

December 10, 2024

IPO Note

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Issue Details

Price Band: ₹ 74 to ₹ 78

Issue Opens on: December 11, 2024

Issue Closes on: December 13, 2024

Lot Size: 190 Shares & in Multiples thereafter

Issue Highlights

Issue Size: ₹ 8,000 Cr.

No of Shares: 1,025,641,025

Face Value: ₹ 10

Offer Structure

Issuance	₹ in Cr.
Fresh Issue	-
Offer for Sale	8,000
Total	8,000

Issue Breakup

Reservation for	% of Issue	₹ in Cr. (at upper band)
QIB	50	4,000.00
HNI	15	1,200.00
Retail	35	2,800.00
Total	100	8,000.00

Listing

BSE & NSE

Lead Managers

- Kotak Mahindra Capital Co. Ltd.
- ICICI Securities Limited
- Intensive Fiscal Services Pvt. Ltd.
- Jefferies India Private Limited
- J.P. Morgan India Pvt. Ltd.
- Morgan Stanley India Co. Pvt. Ltd.

Registrar

KFin Technologies Limited

Contact Details

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COMPANY OVERVIEW

Visha Mega Mart is a one stop destination for middle and lower-middle income India. They offer 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. They were ranked among the three leading offline-first diversified retailers in India, based on retail space as of March 31, 2024.

The company target middle and lower middle-income India. They are 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. They have an asset-light business model with all distribution centres and stores leased, and products manufactured by third-party vendors or sourced from third party brands.

The company has established a pan-India network of 645 stores across 414 cities in 28 states and two union territories, as of September 30, 2024. Since August 2021, they also provide an omni-channel shopping experience giving consumers the ability to shop online through their mobile application and website. During FY24, 19 of the company's own brands recorded sales exceeding ₹ 100 Cr. each, with 6 of the company's own brands recording sales exceeding ₹ 500 Cr. each.

HIGHLIGHTS

1. Focused on serving a large and fast-growing section of the Indian population
2. Consumer-centric approach resulting in loyal consumer base
3. Diverse and Growing Portfolio of Own Brands
4. Pan-India Presence
5. Technology Enabled, Systems Driven Operations

OBJECTS OF THE ISSUE

1. To achieve the benefits of listing the Equity Shares on the Stock Exchanges
2. To carry out the Offer for Sale of Equity Shares of face value of ₹ 10 each aggregating to ₹ 8,000 Cr. The company will not receive any proceeds from Offer for sale.

OUR VIEW

Vishal Mega Mart is one stop destination for middle and lower-middle income India. The company offers products across 3 categories, i.e., apparel, general merchandise and fast-moving consumer goods, through a pan-India network of Vishal Mega Mart stores, mobile application and website. It follows asset-light business model with all distribution centres and stores leased, and products manufactured by third-party vendors or sourced from third party brands.

The company has a strong focus on serving a large and fast-growing segment of the Indian population with a diverse product portfolio, ensuring quality and price leadership. The company boasts a diverse and expanding portfolio of brands, with 19 brands surpassing ₹ 100 Cr. with six of their own brands recording sales exceeding ₹ 500 Cr. each. With a pan-India presence, the company operates 645 stores across 414 cities.

However, risks to consider are dependency on third-party vendors, potential penalties from regulatory investigations, and challenges in adapting to changing consumer preferences, slowdown in economic activity, revenue concentration, all of which could impact operations, profitability, and financial stability.

On the financial front, the Revenue and PAT CAGR for the period FY22-24 grew at around 26% and 51% respectively. The company operated on an EBITDA margin of 14.01% and PAT margin of 5.18% for FY24. The number was 13.27% and 5.05% respectively for H1FY25.

The issue is priced at a P/BV of 5.94 based on its NAV of Rs. 13.14 as of September 30, 2024 and is asking for a PE multiple of 76x on the upper end of the price band and using diluted EPS for FY24 (₹ 1.01) and if we attribute FY25 earnings, then the asking price is at P/E of 69x which seems reasonably priced when compared with the competitors (Avenue Supermart at 98x and Trent Ltd. at 163x) and with average industry P/E at around 130x.

Vishal Mega Mart has a significant potential for further expansion of pan India store network. Also, with proven track record of the financials and a strong focus on technology-driven operations and potential growth of retail sector, the company is well positioned to benefit from the growing demand of affordable daily use products. Looking at all the factors, risks, opportunities and valuation, investors can invest in the issue with Long term horizon.

Brief Financials

PARTICULARS	As at Sept. 30, 2024	₹ in Lakhs		
		FY '24	FY '23	FY '22
Total Income	50,534.16	89,451.27	76,188.93	56,538.51
Total Expenditure	47,117.69	83,241.76	71,883.62	53,842.02
EBITDA	6,680.34	12,486.01	10,205.21	8,036.85
Profit before Tax	3,416.47	6,209.51	4,305.31	2,696.49
Profit after Tax	2,541.37	4,619.35	3,212.73	2,027.70
E.P.S. (Diluted)	0.55*	1.01	0.70	0.45
P/E (x) (Diluted)	-	76	-	-
RONW (%)	4.29*	8.18	6.20	4.18

* Not Annualised

PRICE CHART (@ ₹ 78) (Retail Category)

LOT SIZE	Amount
190	14,820
380	29,640
570	44,460
760	59,280
950	74,100
1,140	88,920
1,330	103,740
1,520	118,560
1,710	133,380
1,900	148,200
2,090	163,020
2,280	177,840
2,470	192,660

HNI Payment Chart

Category	No. of Shares	Minimum Bid Lot Amount (Rs.)
Small HNI	2,660	207,480
Big HNI	12,920	1,007,760

Indicative Time Table

Tentative Events	Indicative Dates
Finalisation of Basis of Allotment with the Designated Stock Exchange	16/12/2024
Initiation of refunds/unblocking ASBA Fund	17/12/2024
Credit of Equity Shares to demat accounts of Allottees	17/12/2024
Commencement of trading of the Equity Shares on the Stock Exchanges	18/12/2024

For more details, Please refer RHP,

(https://www.sebi.gov.in/filings/public-issues/dec-2024/vishal-mega-mart-red-herring-prospectus_89311.html)

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