

Issue Details		
Issue Opens	11 th December, 2024	
Issue Closes	13 th December, 2024	
Issue Size (Rs. Crs)	~8,000	
Issue Size –OFS (Rs Crs)	~8,000	
Issued, Subscribed and Paid Up Sh. Pre offer	450,87,19,493	
Offer For Sale (No. Of Shares)	~102.56 Cr	
Face Value	10	
Lot Size (Sh)	190	
Price Band	Rs 74 – Rs 78	
Issue Type	Book Built Issue IPO	
Book Value (in Rs.)(H1FY25)	13.08	
BRLMs	Kotak Mahindra Capital, ICICI Securities, Intensive Fiscal Services, Jefferies, JP Morgan, Morgan Stanley	
Registrar	KFin Technologies Ltd	
Listing Venue	NSE , BSE	
Finalization of Allotment	On or about 16/12/2024	
Initiation of refund	On or about 17/12/2024	
Credit to Demat Account	On or about 17/12/2024	
Listing	On or about 18/12/2024	
Issue Structure		
Categories	Allocation	
QIBs	>=50%	
Non-Institutional	<=15%	
Retail Portion	<=35%	
Total	100%	
Shareholding %		
Categories	Pre issue	Post Issue
Promoter	98.77	76.02%
Public	1.23	23.98%
Recommendation		
SUBSCRIBE		

Company Background

Incorporated In 2001, Vishal Mega Mart Ltd (VMMT) is a hypermarket chain that sells a wide range of products like apparel, groceries, electronics, and home essentials. They own their brands and third-party brands to meet the everyday needs of consumers. The company offers a wide range of products across apparel, general merchandise, and FMCG, including its brands for clothing, home furnishings, travel accessories, kitchen appliances, food, non-food items, and staples.

Objects of the Issue

- Offer For Sale (OFS) of ~1,02,56,41,025 shares (102.56 Cr) equity shares of FV Rs 10 each aggregating a value of Rs ~8,000 Cr
- VMMT shall not receive any proceeds from the OFS and all the proceeds shall go to the Selling Shareholders, in proportion to the Offered Shares sold by the respective Selling Shareholder as part of the Offer.
- Achieve the benefits of listing for enhancing its visibility and brand image.

Key Points

- VMMT targets middle and lower-middle-income people, through a Pan India network of 645 Vishal Mega Mart stores (as of September 30, 2024) and their Vishal Mega Mart mobile app and website. As of September 30, 2024, the company has a presence across 414 cities in 28 states and two union territories.
- VMMT's apparel category comprises exclusively of its own brands with a range of apparel for all members of a family ranging from t-shirts, shirts, denim, athletic and leisure wear, night wear, innerwear, western wear, formal wear, and ethnic wear for men, women, children, and infants.
- The general merchandise category of VMMT's products consists of its 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.
- In the FMCG segment too the products consist of VMMT's own brand and third party products across packaged food, staples and non-food categories.
- VMMT is a debt free company with Cash & Liquid Investments worth Rs 687 Cr at the end of September 2024.
- As per Redseer report, India's aspirational retail market was valued at Rs 68-72 trillion in 2023 and is projected to reach Rs 104-112 trillion by 2028, growing at a CAGR of 9 per cent. The shift towards organized retail is driven by higher quality expectations, wider product assortments, better pricing (especially in FMCG), urbanization, and opportunities for organized players like VMMT to grow.

