IPO Note: Vishal Mega Mart Ltd.

Industry: FMCG **Reco: Subscribe** **Date: December 09, 2024**

Issue Snapshot	
Company Name	Vishal Mega Mart Ltd.
Issue Opens	December 11, 2024 to December 13, 2024
Price Band	Rs. 74 to Rs. 78
Bid Lot	190 Equity Shares and in multiples thereof.
The Offer	Public issue of 1,02,56,41,026 Equity shares of Face value Rs. 10 each, (Comprising of Offer for Sale).
Issue Size	Rs. 8,000 Crore
IPO Process	100% Book Building
Face Value	Rs. 10.00
Exchanges	NSE & BSE
BRLM	Kotak Mahindra Capital Co. 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.

Issue Break up		
QIB ex Anchor	20%	20,51,28,205
Anchor Investor	30%	30,76,92,308
HNI<Rs. 10 Lakhs	5%	5,12,82,051
HNI>Rs. 10 Lakhs	10%	10,25,64,103
RII	35%	35,89,74,359
Total Public	**100%**	**1,02,56,41,026**

Equity Share Pre Issue (Nos. Cr.)	450.9
OFS Share (Nos. Cr.)	102.6
Equity Share Post Issue (Nos. Cr.)	450.9
Market Cap (Rs. Cr.)	35,168.0
Stake Sale by OFS	22.7%

Objects of the Offer

Offer for Sale

The Company will not receive any proceeds of the Offer for Sale by the Selling Shareholder. (Up to Rs. 8,000 crore by Samayat Services LLP)

Company Highlights

- Vishal Mega Mart Ltd. (VMML) is a one stop destination for middle and lower-middle income India. It curates a diverse range of merchandize through portfolio of own brands and third party brands to fulfil the aspirational and daily needs of consumers. VMML offers products across three major product categories, i.e., apparel, general merchandise and fast-moving consumer goods, through a Pan-India network of 645 Vishal Mega Mart stores (as of September 30, 2024) and Vishal Mega Mart mobile application and website.

- VMML is ranked among the three leading offline-first diversified retailers in India, based on retail space as of March 31, 2024 (Source: RedSeer Report). The company is also the fastest-growing leading offline-first diversified retailers in India, based on profit after tax growth between FY21 and FY24, and among the two leading offline-first diversified retailers in India in terms of same-store sales growth for FY24.

- VMML targets middle and lower middle-income India. The number of middle income households in India has increased from approximately 201 million in CY18 to approximately 225 million households (approximately 945 million individuals) in CY23, driven by rapid economic development, growing formalization of employment, and a structural shift from an agrarian-based economy towards manufacturing and services (Source: RedSeer Report).

- The aspirational retail market in India, driven by the consumer desire for products that offer both high-quality and affordability, will remain a significant contributor to India's retail market (Source: RedSeer Report). The total addressable market for aspirational retail in India is Rs. 68-72 trillion (US$820-870 billion) for CY23 and is expected to be Rs. 104-112 trillion (US$1,250-1,350 billion) by CY28, 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, denser urban areas, and large whitespace for organized retailers in aspirational retail.

- VMML product assortment and consumer-centric approach aims to fulfil the daily and aspirational requirements of its consumers with a focus on variety, affordability, quality and convenience.

- The company's diversified product portfolio spans across 3 product categories, i.e., apparel, general merchandise and fast-moving consumer goods, with products offered under the own and third-party brands. The company is engaged in contract manufacturing, wholesale and retailing of apparel, general merchandise and fast-moving consumer goods, under its own brands and third-party brands.
- Products sold under the company's own brands are manufactured by third-party contract manufacturers engaged by the Company. These products are, in turn, supplied by the Company to its Material Subsidiary, Airplaza Retail Holdings Private Limited, as well as its other franchisees under a contractual arrangement. Moreover, third-party brand products procured by the Material Subsidiary directly from such brands (together with the products procured from the Company under its own brands) are either sold in Vishal Mega Mart stores leased and operated by the Material Subsidiary or other franchisees of the Company. The company's Material Subsidiary also owns and operates the Vishal Mega Mart website and mobile application.

