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SYSTEMATIX INSTITUTIONAL EQUITIES

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Institutional Equities

05 May 2025

## V-Mart Retail

### Steady performance amid intensifying competition

V-Mart Retail's (VMART) 4QFY25 operating performance was marginally above expectations.

**Revenue growth/SSSGs in 4QFY25:** Revenue grew 16.7% YoY to Rs 7.8 bn led by +19%YoY growth in Vmart (84% of revenue) and +11% growth in Unlimited (15% revenue) while Limeroad revenue declined 35% (1% revenue). The strong double-digit growth was led by volumes. SSSG stood at 8% (7% for V-Mart, 10% for Unlimited) led by 11% rise in footfalls.

**ASP:** Total ASP declined 2% YoY to Rs 228; Apparel ASP declined 2% YoY to Rs 343.

**Margins & profitability:** Gross margin expanded 140bps YoY to 33.1%. At entity level, EBITDA margin stood at 8.7% vs 6% in 4QFY24. EBITDA margin for V-Mart at 9.5% (vs 7.8% in 4QFY24), Unlimited at 10.8% (vs 9.1% in 4QFY24). Consolidated EBITDA included a loss of Rs 68 mn from LimeRoad which reduced by 43% YoY as part of company's structured overall plan to make the business more sustainable in the long run. Adjusted Net loss stood at Rs 57 mn vs Net loss of Rs 389 mn in 4QFY24.

**Store additions:** During the quarter the company opened 13 new stores - 12 Vmart and 1 Unlimited. Closed 3 Vmart and 1 Unlimited store. Total number of stores now stands at 497 (Vmart – 412, Unlimited – 85).

**Bonus issue:** Company recommended a bonus issue of equity shares in the ratio of 3:1.

**Valuation & view:** Management maintained a positive outlook on demand going ahead, however, the rise in competitive intensity shall be a major concern with competition being agile in store openings where VMart is already present or is likely to expand. The company shall continue to provide value to customers, which is likely to keep ASP lower, in our view. In Limeroad, breakeven is not expected in FY26; however, losses are projected to decline steadily. Store expansion shall remain steady with minimum store closures. We estimate store addition of 50 stores in FY26E and 52 stores in FY27E. We have cut our revenue estimates by 0.5%/2% for FY26E/FY27E respectively. We have marginally trimmed our operating margins by 20-30 bps for FY26/FY27E and anticipate operating margins of 12.1%/12.7% in FY26E/FY27E respectively. We have built in revenue/ EBITDA CAGR of 15.8%/ 21.3% respectively over FY25-27E. We maintain our HOLD rating with revised TP of Rs 3,588 (vs Rs 3,970 earlier) based on an EV/EBITDA multiple of 13x Mar 2027.

### Conference call takeaways

#### Industry and market overview

- The retail sector continues to witness growth, primarily driven by Tier 2 and Tier 3 cities. Tier 1 cities are also showing positive signs, spurred by evolving fashion trends.
- Despite macroeconomic ambiguity, including global concerns such as U.S. tariffs, the long-term outlook for the Indian consumption market, especially in smaller towns, remains positive.
- The industry has been performing steadily, with value retailers outpacing large-format or premium brands, which have shown signs of demand softness.

#### RESULT UPDATE

**Sector:** Retail **Rating:** HOLD  
**CMP:** Rs 3,160 **Target Price:** Rs 3,588

#### Stock Info

Sensex/Nifty	80,796/ 24,461
Bloomberg	VMART IN
Equity shares (mn)	19.8
52-wk High/Low	Rs 4,520/2,054
Face value	Rs 10
M-Cap	Rs 63bn/USD 0.75bn
3-m Avg Turnover	USD 1.8mn

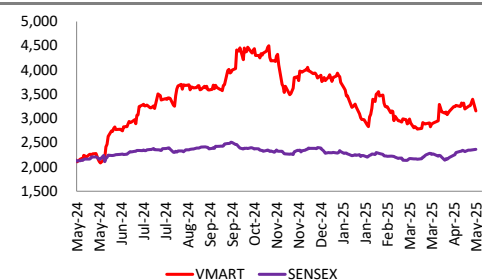
#### Financial Snapshot (Rs mn)

