

Incorporated In 2001, Vishal Mega Mart is a hypermarket chain that sells a wide range of products like apparel, groceries, electronics, and home essentials. Company's Managing Director and Chief Executive Officer, Gunender Kapur has over 41 years of experience in management and investment in the consumer and retail sectors. On average, KMPs and SMPs have 21 years of experience in the retail and consumer industry and 7 years of experience at organisation.

**Business Overview:**

- It is a one stop destination for middle and lower-middle income India. It serves this section of the Indian population through a diverse portfolio of quality, affordable and branded products, fulfilling their daily and aspirational needs. The number of middle income households in India has increased from approximately 201 million in Calendar Year 2018 to approximately 225 million households (approximately 945 million individuals) in Calendar Year 2023, driven by rapid economic development, growing formalization of employment, and a structural shift from an agrarian-based economy towards manufacturing and services.
- The company curate a diverse range of merchandize through its portfolio of own brands and third party brands to fulfil the aspirational and daily needs of consumers.
- The company offer wide range of products across three major product categories, i.e., apparel, general merchandise and fast-moving consumer goods, including its brands for clothing, home furnishings, travel accessories, kitchen appliances, food, non-food items, and staples.
- Company adopts a consumer-centric approach that seeks to maximise variety, affordability, quality and convenience for its consumers.
- Their portfolio of own Brands:
  - Apparel: Classics, Fashion, Denim, Ethnic
  - General Merchandise: Tandem Home Appliances, Home Select, Home Finery
  - FMCG: Savory Products, Staples, Home Care
- The total addressable market for aspirational retail in India is Rs.68-72 trillion (US\$820-870 billion) for Calendar Year 2023, and is expected to be Rs. 104-112 trillion (US\$1,250-1,350 billion) by Calendar Year 2028, growing at a CAGR of 9% (Source: RedSeer). Within the aspirational retail market, there has been a consistent shift towards organized retail primarily due to increasing baselines for quality, availability of wider assortment, better pricing, denser urban areas, and large whitespace for organized retailer in aspirational retail.
- The company targets middle and lower-middle-income people, through a Pan India network of 645 Vishal Mega Mart stores (as of September 30, 2024) and their Vishal Mega Mart mobile app and website.
- As of September 30, 2024, the company has a presence across 414 cities in 28 states and two union territories.
- The company was ranked among the three leading offline-first diversified retailers in India, based on retail space as of March 31, 2024 (Source: RedSeer Report). It was also the fastest-growing leading offline-first diversified retailers in India, based on profit after tax growth between Financial Years 2021 and 2024, and among the two leading offline-first diversified retailers in India in terms of same-store sales growth for Financial Year 2024.
- Its consumer-centric approach has helped it to build consumer trust and appeal, and a large consumer base. It has a loyalty program where customers earn rewards on the purchases. These rewards can be redeemed for discounts or other benefits once the prescribed rewards are accumulated and within a defined period.

<b>NSE SYMBOL</b>	<b>VMM</b>
<b>SECTOR</b>	<b>RETAIL</b>
<b>ISSUE SIZE</b>	<b>Rs. 8000 Crs.</b>
<b>PRICE BAND</b>	<b>Rs. 74 - 78</b>
<b>BID SIZE (Nos.)</b>	<b>190</b>
<b>FACE VALUE</b>	<b>Rs. 10.00</b>
<b>MARKET CAP</b>	<b>Rs. 35168 Crs</b>
<b>RATING</b>	<b>SUBSCRIBE</b>

<b>TENTATIVE DATES</b>	
<b>ISSUE OPEN DATE</b>	<b>11TH DEC 2024</b>
<b>ISSUE CLOSE DATE</b>	<b>13TH DEC 2024</b>
<b>BASIS OF ALLOTMENT</b>	<b>16TH DEC 2024</b>
<b>INITIATION OF REFUNDS</b>	<b>17TH DEC 2024</b>
<b>CREDIT OF SHARES</b>	<b>17TH NOV 2024</b>
<b>LISTING DATE</b>	<b>18TH NOV 2024</b>

