

Estimate change	↑
TP change	↑
Rating change	←

Bloomberg	VMART IN
Equity Shares (m)	79
M.Cap.(INRb)/(USDb)	63.8 / 0.7
52-Week Range (INR)	1130 / 675
1, 6, 12 Rel. Per (%)	-7/0/-7
12M Avg Val (INR M)	156

#### Financials & Valuations (INR b)

Y/E March	FY25	FY26E	FY27E
Sales	37.9	44.1	51.1
EBITDA	4.9	6.1	7.4
NP	1.1	1.8	2.6
EBITDA Margin (%)	13.0	13.8	14.5
Adj. EPS (INR)	13.4	22.5	32.6
EPS Gr. (%)	NM	NM	NM
BV/Sh. (INR)	115.5	137.9	170.6
<b>Ratios</b>			
Net D:E	0.8	0.5	0.3
RoE (%)	12.3	17.7	21.2
RoCE (%)	10.2	13.5	16.0
Payout (%)	0.0	0.0	0.0
<b>Valuations</b>			
P/E (x)	60.0	35.7	24.6
EV/EBITDA (x)	14.4	11.4	9.1
EV/Sales (x)	1.7	1.4	1.2
Div. Yield (%)	0.0	0.0	0.0

#### Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	44.2	44.3	44.3
DII	31.5	32.9	32.6
FII	18.3	17.5	15.5
Others	6.0	5.3	7.6

FII Includes depository receipts

**CMP: INR804**

**TP: INR1,035 (+29%)**

**Upgrade to Buy**

#### Strong beat on profitability

- V-Mart Retail's (VMART) revenue grew 13% YoY in 1QFY26, led by 14% store additions as SSSG was muted at 1% due to the shift of Eid to 4QFY25.
- EBITDA rose ~28% YoY (15% beat), driven by lower inventory provisioning and reduced A&P spends. EBITDA margins jumped to 14.3% (up 165bp).
- Management continues to target 12-15% net store additions and mid-to-high single-digit SSSG, with consistent improvement in profitability driven by disciplined cost controls across segments.
- We raise our FY26/27E EBITDA by ~2% each, driven by stronger margin performance in the core VMART format. We model a CAGR of 16%/25% in revenue/EBITDA over FY25-28E, driven by ~12% CAGR in store additions, mid-single-digit SSSG, and further reduction in LR losses.
- The recent correction (VMART -9% in the last 1M, -20% YTD), along with improved profitability, makes its valuations attractive (~19x Sep'27 pre-IND AS 116 EBITDA). **We upgrade VMART to BUY** with unchanged ~13x Sep'27E EV/EBITDA (implies 25x pre-IND AS 116 EBITDA) to arrive at our **revised TP of INR1,035**.

#### EBITDA +28% YoY; big beat on margins due to lower LR losses

- Revenue grew 13% YoY to INR8.9b, driven by 1% blended SSSG and ~14% YoY store additions.
- VMART opened 15 new stores (10 in VMART and five in Unlimited) and closed two stores (one each in VMART and Unlimited), taking the total store count to 510 stores (VMART 421 and Unlimited 89).
- Blended SSSG moderation was driven by the shift of Eid to 4QFY25. Normalized for the same, SSSG would have been ~5%.
- Gross profit grew 13% YoY at INR3.1b (2% above), as gross margin expanded 10bp YoY to 35.3% (55bp beat).
- Other expenses declined 3% YoY to INR912m (10% below our estimate), driven by ~100bp YoY decline in A&P spends and reduction in LR losses.
- Reported EBITDA stood at INR1.3m (+28% YoY, 15% beat) with margins improving 165bp YoY to 14.3% (185bp beat). **Pre-IND AS EBITDA grew 40% YoY to INR0.6b, with margin expanding 130bp YoY to 6.9%.**
- Depreciation increased 20% due to a change in lease accounting, while interest cost declined ~51% YoY.
- VMART reported PAT of INR336m (vs. our estimate of INR257m), led by higher EBITDA and lower finance costs.

#### Segmental performance

- **VMART (core):** Revenue grew 14% YoY to INR7.4b, driven by nine net store additions (up 14% YoY) and ~1% SSSG. Reported monthly SPSF was stable YoY at INR748. EBITDA **grew 22% YoY** to INR1.06b, as margin expanded ~100bp YoY to 14.4%, driven by gross margin expansion of 90bp.

- **Unlimited:** Revenue grew **11% YoY** to INR1.4b, driven by four net store additions (up 14% YoY) and ~1% SSSG. Reported monthly SPSF grew ~5% YoY to INR603. EBITDA **rose 9% YoY to INR245m**, despite margins contracting ~30bp YoY to 17.7% due to gross margin contraction of ~70bp.
- **LimeRoad (LR):** Commission income declined ~47% YoY to INR62m, while operating loss reduced ~55% YoY to INR46m (vs. INR68m QoQ, INR103m YoY), driven by a further reduction in advertisement spends.

#### Higher footfalls and volume drive growth as ASP moderates in Unlimited

- Overall footfalls grew ~11% YoY to 20m, with conversions improving ~100bp YoY to 48%.
- Report monthly SPSF stood at INR716 vs INR711 in 1QFY25.
- Blended ASP declined ~1% YoY to INR218, driven by pricing rejig in Unlimited (~6% YoY to INR396). Overall sales volume grew ~14% YoY.
- Blended ATV declined ~3% YoY to INR1,004, driven by 3%/5% YoY decline for VMART/Unlimited. Overall transactions grew ~16% YoY.

#### Highlights from the management commentary

- **Demand trends:** Demand was slightly impacted by the shift of Eid to 4QFY25, border tensions in the Northern region, and early monsoon. Overall, demand sentiment is mildly positive, but few headwinds persist in East India, where cross-border demand from Bangladesh has weakened. In contrast, North India (states such as Rajasthan and Uttarakhand) saw robust growth.
- **Demand outlook:** Demand was slightly soft in July but is likely to pick up with the onset of the festive season from August. Additionally, with inflation in check and better monsoons, rural consumption should pick up. Competition from national as well as regional value retailers is rising, driven by higher store openings. However, this is also leading to higher footfalls for organized value retailers. VMART continues to focus on driving profitable growth.
- **Guidance:** Management reiterated its target of 12-15% net store area additions (~65 stores) and mid-to-high single-digit SSSG in FY26. Emphasis remains on increasing fashion content, maintaining tight inventory control, and adopting selective marketing to improve overall profitability.
- **Margins:** Margins in 1QFY26 were impacted by lower SSSG, which is likely to see a pick-up in 2Q-3Q. Overall, VMART is targeting a higher absolute margin, driven by volume-led growth for FY26.