Y/E Mar	FY25	FY26E	FY27E
Sales	32,539	37,587	43,662
Adj. PAT	216	384	751
EPS (Rs)	10.9	19.4	37.9
PE (x)	136.5	162.7	83.2
EV/EBITDA (x)	18.5	17.0	14.0
P/BV (x)	1.9	1.7	1.4
EV/Sales	2.1	2.1	1.8
RoE (%)	2.8	4.6	8.5
RoCE (%)	8.3	10.9	11.7
NWC (days)	25	34	37
Net gearing (x)	0.1	0.1	(0.0)

#### Shareholding Pattern (%)

	Mar 25	Dec 24	Sept 24
Promoter	44.3	44.3	44.3
–Pledged	-	-	-
FII	17.5	17.3	16.0
DII	32.9	32.5	32.8
Others	5.3	5.9	6.9

#### Stock Performance (1-year)



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Investors are advised to refer disclosures made at the end of the research report.

- The competitive landscape is intensifying, with numerous new store openings in existing and prospective VMart markets.
- A clear shift from unorganized to organized retail is underway, reflecting growing consumer trust in structured retail formats. The organized retail segment continues to expand its share.
- This transition benefits organized players but poses challenges for traditional mom-and-pop stores.
- Fashion consciousness among consumers is rising, further driving demand.
- Gen Z is emerging as a key consumer cohort, influencing household decisions. VMart is strategically targeting this demographic to drive future growth.

#### **VMart performance highlights**

- Q4 FY25 was marked by solid profitability and strong operational execution across core markets.
- Combined Like-for-Like (L2L) sales growth stood at 8%, led by 10% L2L growth in the Unlimited format.
- The quarter was impacted by weather-related challenges—an early end to a delayed winter affected sales in January and February. However, festive demand during Holi and an early Eid supported a recovery in March.
- This marked the 6th consecutive quarter of sustained growth, reflecting continuous improvements in assortment, design, quality, and replenishment cycles.
- Overall revenue grew by 17%, driven by operational efficiencies, strategic closure of underperforming stores, and enhanced product offerings.
- Key performance metrics such as sales per square foot and sales per store showed continued improvement.
- Apparel ASPs declined marginally due to a seasonal shift towards summer wear. No further changes to ASPs are expected unless mix changes materially.
- Gross margin expanded by 140 bps YoY to 33.1%, supported by strong full-price sales of early summer merchandise and reduced contribution from the LimeRoad marketplace.
- Inventory provisioning decreased slightly, supported by healthier inventory aging.
- The shorter winter season may result in a marginal increase in winter stock liquidation next year, though not materially impactful.
- Management expects margins to remain within a stable range, with the focus on increasing market share rather than further margin expansion.

#### **Expenses**

- Operating expenses declined by 130 bps YoY in Q4, continuing the trend from Q3.
- This reduction stems from operating leverage, lower LimeRoad marketing spend, and closure of non-performing stores.
- Manpower costs rose by 45% due to higher ESOP-related expenses and sales incentives, with the base effect of a reversal last year making the increase appear higher.

- ESOP costs normalized to approx. 1% of quarterly revenue and 0.5% for the full year, with future ESOP-related expenses expected to stabilize.
- Other expenses fell 10% YoY due to reduced LimeRoad-related logistics and marketing costs and overall efficiency improvements.

#### **Profitability**

- VMart's standalone EBITDA margin improved by 170 bps to 9.5% in Q4.
- Unlimited's EBITDA margin also increased by 170 basis points to 10.8%.
- Adjusted for ESOP expenses, Q4 EBITDA stood at 9.6%, while FY25 EBITDA was 12.1%.
- The company is targeting continued topline growth in the 17–20% range.

