

Decent Performance, Lime Road Losses To Reduce; Maintain BUY
Est. Vs. Actual for Q4FY24: Revenue – **INLINE**; EBITDA – **MISS**; PAT – **MISS**
Changes in Estimates post Q4FY24
FY25E/FY26E: Revenue:-2%/-3%; EBITDA:-7%/-8%

Recommendation Rationale

- **Decent Performance:** Revenue grew by 12.6% YoY (in line with our estimates), led by SSSG growth of 6% YoY in Q4FY24. This was on account of festive and wedding season-led footfall growth of 25% YoY. EBITDA margins stood at 6%, up 216bps, attributed to a 44% YoY reduction in Lime Road losses in Q4FY24. The company's efforts are underway to further reduce losses without impacting the topline by increasing the synergies and customer acquisition. After so many quarters, the management for the first time remains cautiously optimistic in its remark about demand, noting early signs of recovery in certain markets spurred by the festive season and the subsequent good footfall from the repeat customers.
- **Store addition:** The company added 21 stores on a net basis in FY24, taking the total store count to 444 stores (365 V-Mart) and (79 Unlimited). In Q4FY24, 9 new stores were opened and 19 under-performing stores were closed. It plans to open 40-50 stores in FY25.
- **Long-term story intact:** The company is taking necessary steps to overcome the challenges – 1) Cutting down the expenses and losses, thereby bringing the Lime Road business towards the trajectory of profitability, 2) Focusing on Omni integrating that is helping it to regain the customers of V-Mart and Unlimited, 3) Focuses on the quality of the product with the latest fashion trend, 3) Keeping store opening guidance intact at 40-50 stores per year and closing down non-performing stores. Moreover, demand is likely to recover, especially in rural/smaller towns (VMART's core customer base) on account of government spending on infrastructure, prices remain stable and an increase in urban remittances will further boost the company's prospects.

Sector Outlook: Cautious
Company Outlook & Guidance: We cut our FY24/25 EBITDA estimates to account for near-term competitive challenges. However, on a longer term basis, we remain positive on the stock. Hence, We maintain our **BUY** recommendation on the stock

Current Valuation: 13xMar-26 EV/EBITDA (Earlier valuation: 13xDec-25EV/EBITDA)

Current TP: Rs 2,400/share (vs. earlier TP of Rs 2,450/share).

Recommendation: With a 12% upside potential from the CMP, we **maintain our BUY** rating on the stock.

Financial Performance: Revenue grew by 12.6% YoY (in line with our estimates), led by SSSG growth of 6% YoY in Q4FY24. This was on account of festive and wedding season-led footfall growth of 25% YoY. Gross margins declined by 23bps YoY to 31.7% due to higher old inventory liquidation and also for marginally higher inventory provisions. EBITDA margins stood at 6%, up 216bps, attributed to a 44%YoY reduction in Lime Road losses in Q4FY24. After so many quarters, the management for the first time remains cautiously optimistic in its remark about demand, noting early signs of recovery in certain markets spurred by the festive season and the subsequently good footfall from the repeat customers. The company's net loss stood at Rs 39 Cr, up 5.3% YoY.

Outlook: The company is taking necessary steps to overcome the challenges – 1) Cutting down the expenses and losses, thereby bringing the Lime Road business towards the trajectory of profitability, 2) Focusing on Omni integrating that is helping it to regain the customers of V-Mart and Unlimited, 3) Focuses on the quality of the product with the latest fashion trend, 3) Keeping store opening guidance intact at 40-50 stores per year and closing down non-performing stores. Moreover, demand is likely to recover, especially in rural/smaller towns (VMART core customer base) on account of government spending on infrastructure, prices remain stable and an increase in urban remittances will further boost the company's prospects.

Valuation & Recommendation: We remain positive on the company and expect Revenue/EBITDA growth of 16%/19% CAGR over FY23-26E. We maintain our **BUY** rating on the stock with a revised TP of Rs 2400/ share. Our TP implies an upside of 12% from the CMP.

