

V-Mart Retail Ltd. (VRL)

Retail | 4QFY24 Business Update

CMP: Rs2,097 | Target Price (TP): Rs2,313 | Upside: 10%

Accumulate

April 03, 2024

In line with expectation; Limeroad a worry

Key Points

- V-Mart preannounced 4QFY24 quarterly revenue yesterday post market hours.
- 4Q is usually a seasonally weaker quarter QoQ due to the festive, winter and wedding seasons all coming together in 3Q each year.
- Total revenue for the quarter at Rs6.68bn (up 12% YoY) was broadly in line with what we had estimated at the end of 3QFY24 ([Result Update](#)).
- The Retail business (ex-Limeroad) delivered revenue of Rs6.53bn. The 12% YoY Retail revenue growth has come from store expansion of 5% YoY and same store sales growth (SSSG) of +6% (V-Mart at +4% and Unlimited at +13%).
- About 10 stores (net) were closed to take the total store count to 444 (up 5% YoY). 8 V-Mart stores and 1 'Unlimited' store were opened while 19 stores were shut during the quarter. It opened a total of 21 stores during FY24 compared to 43 stores in FY23.
- The retail area growth of just 5% YoY compares to the high teen and early 20s aspired by the company in the past; it is possibly reflective of capital conservation and the difficult business environment.
- Limeroad delivered revenue of Rs150mn, which is a 13.3% QoQ decline and the 2nd consecutive QoQ decline. This represents commission income as Limeroad is an online marketplace. This is a cause for concern as Limeroad revenue declined in 4QFY24 and 3QFY24 (seasonally strongest) compared to 2QFY24 (seasonally weakest due to the entire festive season shifting to 3QFY24 this year). This would raise questions around the path to profitable growth in the long term for LR.

Against a 3.9% EBITDA margin (post IndAS 116) that V-Mart clocked in 4QFY23, we believe the EBTIDA margin in 4QFY24 will come in close to the 11% mark due to multiple factors.

- We believe that gross margin will be healthy on YoY basis as V-Mart is back to normal pricing and RM prices have behaved thus far. Cotton prices have gone up recently but the impact of that will be felt a few quarters down the road.
- We also believe that a very large portion of the high-cost inventory was liquidated by 3QFY24.
- Losses of ~Rs630mn from Limeroad have already been recognized in 9MFY24 compared to Rs550-600mn indicated for FY24, which means loss in 4QFY24 would have to be negligible.
- We also believe that the company has shut many loss-making stores in the quarter (hopefully at the beginning of the quarter), thereby improving margins.

Est Change	No change
TP Change	No change
Rating Change	No change

Company Data and Valuation Summary

Reuters	VMAR.BO
Bloomberg	VMART IN Equity
Mkt Cap (Rsbn/US\$mn)	41.5 / 497.6
52 Wk H / L (Rs)	2,445 / 1,595
ADTV-3M (mn) (Rs/US\$)	96.8 / 1.2
Stock performance (%) 1M/6M/1yr	8.2 / 6.3 / (3.0)
Nifty 50 performance(%) 1M/6M/1yr	1.1 / 4.3 / 27.9

Shareholding	1QFY24	2QFY24	3QFY24
Promoters	44.3	44.3	44.3
DILs	31.0	32.6	34.0
FILs	14.8	14.3	14.3
Others	9.9	8.7	7.4
Pro pledge	0.0	0.0	0.0

Financial and Valuation Summary

Particulars (Rs mn)	FY23	FY24	FY25E	FY26E
Revenues	24,648	27,897	32,745	38,642
YoY (%)	47.9	13.2	17.4	18.0
Gross Margin	35.2	35.2	33.0	32.0
EBITDA	2,689	2,466	3,465	4,511
EBITDA (%)	10.9	8.8	10.6	11.7
Reported PAT	-78	-713	201	962
PAT Margin	-0.3	-2.6	0.6	2.5
YoY (%)	NA	NA	NA	NA
EPS (Rs)	-4.0	-36.2	10.2	48.8
RoE (%)	-0.9	-8.8	2.5	11.4
Post Tax RoCE (%)	5.8	2.1	11.6	17.0
Post Tax RoIC (%)	6.4	2.1	12.5	19.5
P/E (x)	-526.6	-58.0	205.9	43.0
EV/EBITDA (x)	15.9	16.8	12.0	9.2

Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

Please refer to the disclaimer towards the end of the document

Financials (post-IndAS 116)

