

Vishal Mega Mart

India | Consumer Discretionary | Result Update



Strong performance

1 February 2025

Vishal Mega Mart's (VMM IN) Q3 performance remained robust in terms of revenue and PAT, while EBITDA margins were hit by higher employee cost led by ESOP charges in Q3 and other expenses. VMM is on track to open new stores and its mix is healthy (in favor of apparel). We maintain our positive stance based on VMM's long-term growth trajectory considering aggressive store openings, strong category mix and high share of private labels. We maintain BUY with TP maintained at INR 140, on 66x FY27E P/E.

Revenue up 19.5% YoY, led by strong SSSG: In Q3, VMM reported a 19.5% YoY revenue growth, led by new store openings and same store sales growth (SSSG) of 10.5%. SSSG was led by strong product portfolio and private label contribution. Apparel contributed ~46%, FMCG ~26% and general merchandise ~28% to revenues. Due to festival and wedding seasons, apparel contribution was strong. Expect revenue mix to largely be in similar range in the medium term. Expect revenue CAGR of 19.2% in FY24-27E.

EBITDA margin hit by higher costs: Gross margin expanded by 55bps to 29.1%, led by favorable revenue mix. Q3 EBITDA margin declined 17bps YoY to 16.1%, hit by higher employee costs (driven by increased ESOP charges) and other expenses (mainly from higher warehousing costs, which should normalize in Q4.) PAT grew 27.9% YoY to INR 2,627mn, led by slower increase in depreciation, decline in interest cost and 86.5% YoY rise in other income. Adjusted EBITDA (pre-IndAS and pre-ESOP charges) grew 32.4% YoY to INR 3,942mn with margin at 12.6%. We expect an EBITDA CAGR of 20.3% and a PAT CAGR of 27.5% in FY24-27E, given strong SSSG and robust store network expansion.

Retail space CAGR at 10.9% in FY24-27E: VMM's retail space expanded 7.2% to reach ~11.8mn sqft as at end-Q3FY25. On net basis, VMM opened 23 stores in Q3 and 57 in 9MFY25, taking the total store count to 668, with no store closures in Q3 and one store closed in 9MFY25. VMM added 18 cities in Q3 to reach 432 cities from 414 in Q2FY24. We expect the network to reach 686 stores in FY25E, 766 stores in FY26E and 846 in FY27E. We expect retail space addition CAGR of 10.9% in FY24-27E.

Reiterate Buy with TP maintained at INR 140: We prefer VMM given its strong pan-India store expansion potential, robust category mix tilted towards apparel and general merchandise with higher share of private labels and cash rich balance sheet. We maintain our estimates. Expect 27.5% PAT CAGR in FY24-27E, led by store expansion and higher SSSG. We maintain Buy with TP retained at INR 140, on 66x FY27E P/E. Key risks to our call are slower-than-expected pace of store expansion and weaker SSSG.

Rating: **Buy**

Target Price: **INR 140**

Upside: **22%**

CMP: **INR 115**

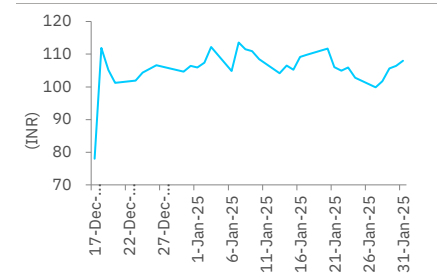
As on 1 February 2025

Key data

Bloomberg	VMM IN
Reuters Code	VSSLNS
Shares outstanding (mn)	4,509
Market cap (INR bn/USD mn)	520/6,006
Enterprise Value (INR bn/USD mn)	527/6,081
Avg daily volume 3M (INR mn/USD mn)	7,082/82
52 week high/low	118/97
Free float (%)	-

Note: as on 1 February 2025; Source: Bloomberg

Price chart



Source: Bloomberg

Shareholding (%)	Q2 FY25	Q3 FY25
Promoter	76.0	76.0
% Pledged	-	-
FII	4.6	6.6
DII	6.4	9.9
Others	13.0	7.5