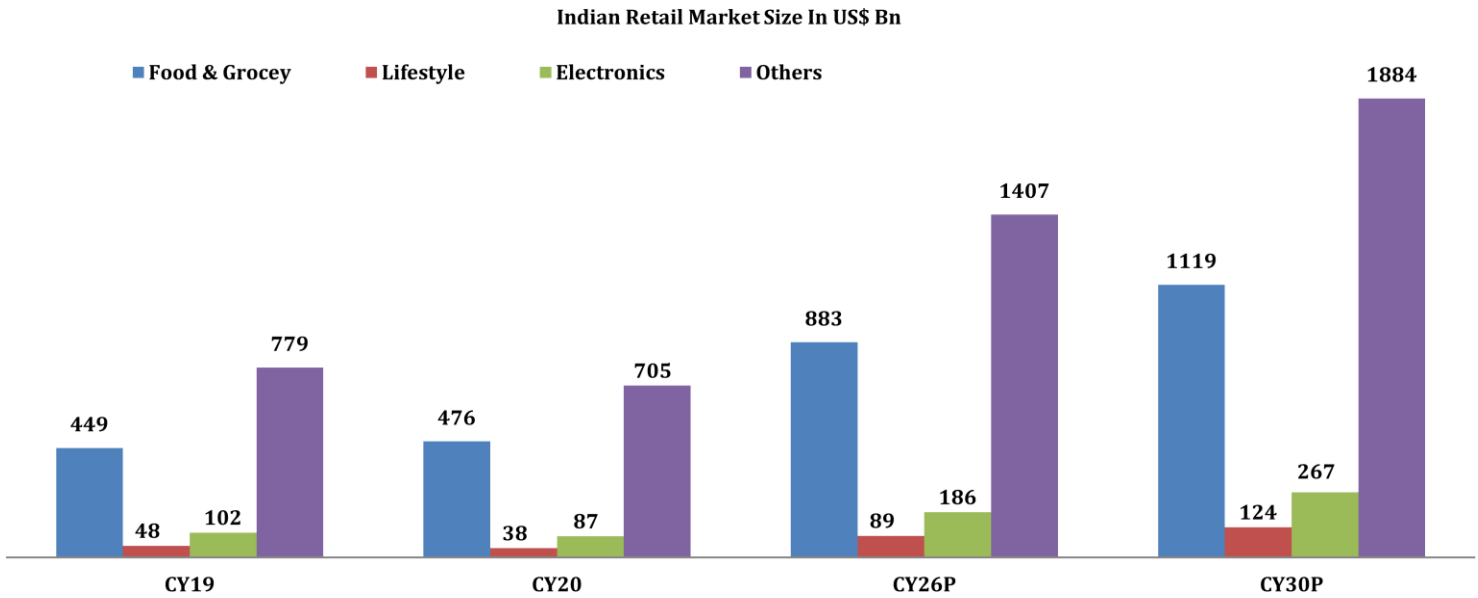
Recommendation –

Vishal Mega Mart Ltd is on the fast growing super market retail chain stores in India. Rising disposable income and a preference for quality and hygienic products amongst the population gives established companies like VMMT an edge over the unorganized sector as well as stiff competition to other established branded retails chains like Spencers and Reliance Smart Bazaar. Healthy financials and a debt free status gives it an impetus. We would recommend a “SUBSCRIBE” for the long term.

Consolidated Financials In INR Crs	H1FY25	FY24	FY23	FY22
Revenue from Operations	5,032.51	8,911.95	7,586.04	5,588.52
Profit Before Interest, Depreciation & Tax (PBIDT)	688.93	1,308.07	1,076.78	887.75
Profit Before Tax (PBT)	341.65	620.95	430.53	269.65
Profit After Tax (PAT)	254.14	461.94	321.27	202.77
EPS	0.55	1.01	0.70	0.45
Equity Paid Up	4,508.72	4,508.72	4,506.59	4,503.30

