

# IPO Report

Choice

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**Vishal Mega Mart Ltd.**

Growing potential with improved margins



# Vishal Mega Mart Ltd.

Growing potential with improved margins.

## Salient features of the IPO:

- **Vishal Mega Mart Ltd. (VMM)**, is a one-stop destination for middle and lower-middle-income consumers in India, offering a curated selection of products across apparel, general merchandise, and FMCG, is coming up with an IPO to raise around Rs. 8,000cr, which opens on 11<sup>th</sup> Dec. and closes on 13<sup>th</sup> Dec. 2024. The price band is Rs. 74 - 78 per share.
- This public issue is fully OFS, thus the company will not receive any proceeds from this public issue.
- The promoter & promoter group and the non-promoter & non-public are participating in the OFS and offloading 102.56 - 108.11cr shares. Post-IPO, the P&PG and public shareholders will have 76.02% and 23.98% stake in the company, respectively.

## Key competitive 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

## Risk and concerns:

- General slowdown in the global economic activities
- Dependency on third-party vendors for manufacturing products sold in its stores
- Changing consumer preferences
- Revenue concentration from stores in Uttar Pradesh, Karnataka, and Assam
- Risks from leasing real estate for its operations
- Competition

## Below are the key highlights of the company:

- Between CY16 and CY19, the Indian retail market experienced strong growth, expanding at a CAGR of approximately 12%, reaching Rs. 63 tn (about US\$764 bn) by CY19. Despite this robust growth, the market remains under-penetrated compared to global counterparts, with per capita retail spending in India significantly lower than in the US and China. The retail landscape is gradually transitioning toward greater organization, especially with the rise of both offline and online retail platforms. The growing disposable incomes and urbanization are progressively displacing unorganized retail, particularly in Tier-2 cities, which are expected to grow at a 32% CAGR between CY23 and CY28
- The bulk of India's retail spending is concentrated in the Aspirational Retail segment, encompassing both mass and massive brands. These segments cater to various price points and retail categories, making them integral to the market. Key categories such as Apparel, Staples & FMCG, and general merchandise together account for about 50% of the retail market as of CY23, driven by high purchase frequency and widespread demand. As India's retail market becomes more organized, it is expected to mirror the market structures of developed economies like the US and China, with a substantial increase in organized retail across both Tier-1 and Tier-2 cities.
- VMM was incorporated as 'Rishanth Wholesale Trading Pvt. Ltd.' in Gurugram on March 26, 2018. The name was changed to 'Vishal Mega Mart Private Limited' on May 28, 2020. VMM is a one-stop destination for middle and lower-middle-income consumers in India, offering a curated range of products through its portfolio of own brands and third-party brands.

### Issue details

|                        |  |
|------------------------|--|
| Price band             | Rs. 74 - 78 per share                              |
| Face value             | Rs. 10   |
| Shares for fresh issue | Nil  |
| Shares for OFS         | 102.56 - 108.11cr shares                           |
| Fresh issue size       | Nil  |
| OFS issue size         | Rs. 8,000cr  |
| Total issue size       | 102.56 - 108.11cr shares (Rs. 8,000cr)             |
| Bidding date           | 11 <sup>th</sup> Dec. - 13 <sup>th</sup> Dec. 2024 |

Implied MCAP at higher price band Rs. 35,168cr

Implied enterprise value at higher price band Rs. 36,618cr

Book running lead manager Kotak Mahindra Capital Company Ltd., ICICI Securities Ltd., Intensive Fiscal Services Pvt Ltd., Jefferies India Pvt Ltd., J.P. Morgan India Pvt Ltd., Morgan Stanley India Company Pvt Ltd.

Registrar Kfin Technologies Ltd.

Sector Diversified Retail

Promoters Samayat Services LLP And Kedaara Capital Fund II LLP

| Category                          | Percent of issue (%) | Number of shares         |
|-----------------------------------|----------------------|--------------------------|
| QIB portion                       | 50%                  | 58.212 - 54.054cr shares |
| Non institutional portion (Big)   | 10%                  | 10.256 - 10.811cr shares |
| Non institutional portion (Small) | 5%                   | 5.128 - 5.405cr shares   |
| Retail portion                    | 35%                  | 35.897 - 37.838cr shares |

### Indicative IPO process time line

|                                    |                            |
|------------------------------------|----------------------------|
| Finalization of basis of allotment | 16 <sup>th</sup> Dec. 2024 |
| Unblocking of ASBA account         | 17 <sup>th</sup> Dec. 2024 |
| Credit to demat accounts           | 17 <sup>th</sup> Dec. 2024 |
| Commencement of trading            | 18 <sup>th</sup> Dec. 2024 |

### Pre and post - issue shareholding pattern

|                           | Pre-issue      | Post-issue     |
|---------------------------|----------------|----------------|
| Promoter & promoter group | 98.77%         | 76.02%         |
| Public                    | 1.23%          | 23.98%         |
| Non-promoter & Non-public | 0.00%          | 0.00%          |
| <b>Total</b>              | <b>100.00%</b> | <b>100.00%</b> |

### Retail application money at higher cut-off price per lot

|                          |                    |
|--------------------------|--------------------|
| Number of shares per lot | 190                |
| Application money        | Rs. 14,820 per lot |