#### Valuation and view

- The improved productivity of VMART/Unlimited stores, the closure of non-performing stores, and lower losses in the online segment have led to an improvement in VMART's overall profitability.
- VMART remains a key beneficiary of the unorganized-to-organized retail shift and the massive growth opportunity in value fashion.
- However, with aggressive store expansion by many value retailers, rising competition in value retail remains a key watch.
- We raise our FY26/27E EBITDA by ~2% each, driven by stronger margin performance in the core VMART format. We model a CAGR of 16%/25% in revenue/EBITDA over FY25-28E, driven by ~12% CAGR in store additions, mid-single-digit SSSG, and further reduction in LR losses.
- Recent correction (VMART -9% in the last 1M, -20% YTD), along with improved profitability, makes its valuations attractive (~19x Sep'27 pre-INDAS 116 EBITDA). **We upgrade VMART to BUY** with unchanged ~13x Sep'27E EV/EBITDA (implies 25x pre-IND AS 116 EBITDA) to arrive at our **revised TP of INR1,035**.

**Consol. Quarterly Earning Model**

Y/E March	(INR m)											
	FY25				FY26				FY25		FY26	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1QE	Var (%)	Est.	
<b>Revenue</b>	<b>7,861</b>	<b>6,610</b>	<b>10,267</b>	<b>7,801</b>	<b>8,852</b>	<b>7,805</b>	<b>12,132</b>	<b>9,235</b>	<b>32,539</b>	<b>37,949</b>	<b>8,850</b>	<b>0</b>
YoY Change (%)	15.9	20.3	15.5	16.7	12.6	18.1	18.2	18.4	16.8	16.6	-46.9	
<b>Total Expenditure</b>	<b>6,871</b>	<b>6,224</b>	<b>8,554</b>	<b>7,119</b>	<b>7,591</b>	<b>7,184</b>	<b>9,968</b>	<b>8,289</b>	<b>28,768</b>	<b>33,024</b>	<b>7,751</b>	<b>-2</b>
<b>EBITDA</b>	<b>990</b>	<b>386</b>	<b>1,714</b>	<b>681</b>	<b>1,262</b>	<b>622</b>	<b>2,164</b>	<b>946</b>	<b>3,771</b>	<b>4,925</b>	<b>1,099</b>	<b>15</b>
EBITDA Margin (%)	12.6	5.8	16.7	8.7	14.3	8.0	17.8	10.2	11.6	13.0	12.4	
Depreciation	568	592	626	544	679	700	700	-79	2,330	2,837	489	39
Interest	375	391	424	174	182	333	361	498	1,365	818	319	-43
Other Income	46	18	34	23	29	23	45	63	121	150	51	-43
<b>PBT</b>	<b>93</b>	<b>-580</b>	<b>697</b>	<b>-13</b>	<b>429</b>	<b>-387</b>	<b>1,149</b>	<b>590</b>	<b>198</b>	<b>1,419</b>	<b>343</b>	<b>25</b>
Tax	93	-580	697	229	429	-387	1,149	590	198	1,419	343	25
Rate (%)	-28	-15	-19	44	93	-97	287	161	-18	357	86	
<b>Reported PAT</b>	<b>-30.3</b>	<b>2.6</b>	<b>-2.7</b>	<b>19.1</b>	<b>21.8</b>	<b>25.0</b>	<b>25.0</b>	<b>27.4</b>	<b>-9.2</b>	<b>129.3</b>	<b>25.0</b>	
<b>Adj PAT</b>	<b>121</b>	<b>-565</b>	<b>716</b>	<b>185</b>	<b>336</b>	<b>-290</b>	<b>862</b>	<b>429</b>	<b>458</b>	<b>1,062</b>	<b>257</b>	<b>31</b>
YoY Change (%)	121	-565	716	-57	336	-290	862	429	216	1,062	257	31

E: MOFSL Estimates

**Exhibit 1: Valuation based on Sep'27E EBITDA**

Methodology	Driver (INR m)	Multiple	Fair Value (INR m)	Value/sh (INR)
EBITDA	Sep'27 EV/EBITDA	6,745	13	88,432
Less net debt			6,299	79
<b>Total Value</b>			<b>82,133</b>	<b>1,035</b>
Shares o/s (m)			79.4	
CMP (INR)				803
<b>Upside (%)</b>				<b>28.9</b>

Source: MOFSL, Company

**Exhibit 2: Quarterly performance**

P&L (INR m)	1QFY25	4QFY25	1QFY26	YoY%	QoQ%	1QFY26E	v/s est (%)
<b>Revenue</b>	<b>7,861</b>	<b>7,801</b>	<b>8,852</b>	<b>12.6</b>	<b>13.5</b>	<b>8,850</b>	<b>0.0</b>
Raw Material cost	5,094	5,219	5,729	12.5	9.8	5,776	-0.8
<b>Gross Profit</b>	<b>2,767</b>	<b>2,582</b>	<b>3,124</b>	<b>12.9</b>	<b>21.0</b>	<b>3,074</b>	<b>1.6</b>
<b>Gross Margin (%)</b>	<b>35.2</b>	<b>33.1</b>	<b>35.3</b>	<b>9bps</b>	<b>219bps</b>	<b>34.7</b>	<b>55bps</b>
Employee Costs	841	974	950	13.0	-2.5	963	-1.3
Other Expenses	937	926	912	-2.6	-1.5	1,012	-9.9
<b>EBITDA</b>	<b>990</b>	<b>681</b>	<b>1,262</b>	<b>27.5</b>	<b>85.2</b>	<b>1,099</b>	<b>14.8</b>
<b>EBITDA margin (%)</b>	<b>12.6</b>	<b>8.7</b>	<b>14.3</b>	<b>166bps</b>	<b>552bps</b>	<b>12.4</b>	<b>183bps</b>
Depreciation and amortization	568	544	679	19.6	24.9	489	38.8
EBIT	422	138	583	38.1	NM	610	4.5
<b>EBIT margin (%)</b>	<b>5.4</b>	<b>1.8</b>	<b>6.6</b>	<b>122bps</b>	<b>481bps</b>	<b>6.9</b>	<b>-32bps</b>
Finance Costs	375	174	182	-51.3	4.8	319	-42.8
Other income	46	23	29	-36.9	25.8	51	-42.6
Exceptional item	0	-242	0	0.0	0.0	0	NM
<b>Profit before Tax</b>	<b>93</b>	<b>229</b>	<b>429</b>	<b>360.7</b>	<b>87.6</b>	<b>343</b>	<b>25.3</b>
Tax	-28	44	93	-431.2	113.2	86	
<b>Tax rate (%)</b>	<b>-30.3</b>	<b>19.1</b>	<b>21.8</b>	<b>5201bps</b>	<b>262bps</b>	<b>25.0</b>	
<b>Profit after Tax</b>	<b>121</b>	<b>185</b>	<b>336</b>	<b>176.8</b>	<b>81.5</b>	<b>257</b>	<b>30.8</b>