#### **LimeRoad business**

- LimeRoad remains in a build-out phase, supporting VMart's omni-channel strategy.
- Marketplace exposure is being reduced, leading to sequential improvements in operating performance.
- A breakeven is not expected in FY26; however, losses are projected to decline steadily.
- FY25 losses were nearly 55% lower YoY; FY26 losses are expected to be reduced by approximately 50% versus FY25.

#### **Lease accounting**

- VMart reassessed lease term assumptions under Ind AS 116 during the quarter, aligning them with its strategic store expansion roadmap.
- This resulted in a one-time, non-cash exceptional gain of Rs 240 mn.
- The accounting change is expected to reduce reported early-stage store losses by ~50% in the initial lease cycle.

#### **Working capital & cash flow**

- Inventory at quarter-end stood at Rs 9.87 bn, or 102 days of inventory, reflecting seasonal stocking for Q1 FY26 and store expansions.
- Inventory remains well-managed, aided by technology-driven improvements in design, sourcing, quality control, and replenishment.
- Working capital usage increased temporarily, resulting in a negative free cash flow of Rs 310 mn despite a 38% improvement in the cash conversion cycle.
- The company maintains sufficient liquidity through internal accruals and working capital lines.
- Accumulated GST credit remains a challenge, with a Rs 200 mn increase in FY25, largely due to GST on capex related to new store expansion.

#### **Capital expenditure**

- FY25 capex stood at Rs 1.22 bn, including investments in 62 new stores and existing store renovations.
- Future investments will include incremental automation at the company's warehouse, which has scope to expand from 5 lakh sq ft to 8 lakh sq ft over the next 12–18 months.

**Store expansion strategy**

- VMart currently operates 503 stores, with 6 new stores added in April 2025.
- The company maintains guidance for ~12% annual retail area addition, net of 1–2% closures.
- Expansion is targeted across both existing and new markets, with ~30–35% of new store additions expected in cities already served.
- Southern India (Tamil Nadu, Kerala) and underpenetrated Northern markets (Uttarakhand, Gujarat, MP, Rajasthan) are key focus areas.
- Core strongholds like UP and Bihar will continue to see growth, given the significant remaining opportunity.
- The company remains conservative in its approach to property selection and rental agreements, learning from past store performance to enhance success rates.

**Focus on Gen Z and youth strategy**

- The share of consumers under 25 years has increased from ~22–23% to ~32–33%, indicating strong traction among the youth.
- Young consumers are now major decision-makers, and VMart is positioning itself as a content-rich, digitally enabled, omni-channel brand.
- Store design, merchandising, sourcing, and analytics are being aligned to better cater to this demographic.
- The company expects Gen Z to be a long-term driver of growth.

**Higher employee count**

- VMart maintains a higher store manpower ratio compared to peers, reflecting its consumer base's need for guidance, styling, and a supportive in-store experience.
- While backend productivity is being optimized, the company prioritizes service quality at the front end.

**ESOP Policy**

- The ESOP plan, revamped 4 years ago, is now performance-linked, with vesting contingent on achieving 90% of a 20% YoY growth target.
- Over 80 employees, many longstanding team members, are covered under this 4-year vesting program.
- FY25 ESOP costs included one-time expenses related to prior years.
- Going forward, annual ESOP expenses are expected to be in the Rs 80–100 mn range.

**Same-Store Sales Growth (SSSG) drivers**

- Key drivers include high repeat purchase rates (~70% of sales), increased shopping frequency among existing customers, and new customer acquisition (especially among youth).
- Modest increases in bill values are also contributing to growth through deeper wardrobe share and expansion into small, adjacent categories.

**Non-Apparel expansion**

- VMart has introduced categories like beauty, artificial jewelry, and wearables in select stores, with early positive consumer response.
- These categories are expected to contribute marginally to overall growth (2–3% over time), with apparel remaining the core business (~80% of sales).