## Key highlights of the company (Contd...):

| Company name           | FV (Rs.) | CMP (Rs.) | MCAP (Rs. cr) | EV (Rs.) | 6M Return (%) | 12M Return (%) | TTM Revenue (Rs. cr) | TTM EBITDA (Rs. cr) | TTM PAT (Rs. cr) | TTM Gross Margin (%) | TTM EBITDA margin (%) | TTM PAT margin (%) |
|------------------------|----------|-----------|---------------|----------|---------------|----------------|----------------------|---------------------|------------------|----------------------|-----------------------|--------------------|
| Vishal Mega Mart Ltd.  | 10       | 78        | 35,168        | 36,618   | -             | -              | 9,725                | 1,346               | 521              | 27.9%                | 13.8%                 | 5.4%               |
| Avenue Supermarts Ltd. | 10       | 3,802     | 2,47,510      | 2,47,401 | -18.6%        | -6.1%          | 54,813               | 4,379               | 2,687            | 27.1%                | 8.0%                  | 4.9%               |
| Trent Ltd.             | 1        | 7,000     | 2,49,200      | 2,50,655 | 40.4%         | 145.0%         | 15,025               | 2,354               | 1,809            | 45.4%                | 15.7%                 | 12.0%              |
| V-Mart Retail Ltd      | 10       | 3,928     | 7,777         | 9,373    | 41.5%         | 123.0%         | 3,005                | 298                 | (55)             | 34.2%                | 9.9%                  | -1.8%              |
| V2 Retail Ltd          | 10       | 1,387     | 4,799         | 5,425    | 126.0%        | 486.0%         | 1,465                | 175                 | 41               | 26.6%                | 11.9%                 | 2.8%               |
| <b>Average</b>         |          |           |               |          |               |                |                      |                     |                  | <b>33.3%</b>         | <b>11.4%</b>          | <b>4.5%</b>        |

| Company name           | 3Y top-line growth (CAGR) | 3Y EBITDA growth (CAGR) | 3Y PAT growth (CAGR) | Average 3Y EBITDA margin | Average 3Y PAT margin | 3Y average RoE | 3Y average RoCE | Avg 3Y Receivable days | Avg 3Y Inventory Days | Avg 3Y Payable Days | Net Worth |
|------------------------|---------------------------|-------------------------|----------------------|--------------------------|-----------------------|----------------|-----------------|------------------------|-----------------------|---------------------|-----------|
| Vishal Mega Mart Ltd.  | 26.3%                     | 24.6%                   | 50.9%                | 13.9%                    | 4.3%                  | 6.2%           | 8.9%            | 0                      | 68                    | 74                  | 5,622     |
| Avenue Supermarts Ltd. | 28.0%                     | 28.1%                   | 30.4%                | 8.2%                     | 5.1%                  | 14.1%          | 19.2%           | 1                      | 25                    | 7                   | 18,698    |
| Trent Ltd.             | 65.9%                     | 82.0%                   | 316.0%               | 14.2%                    | 8.2%                  | 20.6%          | 36.0%           | 1                      | 45                    | 38                  | 4,068     |
| V-Mart Retail Ltd      | 29.3%                     | 2.2%                    | -                    | 10.3%                    | -1.0%                 | -3.9%          | 8.4%            | 0                      | 115                   | 94                  | 708       |
| V2 Retail Ltd          | 36.1%                     | 51.2%                   | -                    | 10.6%                    | -0.5%                 | 0.4%           | 13.3%           | 0                      | 135                   | 87                  | 288       |
| <b>Average</b>         | <b>39.8%</b>              | <b>40.9%</b>            | <b>173.2%</b>        | <b>10.8%</b>             | <b>3.0%</b>           | <b>7.8%</b>    | <b>19.2%</b>    | <b>1</b>               | <b>80</b>             | <b>57</b>           |           |

| Company name           | Total Debt | Cash | FY24 RoE (%) | FY24 RoCE (%) | P / E        | P / B       | EV / Sales | EV / EBITDA | MCAP / Sales | EPS (Rs.) | BVPS (Rs.) | D/E        |
|------------------------|------------|------|--------------|---------------|--------------|-------------|------------|-------------|--------------|-----------|------------|------------|
| Vishal Mega Mart Ltd.  | 1,569      | 119  | 9.3%         | 11.1%         | 67.5         | 6.3         | 3.8        | 27.2        | 3.6          | 1.2       | 12         | 0.3        |
| Avenue Supermarts Ltd. | 529        | 638  | 14.6%        | 20.2%         | 92.1         | 13.2        | 4.5        | 56.5        | 4.5          | 41.3      | 287        | 0.0        |
| Trent Ltd.             | 1,753      | 298  | 44.3%        | 59.8%         | 137.8        | 61.3        | 16.7       | 106.5       | 16.6         | 50.8      | 114        | 0.4        |
| V-Mart Retail Ltd      | 1,608      | 12   | -12.3%       | 2.1%          | -            | 11.0        | 3.1        | 31.5        | 2.6          | (27.8)    | 358        | 2.3        |
| V2 Retail Ltd          | 630        | 4    | 10.7%        | 24.0%         | 117.0        | 16.7        | 3.7        | 31.0        | 3.3          | 11.8      | 83         | 2.2        |
| <b>Average</b>         |            |      | <b>14.3%</b> | <b>26.5%</b>  | <b>115.6</b> | <b>25.5</b> | <b>7.0</b> | <b>56.4</b> | <b>6.7</b>   |           |            | <b>1.2</b> |

Note: Considered financials for the period during FY22-24 and TTM basis (with IPO adjustments); Source: Choice Broking Research