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(3.4)	(6.1)	8.2
Vishal Mega Mart	-	-	-
NSE Mid-cap	(5.3)	(8.6)	10.7
NSE Small-cap	(9.7)	(9.7)	4.3

Source: Bloomberg

Key Financials

YE March	FY23	FY24	FY25E	FY26E	FY27E
Revenue (INR mn)	75,860	89,119	105,926	127,480	150,781
YoY (%)	35.7	17.5	18.9	20.3	18.3
EBITDA (INR mn)	10,205	12,486	14,576	17,850	21,724
EBITDA margin (%)	13.5	14.0	13.8	14.0	14.4
Adj PAT (INR mn)	3,213	4,619	5,900	7,489	9,571
YoY (%)	58.4	43.8	27.7	26.9	27.8
Fully DEPS (INR)	0.7	1.0	1.3	1.7	2.1
RoE (%)	36.8	34.5	30.6	32.5	34.4
RoCE (%)	41.5	46.4	40.5	38.6	39.9
P/E (x)	161.3	112.2	87.9	69.2	54.2
EV/EBITDA (x)	50.9	41.5	35.3	28.9	23.7

Note: Pricing as on 1 February 2025; Source: Company, Elara Securities Estimate

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Financials (YE March)

Income Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	75,860	89,119	105,926	127,480	150,781
EBITDA	10,205	12,486	14,576	17,850	21,724
Add:- Non operating Income	329	332	530	765	1,055
OPBIDTA	10,534	12,818	15,105	18,615	22,779
Less :- Depreciation & Amortization	4,614	5,173	5,686	6,878	8,108
EBIT	5,919	7,645	9,420	11,737	14,671
Less:- Interest Expenses	1,614	1,435	1,489	1,672	1,807
PBT	4,305	6,210	7,930	10,066	12,864
Less :- Taxes	1,093	1,590	2,030	2,577	3,293
Adjusted PAT	3,213	4,619	5,900	7,489	9,571
Reported PAT	3,213	4,619	5,900	7,489	9,571
Balance Sheet (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	45,066	45,087	45,087	45,087	45,087
Reserves	6,495	11,131	17,031	20,776	25,561
Borrowings	922	-	-	-	-
Other LT Liabilities	9,082	10,559	11,702	12,804	13,488
Total Liabilities	61,565	66,777	73,820	78,667	84,136
Gross Block	10,462	12,918	16,068	19,463	22,894
Less:- Accumulated Depreciation	5,831	7,000	8,524	10,365	12,527
Net Block	4,631	5,918	7,544	9,098	10,368
Add:- Capital work in progress	685	383	422	464	510
Other LT Assets	57,623	59,040	61,750	64,048	65,809
Net Working Capital	(1,829)	567	572	1,733	3,137
Cash and cash equivalent	455	870	3,533	3,324	4,312
Total Assets	61,564	66,778	73,820	78,667	84,136
Cash Flow Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Cash profit adjusted for non cash items	10,256	12,478	14,576	14,576	17,850
Add/Less : Working Capital Changes	(3,900)	(4,182)	(3,178)	(3,178)	(4,337)
Operating Cash Flow	6,355	8,297	11,398	13,513	16,616
Less:- Capex	(2,224)	(2,494)	(3,221)	(3,473)	(3,517)
Free Cash Flow	4,131	5,803	8,177	10,040	13,099
Investing Cash Flow	1,773	(1,301)	(2,691)	(2,709)	(2,462)
Financing Cash Flow	(8,645)	(6,582)	(6,043)	(11,013)	(13,167)
Net change in Cash	(517)	415	2,663	(209)	988
Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Income Statement Ratios (%)					
Revenue Growth	35.7	17.5	18.9	20.3	18.3
EBITDA Growth	27.0	22.3	16.7	22.5	21.7
PAT Growth	58.4	43.8	27.7	26.9	27.8
EBITDA Margin	13.5	14.0	13.8	14.0	14.4
Net Margin	4.2	5.2	5.6	5.9	6.3
Return & Liquidity Ratios					
Net Debt/Equity (x)	0.0	(0.0)	(0.1)	(0.1)	(0.1)
ROE (%)	36.8	34.5	30.6	32.5	34.4
ROCE (%) Post tax	41.5	46.4	40.5	38.6	39.9
Per Share data & Valuation Ratios					
Diluted EPS (INR/Share)	0.7	1.0	1.3	1.7	2.1
EPS Growth (%)	58.3	43.7	27.7	26.9	27.8
DPS (INR/Share)	0.0	0.0	0.0	0.8	1.1
P/E Ratio (x)	161.3	112.2	87.9	69.2	54.2
EV/EBITDA (x)	50.9	41.5	35.3	28.9	23.7
EV/Sales (x)	6.8	5.8	4.9	4.0	3.4
BVPS (INR)	11.4	12.5	13.8	14.6	15.7
Price/Book (x)	10.1	9.2	8.3	7.9	7.3
Dividend Yield (%)	0.0	0.0	0.0	0.7	0.9

