V-Mart Retail Ltd

Q2FY27 Result Update | Retail

Visibility improving

DALAL & BROACHA STOCK BROKING PVT. LTD.

Equity Research Desk

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- Festive-distorted quarter; adjusted growth is company-estimated. Revenue +18.1% YoY to Rs 9,529.9 mn (Unlimited +25%, V-Mart core +17%, LimeRoad NMV +55%) despite a 19-day festive shift into Q3; calendar SSSG 3% vs the company's festive-adjusted estimate of 11%.
- Margin expansion is real, but Unlimited-led. EBITDA ex-other income +20.3% to Rs 860.6 mn (margin 9.0% vs 8.9%). Unlimited margin 11.6% (+110bps) now clears V-Mart core's 8.8%, which slipped 30bps.
- Lease-related charges outpace the EBITDA gain. The seasonal Q2 PAT loss widened to -Rs 163.4 mn (vs -Rs 88.7 mn): D&A (+24.8% to Rs 887.5 mn) and finance costs (+18.6% to Rs 206.9 mn), both lease-led with ~80 net new stores YoY, rose Rs 208.9 mn against the Rs 145.5 mn EBITDA improvement; pre-Ind AS 116 PBT narrowed to -Rs 260 mn from -Rs 276 mn.
- Cash absorbed by festive stocking; Q3 is the test. H1 Operating Cash Flow Rs 1,402.1 mn (vs Rs 2,326.7 mn LY) after a Rs 2,028.8 mn inventory build. A full festive quarter on a 0% SSSG base (Q3FY26) sets up H2.

Margins and P&L drivers

- The EBITDA gain did not reach PBT: EBITDA improved Rs 145.5 mn YoY, but D&A rose Rs 176.5 mn (+24.8% to Rs 887.5 mn) and finance costs Rs 32.4 mn (+18.6% to Rs 206.9 mn), both lease-driven with ~80 more stores than a year ago.
- Gross margin held at 33.5% (-10bps) on pricing discipline (ASP Rs 209, -2%; apparel ASP flat) and a stable mix (apparel 77%; private labels 66%+ of apparel). The margin debate is below the gross line.
- Opex discipline is broad but not universal: employee costs +14.7% to Rs 1,119.5 mn and other expenses +18.3% to Rs 1,209.2 mn vs revenue +18.1%, while advertising stepped up +30% (H1: Rs 386 mn, 1.9% of revenue vs 1.8% LY).

Cash flow and balance sheet (H1FY27)

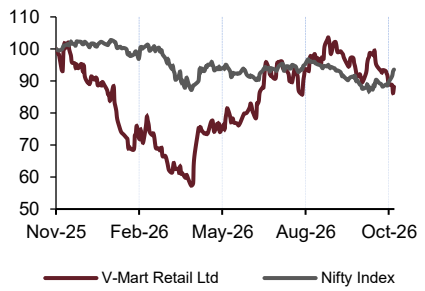
- **OCF (operating cash flow):** Rs 1,402.1 mn vs Rs 2,326.7 mn LY - working capital absorbed Rs 939 mn (inventory +Rs 2,028.8 mn, payables +Rs 1,092.7 mn); taxes paid Rs 150.6 mn.
- **Capex:** Rs 814.6 mn (PP&E, CWIP and capital advances; lease registration/right-of-use of Rs 33.7 mn kept separate)
- FCF (free cash flow) before lease cash flows: Rs 587.5 mn (OCF minus capex).
- **Borrowings:** Rs 1,899.5 mn vs Rs 1,000.1 mn at March (short-term inflow Rs 899.4 mn); cash Rs 129.6 mn; lease liabilities Rs 8,724.8 mn.

Rating	TP (Rs)	Up/Dn (%)
BUY	**896**	**22**

Market data		
Current price	**Rs**	**734**
Market Cap (Rs.Bn)	(Rs Bn)	58
Market Cap (US$ Mn)	(US$ Mn)	617
Face Value	Rs	10
52 Weeks High/Low	Rs	882 / 457.9
Average Daily Volume	('000)	102
BSE Code		534976
Bloomberg		VMART

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Jun-26	Mar-26
Promoters	44	44
Public	9	8
Others	47	48
Total	**100**	**100**

Source: BSE

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Financial Summary

Y/E Mar (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Net sales	27,856	32,539	37,894	45,054	51,663
Adjusted net profit	(969)	190	1,249	1,425	1,784
EPS (Rs)	(12.2)	2.4	15.7	17.9	22.4
P/B (x)	7.8	7.2	6.1	5.3	4.6
EV/EBITDA (x)	33.7	17.4	13.5	11.4	9.7
D/E	0.1	0.2	0.1	0.2	0.1
RoE (%)	(13.0)	2.3	13.1	13.0	14.0
Dividend yield (%)	-	-	-	0.14	0.27