Source: MOFSL, Company

**Exhibit 3: Segment-wise breakup**

	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	YoY%	QoQ%	FY24	FY25	FY26
<b>Core V-Mart (INR m)</b>										
<b>Revenue</b>	<b>6,500</b>	<b>5,371</b>	<b>8,634</b>	<b>6,556</b>	<b>7,407</b>	<b>14.0</b>	<b>13.0</b>	<b>22,419</b>	<b>27,063</b>	<b>31,963</b>
% YoY	19.8	27.0	18.6	19.5	14.0			11.5	20.7	18.1
<b>Gross Profit</b>	<b>2,152</b>	<b>1,734</b>	<b>3,028</b>	<b>2,087</b>	<b>2,516</b>	<b>16.9</b>	<b>20.5</b>	<b>7,160</b>	<b>9,005</b>	<b>10,755</b>
<b>Gross Margin (%)</b>	<b>33.1</b>	<b>32.3</b>	<b>35.1</b>	<b>31.8</b>	<b>34.0</b>	<b>86 bps</b>	<b>213 bps</b>	<b>31.9</b>	<b>33.3</b>	<b>33.7</b>
Cost of Retailing	1,283	1,381	1,484	1,464	1,453	13.2	-0.8	4,729	5,613	6,484
CoR excl. rentals	19.7	25.7	17.2	22.3	19.6	-12 bps	-272 bps	21.1	20.7	20.3
<b>EBITDA</b>	<b>869</b>	<b>353</b>	<b>1,544</b>	<b>623</b>	<b>1,063</b>	<b>22.3</b>	<b>70.6</b>	<b>2,431</b>	<b>3,392</b>	<b>4,272</b>
<b>EBITDA margin (%)</b>	<b>13.4</b>	<b>6.6</b>	<b>17.9</b>	<b>9.5</b>	<b>14.4</b>	<b>98 bps</b>	<b>485 bps</b>	<b>10.8</b>	<b>12.5</b>	<b>13.4</b>
Stores	370	384	403	412	421			365	412	465
Area	3.1	3.2	3.4	3.5	3.60			3.1	3.5	3.92
<b>Unlimited (INR m)</b>										
<b>Revenue</b>	<b>1,245</b>	<b>1,134</b>	<b>1,528</b>	<b>1,164</b>	<b>1,383</b>	<b>11.1</b>	<b>18.8</b>	<b>4,722</b>	<b>5,071</b>	<b>5,707</b>
% YoY	4.9	8.3	6.2	11.2	11.1			7.8	7.4	12.5
<b>Gross Profit</b>	<b>499</b>	<b>381</b>	<b>541</b>	<b>411</b>	<b>545</b>	<b>9.3</b>	<b>32.7</b>	<b>1,692</b>	<b>1,829</b>	<b>2,054</b>
<b>Gross Margin (%)</b>	<b>40.1</b>	<b>33.6</b>	<b>35.4</b>	<b>35.3</b>	<b>39.4</b>	<b>-66 bps</b>	<b>413 bps</b>	<b>35.8</b>	<b>36.1</b>	<b>36.0</b>
Cost of Retailing	275	275	306	285	300	9.2	5.4	1,276	1,140	1,251
CoR excl. rentals	22.1	24.2	20.0	24.5	21.7	-38 bps	-276 bps	27.0	22.5	21.9
<b>EBITDA</b>	<b>224</b>	<b>106</b>	<b>235</b>	<b>126</b>	<b>245</b>	<b>9.4</b>	<b>94.4</b>	<b>416</b>	<b>689</b>	<b>804</b>
<b>EBITDA margin (%)</b>	<b>18.0</b>	<b>9.3</b>	<b>15.4</b>	<b>10.8</b>	<b>17.7</b>	<b>-28 bps</b>	<b>689 bps</b>	<b>8.8</b>	<b>13.6</b>	<b>14.1</b>
Stores	78	83	85	85	89	14.1	4.7	79	85	97
Area	0.8	0.8	0.8	0.8	0.80	0	0	0.76	0.8	0.87
<b>LimeRoad (INR m)</b>										
<b>NMV</b>	<b>291</b>	<b>281</b>	<b>294.4</b>	<b>234.4</b>	<b>188</b>	<b>-35.4</b>	<b>-19.8</b>	<b>1,750</b>	<b>1,101</b>	<b>798</b>
% YoY	-34.6	-47.5	-27.8	-35.2	-35.4			-37.1	-27.5	-20.0
<b>Commission Income</b>	<b>116</b>	<b>104</b>	<b>105</b>	<b>105</b>	<b>62</b>	<b>-46.6</b>	<b>-41.0</b>	<b>773</b>	<b>506</b>	<b>279</b>
<b>Take rate (%)</b>	<b>39.9</b>	<b>37.0</b>	<b>35.7</b>	<b>44.8</b>	<b>33.0</b>	<b>-688 bps</b>	<b>-1182 bps</b>	<b>44.2</b>	<b>46.0</b>	<b>35.0</b>
% YoY	-33.3	-52.5	-39.0	-37.9	-46.6	39.7	22.9	357.4	-34.5	-44.8
Cost of Retailing	219	177	170.4	173.4	108	-50.7	-37.7	1,427	739.8	430
CoR excl. rentals	188.8	170.2	162.3	165.1	174.2	-1460 bps	905 bps	184.6	146.2	154
<b>EBITDA</b>	<b>-103</b>	<b>-73</b>	<b>-65.4</b>	<b>-68.4</b>	<b>-46</b>	<b>-55.3</b>	<b>-32.7</b>	<b>-654</b>	<b>-234</b>	<b>-151</b>
% YoY	-59.8	-63.1	-53.9	-68.0	-55.3			62.4	57.0	51