- VMM focuses on fulfilling the aspirational and daily needs of its customers by offering products across three major categories: apparel, general merchandise, and fast-moving consumer goods (FMCG). It has a significant regional presence, with 43.21% of its stores located in North India, 29.12% in East India, 19.15% in South India, and 8.3% in West India.
- As of September 30, 2024, VMM operates 645 stores across 403 cities in 28 states and two union territories. The stores are present in Tier 1, Tier 2 cities, and beyond. Uttar Pradesh has the highest number of stores, with 108 stores (around 17% of total stores), followed by Karnataka (70 stores) and Assam (41 stores).
- VMM employs a hub-and-spoke distribution model to source products and manage in-store inventory. As of September 30, 2024, VMM operates one central distribution center, and 17 regional distribution centers, each strategically located near major demand areas. The central and distribution centers are managed by VMM, while the regional distribution centers are managed by the promoter, Samayat Services LLP, through third-party parties.
- VMM follows an asset-light business model, with all distribution centers and stores leased. Products are manufactured by third-party vendors or sourced from third-party brands. As of September 30, 2024, two of VMM's stores are operated under third-party franchise agreements.
- Vishal Mega Mart has a diverse and growing portfolio of own brands across apparel, general merchandise, and FMCG. These own brands contributed 72.86%, 71.81%, 70.50%, and 70.20% of VMM's revenue for the six-month period ending September 30, 2024, and the financial years 2024, 2023, and 2022, respectively. Revenue from own brands amounted to Rs. 3,666.55cr, Rs. 6,399.34cr, Rs. 5,347.97cr, and Rs. 3,922.88cr for the same periods.
- In FY24, 19 of VMM's own brands achieved sales exceeding Rs. 100cr each, with six brands recording sales exceeding Rs. 500cr each. The revenue from own brands has grown at a CAGR of 27.72% from FY22 to FY24.
- VMM outsources the manufacturing of products under its own brands to third-party vendors, primarily under non-exclusive contract manufacturing agreements. As of FY24, around 839 vendors were engaged in manufacturing products for VMM's own brands.
- The total number of stores increased from 501 in FY22 to 611 in FY23, and 645 as of September 30, 2024.
- VMM operates a pan-India omnichannel network that integrates offline and online channels. The offline channel consists of the physical store network, while the online channel is represented through the Vishal Mega Mart website and mobile app. Online revenue grew steadily, contributing 1.03% of the company's total revenue for the three months ended September 30, 2024, compared to 0.66% in FY24, 0.27% in FY23, and 0.014% in FY22.

### Key highlights of the company (Contd...):

- The company's inventory days have decreased from 71 days in the FY22 to 60 days for the six-month period ended September 30, 2024. This reduction aligns with changes in the sales mix, which saw a slight decrease in the share of apparel sales, from 45.06% to 44.61%. At the same time, the proportion of fast-moving consumer goods (FMCG) increased, rising from 25.15% to 27.42%, while the sales mix of general merchandise declined from 29.51% to 27.85%.
- VMM's sales breakdown for the different product categories is as follows: apparel accounts for 47.8% of sales, FMCG makes up 25.28%, and general merchandise contributes 26.81%.
- As of September 30, 2024, the company's inventories totalled Rs. 184.90cr, representing 19.36% of its total assets. The insurance coverage on these inventories was 100% of their value.
- VMM is committed to inclusivity and equal opportunity, employing a significant number of differently-abled individuals in its operations. It received the Hellen Keller NCPEDP Award in 2019 for its efforts in promoting inclusivity.
- VMM has introduced sustainability measures at its stores, such as reducing the use of cardboard boxes for footwear products and installing shampoo dispensers at select stores to enable customers to refill their shampoo bottles.
- VMM has two subsidiaries: Airplaza Retail Holdings Private Limited and Vishal e-Commerce Private Limited. Airplaza Retail Holdings Private Limited is VMM's material subsidiary, which operates a large number of stores on a leasehold basis.

**Peer comparison and valuation:** VMM is a one-stop destination serves middle and lower-middle-income consumers in India, offering a curated range of apparel, general merchandise, and FMCG products through 645 stores nationwide. The store features both own and third-party brands to meet everyday and aspirational needs. Majority of the company's revenue comes from their own brand (70%). As of FY24, the company holds a major portion of its store in north India followed by east India and having future plans of expanding in west and south India. Over the years, the company's top and bottom line has been steadily increasing. The companies main target is Tire-2 cities which are expected to grow its diversified retail sector at a 32% CAGR between CY23 and CY28.

At the higher price range, VMM is demanding a EV/Sales multiple of 3.8x, which seems to be fully priced. However, the company has seen a steady growth in its top and bottom line because of the increase in number of stores and also because of its own brand sales which positively impacts the margins. Over the years, the company has shown a good hold in its inventory and working capital management, which gives a sustainable outlook for long term. Thus, we recommend an **"Subscribe For Long Term"** rating for this issue.

