Retail Sector

4QFY25 Result Preview

03 April, 2025

Rural recovery momentum likely to lead to a strong quarter

Key Points

- 4Q is usually a seasonally weak quarter for the Retail industry. We believe that the mass rural categories have been recovering well for the past couple of quarters and the continued momentum will be visible in numbers especially for V-mart whose main customer base is in the income range of Rs15,000-50,000.
- V-Mart has pre-announced that the total revenue for 4QFY25 would be up 17% YoY, which was above our and consensus expectation and driven by SSSG of 8% YoY (V-Mart at +7% and Unlimited at +10%).
- For Bata India, we expect ASP expansion coupled with an already strong premium portfolio to be the key driver of the ~7% YoY revenue growth in what is seasonally the weakest quarter of the year.
- We still believe that a full-fledged recovery in volume for the mass category to pre-pandemic levels for the two companies will take time mainly due to competitive intensity from organized, unorganized and e-commerce players as well as BIS in the case of Bata.

Bata India (BUY): Stronger sales of premium products (Sneakers, Hush Puppies, Comfit & Floatz) along with continued e-commerce momentum will be the key driver of the topline. We will watch out for: (1) Volume crossing pre-pandemic levels and COCO business (~60% of revenue) starting to grow at mid-single digits. (2) Update on the performance of the Athleisure Apparel segment (3) Update on how Bata India is progressing on the path to become the sourcing hub for Bata global (4) More details related to work on the partnership with Authentic Brands group – Nine West (5) Inventory picture (6) Recovery of demand in mass categories

V-Mart Retail (BUY): VRL's pre-announced 4QFY25 revenue at Rs7.8bn was 1.3% higher than our expectation. The 18% YoY retail revenue growth (Rs7.72bn ex-Limeroad revenue) came in from store expansion of ~12% YoY and SSSG of +7% YoY. Limeroad revenue at Rs80mn was down ~38% QoQ and ~47% YoY, which is a major cause for concern and raises questions about the path taken to profitable growth in the long term as this is the 6th consecutive quarter of decline. 9 stores (net) were opened during 4QFY25 (13 openings and 4 closures all of which were VRL) taking the total store count to 497. EBITDA margin is expected at ~7% in what is seasonally the 2nd weakest quarter for VRL. We will watch out for: (1) Timeline on the full recovery of volumes and spending of its core customer base in North India (2) Changes, if any, in the competitive intensity in its core markets as national players seem to be entering the core markets of VRL (3) By when will Limeroad losses stop impacting EBITDA (4) The pace of net store expansion in FY26 (5) Will it deliver pre-pandemic EBITDA margins by end FY26? (6) Inventory picture (7) What has been the response to the summer collection?

Exhibit 1: Summary of financial performance by Retail companies in our coverage universe for 4QFY25E

Company	Net sales		EBITDA		*EBITDA margin (%)*		PAT	
(Rsmn)	4QFY25E	*YoY (%)*	4QFY25E	*YoY (%)*	*4QFY24*	*4QFY25E*	4QFY25E	*YoY (%)*
Bata India	8,537	*7.0*	1,794	*-1.6*	*22.8*	*21.0*	531	*-16.5*
V-Mart Retail	7,707	*15.3*	547	*35.9*	*6.0*	*7.1*	(337)	*NA*

Source: Company, Nirmal Bang Institutional Equities. The EBITDA numbers are post IndAS 116.

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