

Vishal Mega Mart Ltd.

Nifty: 24,610 | Sensex: 81,510

IPO Note | 10th December 2024
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Sector: Retail

Price Range: ₹74 - ₹78

Value Retailer Targeting Middle & Lower-middle Income Group

Vishal Mega Mart Ltd. (VMML) is a one-stop destination for middle- and lower-middle-income India. The company offers products across three major categories, i.e., apparel (sales mix of 45%), general merchandise (sales mix of 28%), and fast-moving consumer goods (sales mix of 27%), through a pan-India network of 645 stores.

- ◆ The total addressable market for aspirational retail in India is ₹68-72 trillion (US\$ 820-870 billion) for CY2023, and is expected to be ₹104-112 trillion (US\$ 1,250-1,350 billion) by CY2028, growing at a CAGR of 9%. (Source: Redseer Report)
- ◆ Vishal's revenue grew from ₹5,588cr in FY22 to ₹8,911cr in FY24 with a CAGR of 26.3%, primarily due to an increase in revenue from existing and new stores. The number of stores has increased to 611 at a CAGR of 10% during the same period.
- ◆ The company's EBITDA grew from ₹803cr in FY22 to ₹1,248cr in FY24 with a CAGR of 24.7%. PAT increased to ₹462cr, reflecting a CAGR of 51.2% over the FY22-24 period.
- ◆ Inventory days have reduced from 71 days in FY22 to 60 days for the six-month period ended September 30, 2024.
- ◆ All stores of Vishal Mega Mart are operated on a leasehold basis; this model allows them to roll out new stores with optimal upfront investment and deliver short payback periods on per-store investment.
- ◆ VMML curates a diverse range of merchandize through a portfolio of its own brands (72% in FY24) and third-party brands (28%) to fulfil the aspirational and daily needs of consumers.
- ◆ At the upper price band of Rs.78, VMML is trading at a P/E of 69x on FY25 earnings (annualized), which appears fairly priced compared to its peers and factoring its high growth. Considering positive industry growth opportunities, expected rise in demand, healthy store additions, and presence in the online channel, we assign a "Subscribe" rating on a medium- to long-term basis.

Issue Details

Date of opening	December 11, 2024
Date of closing	December 13, 2024
Total No. of shares offered (cr.)	102.6
Post Issue No. of shares (cr)	450.9
Face Value	₹10
Bid Lot	190 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 14,820
Maximum application for retail (upper price band for 13 lot)	₹ 192,660
Listing	BSE,NSE
Lead Managers	Kotak Mahindra Capital Company Limited ,ICICI Securities Limited , Intensive Fiscal Services Private Limited , Jefferies India Private Limited , J.P. Morgan India Private Limited ,Morgan Stanley India Company Private Limited
Registrar	KFin Technologies Limited

Issue size (upper price)

	Rs.cr
Fresh Issue	0
OFS	8,000
Total Issue	8,000

Shareholding (%)	Pre-Issue	Post Issue
Promoter & Promo. Group.	98.8	76.0
Public & others	1.2	24.0
Total	100.0	100.0

Issue structure	Allocation (%)	Size Rs.cr
Retail	35	2,800
Non-Institutional	15	1,200
QIB	50	4,000
Total	100	8,000

Y.E March (Rs cr) Consol.	FY23	FY24	6MFY25
Sales	7,586	8,911.9	5,032.5
Growth YoY(%)	35.8	17.5	19.3
EBITDA	1,021.2	1,248.8	668.1
Margin(%)	13.5	14	13.3
PAT Adj.	322	462.4	254.3
Growth (%)	59.1	43.6	-
EPS	0.7	1.0	0.6
P/E (x)	109.2	76.1	69.0*
EV/EBITDA (x)	35.8	29.3	27.4*
RoE (%)	6.2	8.2	4.3

*Annualised.

Purpose of IPO

The IPO consists of offer-for-sale (OFS) of Rs 8,000cr. The proposed offer is entirely an OFS of shares by promoter Samayat Services LLP, with no fresh issue of equity shares. The object of the Offer is to achieve the benefits of listing the equity shares on the stock exchanges. Since the IPO is entirely an OFS, the company will not receive any funds from the issue and the proceeds will go to the selling shareholder.

Key Risks

- ◆ Relies entirely on third-party vendors for product manufacturing, ensuring they meet specified quality, design, and standards.
- ◆ A significant portion of revenue comes from stores in Uttar Pradesh, Karnataka, and Assam.