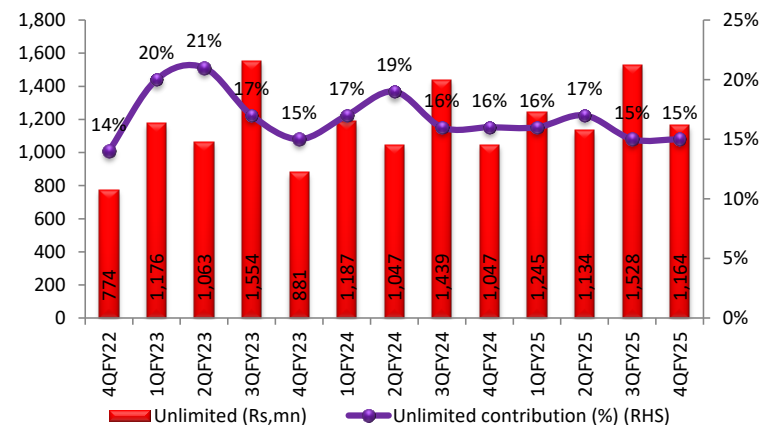
**Sales metrics**

- Average transaction size (ATS) remained flat YoY.
- Increasing ATS is a challenge, particularly with Gen Z consumers who shop more frequently but purchase fewer items per visit.
- The company is focusing on driving repeat visits via fast fashion and weekly inventory refreshes.
- Basket size averages ~4 items, with regional variations driven by income levels.
- Conversion rates, which had dipped due to higher footfalls, improved in Q4 and are expected to stabilize or marginally improve further.

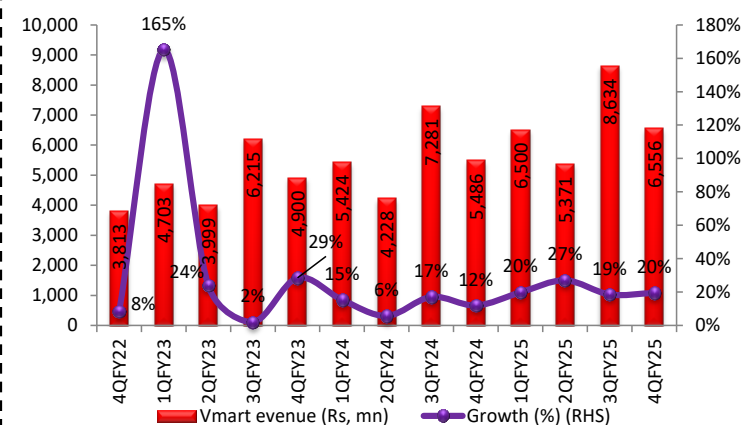
**Exhibit 1: Quarterly performance**

YE March (Rs mn)	Q4FY25	Q4FY24	Q3FY25	YoY (%)	QoQ (%)
<b>Net Revenues</b>	<b>7,801</b>	<b>6,686</b>	<b>10,267</b>	<b>16.7</b>	<b>(24.0)</b>
Purchase of traded goods	5,219	4,567	6,596	14.3	(20.9)
(% of sales)	66.9	68.3	64.2	<b>-140bps</b>	
Employee cost	974	670	953	45.4	2.2
(% of sales)	12.5	10.0	9.3	<b>247bps</b>	
Others	926	1,047	1,005	(11.6)	(7.8)
(% of sales)	11.9	15.7	9.8	<b>-379bps</b>	
<b>EBITDA</b>	<b>681</b>	<b>402</b>	<b>1,714</b>	69.4	(60.2)
<b>EBITDA margin (%)</b>	<b>8.7</b>	<b>6.0</b>	<b>16.7</b>	<b>272bps</b>	<b>-796bps</b>
Other income	23	44	34	(47.4)	(31.1)
<b>PBIDT</b>	<b>705</b>	<b>447</b>	<b>1,748</b>	57.8	(59.7)
Depreciation	544	607	626	(10.5)	(13.1)
Interest	174	359	424	(51.5)	(59.0)
<b>PBT</b>	<b>(13)</b>	<b>(520)</b>	<b>697</b>	(97.5)	(101.8)
Tax	44	(131)	(19)		
ETR (%)	-339.5	25.1	-2.7		
<b>Adjusted PAT</b>	<b>(57)</b>	<b>(389)</b>	<b>716</b>	(85.4)	(107.9)
PATAMI margin	(0.7)	(5.8)	7.0		
Extraord. income/ (exp.)	241.8	-	-		
<b>Reported PAT</b>	<b>185</b>	<b>(389)</b>	<b>716</b>		
No. of shares (mn)	19.8	19.8	19.8		
<b>Adj EPS (Rs)</b>	<b>(2.9)</b>	<b>(19.7)</b>	<b>36.2</b>		

