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IPO Report

10th Dec'24

Snapshot

Vishal Mega Mart Ltd is a one stop destination for middle and lower-middle income India. Company curate a diverse range of merchandize through its portfolio of own brands and third party brands to fulfil the aspirational and daily needs of consumers. Company 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 company's Vishal Mega Mart mobile application and website. Company was ranked among the three leading offline-first diversified retailers in India, based on retail space as of March 31, 2024.

VALUATION

Company is bringing the issue at price band of Rs 74-78 per share at p/e multiple of 76x on FY24 basis.

Company focused on serving a large and fast growing section of the Indian population. Company has consumer-centric approach resulting in loyal consumer base. Company has diverse and growing portfolio of own brands. Company has pan-India presence with technology enabled, systems driven operations. professional and experienced management Team

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Price Band (Rs./Share)	74-78
Opening date of the issue	11th Dec '2024
Closing Date of the issue	13th Dec '2024
No of shares pre issue	4,508,719,493 Eq Shares
Issue Size	Rs 8000 Cr
Offer For Sale	1,08,10,81,081- 1,02,56,41,025 Shares
Face Value (Rs/ share)	Rs 10/share
Bid Lot	190

BIDDING DETAILS

QIBs (Including Anchor)	50% of the offer (Approx 51,28,20,512 Eq Shares)
Non-Institutional	15% of the offer (Approx 15,38,46,154 Eq Shares)
Retail	35% of the offer (Approx 35,89,74,359 Eq Shares)
Lead managers	Kotak Mahindra Capital, ICICI Securities, Intensive Fiscal Services, Jefferies India, J.P. Morgan India, Morgan Stanley India
Registrar to the issue	KFin Technologies Ltd

WHAT WE LIKE

Serving a Large and Growing Section of the Indian Population

Company is a one stop destination for middle and lower-middle income India. Company serve this section of the Indian population through its diverse portfolio of quality, affordable and branded products, fulfilling their daily and aspirational needs. The number of middle income households in India has increased from approximately 201 million in Calendar Year 2018 to approximately 225 million households (approximately 945 million individuals) in Calendar Year 2023, driven by rapid economic development, growing formalization of employment, and a structural shift from an agrarian-based economy towards manufacturing and services

Diverse and Growing Portfolio of Own Brands across Product Categories

Company have a diverse and growing portfolio of own brands across the apparel, general merchandise and fast-moving consumer goods product categories. Company's own brand portfolio includes its own brands for men, women, children and infants in the apparel category, its own brands for household and home furnishings, travel accessories, kitchen appliances, utensils, crockery and footwear and lifestyle products in the general merchandise product category, and company's own brands for food products, non-food products and staples in the fast-moving consumer goods category.

Pan-India Presence with a Track Record of Successful Store Growth

Company operate a pan-India network of 645 stores across 33 Tier 1 cities and 381 Tier 2 cities and beyond, as of September 30, 2024. Company is an ranked among the two leading offline-first diversified retailers in India, based on the number of cities present as of March 31, 2024. During the six months period ended September 30, 2024 and 2023, and the Financial Years 2024, 2023 and 2022, company opened 35, 24, 61, 66 and 88 new stores, respectively, and closed a total of 26 stores during these periods.



COMPANY BACKGROUND

Company is also the fastest-growing leading offline-first diversified retailers in India, based on profit after tax growth between Financial Years 2021 and 2024, and among the two leading offline-first diversified retailers in India in terms of same-store sales growth for Financial Year 2024. Company target middle and lower middle-income India. The number of middle income households in India has increased from approximately 201 million in Calendar Year 2018 to approximately 225 million households (approximately 945 million individuals) in Calendar Year 2023, driven by rapid economic development, growing formalization of employment, and a structural shift from an agrarian-based economy towards manufacturing and services. 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. The total addressable market for aspirational retail in India is ₹68-72 trillion (US\$820-870 billion) for Calendar Year 2023, and is expected to be ₹104-112 trillion (US\$1,250-1,350 billion) by Calendar Year 2028, growing at a CAGR of 9%.

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.

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

• **Variety.** Company offer a diverse range of products under three product categories as follows:

➤ **Company's apparel category** comprises exclusively of its own brands with a range of apparel for all members of a family. Company's 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. Company prioritize 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.

