

V-Mart Retail

Margin improvement continues despite flat SSSG; retaining a Buy

VMart's Q3 EBITDA margin of 18.6% (~250bps ahead of ARe), despite festive shifts to Q2 and a delayed winter, reinforces our earlier thesis of product-led margin expansion and disciplined profitability across formats. The beat was driven by healthier inventory, lower discounting, improved mix and tight cost control, consistent with the structural levers highlighted previously. With management remaining cautiously optimistic, we expect mid-teens revenue growth on 13-14% sq. ft. addition (75+ stores in FY26) and 5-8% SSSG, with continued margin delivery supported by healthy inventory, tech-led efficiencies, disciplined expansion and the ongoing shift towards organised retail in core Tier-2/3 markets. We roll forward to FY28 and maintain our BUY rating with a TP of Rs1,226 at 15x FY28e EV/EBITDA (earlier Rs1,129 at 15x Sep'27e EV/EBITDA).

Beat on margins. Q3 revenue grew 9.7% y/y to Rs11.3bn as flat SSSG (vs. 11% in Q2 FY26, 10% in Q3 FY25) weighed on growth, though combined Q2-Q3 revenue rose healthy 15% on 5% SSSG. The gross margin expanded 40bps y/y to 36.2% with 70bps y/y increase in offline margins. EBITDA grew 22.3% y/y to Rs2.1bn with margin up 191bps y/y to 18.6% on better cost absorption, 60% y/y reduction in Limeroad losses and improved productivity. After Rs21m exceptional charge related to the New Labour Code, reported PAT grew 22.8% y/y to Rs880m and adjusted PAT grew 25.8% y/y to Rs901m. Core VMart sales rose 9.4% y/y to Rs9.5bn (flat SSSG) with 109bps y/y EBITDA margin expansion to 19%. Unlimited grew 14.7% y/y to Rs1.8bn (2% SSSG) with margin up 334bps y/y to 18.7%.

Cluster based expansion approach, healthy inventory. 21/57 net stores were added in Q3/9M FY26, ending Q3 with 554 stores, with expansion led by a cluster-based strategy focused on new towns within existing states. Sales per sq. ft. per month in 9M grew 1% y/y to Rs733 (flat y/y for VMart; 6% y/y growth for Unlimited). Inventory days inched up to 95 due to higher winter apparel stocking but fresher inventory reduced shrinkage provisioning to 0.6% vs 1.4% in 9M FY25.

Valuation. We reduce our FY26e/27e/28e revenue 3.7% on avg. on SSSG moderation. However, our EBITDA is 3.2% higher on avg. on the consistent improvement in margins over the last few qtrs., on the back of operating efficiencies. We expect ~15%/22%/63% revenue/EBITDA/PAT CAGRs over FY25-28. We retain our Buy rating with a 12-month TP of Rs1,226, 15x FY28e EV/EBITDA. **Risks:** Mounting competition, stores in newer clusters taking longer to ramp up, more digital investments.

Key Financials (Y/E Mar)	FY24	FY25	FY26e	FY27e	FY28e
Sales (Rs m)	27,856	32,539	37,234	43,064	49,898
Net profit (Rs m)	(968)	458	1,091	1,393	1,981
EPS (Rs)	(12.3)	2.7	14.2	17.7	25.1
P/E (x)	NA	NA	40.6	32.7	23.0
EV / EBITDA (x)	26.3	17.2	10.6	8.9	7.4
P/BV (x)	5.7	7.1	4.9	4.3	3.6
RoE (%)	(12.1)	5.9	12.6	14.0	17.1
RoCE (%)	(0.7)	17.3	15.8	17.4	20.6
Dividend yield (%)	-	-	-	-	-
Net debt / equity (x)	0.1	0.1	0.1	0.0	(0.1)

Source: Company, Anand Rathi Research

Rating: **BUY**

Target Price (12-mth): Rs.1,226

Share Price: Rs.577

Key Data	VMART IN / VMAR.BO
52-week high / low	Rs945 / 551
Sensex / Nifty	82307 / 25290
Market cap	Rs46bn
Shares outstanding	79m

Shareholding Pattern (%)	Dec'25	Sep'25	Jun'25
Promoters	44.2	44.2	44.2
- of which, Pledged	-	-	-
Free float	55.9	55.8	55.8
- Foreign institutions	17.0	17.5	18.3
- Domestic institutions	32.5	32.1	31.5
- Public	6.4	6.3	6.0

Estimates Revision (%)	FY26e	FY27e	FY28e
Sales	(1.7)	(4.0)	(5.4)
EBITDA	7.0	4.6	(2.0)
EPS	19.1	(12.2)	(21.7)

Relative Price Performance



Source: Bloomberg

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Quick Glance – Financials and Valuations

Fig 1 – Income Statement (Rs m)