Exhibit 1: Income statement

Y/E March (Rsmn)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	16,662	24,648	27,897	32,745	38,642
Growth (%)	54.9	47.9	13.2	17.4	18.0
Purchases of stock-in-trade	13,310	17,995	16,785	21,939	26,277
Change in inventories	(2,399)	(2,024)	1,306	-	-
COGS	10,911	15,971	18,090	21,939	26,277
Gross Profit	5,751	8,677	9,806	10,806	12,366
Gross Margin (%)	34.5	35.2	35.2	33.0	32.0
Employee expenses	1,796	2,555	2,847	2,847	3,046
Other expenses	1,911	3,433	4,494	4,494	4,809
Total expenditure	14,618	21,959	25,431	29,280	34,132
EBITDA	2,043	2,689	2,466	3,465	4,511
Growth (%)	55.7	31.6	(8.3)	40.5	30.2
EBITDA Margin (%)	12.3	10.9	8.8	10.6	11.7
Depreciation	1307	1800	2204	2026	2060
EBIT	736	889	261	1439	2451
Other income	140	150	193	241	318
Interest costs	772	1169	1419	1412	1483
Exceptional Items	0	0	0	0	0
PBT	104	(130)	(965)	268	1,286
Tax	(12)	(52)	(252)	68	324
Effective tax rate (%)	-11.9	39.7	26.1	25.2	25.2
PAT	116	(78)	(713)	201	962
Growth (%)	LP	PL	LP	379.0	
PAT Margin (%)	0.7	(0.3)	(2.6)	0.6	2.5
EPS (Rs)	5.9	(4.0)	(36.2)	10.2	48.8

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: Balance sheet

Y/E March (Rsmn)	FY22	FY23	FY24E	FY25E	FY26E
Equity	197	198	198	198	198
Reserves	8,299	8,292	7,579	7,780	8,742
Net worth	8,496	8,490	7,777	7,978	8,939
Short-term Borrowings	-	1,478	900	1,900	2,700
Long-term Borrowings	-	-	-	-	-
Total Debt	-	1,478	900	1,900	2,700
Deferred tax liabilities	-	-	-	-	-
Other non-current liabilities	109	125	151	151	151
Lease liabilities	9,022	11,838	12,162	11,865	11,818
Total Liabilities	17,627	21,932	20,990	21,894	23,608
Property, plant and equipment	3,352	3,191	4,666	4,413	4,339
Capital WIP	64	1,092	55	55	55
Right of use assets	8,283	10,643	10,579	10,730	11,112
Long-term investments	38	-	-	-	-
Other non-current assets	832	1,922	1,952	1,952	1,952
Current Investments	1,211	85	146	146	146
Inventories	6,682	8,706	8,072	9,299	10,807
Cash & Bank	351	202	336	875	1,729
Other current assets	738	1,335	1,600	1,760	1,936
Other Financial Assets	714	249	304	304	304
Total Current Assets	9,696	10,577	10,458	12,384	14,921
Creditors	2,906	4,883	6,054	6,974	8,105
Other current liabilities/provisions	1,732	610	666	666	666
Total current liabilities	4,638	5,493	6,720	7,640	8,771
Net current assets	5,058	5,084	3,738	4,744	6,150
Total Assets	17,627	21,932	20,990	21,894	23,608

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: Cash flow

Y/E March (Rsmn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	104	-130	-965	268	1,286
(Inc./Dec in working capital)	-1,758	-648	1,531	-466	-408
Cash flow from operations	-1,654	-778	566	-198	878
Other income	-140	-150	-193	-241	-318
Depreciation	1,307	1,800	2,204	2,026	2,060
Tax paid	12	52	252	-68	-324
Net cash from operations	-474	924	2,830	1,519	2,296
Capital expenditure	-1,990	-2,700	-1,036	-794	-762
Net cash after capex	-2,464	-1,776	1,793	724	1,534
Other investing activites	2,205	779	183	243	705
Cash from financial activities	-737	326	-1,972	-412	-2,051
Opening cash	275	351	202	336	875
Closing cash	351	202	336	875	1,729
Change in cash	76	-149	134	539	853