Company's general merchandize category comprises 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 company's product curation in this category are product innovation and market trends, while maintaining a focus on quality, reliability and affordability.

Company's fast-moving consumer goods category comprises its own and third party brand products across the packaged food, staples and non-food categories. Within this category, company offer 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. Company aim to make aspirations affordable with a focus on offering a large variety of quality products catering to consumer preferences.

Company's own brands are significant and growing contributors to its sales and constituted 72.86%, 71.57%, 71.81%, 70.50% and 70.20% of company's revenue from operations for the six months period ended September 30, 2024 and 2023, and the Financial Years 2024, 2023 and 2022, aggregating to ₹36,665.57 million, ₹30,197.83 million, ₹63,993.42 million, ₹53,479.79 million and ₹39,228.81 million during six months period ended September 30, 2024 and 2023, and the Financial Years 2024, 2023 and 2022, respectively. Company's revenue from operations from sales of own brands grew at a CAGR of 27.72% between the Financial Years 2022 and 2024

Affordability. Company is committed to ensuring that its products are affordable for its consumers and that company is able to meet the needs of company's consumers by offering products across multiple price points and pack sizes to allow consumers optionality and an opportunity to up-trade. Company have leadership in opening price points across several product categories in apparel, general merchandise and fast-moving consumer goods like dresses, jeans, t-shirts, shirts, bedsheets, spin mop, casserole, pet bottle, butter cookies, savory snacks (navratan namkeen), sanitary napkins, oats, fruit juice, noodles across leading offline-first diversified retailers in India, as on April 30, 2024.

Quality. Products sold at Vishal Mega Mart stores are either manufactured for company by vendors located across India or sourced from select third-party brands. For its own brands, company's in-house design team identifies the products and their designs based on global and Indian trends and consumer preferences, creates prototypes (where applicable) together with vendors, and then places orders with the vendors for production as per company's specifications, quality standards and requirements. Company ensure quality of its own brand products by closely monitoring the process of manufacturing and quality control process for company's products. Company also provide its vendors with raw material specifications, including approved lists of suppliers.

• **Convenience.** Company have established a pan-India network of 645 stores across 414 cities in 28 states and two union territories, as of September 30, 2024. Company's stores are located across India in Tier 1 cities, Tier 2 cities and beyond. As of September 30, 2024, company's Material Subsidiary, Airplaza Retail Holdings Private Limited, operates 643 stores, on a leasehold basis, and its franchisees operate 2 stores, also on a leasehold basis. For convenience of company's consumers, its stores are located in visible and easily accessible locations across India with consistent store layouts that are easy to navigate. Company's stores typically have large signages, wide shopping aisles and parking space to accommodate cars and two-wheelers. Since August 2021, company also provide an omni-channel shopping experience giving consumers the ability to shop online through its mobile application and website, by checking the product availability at stores nearest to them, and placing orders online for delivery or pick-up from company's stores