Y/E Mar	FY24	FY25	FY26e	FY27e	FY28e
Net revenues	27,856	32,539	37,234	43,064	49,898
Growth (%)	13.0	16.8	14.4	15.7	15.9
Direct costs	18,251	21,297	24,277	27,992	32,434
SG&A	7,475	7,470	8,007	9,245	10,697
EBITDA	2,131	3,771	4,951	5,827	6,767
EBITDA margins (%)	7.6	11.6	13.3	13.5	13.6
Depreciation	2,221	2,330	2,961	3,336	3,507
Other income	210	121	130	151	175
Interest expenses	1,424	1,365	714	784	793
PBT	(1,305)	198	1,406	1,858	2,642
Effective tax rates (%)	25.9	(9.2)	20.3	25.0	25.0
+ Associates / (Minorities)	-	-	-	-	-
Net income	(968)	458	1,091	1,393	1,981
Adjusted income	(968)	216	1,120	1,393	1,981
WANS	79	79	79	79	79
FDEPS (Rs)	(12.3)	2.7	14.2	17.7	25.1
FDEPS growth (%)	1,132.6	(122.3)	418.8	24.4	42.2
Gross margins (%)	34.5	34.5	34.8	35.0	35.0

Fig 2 – Balance Sheet (Rs m)

Y/E Mar	FY24	FY25	FY26e	FY27e	FY28e
Share capital	198	198	792	792	792
Net worth	7,470	8,102	9,222	10,615	12,596
Debt	1,100	1,490	1,190	490	90
Minority interest	-	-	-	-	-
DTL / (Assets) *	11,999	5,494	5,494	5,494	5,494
Capital employed	20,569	15,086	15,906	16,599	18,180
Net tangible assets **	16,095	9,973	10,216	10,053	9,664
Net intangible assets	498	397	307	215	122
Goodwill	15	15	15	15	15
CWIP (tang. & intang.)	38	43	43	43	43
Investments (strategic)	-	-	-	-	-
Investments (financial)	47	51	51	51	51
Current assets (excl. cash)	10,668	12,641	13,364	15,446	17,886
Cash	272	394	486	341	1,482
Current liabilities	7,064	8,428	8,576	9,564	11,082
Working capital	3,604	4,213	4,788	5,881	6,804
Capital deployed	20,569	15,086	15,906	16,599	18,180
Contingent liabilities	-	-	-	-	-

* includes lease liabilities ** includes right-to-use assets

Fig 3 – Cash-flow Statement (Rs m)

Y/E Mar	FY24	FY25	FY26e	FY27e	FY28e
PBT (adj. for int. exp., other inc.)	(1,305)	440	1,406	1,858	2,642
+ Non-cash items	3,474	3,572	3,675	4,120	4,300
Oper. prof. before WC	2,169	4,012	5,081	5,978	6,942
- Incr. / (decr.) in WC	(1,716)	504	575	1,093	923
Others incl. taxes	26	14	286	464	660
Operating cash-flow	3,859	3,494	4,220	4,421	5,359
- Capex (tang. + intang.)	1,206	1,224	1,210	1,010	1,010
Free cash-flow	2,653	2,270	3,010	3,411	4,349
Acquisitions	-	-	-	-	-
- Div. (incl. buyback & taxes)	-	-	-	-	-
+ Equity raised	7	42	-	-	-
+ Debt raised	(378)	390	(300)	(700)	(400)
- Fin investments	(43)	(10)	-	-	-
- Misc. (CFI + CFF)	2,233	2,590	2,618	2,856	2,808
Net cash-flow	92	122	92	(145)	1,141

Source: Company, Anand Rathi Research

Fig 4 – Ratio Analysis

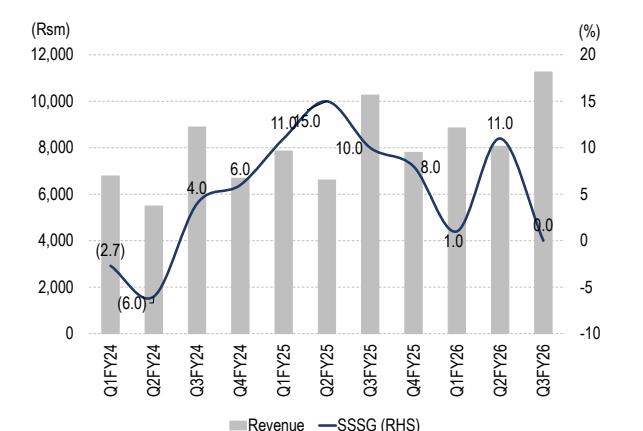
Y/E Mar	FY24	FY25	FY26e	FY27e	FY28e
P/E (x)	NA	NA	40.6	32.7	23.0
EV / EBITDA (x)	26.3	17.2	10.6	8.9	7.4
EV / Sales (x)	2.0	2.0	1.4	1.2	1.0
P/B (x)	5.7	7.1	4.9	4.3	3.6
RoE (%)	(12.1)	5.9	12.6	14.0	17.1
RoCE (%) - after tax	(0.7)	17.3	15.8	17.4	20.6
RoIC (%) - after tax	(0.8)	18.1	16.7	18.2	22.4
DPS (Rs)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-
Dividend payout (%) - incl. DDT	-	-	-	-	-
Net debt / equity (x)	0.1	0.1	0.1	0.0	(0.1)
Receivables (days)	-	-	-	-	-
Inventory (days)	107	111	100	100	100
Payables (days)	83	85	75	72	72
CFO : PAT (%)	(398.8)	1,618.3	376.7	317.3	270.5