Source: MOFSL, Company

**Exhibit 4: Key operational metrics**

Operational Metrics	1QFY25	4QFY25	1QFY26	YoY%	QoQ%
<b>Stores</b>					
Core Vmart stores	370	412	421	13.8	2.2
Unlimited stores	78	85	89	14.1	4.7
<b>Total stores</b>	<b>448</b>	<b>497</b>	<b>510</b>	<b>13.8</b>	<b>2.6</b>
<b>Store productivity (INR per month)</b>					
Vmart core revenue per sqft	699	624	686	-1.9	9.8
Unlimited revenue per sqft	519	485	576	11.1	18.8
<b>ASP (INR)</b>	<b>1QFY25</b>	<b>4QFY25</b>	<b>1QFY26</b>	<b>YoY%</b>	<b>QoQ%</b>
Vmart standalone	202	213	201	-0.5	-5.6
Unlimited	421	401	396	-5.9	-1.2
<b>Blended ASP</b>	<b>220</b>	<b>228</b>	<b>218</b>	<b>-0.9</b>	<b>-4.4</b>
<b>Total Volume (in m)</b>					
Vmart core	32.2	30.8	36.9	14.5	19.7
Unlimited	3.0	2.9	3.5	18.1	20.3
<b>Total</b>	<b>35.7</b>	<b>34.2</b>	<b>40.6</b>	<b>13.6</b>	<b>18.7</b>
<b>ATV (INR)</b>	<b>1QFY25</b>	<b>4QFY25</b>	<b>1QFY26</b>	<b>YoY%</b>	<b>QoQ%</b>
Vmart core	961	965	932	-3.0	-3.4
Unlimited	1,816	1,594	1,716	-5.5	7.6
<b>Blended ATV</b>	<b>1,036</b>	<b>1,006</b>	<b>1,004</b>	<b>-3.1</b>	<b>-0.2</b>
<b>Total bills (in m)</b>					
Vmart core	7	7	8	17.5	16.9
Unlimited	1	1	1	17.6	10.4
<b>Total</b>	<b>8</b>	<b>8</b>	<b>9</b>	<b>16.2</b>	<b>13.7</b>

Source: MOFSL, Company

**Exhibit 5: Summary of our estimate changes**

Particulars	FY26E	FY27E	FY28E
<b>Revenue (INR m)</b>			
Old	38,071	44,069	
Actual/New	37,949	44,142	51,092
<i>Change (%)</i>	-0.3	0.2	<i>New</i>
<b>EBITDA (INR m)</b>			
Old	4,836	5,948	
Actual/New	4,925	6,083	7,408
<i>Change (%)</i>	1.8	2.3	<i>New</i>
<b>EBITDA margin (%)</b>			
Old	12.7	13.5	
Actual/New	13.0	13.8	14.5
<i>Change (bp)</i>	27	28	<i>New</i>
<b>Net Profit (INR m)</b>			
Old	1,240	1,736	
Actual/New	1,062	1,783	2,591
<i>Change (%)</i>	14.3	-2.7	<i>New</i>

Source: MOFSL, Company

**Exhibit 6: Key assumptions for VMART retail**

	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>
Core Vmart	214	266	279	307	341	365	412	465	520	580
Unlimited	-	-	-	73	82	79	85	97	112	127
<b>Store count</b>	<b>214</b>	<b>266</b>	<b>279</b>	<b>380</b>	<b>423</b>	<b>444</b>	<b>497</b>	<b>562</b>	<b>632</b>	<b>707</b>
Retail area (msf)										
Core Vmart	1.8	2.2	2.3	2.5	2.9	3.1	3.5	3.9	4.4	4.8
Unlimited	-	-	-	0.8	0.8	0.8	0.8	0.9	1.0	1.1
<b>Total area</b>	<b>1.8</b>	<b>2.2</b>	<b>2.3</b>	<b>3.3</b>	<b>3.7</b>	<b>3.9</b>	<b>4.3</b>	<b>4.8</b>	<b>5.3</b>	<b>5.9</b>
<b>Core V-Mart (INR m)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>	<b>FY28</b>
<b>Revenue</b>	<b>14,337</b>	<b>16,620</b>	<b>10,755</b>	<b>14,539</b>	<b>20,100</b>	<b>22,419</b>	<b>27,063</b>	<b>31,963</b>	<b>37,377</b>	<b>43,395</b>
SPSF (INR/month)	665	691	398	506	623	625	683	718	752	785
<b>EBITDA</b>	<b>1,329</b>	<b>2,138</b>	<b>1,312</b>		<b>2,621</b>	<b>2,404</b>	<b>3,392</b>	<b>4,272</b>	<b>5,194</b>	<b>6,267</b>
<b>margin</b>	<b>9.3</b>	<b>12.9</b>	<b>12.2</b>		<b>13.0</b>	<b>10.7</b>	<b>12.5</b>	<b>13.4</b>	<b>13.9</b>	<b>14.4</b>
<b>Unlimited (INR m)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>	<b>FY28</b>
<b>Revenue</b>				<b>2,123</b>	<b>4,379</b>	<b>4,720</b>	<b>5,071</b>	<b>5,707</b>	<b>6,541</b>	<b>7,507</b>
SPSF (per month)				466	456	480	528	569	594	621
<b>EBITDA</b>				<b>501</b>	<b>416</b>	<b>689</b>	<b>804</b>	<b>989</b>	<b>1,221</b>	
<b>margin</b>				<b>11.4</b>	<b>8.8</b>	<b>13.6</b>	<b>14.1</b>	<b>15.1</b>	<b>16.3</b>	