Source: Company's RHP, ACE Equity, AUM Research

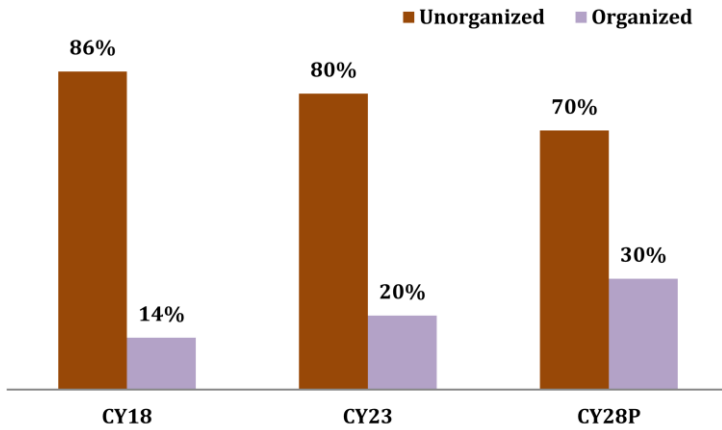
Industry Overview



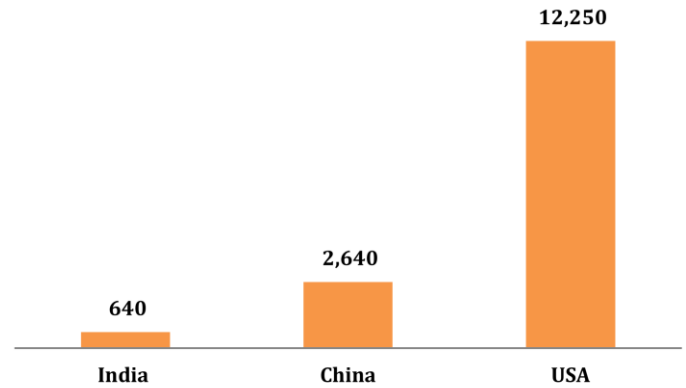
Source: IIBEF, AUM Research

- **Status:-** Indian retail industry has emerged as one of the most dynamic and fast-paced industries due to the entry of several new players. It accounts for over 10% of the country’s gross domestic product (GDP) and around 8% of the employment. India is the world’s fifth-largest global destination in the retail space and ranked 63 in the World Bank’s Doing Business 2023.
- **Growth:-** India’s retail industry is projected to grow at 9% over 2019-2030, from US\$ 779 billion in 2019 to US\$ 1,407 billion by 2026 and more than US\$ 1.8 trillion by 2030. India’s direct selling industry is expected to be valued at US\$ 7.77 billion by the end of 2025. Despite unprecedented challenges, the India consumption story is robust.
- **E-Tail Shoppers:-** India has the third-highest number of e-retail shoppers (only behind China and the US). The new-age logistics players are expected to deliver 2.5 billion Direct-to-Consumer (D2C) shipments by 2030.
- **E-Commerce Industry:-** The e-commerce industry witnessed a phenomenal 36.8% YoY growth in terms of order volumes. As consumers prefer to shop online throughout the year, this fast-changing consumer preference towards online shopping reveals the mature status acquired by e-commerce brands in India. India’s digital economy is expected to touch US\$ 800 billion by 2030, and the E-Commerce market is expected to touch US\$ 350 billion in GMV by 2030.
- **Importance in economic development:-** Indian retail industry has emerged as one of the most dynamic and fast-paced industries due to the entry of several new players. It accounts for over 10% of the country’s gross domestic product (GDP) and around 8% of the employment. India is the world’s fifth-largest global destination in the retail space and ranked 63 in the World Bank’s Doing Business 2023.
- **Attributes for growth:-** India’s retail sector is experiencing exponential growth with retail development taking place not just in major cities and metros, but also in small cities. Healthy economic growth, changing demographic profile, increasing disposable income, urbanization, and changing consumer tastes and preferences have been some of the factors driving growth in the organized retail market in India. India ranks among the best countries to invest in Retail space. Factors that make India so attractive include the second largest population in the world, rising middle class aspirations, increasing urbanization, rising household incomes, connected rural consumers, and increasing consumer spending.
- **Shopping malls:-** There is a great deal of desire among multinational corporations to take advantage of the consumer base in India and to enter the market first. Nearly 60 shopping malls encompassing a total retail space of 23.25 million sq. ft are expected to become operational during 2023-25.
- **FDI Norms:-** 100% FDI allowed under automatic route in B2B E-commerce and in marketplace model of e-commerce. 100% FDI under Government approval route for E-Commerce by Food Retail Companies, provided products retailed are manufactured and/or produced in India.

