

# Vishal Mega Mart Limited

Recommendation: Subscribe

Retail

Vishal Mega Mart Limited (VMM) is a prominent Indian retail chain that offers a broad assortment of products, such as groceries, apparel, household items, electronics, and more. With a network of 645 stores, alongside its website and mobile app, VMM primarily caters to middle and lower-middle-income segments through its private label brands. The stores are predominantly located in tier 2 and tier 3 cities, aligning with the needs of price-sensitive customers. The company boasts a strong customer base of 13.4 crore registered loyalty members, who contribute ~90% to its revenue. VMM's growth strategy is focused on expanding its presence in cities with populations of 50,000 or more which represents a significant untapped opportunity. India has roughly 50 Tier 1 cities and 1,250 Tier 2 cities and beyond with populations exceeding 50,000, presenting substantial growth potential for VMM.

## Issue Snapshot

Details	Information
Date of Opening	11th December 2024
Date of Closing	13th December 2024
Listing Date	18th December 2024
Price Band per share (Rs)	74-78
Offer for Sale (Rs mn)	80,000
Fresh Issue (Rs mn)	-
Issue Size (Rs mn)	80,000
Face Value (Rs)	10
Registrar	KFin Technologies Limited
Bid Lot	190 shares
QIB shares	Not more than 50% of the Offer
Retail shares	Not less than 35% of the Offer
NII shares	Not less than 15% of the Offer
Shareholding Pattern (Pre-Issue)	96%
Shareholding Pattern (Post-Issue)	76%
Post Ipo EPS	1.13
Pre Ipo EPS	1.02

## Investment Rationale:

**Value-for-Money Offering:** VMM provides affordable products across multiple categories, including apparel, general merchandise, and FMCG. The company's private label brands such as Tandem, Mavie, Yellow Hippo, Home Pure etc contribute ~70% to the revenue, deliver quality products at competitive prices. Apparel options for men and women start at Rs 99, while FMCG products are priced as low as Rs16. The products either manufactured in-house or through third-party vendors. 19 of its private label brands recorded sales exceeding Rs 1,000mn with 6 of them exceeding Rs 5,000mn. Revenue from sales of private label brands grew at a CAGR of 27% between FY22 and FY24.

**Strong Presence in Tier 2 and Tier 3 Cities:** The Company has an extensive retail network with 645 stores across India as of September 30, 2024. This includes 194 stores in 33 Tier1 cities and 451 stores in 381 Tier 2 and Tier 3 cities operated on a lease basis, while 2 additional stores are managed by franchisees. The market opportunity for low income and middle class consumers is quite large as the total addressable market for aspirational retail in India is Rs. 68-72 trillion for CY23 and is expected to be Rs. 104-112 trillion by CY28, growing at a CAGR of 9%.

**Efficient Supply Chain Management:** VMM employs a hub-and-spoke distribution model with 1 central distribution centre and 17 regional distribution centres near key demand areas. The central facilities are directly managed by the company, while regional centres are operated by the promoter, Samayat Services LLP, through third-party partnerships. The company leverages technology to identify latest trends and designs globally in apparel and general merchandise categories and to place orders with vendors based on daily sales and demand.

**Valuation and View:** VMM's core strengths lie in its affordable pricing strategy, expansive presence in tier 2 and tier 3 cities, efficient supply chain management, and asset-light business model. Its strong reliance on private label brands and ability to adapt to market trends bolster its competitive position in India's retail sector. At the upper price band of ₹78, VMM is valued at a FY24 PE multiple of 69x on post-issue capital. The company has a strategic

growth plan to expand its store network by adding 1,400 new stores over the next 14-15 years (900 stores in tier 2 and tier 3 cities and 450 stores in tier 1 cities). This expansion is expected to focus on southern India, where the company currently has lower market penetration. Given this ambitious growth strategy, we recommend subscribing to the issue for long-term growth potential.

### Peer Comparison

Particulars (Rs mn)	Avenue Supermart Limited	Trent Limited	VVM
Revenue	5,07,888	1,23,751	89,119
Gross Profit	75,142	54,162	24,659
Gross Margin	14.8%	43.8%	27.7%
EBITDA	41,038	29,110	12,486
EBITDA Margin	8.1%	23.5%	14.0%
Profit	25,356	14,774	4,619
Profit Margin	5.0%	11.9%	5.2%
Number of Stores	365	903	611
Net Cash flow from Operating activities	27,458	13,489	8,296
Inventory days	30	NA	61
Adjusted Same-Store Sales growth	9.9%	NA	13.6%