Source: MOFSL, Company



## Detailed takeaways from the management interaction

- **Demand trends:** Demand was slightly impacted by the shift of Eid to 4QFY25, border tensions in the Northern region, and early monsoon. Overall, demand sentiment is mildly positive, but few regional headwinds persist—particularly in East India, where cross-border demand from Bangladesh has weakened. In contrast, North India (states such as Rajasthan and Uttarakhand) saw robust growth.
- **Demand outlook:** Demand was slightly soft in July but is expected to pick up with the onset of the festive season from August. Additionally, with inflation in check and better monsoons, rural consumption is likely to pick up. Competition from national as well as regional value retailers is rising, driven by higher store openings. However, this is also leading to higher footfalls for the organized value retailers. VMART continues to focus on driving profitable growth.
- **Guidance:** Management reiterated its target of 12-15% net store area additions (~65 stores) and mid-to-high single-digit SSSG in FY26. Emphasis remains on increasing fashion content, maintaining tight inventory control, and adopting selective marketing to improve overall profitability.
- **Margins:** Margins in 1QFY26 were impacted by lower SSSG, which should pick up in 2Q-3Q. Overall, VMART is targeting a higher absolute margin, driven by volume-led growth for FY26.
- **Unlimited:** VMART is methodically integrating the Unlimited format by aligning its product assortment, pricing, and store aesthetics with the core VMAT model. Currently, about 50% of products overlap during spring/summer and festive seasons, while winter assortments remain differentiated. New Unlimited stores, focused on tier 3/4 towns, are gaining traction with value-focused consumers, though ~30% of new stores are still operating at lower margins. Despite Unlimited's higher gross margins (~37% vs. Core VMART's~34%)—driven by a ~5% price premium to cover higher operating costs, the company plans to bring ASPs in Unlimited closer to VMART's levels over time. This reflects a deliberate shift toward mass affordability.
- **Rental costs:** Rentals have increased from INR 36/sq.ft per month five years ago to ~INR 45/sq.ft now, due to rent escalations and the integration of higher-rental Unlimited stores. The new store leases and renewals are at ~5% premium over existing rates. The company remains selective about expansion, ensuring returns meet internal IRR thresholds. While higher rents are accepted in high-potential locations, VMART is clear that it won't scale aggressively if rentals are steep.
- **Other expenses** declined ~3% YoY, driven by targeted cost-control initiatives. Offline marketing spend was curtailed as part of a multi-quarter effort to reduce ad expenses from the 2-2.5% range. Online logistics and marketing costs also fell, aided by LimeRoad's improved omni-sourcing through VMART stores. Structural efficiencies in sourcing, pricing, display, and supply chain, supported by tech, further aided productivity. The company is prioritizing profitable growth over revenue maximization, especially in its digital operations.
- **Impact of change in lease accounting:** In 4QFY25, VMART had reassessed the useful life of leases in line with the actual store lease period. The change in accounting required aligning the useful life of fixed assets, leading to a sharp increase in fixed asset depreciation (from INR190m to ~INR280m/quarter) and a significant drop in the notional finance cost on lease liabilities (from INR320m to ~INR110m/quarter).

- **Impact from quick commerce:** Management indicated that there has been some impact on the food/non-food category in 20% of locations. However, given the category's small share and VMART's limited presence in Tier 1 towns, the overall impact on the company remains minimal.
- **Inventory days** improved 5% YoY to 93, supported by better sell-throughs, technology-led supply chain upgrades, and a decline in aged inventory provisioning (from 1.7% to 0.7%). Per-store inventory rose marginally but remains healthy.

