

# V-MART Retail

## Healthy recovery underway

V-Mart KPIs mean reverting from the bottom continues to play out, led by – (1) paring down of Limeroad losses, (2) profitability improvement led by the closure of non-performing stores, and (3) recovery in footfalls/sales density. Revenue grew 20.3% YoY to INR6.61bn (-in-line). Core V-MART operations rose 27% YoY to INR5.37bn (in-line). Q2 SSSG stood at 15% (vs. -6% in Q2FY24). ASP, overall, was up by 6% (mainly due to a change in product mix). GM/EBITDAM came in at 33.6/5.8% (HSIE: 33.7/4.8%). Inventory days reduced to 111 (vs. 132 in Q2FY24). We've increased FY26/27 EBITDA estimates (3-4%) to account for a better recovery. Our DCF-based TP stands revised at INR3,400/sh (earlier INR3100/sh), implying 26x Sep-26 EV/EBITDA. However, the recovery story seems to have played out at 33x Sep-26 EV/EBITDA. Hence, we downgrade the stock to SELL.

■ **Q2FY25 highlights:** V-MART posted 20.3% YoY growth to INR6.61bn. Core V-MART operations grew 27% YoY to INR5.4bn (in-line). Footfall/store increased by 18.3% and currently stands at INR16.4k/store. Annualized sales density for core VMART stood at INR6.8k/sq ft (up 19.4% YoY). Transaction size has remained stable YoY at INR 1,001. SSSG for Q2 stood at 15% (vs. -6% in Q2FY24). SSSG for core VMART and Unlimited stood at 14/9%, respectively. GM contracted by 101bps YoY to 33.6% in Q1 (HSIE: 33.7%). EBITDAM increased to 5.8% (0.1% YoY; HSIE: 4.8%), led by (1) favourable operating leverage, (2) reduction in advertising expense and (3) lower Limeroad losses (down 63% YoY and 27% QoQ to INR73mn). Inventory days have improved to 111 days (vs. 132 in Q2FY24). The company aims to add 55 stores (gross) in FY25. It added 14 VMART/5 Unlimited stores (net) in Q2. The majority of unprofitable store closures are now complete. Adj. EBITDA/APAT stood at -INR185/565mn (HSIE: -INR245/445mn).

■ **Outlook:** Stabilising core operations + ebbing Limeroad losses could ensure a healthy FY25. However, the KPI mean reversion story now seems to have played out at current valuations (33x Sep-26 EV/EBITDA). We've increased FY26/27 EBITDA estimates (3-4%) to account for a better recovery. Our DCF-based TP stands revised at INR3,400/sh (earlier INR3100/sh), implying 26x Sep-26 EV/EBITDA. Downgrade to SELL.

### Quarterly financial summary

(Rs mn)	Q2 FY25	Q2 FY24	YoY (%)	Q1 FY25	QoQ (%)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Revenue	6,610	5,494	20.3	7,861	(15.9)	16,662	24,648	27,856	32,847	37,669	43,541
EBITDA	(185)	(498)	(62.9)	438	(142.2)	792	909	95	1,448	2,255	2,909
APAT	(565)	(622)	(9.2)	121	(565.5)	116	(78)	(968)	135	600	1,035
EPS (Rs)	(28.6)	(31.5)	(9.2)	6.1	(565.3)	5.9	(4.0)	(48.9)	6.8	30.4	52.3
P/E (x)						716.1	(1,062.0)	(86.5)	620.4	139.3	80.8
EV/EBITDA (x)						103.2	93.0	891.8	58.4	37.4	28.9
Core RoCE(%)						5.1	2.1	(5.3)	4.3	10.3	14.2

Source: Company, HSIE Research, Standalone Financials

### Change in estimates

(Rs mn)	FY25E			FY26E			FY27E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	32,847	32,301	1.7	37,669	37,044	1.7	43,541	42,820	1.7
Gross Profit	11,080	10,895	1.7	12,800	12,588	1.7	14,883	14,636	1.7
Gross Profit Margin (%)	33.7	33.7	0 bps	34.0	34.0	0 bps	34.2	34.2	0 bps
EBITDA	1,448	1,383	4.7	2,255	2,177	3.6	2,909	2,816	3.3
EBITDA margin (%)	4.4	4.3	13 bps	6.0	5.9	11 bps	6.7	6.6	11 bps

Source: Company, HSIE Research, Pre IND AS 116 financials

## SELL

CMP (as on 5 Nov 2024) INR 4,177

Target Price INR 3,400

NIFTY 24,213

KEY CHANGES	OLD	NEW
Rating	ADD	SELL
Price Target	INR 3,100	INR 3,400
	FY25E	FY26E
EBITDA %	4.7	3.6

### KEY STOCK DATA

Bloomberg code	VMART IN
No. of Shares (mn)	20
MCap (INR bn) / (\$ mn)	83/983
6m avg traded value (INR mn)	147
52 Week high / low	INR 4,520/1,606

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	27.5	90.9	144.4
Relative (%)	26.6	83.3	120.9

### SHAREHOLDING PATTERN (%)

	Jun-24	Sep-24
Promoters	44.3	44.3
FIs & Local MFs	32.6	32.8
FPIs	15.5	16.0
Public & Others	7.6	6.9
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

Jay Gandhi

jay.gandhi@hdfcsec.com

+91-22-6171-7320