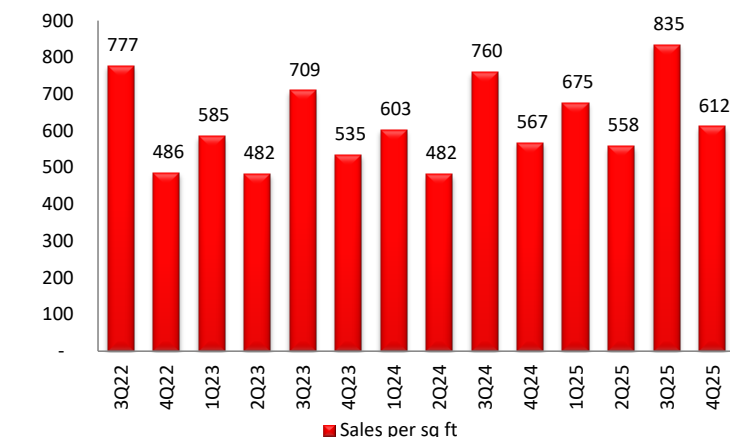
Source: Company, Systematix Institutional Research

**Exhibit 2: Unlimited contributed 15% to revenue**

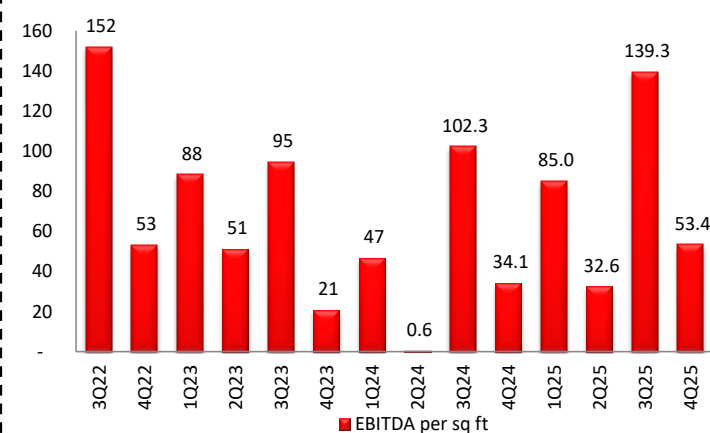
Source: Company, Systematix Institutional Research

**Exhibit 3: VMart revenue (ex-Unlimited) grew 19.5% YoY**

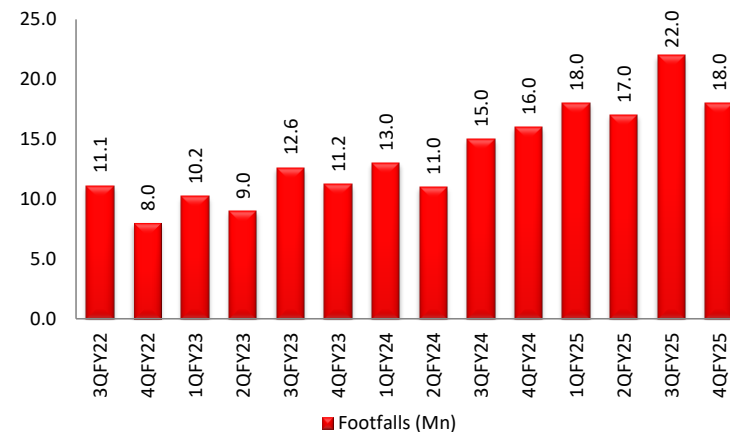
Source: Company, Systematix Institutional Research