Source: Company, Dalal & Broacha Research

Presentation Key Takeaways

SSSG - calendar weak, festive-adjusted strong (Q2)

- **Calendar SSSG (same-store sales growth):** 3% (V-Mart 2%, Unlimited 11%) vs 11% LY - high base plus festive shift
- **Festive-adjusted SSSG:** 11% (V-Mart 10%, Unlimited 12%) - company estimate adjusting for the calendar shift
- **SSVG (same-store volume growth):** 5% calendar, 9% festive-adjusted - volume-led growth; ASP flat-to-down
- **Q3 base:** Q3FY26 SSSG was 0% (company's historical chart) - soft base plus a full festive quarter sets up Q3

Unlimited (South)

- **Revenue**: +25% Q2 / +29% H1 | EBITDA: Rs 199 mn +38% Q2 / +40% H1 | Margin: 11.6% (+110bps) - above V-Mart core's 8.8%
- **SSSG:** 11% calendar (12% adjusted); SSVG: 10%; SPSF (sales per square foot): Rs 681/month +15% (H1, vs V-Mart +2%)
- 104 stores; management attributes the performance to store productivity, sharper assortments and operating efficiencies

V-Mart Core

- **Revenue:** Rs 7,750 mn +17% | EBITDA: Rs 685 mn +13% | Margin: 8.8% (-30bps) - core margin slipped despite the operating-leverage narrative
- **SSSG:** 2% calendar (10% adjusted) | SPSF: Rs 715/month +2% (H1)

LimeRoad

- **NMV:** Rs 298 mn +55% in Q2 (H1 Rs 520 mn +37%) | EBITDA loss: Rs 23 mn vs Rs 34 mn - loss/NMV down to 8% from 18%
- **Commission income**: Rs 143 mn vs Rs 85 mn; H1 loss Rs 51 mn vs Rs 80 mn (-36%)
- **V-Mart inventory**: 58% of LimeRoad online orders vs 34% LY - omni-channel integration deepening

Stores and Expansion

- 613 stores (509 V-Mart + 104 Unlimited) across 351 cities, 5.2mn sq ft (+14% YoY) as of 30 Sep - crossed the 600-store milestone in the quarter
- Q2: 23 opened, 1 closed (net +22); H1: 38 opened, 2 closed (FY26 full year: 92 opened)
- **Q2 adds:** UP 7, Bihar 3, MP 3, TN 2; 17 of 23 in Tier-2/3 - cluster-based deepening
- UP (190) + Bihar (85) hold ~45% of the network; 63% of stores in Tier III/IV; 100% of stores serve digital orders

Traffic, Ticket and Pricing

Q2 footfall: 26mn +36% vs **Q2 memo (bills):** 10mn +15%

• **ATS (average transaction size, H1):** Rs 1,002 +2% | **ASP (average selling price, Q2):** total Rs 209 (-2%), apparel Rs 348 (flat) - growth is volume-led, pricing discipline.

Other KTA

- Varin Agarwal appointed Head - Merchandising and designated Senior Management Personnel (SMP), effective 3 Nov
- Supply chain: 2 warehouses (Palwal 6 lakh sq ft owned + Bengaluru), 600+ vendors, bi-weekly fashion drops across 250+ routes

Concall Key Takeaways

Demand and competition

- Revenue +18% YoY; SSG 3%, or 11% adjusted for the 19-day festive shift. Festive demand positive but below management expectations.
- 150+ competitor stores opened in target markets, impacting 70-75 V-Mart locations, particularly across UP, Bihar, Bengal, Odisha and Jharkhand.
- Gen Z/Alpha contribute >45% of customers; repeat customers account for ~70% of sales.

Unlimited - improving economics

- YTD SPSF Rs 681/month (+15%); EBITDA margin 11.6% vs 10.5% YoY, ahead of V-Mart at 8.8%.
- ~55% of stores are newer outlets with lower rentals; focus on value fashion, youth and kidswear; similar products priced ~5% higher than V-Mart.
- Further productivity gains expected as newer stores mature; expansion opportunity in South and West India.

LimeRoad - turnaround

- NMV +55% YoY; losses down 32%, with the loss-to-NMV ratio improving to 8% from 18%.
- Digital users +27%; 58% of online orders fulfilled through V-Mart's 613 stores, reducing warehousing costs and inventory risk.
- ~41 lakh digitally engaged customers converted to physical stores within 15 days; omnichannel customers have higher annual purchase values.