## Story in charts

Exhibit 7: Revenue grew ~13% YoY

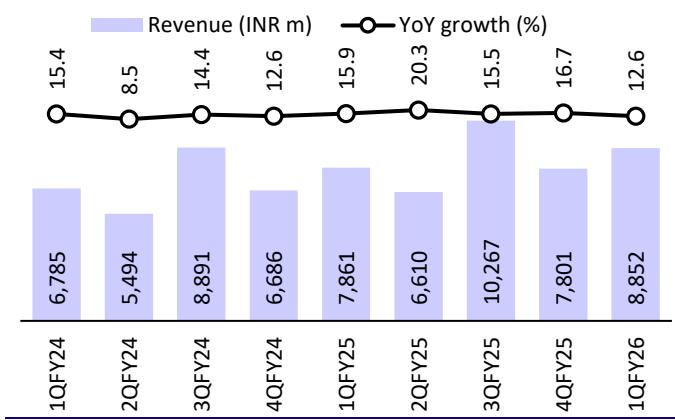


Exhibit 8: GM expanded ~10bp YoY to 35.3%

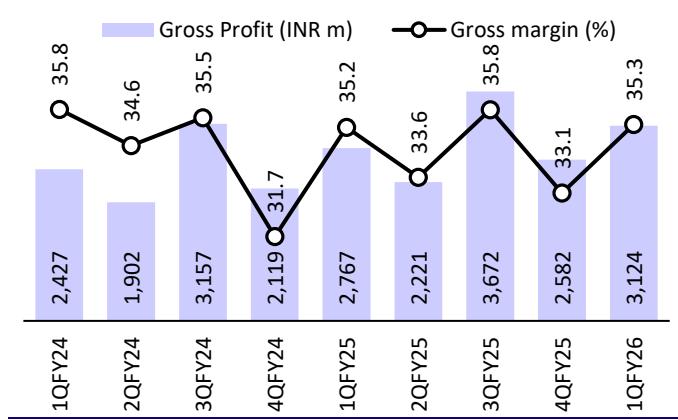


Exhibit 9: EBITDA margin expanded 165bp on lower A&P spends

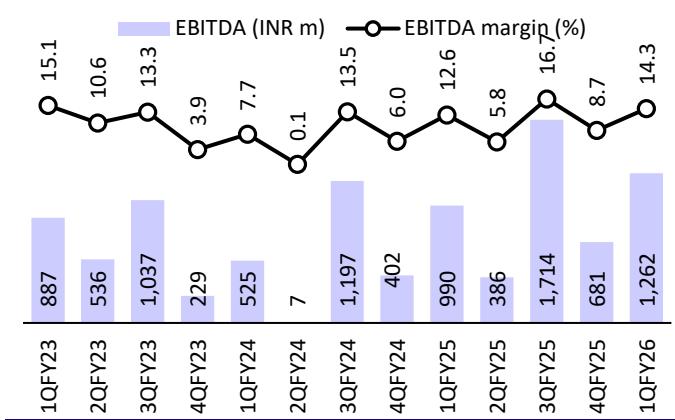
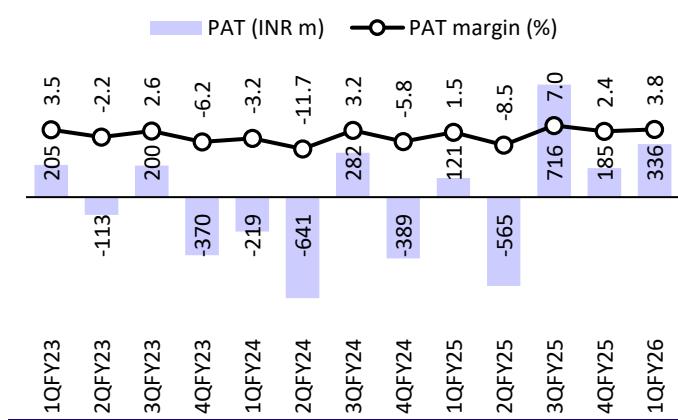
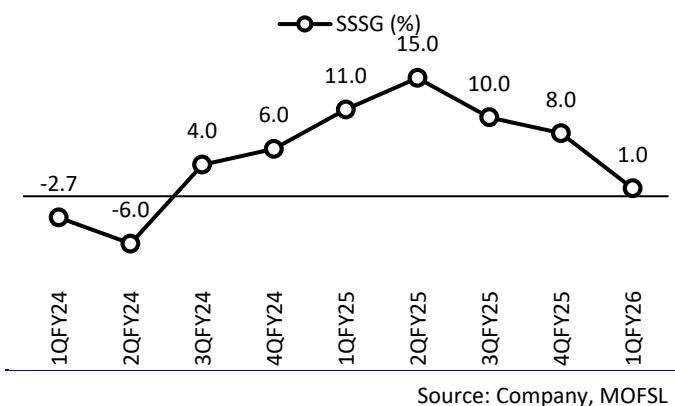


Exhibit 10: Healthy improvement in profitability

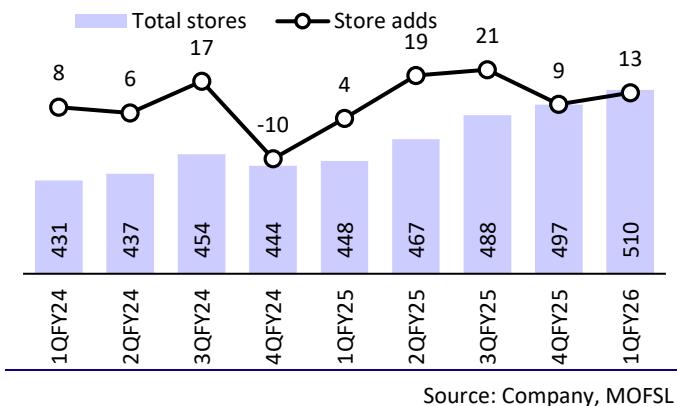


Source: Company, MOFSL

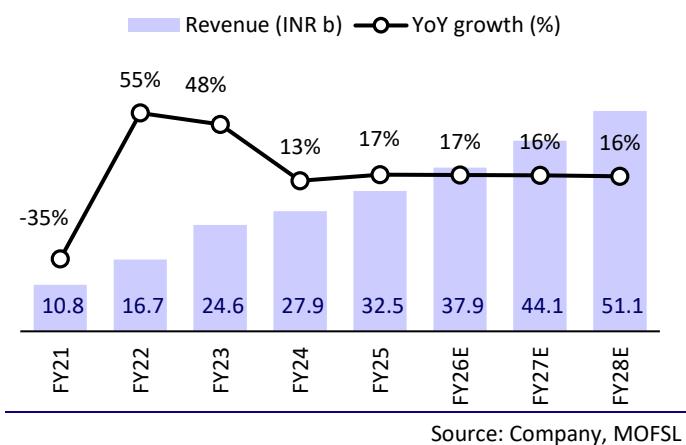
**Exhibit 11: Blended SSSG came in at 1%, impacted by a shift in festive dates**



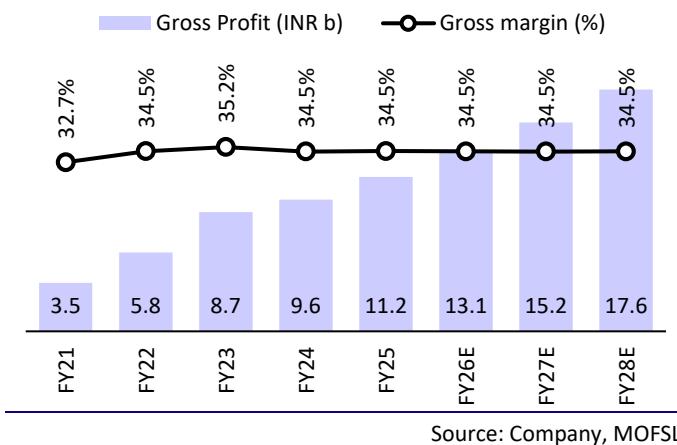
**Exhibit 12: Opened 13 new stores; total store count reached 510**



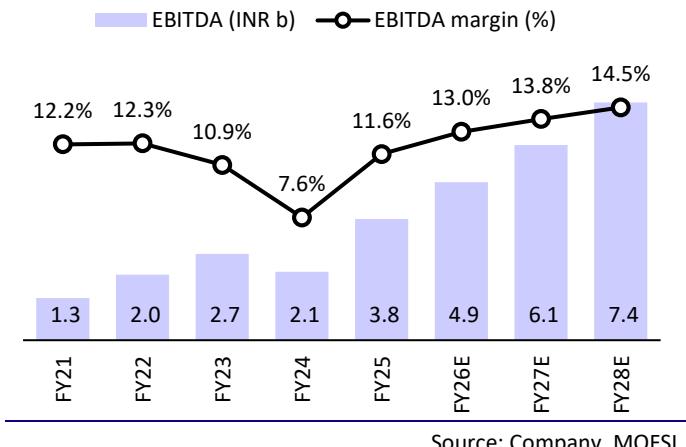
**Exhibit 13: Expect 16% revenue CAGR over FY25-28**



