5%	11.1%		9.8%	
Other expenses	16.6%	12.8%		12.3%	
Operating margins	3.9%	11.0%		13.3%	
Tax rate (on PBT)	28.3%	67.4%		24.4%	

Source: Dalal & Broacha Research, Company

Exhibit 1

Particulars	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Stores	279	282	368	374	380	391	405	414	423
Net Additions	5	3	86	6	6	11	14	9	9
Retail Space YTD in lacs Sq feet	23.00	23.20	31.99	33.00	33.00	34.00	36.00	37.00	37.50
Increase	0.00	0.20	8.79	1.01	0.00	1.00	2.00	1.00	
Sales Per Sq Ft Per Mth In Rs as per Presentation	569	533	347.00	860.00	380.00	626.00	516.00	766.00	584.00
Sales Per Sq Ft Per Mth * 3 (for Qtr)	1707	1599	1041	2580	1140	1878	1548	2298	1752
Growth	-8.1%	49.3%	16.1%	-3.9%	-33.2%	17.4%	48.7%	-10.9%	53.7%
Average Sq Ft per Store	8244	8227	8692	8824	8684	8696	8889	8937	8865
SSS Growth YTD									
- Value %	-40%	119%	82%	36%	23%	137%	57%	30%	23%
- Volume %	-41%	103%	75%	39%	21%	124%	49%	29%	25%
Segment Contribution									
-Fashion (%)	91	91	91	93	91	91	88	90	90
-Kirana (%)	9	9	9	7	9	9	12	10	10
Total	100	100	100	100	100	100	100	100	100
Sales Mix									
Apparels (%)	77.9	80	79.4	81.6	80.1	80.7	77.4	79.4	79.2
Non Apparels (%)	12.7	10.7	11.2	11.1	10.8	9.9	10.3	10.9	11.1
Kirana (%)	9.4	9.3	9.4	7.3	9.1	9.4	12.3	9.7	9.7
Total	100	100	100	100	100	100	100	100	100

Source: Dalal & Broacha Research, Company

Exhibit 2

Particulars	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
FootFall (lacs)	72	31	66	111	80	102	95	126	112
Conversion Rate	61.10%	70.70%	64.60%	60.60%	63.00%	62.20%	61.80%	55.00%	58.00%
Shrinkage	1.30%	4.90%	NA	NA	-0.60%	0.05%	-0.20%	0.20%	0.40%
Average Selling Price (Rs)									YTD
Total (Rs)	202	193	197	292	244	233	223	291	237
Total Vmart					220				
Total Unlimited					523				
Apparels (Rs.)	327	295	302	503	411	370	384	500	274
Apparels Vmart					384				
Apparels Unlimited					568				
Transaction size (Rs)	851	848	838	1096	981	994	961	1044	1069
Vmart					898	YTD	YTD		
Unlimited					1776				
Store Count YTD	279	282	368	374	380	391	405	414	423
Tier 1	65	65	100	100	104	105	110	111	106
Tier 2	37	38	56	55	54	54	53	53	52
Tier 3	142	143	157	162	166	172	179	188	212
Tier 4	35	36	55	57	56	60	63	62	53
Store allocation	100%	100%	100%	100%	100%	100%	100%	100%	100%
Tier 1 %	23%	23%	27%	27%	27%	27%	27%	27%	25%
Tier 2 %	13%	13%	15%	15%	14%	14%	13%	13%	12%
Tier 3 %	51%	51%	43%	43%	44%	44%	44%	45%	50%
Tier 4 %	13%	13%	15%	15%	15%	15%	16%	15%	13%

Source: Dalal & Broacha Research, Company

Valuation

The commentary and the tone of the management did not sound too optimistic for the near term as the rural economy has not yet picked up. The intense competition & inflationary headwinds have compelled V-Mart's management to re-introduce lower price point again (ASP was down 5% QoQ) which has impacted the gross margins and we believe the pressure would remain in the near term atleast.

We have reworked our numbers and on FY24e and FY25e EV/EBITDA basis, at Rs 2,056 the stock trades at 18x and 15x respectively. We had given **BOOK PROFITS** at Rs 2,547 post Q3FY23 results. We continue to remain cautious and have a **NEUTRAL** view on the company.