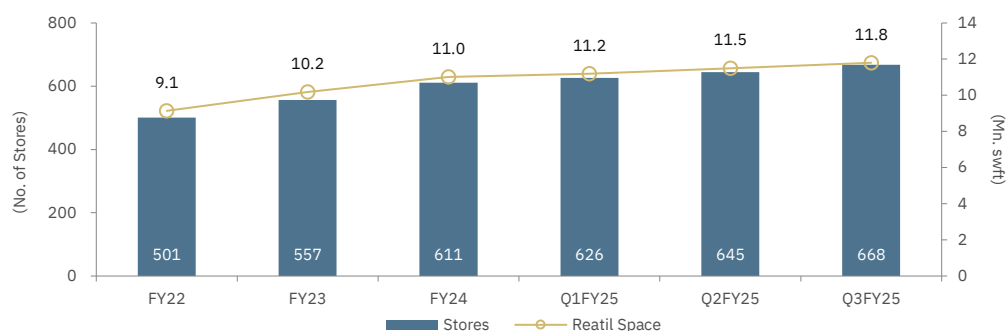
Note: Pricing as on 1 February 2025; Source: Company, Elara Securities Estimate

Quarterly financials

YE March (INR mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Revenues	31,359	26,236	19.5	24,362	28.7	81,685	68,430	19.4
Raw material	22,237	18,748	18.6	17,490	27.1	58,359	49,242	18.5
Gross Profit	9,123	7,488	21.8	6,872	32.8	23,326	19,189	21.6
Gross Margins (%)	29.1	28.5	55 bps	28.2	88 bps	28.6	28.0	51 bps
Staff costs	1,709	1,355	26.1	1,525	12.0	4,733	3,790	24.9
Other expenses	2,364	1,863	26.9	2,322	1.8	6,863	5,418	26.7
Total expenditure	26,309	21,966	19.8	21,338	23.3	69,954	58,450	19.7
EBITDA	5,050	4,269	18.3	3,025	67.0	11,731	9,981	17.5
EBITDAM (%)	16.1	16.3	-17 bps	12.4	369 bps	14.4	14.6	-22 bps
Depreciation	1,407	1,320	6.6	1,405	0.1	4,195	3,811	10.1
Interest	315	329	(4.4)	342	(8.1)	999	1,072	(6.8)
Other income	190	102	86.5	132	44.0	399	262	52.5
PBT	3,519	2,722	29.3	1,409	149.8	6,936	5,359	29.4
Tax	892	669	33.4	369	141.8	1,767	1,352	30.7
Net profit	2,627	2,054	27.9	1,040	152.6	5,169	4,007	29.0
EPS (Rs.)	0.6	0.5	27.9	0.2	152.6	1.1	0.9	29.0