Organized Vs Unorganized Share



Retail Per Capital In US\$



Source: Company's RHP, AUM Research

Key drivers for growth in organized retail

- Better selection at affordable pricing:** Organized retailers offer a comprehensive selection of high-quality products at competitive prices, functioning as one-stop shops that address a wide range of consumer needs. They leverage their scale to negotiate favourable deals with suppliers, passing these savings to consumers through lower prices and offers. By investing significantly in expanding their supplier base and enhancing supplier capabilities, they ensure continuous improvements in product quality and variety.
- Superior consumer experience:** Organized retailers are enhancing the consumer experience by optimizing store layouts, enhancing store ambience through lighting and music, which enables a better shopping environment and positively influence purchasing behaviour. Further, the introduction of new retail outlets in smaller urban centres, particularly in Tier-2 cities and beyond, is often met with enthusiasm.
- Greater degree of agility versus unorganized retail:** Organized retailers enjoy a distinct advantage due to their agility and deep market insights, providing them with a strategic edge over the unorganized sector. Their capabilities, including ability to leverage technology to identify emerging trends across product categories and regions, allow them to proactively respond to consumer demands and adapt to shifting trends, a crucial ability as consumers seek reliable and trendier products alongside superior shopping experiences.
- Investments in retail infrastructure:** Investment in retail infrastructure is at the core of shift from unorganized to organized retail. Organized players are making substantial investments not only in enhancing their existing stores to provide a better shopping experience but also in expanding their store networks, particularly into Tier-2 cities and beyond. This expansion broadens their geographic reach, supporting sustained growth.
- Broad-based shift towards e-commerce:** Post-Covid, there has been a marked shift towards e-Commerce, driven by changes in consumer behaviour during lockdowns. As of CY2023, internet users in India number between 800-830 million, achieving a penetration rate of ~58%. This is projected to grow to 1,040-1,080 million by CY2028, with penetration rate of 70-73%. Concurrently, smartphone adoption is expected to rise from 670-680 million users in CY2023 to 950-990 million by CY2028. This digital expansion, alongside the rising influence of digital advertising and social media influencers, will act as key catalysts for e-Commerce growth.
- Growth:-** The organized retail market in India has grown from Rs 7.7 trillion (approximately US\$93 billion) in CY2018 to reach Rs 14.9 trillion (approximately US\$ 180 billion in CY2023). Further, given the endurance of the above trends, the organized retail market in India is projected to reach Rs 36-38 trillion (approximately US\$434-458 billion) by CY2028. Within the organized retail market, organized Brick & Mortar (B&M) retail segment has grown from Rs 6.3 trillion (approximately US\$ 76 billion) in CY2018 to reach Rs 10 trillion (approximately US\$ 120 billion) in CY2023 and is projected to grow to Rs 23-26 trillion (approximately US\$277-313 billion) by CY2028 growing at a CAGR of 19-20%.
- Discretionary spending:-** As India's retail market matures and basic needs are met, there is a distinct shift towards discretionary spending on items like Apparel, general merchandise, packaged food, and personal care. This trend is driven by several structural factors: rising income levels provide greater disposable income, allowing for expenditures beyond essentials; rapid urbanization introduces and normalizes urban consumption habits; and a large, technologically adept youthful demographic eagerly adopts global trends, facilitated by pervasive digital connectivity.

Company Overview

A One Stop Destination with Diverse Range of Merchandize



Apparel

Women Kids & Infants Men

Classics Fashion T-Shirts

Ethnic Denims Women Casuals

Lingerie Kids Wear Girls Wear

Men Formals Men Casuals Infant Wear

#BeUnstoppable
Athleisure

General Merchandise

Home & Kitchen Appliances Travel Footwear and Lifestyle

HOME SELECT **HOME BEAUTIFUL** **HOME FINERY**
It's the quality Make every day beautiful Serve in style
Utensils Home Furnishing Crockery