**Exhibit 4: Calculated sales per sq ft/month grew 7.9% YoY**

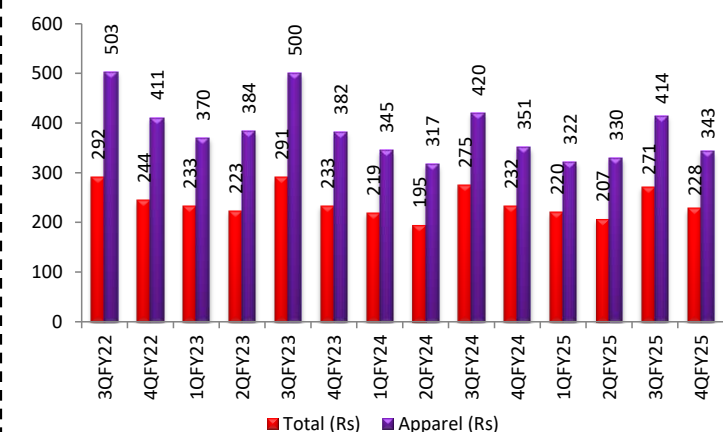
Source: Company, Systematix Institutional Research

**Exhibit 5: EBITDA per sq ft/month stood at Rs 53.4**

Source: Company, Systematix Institutional Research

**Exhibit 6: Customer footfalls increased 12.5% YoY to 18mn**

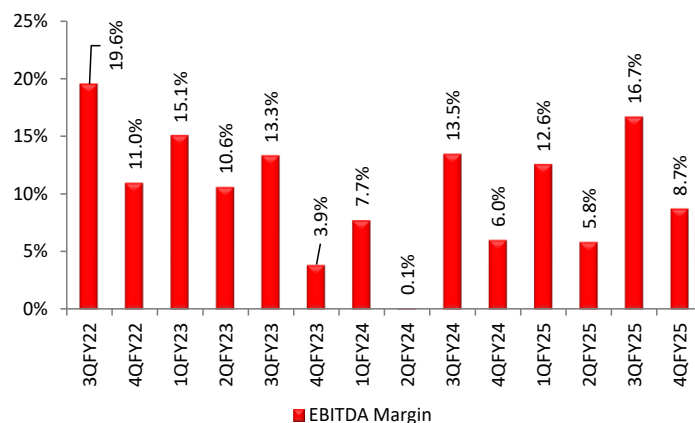
Source: Company, Systematix Institutional Research

**Exhibit 7: ASP dropped by -1.7% YoY, Apparel ASP dropped -2.3% YoY**

Source: Company, Systematix Institutional Research

**Exhibit 8: Gross margin climbed by 140bps to 33.1%**

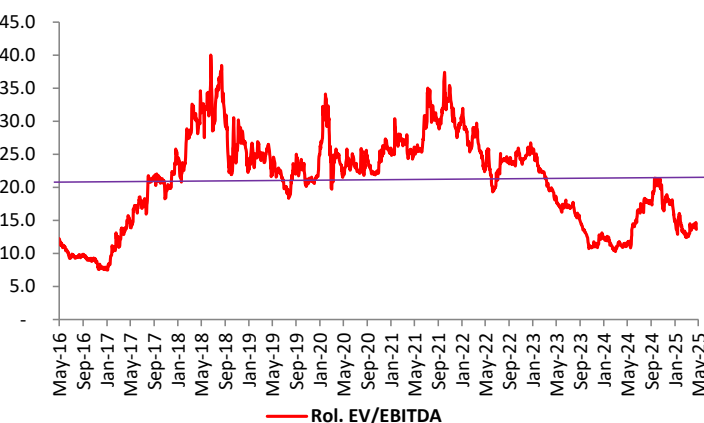
Source: Company, Systematix Institutional Research