Source: Company, Anand Rathi Research

Fig 5 – Price Movement



Fig 6 – Revenue up 9.7% y/y with flat SSSG in Q3 FY26



Financial Highlights

Q3 revenue grew 9.7% y/y to Rs11.3bn. The gross margin expanded 40bps y/y to 36.2%. Employee expenses grew 6.8% y/y while other expenses fell 4.4% y/y. EBITDA grew 22.3% y/y to Rs2.1bn and margin expanded 191bps y/y to 18.6%. Depreciation/other income grew 24.5%/17.2% y/y, while interest expense declined 51.6% y/y. PBT grew ~65% y/y to Rs1.2bn. Exceptional items stood at Rs21m (vs nil in Q3 FY25), towards incremental impact due to New Labour Code related changes. PBT after exceptional items grew 61.9% y/y to Rs1.1bn. Reported PAT grew 22.8% y/y to Rs880m and adj. PAT grew 25.8% y/y to Rs901m.

Segment wise, retail trade (Vmart and Unlimited) revenue grew 10.2% y/y to Rs11.2bn and EBIT margin rose 285bps y/y to 11.3%. Digital marketplace (Limeroad) revenue fell 21.7% y/y to Rs107m and its EBIT loss declined to Rs52m (from Rs94m in Q3 FY25).

9M FY26 revenue grew 13.9% y/y to Rs28.2bn. Gross margin expanded 16bps y/y to 35.2%. EBITDA grew 31.8% y/y to Rs4.1bn while margin rose 196bps y/y to 14.4%. Adj. PAT grew 4.2x y/y to Rs1.1bn.

Fig 7 – Quarterly and 9M results

(Rsm)	Q3 FY26	Q3 FY25	y/y (%)	Q2 FY26	q/q (%)	9M FY26	9M FY25	y/y (%)
Revenue	11,264	10,267	9.7	8,069	39.6	28,185	24,738	13.9
Gross margin (%)	36.2	35.8	40bps	33.6	253bps	35.2	35.0	16bps
Employee expenses	1,018	953	6.8	976	4.3	2,944	2,659	10.7
Other expenses	960	1,005	(4.4)	1,022	(6.1)	2,895	2,911	(0.5)
EBITDA	2,095	1,714	22.3	715	193.0	4,072	3,090	31.8
EBITDA margin (%)	18.6	16.7	191bps	8.9	974bps	14.4%	12.5%	196bps
Depreciation	779	626	24.5	711	9.5	2,169	1,786	21.4
EBIT	1,316	1,088	21.0	4	NA	1,903	1,303	46.0
EBIT margin (%)	11.7	10.6	109bps	0.1	NA	6.8	5.3	148bps
Other income	40	34	17.2	34	15.5	103	98	5.4
Interest expense	206	424	(51.6)	175	17.8	562	1,191	(52.8)
PBT	1,150	697	64.9	(136)	NA	1,444	211	585.1
Exceptional items	(21)	-	NA	-	NA	(21)	-	NA
PBT after exceptional items	1,129	697	61.9	(136)	NA	1,422	211	575.1
Tax	249	(19)	NA	(47)	NA	295	(62)	NA
Tax rate (%)	22.1	(2.7)	NA	34.8	NA	20.8	(29.4)	NA
Rep PAT	880	716	22.8	(89)	NA	1,127	273	313.5
EPS (Rs)	11.0	9.0	23.2	(1.1)	NA	14.1	3.4	314.1
Adj. PAT	901	716	25.8	(89)	NA	1,148	273	321.2

Source: Company

Fig 8 – Performance by Segment

(Rsm)	Q3 FY26	Q3 FY25	y/y (%)	Q2 FY26	q/q (%)	9M FY26	9M FY25	y/y (%)
Segment-wise revenue								
Vmart	9,450	8,634	9.4	6,623	42.7	23,480	20,505	14.5
Unlimited	1,752	1,528	14.7	1,380	27.0	4,515	3,907	15.6
Limeroad (commission revenue)	62	105	(41.2)	66	(6.1)	190	325	(41.6)
Total revenue	11,264	10,267	9.7	8,069	39.6	28,185	24,738	13.9
Segment-wise EBITDA								
Vmart	1,793	1,544	16.1	605	196.4	3,461	2,766	25.1
Unlimited	328	235	39.6	144	127.8	717	565	26.9
Limeroad	(26)	(65)	(60.0)	(34)	(23.5)	(106)	(241)	(56.0)
Total EBITDA	2,095	1,714	22.2	715	193.0	4,072	3,090	31.8
Segment-wise EBITDA margin (%)								
Vmart	19.0	17.9	109bps	9.1	984bps	14.7	13.5	125bps
Unlimited	18.7	15.4	334bps	10.4	829bps	15.9	14.5	142bps
Limeroad	(41.9)	(61.7)	NA	(51.5)	958bps	(55.8)	(74.1)	NA
Total EBITDA margin (%)	18.6	16.7	191bps	8.9	974bps	14.4	12.5	196bps