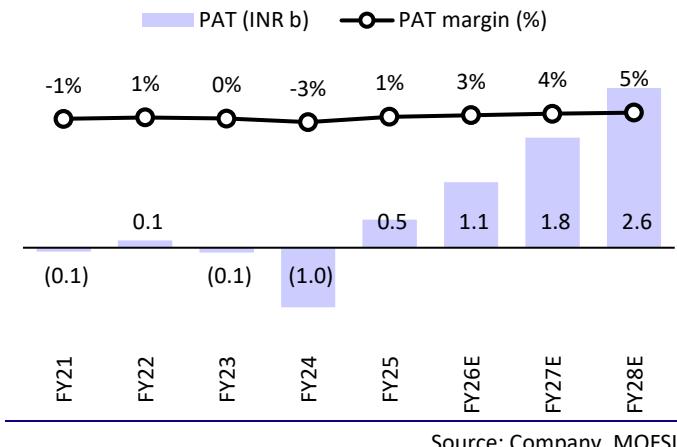
**Exhibit 14: GM to remain largely flat over FY25-28E**



**Exhibit 15: Expect 25% EBITDA CAGR over FY25-28**



**Exhibit 16: Profitability to improve over FY25-28E**



## Financials and valuations

Consolidated - Income Statement								
	(INR m)							
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Total Income from Operations</b>	<b>10,755</b>	<b>16,662</b>	<b>24,648</b>	<b>27,856</b>	<b>32,539</b>	<b>37,949</b>	<b>44,142</b>	<b>51,092</b>
Change (%)	-35.3	54.9	47.9	13.0	16.8	16.6	16.3	15.7
Raw Materials	7,236	10,911	15,971	18,251	21,297	24,860	28,921	33,470
Employees Cost	1,169	1,796	2,555	2,871	3,634	4,143	4,677	5,253
Rent and lease expenses	0	90	255	0	0	0	0	0
Advertising & Sales Promotion	0	0	0	0	0	0	0	0
Other Expenses	1,038	1,821	3,178	4,604	3,837	4,022	4,462	4,961
<b>Total Expenditure</b>	<b>9,442</b>	<b>14,618</b>	<b>21,959</b>	<b>25,725</b>	<b>28,768</b>	<b>33,024</b>	<b>38,060</b>	<b>43,684</b>
% of Sales	87.8	87.7	89.1	92.4	88.4	87.0	86.2	85.5
<b>EBITDA</b>	<b>1,312</b>	<b>2,043</b>	<b>2,689</b>	<b>2,131</b>	<b>3,771</b>	<b>4,925</b>	<b>6,083</b>	<b>7,408</b>
Margin (%)	12.2	12.3	10.9	7.6	11.6	13.0	13.8	14.5
Depreciation	1,030	1,307	1,800	2,221	2,330	2,837	3,058	3,312
<b>EBIT</b>	<b>282</b>	<b>736</b>	<b>889</b>	<b>-91</b>	<b>1,441</b>	<b>2,088</b>	<b>3,024</b>	<b>4,096</b>
Int. and Finance Charges	589	772	1,169	1,424	1,365	818	821	834
Other Income	210	140	150	210	121	150	180	200
<b>PBT Bef. EO Exp.</b>	<b>-97</b>	<b>104</b>	<b>-130</b>	<b>-1,305</b>	<b>198</b>	<b>1,419</b>	<b>2,383</b>	<b>3,462</b>
EO Items	0	0	0	0	242	0	0	0
<b>PBT after EO Exp.</b>	<b>-97</b>	<b>104</b>	<b>-130</b>	<b>-1,305</b>	<b>440</b>	<b>1,419</b>	<b>2,383</b>	<b>3,462</b>
Total Tax	-35	-12	-52	-337	-18	357	600	871
Tax Rate (%)	35.8	-12.0	39.7	25.9	-4.1	25.2	25.2	25.2
Minority Interest	0	0	0	0	0	0	0	0
<b>Reported PAT</b>	<b>-62</b>	<b>116</b>	<b>-78</b>	<b>-968</b>	<b>458</b>	<b>1,062</b>	<b>1,783</b>	<b>2,591</b>
<b>Adjusted PAT</b>	<b>-62</b>	<b>116</b>	<b>-78</b>	<b>-968</b>	<b>206</b>	<b>1,062</b>	<b>1,783</b>	<b>2,591</b>
Change (%)	-112.6	-287.7	-167.4	1,132.9	-121.3	415.7	67.9	45.3
Margin (%)	-0.6	0.7	-0.3	-3.5	0.6	2.8	4.0	5.1

Consolidated - Balance Sheet								
	(INR m)							
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	197	197	198	198	198	792	792	792
Total Reserves	8,055	8,299	8,292	7,272	7,904	8,372	10,155	12,746
<b>Net Worth</b>	<b>8,252</b>	<b>8,496</b>	<b>8,490</b>	<b>7,470</b>	<b>8,102</b>	<b>9,164</b>	<b>10,947</b>	<b>13,538</b>
Total Loans	0	0	1,478	1,100	1,490	1,490	1,490	1,490
Deferred Tax Liabilities	-253	-386	-531	-874	-917	-917	-917	-917
Other long term liabilities	5,751	9,131	11,964	12,938	6,505	6,326	6,357	6,492
Lease Liabilities	5,678	9,022	11,838	12,813	6,336	6,253	6,284	6,419
<b>Capital Employed</b>	<b>13,751</b>	<b>17,241</b>	<b>21,401</b>	<b>20,634</b>	<b>15,180</b>	<b>16,063</b>	<b>17,877</b>	<b>20,602</b>
Gross Block	6,965	11,110	14,455	16,607	10,385	10,524	10,673	10,837
<b>Net Fixed Assets</b>	<b>6,965</b>	<b>11,110</b>	<b>14,455</b>	<b>16,607</b>	<b>10,385</b>	<b>10,524</b>	<b>10,673</b>	<b>10,837</b>
Right to use assets	5,180	8,283	10,643	11,197	4,699	4,863	5,078	5,348
Capital WIP	22	64	1,092	38	43	43	43	43
<b>Total Investments</b>	<b>3,189</b>	<b>1,248</b>	<b>85</b>	<b>47</b>	<b>51</b>	<b>51</b>	<b>51</b>	<b>51</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>5,836</b>	<b>8,186</b>	<b>11,261</b>	<b>10,885</b>	<b>12,967</b>	<b>14,828</b>	<b>17,905</b>	<b>22,165</b>
Inventory	4,283	6,682	8,706	8,161	9,868	10,917	12,094	13,998
Cash and Bank Balance	275	351	202	272	394	720	2,098	3,870
Loans and Advances	1,278	1,153	2,353	2,452	2,705	3,192	3,713	4,297
<b>Curr. Liability &amp; Prov.</b>	<b>2,261</b>	<b>3,368</b>	<b>5,493</b>	<b>6,945</b>	<b>8,266</b>	<b>9,383</b>	<b>10,793</b>	<b>12,492</b>
Account Payables	1,917	2,906	4,883	6,337	7,620	8,629	9,917	11,478
Other Current Liabilities	345	462	610	608	646	753	876	1,014
<b>Net Current Assets</b>	<b>3,574</b>	<b>4,818</b>	<b>5,768</b>	<b>3,940</b>	<b>4,702</b>	<b>5,446</b>	<b>7,112</b>	<b>9,673</b>
<b>Appl. of Funds</b>	<b>13,750</b>	<b>17,240</b>	<b>21,400</b>	<b>20,633</b>	<b>15,180</b>	<b>16,064</b>	<b>17,878</b>	<b>20,603</b>