View

- The company serves the middle and lower-middle income population through a diverse portfolio of quality, affordable and branded products. The number of middle-income households in India has increased to ~225 million households in CY2023 from 201 million, driven by rapid economic development, growing formalization of employment, and a structural shift from an agrarian-based economy towards manufacturing and services. The total addressable market for aspirational retail in India is expected to touch Rs. 104-112 trillion (US$ 1,250-1,350 billion) by CY28, growing at a CAGR of 9%. This large and growing addressable market presents opportunity for organized retailers, catering to the aspirational retail market. The company has a large network of stores in Tier 2 cities and beyond in India, with 451 stores as of September 30, 2024.
- VMML has a diverse and growing portfolio of own brands across the apparel, general merchandise and fast-moving consumer goods product categories. During FY24, 19 of the company's own brands recorded sales exceeding Rs. 100 Cr each, with 6 of the company's own brands recording sales exceeding Rs. 500 Cr each. The company's own brands constituted 71.81% of revenue from operations for FY24 at Rs. 6,399.34 Cr. The company's revenue from operations from sales of own brands grew at a CAGR of 27.72% between FY22-FY24. Additionally, the company continues to add additional products to the existing portfolio of its own brands.
- VMML plans to enter new cities and towns and strengthen its presence in existing cities and towns. The company plans to expand to cities and towns having a population exceeding 50,000. As of CY23 India has ~50 tier 1 cities and 1,250 tier 2 cities and beyond, with populations exceeding 50,000. This represents a substantial untapped market for the company. In places where the company has a presence, it has increased the number of stores.
- The company aim to drive same-store sales growth through several complementary initiatives including expansion of the product portfolio, expansion of hyperlocal offering, leveraging technology and data obtained from its loyalty program, and enhancing the instore experience at the stores.
- VMML has strategically implemented technology systems and processes across its operations, thereby improving its operational efficiency. The company also plans to continue to leverage technology to enhance consumer engagement and drive sales, facilitate cross-sell as well as up-sell of products and enhance the overall shopping experience for the consumers. The company's technology infrastructure is integrated with its stores, enabling it to track store inventory levels frequently and provide an omni-channel experience to its consumers.
- VMML has demonstrated solid revenue growth, supported by a focus on operational efficiency and low costs. Revenue from operations grew at a CAGR of 26.3% from Rs. 5589 crore in FY22 to Rs. 8912 crore in FY24. Operating EBITDA increased at a CAGR of 24.6% from Rs. 804 crore in FY22 to Rs. 1249 crore in FY24, while Profit After Tax rose at a CAGR of 50.9% to Rs. 462 crore in FY24. Operating EBITDA margins remained at ~14%, with PAT margins ranging from 3.6% to 5.2% over various periods.
- In terms of the valuations, on the higher price band, VMML demands P/E multiple of 69.2x post issue H1FY25 annualized EPS and EV/EBITDA multiple of 28.1x. Hence, it is recommended to "SUBSCRIBE" the issue from the long term perspective.

Key Performance Indicators

	Unit	FY22	FY23	FY24	H1FY24	H1FY25
Revenue from Operations	(Rs. in crore)	5588.5	7586.0	8911.9	4219.5	5032.5
Profit for the period/ year	(Rs. in crore)	202.8	321.3	461.9	195.4	254.1
Net Cash flow from Operating activities	(Rs. in crore)	657.1	635.5	829.7	486.5	991.8
Sales mix – Apparel	(Rs. in crore)	2518.0	3292.7	3901.3	1860.6	2244.8
Sales mix – Fast moving consumer goods	(Rs. in crore)	1405.7	2032.0	2447.3	1148.5	1379.9
Sales mix – General Merchandise	(Rs. in crore)	1649.3	2238.3	2543.3	1198.9	1401.4
Sales mix contribution – Apparel	(%)	45.06	43.40	43.78	44.10	44.61
Sales mix contribution – Fast moving consumer goods	(%)	25.15	26.79	27.46	27.22	27.42
Sales mix contribution – General Merchandise	(%)	29.51	29.51	28.54	28.41	27.85
Profit Margin	(%)	3.63	4.24	5.18	4.63	5.05
Gross Profit	(Rs. in crore)	1573.9	2059.7	2465.9	1170.1	1420.3
Gross Margin	(%)	28.16	27.15	27.67	27.73	28.22
EBITDA	(Rs. in crore)	803.7	1020.5	1248.6	571.1	668.0
EBITDA Margin	(%)	14.38	13.45	14.01	13.54	13.27
Return on Capital Employed	(%)	56.43	75.80	68.76	35.07	29.77
Adjusted Return on Capital Employed	(%)	156.34	92.16	70.95	42.93	49.63
Inventory days	(No. of days)	71	65	61	67	60
Number of Stores	(No.)	501	557	611	576	645
Adjusted Same-Store Sales Growth	(%)	11.89	25.16	13.57	13.34	12.57
Retail Space	(sq. ft. million)	9.14	10.18	11.01	10.48	11.49
Average store size	(sq. ft.)	18,250.95	18,268.86	18,011.56	18,201.74	17,812.32
Revenue contribution of own brands	(Rs. in crore)	3922.9	5348.0	6399.3	3019.8	3666.6
Revenue contribution of own brands	(%)	70.20	70.50	71.81	71.57	72.86
Number of Stores – Tier 1 cities	(No.)	167	178	187	180	194
Number of Stores – Tier 2 cities and beyond	(No.)	334	379	424	396	451