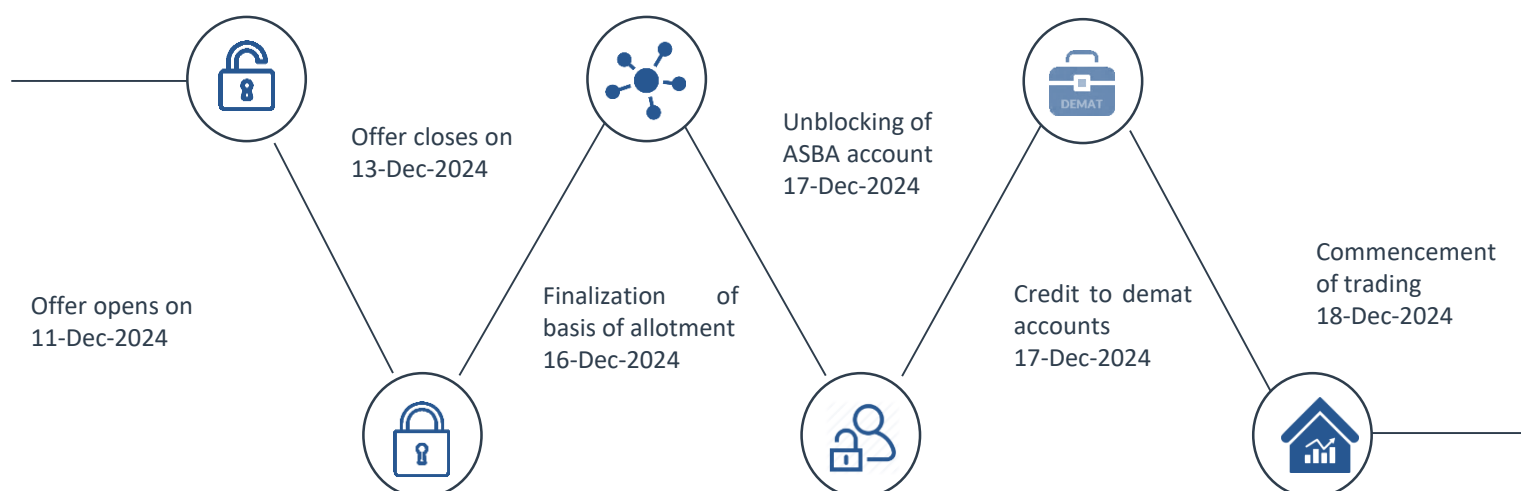
## About the issue:

- VMM is coming up with an IPO with 102.56 - 108.11cr shares (fresh issue: Nil; OFS shares: 102.56 - 108.11cr ) in offering. This offer represents 22.75% of the post-issue paid-up equity shares of the company. Total IPO size is Rs. 8,000cr.
- The issue is through book building process with a price band of Rs. 74 - 78 per share.
- Lot size comprises of 190 equity shares and in-multiple of 190 shares thereafter.
- The issue will open on 11<sup>th</sup> Dec. 2024 and close on 13<sup>th</sup> Dec. 2024.
- This public issue is fully OFS, thus the company will not receive any proceeds from this public issue.
- The promoter & promoter group and the non-promoter & non-public are participating in the OFS and offloading 102.56 - 108.11cr shares. Post-IPO, the P&PG and public shareholders will have 76.02% and 23.98% stake in the company, respectively
- 50% of the net issue is reserved for qualified institutional buyers, while 15% and 35% of the net issue is reserved for non-institutional bidders and retail investors, respectively.

| Pre and post-issue shareholding pattern (%) |           |                                   |
|---|-----------|-----------------------------------|
|   | Pre-issue | Post-issue (at higher price band) |
| Promoter & promoter group                   | 98.77%    | 76.02%                            |
| Public                                      | 1.23%     | 23.98%                            |
| Non-promoter & Non-public                   | 0.00%     | 0.00%                             |

Source: Choice Equity Broking

## Indicative IPO process time line:



## Pre-issue financial performance:

**Performance over FY22-24:** During this period, VMM has experienced a significant improvement in its revenue with a CAGR of 26.28% reaching Rs. 8,911.9cr in FY24 from Rs.5,588.5cr in FY22 due to a significant increase in all of its offerings. Specific segments, which are apparels, fast moving consumer goods general merchandise have risen with a CAGR of 18.5%, 20.4% and 13.6% respectively. Out of the total revenue, 70% of the revenue is from the companies own brand and remaining 30% from third party products in FY24. It mostly targets middle and lower-middle income India through a pan-India network of 626 Vishal Mega Mart stores.

The company has decrease its purchase of stock in trade as a percentage of revenue, on the other hand slight decrease in changes in inventories has led to a decrease in the gross profit margin by 49 bps to 27.7%. Due to an increase in other expenses and employee benefit expense EBITDA margin declined to 14.0% in FY24 from 14.4% in FY22. In absolute terms, the consolidated EBITDA decreased, with CAGR of 1.3%, reaching Rs. 1,248.6cr in FY24.

During this period, the company saw a decrease in depreciation costs, financial cost as a percentage of revenue. These decrease in Expenses, contributed to a significant increase in the PAT margin by 155 bps, bringing it up to 5.2% in FY24. Additionally, the reported PAT showed substantial growth, reaching Rs.461.9cr in FY24.

VMM has decreased its debt, which has contributed to a small decline in debt-to-equity ratio. This ratio decreased from 0.4x in FY22 to 0.3x in FY24. Pre-issue RoCE and RoE stood at 11.1% and 8.2%, respectively, in FY24.

**Performance during H1 FY25:** Continuing with the FY24 profitability growth momentum, VMM reported a 19.3% Y-O-Y rise in consolidated revenue to 5,032.5cr. Further EBITDA margin decline by 26 bps to 13.3% and PAT margins expanded by 56bps and 42bps to 5.0% respectively in H1FY25.