Source: Company

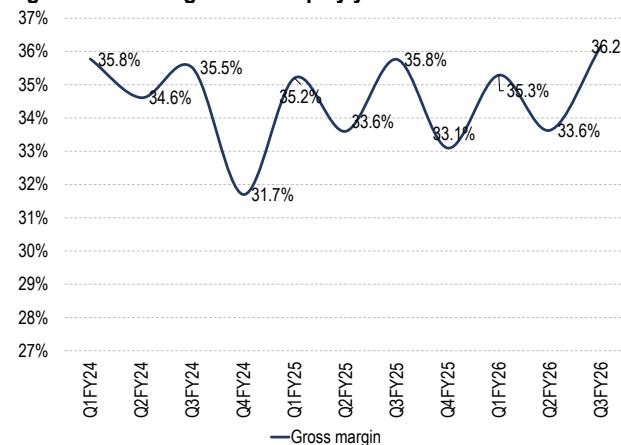
Other Highlights

- **Q3 FY26** reflected a mixed operating environment. Growth in North India was affected by delayed winter, which was largely absent across most regions until around mid-Dec'25. Weather conditions were erratic during the quarter, with rainfall and cyclonic activity disrupting markets across South and East India. Eastern markets further faced additional pressure from political disruptions. The South, however, delivered stronger results and supported overall profitability. Going ahead, demand is expected to improve gradually, aided by stable inflation, improving rural incomes, and shift towards organised retail.
- **Gross margin** expanded by 40bps y/y to 36.2% in Q3, despite ~41% y/y drop in Limeroad's commission income. Ex-Limeroad, offline gross margins improved by 70bps y/y, driven by higher full-price sell throughs, healthier inventory leading to reduced discounting and favourable product-mix. The management expects offline gross margin to remain stable on y/y basis in FY26 as the focus remains on volume-led growth.
- **Operating expenses** rose marginally by 1% y/y in Q3, broadly in line with expansion plans and normal inflation. Manpower costs increased by 6.8% y/y, while other expenses fell 4.4% y/y, leading to operating leverage aided by tight cost control. Total advertising spends, as a percentage of sales, moderated to 1.8% (2.6% in Q3 FY25) lower marketing expenses across formats.
- **Pre Ind-AS basis, EBITDA** rose 24% y/y in Q3 FY26, with margin improving to 12.2% (vs. 10.8% in Q3 FY25), led by better cost absorption and productivity gains. Going forward, the company expects further margin improvement, aided by lower losses from Limeroad and operational efficiencies.
- **V-Mart's (core)** revenue grew 9.4% y/y to Rs9.5bn, with flat SSSG (vs. 11/10% in Q2 FY26/Q3 FY25), and SSSG volumes stood at 1%

(5/10%). Total ASP fell 2% y/y to Rs249, while apparel's ASP rose ~3% y/y to Rs412. EBITDA grew ~16% y/y to Rs1.8bn, with margin rising to 19% (from 17.9% last year). Average transaction size fell 3% y/y to Rs956 for 9M, while sales per sq. ft. per month remained flat y/y at Rs758.

