

VISHAL MEGA MART LTD

11-12-2024 - 13-12-2024

Industry: Diversified Retail

Price Band: ₹74 - 78

Recommendation: Subscribe for Long Term

Post Implied Market Cap: – ₹33,365 - ₹35,168Cr

Key Data

Issue Size (₹ Cr)	8,000
Fresh (₹)	0
OFS (₹)	8,000
No. of shares offered	1,081,081,081 - 1,025,641,025
Face Value (₹ /share)	10
Bid Lot	190

About the Company

Vishal Mega Mart (Vishal Mart) is a leading retailer targeting middle and lower-middle-income consumers in India. The company offers a wide range of products across apparel, general merchandise and FMCG categories through a network of 645 stores and its digital platforms as of September 30, 2024. Company ranked among the top three offline-first diversified retailers in India by retail space as of March 31, 2024, it serves both aspirational and everyday needs through its own and third-party brands.

Investment Rationales

- Serving a Large and Growing Section of the Indian Population:** Vishal Mart focuses on serving middle and lower-middle-income households with quality, affordable and branded products. The middle-income segment in India expanded to approximately 225 million households in 2023, fuelled by economic growth, employment formalization and a shift toward manufacturing and services. With growing aspirations in Tier 2 cities and beyond, driven by digital access and exposure to urban lifestyles, the addressable market for aspirational retail is projected to reach ₹ 104-112 trillion by 2028, growing at a CAGR of 9%. The company operates 451 stores in Tier 2 cities and beyond, leveraging the expanding retail opportunities in these markets.
- Consumer-Centric Approach Resulting in a Large and Loyal Consumer Base:** Company follows a consumer-centric approach emphasizing variety, affordability, quality and convenience. It offers a diverse product portfolio, with over 25% revenue contribution from apparel, general merchandise and FMCG categories in FY 2024. The company provides competitive price points across categories (e.g., men's t-shirts from ₹ 99 to ₹ 599) and maintains high-quality standards through stringent vendor controls. It ensures a seamless shopping experience through a pan-India store network, app, and website, with features like product availability checks and same-day delivery in multiple cities. Its loyalty program, recognized with international awards, has grown significantly, registering 133.82 million members as of September 30, 2024.
- Diverse and Growing Portfolio of Own Brands across Product Categories:** Vishal Mart has a diverse and expanding portfolio of own brands across apparel, general merchandise, and FMCG categories. In FY 2024, 19 of its own brands achieved sales exceeding Rs.100 Cr each, with 6 surpassing ₹ 500 Cr. Own brands contributed 71.81% of the company's revenue from operations at ₹ 6,399.34 Cr in FY 2024, growing at a CAGR of 27.72% from FY 2022-2024. The company continues to innovate and expand its offerings, adding products such as air fryers and garment steamers under the 'Tandem' brand and peanut butter and cookies under the 'First Crop' FMCG brand.
- Expand the Pan-India Store Network:** Vishal Mart plans to expand its footprint by entering new cities and towns with populations exceeding 50,000 while strengthening its presence in existing locations. The company grew its presence in such cities from 290 in March 2022 to 352 by September 2024. It also increased store counts in key regions, such as Hyderabad (15 to 23 stores) and Karnataka (53 to 70 stores) during this period. Additionally, cities with multiple stores increased from 46 in March 2022 to 64 by September 2024, showcasing its strategic growth in untapped and existing markets.

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	16-12-2024
Refunds/Unblocking ASBA Fund	17-12-2024
Credit of equity shares to DP A/c	17-12-2024
Trading commences	18-12-2024

Shareholding (No. of shares)

Pre-Issue	4,508,719,493
Post Issue (Lower price band)	4,508,719,493
Post Issue (Higher price band)	4,508,719,493

Shareholding Pattern

Promoter:	
Pre Issue	98.77%
Post Issue	76.02%
Public - Others:	
Pre Issue	1.23%
Post Issue	23.98%

Issue Breakup

QIB	50%
NIB	15%
Retail	35%

Other Details

BRLMs: Kotak Mahindra Capital, ICICI Securities, Intensive Fiscal Services, Jefferies India, J.P. Morgan India, Morgan Stanley India.

