

Recovery in sight

Q3FY24 topline was in line with our expectations however higher other income led to a beat on the bottomline.

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 8891 mn, +14% YoY/+62% QoQ
- Core V-Mart business grew by 13% YoY to Rs 7281mn, Unlimited grew by Rs 1439mn.
- New business Lime-Road contributed 2% towards overall Revenue at Rs 170 mn
- EBITDA at Rs 1197 mn, grew 15% YoY
- EBIDTA margins at 13.5% as against 13.3% YoY.
- Profit of Rs 282 mn vs profit of 200 mn last year vs loss of 64 mn QoQ

Financial Summary

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net sales	16,662	24,648	28,005	32,024	36,294
Adjusted net profit	116	(78)	(973)	333	508
EPS (Rs)	5.9	(3.9)	(49.2)	16.8	25.7
P/B (x)	5.1	5.1	5.7	5.5	5.2
EV/EBITDA (x)	25.4	20.9	25.1	14.6	13.2
D/E	-	0.2	0.2	0.2	0.2
RoCE (%)	8.7	8.9	2.9	18.6	20.7
RoE (%)	1.4	(0.9)	(12.9)	4.2	6.1
Dividend yield (%)	0.03	-	-	-	0.09

Source: Company, Dalal & Broacha Research

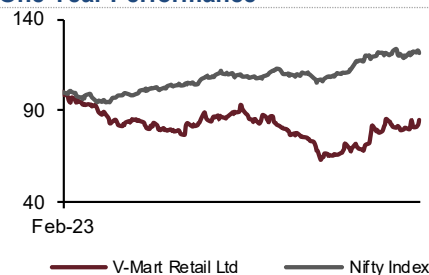
Rating	TP (Rs)	Up/Dn (%)
ACCUMULATE	2,584	18

Market data

Current price	Rs	2,184
Market Cap (Rs.Bn)	(Rs Bn)	43
Market Cap (US\$ Mn)	(US\$ Mn)	520
Face Value	Rs	10
52 Weeks High/Low	Rs	2658.35 / 1591
Average Daily Volume	('000)	650
BSE Code		534976
Bloomberg		VMART.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Dec-23	Sep-23
Promoters	44	44
Public	56	56
Total	100	100

Source: BSE

Kunal Bhatia
(022) 67141442
kunal.bhatia@dalal-broacha.com

Harsh Shah
+91 22 67141496
harsh.shah@dalal-broacha.com

Conference Call Key Takeaways

DEMAND (industry level)

- Consumer sentiments have improved and more footfalls being witnessed
- Due to shift in winter season by 20 days to Q4 winterwear will do very well in the current quarter
- Premium segment is witnessing some stress while value segment is gaining a lot of traction
- UP was the worst performing state however greenshoots already visible in Tier 3 cities in Q4
- Demand may get impacted in Q1FY25 due to election related disruptions and low number of weddings

V-Mart Core

- Focus is on improving product line and supply chain management
- ~17 stores to be closed in Q4
- Open to close some more stores if they do not contribute positively to profitability
- Gross margins remained similar compared to previous quarters

UNLIMITED

- New stores opened have done reasonably well
- South India is seeing some recovery
- Gross margins saw a sharp dip due to provisioning of old inventory
- ~6 stores to be shut in Q4

LIME ROAD:

- EBITDA loss of 14crs for Q3
- Focus is on improving profitability and losses will reduce going forward with target of EBITDA breakeven by end of FY25

OTHER DETAILS:

- 10 stores to be opened in Q4
- Higher selling price products (winterwear) shifted to Q4 due to delay in winter
- Tier 4 outperformed other cities due to low base effect
- Tier 3 cities Q3 sales per sq.ft on a YoY basis increased by 2%
- More investment will be done on refurbishment of old stores
- ASP on an overall level will not see much correction from here on
- 62% of sales was from repeat customers
- Per store inventory has reduced by 15% to ~1.16 crs

Quarterly Performance Analysis

Particulars (Rs Mns)	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)
Revenue	8,891	7,769	14%	5,494	62%
Other Income	130	7	1772%	20	555%
Total	9,021	7,776		5,514	
Total RM Cost	5,734	5,017	14%	3,593	60%
Gross Profit	3,157	2,751	15%	1,902	66%
Employee Cost	772	763	1%	713	8%
Other Expenses	1,189	952	25%	1,182	1%
Total	7,694	6,732		5,488	
EBIDTA	1,197	1,037	15%	7	17764%
Depreciation	583	473		532	
EBIT	744	571		(505)	
Interest Cost	376	307		359	
PBT and exceptional item	369	264		(864)	
exceptional item	-	-		-	
PBT	369	264		(864)	
Taxes	87	64		(223)	
Reported PAT	282	200		(641)	
EPS	14.3	10.1		(32.4)	
as a % to sales					
RM	64.5%	64.6%		65.4%	
Gross profit margins	35.5%	35.4%		34.6%	
Employee Costs	8.7%	9.8%		13.0%	
Other expenses	13.4%	12.3%		21.5%	
Operating margins	13.5%	13.3%		0.1%	
Tax rate (on PBT)	23.5%	24.4%		25.8%	