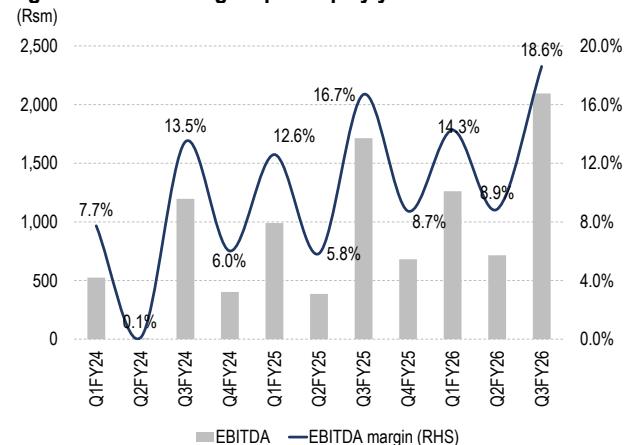
- **Unlimited's** revenue grew ~15% y/y to Rs1.8bn. SSSG stood at 2% (vs. 11% in Q3 FY25), with SSSG volumes of 7% (16%). Total ASP fell 6% y/y to Rs429, with apparel segment's ASP falling 3% y/y to Rs477. EBITDA rose ~40% y/y to Rs328m, while margin came in at 18.7% (15.4% in Q3 FY25). Transaction size fell 6% y/y to Rs1,685 for 9M. Sales per sq. ft. per month increased by 6% y/y to Rs626 in 9M with new stores delivering better productivity. The focus remains on aligning its profitability with core V-Mart format.
- **Limeroad's** commission income fell ~41% y/y to Rs62m in Q3 FY26. EBITDA losses narrowed to Rs26m (vs. Rs65m in Q3 FY25), with the primary focus now on reducing these losses further.
- **Store Network.** 21 net stores were added in Q3 FY26, taking the total store count to 554 spanning 4.8m sq. ft. Capex was Rs570m in Q3 FY26, directed towards store openings and refurbishments.
 - V-Mart added 21 stores and closed one, resulting in a net addition of 20, taking the total count to 458.
 - Unlimited added two stores and closed one, leading to net addition of one, taking the total count to 96.
- **Inventory** days increased marginally by 1% y/y to 95 days, primarily due to change in FMCG inventory, as the company strategically increased space to support winter apparel offtake. This is a larger initiative to increase focus on apparel. Inventory freshness also improved on y/y basis, due to liquidation of stock, which led to lower shrinkage provisioning to 0.6% from 1.4% in 9M FY25.
- **Outlook.** Management expects healthy traction in Q4 FY26, aided by Eid and Holi. It plans to add 75+ stores in FY26 and targets 13-14% sq. ft. expansion on annual basis in the long term. The focus is on a cluster-based expansion approach with 60–65% of expansion coming from new towns within existing states where it has a strong presence while ~30% of expansion in existing towns.

Fig 9 – Gross margin rose 40bps y/y to ~36% in Q3

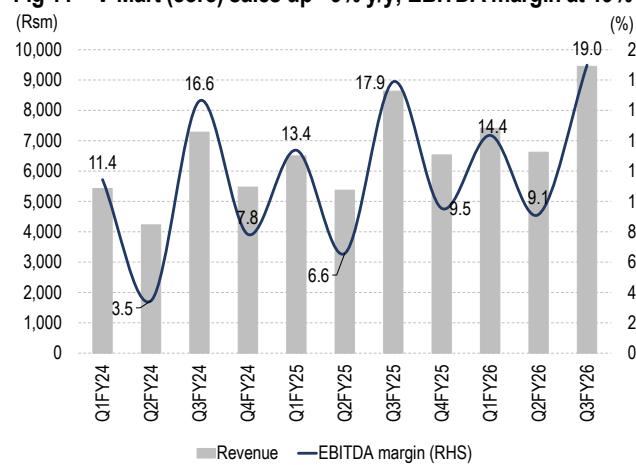


Source: Company

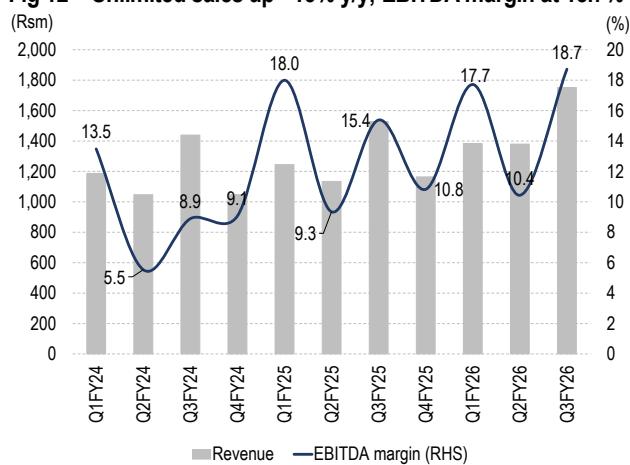
Fig 10 – EBITDA margin up 191bps y/y to 18.6% in Q3