Registrar: KFin Technologies Ltd.

Listing: BSE & NSE

Research Analyst

Rajan Shinde
rajan.shinde@mehtagroup.in
 022-61507142

Risk

- High working capital intensive business.
- Company entirely relies on third party vendors for the manufacturing of all products under its own brands.

MView

We believe Vishal Mega Mart Ltd IPO brings investors an opportunity to invest in a prominent retailer catering to India's growing middle- and lower-middle-income demographics. We think the company's extensive portfolio of affordable, quality and branded products positions it well in the rapidly expanding aspirational retail market, projected to grow at a 9% CAGR to ₹ 104-112 trillion by 2028. With 451 stores in Tier 2 cities and beyond, Company is strategically focused on underpenetrated markets, leveraging its diversified merchandise mix and value pricing to attract and retain customers. We also believe the company's loyalty program, boasting over 133 million registered users, highlights strong customer engagement. Its emphasis on private-label products, contributing 71.81% of FY2024 revenue, drives margin control and brand strength, with own-brand revenue growing at a 27.72% CAGR between FY2022 and FY2024. By looking at the financials showcased a strong growth in Revenue from operations and net profit, as revenue from operations grew by 36% in FY 2023 and 17% in FY 2024 and net profit increased by 58% in FY 2023 and 44% in FY 2024. On valuation parse at the upper band of ₹ 78/-, the issue is asking for a Market Cap of ₹ 35168 cr/- Cr. Based on annualised FY 2024 earnings and fully diluted post - IPO paid-up capital, the company is asking a PE of 69.19x which seems the valuations are reasonable looking at its listed peers which are trading at an average 90x-100x. Investors should also look at IPO offers which come with 100% OFS i.e ₹ 8000/- cr issue which is an area of concern for new investors. Given the plans to tap into cities with populations over 50,000 and strengthen its existing footprint, Vishal Mega Mart is poised to capitalize on India's expanding urbanization and retail trends. The steady increase in store count across key geographies further supports the scalability of its business model. Hence, looking at all attributes we recommend investors to "SUBSCRIBE" the Vishal Mega Mart Ltd IPO for long perspective.



CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	6 Mts End Sept 30th		As at March' 31		
	2024	2023	2024	2023	2022
Equity Share Capital	4,508.72	4,506.59	4,508.72	4,506.59	4,503.30
Net Worth	5,923.74	5,376.94	5,646.59	5,180.84	4,849.93
Total Borrowings	-	113.09	-	133.50	497.41
Revenue from Operations	5,032.51	4,219.46	8,911.95	7,586.04	5,588.52
Revenue Growth (%)	19.27	-	17.48	35.74	-
EBITDA	668.03	571.11	1,248.60	1,020.52	803.69
EBITDA Margin (%) as stated	13.27	13.54	14.01	13.45	14.38
Net Profit for the year	254.14	195.36	461.94	321.27	202.77
Net Profit Margin (%)	5.05	4.63	5.18	4.24	3.63
EPS	0.56	0.43	1.02	0.71	0.45
RONW (%)	4.29%	3.63%	8.18%	6.20%	4.18%
Net Asset Value (₹) as stated	13.14	11.93	12.53	11.50	10.80
ROCE (%)	29.77%	35.07%	68.76%	75.80%	56.43%
Number of Stores	645	576	611	557	501

Source: Company RHP

COMPARISON WITH INDUSTRY LISTED PEERS ₹ (IN CR)

Companies	Revenue (₹ in Cr)	Mcap (₹ in Cr)	FV	EPS	NAV (₹ Per Share)	P/B	P/E	RoNW (%)
Vishal Mega Mart Limited	8,911.95	35,168	10	1.13	13.70	5.7	69.2	8.18%
Avenue Supermarts Limited	50,788.83	2,46,722	10	38.93	287.47	12.3	91.8	13.56%
Trent Limited	12,375.11	2,42,624	1	41.82	104.59	51.9	178.0	39.99%