Margins and cost management

- Gross margin stable at 33.5% vs 33.6% YoY. Management targets 5-6% ASP/price growth while limiting the gross-margin impact to ~0.5 pp.
- Raw-material costs are 5-10% higher, depending on category. Current pricing factors in crude at $55-75; a sustained $110-115 may necessitate another Q4 price hike.
- Further savings expected from manpower rationalisation, employee productivity, lower attrition, power analytics and vendor negotiations.

Working capital and expansion

- Inventory days improved to 90 from 97 YoY; per-store inventory lower despite festive stocking. Faster vendor payments narrowed the DPO-DOI gap by 9 days YoY.
- Short-term borrowings Rs 1,900 mn vs Rs 1,000 mn at March-end, driven by festive working capital, capex and faster vendor payments; no long-term debt.
- FY27 store addition guidance at 90-100, with ~100 annually as the longer-term ambition. Preferred store size 7,000-8,000 sq ft (~7,500 sq ft sweet spot).
- Internal cash flows to be reinvested in organic expansion and capacity.

Quarterly Performance Analysis

Particulars (Rs Mns)	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)
Revenue	9,530	8,069	18%	10,888	-12%
Other Income	27	34	-22%	27	1%
Total	**9,557**	**8,103**		10,915	
Total RM Cost	**6,341**	**5,355**	18%	**7,136**	-11%
Gross Profit	**3,189**	**2,714**	18%	**3,752**	-15%
Employee Cost	1,120	976	15%	1,112	1%
Other Expenses	1,209	1,022	18%	1,033	17%
Total	**8,669**	**7,354**	18%	**9,282**	
EBIDTA	**861**	**715**	20%	**1,606**	-46%
Depreciation	888	711	25%	840	6%
EBIT	**(0)**	**38**		**793**	
Interest Cost	207	175	19%	198	4%
PBT before exceptional item	**(207)**	**(136)**	52%	**595**	
exceptional item	-	-		-	
PBT	**(207)**	**(136)**	52%	**595**	-135%
Taxes	(44)	(47)	-8%	123	
PAT (Adj)	**(163)**	**(89)**	84%	**472**	-135%
EPS	**(2.1)**	**(1.1)**		**5.9**	
as a % to sales					
RM	66.5%	66.4%		65.5%	
Gross profit margins	**33.5%**	**33.6%**		**34.5%**	
Employee Costs	11.7%	12.1%		10.2%	
Other expenses	12.7%	12.7%		9.5%	
EBITDA Margins	**9.0%**	**8.9%**		**14.8%**	
Tax rate (on PBT)	21.1%	34.8%		20.7%	

Source: Dalal & Broacha Research, Company

Valuation & Outlook

V-Mart offers an attractive medium-term growth opportunity, with the investment thesis increasingly driven by improving store economics, operating leverage and expansion into underpenetrated Tier 2/3/4 markets. Improving Unlimited performance (15% YTD SPSF growth, EBITDA margin expanded to 11.6%) and LimeRoad's narrowing losses with an asset-light omnichannel model provide additional growth levers beyond the core V-Mart business.

Execution: sharper merchandising, better inventory management and cost efficiencies should support profitability as the store network scales; ongoing investments in the operating platform position the company to benefit from an improvement in consumption. Near-term monitorables: heightened competition in the Hindi heartland and a gradual demand recovery.

Rating and valuation: at CMP Rs 734, the stock trades at 41x FY27E and 32.8x FY28E earnings. **Maintain BUY with a price target of Rs 896**, assigning 40x FY28E EPS of Rs 22.4, implying ~22% upside. Key drivers: core business expansion, improving Unlimited economics and the Lime.

Financials

P&L (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Net Sales	27,856	32,539	37,894	45,054	51,663
Cost of sales	(25,726)	(28,768)	(32,759)	(38,991)	(44,521)
Operating Profit	**2,130**	**3,771**	**5,135**	**6,063**	**7,141**
Depreciation	(2,221)	(2,330)	(2,971)	(3,402)	(4,031)
PBIT	(91)	1,441	2,164	2,662	3,111
Other income	210	121	150	149	249
Interest	(1,424)	(1,365)	(755)	(906)	(974)
Profit before tax	(1,305)	198	1,559	1,904	2,386
Exceptional and Extra Or	-	242	(12)	-	-
PBT (Post Extra Ordinar	(1,305)	439	1,547	1,904	2,386
Provision for tax	337	18	(308)	(480)	(601)
Reported PAT	**(969)**	**458**	**1,239**	**1,425**	**1,784**
MI	-	-	-	-	-
Adjusted PAT	**(969)**	**190**	**1,249**	**1,425**	**1,784**