Source: Dalal & Broacha Research, Company

Exhibit 1

Particulars	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24E	Q3FY24E
Stores	374	380 [▲]	391	405	414	423	431	437	454
Net Additions	6	6	11	14	9	9	8	6	17
Retail Space YTD in lacs Sq feet	33.00 [▲]	33.00 [▲]	34.00 [▲]	36.00 [▲]	37.00	37.00	37.70	38.22	39.71
Increase	1.01	0.00	1.00	2.00	1.00	0.00	0.70	0.52	1.49
Sales Per Sq Ft Per Mth In Rs as per Presentation	860.00	380.00	626.00	516.00	766.00	584.00	632.00	502.00	795.00
Sales Per Sq Ft Per Mth * 3 (for Qtr)	2580	1140	1878	1548	2298	1752	1896	1506	2385
Growth	-3.9%	-33.2%	17.4%	48.7%	-10.9%	53.7%	1.0%	-2.7%	3.8%
Average Sq Ft per Store	8824	8684	8696	8889	8937	8747	8747	8747	8747
SSS Growth YTD									9MFY24
- Value %	36%	23%	137%	57%	30%	23%	-3%	-13%	1%
- Volume %	39%	21%	124%	49%	29%	25%	3%	6%	6%

Source: Dalal & Broacha Research, Company

Exhibit 2

Particulars	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24E	Q3FY24E
Segment Contribution									
-Fashion (%)	93	91	91	88	90	90	89	86	91
-Kirana (%)	7	9	9	12	10	10	11	14	9
Total	100	100	100	100	100	100	100	100	100
Sales Mix									
Apparels (%)	81.6	80.1	80.7	77.4	79.4	79.2	78.8	76	82
Non Apparels (%)	11.1	10.8	9.9	10.3	10.9	11.1	10.4	10	9
Kirana (%)	7.3	9.1	9.4	12.3	9.7	9.7	10.5	14	9
Total	100	100	100	100	100	100	100	100	100
FootFall (lacs)	111	80	102	95	126	112	130	110	150
Conversion Rate	61%	63%	62%	62%	55%	58%	56%	55.00%	52.00%
Shrinkage	NA	-1%	0%	0%	0%	0%	1%	0.70%	NA
Average Selling Price (Rs)	YTD	YTD	YTD	YTD	YTD	Q4FY23	Q1FY24	H1FY24	9MFY24
Total (Rs)	292	244	233	223	291	233	219	209	233
Total Vmart		220				214	197	187	211
Total Unlimited		523				453	451	434	451
Apparels (Rs.)	503	411	370	384	500	382	345	326	361
Apparels Vmart		384				365	320	301	338
Apparels Unlimited		568				498	485	459	480
Transaction size (Rs)	1,096	981	994	961	1,044	1,069	977	1057	1073
Vmart		898					881	899	980
Unlimited		1,776					1,997	1947	2014
Store Count YTD	374	380	391	405	414	423	431	437	454
Tier 1	100	104	105	110	111	106	109	109	108
Tier 2	55	54	54	53	53	52	52	53	55
Tier 3	162	166	172	179	188	212	217	220	234
Tier 4	57	56	60	63	62	53	53	55	57
Store allocation	100%	100%	100%	100%	100%	100%	100%	100%	100%
Tier 1 %	27%	27%	27%	27%	27%	25%	25%	25%	24%
Tier 2 %	15%	14%	14%	13%	13%	12%	12%	12%	12%
Tier 3 %	43%	44%	44%	44%	45%	50%	50%	50%	52%
Tier 4 %	15%	15%	15%	16%	15%	13%	12%	13%	13%

Source: Dalal & Broacha Research, Company

Valuation

We believe that the worst is behind and overall demand should start picking due to better consumer sentiments & improved income of farmers. Although inflation still persists and has a big impact on the target market of V-Mart Retail, signs of recovery are visible to the management. 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 and roll forward our estimates to FY26 with a target price of Rs 2,584.**