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: Key ratios

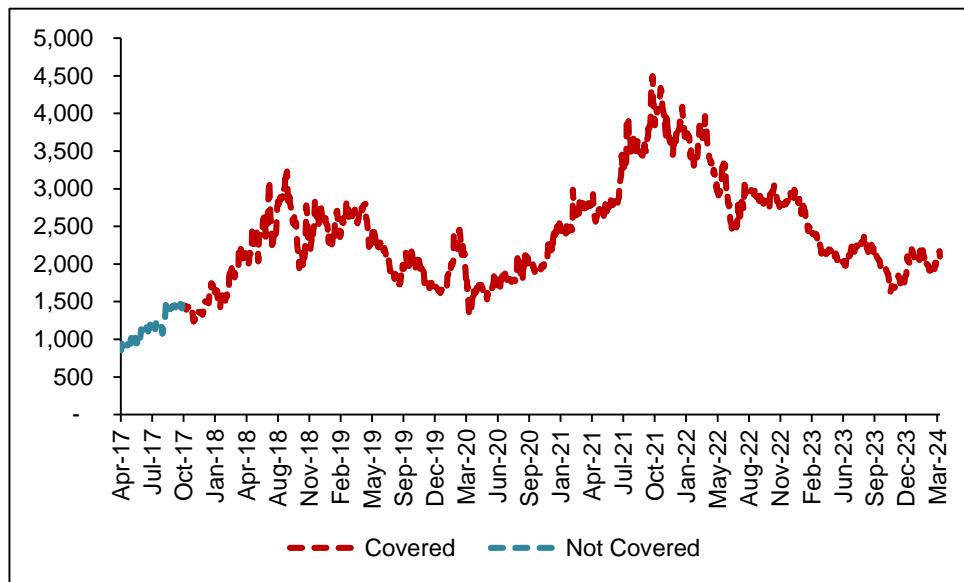
Y/E March	FY22	FY23	FY24E	FY25E	FY26E
Per share (Rs)					
EPS	5.9	-4.0	-36.2	10.2	48.8
Book value	431	431	395	405	454
Valuation (x)					
P/E	355.3	-526.6	-58.0	205.9	43.0
P/sales	2.5	1.7	1.5	1.3	1.1
P/BV	4.9	4.9	5.3	5.2	4.6
EV/EBITDA	20.1	15.9	16.8	12.0	9.2
EV/sales	2.5	1.7	1.5	1.3	1.1
Return ratios (%)					
RoE	1.4	-0.9	-8.8	2.5	11.4
Post Tax RoCE	9.8	5.8	2.1	11.6	17.0
Post Tax RoIC	13.9	6.4	2.1	12.5	19.5
Margins (%)					
Gross margin	34.5	35.2	35.2	33.0	32.0
EBITDA margin	12.3	10.9	8.8	10.6	11.7
EBIT margin	4.4	3.6	0.9	4.4	6.3
PBT margin	0.6	-0.5	-3.5	0.8	3.3
PAT margin	0.7	-0.3	-2.6	0.6	2.5
Turnover ratio					
Asset turnover ratio (x)	0.9	1.0	1.0	1.1	1.2
Inventory days (of COGS)	167	145	116	116	116
Payable days (of COGS)	73	81	87	87	87
Cash Conversion Cycle	94	64	29	29	29
Solvency ratios (x)					
Net Debt-equity	0.0	0.2	0.1	0.1	0.1
Growth (%)					
Sales	54.9	47.9	13.2	17.4	18.0
EBITDA	55.7	31.6	-8.3	40.5	30.2
PAT	LP	PL	0.0	LP	379.0

Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price	Target price (Rs)
16 October 2017	Buy	1,435	1,797
13 November 2017	Buy	1,399	1,797
15 February 2018*	Buy	1,600	2,039
28 May 2018	Accumulate	2,314	2,318
18 June 2018	Accumulate	2,398	2,318
26 July 2018	Accumulate	2,351	2,318
9 November 2018	Accumulate	2,383	2,369
7 February 2019	Under Review	2,700	-
12 March 2019	Accumulate	2,811	2,694
10 April 2019	Accumulate	2,551	2,694
15 May 2019	Accumulate	2,352	2,548
6 August 2019	Buy	1,800	2,316
5 November 2019	Buy	1,891	2,283
7 February 2020	Accumulate	2,370	2,283
26 March 2020	Buy	1,365	2,205
2 June 2020	Buy	1,621	2,229
12 August 2020	Buy	1,775	2,226
23 September 2020	Buy	2,000	2,367
12 November 2020	Buy	1,968	2,350
7 January 2021	Accumulate	2,470	2,761
26 January 2021	Buy	2,498	3,017
1 June 2021	Accumulate	2,766	2,871
26 July 2021	Accumulate	3,355	3,427
12 August 2021	Accumulate	3,424	3,486
26 September 2021	Accumulate	3,536	3,896
11 November 2021	Accumulate	4,216	4,116
12 February 2022	Accumulate	3,583	3,855
27 May 2022	Accumulate	3,280	3,685
10 August 2022	Buy	2,949	3,562
19 October	Buy	2,782	3,664
15 November 2022	Buy	2,817	3,665
21 December 2022	Buy	2,961	3,665
08 February 2023	Buy	2,637	3,301
22 March 2023	Buy	2,637	3,497
19 May 2023	Accumulate	2,056	2,239
11 August 2023	Accumulate	2,389	2,299
04 September 2023	Accumulate	2,255	2,299
08 November 2023	Buy	1,685	1,958
08 February 2024	Accumulate	2,108	2,313
03 April 2024	Accumulate	2,097	2,313

*Transfer of coverage to Girish Pai with effect from 15 February 2018

Rating track graph

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