Key Financials (Standalone)

(Rs Cr)	Q4FY24	QoQ (%)	YoY (%)	Axis Est.	Variance (%)
Net Sales	669	(24.8)	12.6	668	0.1
EBITDA	40	(66.4)	75.5	63	(36.3)
EBITDA Margin (%)	6.0	-745 bps	216 bps	9.5	-344 bps
Net Profit	(39)	(237.9)	5.3	(17)	123.9
EPS (Rs)	(20)	(237.9)	5.3	(9)	123.9

Source: Company, Axis Research

 (CMP as of 15th May 2024)

CMP (Rs)	2145
Upside /Downside (%)	12%
High/Low (Rs)	2441/1591
Market cap (Cr)	4242
Avg. daily vol. (6m)Shrs '000.	46
No. of shares (Cr)	2

Shareholding (%)

	Sep-23	Dec-23	Mar-24
Promoter	44.3	44.3	44.3
FIIs	14.3	14.3	15.3
MFs / UTI	29.7	31.5	31.6
FUs/ Banks	0.0	0.0	0.0
Others	11.7	9.8	8.8

Financial & Valuations

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	2,786	3,247	3,849
EBITDA	213	350	456
Net Profit	-97	12	78
EPS (Rs)	(48.9)	6.3	39.6
PER (x)	(43.8)	341.2	54.2
EV/EBITDA (x)	25.6	15.7	11.9
RoE (%)	5.6	5.5	5.0
ROCE (%)	(12.9)	1.6	9.3

Change in Estimates (%)

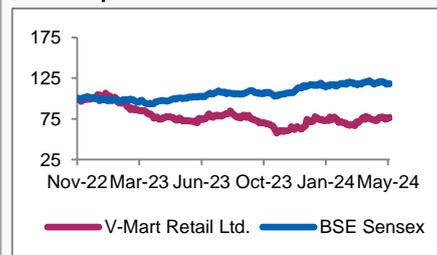
Y/E Mar	FY25E	FY26E
Sales	-2%	-3%
EBITDA	-7%	-8%

ESG disclosure Score**

Environmental Disclosure core	N/A
Social Disclosure Score	N/A
Governance Disclosure Score	N/A
Total ESG Disclosure Score	N/A
Total ESG Disclosure Score	N/A

Source: Bloomberg, Scale: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2022 disclosures

Relative performance


Source: Ace Equity, Axis Securities

PreeyamTolia

 Research Analyst
 email: preeyam.tolia@axissecurities.in

SuhaneShome

 Research Associate
 email: suhane.shome@axissecurities.in

Other key highlights

- **Seeing gradual signs of recovery** – SSSG has increased by 1% in V-Mart. The traditional market in UP and East India has led the growth of V-mart with new stores opened delivering good results.
- **Store addition** – The company added net 21 stores (46 open, 25 closed) taking the total store count to 444 stores. It has maintained the guidance of opening 40-50 stores for the coming year and 5-7 stores will probably be closed.
- **Omin-Integration** – A lot of initiatives have been taken in the omni-integration process. The management is looking aggressively into the integration of V-Mart, Unlimited, and Limeroad.

Key Risks to our Estimates and TP

- Increase in competitive intensity, RM inflation, shift in festive season from Q2 to Q3, weakening of demand environment.

Change in Estimates

	Old est.		Revised est.		% Revision	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	3,309	3,961	3,247	3,849	-2%	-3%
EBITDA	375	495	350	456	-7%	-8%
PAT	22	96	12	78	-43%	-19%
EPS (Rs)	11.3	48.5	6	40	-44%	-18%

Source: Company, Axis Securities

Results Review

	Q4FY23	Q3FY24	Axis Est.	Q4FY24	% Change (YoY)	% Change (QoQ)	Axis Est. Var (%)
Net Sales	594	889	668	669	12.6	(24.8)	0.1
Gross Profit	190	316	247	212	11.8	(32.9)	(14.3)
<i>Gross Margin (%)</i>	31.9	35.5	37.0	31.7	-23 bps	-381 bps	-530 bps
Employee Expenses	68	77	76	67	(1.5)	(13.1)	(11.2)
Other Expenses	99	119	109	105	6.1	(11.9)	(3.5)
EBITDA	23	120	63	40	75.5	(66.4)	(36.3)
<i>EBITDA Margin (%)</i>	3.9	13.5	9.5	6.0	216 bps	-745 bps	-344 bps
Oth. Inc	8	13	13	4	(41.2)	(66.0)	(66.3)
Interest	34	38	38	36	6.8	(4.4)	(5.3)
Depreciation	48	58	61	61	25.5	4.2	(0.8)
PBT	(52)	37	(23)	(52)	0.8	(241.0)	128.2
Tax	(15)	9	(5)	(13)	(10.6)	(251.1)	142.3
PAT	(37)	28	(17)	(39)	5.3	(237.9)	123.9
EPS	(19)	14	(9)	(20)	5.3	(237.9)	123.9

