

**RESEARCH**
**V-Mart Retail | Target: Rs 3,950 | +20% | BUY**

Festive demand drives growth

**SUMMARY**
**V-Mart Retail**

- Q4 revenue grew 30% YoY to Rs 4.6bn, with 84% coming from VMART and 16% from Unlimited stores
- EBITDA margin improved 250bps to 11% owing to higher gross margin contribution from southern stores, lower discounts and cost control
- We revise our TP to Rs 3,950 (vs. Rs 4,430) as we cut FY23/FY24 EBITDA by 16%/12%; retain BUY

[Click here for the full report.](#)
**Daily macro indicators**

Indicator	24-May	25-May	Chg (%)
US 10Y yield (%)	2.75	2.75	(1bps)
India 10Y yield (%)	7.36	7.30	(6bps)
USD/INR	77.59	77.53	0.1
Brent Crude (US\$/bbl)	113.6	114	0.4
Dow	31,929	32,120	0.6
Hang Seng	20,112	20,171	0.3
Sensex	54,053	53,749	(0.6)
India FII (US\$ mn)	23-May	24-May	Chg (\$ mn)
FII-D	(23.9)	(2.9)	21.0
FII-E	(165.6)	(256.3)	(90.8)

Source: Bank of Baroda Economics Research

**BOBCAPS Research**

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**BUY**  
 TP: Rs 3,950 | ▲ 20%

V-MART RETAIL

Retail

26 May 2022

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**Growth led by good festive demand:** During Q4FY22, VMART’s revenue grew 30% YoY to Rs 4.6bn led by the wedding and festive season (‘Holi’), lifting of restrictions on social events and consumers’ need for a fresh wardrobe. The acquisition of Unlimited also contributed to profitable growth. A like-to-like comparison (ex-Unlimited) indicates 9.5% YoY revenue growth. Average bill size/ASP increased by 21%/26% YoY.

**Margins expand but likely to remain range-bound:** Footfalls fell in January due to Omicron-related restrictions. However, fresher inventory, higher gross margin contribution from South India stores, lower discounts and cost control aided a healthy 69% YoY increase in EBITDA to Rs 0.5bn with 250bps YoY margin expansion to 11% in Q4. Gross margin expanded by 515bps YoY to 35% on the back of lower discounting, price hikes and merchandise changes. Due to the sharp inflation in cotton-yarn, VMART raised its prices by ~17% cumulatively in FY22. Management indicated that such price hikes may impact volumes.

**Store addition targets on track:** In Q4FY22, the company opened 14 stores and closed 8, taking the total count to 380. It plans to add ~60 stores in total in FY23, which will include some openings in South India as well.

**Near-term headwinds but solid long-term prospects:** We like VMART as a structural long-term story given the shift from unorganised to modern retail. However, in light of the rising competition from national conglomerates in tier-2/3 cities, muted near-term demand outlook in smaller towns as overall inflation rises, and the dampening impact of VMART’s price hikes on volumes, we cut FY23/FY24 EBITDA estimates by 16%/12%, respectively. Due to operating leverage and higher depreciation cost, our PAT cut is steeper at 58%/39%. We continue to value VMART at 21x FY24E EV/EBITDA, a 12.5% discount to its 5Y median of 24x, which translates to a revised TP of Rs 3,950 (vs. Rs 4,430). Retain BUY.

**Key changes**

Target	Rating
▼	◀ ▶

Ticker/Price	VMART IN/Rs 3,280
Market cap	US\$ 833.1mn
Free float	54%
3M ADV	US\$ 1.3mn
52wk high/low	Rs 4,849/Rs 2,653
Promoter/FPI/DII	46%/20%/34%

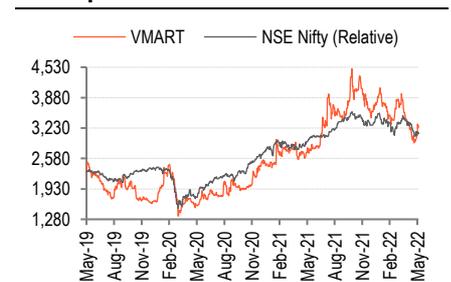
Source: NSE | Price as of 26 May 2022

**Key financials**

Y/E 31 Mar	FY22P	FY23E	FY24E
Total revenue (Rs mn)	16,662	20,438	26,764
EBITDA (Rs mn)	2,043	2,629	3,696
Adj. net profit (Rs mn)	116	415	919
Adj. EPS (Rs)	5.9	21.1	46.6
Consensus EPS (Rs)	5.9	59.2	90.2
Adj. ROAE (%)	1.4	4.8	9.8
Adj. P/E (x)	555.2	155.6	70.4
EV/EBITDA (x)	30.6	23.5	17.0
Adj. EPS growth (%)	(134.3)	256.8	121.2

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

**Stock performance**



Source: NSE



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### Recommendation scale: Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

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