On TTM basis, consolidated revenue stood at 9,725cr, EBITDA and PAT margin of 13.8% and 5.4%, respectively.

| Pre-issue financial snapshot (Rs. cr) | FY22    | FY23    | FY24    | H1FY24  | H1FY25  | TTM     | CAGR over FY22-24 | Y-o-Y (FY24 annual) |
|---------------------------------------|---------|---------|---------|---------|---------|---------|-------------------|---------------------|
| Apparels                              | 2,518.0 | 3,292.7 | 3,901.3 | 1,860.6 | 2,244.8 | 4,285.6 | 24.5%             | 18.5%               |
| Fast moving consumer goods            | 1,405.7 | 2,032.0 | 2,447.3 | 1,148.5 | 1,379.9 | 2,678.8 | 31.9%             | 20.4%               |
| General merchandise                   | 1,649.3 | 2,238.3 | 2,543.3 | 1,198.9 | 1,401.4 | 2,745.8 | 24.2%             | 13.6%               |
| other operating revenue               | 15.6    | 23.0    | 20.0    | 11.4    | 6.3     | 14.9    | 13.3%             | -13.2%              |
| <b>Revenue from segments</b>          |         |         |         |         |         |         |                   |                     |
| Third party product                   | 1650.1  | 2215.0  | 2492.6  | 1188.2  | 1359.6  | 2663.9  | 22.9%             | 12.5%               |
| Own brand                             | 3922.8  | 5347.9  | 6399.3  | 3019.7  | 3666.5  | 7046.1  | 27.7%             | 19.7%               |
| Revenue from operations               | 5,588.5 | 7,586.0 | 8,911.9 | 4,219.5 | 5,032.5 | 9,725.0 | 26.3%             | 17.5%               |
| Gross profit                          | 1,573.9 | 2,059.7 | 2,465.9 | 1,170.1 | 1,420.3 | 2,716.1 | 25.2%             | 19.7%               |
| EBITDA                                | 803.7   | 1,020.5 | 1,248.6 | 571.1   | 668.0   | 1,345.5 | 24.6%             | 22.3%               |
| Reported PAT                          | 202.8   | 321.3   | 461.9   | 195.4   | 254.1   | 520.7   | 50.9%             | 43.8%               |
| Restated adjusted EPS                 | 0.4     | 0.7     | 1.0     | 0.4     | 0.6     | 1.2     | 50.9%             | 43.8%               |
| Cash flow from operating activities   | 657.1   | 635.5   | 829.7   | 486.5   | 991.8   | 1,335.0 | 12.4%             | 30.5%               |
| NOPLAT                                | 299.4   | 417.2   | 544.0   | 238.6   | 289.5   | 594.9   | 34.8%             | 30.4%               |
| FCF                                   | 547.2   | 810.6   | 530.8   | 598.9   | (17.0)  | 1,352.4 | -                 | -34.5%              |
| RoIC (%)                              | 19.4%   | 27.1%   | 26.1%   | 13.5%   | 12.7%   | 32.8%   | 678bps            | (96)bps             |
| Revenue growth rate                   | -       | 35.7%   | 17.5%   | -       | 19.3%   | 93.2%   |                   |                     |
| Gross profit growth rate              | -       | 30.9%   | 19.7%   | -       | 21.4%   | 91.2%   |                   |                     |
| Gross profit margin                   | 28.2%   | 27.2%   | 27.7%   | 27.7%   | 28.2%   | 27.9%   | (49)bps           | 52bps               |
| EBITDA growth rate                    | -       | 27.0%   | 22.3%   | -       | 17.0%   | 101.4%  |                   |                     |
| EBITDA margin                         | 14.4%   | 13.5%   | 14.0%   | 13.5%   | 13.3%   | 13.8%   | (37)bps           | 56bps               |
| Restated PAT growth rate              | -       | 58.4%   | 43.8%   | -       | 30.1%   | 104.9%  |                   |                     |
| Restated PAT margin                   | 3.6%    | 4.2%    | 5.2%    | 4.6%    | 5.0%    | 5.4%    | 155bps            | 95bps               |
| Inventories days                      | 79.4    | 65.1    | 60.5    | 68.0    | 66.1    | 69.4    | -12.7%            | -7.0%               |
| Trade receivables days                | 0.2     | 0.2     | 0.7     | 0.8     | 1.0     | 1.1     | 120.3%            | 372.2%              |
| Trade payables days                   | (95.4)  | (71.2)  | (55.7)  | (68.6)  | (73.4)  | (77.1)  | -23.6%            | -21.8%              |
| Cash conversion cycle                 | (15.8)  | (6.0)   | 5.5     | 0.2     | (6.3)   | (6.6)   |                   | -192.9%             |
| Total asset turnover ratio            | 0.7     | 0.9     | 1.1     | 0.5     | 0.5     | 1.0     | 24.9%             | 15.5%               |
| Current ratio                         | 1.0     | 0.9     | 1.1     | 1.0     | 1.1     | 1.0     | 3.4%              | 15.3%               |
| Total debt                            | 1,852.9 | 1,546.0 | 1,568.8 | 1,648.2 | 1,484.8 | 1,484.8 | -8.0%             | 1.5%                |
| Net debt                              | 1,755.8 | 1,500.5 | 1,481.8 | 1,535.6 | 1,290.3 | 1,290.3 | -8.1%             | -1.2%               |
| Debt to equity                        | 0.4     | 0.3     | 0.3     | 0.3     | 0.3     | 0.3     | -14.8%            | -6.9%               |
| Net debt to EBITDA                    | 2.2     | 1.5     | 1.2     | 2.7     | 1.9     | 1.0     | -26.3%            | -19.3%              |
| RoE                                   | 4.2%    | 6.2%    | 8.2%    | 3.7%    | 4.3%    | 8.8%    | 401bps            | 199bps              |
| RoA                                   | 2.5%    | 3.9%    | 5.5%    | 2.2%    | 2.7%    | 5.5%    | 303bps            | 161bps              |
| RoCE                                  | 6.6%    | 9.1%    | 11.1%   | 5.1%    | 5.8%    | 11.9%   | 450bps            | 195bps              |