tandem **LevelNxt**
Home Appliances It's yours!
Travel

BRINK **Black to**

#BeUnstoppable **ASUN**
Footwear and Accessories

Fast-Moving Consumer Goods

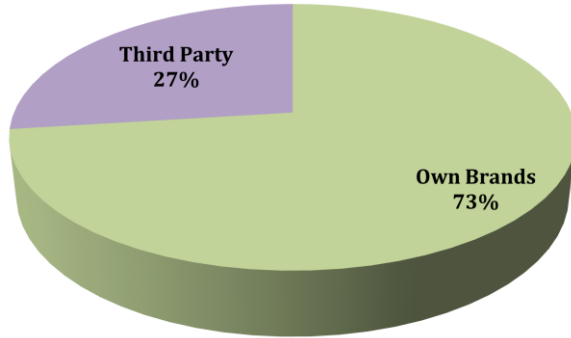
Food Personal Care Household Care

full bloom **first crop** **Emli Tree**
Packaged food Staples Savory Products

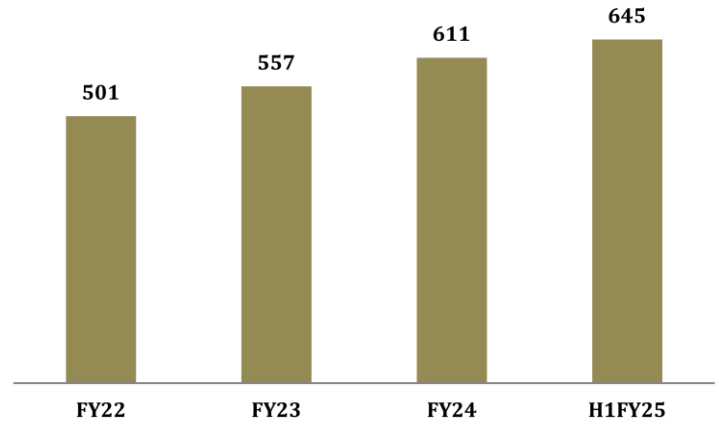
BEHAVE / BEHOLD **equalife** **YELLOW HIPPO** **HOME SELECT**
Home care Women Hygiene Infant Diapers Disposable Products

OUTSHINE **Dairy Pure** **HOME PURE**
Personal care Dairy and Confectionary Incense

Sales Break Up



Number Of Stores



Source: Company's RHP, AUM Research

Product Categories

- **Apparel Category:-** VMMT's apparel category comprises exclusively of its 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. VMMT prioritizes fashionability, speed-to-market, functionality and feel by identifying latest global and Indian fashion trends and making products of its own brands available at affordable prices.
- **General merchandize category:-** This category of VMMT comprises of its 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. The key principles driving its product curation in this category are product innovation and market trends, while maintaining a focus on quality, reliability and affordability.
- **FMCG category:-** VMMT's FMCG category comprises of its own brand and third party brand products across the packaged food, staples and non-food categories. Within this category, VMMT offers 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.

Pricing of products

Apparel	T-Shirts	Kids Wear	Ethnic Wear	Men's Shirts	Denims	
						
	₹99-599	₹19-999	₹99-1,999	₹199-799	₹299-1,299	
	General Merchandise	Slippers	Double Bedsheets	Spin Mop	2 Burner Gas Stove	Kettle
						
₹99-299		₹199-999	₹499-799	₹1,299-1,899	₹499-649	
Fast-Moving Consumer Goods		Bourbon Biscuit	Dishwash Liquid	Navratan Mixture	Fruit Juice	Noodles
						
	₹16	₹17-185	₹30-159	₹42	₹10-52	

Source: Company's RHP, AUM Research

Rationale for investment

1. Catering to the large and growing section of the Indian population

- **Targeting the middle class:-** VM MT has emerged as the one stop destination for the middle and lower-middle income in India through its diverse portfolio of quality, affordable and branded products, fulfilling their daily and aspirational needs.
- **Presence in Tier 2 cities:-** VM MT has large network of stores in Tier 2 cities and beyond in India, with 451 stores as of September 30, 2024. With wider access to digital channels, consumers in these areas are increasingly exposed to new products and services, driving demand and expanding retail opportunities as they aspire to emulate higher-tier urban lifestyles.
- **Shift towards organized retail:-** 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 retailer in aspirational retail. This large and growing addressable market presents an attractive opportunity for VM MT.