INVESTMENT RATIONALE

<p><i>Consumer-Centric Approach Resulting in a Large and Loyal Consumer Base</i></p>	<p>Company’s consumer-centric approach has helped build consumer trust and appeal, and a large consumer base. Company have a loyalty program where customers earn rewards on the purchases. These rewards can be redeemed for discounts or other benefits once the prescribed rewards are accumulated and within a defined period. The program allows company to create targeted promotions, such as additional points or special offers, to boost customer engagement. Company’s loyalty program was awarded the “Best Loyalty Programme of the Year Food Retail and Non-Food Retail” and “Regional Winner Asia including the Indian sub-continent and all areas East” at the International Loyalty Awards 2023. Company has 133.82 million, 114.04 million, 123.41 million, 104.29 million and 86.10 million customers registered under its loyalty program as at September 30, 2024 and 2023, and March 31, 2024, 2023 and 2022, respectively.</p>
<p><i>Track Record of Delivering Revenue, Profit Growth and Capital Efficiency</i></p>	<p>Company have a track record of profitable growth, scaling its presence across product categories and stores across India. Company’s revenue from operations grew at a CAGR of 26.28% to ₹89,119.46 million during Financial Year 2024 from ₹75,860.37 million during Financial Year 2023 and ₹55,885.15 million during Financial Year 2022. Company’s EBITDA for the six months period ended September 30, 2024 and 2023, and the Financial Years 2024, 2023 and 2022 was ₹6,680.34 million, ₹5,711.10 million, ₹12,486.01 million, ₹10,205.21 million, and ₹8,036.85 million, respectively, and its EBITDA margin for the six months period ended September 30, 2024 and 2023, and Financial Years 2024, 2023 and 2022 was 13.27%, 13.54%, 14.01%, 13.45% and 14.38%, respectively. For the six months period ended September 30, 2024 and 2023, and Financial Years 2024, 2023 and 2023, company’s profit for the year was ₹2,541.37 million, ₹1,953.57 million, ₹4,619.35 million, ₹3,212.73 million, and ₹2,027.70 million, respectively, and its profit for the year margin was 5.05%, 4.63%, 5.18%, 4.24% and 3.63%, respectively. Company’s network of stores increased to 645 stores as of September 30, 2024 from 611 stores as of March 31, 2024, 557 stores as of March 31, 2023 and 501 stores as of March 31, 2022.</p>
<p><i>Professional and Experienced Management Team</i></p>	<p>Company have a professional and experienced management team led by its distinguished board of directors. Company’s Managing Director and Chief Executive Officer, Gunender Kapur has over 41 years of experience in management and investment in the consumer and retail sectors. As part of management, company have recruited and retained employees from a variety of backgrounds, including consumer good, retail, management, technology, and marketing. This includes Amit Gupta, company’s Chief Financial Officer, Manoj Kumar, company’s Chief Operating Officer, Dhruva Kumar Dubey, company’s Chief Human Resources Officer and Karthik Kuppusamy, company’s Chief Information Officer. Anne Puvis, Samir Agrawal and Vishal Mehrotra are its category heads for its apparel, general merchandise and fast-moving consumer goods product categories, respectively. S Raamesh and Kuldeep Sharma are its supply chain and legal and compliance heads, respectively.</p>



OBJECTS OF OFFER

The objects of the Offer are to achieve the benefits of listing the Equity Shares on the Stock Exchanges and carry out the Offer for Sale aggregating to ₹80,000 million by the Promoter Selling Shareholder.

RISKS

Company do not manufacture any of the products that are sold in its stores, and company rely entirely on third party vendors for the manufacturing of all products under its own brands who are required to meet company's product specification, quality, design and manufacturing standards, which subjects to risks, which, if materialized, could adversely affect company's business, results of operations, cash flows and financial condition.

Source:RHP

INDUSTRY OVERVIEW

Organized retailers, catering to the Aspirational Retail market, achieve a competitive edge through a streamlined and nimble tech-enabled supply chain

Organized retailers achieve a distinct competitive edge through rapid product development and trend forecasting, efficient sourcing and production, lean supply chain, and tactical store operations and merchandising as outlined below:

I. Rapid product development and trend forecasting: Organized retailers possess a distinct advantage in trend identification and product development agility. Their ability to spot nascent consumer trends is underpinned by in-house design teams who analyse global trends, social media intelligence, and collaborate with external designers. This provides them with early insights, which are then customized for local preferences and validated through AI-powered analytics. By analysing sales data, using consumer loyalty programmes, social media trends, and consumer search patterns, these retailers corroborate market signals and ensure alignment with their target audience. These data-driven insights feed into a streamlined product development cycle—often 90-100 days—marked by fast iteration and rapid manufacturing. This allows them to bring trend-driven products to market with rapid lead times.

II. Efficient sourcing and production: Organized retailers, catering to the Aspirational Retail market, optimize both sourcing and production to expedite product development cycles. They employ dedicated procurement teams to identify local manufacturers and secure quality raw materials directly from mills/suppliers, ensuring competitive pricing due to bulk purchases. This direct sourcing model ensures predictable raw material quality, resulting in reliable and consistent product output. Stringent due diligence is conducted on contract manufacturers, and quality standards are upheld through continuous & random inspections throughout the production process. To enhance efficiency, these retailers outsource specialized tasks like packaging to job work entities.