### Competitive 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

### Business strategy:

- Drive Same-Store Sales Growth through Multiple Initiatives
- Commitment to Consumer Centricity: Aspirational, Affordable and Accessible
- Driving Cost Efficiencies Across our Operations



### Risk and concerns:

- General slowdown in the global economic activities
- Dependency on third-party vendors for manufacturing products sold in its stores.
- Changing consumer preferences
- Revenue concentration from stores in Uttar Pradesh, Karnataka, and Assam
- Risks from leasing real estate for its operations
- Competition



## Financial statements:

| Restated consolidated profit and loss statement (Rs. cr) |                |                |                |                |                |                |                   |                         |
|--|----------------|----------------|----------------|----------------|----------------|----------------|-------------------|-------------------------|
|  | FY22           | FY23           | FY24           | H1FY24         | H1FY25         | TTM            | CAGR over FY22-24 | Annual growth over FY23 |
| <b>Revenue from operations</b>                           | <b>5,588.5</b> | <b>7,586.0</b> | <b>8,911.9</b> | <b>4,219.5</b> | <b>5,032.5</b> | <b>9,725.0</b> | <b>26.3%</b>      | <b>17.5%</b>            |
| Purchases of stock-in-trade                              | (4,261.1)      | (5,799.7)      | (6,420.8)      | (3,152.0)      | (3,995.7)      | (7,264.6)      | 22.8%             | 10.7%                   |
| Changes in inventories of work-in-progress               | 246.5          | 273.4          | (25.2)         | 102.6          | 383.5          | 255.7          | -                 | -109.2%                 |
| <b>Gross profit</b>                                      | <b>1,573.9</b> | <b>2,059.7</b> | <b>2,465.9</b> | <b>1,170.1</b> | <b>1,420.3</b> | <b>2,716.1</b> | <b>25.2%</b>      | <b>19.7%</b>            |
| Employee benefits expenses                               | (337.7)        | (431.8)        | (504.7)        | (243.5)        | (302.4)        | (563.6)        | 22.2%             | 16.9%                   |
| Other expenses   | (432.5)        | (607.4)        | (712.6)        | (355.5)        | (449.9)        | (807.0)        | 28.4%             | 17.3%                   |
| <b>EBITDA</b>  | <b>803.7</b>   | <b>1,020.5</b> | <b>1,248.6</b> | <b>571.1</b>   | <b>668.0</b>   | <b>1,345.5</b> | <b>24.6%</b>      | <b>22.3%</b>            |
| Depreciation & amortization expenses                     | (405.6)        | (461.4)        | (517.3)        | (249.1)        | (278.9)        | (547.0)        | 12.9%             | 12.1%                   |
| <b>EBIT</b>  | <b>398.1</b>   | <b>559.1</b>   | <b>731.3</b>   | <b>322.0</b>   | <b>389.2</b>   | <b>798.5</b>   | <b>35.5%</b>      | <b>30.8%</b>            |
| Finance costs  | (193.8)        | (161.4)        | (143.5)        | (74.3)         | (68.4)         | (137.7)        | -13.9%            | -11.1%                  |
| Other income   | 65.3           | 32.9           | 33.2           | 16.0           | 20.9           | 38.1           | -28.7%            | 1.0%                    |
| <b>PBT</b>   | <b>269.6</b>   | <b>430.5</b>   | <b>621.0</b>   | <b>263.7</b>   | <b>341.6</b>   | <b>698.9</b>   | <b>51.8%</b>      | <b>44.2%</b>            |
| Tax expenses   | (66.9)         | (109.3)        | (159.0)        | (68.3)         | (87.5)         | (178.2)        | 54.2%             | 45.5%                   |
| <b>Reported PAT</b>                                      | <b>202.8</b>   | <b>321.3</b>   | <b>461.9</b>   | <b>195.4</b>   | <b>254.1</b>   | <b>520.7</b>   | <b>50.9%</b>      | <b>43.8%</b>            |