## Financials and valuations

### Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>-0.8</b>	<b>1.5</b>	<b>-1.0</b>	<b>-12.2</b>	<b>2.6</b>	<b>13.4</b>	<b>22.5</b>	<b>32.6</b>
Cash EPS	12.2	17.9	21.7	15.8	31.9	49.1	61.0	74.4
BV/Share	104.0	107.0	107.0	94.1	102.1	115.5	137.9	170.6
DPS	-	-	-	-	-	-	-	-
Payout (%)	-	-	-	-	-	-	-	-
<b>Valuation (x)</b>								
P/E	n/m	547.5	n/m	n/m	309.5	60.0	35.7	24.6
Cash P/E	65.9	44.8	37.0	50.8	25.1	16.3	13.2	10.8
P/BV	7.7	7.5	7.5	8.5	7.9	7.0	5.8	4.7
EV/Sales	1.4	0.9	0.7	0.6	0.5	1.7	1.4	1.2
EV/EBITDA	52.7	35.4	28.6	36.3	18.9	14.4	11.4	9.1
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	55.1	-81.2	-49.3	133.8	28.4	36.1	49.1	54.5
<b>Return Ratios (%)</b>								
RoE	NM	1.4	NM	NM	2.6	12.3	17.7	21.2
RoCE	2.7	6.2	3.2	0.4	8.7	10.2	13.5	16.0
RoIC	1.8	6.4	3.0	-0.3	8.6	10.4	14.6	19.0
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	1.5	1.5	1.7	1.7	3.1	3.6	4.1	4.7
Asset Turnover (x)	0.8	1.0	1.2	1.4	2.1	2.4	2.5	2.5
Inventory (Days)	145	146	129	107	111	105	100	100
Debtor (Days)	0	0	0	0	0	0	0	0
Creditor (Days)	65	64	72	83	85	83	82	82
<b>Leverage Ratio (x)</b>								
Current Ratio	2.6	2.4	2.0	1.6	1.6	1.6	1.7	1.8
Interest Cover Ratio	0.5	1.0	0.8	-0.1	1.1	2.6	3.7	4.9
Net Debt/Equity	-0.4	-0.2	0.1	0.1	0.1	0.1	-0.1	-0.2

### Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) Before Tax	-97	104	-130	-1,305	440	1,419	2,383	3,462
Depreciation	1,030	1,307	1,800	2,221	2,330	2,837	3,058	3,312
Interest & Finance Charges	589	772	1,169	1,424	1,365	818	821	834
Direct Taxes Paid	-35	-118	-182	-26	-14	-357	-600	-871
(Inc)/Dec in WC	182	-1,985	-857	1,716	-504	-515	-288	-789
<b>CF from Operations</b>	<b>1,669</b>	<b>80</b>	<b>1,800</b>	<b>4,030</b>	<b>3,616</b>	<b>4,202</b>	<b>5,375</b>	<b>5,947</b>
Others	-176	-192	8	-171	-122	-150	-180	-200
<b>CF from Operating incl EO</b>	<b>1,493</b>	<b>-113</b>	<b>1,808</b>	<b>3,859</b>	<b>3,494</b>	<b>4,052</b>	<b>5,195</b>	<b>5,747</b>
(Inc)/Dec in FA	-406	-1,494	-2,783	-1,209	-1,238	-1,190	-1,299	-1,425
<b>Free Cash Flow</b>	<b>1,087</b>	<b>-1,606</b>	<b>-976</b>	<b>2,650</b>	<b>2,256</b>	<b>2,862</b>	<b>3,897</b>	<b>4,322</b>
(Pur)/Sale of Investments	-3,092	2,676	1,192	46	0	0	0	0
Others	-690	54	5	-14	15	150	180	200
<b>CF from Investments</b>	<b>-4,188</b>	<b>1,237</b>	<b>-1,586</b>	<b>-1,178</b>	<b>-1,223</b>	<b>-1,040</b>	<b>-1,119</b>	<b>-1,225</b>
Issue of Shares	3,713	76	35	7	42	0	0	0
Inc/(Dec) in Debt	-11	0	1,478	-378	390	0	0	0
Interest Paid	-589	-772	-1,164	-1,427	-1,358	-250	-250	-250
Dividend Paid	0	0	-15	0	0	0	0	0
Others	-244	-349	-708	-792	-1,223	-2,436	-2,448	-2,501
<b>CF from Fin. Activity</b>	<b>2,869</b>	<b>-1,045</b>	<b>-374</b>	<b>-2,590</b>	<b>-2,149</b>	<b>-2,686</b>	<b>-2,698</b>	<b>-2,751</b>
<b>Inc/Dec of Cash</b>	<b>174</b>	<b>80</b>	<b>-152</b>	<b>92</b>	<b>122</b>	<b>325</b>	<b>1,378</b>	<b>1,772</b>
Opening Balance (excluding bank bal.)	48	222	302	150	272	394	719	2,098
<b>Closing Balance</b>	<b>222</b>	<b>302</b>	<b>150</b>	<b>242</b>	<b>394</b>	<b>719</b>	<b>2,098</b>	<b>3,869</b>
Bank balance	53	49	52	31	0	0	0	0
<b>Closing Balance (including bank balance)</b>	<b>275</b>	<b>351</b>	<b>202</b>	<b>273</b>	<b>394</b>	<b>719</b>	<b>2,098</b>	<b>3,869</b>

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

## NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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Nainesh Rajani

Email: [nainesh.rajani@motilaloswal.com](mailto:nainesh.rajani@motilaloswal.com)

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Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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