2. Diverse and Growing Portfolio of Own Brands across Product Categories

- **Stock of a variety of items:-** VM MT has diverse and growing portfolio of own brands across the apparel, general merchandise and fast-moving consumer goods product categories. The portfolio consists of brands for men, women, children and infants in the apparel category, brands for household and home furnishings, travel accessories, kitchen appliances, utensils, crockery and footwear and lifestyle products in the general merchandise product category and own brands for food products, non-food products and staples in the fast-moving consumer goods category.
- **Vendor engagement:-** VM MT has a large community of vendors whom it engages for the manufacturing of the products which it sells under its own brands. VM MT emphasis on maintaining quality standards at each step of the production and provision cycle and have implemented quality control mechanisms at the premises of its contract manufacturers.
- **Barrier to entry:-** VM MT's supply chain at the scale and quality at which it operates would require significant investment, effort and time to replicate, which provides it with a competitive advantage.

3. Technology Enabled and Systems Driven Operations

- **Product Identification and Finalization:** VM MT leverages technology to identify latest trends, designs and features globally in apparel and general merchandize categories. This enables it to understand attributes of products, finalize new product designs and features, and launch them at affordable prices.
- **Sourcing of Products:** VM MT leverages technology to place orders with its vendors based on daily sales and demand. Its systems enable it to identify fast selling items across the stores and procure such items from the vendors in a timely manner. These systems also enable consistency in sourcing, which helps maintain quality of its products.
- **Inventory Management:** VM MT has an integrated allocation system that facilitates automatic unit-based replenishment of stock at its stores directly from the distribution centres. This helps meet consumer demand, optimize inventory and reduce wastage.
- **Data Analytics:** VM MT has a data repository with consumer purchase and sales patterns and trends. These insights help it to narrow product preferences in each store location, replenish best-seller designs and products and improve the shopping experience for consumers.
- **Hyperlocal and Omnichannel Experience:** VM MT'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. Once an order is placed in its mobile application or website, through the systems, VM MT is able to deliver products to its consumers directly from the nearest store within a short span of time.

4. Cost optimization efforts

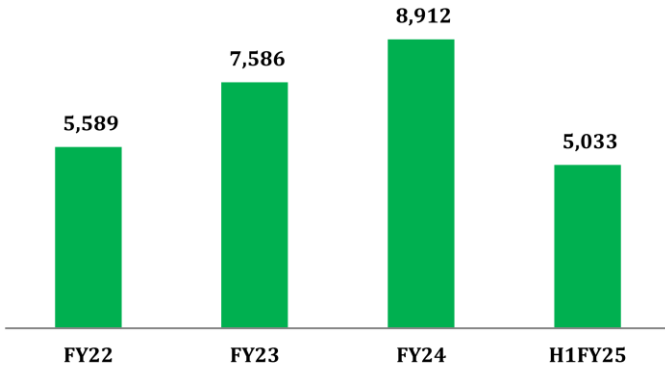
- **Aim to reduce Store Operating Costs:** VM MT aims to implement processes to minimise loss and wastage of inventory. Furthermore, it also targets to leverage advanced inventory tracking systems and conduct frequent stock audits to manage its inventory. Optimizing store operations and further streamline operational procedures to reduce its store operating costs is also on the cards.
- **Optimizing its supply chain:-** VM MT endeavors to achieve sourcing efficiencies and optimization by leveraging economies of scale and the cost-effective procurement of raw materials from suppliers and finished products from its vendors. It also aims to enhance its supply chain by implementing advanced distribution and transportation management solutions that would help reduce costs and improve efficiency.
- **Continued Use of Technology and Operating Leverage:** VM MT plans to deploy technology and achieve operational efficiency through automation and data-driven insights. This includes introduction of faster checkout and queue busting options through mobile devices, and a warehouse management system to increase the efficiency and capacity of its warehouses.