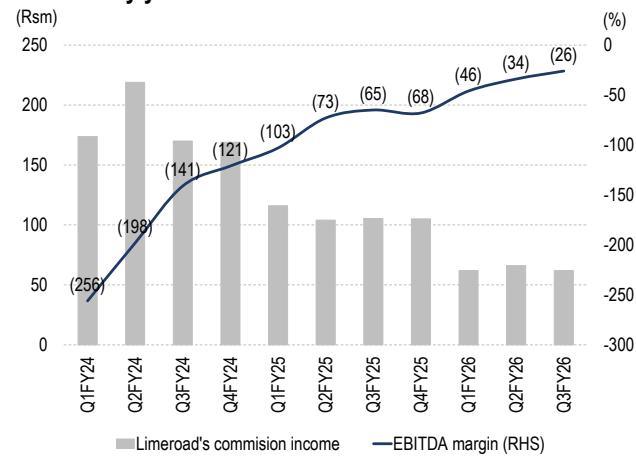
Source: Company

Fig 11 – V-Mart (core) sales up ~9% y/y; EBITDA margin at 19%

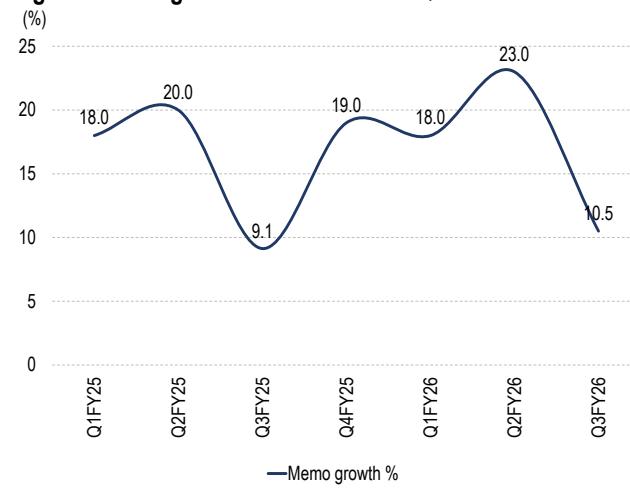
Source: Company

Fig 12 – Unlimited sales up ~15% y/y; EBITDA margin at 18.7%

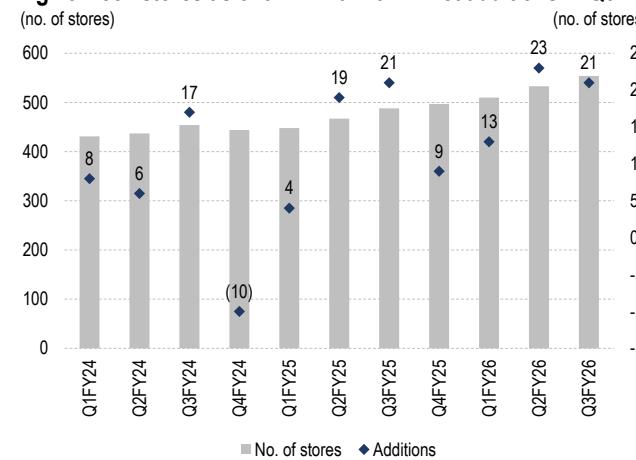
Source: Company

Fig 13 – Limeroad revenue/EBITDA losses declined ~41%/60% y/y in Q3

Source: Company

Fig 14 – Memo growth stood at 15% in Q3

Source: Company

Fig 15 – 554 stores as of 9M FY26 with 21 net additions in Q3

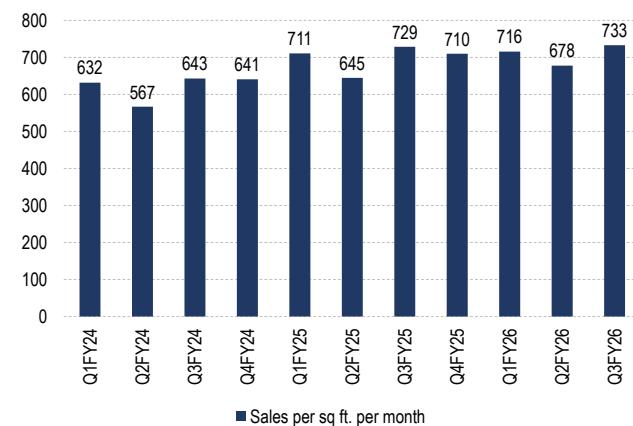
Source: Company

Fig 16 – SSSG volume growth at 2% in Q3

Source: Company

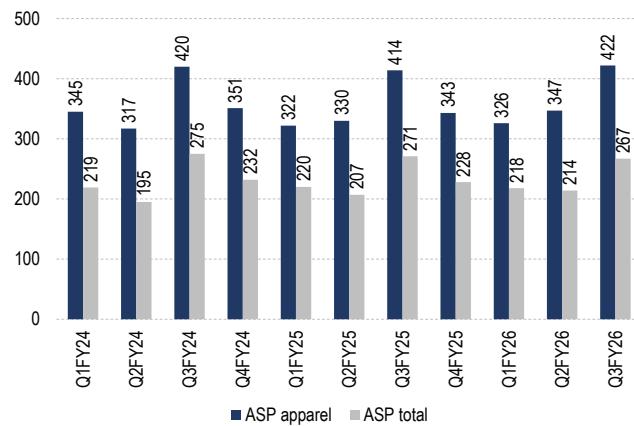
Note: On ytd basis

Fig 17 – Sales per sq. ft. per month up ~1% y/y in Q3
(Rs per sq ft / month)