Financials

P&L (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	16,662	24,648	28,005	32,024	36,294
Cost of sales	(14,618)	(21,959)	(25,718)	(28,081)	(31,863)
Operating Profit	2,043	2,689	2,287	3,943	4,431
Depreciation	(1,307)	(1,800)	(2,016)	(2,159)	(2,354)
PBIT	736	889	271	1,783	2,077
Other income	140	150	180	42	83
Interest	(772)	(1,169)	(1,293)	(1,381)	(1,482)
Profit before tax	104	(130)	(842)	445	679
Exceptional and Extra Ordinary	-	-	-	-	-
PBT (Post Extra Ordinary)	104	(130)	(842)	445	679
Provision for tax	12	52	(132)	(112)	(171)
Reported PAT	116	(78)	(973)	333	508
MI	-	-	-	-	-
Adjusted PAT	116	(78)	(973)	333	508
Balance Sheet	FY22	FY23	FY24E	FY25E	FY26E
Equity capital	197	198	198	198	198
Reserves	8,299	8,292	7,319	7,652	8,134
Net worth	8,496	8,490	7,517	7,850	8,332
Non Current Liabilites	8,538	11,203	11,790	12,664	13,666
Current Liabilites	3,961	7,733	9,206	10,866	11,944
CAPITAL EMPLOYED	20,995	27,425	28,513	31,379	33,942
Non Current Assets	11,598	16,078	17,421	18,220	19,173
Fixed Assets	11,174	15,547	16,890	17,689	18,642
Non Current Investments	38	-	-	-	-
Deferred Tax Asset	386	531	531	531	531
Long Term Loans and Advan	-	-	-	-	-
Other NON Current Assets	414	770	815	865	919
Current Assets	8,983	10,577	10,277	12,294	13,850
Current investments	1,211	85	85	85	85
Inventories	6,682	8,706	8,427	9,651	10,938
Trade Receivables	-	-	-	-	-
Cash and Bank Balances	350	202	48	695	803
Short Term Loans and Advan	5	4	4	4	4
Other Current Assets	735	1,580	1,713	1,859	2,020

Cash Flow St. (Rs. mn)	FY22	FY23	FY24E	FY25E	FY26E
Net Profit	116	(78)	(973)	333	508
Add: Dep. & Amort	1,307	1,800	2,016	2,159	2,354
Cash profits	1,423	1,721	1,042	2,492	2,862
(Inc)/Dec in					
-Sundry debtors	-	-	-	-	-
-Inventories	(2,399)	(2,024)	279	(1,224)	(1,287)
-Loans/advances	124	1	-	-	-
'-Current Liab and Provisions	1,142	2,142	1,210	1,599	1,010
'- Other Non Current Assets	0	(1,201)	(178)	(196)	(215)
Change in working capital	(1,134)	(1,083)	1,312	179	(493)
CF from Oper. activities	290	639	2,354	2,672	2,369
CF from Inv. activities	(208)	(2,194)	(1,138)	(1,741)	(2,225)
CF from Fin. activities	(6)	1,406	240	-	(25)
Cash generated/(utilised)	76	(149)	1,456	931	119
Cash at start of the year	275	350	202	48	695
Cash at end of the year	350	202	48	695	803
Ratios	FY22	FY23	FY24E	FY25E	FY26E
OPM	12.3	10.9	8.2	12.3	12.2
NPM	0.7	(0.3)	(3.5)	1.0	1.4
Tax rate	11.9	(39.7)	15.7	(25.2)	(25.2)
Growth Ratios (%)					
Net Sales	54.9	47.9	13.6	14.3	13.3
Operating Profit	55.7	31.6	(15.0)	72.4	12.4
PBIT	160.7	20.8	(69.5)	558.2	16.5
PAT	(287.7)	(167.0)	1,147.3	(134.2)	52.5
Per Share (Rs.)					
Net Earnings (EPS)	5.9	-3.9	-49.2	16.8	25.7
Cash Earnings (CPS)	72.1	87.1	52.7	126.1	144.7
Dividend	0.8	-	-	-	2.0
Book Value	430.2	429.4	380.2	397.0	421.4
Free Cash Flow	4.1	(78.6)	61.5	47.1	7.3
Valuation Ratios					
P/E(x)	370.5	(553.4)	(44.4)	129.7	85.0
P/B(x)	5.1	5.1	5.7	5.5	5.2
EV/EBIDTA(x)	25.4	20.9	25.1	14.6	13.2
Div. Yield(%)	0.0	-	-	-	0.1
FCF Yield(%)	0.2	(3.6)	2.8	2.2	0.3
Return Ratios (%)					
ROE	1.4	(0.9)	(12.9)	4.2	6.1
ROCE	8.7	8.9	2.9	18.6	20.7

Source: Dalal & Broacha Research, Company

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B (CINU67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect

opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.

Tel: 91-22- 2282 2992, 2287 6173 | E-mail: equity.research@dalal-broacha.com