Date as on 31st March 2024, Cline Mcap, PE, PB calculated as on 10-12-2024

Vishal Mega Mart Ltd, EPS/PE,PB, NAV calculated on annualised basis post money



MSEARCH

DISCLAIMER & DISCLOSURE

This Report is published by Mehta Equities Limited (hereinafter referred to as "MEL") for registered client circulation only. MEL is a registered Research Analyst under SEBI (Research Analyst) Regulations, 2014 having Registration no. INH00000552. MEL is a registered broker with the Securities & Exchange Board of India (SEBI) and registered with National Stock Exchange of India Limited and BSE Limited in cash and derivatives segments, Multi Commodity Exchange of India (MCX), National Commodity & Derivatives Exchange Ltd. (NCDEX) for its stockbroking activities & is Depository participant with Central Depository Services Limited (CDSL), is registered with SEBI for providing PMS services and distribute third party PMS product and also member of Association of Mutual Funds of India (AMFI) for distribution of financial products.

MEL a "Research Entity" under SEBI (Research Analyst) Regulations 2014 has independent research teams working with a Chinese wall rule with other business divisions of MEL as mentioned above.

MEL or its associates have not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market. MEL, its associates or Research analyst or his relatives do not hold any financial interest in the subject company. MEL or its associates or Research analysts do not have any conflict or material conflict of interest at the time of publication of the research report with the subject company. MEL or its associates or Research Analyst or his relatives do not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report.

MEL or its associates or Research analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Research analyst during the past twelve months. MEL or its associates have not received any compensation or other benefits from the company covered by Research analyst or third party in connection with the research report. Research Analyst has not served as an officer, director or employee of Subject Company and MEL / Research analyst has not been engaged in market making activity of the subject company.

This report is for the personal information of the authorized recipient and does not constitute to be any investment, legal or taxation advice to you. MEL is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. In preparing this research, we did not take into account the investment objectives, financial situation and particular needs of the reader. This research has been prepared for the general use of the clients of MEL and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MEL will not treat recipients as customers by virtue of their receiving this report. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MEL & its group companies to registration or licensing requirements within such jurisdictions.

The report is based on the information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. We accept no obligation to correct or update the information or opinions in it. MEL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. MEL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This information is subject to change without any prior notice. MEL reserves its absolute discretion and right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, MEL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Before making an investment decision on the basis of this research, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. Opinions expressed are subject to change without any notice. Neither the company nor the director or the employees of MEL accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Here it may be noted that neither MEL, nor its directors, employees, or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profit that may arise from or in connection with the use of the information contained in this report.

Analyst Certification: Research Analyst the author of this report, hereby certifies that the views expressed in this research report accurately reflect my personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the Research Analyst was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The Research Analyst is principally responsible for the preparation of this research report and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors

Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

MEHTA EQUITIES LTD

BSE: - Membership Clearing No. 122 - SEBI Regn. No. INB010683856, NSE: - Membership Clearing No. 13512-
SEBI Regn. No. INB231351231, NSE FO SEBI Regn. No. INF231351231, CIN No: U65990MH1994PLC078478
MSEI: - Membership Clearing No. 51800 - SEBI Regn. No. INB261351234 SEBI registered RA Reg No INH00000552
Mehta Equities Limited, 903, 9th Floor, Lodha Supremus, Dr.E.Moses Road, Worli Naka, Worli, Mumbai 400 018, India

Tel: +91 22 6150 7101, Fax: +91 22 6150 7102

Email: info@mehtagroup.in, Website: www.mehtagroup.in

Compliance Officer: Prakash Joshi

Email Id: compliance@mehtagroup.in

Phone No +91 22 61507180

For grievance redressal contact Customer Care Team Email: help.kyc@mehtagroup.in Phone: + 91 22 61507154