**Exhibit 9: EBITDA margin expanded 272 bps to 8.7%**

Source: Company, Systematix Institutional Research

**Exhibit 10: 9 net store openings during 4Q25**

Source: Company, Systematix Institutional Research

**Exhibit 11: Currently trades at 13.6x one-year forward EV/EBITDA**

Source: Bloomberg, Systematix Institutional Research



# FINANCIALS

## Profit & Loss Statement

YE: Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
<b>Net Sales</b>	<b>24,648</b>	<b>27,856</b>	<b>32,539</b>	<b>37,587</b>	<b>43,662</b>
Purchase of trad. goods	15,971	18,251	21,297	24,431	28,381
RM costs/inventories					
<b>Gross Profits</b>	<b>8,677</b>	<b>9,605</b>	<b>11,241</b>	<b>13,155</b>	<b>15,282</b>
Employee costs	2,555	2,871	3,634	3,947	4,061
Other expenses	3,433	4,604	3,837	4,657	5,676
<b>Total Expenses</b>	<b>21,959</b>	<b>25,726</b>	<b>28,768</b>	<b>33,035</b>	<b>38,117</b>
<b>EBITDA</b>	<b>2,689</b>	<b>2,131</b>	<b>3,771</b>	<b>4,552</b>	<b>5,545</b>
Depreciation	1,800	2,221	2,330	2,518	2,794
Other income	150	210	121	150	175
<b>EBIT</b>	<b>1,039</b>	<b>119</b>	<b>1,562</b>	<b>2,184</b>	<b>2,925</b>
Interest cost	1,169	1,424	1,365	1,691	1,921
<b>PBT</b>	<b>(130)</b>	<b>(1,305)</b>	<b>198</b>	<b>492</b>	<b>1,004</b>
Taxes	(52)	(337)	(18)	108	253
<b>Adj. PAT</b>	<b>(78)</b>	<b>(968)</b>	<b>216</b>	<b>384</b>	<b>751</b>
Extraordinaries	-	-	242	-	-
<b>Reported PAT</b>	<b>(78)</b>	<b>(968)</b>	<b>458</b>	<b>384</b>	<b>751</b>
No. of shares (mn)	20	20	20	20	20
<b>Adj. EPS</b>	<b>(4.0)</b>	<b>(48.9)</b>	<b>10.9</b>	<b>19.4</b>	<b>37.9</b>

Source: Company, Systematix Institutional Research

## Balance Sheet

YE: Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Equity capital	198	198	198	198	198
Reserves and surplus	8,292	7,272	7,904	8,273	9,009
Total Equity	8,490	7,470	8,102	8,471	9,207
Total Debt	1,478	1,100	1,490	1,490	1,490
Other LT liabilities	11,964	12,939	6,506	13,968	15,391
<b>Total Liabilities</b>	<b>21,932</b>	<b>21,508</b>	<b>16,097</b>	<b>23,929</b>	<b>26,088</b>
Net Block	3,812	5,411	5,686	6,284	6,824
Net deferred tax	531	874	917	917	917
Other assets	11,413	11,782	5,458	11,305	10,894
CWIP	1,092	38	43	43	43
Investments	85	47	51	51	51
Cash	202	272	394	529	1,635
Inventories	8,706	8,161	9,868	10,813	12,560
Loans & Advances	4	2	3	3	3
Current Assets	10,492	10,301	12,207	13,287	16,140
Creditors	4,883	6,337	7,620	7,311	8,134
Other CL	29	7	8	8	8
Current Liabilities	5,493	6,945	8,266	7,957	8,780
Net Working Capital	4,998	3,356	3,942	5,329	7,360
<b>Total Assets</b>	<b>21,932</b>	<b>21,508</b>	<b>16,097</b>	<b>23,929</b>	<b>26,088</b>