III. Lean supply chain: Organized retailers leverage a multi-tiered supply chain and distribution network to optimize inventory flow, responsiveness, and last-mile delivery. This network typically consists of Central Distribution Centres (CDCs), Regional Distribution Centres (RDCs), and Local Distribution Centres (LDCs). The LDC model allows for hyperlocal fulfilment and rapid replenishment, setting them apart from premium retailers who lack similar store density. This infrastructure, coupled with technology-driven inventory management, ensures that the right products reach the right stores at the right time. Automated Replenishment Systems (ARS) provide real-time visibility into stock levels, triggering replenishment orders based on sales velocity. Robust backward planning across the supply chain, including suppliers and distribution centres, ensures seamless coordination and enables next-day/same-day deliveries when ARS is triggered. This data-driven approach, along with stringent lead times for order fulfilment, streamlines operations, minimizes out-of-stock situations, and maximized inventory turns. In addition, route optimization strategies, deployed by organized retailers, enhance logistics efficiency, further streamlining the supply chain and supporting timely deliveries. By primarily sourcing products with generally a longer shelf life, they significantly reduce wastage due to expiry, further contributing to their inventory efficiency. This streamlined model stands in stark contrast to the less predictable, multi-layered distribution systems found in the unorganized retail sector, where multiple intermediaries can lead to delays and inventory inaccuracies. Additionally, the lack of hyperlocal fulfilment capabilities among premium retailers creates a distinct advantage for these retailers in terms of speed and responsiveness to consumer demand.

Tactical store operations and merchandising: Organized retailers, catering to the Aspirational Retail market, prioritize a measured approach to store expansion and inventory management for operational efficiency. Before opening new locations, they conduct extensive market analysis, including the study of primary, secondary, and tertiary catchment areas. This data-driven approach ensures optimal store placement, factoring in consumer demographics, potential cannibalization risks, and financial viability. These retailers tailor their merchandising to regional and local preferences, which not only maximizes full-price sales throughput in apparels but also minimizes wastage of FMCG goods due to expiry. Consequently, this positioning and adaptive merchandising have fostered healthy same-store sales growth (SSSG), which has been 3-4 times that of unorganized retailers over the last two years. This significant growth in SSSG underscores a streamlined store network that maximizes profitability, clearly delineating the operational advantages of organized over unorganized retail.

Organized retailers also employ sophisticated merchandising techniques to enhance consumer experience and drive sales. Detailed planograms dictate product placement for maximum visibility, while minimum display quantities (MDQs) and clear shelf labelling streamline the shopping experience. By closely analysing sales data, they tailor assortments to match the preferences of each store's consumer base. This localized approach, coupled with their agile supply chain, maximizes the sell-through potential of each item



Consolidated Financials

(Rs in Mn)

Financials	FY22	FY23	FY24	H1 FY 2025
Total Revenue (A)	55885.15	75860.37	89119.46	50325.13
Total Expenditure (B)	47848.3	65655.16	76633.45	43644.79
EBIDTA	8036.85	10205.21	12486.01	6680.34
EBIDTA Margin	14.38	13.45	14.01	13.27
Other Income	653.36	328.56	331.81	209.03
Depreciation	4055.64	4614.44	5172.93	2788.74
EBIT	4634.57	5919.33	7644.89	4100.63
Interest	1938.08	1614.02	1435.38	684.16
PBT	2696.49	4305.31	6209.51	3416.47
Share of profit in Asso	0.00	0.00	0.00	0.00
PBIT	2696.49	4305.31	6209.51	3416.47
Exceptional	0.00	0.00	0.00	0.00
PBT	2696.49	4305.31	6209.51	3416.47
Tax	668.79	1092.58	1590.16	875.10
PAT	2027.70	3212.73	4619.35	2541.37
NPM	3.63	4.24	5.18	5.05
ROE%	4.20	6.23	8.22	4.31
EPS	0.45	0.71	1.02	0.56
Eq Cap	45,033.01	45,065.88	45,087.19	45,087.19
Net Worth	48,251.83	51,560.88	56,218.42	58,989.90

(Source: RHP)

Peer Comparison

Company Name	Face Value	EPS	P/E	ROE %	NAV
<i>Vishal Mega Mart Limited</i>	<i>10</i>	<i>1.02</i>	<i>--</i>	<i>8.18</i>	<i>12.53</i>
Peers					
Avenue Supermarts Limited	10	38.99	98.23	13.56	287.47
Trent Limited	1	41.82	163.59	39.99	104.59

(Source: RHP)



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