5. Healthy financials

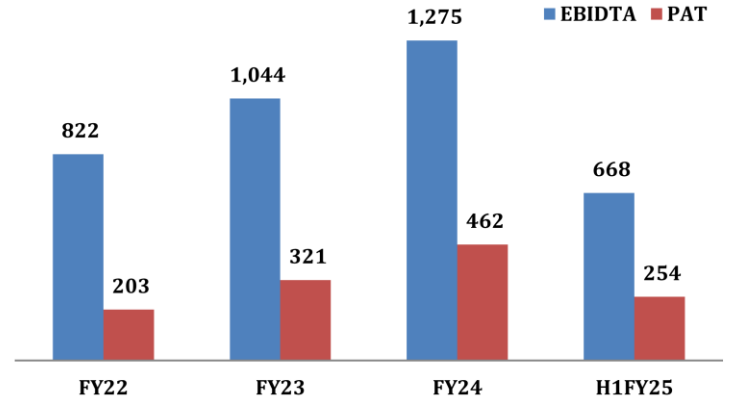
- **Sales, EBIDTA & PAT:-** VM MT's Sales, EBIDTA & PAT have grown at a 2 Year CAGR of 26%, 25% and 51% respectively.
- **Debt free company:-** VM MT is a debt free company with Cash & Liquid Investments worth Rs 687 Cr at the end of September 2024.