Balance Sheet	FY24	FY25	FY26	FY27E	FY27E
Equity capital	198	198	795	796	796
Reserves	7,272	7,904	8,716	10,141	11,925
Net worth	**7,470**	**8,102**	**9,511**	**10,937**	**12,721**
Non Current Liabilites	12,061	4,580	6,328	7,904	9,079
Current Liabilites	8,922	11,681	11,960	15,993	17,646
CAPITAL EMPLOYED	**28,453**	**24,362**	**27,799**	**34,834**	**39,447**
	27,814	23,535	26,898	33,843	38,357
Non Current Assets	17,466	11,277	14,501	16,793	17,373
Fixed Assets	16,646	10,428	13,742	16,055	16,635
Non Current Investments	-	-	-	-	-
Deferred Tax Asset	**821**	**849**	**759**	**738**	**738**
Long Term Loans and Adv	-	-	-	-	-
Other NON Current Asset	639	827	901	991	1,090
Current Assets	10,348	12,258	12,398	17,050	20,984
Current investments	47	51	184	55	55
Inventories	8,161	9,868	9,875	12,344	14,154
Trade Receivables	-	-	-	-	-
Cash and Bank Balances	**272**	**394**	**195**	**2,205**	**3,983**
Short Term Loans and Adv	2	3	2	2	2
Other Current Assets	1,866	1,942	2,142	2,444	2,790
CAPITAL DEPLOYED	**28,453**	**24,362**	**27,799**	**34,834**	**39,447**

Cash Flow St. (Rs. mn)	FY24	FY25	FY26	FY27E	FY28E
Net Profit	(969)	458	1,239	1,425	1,784
Add: Dep. & Amort.	2,221	2,330	2,971	3,402	4,031
Cash profits	**1,253**	**2,788**	**4,210**	**4,826**	**5,815**
(Inc)/Dec in					
-Sundry debtors	-	-	-	-	-
-Inventories	546	(1,708)	(7)	(2,468)	(1,811)
-Loans/advances	2	(1)	1	-	-
'-Current Liab and Provisior	1,452	1,365	277	2,235	1,170
'- Other Non Current Assets	(134)	(265)	(273)	(393)	(445)
Change in working capital	1,866	(608)	(2)	(626)	(1,086)
CF from Oper. activities	**3,119**	**2,179**	**4,208**	**4,200**	**4,729**
CF from Inv. activities	**(2,308)**	**(2,593)**	**(4,177)**	**(3,111)**	**(2,953)**
CF from Fin. activities	**(720)**	**536**	**(230)**	**921**	**1**
Cash generated/(utilised)	**92**	**122**	**(199)**	**2,010**	**1,777**
Cash at start of the year	181	272	394	195	2,205
Cash at end of the year	272	394	195	2,205	3,983

Ratios	FY24	FY25	FY26	FY27E	FY28E
OPM	7.6	11.6	13.6	13.5	13.8
NPM	(3.5)	0.6	3.3	3.2	3.4
Tax rate	(25.8)	9.2	(19.7)	(25.2)	(25.2)
Growth Ratios (%)					
Net Sales	13.0	16.8	16.5	18.9	14.7
Operating Profit	(20.8)	77.0	36.2	18.1	17.8
PBIT	(110.2)	(1,686.2)	50.1	23.0	16.9
PAT	1,141.4	(119.6)	558.9	14.1	25.3
Per Share (Rs.)					
Net Earnings (EPS)	-12.2	2.4	15.7	17.9	22.4
Cash Earnings (CPS)	15.8	31.8	53.1	60.6	73.1
Dividend	-	-	-	1.0	2.0
Book Value	94.4	102.3	119.7	137.4	159.9
Free Cash Flow	10.3	(5.2)	0.4	13.7	22.3
Valuation Ratios					
P/E(x)	**(60.0)**	**306.7**	**46.7**	**41.0**	**32.7**
P/B(x)	7.8	7.2	6.1	5.3	4.6
EV/EBIDTA(x)	33.7	17.4	13.5	11.4	9.7
Div. Yield(%)	-	-	-	0.1	0.3
FCF Yield(%)	**1.4**	**(0.7)**	**0.1**	**1.9**	**3.0**
Return Ratios (%)					
ROE	(13.0)	2.3	13.1	13.0	14.0
ROCE	(1.1)	14.7	20.6	20.7	21.3

Source: Dalal & Broacha Research, Company

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