| Restated consolidated balance sheet statement (Rs. cr) |                |                |                |                |                |                |                   |                         |
|--|----------------|----------------|----------------|----------------|----------------|----------------|-------------------|-------------------------|
|  | FY22           | FY23           | FY24           | H1FY24         | H1FY25         | TTM            | CAGR over FY22-24 | Annual growth over FY23 |
| Equity share capital                                   | 4,503.3        | 4,506.6        | 4,508.7        | 4,506.6        | 4,508.7        | 4,508.7        | 0.1%              | 0.0%                    |
| Other Equity   | 321.9          | 649.5          | 1,113.1        | 845.6          | 1,390.3        | 1,390.3        | 86.0%             | 71.4%                   |
| Non-current borrowings                                 | 403.7          | 92.2           | -              | -              | -              | -              | -                 | -                       |
| Non-current lease liabilities                          | 882.1          | 882.4          | 1,024.8        | 995.2          | 965.9          | 965.9          | 7.8%              | 16.1%                   |
| Non-current provisions                                 | 22.4           | 25.8           | 31.0           | 29.4           | 35.3           | 35.3           | 17.7%             | 20.2%                   |
| Trade payables   | 1,460.6        | 1,500.8        | 1,220.0        | 1,608.2        | 2,053.4        | 2,053.4        | -8.6%             | -18.7%                  |
| Current borrowings                                     | 93.8           | 41.3           | -              | 113.1          | -              | -              | -                 | -                       |
| Current lease liabilities                              | 410.0          | 445.7          | 458.5          | 451.5          | 443.6          | 443.6          | 5.8%              | 2.9%                    |
| Other current financial liabilities                    | 63.4           | 84.4           | 85.4           | 88.5           | 75.3           | 75.3           | 16.1%             | 1.2%                    |
| Other current liabilities                              | 41.1           | 45.1           | 45.7           | 49.7           | 50.0           | 50.0           | 5.4%              | 1.2%                    |
| Current provisions                                     | 15.7           | 15.1           | 18.7           | 17.3           | 20.3           | 20.3           | 9.0%              | 24.0%                   |
| <b>Total liabilities</b>                               | <b>8,218.0</b> | <b>8,288.9</b> | <b>8,506.1</b> | <b>8,705.0</b> | <b>9,542.8</b> | <b>9,542.8</b> | <b>1.7%</b>       | <b>2.6%</b>             |
| PP&E   | 401.7          | 463.1          | 591.8          | 484.4          | 626.9          | 626.9          | 21.4%             | 27.8%                   |
| Right-of-use assets                                    | 1,103.1        | 1,137.0        | 1,299.6        | 1,259.1        | 1,221.6        | 1,221.6        | 8.5%              | 14.3%                   |
| Capital work-in-progress                               | 11.1           | 68.5           | 38.3           | 89.1           | 35.3           | 35.3           | 85.5%             | -44.1%                  |
| Intangible assets                                      | 14.0           | 8.9            | 8.2            | 6.6            | 8.2            | 8.2            | -23.6%            | -8.4%                   |
| Goodwill   | 4,283.6        | 4,283.6        | 4,283.6        | 4,283.6        | 4,283.6        | 4,283.6        | 0.0%              | 0.0%                    |
| Other non-current financial assets                     | 82.0           | 87.8           | 85.5           | 85.4           | 90.4           | 90.4           | 2.1%              | -2.7%                   |
| Deferred tax assets                                    | 203.6          | 216.1          | 218.2          | 211.5          | 229.5          | 229.5          | 3.5%              | 1.0%                    |
| Non-current tax assets (Net)                           | 9.9            | 12.9           | 4.0            | 20.2           | 19.9           | 19.9           | -36.7%            | -69.3%                  |
| Other non-current assets                               | 7.4            | 16.0           | 4.8            | 15.3           | 5.0            | 5.0            | -19.2%            | -70.0%                  |
| Inventories  | 1,216.0        | 1,490.7        | 1,465.0        | 1,593.0        | 1,840.1        | 1,840.1        | 9.8%              | -1.7%                   |
| Current Trade receivables                              | 2.3            | 4.2            | 31.7           | 19.6           | 29.0           | 29.0           | 270.1%            | 664.3%                  |
| Cash & cash equivalents                                | 97.2           | 45.5           | 87.0           | 112.6          | 194.5          | 194.5          | -5.4%             | 91.1%                   |
| Other bank balances                                    | 118.7          | 123.7          | 31.9           | 56.7           | 25.8           | 25.8           | -48.1%            | -74.2%                  |
| Other current financial assets                         | 6.7            | 15.0           | 51.7           | 63.1           | 137.3          | 137.3          | 177.1%            | 243.7%                  |
| Other current assets                                   | 243.9          | 280.7          | 304.8          | 308.1          | 328.7          | 328.7          | 11.8%             | 8.6%                    |
| <b>Total assets</b>                                    | <b>8,218.0</b> | <b>8,288.9</b> | <b>8,506.1</b> | <b>8,705.0</b> | <b>9,542.7</b> | <b>9,542.7</b> | <b>1.7%</b>       | <b>2.6%</b>             |

Source: Choice Equity Broking



## Financial statements (Contd...):

| Restated consolidated cash flow statement (Rs. cr)        |                |                |                |                |                |                |                   |                         |
|---|----------------|----------------|----------------|----------------|----------------|----------------|-------------------|-------------------------|
|   | FY22           | FY23           | FY24           | H1FY24         | H1FY25         | TTM            | CAGR over FY22-24 | Annual growth over FY23 |
| Cash flow before working capital changes                  | 269.6          | 430.5          | 621.0          | 263.7          | 341.6          | 698.9          | 51.8%             | 44.2%                   |
| Working capital changes                                   | 457.4          | 329.5          | 358.4          | 293.5          | 755.2          | 820.2          | -11.5%            | 8.8%                    |
| <b>Cash flow from operating activities</b>                | <b>657.1</b>   | <b>635.5</b>   | <b>829.7</b>   | <b>486.5</b>   | <b>991.8</b>   | <b>1,335.0</b> | <b>12.4%</b>      | <b>30.5%</b>            |
| Purchase of fixed assets & CWIP                           | (157.8)        | (222.4)        | (249.4)        | (111.1)        | (118.1)        | (256.4)        | 25.7%             | 12.1%                   |
| <b>Cash flow from investing activities</b>                | <b>27.2</b>    | <b>177.3</b>   | <b>(130.1)</b> | <b>(140.1)</b> | <b>(621.5)</b> | <b>(611.5)</b> |                   | <b>-173.3%</b>          |
| <b>Cash flow from financing activities</b>                | <b>(710.5)</b> | <b>(864.5)</b> | <b>(658.2)</b> | <b>(279.4)</b> | <b>(262.8)</b> | <b>(641.5)</b> | -                 | <b>-23.9%</b>           |
| <b>Net cash flow</b>                                      | <b>(26.2)</b>  | <b>(51.7)</b>  | <b>41.5</b>    | <b>67.1</b>    | <b>107.5</b>   | <b>81.9</b>    | -                 | <b>-180.3%</b>          |
| Opening balance of cash                                   | 123.4          | 97.2           | 45.5           | 45.5           | 87.0           | 112.6          | -39.3%            | -53.2%                  |
| <b>Closing balance of cash from continuing operations</b> | <b>97.2</b>    | <b>45.5</b>    | <b>87.0</b>    | <b>112.6</b>   | <b>194.5</b>   | <b>194.5</b>   | <b>-5.4%</b>      | <b>91.1%</b>            |