Source: Company, Axis Securities

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
Net sales	2,465	2,786	3,247	3,849
Growth, %	47.9	13.0	16.6	18.6
Total income	2,465	2,786	3,247	3,849
Raw material expenses	(1,597)	(1,825)	(2,110)	(2,483)
Employee expenses	(256)	(287)	(330)	(396)
Other Operating expenses	(20,107)	(23,613)	(26,530)	(31,058)
EBITDA (Core)	269	213	350	456
Growth, %	31.6	(20.8)	64.1	30.3
Margin, %	10.9	7.6	10.8	11.8
Depreciation	(180)	(222)	(221)	(241)
EBIT	89	(9)	129	215
Growth, %	20.8	(110.2)	(1,522.6)	66.3
Margin, %	3.6	(0.3)	4.0	5.6
Interest paid	(117)	(142)	(144)	(145)
Other Income	15	21	31	36
Pre-tax profit	(13)	(131)	17	106
Tax provided	5	34	(4)	(27)
Profit after tax	(8)	(97)	12	78
Growth, %	(167.4)	1,132.8	(112.9)	529.2
Net Profit (adjusted)	(1)	(10)	1	8
Unadj. shares (Cr)	2	2	2	2
Wtdavg shares (Cr)	2	2	2	2

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24E	FY25E	FY26E
Cash & bank	20	(36)	(63)	(23)
Marketable securities at cost	9	9	9	9
Debtors	-	-	-	-
Inventory	871	916	1,067	1,266
Other current assets	158	158	158	158
Total current assets	1,058	1,047	1,171	1,409
Investments	-	-	-	-
Gross fixed assets	1,775	1,975	2,175	2,375
Less: Depreciation	(331)	(553)	(774)	(1,015)
Add: Capital WIP	109	109	109	109
Net fixed assets	1,553	1,531	1,511	1,470
Non-current assets	77	77	77	77
Total assets	2,741	2,708	2,812	3,009
Current liabilities	6,254	6,890	7,804	8,997
Provisions	-	-	-	-
Total current liabilities	6,254	6,890	7,804	8,997
Non-current liabilities	1,266	1,266	1,266	1,266
Total liabilities	1,891	1,955	2,046	2,166
Paid-up capital	20	20	20	20
Reserves & surplus	830	733	746	824
Shareholders' equity	850	753	765	844
Total equity & liabilities	2,741	2,708	2,812	3,009

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E March	FY23	FY24E	FY25E	FY26E
Pre-tax profit	(13)	(131)	17	106
Depreciation	180	222	221	241
Chg in working capital	54	18	(60)	(79)
Total tax paid	(9)	34	(4)	(27)
Cash flow from operating activities	212	144	173	240
Capital expenditure	(616)	(200)	(200)	(200)
Other investing activities	-	-	-	-
Cash flow from investing activities	(500)	(200)	(200)	(200)
Free cash flow	(288)	(56)	(27)	40
Dividend (incl. tax)	-	-	-	-
Other financing activities	-	-	-	-
Cash flow from financing activities	265	(0)	(0)	(0)
Net chg in cash	(23)	(56)	(27)	40

