

Retail Sector

1QFY26 Result Preview

04 July, 2025

Looking at a slow start to FY26

Key Points

- 1Q is usually a good quarter for the retail industry. We believe that the mass rural categories have been recovering well for the past couple of quarters, but this quarter is expected to be dull due to a dry wedding season and lack of festivals; EID fell in Mar-25 this year.
- V-Mart has pre-announced that the total revenue for 1QFY26 would be up 12.6% YoY, which is below our and consensus expectation, due to muted SSSG of 1% YoY (V-Mart at +1% and Unlimited at +1%).
- For Bata India, we expect pick up in the value category coupled with an already strong premium portfolio to be the key driver of the ~7% YoY revenue growth.
- We still believe that a full-fledged recovery in volumes for the mass category to pre-pandemic levels for the two companies will take time, mainly due to competitive intensity from organized, unorganized, and e-commerce players.

Bata India (BUY): Stronger sales of premium products (Sneakers, Hush Puppies, Comfit & Floatz) along with continued e-commerce momentum will be the key driver of the topline. We believe some momentum will be seen in the value proposition as well. We will watch out for: 1) Volume crossing pre-pandemic levels and the COCO business (~60% of revenue) starting to grow at mid-single digits. 2) Update on the performance of the Athleisure Apparel segment. 3) Update on how Bata India is progressing to become the sourcing hub for Bata global. 4) Performance of 'Nine West' and 'Power' brands. 5) Inventory picture and the ZBM initiative. 6) Recovery of demand in mass categories.

V-Mart Retail (BUY): VRL's pre-announced 1QFY26 revenue at Rs8.9bn was 3.8% lower than our expectation. The 12.6% YoY growth came in from store expansion of ~12% YoY as SSSG remained flattish at +1% YoY. Limeroad is now being seen as the omni-channel part of VRL with efforts to consistently reduce the cost in terms of people and technology. Losses from Limeroad will continue through FY26 as minimal investments need to be done each month to keep this channel running. 13 stores (net) were opened during 1QFY26 (15 openings and 2 closures) taking the total store count to 510. EBITDA margin is expected at ~11% in what is usually a strong quarter for VRL as the new summer collection kicks in. Due to a subdued wedding season, and EID being in Mar-25, we expect little to no growth in sales per sqft and footfalls in 1QFY26. We will watch out for: 1) Timeline on the full recovery of volumes and spending of its core customer base in North India. 2) Changes, if any, in the competitive intensity in its core markets as national players seem to be entering core markets of VRL. 3) The way forward for Limeroad and the quantum of investments that will continue. 4) The pace of net store expansion in FY26. 5) Path to reach pre-pandemic EBITDA margins. 6) The inventory picture.

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Exhibit 1: Summary of financial performance by retail companies in our coverage for 1QFY26E

Company (Rsmn)	Net sales		EBITDA		EBITDA margin (%)		PAT	
	1QFY26E	YoY (%)	1QFY26E	YoY (%)	1QFY25	1QFY26E	1QFY26E	YoY (%)
Bata India	10,108	7.0	2,109	14.0	19.6	20.9	697	4.5
V-Mart Retail	9,189	16.9	994	0.4	12.6	10.8	282	132.4

Source: Company, Nirmal Bang Institutional Equities; Note: The EBITDA numbers are post-IndAS 116

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BUY > 15%

HOLD -5% to 14%

SELL < -5%

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