Financials

P&L (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Net Sales	10,754.6	16,661.8	24,648.4	28,587.6	34,320.6
Cost of sales	(9,442.5)	(14,618.5)	(21,959.2)	(25,603.3)	(30,607.5)
Operating Profit	1,312.1	2,043.3	2,689.2	2,984.3	3,713.1
Depreciation	(1,029.7)	(1,307.0)	(1,799.8)	(2,000.7)	(2,141.6)
PBIT	282.4	736.3	889.4	983.6	1,571.5
Other income	210.4	139.6	149.7	100.0	71.2
Interest	(589.5)	(771.9)	(1,169.0)	(1,239.9)	(1,241.4)
Profit before tax	(96.6)	104.0	(130.0)	(156.3)	401.4
Exceptional and Extra Ordin:	-	-	-	-	-
PBT (Post Extra Ordinary)	(96.6)	104.0	(130.0)	(156.3)	401.4
Provision for tax	34.6	12.4	51.6	39.3	(101.0)
Reported PAT	(62.0)	116.4	(78.4)	(116.9)	300.4
MI	-	-	-	-	-
Adjusted PAT	(62.0)	116.4	(78.0)	(116.9)	300.4
Balance Sheet	FY21	FY22	FY23	FY24E	FY25E
Equity capital	197.0	197.5	197.7	197.7	197.7
Reserves	8,055.2	8,298.7	8,292.3	8,175.3	8,455.9
Net worth	8,252.2	8,496.2	8,490.0	8,373.1	8,653.7
Non Current Liabilites	5,381.3	8,538.0	11,202.6	11,646.0	11,660.9
Current Liabilites	2,631.9	3,960.6	7,732.7	7,988.7	9,216.1
CAPITAL EMPLOYED	16,265.4	20,994.8	27,425.3	28,007.8	29,530.6
Non Current Assets	7,446.2	11,597.7	16,077.7	15,687.5	15,647.1
Fixed Assets	6,987.4	11,173.6	15,546.9	15,156.8	15,116.4
Non Current Investments	36.2	37.8	-	-	-
Deferred Tax Asset	252.7	386.3	530.7	530.7	530.7
Long Term Loans and Advan	128.3	-	-	-	-
Other NON Current Assets	41.6	413.8	770.4	815.3	864.7
Current Assets	8,819.2	8,983.4	10,577.2	11,505.0	13,018.8
Current investments	3,153.6	1,210.6	85.4	85.4	85.4
Inventories	4,283.1	6,682.2	8,706.3	9,398.7	10,343.2
Trade Receivables	-	-	-	-	-
Cash and Bank Balances	274.7	350.5	201.5	303.8	726.7
Short Term Loans and Advan	0.7	5.2	4.3	4.3	4.3
Other Current Assets	1,107.2	734.9	1,579.7	1,712.8	1,859.2

Source: Dalal & Broacha Research, Company

Cash Flow St. (Rs. mn)	FY21	FY22	FY23	FY24E	FY25E
Net Profit	(62.0)	116.4	(78.4)	(116.9)	300.4
Add: Dep. & Amort	1,029.7	1,307.0	1,799.8	2,000.7	2,141.6
Cash profits	967.7	1,423.4	1,721.4	1,883.7	2,442.0
(Inc)/Dec in					
-Sundry debtors	-	-	-	-	-
-Inventories	496.1	(2,399.2)	(2,024.1)	(692.3)	(944.6)
-Loans/advances	(9.8)	123.8	0.9	-	-
'- Current Liab and Provisions	(145.0)	1,141.5	2,142.1	225.9	1,226.3
'- Other Non Current Assets	(794.7)	0.1	(1,201.4)	(178.0)	(195.8)
Change in working capital	(453.3)	(1,133.7)	(1,082.6)	(644.5)	85.9
CF from Oper. activities	514.4	289.7	638.8	1,239.3	2,527.9
CF from Inv. activities	(3,911.5)	(207.8)	(2,193.8)	(1,136.7)	(2,085.3)
CF from Fin. activities	3,621.9	(6.0)	1,405.6	(0.3)	(19.8)
Cash generated/(utilised)	224.8	75.8	(149.4)	102.3	422.8
Cash at start of the year	49.9	274.7	350.5	201.5	303.8
Cash at end of the year	274.7	350.5	201.5	303.8	726.7
Ratios	FY21	FY22	FY23	FY24E	FY25E
OPM	12.2	12.3	10.9	10.4	10.8
NPM	(0.6)	0.7	(0.3)	(0.4)	0.9
Tax rate	(35.8)	11.9	(39.7)	(25.2)	(25.2)
Growth Ratios (%)					
Net Sales	(35.3)	54.9	47.9	16.0	20.1
Operating Profit	(38.6)	55.7	31.6	11.0	24.4
PBIT	(76.4)	160.7	20.8	10.6	59.8
PAT	(112.6)	(287.7)	(167.0)	49.8	(356.9)
Per Share (Rs.)					
Net Earnings (EPS)	(3.1)	5.9	-3.9	-5.9	15.2
Cash Earnings (CPS)	49.1	72.1	87.1	95.3	123.5
Dividend	-	-	0.8	-	-
Book Value	418.8	430.2	429.4	423.5	437.7
Free Cash Flow	(172.4)	4.1	(78.6)	5.2	22.4
Valuation Ratios					
P/E(x)	(653.0)	348.8	(521.0)	(347.7)	135.3
P/B(x)	4.9	4.8	4.8	4.9	4.7
EV/EBIDTA(x)	35.0	24.1	20.0	18.1	14.5
Div. Yield(%)	-	-	0.0	-	-
FCF Yield(%)	(8.4)	0.2	(3.8)	0.3	1.1
Return Ratios (%)					
ROE	(0.8)	1.4	(0.9)	(1.4)	3.5
ROCE	3.4	8.7	8.9	10.0	15.5

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