Peer Valuation

Company	MCap(₹ cr)	Sales (₹ cr)	EBITDA(%)	PAT (%)	EPS(₹)	RoE (%)	Mcap/Sales (x)	P/E(x)	EV/EBITDA(x)	P/BV(x)	CMP
Vishal Mega Mart Ltd.	35,168	8,912	14.01	5.2	1.0	8.2	3.9	76.1	29.3	6.3	78
Avenue Supermarts Ltd	2,47,640	50,669	8.1	5.0	38.7	14.6	4.9	98.3	71.7	13.2	3,806
Trent Ltd	2,48,839	12,368.5	15.5	12.0	25.3	44.6	20.1	276.7	105.3	56	7,000

Source: Geojit Research, Bloomberg; Valuations of Vishal Mart are based on upper end of the price band (post issue), Financials as per FY24 consolidated.



Business Description

Vishal Mega Mart is a prominent retail chain in India, catering primarily to middle and lower-middle-income consumers. The company's product assortment and consumer-centric approach aims to fulfil the daily and aspirational requirements of the consumers with a focus on variety, affordability, quality and convenience. Products sold at Vishal Mega Mart stores are either manufactured for them by vendors located across India or sourced from select third-party brands. Vishal Mega Mart offers a wide variety of products, including apparel, general merchandise, and fast-moving consumer goods (FMCG).

- ◆ **Apparel:** Apparel category comprises exclusively of own brands with a range of apparel for all members of a family. The product portfolio includes product ranges across t-shirts, shirts, denim, athletic and leisure wear, night wear, innerwear, western wear, formal wear, and ethnic wear for men, women, children, and infants.
- ◆ **General merchandize category :** The company's general merchandize category comprises own brand and third party brand products ranging across home appliances, crockery and utensils, home products and furnishings, toys, stationery, travel products and footwear, among others
- ◆ **Fast-Moving Consumer Goods :** The fast-moving consumer goods category comprises own and third party brand products across the packaged food, staples and non-food categories. Within this category, the company offer food products such as biscuits, savoury snacks (namkeen), noodles, tea, coffee, staples such as mustard oil, soya oil, clarified butter (desi ghee) and spices, and non-food products such as baby diapers, hair oil, sanitary pads and handwash, among others.

The table below sets out revenue from sale of products for apparel, general merchandise and fast-moving consumer goods, for the period/ years indicated:

Particulars	Six months period ended September 30, 2024		Six months period ended September 30, 2023		Financial Year 2024		Financial Year 2023		Financial Year 2022	
	(₹ in million)	(% of revenue from operations) ⁱⁱ	(₹ in million)	(% of revenue from operations) ⁱⁱ	(₹ in million)	(% of revenue from operations) ⁱⁱ	(₹ in million)	(% of revenue from operations) ⁱⁱ	(₹ in million)	(% of revenue from operations) ⁱⁱ
Sale of products - apparel	22,448.49	44.61%	18,605.98	44.10%	39,013.21	43.78%	32,926.84	43.40%	25,179.53	45.06%
Sale of products - fast-moving consumer goods	13,799.44	27.42%	11,485.02	27.22%	24,473.09	27.46%	20,319.62	26.79%	14,056.87	25.15%
Sale of products - general merchandise	14,013.70	27.85%	11,989.32	28.41%	25,433.15	28.54%	22,383.46	29.51%	16,493.03	29.51%
Sale of products across our three product categories	50,261.63	99.88%	42,080.32	99.73%	88,919.45	99.78%	75,629.92	99.70%	55,729.43	99.72%

Source: RHP, Geojit Research

Omni-channel network

Vishal Mega Mart have established a pan-India omnichannel network that comprises (i) offline channel through the physical store network, and (ii) online channel through Vishal Mega Mart website and mobile application. The offline channel comprises of 645 stores across 414 cities in India and online channel comprises of e-commerce platforms, which includes the company's website and mobile application. Through the website and mobile application, consumers can check product availability at stores nearest to them, and place orders online for delivery or pick-up from the stores.