## Income Statement

Particulars (Rs mn)	FY22	FY23	FY24	1HFY25
<b>Revenue from operations</b>	<b>55,885</b>	<b>75,860</b>	<b>89,119</b>	<b>50,325</b>
Other income	653	328	331	209
<b>Total Income</b>	<b>56,538</b>	<b>76,188</b>	<b>89,450</b>	<b>50,534</b>
<b>Expenses</b>				
Cost of materials consumed	42,610	57,997	64,208	39,957
Changes in inventories of stock-in-trade	(2,464)	(2,733)	252	(3,835)
Employee benefits expense	3,377	4,317	5,046	3,023
Finance costs	1,938	1,614	1,435	684
Depreciation and amortisation expense	4,055	4,614	5,172	2,788
Other expenses	4,325	6,075	7,125	4,498
<b>Total Expenses</b>	<b>53,841</b>	<b>71,884</b>	<b>83,238</b>	<b>47,115</b>
<b>Profit before tax</b>	<b>2,697</b>	<b>4,304</b>	<b>6,212</b>	<b>3,419</b>
Current tax	931	1,214	1,606	983
Deferred tax	(26)	(12)	(16)	(108)
Total tax expense	905	1,202	1,590	875
<b>Profit after tax</b>	<b>1,792</b>	<b>3,102</b>	<b>4,622</b>	<b>2,544</b>

## Balance Sheet

Particulars (Rs mn)	FY22	FY23	FY24	1HFY25
<b>Non-current asset</b>				
Property, Plant And Equipment	402	4,631	5,918	6,269
Capital Work-In-Progress	11	685	383	353
Right-Of-Use Assets	1,103	11,370	12,996	12,216
Goodwill	42,836	42,836	42,836	42,836
Other Intangible Assets	8	89	82	82
Other Financial Assets	82	878	856	904
Deferred Tax Assets	204	2,121	2,182	2,295
Non-Current Tax Assets (Net)	10	129	40	199
Other Non-Current Assets	7	160	48	50
<b>Total Non-Current Assets</b>	<b>44,663</b>	<b>62,899</b>	<b>65,341</b>	<b>65,204</b>
<b>Current Assets</b>				
Inventories	12,160	14,907	14,649	18,491
Financial Assets				
Investments	4,168	351	-	4,669
Trade Receivables	23	42	317	290
<b>Cash And Cash Equivalents</b>	<b>972</b>	<b>455</b>	<b>870</b>	<b>1,945</b>
Bank Balances Other Than Cash And Cash Equivalents	1,187	1,237	319	258
Other Financial Assets	67	150	517	1,373
Other Assets	2,439	2,807	3,048	3,287
<b>Total Current Assets</b>	<b>21,016</b>	<b>19,949</b>	<b>19,720</b>	<b>30,313</b>
<b>Total Assets</b>	<b>65,679</b>	<b>82,848</b>	<b>85,061</b>	<b>95,517</b>

Particulars (Rs mn)	FY22	FY23	FY24	1HFY25
<b>Equity And Liabilities</b>				
<b>Equity</b>				
Equity Share Capital	45,033	45,065	45,087	45,087
Other Equity	3,219	6,495	1,113	1,390
<b>Total Equity</b>	<b>48,252</b>	<b>51,560</b>	<b>46,200</b>	<b>46,477</b>
<b>Non-Current Liabilities</b>				
Financial Liabilities				
Borrowings	4,037	922	-	-
Lease Liabilities	8,821	8,824	10,249	9658.94
Provisions	224	258	310	353
<b>Total Non-Current Liabilities</b>	<b>13,082</b>	<b>10,004</b>	<b>10,559</b>	<b>10,012</b>
<b>Current Liabilities</b>				
Financial Liabilities				
Borrowings	938	413	-	-
Lease Liabilities	4,100	4,457	4,585	4,435
Trade Payables	14,606	15,008	12,200	20534
Other Financial Liabilities	634	844	854	753
Other Current Liabilities	411	452	457	500
Provisions	157	151	187	203
Current Tax Liabilities (Net)	-	-	-	90
<b>Total Current Liabilities</b>	<b>20,846</b>	<b>21,325</b>	<b>18,283</b>	<b>26,515</b>
<b>Total Equity And Liabilities</b>	<b>82,180</b>	<b>82,889</b>	<b>75,042</b>	<b>83,004</b>

## Cashflow Statement

Particulars (Rs mn)	FY22	FY23	FY24	1HFY25
Net cash used in operating activities (A)	6,567	6,355	8,297	9,917
Net cash flow from/ (used in) investing activities (B)	272	1,773	(1,300)	(6,215)
Net cash flow from/ (used in) financing activities (C)	(7,105)	(8,645)	(6,581)	(2,628)
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>(267)</b>	<b>(517)</b>	<b>416</b>	<b>1,074</b>
Cash and cash equivalents at the beginning of the period/year	1,234	972	455	870
<b>Cash and cash equivalents at end of the period/ year</b>	<b>968</b>	<b>455</b>	<b>871</b>	<b>1,944</b>

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