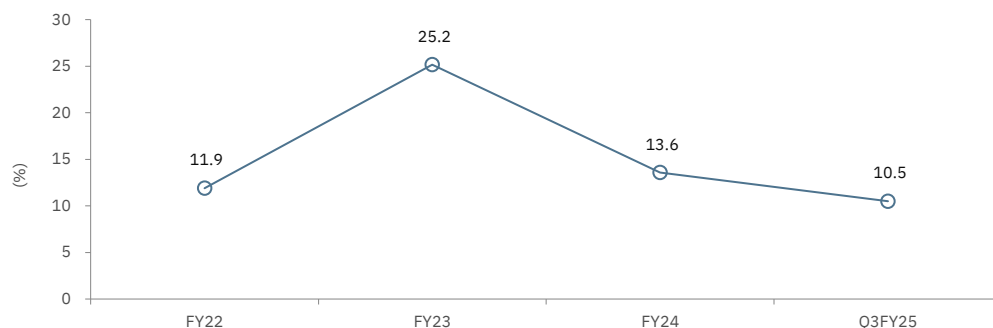
Source: Company, Elara Securities Estimate

Exhibit 1: Retail space grew 9.3% in 9MFY25 to 668 stores



Source: Company, Elara Securities Research

Exhibit 2: SSSG at 10.5% YoY



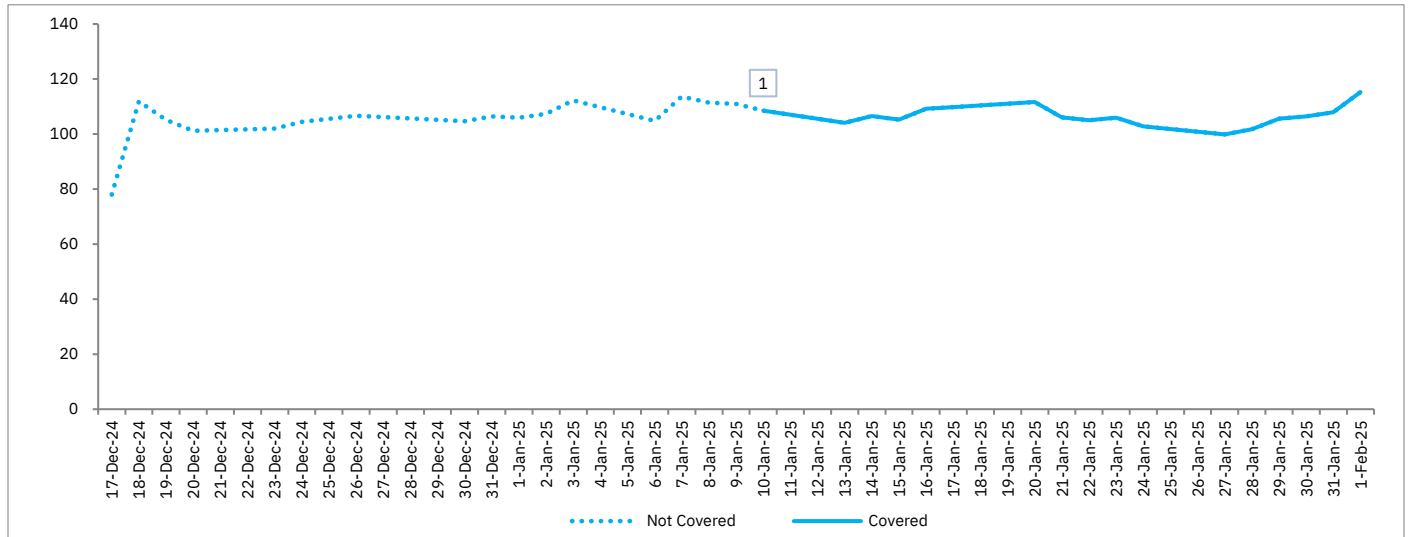
Source: Company, Elara Securities Estimate/Research

Exhibit 3: Valuations

Particulars	Details
FY27E EPS (INR)	2.1
Target P/E (x) - Implied	66
Target price (INR)	140
CMP (INR)	115
Upside (%)	22

Note: Pricing as on 1 February 2025; Source: Elara Securities Estimate

Coverage History



	Date	Rating	Target Price	Closing Price
1	10-Jan-2025	Buy	140	109

Guide to Research Rating

BUY	Absolute Return >+20%
ACCUMULATE	Absolute Return +5% to +20%
REDUCE	Absolute Return -5% to +5%
SELL	Absolute Return < -5%

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