Revenue distribution from physical store network and online channel (Source RHP)

(₹ in million)

Particulars	Six months period ended September 30, 2024	Six months period ended September 30, 2023	Financial Year 2024	Financial Year 2023	Financial Year 2022
Revenue from physical store network	49,741.86	41,849.27	88,330.93	75,424.74	55,721.18
Revenue from online channel (Vishal Mega Mart website and mobile application)	519.77	231.05	588.52	205.17	8.25
Total sale of traded goods	50,261.63	42,080.32	88,919.45	75,629.92	55,729.43

Source: RHP, Geojit Research

Key strengths

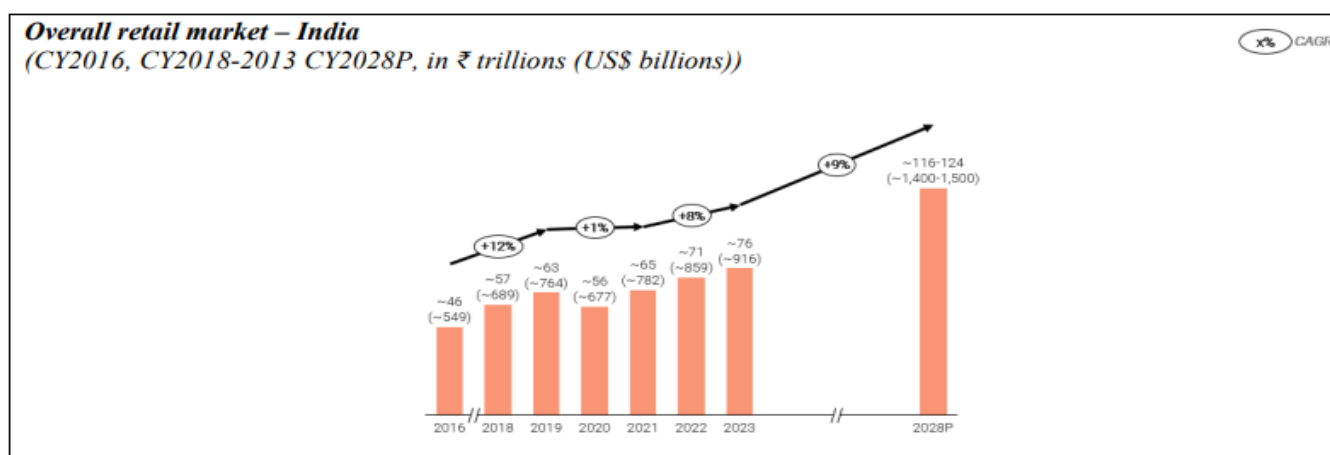
- One stop destination for middle and lower middle income India. Company serves this section of the Indian population through diverse portfolio of quality, affordable and branded products, fulfilling their daily and aspirational needs.
- Diverse and growing portfolio of own Brands across product categories.
- Pan-India Presence with a Track Record of Successful Store Growth.
- Company has implemented technology and systems across operations to identify latest trends, designs and features as well as to place orders with vendors based on daily sales and demand.

Key strategies

- Expand Pan-India store network
- Aim to continue to leverage technology to enhance consumer engagement and drive sales.

Industry outlook

The total addressable market for aspirational retail in India is ₹68-72 trillion (US\$ 820-870 billion) for calendar year 2023, and is expected to be ₹104-112 trillion (US\$ 1,250-1,350 billion) by calendar year 2028, growing at a CAGR of 9% (Source: Redseer Report). 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 especially in fast-moving consumer goods, denser urban areas, and large whitespace for organized retailers in aspirational retail (Source: Redseer Report).



Source(s): Redseer Research and Analysis; Note(s): Conversion rate: 1 US\$ = ₹83

Source: RHP, Geojit Research

Promoter and promoter group

The Promoters of the company are Samayat Services LLP and Kedaara Capital Fund II LLP. Samayat Services is engaged in the business of warehousing and transportation services and Kedaara Capital Fund II LLP is engaged in the business of making operationally oriented investments.

Brief Biographies of directors

Gunender Kapur is the Managing Director and Chief Executive Officer of the Company. He has over 40 years of experience in management and investment in the consumer and retail sectors. He was appointed to the Board of Directors with effect from September 22, 2020.

Neha Bansal is the Chairperson and Independent Director of the Company. She was appointed to the Board of Directors with effect from February 25, 2022.

Soumya Rajan is the Independent Director of the Company. She has over 29 years of experience in strategy, finance, and operations. She was appointed to the Board of Directors from May 31, 2024.

Sanjeev Aga is the Non-Executive Director of the Company. He has more than 37 years of experience in management. He was appointed to the Board of Directors with effect from October 16, 2020.