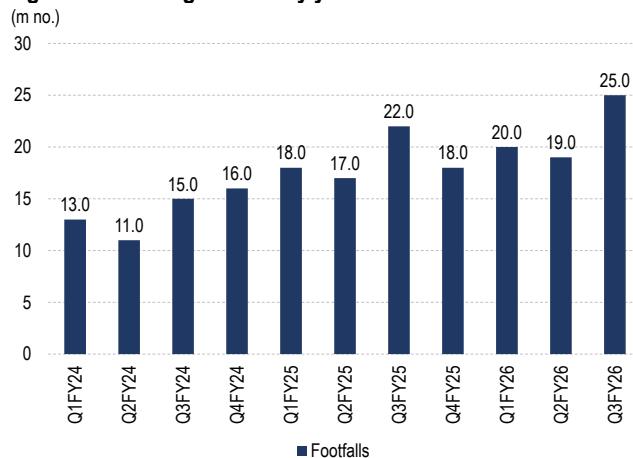
Source: Company

Fig 18 – Total ASP fell 1% y/y despite 2% growth in apparel ASP
(Rs per piece)



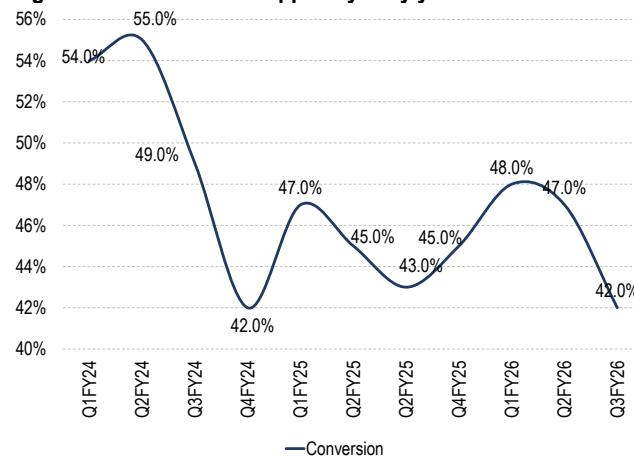
Source: Company

Fig 19 – Footfalls grew ~14% y/y in Q3



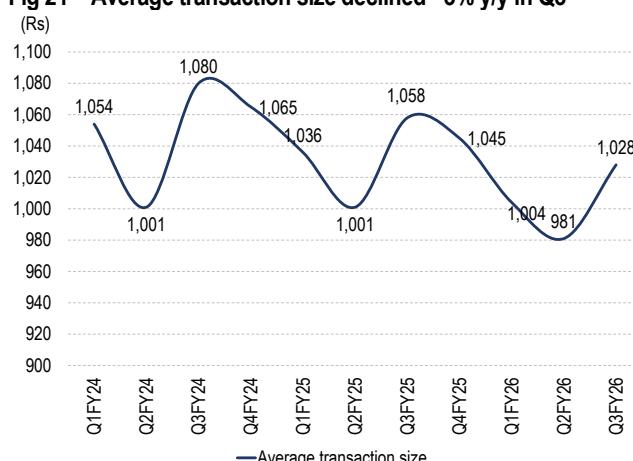
Source: Company

Fig 20 – Conversion rate dipped by 1% y/y in Q3



Source: Company

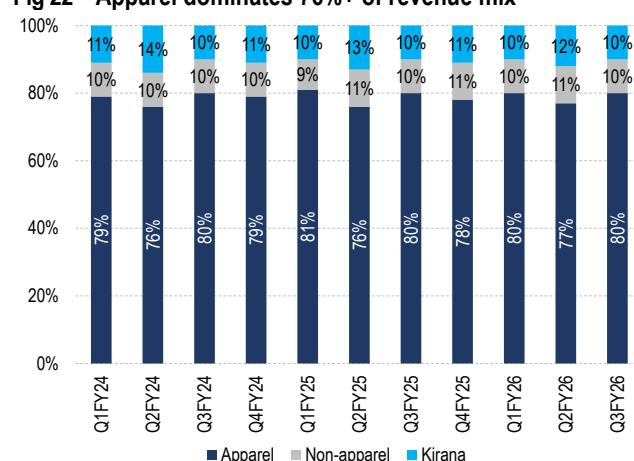
Fig 21 – Average transaction size declined ~3% y/y in Q3



Source: Company

Note: On ytd basis

Fig 22 – Apparel dominates 76%+ of revenue mix



Source: Company

Change in estimates

We reduce our FY26e/27e/28e revenue 3.7% on avg. on SSSG moderation. However, our EBITDA is 3.2% higher on avg. on the consistent improvement in margins over the last few quarters, on the back of operating efficiencies resulting from strategic initiatives taken across the business.

Our FY26e/27e/28e EBITDA margin is 109/111/47bps higher vs. earlier, at 13.3%/13.5%/13.6%. Going ahead, margin improvement is expected to be led by healthy inventory, tech-led efficiencies, disciplined expansion, digitization, reduction of redundant processes and the ongoing shift towards organised retail in core Tier-2/3 markets.

Our FY26e/27e/28e EPS is 4.9% lower on avg., due to higher depreciation expense as we revise our capex estimates.