- It has 133.82 million, 114.04 million, 123.41 million, 104.29 million and 86.10 million customers registered under its loyalty program as at September 30, 2024 and 2023, and March 31, 2024, 2023 and 2022, respectively.
- Company's own brands are significant and growing contributors to its sales and constituted 72.86%, 71.57%, 71.81%, 70.50% and 70.20% of its revenue from operations for the six months period ended September 30, 2024 and 2023, and the Financial Years 2024, 2023 and 2022, aggregating to Rs.3666.56 crore, Rs.3019.78 crore, Rs.6399.34 crore, Rs.5347.98 crore and Rs.3922.88 crore during six months period ended September 30, 2024 and 2023, and the Financial Years 2024, 2023 and 2022, respectively. Company's revenue from operations from sales of own brands grew at a CAGR of 27.72% between the Financial Years 2022 and 2024.
- Having a track record of profitable and capital-efficient growth. During Financial Year 2023, it was the most efficient company in terms of adjusted ROCE among the leading offline-first diversified retailers in India.
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- Its revenue from operations from sales of own brands grew at a CAGR of 27.72% between the Financial Years 2022 and 2024.

*(Source— RHP)*

## STRENGTHS

- Serving a Large and Growing Section of the Indian Population
- Consumer-Centric Approach Resulting in a Large and Loyal Consumer Base
- Diverse and Growing Portfolio of Own Brands across Product Categories
- Pan-India Presence with a Track Record of Successful Store Growth
- Technology Enabled and Systems Driven Operations
- Professional and Experienced Management Team
- Track Record of Delivering Revenue, Profit Growth and Capital Efficiency

*(Source— RHP)*

## OBJECTS OF THE ISSUE

- **The Offer for Sale** - Company will not receive any proceeds from the Offer for Sale of shares of Rs. 8,000.00 crores. The Selling Shareholders will be entitled to their respective portion of the proceeds of the Offer for Sale.

## RISKS

- The company outsource the manufacturing of all products under its own brands to third party vendors, primarily under nonexclusive contract manufacturing agreements.
- Company has received two directives with requests for information from the Enforcement Directorate to furnish information and documents as part of its investigation and any possible penalties/action. Any adverse outcome in such matters may lead to future inquiries or escalate to investigations, legal proceedings or any possible penalties.
- If company fail to identify and effectively respond to changing consumer preferences in a timely manner, the demand for its products could decrease, causing its business, results of operations, financial condition and cash flows to be adversely affected.
- If company is unable to identify consumer demand accurately and maintain an optimal level of inventory, its business, results of operations, financial condition and cash flows may be adversely affected.
- Company derive a significant portion of its revenues from sale of products from its stores located in Uttar Pradesh, Karnataka and Assam, which are the top three states in terms of revenue contribution to business.

*(Source— RHP)*

## PEER COMPARISON

	Face Value (Rs.)	CMP In Rs. (10-12-2024)	TTM EPS (Rs.)	BV per share (Rs.)	P/E (X)	P/BV (X)	M. Cap / Sales
Avenue Supermart	10.00	3816.90	41.30	309.47	92.4	12.3	4.5
Trent	1.00	6878.07	38.36	131.64	179.3	52.2	16.2
<b>Vishal Megamart</b>	<b>10.00</b>	<b>78.00</b>	<b>0.94</b>	<b>25.11</b>	<b>82.9</b>	<b>3.1</b>	<b>3.6</b>

(\*\*On upper price band and on FY 2024 EPS)

## RECOMMENDATION

At the upper band of offer price of Rs 78, the issue has been priced at P/BV of 3.1 times and P/E of 83 times on enhanced equity. Compared to peer group, average P/BV of 32.3 times and P/E of 136 times, Vishal Megamart is reasonably valued.

Investors - **SUBSCRIBE to VISHAL MEGAMART LTD - IPO** considering consumer-centric approach, serving a large and growing section of the Indian population, pan-India presence and track record of delivering revenue, profit growth and capital efficiency.

## PROFIT & LOSS A/C

(In Rs. Crore.)