Nishant Sharma is the Non-Executive Director of the Company. He has more than 20 years of experience in various fields. He was appointed to the Board of Directors with effect from October 16, 2020.

Manas Tandon is the Non-Executive Director of the Company. He was appointed to the Board of Directors with effect from October 16, 2020.

CONSOLIDATED FINANCIALS

PROFIT & LOSS

Y.E March (Rs cr)	FY23	FY24	6MFY25
Sales	7,586	8,911.9	5,032.5
% change	35.8	17.5	19.3
EBITDA	1,021.2	1,248.8	668.1
% change	27	22	
Depreciation	461.4	517.0	278.8
EBIT	559.8	731.8	389.3
Interest	161.4	143.5	68.4
Other Income	449.9	387	20.9
Exceptional items	-	-	-
PBT	431.2	621.4	341.8
% change	60	44.1	-
Tax	109.2	159.0	87.5
Tax Rate (%)	25	26	26
Reported PAT	322	462.4	254.3
Adj	-	-	-
Adj. PAT	322	462.4	254.3
% change	59.1	43.6	-
Post issue No. of shares (cr)	450.9	450.9	450.9
Adj EPS (Rs)	0.7	1.0	0.6
% change	59.1	43.6	-

CASH FLOW

Y.E March (Rs cr)	FY23	FY24	6MFY25
PBT Adj.	431.2	621.4	341.84
Non-operating & non cash adj.	595	626.9	349.2
Changes in W.C	(390)	(418.2)	300.9
C.F. Operating	636	830	992
Capital expenditure	(222.4)	(249.4)	(118)
Change in investment	(954)	(1001)	(882.95)
Sale of investment	1,348.1	1,049.3	428.29
Other invest.CF	5.7	71	(48.73)
C.F - investing	177.3	(130.1)	(621.5)
Issue of equity	3.7	2.1	-
Issue/repay debt	-	-	-
Dividends paid	-	-	-
Other finance.CF	(868.2)		
C.F - Financing	(864.5)	(658.2)	(262.8)
Change. in cash	(51)	41.9	107.7
Opening Cash	97.2	45.5	86.96
Closing cash	46.2	87.4	194.7

*Annualised.

BALANCE SHEET

Y.E March (Rs cr)	FY23	FY24	6MFY25
Cash	169.1	118.8	220.2
Accounts Receivable	4.2	32	29
Inventories	1,491	1,465	1,849
Other Cur. Assets	295.7	356.3	465.6
Investments	35	-	466.9
Deff. Tax Assets	216	218.1	229.5
Net Fixed Assets	463	591	626.9
CWIP	68.5	38.3	35.2
Intangible Assets	5,428.8	5,591.3	5,513.4
Other Assets	116.8	94.3	115.2
Total Assets	8,288	8,505	9,551
Current Liabilities	1,545.8	1,264.9	2,103.4
Provisions	40.0	49.6	55.5
Debt Funds	1,461.4		1,409.4
Other Fin. Liabilities	84.4	85.4	
Deferred Tax liability	-	-	8.9
Equity Capital	5,156	5,621.8	5,898.9
Reserves & Surplus	-	-	-
Shareholder's Fund	5156	5621.8	5,895.9
Total Liabilities	8,288	8,505	9,551
BVPS (Rs)	11.4	12.5	13.1

RATIOS

Y.E March	FY23	FY24	6MFY25
Profitab. & Return			
EBITDA margin (%)	13.5	14	13.3
EBIT margin (%)	7.4	8.2	7.7
Net profit mgn.(%)	4.2	5.2	5.1
ROE (%)	6.2	8.2	4.3
ROCE (%)	6.8	8.3	4.3
W.C & Liquidity			
Receivables (days)	0	1	0
Inventory (days)	89	84	43
Payables (days)	72	50	37
Current ratio (x)	1.3	1.5	1.4
Quick ratio (x)	0.1	0.1	0.1
Turnover & Levg.			
Net asset T.O (x)	17.5	16.9	8.0
Total asset T.O (x)	0.9	1.1	0.6
Int. covge. ratio (x)	3.5	5.1	5.7
Adj. debt/equity (x)	0.3	0.3	0.2
Valuation ratios			
EV/Sales (x)	4.8	4.1	7.3
EV/EBITDA (x)	35.8	29.3	54.7
P/E (x)	109.2	76.1	69*
P/BV (x)	6.8	6.3	6.0

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