Financials

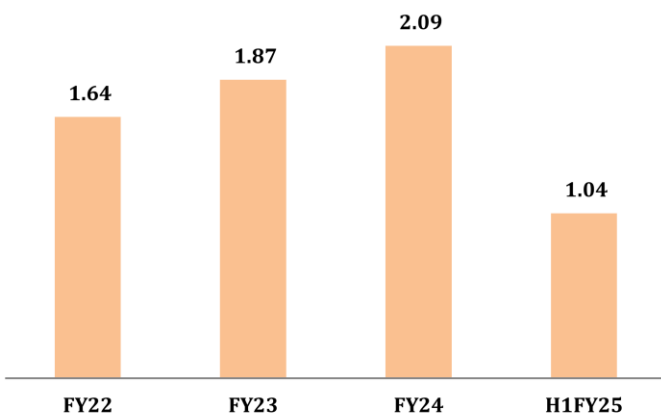
Sales In INR Cr



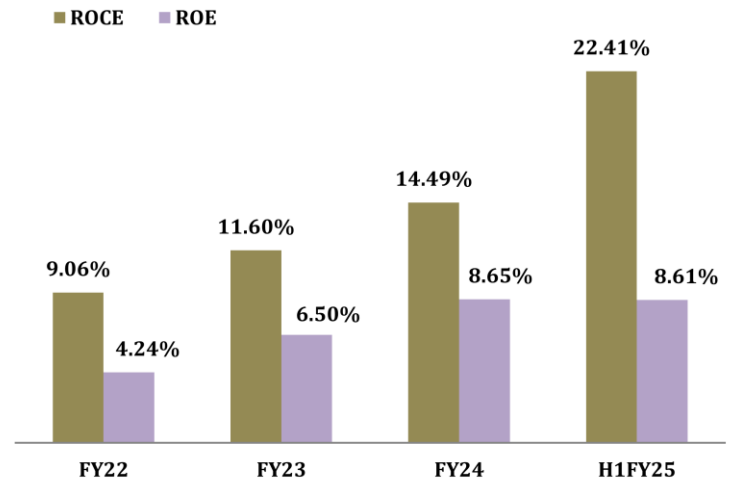
EBIDTA & PAT In INR Cr



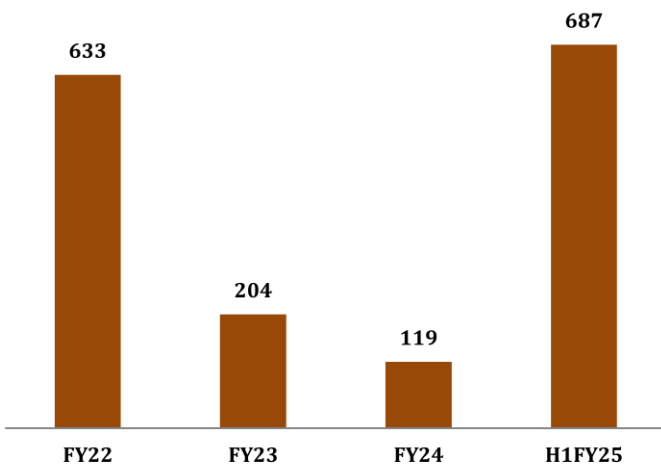
EBIDTA Per Store In INR Cr



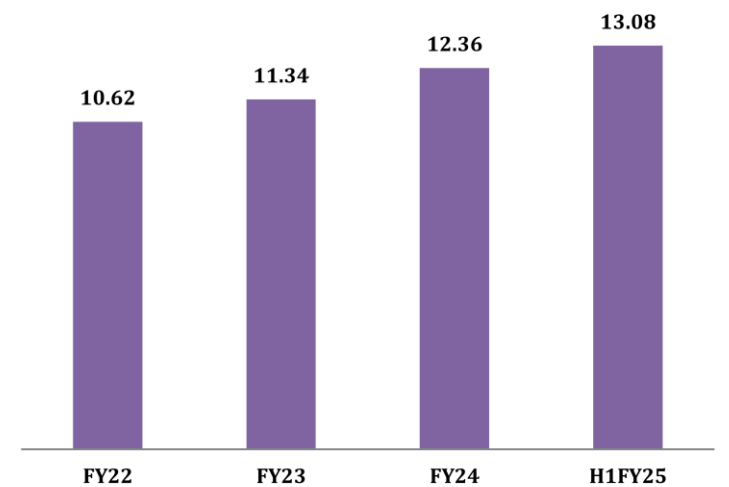
Return Ratios



Cash & Liquid Investments In INR Cr



Book Value Per Share



Source: Company's RHP, ACE Equity, AUM Research

December 09, 2024

Consolidated Financials –In Rs. Cr	H1FY25	FY24	FY23	FY22
Gross Sales	5,032.51	8,911.95	7,586.04	5,588.52
Total Income	5,053.41	8,945.13	7,618.89	5,653.85
Total Expenditure	4,364.48	7,637.05	6,542.11	4,766.10
Gross Profit	1,420.29	1,961.20	1,627.93	1,236.20
PBIDT	688.93	1,308.07	1,076.78	887.75
PBIT	661.04	790.78	615.34	482.19
PBT	341.65	620.95	430.53	269.65
PAT	254.14	461.94	321.27	202.77
EPS	0.55	1.01	0.70	0.45

Sources of Funds	FY24	FY23	FY22
Equity Paid Up	4,508.72	4,506.59	4,503.30
Reserves and Surplus	1,062.45	602.11	280.38
Net Worth	5,571.17	5,108.69	4,783.68
Total Debt (Long Term plus Short Term)	0.00	133.50	497.41
Capital Employed	5,621.84	5,289.58	5,322.60
Application of Funds			
Gross Block	8,342.90	7,558.01	7,028.29
Investments	0.00	35.08	416.79
Cash and Bank balance	118.89	169.22	215.85
Net Current Assets (Including Current Investments)	143.70	-137.42	16.96
Total Current Liabilities	1,828.35	2,132.37	2,084.61
Total Assets	8,465.70	8,210.31	8,187.77
Cash Flow			
Cash Flow from Operations	829.67	635.53	657.10
Cash Flow from Investing activities	-130.05	177.34	27.20
Cash Flow from Finance activities	-658.15	-864.53	-710.49
Key Ratios			
Debt to Equity(x)	0.00	0.03	0.10
Current Ratio(x)	1.08	0.94	1.01
ROCE(%)	14.49	11.60	9.06
RONW(%)	8.65	6.50	4.24
GPM(%)	22.01	21.46	22.12
PBIDTM(%)	14.68	14.19	15.89
PATM(%)	5.18	4.24	3.63

Source: Company's RHP, Ace Equity, AUM Research

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