| Financial ratios                |         |         |         |         |         |         |
|---------------------------------|---------|---------|---------|---------|---------|---------|
| Particulars                     | FY22    | FY23    | FY24    | H1FY24  | H1FY25  | TTM     |
| <b>Profitability ratios</b>     |         |         |         |         |         |         |
| Revenue growth rate             | -       | 35.7%   | 17.5%   | -       | 19.3%   | 93.2%   |
| Gross profit growth rate        | -       | 30.9%   | 19.7%   | -       | 21.4%   | 91.2%   |
| Gross profit margin             | 28.2%   | 27.2%   | 27.7%   | 27.7%   | 28.2%   | 27.9%   |
| EBITDA growth rate              | -       | 27.0%   | 22.3%   | -       | 17.0%   | 101.4%  |
| EBITDA margin                   | 14.4%   | 13.5%   | 14.0%   | 13.5%   | 13.3%   | 13.8%   |
| EBIT growth rate                | -       | 40.4%   | 30.8%   | -       | 20.9%   | 105.2%  |
| EBIT margin                     | 7.1%    | 7.4%    | 8.2%    | 7.6%    | 7.7%    | 8.2%    |
| Restated PAT growth rate        | -       | 58.4%   | 43.8%   | -       | 30.1%   | 104.9%  |
| Restated PAT margin             | 3.6%    | 4.2%    | 5.2%    | 4.6%    | 5.0%    | 5.4%    |
| <b>Turnover ratios</b>          |         |         |         |         |         |         |
| Inventory turnover ratio        | 4.6     | 5.6     | 6.0     | 2.6     | 2.7     | 5.3     |
| Accounts payable turnover ratio | 3.8     | 5.1     | 6.6     | 2.6     | 2.5     | 4.7     |
| Fixed asset turnover ratio      | 3.7     | 4.7     | 4.9     | 2.3     | 2.7     | 5.1     |
| Total asset turnover ratio      | 0.7     | 0.9     | 1.1     | 0.5     | 0.5     | 1.0     |
| <b>Liquidity ratios</b>         |         |         |         |         |         |         |
| Current ratio                   | 1.0     | 0.9     | 1.1     | 1.0     | 1.1     | 1.0     |
| Quick ratio                     | 0.4     | 0.2     | 0.3     | 0.3     | 0.4     | 0.3     |
| Total debt                      | 1,852.9 | 1,546.0 | 1,568.8 | 1,648.2 | 1,484.8 | 1,484.8 |
| Net debt                        | 1,755.8 | 1,500.5 | 1,481.8 | 1,535.6 | 1,290.3 | 1,290.3 |
| Debt to equity                  | 0.4     | 0.3     | 0.3     | 0.3     | 0.3     | 0.3     |
| Net debt to EBITDA              | 2.2     | 1.5     | 1.2     | 2.7     | 1.9     | 1.0     |
| <b>Cash flow ratios</b>         |         |         |         |         |         |         |
| CFO to PAT                      | 3.2     | 2.0     | 1.8     | 2.5     | 3.9     | 2.6     |
| CFO to Capex                    | 4.2     | 2.9     | 3.3     | 4.4     | 8.4     | 5.2     |
| CFO to total debt               | 0.4     | 0.4     | 0.5     | 0.3     | 0.7     | 0.9     |
| CFO to current liabilities      | 0.3     | 0.3     | 0.5     | 0.2     | 0.4     | 0.5     |
| <b>Return ratios</b>            |         |         |         |         |         |         |
| RoIC (%)                        | 19.4%   | 27.1%   | 26.1%   | 13.5%   | 12.7%   | 32.8%   |
| RoE (%)                         | 4.2%    | 6.2%    | 8.2%    | 3.7%    | 4.3%    | 8.8%    |
| RoA (%)                         | 2.5%    | 3.9%    | 5.5%    | 2.2%    | 2.7%    | 5.5%    |
| RoCE (%)                        | 6.6%    | 9.1%    | 11.1%   | 5.1%    | 5.8%    | 11.9%   |
| <b>Per share data</b>           |         |         |         |         |         |         |
| Restated EPS (Rs.)              | 0.4     | 0.7     | 1.0     | 0.4     | 0.6     | 1.2     |
| DPS (Rs.)                       | -       | -       | -       | -       | -       | -       |
| BVPS (Rs.)                      | 10.7    | 11.4    | 12.5    | 11.9    | 13.1    | 13.1    |
| Operating cash flow per share   | 1.5     | 1.4     | 1.8     | 1.1     | 2.2     | 3.0     |
| Free cash flow per share (Rs.)  | 1.2     | 1.8     | 1.2     | 1.3     | (0.0)   | 3.0     |

## IPO rating rationale

**Subscribe:** An IPO with strong growth prospects and valuation comfort.

**Subscribe For Long Term:** Relatively better growth prospects but with valuation discomfort.

**Avoid:** Concerns on both fundamentals and demanded valuation.

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