Revenue from Operations

	FY22	FY23	FY24	H1FY24	H1FY25
Sales of Products					
-from third-party brands	1,650.1	2,215.0	2,492.6	1,188.3	1,359.6
- from own brands	3,922.9	5,348.0	6,399.3	3,019.8	3,666.6
Omni-Channel Network					
Revenue from physical store network	5,572.1	7,542.5	8,833.1	4,184.9	4,974.2
Revenue from online channel	0.8	20.5	58.9	23.1	52.0
Total sale of traded goods	**5,572.9**	**7,563.0**	**8,892.0**	**4,208.0**	**5,026.2**

Financial Statement

(In Rs. Cr)	FY22	FY23	FY24	H1FY24	H1FY25
Share Capital	4503.3	4506.6	4508.7	4506.6	4508.7
Net Worth	4825.2	5156.1	5621.8	5352.2	5899.0
Long Term Borrowings	403.7	92.2	0.0	0.0	0.0
Other Long Term Liabilities	904.5	908.2	1055.9	1024.6	1001.2
Short-term borrowings	93.8	41.3	0.0	113.1	0.0
Other Current Liabilities	1990.9	2091.1	1828.4	2215.1	2651.5
Fixed Assets	5813.6	5961.1	6221.6	6122.9	6175.7
Non Current Assets	6102.4	332.9	312.4	332.5	344.8
Current Assets	2101.6	1995.0	1972.1	2249.7	3031.2
Total Assets	8218.0	8288.9	8506.1	8705.0	9551.7
Revenue from Operations	5588.5	7586.0	8911.9	4219.5	5032.5
Revenue Growth (%)		35.7	17.5		19.3
EBITDA	803.7	1020.5	1248.6	571.1	668.0
EBITDA Margin (%)	14.4	13.5	14.0	13.5	13.3
Net Profit	202.8	321.3	461.9	195.4	254.1
Net Profit Margin (%)	3.6	4.2	5.2	4.6	5.0
Earnings Per Share (Rs.)	0.5	0.7	1.0	0.4	0.6
Return on Networth (%)	4.2	6.2	8.2	3.6	4.3
Net Asset Value per Share (Rs.)	10.7	11.3	12.3	11.7	12.9

Source: RHP, Ashika Research

Cash Flow Statement

(In Rs. Cr)	FY22	FY23	FY24	H1FY24	H1FY25
Cash flow from Operations Activities	657.1	635.5	829.7	486.5	991.8
Cash flow from Investing Activities	27.2	177.3	(130.1)	(140.1)	(621.5)
Cash flow from Financing Activities	(710.5)	(864.5)	(658.2)	(279.4)	(262.8)
Net increase/(decrease) in cash and cash equivalents	(26.2)	(51.7)	41.5	67.1	107.5
Cash and cash equivalents at the beginning of the year	123.4	97.2	45.5	45.5	87.0
Cash and cash equivalents at the end of the year	97.2	45.5	87.0	112.6	194.5

Source: RHP

Comparison with Listed Industry Peers

Co Name	Net Sales (Rs. Cr.)	OPM (%)	D/E (x)	ROCE (%)	RONW (%)	P/E (x)	P/BV (x)	EV/EBIDTA (x)	MCap/Sales (x)	Market Cap (Rs. Cr.)
Vishal Mega Mart Ltd.	8911.9	14.0	0.0	19.4	8.6	69.2	6.0	28.1	3.9	35168.0
Avenue Supermarts Ltd.	50788.8	7.6	0.0	20.2	14.6	93.6	12.5	55.5	4.6	251488.8
Trent Ltd.	12375.1	16.9	0.1	59.8	44.3	137.0	53.0	95.3	16.5	247888.5

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