	FY 2022	FY 2023	FY 2024	6 MONTHS SEP FY 2024	6 MONTHS SEP FY 2025
Income					
Revenue from operations	5588.52	7586.04	8911.95	4219.46	5032.51
Other income	65.34	32.86	33.18	15.98	20.90
Total income	5653.85	7618.89	8945.13	4235.44	5053.42
Expenses					
Purchase of stock-in-trade	4261.07	5799.72	6420.85	3151.99	3995.73
Changes in inventories of stock-in-trade	-246.46	-273.39	25.21	-102.60	-383.51
Employee benefits expense	337.71	431.78	504.70	243.48	302.37
Depreciation and Amortisation Expenses	405.56	461.44	517.29	249.15	278.87
Finance costs	193.81	161.40	143.54	74.29	68.42
Other expenses	432.52	607.41	712.60	355.48	449.89
Total expenses	5384.20	7188.36	8324.18	3971.79	4711.77
Restated Profit before Tax	269.65	430.53	620.95	263.65	341.65
Tax expense					
Current tax	93.18	121.45	160.61	63.22	98.31
Deferred tax	-26.30	-12.19	-1.59	5.07	-10.80
Total tax expense	66.88	109.26	159.02	68.29	87.51
Profit for the year/ period	202.77	321.27	461.94	195.36	254.14

**BALANCE SHEET**

(In Rs. Crore.)

	FY 2022	FY 2023	FY 2024	6 MONTHS SEP FY 2024	6 MONTHS SEP FY 2025
<b>ASSETS</b>					
Property, plant and equipment	401.75	463.06	591.82	484.37	626.95
Capital work-in-progress	11.14	68.52	38.33	89.13	35.27
Right-of-use-assets	1103.06	1136.95	1299.63	1259.13	1221.63
Goodwill	4283.63	4283.63	4283.63	4283.63	4283.63
Other Intangible Assets	14.00	8.92	8.17	6.60	8.23
Other non-current assets	302.82	332.86	312.45	332.48	344.85
<b>Total non-current assets</b>	<b>6116.40</b>	<b>6293.96</b>	<b>6534.03</b>	<b>6455.35</b>	<b>6520.56</b>
Inventories	1215.98	1490.74	1464.97	1593.03	1849.06
Investments	416.79	35.08	0.00	96.59	466.91
Trade receivables	2.32	4.15	31.74	19.61	29.01
Cash and cash equivalents	97.16	45.50	86.96	112.56	194.50
Bank balances other than cash and cash equivalents	118.69	123.72	31.93	56.70	25.77
Other current assets	250.64	295.76	356.45	371.17	465.93
<b>Total current assets</b>	<b>2101.57</b>	<b>1994.95</b>	<b>1972.05</b>	<b>2249.65</b>	<b>3031.19</b>
<b>TOTAL ASSETS</b>	<b>8217.98</b>	<b>8288.91</b>	<b>8506.08</b>	<b>8705.00</b>	<b>9551.75</b>
<b>EQUITY AND LIABILITIES</b>					
Equity share capital	4503.30	4506.59	4508.72	4506.59	4508.72
Other equity	321.88	649.50	1113.12	845.60	1390.27
<b>Total equity</b>	<b>4825.18</b>	<b>5156.09</b>	<b>5621.84</b>	<b>5352.19</b>	<b>5898.99</b>
Liabilities	0.00	0.00	0.00	0.00	0.00
Borrowings	403.66	92.25	0.00	0.00	0.00
Lease liabilities	882.13	882.39	1024.85	995.15	965.89
Provisions	22.39	25.82	31.04	29.43	35.34
<b>Total non-current liabilities</b>	<b>1308.18</b>	<b>1000.45</b>	<b>1055.89</b>	<b>1024.58</b>	<b>1001.23</b>
Borrowings	93.75	41.25	0.00	113.09	0.00
Lease liabilities	409.98	445.74	458.54	451.47	443.60
Trade payables	1460.62	1500.78	1220.02	1608.20	2053.42
Other current liabilities	120.26	144.59	149.79	155.47	154.51
<b>Total current liabilities</b>	<b>2084.61</b>	<b>2132.37</b>	<b>1828.35</b>	<b>2328.23</b>	<b>2651.53</b>
<b>Total liabilities</b>	<b>3392.79</b>	<b>3132.82</b>	<b>2884.24</b>	<b>3352.81</b>	<b>3652.76</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>8217.98</b>	<b>8288.91</b>	<b>8506.08</b>	<b>8705.00</b>	<b>9551.75</b>

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