Fig 23 – Change in Estimates

(Rsem)	Old Estimates			New Estimates			Change (%)		
	FY26e	FY27e	FY28e	FY26e	FY27e	FY28e	FY26	FY27	FY28
Revenue	37,893	44,843	52,734	37,234	43,064	49,898	(1.7)	(4.0)	(5.4)
EBITDA	4,626	5,570	6,905	4,951	5,827	6,767	7.0	4.6	(2.0)
PAT	935	1,587	2,531	1,091	1,393	1,981	16.7	(12.2)	(21.7)
EPS	11.9	20.1	32.1	14.2	17.7	25.1	19.1	(12.2)	(21.7)

Source: Anand Rathi Research

Valuation

We roll forward to FY28 and maintain our BUY rating with a TP of Rs1,226 at 15x FY28e EV/EBITDA (earlier Rs1,129 at 15x Sep'27e EV/EBITDA).

Fig 24 – Valuation Summary

(Rsm)	FY28e
EBITDA	6,767
Multiple (x)	15.0
Enterprise value	101,504
Debt *	6,425
Cash and cash equivalents	1,533
Net debt	4,892
Market cap	96,611
No. of shares (m)	78.8
TP (Rs)	1,226
CMP (Rs)	577
Upside / (Downside) %	112.3%

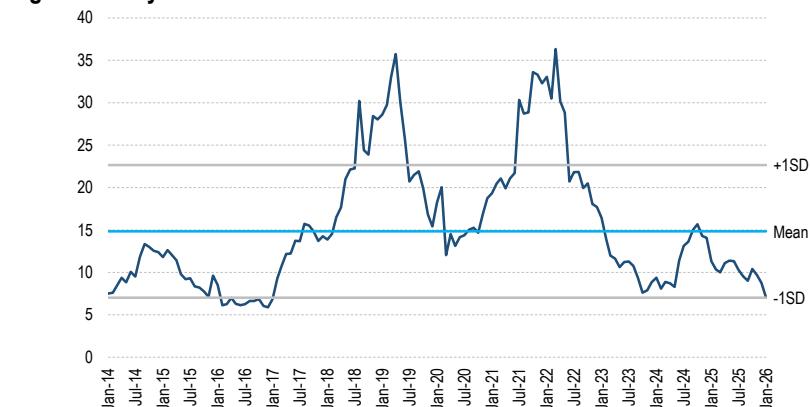
Source: Anand Rathi Research * includes lease liabilities

Fig 25 – Valuation Parameters

	FY24	FY25	FY26e	FY27e	FY28e
P/E (x)	NA	NA	40.6	32.7	23.0
EV / EBITDA (x)	26.3	17.2	10.6	8.9	7.4
EV / Sales (x)	2.0	2.0	1.4	1.2	1.0
RoE (%)	(12.1)	5.9	12.6	14.0	17.1
RoCE (%)	(0.7)	17.3	15.8	17.4	20.6

Source: Company, Anand Rathi Research

Fig 26 – One-year-forward EV/EBITDA



Source: Bloomberg, Anand Rathi Research

Risks

- Prolonged economic slowdown heightens consumer hesitancy in discretionary spending and could lead to sluggish demand.
- Keener competition from national and local retailers could curb performance. Market share could be lost due to stiff competition in the formal and grey markets.
- The company has been rapidly expanding beyond its strong northern market to the east and northeast. Less-than-expected growth or a gradual rise in stores in these markets could curb SSSG
- More investment in the digital channel may curtail core business profits.

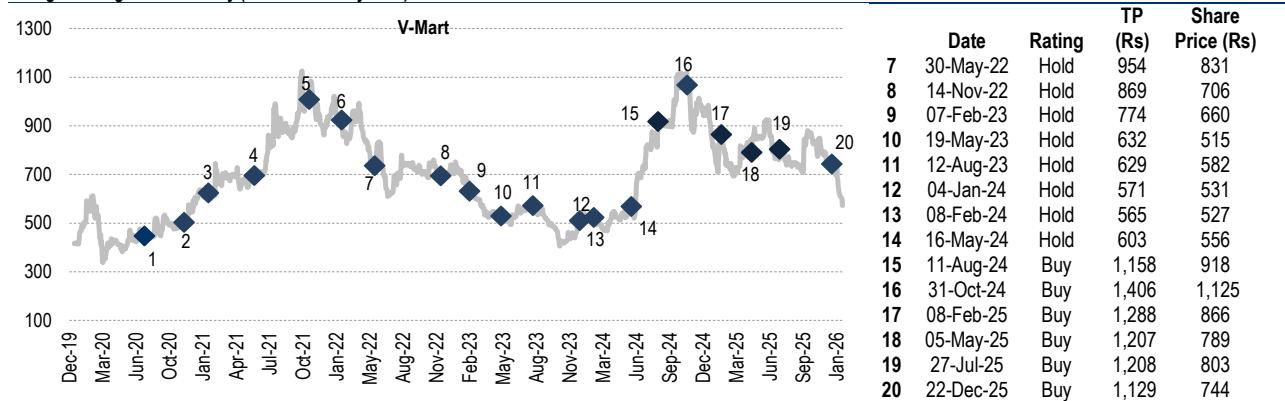
Appendix

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