Source: Company, Systematix Institutional Research

## Cash Flow

YE: Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
<b>PBT</b>	<b>(130)</b>	<b>(1,305)</b>	<b>440</b>	<b>492</b>	<b>1,004</b>
Add: Depreciation	1,800	2,221	2,330	2,518	2,794
Add: Interest	1,169	1,424	1,365	1,691	1,921
Less: taxes paid	(182)	(26)	(14)	(108)	(253)
Add: other adjustments	8	(171)	(122)	-	-
Less: WC changes	(857)	1,716	(504)	(1,253)	(925)
<b>Total OCF</b>	<b>1,808</b>	<b>3,859</b>	<b>3,494</b>	<b>3,341</b>	<b>4,542</b>
OCF w/o WC changes	2,664	2,143	3,998	4,594	5,467
Capital expenditure	(2,783)	(1,209)	(1,238)	(1,500)	(1,500)
Creation of leased assets	-	-	-	-	-
Change in investments	(2,795)	(1,140)	(2,667)	-	-
Interest/Dividend recd.	3,992	1,172	2,683	-	-
<b>Total ICF</b>	<b>(1,586)</b>	<b>(1,178)</b>	<b>(1,223)</b>	<b>(1,500)</b>	<b>(1,500)</b>
Free Cash Flows	(976)	2,650	2,256	1,841	3,042
Share issuances	35	7	42	-	-
Change in borrowings	1,478	(378)	390	-	-
Dividends	(15)	-	-	(15)	(15)
Interest payment	(1,122)	(1,427)	(1,358)	(1,691)	(1,921)
Others	(750)	(792)	(1,223)	-	-
<b>Total FCF</b>	<b>(374)</b>	<b>(2,590)</b>	<b>(2,149)</b>	<b>(1,706)</b>	<b>(1,936)</b>
<b>Net change in cash</b>	<b>(152)</b>	<b>92</b>	<b>122</b>	<b>135</b>	<b>1,106</b>
Opening cash & CE	351	202	272	394	529
Closing cash & CE	199	293	394	529	1,635

Source: Company, Systematix Institutional Research

## Ratios

YE: Mar	FY23	FY24	FY25	FY26E	FY27E
Yoy growth in Revenue	47.9	13.0	16.8	15.5	16.2
Yoy growth in EBITDA	31.6	(20.8)	77.0	20.7	21.8
Yoy growth in Net income	(167.4)	1,132.8	(122.3)	77.9	95.6
Effective tax rate	39.7	25.9	(9.2)	22.0	25.2
EBITDA margin	10.9	7.6	11.6	12.1	12.7
PAT margin	(0.3)	(3.5)	0.7	1.0	1.7
RoCE	5.3	0.5	8.3	10.9	11.7
RoE	(0.9)	(12.1)	2.8	4.6	8.5
Net debt to equity (x)	0.2	0.1	0.1	0.1	(0.0)
Inventory days	129	107	111	105	105
Loans & Advances days	-	-	1	1	1
Payable days	72	83	85	71	68
NWC days	57	24	25	34	37
<b>Per share numbers (Rs)</b>					
Reported earnings	(4.0)	(48.9)	10.9	19.4	37.9
Dividend	-	0.8	-	0.8	0.8
Free cash	(53.7)	146.0	124.2	101.4	167.5
Book Value	429.4	377.6	409.2	427.8	465.0
<b>Valuations (x)</b>					
Price to diluted earnings	(796.0)	(64.6)	136.7	162.9	83.3
EV / EBITDA	28.1	35.7	18.6	17.0	14.0
Price to sales	2.5	2.2	1.9	1.7	1.4

Source: Company, Systematix Institutional Research



## DISCLOSURES/APPENDIX

## I. ANALYST CERTIFICATION

I, **Chetan Mahadik, Vijay Jangir**; hereby certify that (1) views expressed in this research report accurately reflect my/our personal views about any or all of the subject securities or issuers referred to in this research report, (2) no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report by **Systematix Shares and Stocks (India) Limited (SSSIL)** or its group/associate companies, (3) reasonable care is taken to achieve and maintain independence and objectivity in making any recommendations.

Disclosure of Interest Statement	Update
Analyst holding in the stock	No
Served as an officer, director or employee	No

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