Source: Company, Axis Securities

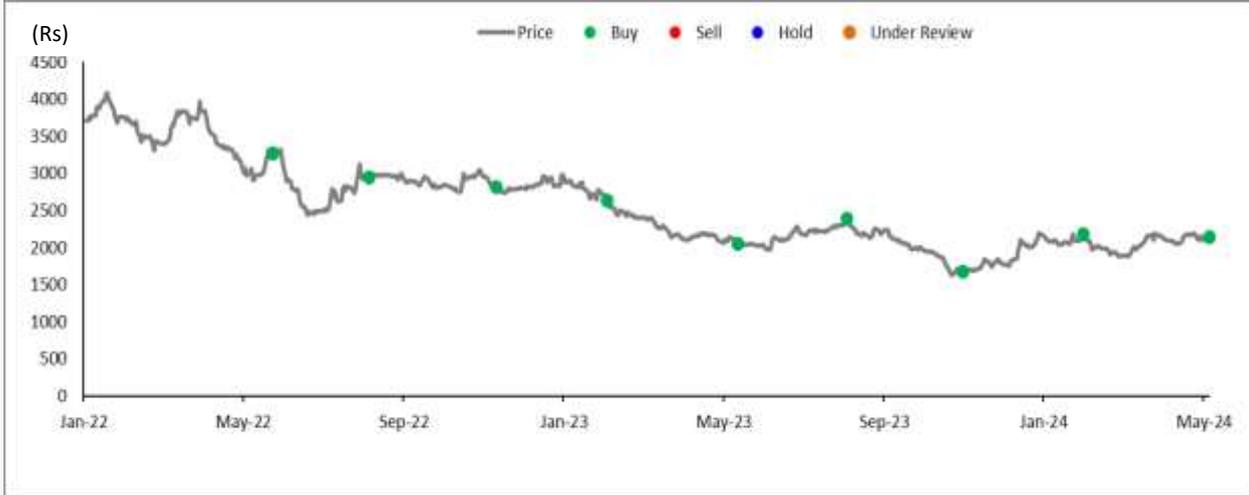
Ratio Analysis

(%)

Y/E March	FY23	FY24E	FY25E	FY26E
Per Share data				
EPS (INR)	(4.0)	(48.9)	6.3	39.6
Growth, %	(167.2)	1,132.8	(112.9)	529.2
FDEPS (INR)	(4.0)	(48.9)	6.3	39.6
CFPS (INR)	109.2	62.1	71.5	103.3
DPS (INR)	-	-	-	-
Return ratios				
Return on assets (%)	4.5	1.7	5.6	7.7
Return on equity (%)	(0.9)	(12.9)	1.6	9.3
Return on capital employed (%)	5.7	2.2	7.7	10.8
Turnover ratios				
Asset turnover (x)	1.5	1.5	1.8	2.0
Sales/Total assets (x)	1.0	1.0	1.2	1.3
Sales/Net FA (x)	1.8	1.8	2.1	2.6
Working capital/Sales (x)	0.2	0.1	0.1	0.1
Receivable days	-	-	-	-
Inventory days	128.9	120.0	120.0	120.0
Payable days	81.2	78.3	81.0	82.0
Working capital days	59.8	50.5	50.1	49.7
Liquidity ratios				
Current ratio (x)	1.7	1.5	1.5	1.6
Quick ratio (x)	0.3	0.2	0.1	0.2
Interest cover (x)	0.8	(0.1)	0.9	1.5
Total debt/Equity (%)	1.4	1.6	1.5	1.4
Valuation				
PER (x)	(540.6)	(43.8)	341.2	54.2
PEG (x) - y-o-y growth	3.2	(0.0)	(3.0)	0.1
Price/Book (x)	5.0	5.6	5.5	5.0
EV/Net sales (x)	2.2	2.0	1.7	1.4
EV/EBITDA (x)	20.1	25.6	15.7	11.9
EV/EBIT (x)	60.7	(600.7)	42.4	25.3

Source: Company, Axis Securities

Vmart Retail Price Chart and Recommendation History



Date	Reco	TP	Research
26-May-22	BUY	3,880	Result Update
10-Aug-22	BUY	3,500	Result Update
15-Nov-22	BUY	3,500	Result Update
08-Feb-23	BUY	3,300	Result Update
19-May-23	BUY	2,500	Result Update
11-Aug-23	BUY	2,650	Result Update
07-Nov-23	BUY	1,870	Result Update
09-Feb-24	BUY	2,450	Result Update
16-May-24	BUY	2,400	Result Update

Source: Axis Securities

About the analyst**Analyst:** Preeyam Tolia**Contact Details:** preeyam.tolia@axissecurities.in**Sector:** FMCG & Retail**Analyst Bio:** Preeyam Tolia is B.com and CFA Level 1 and part of the Axis Securities Research Team.**About the analyst****Analyst:** Suhanee Shome**Contact Details:** suhanee.shome@axissecurities.in**Sector:** FMCG & Retail**Analyst Bio:** SuhaneeShome is MBA and part of the Axis Securities Research Team**Disclosures:**

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