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### Issue Details

Issue Details	
Issue Size (Value in ₹ million, Upper Band)	80,000
Fresh Issue (No. of Shares in Lakhs)	NIL
Offer for Sale (No. of Shares in Lakhs)	10,256
Bid/Issue opens on	11-Dec-24
Bid/Issue closes on	13-Dec-24
Face Value	₹ 10
Price Band	74-78
Minimum Lot	190

### Objects of the Issue

- Offer for sale: ₹80,000 million

Book Running Lead Managers	
Kotak Mahindra Capital Company Limited	
ICICI Securities Limited	
Intensive Fiscal Services Private Limited	
Jefferies India Private Limited	
J.P. Morgan India Private Limited	
Morgan Stanley India Company Private Limited	
Registrar to the Offer	
KFin Technologies Limited	

Capital Structure (₹ million)	Aggregate Value
Authorized share capital	58,600.00
Subscribed paid up capital (Pre-Offer)	45,087.19
Paid up capital (Post - Offer)	45,087.19

Share Holding Pattern %	Pre-Issue	Post Issue
Promoters & Promoter group	98.8	76.0
Public	1.2	24.0
Total	100	100

### Financials

Particulars (₹ In million)	H1 FY25	H1FY24	FY24	FY23	FY22
Revenue from operations	50,325	42,195	89,119	75,860	55,885
Operating expenses	43,645	36,484	76,633	65,655	47,848
EBITDA	6,680	5,711	12,487	10,205	8,037
Other Income	209	160	332	329	653
Depreciation	2,789	2,491	5,173	4,614	4,056
EBIT	4,101	3,379	7,645	5,919	4,635
Interest	684	743	1,436	1,614	1,938
Profit before tax	3,416	2,637	6,210	4,305	2,696
Tax	875	683	1,590	1,093	669
Consolidated PAT	2,541	1,954	4,619	3,213	2,028
EPS	0.56	0.43	1.02	0.71	0.45
Ratios	H1 FY25	H1FY24	FY24	FY23	FY22
EBITDAM	13.27%	13.54%	14.01%	13.45%	14.38%
PATM	5.05%	4.63%	5.18%	4.24%	3.63%
Sales growth	19.27%	-	17.48%	35.74%	-

### Sector-Retail

### Company Description

Vishal Mega Mart Ltd is a one-stop destination for middle and lower-middle-income India. They curate a diverse range of merchandise through their portfolio of own brands and third-party brands to fulfill the aspirational and daily needs of consumers. 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 their 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. They are 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. They 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 a wider assortment, better pricing, denser urban areas, and large whitespace for organized retailers in aspirational retail.

Company have also introduced sustainability measures, including the reduced use of cardboard boxes for their footwear products and installing shampoo dispensers at select stores for consumers to conveniently refill their shampoo bottles, among others. They have a professional and experienced management team led by a distinguished board of directors. Their Managing Director and Chief Executive Officer, Gunender Kapur, has over 41 years of experience in management and investment in the consumer and retail sectors. On average, their KMPs and SMPs have 21 years of experience in the retail and consumer industry and 7 years of experience at their organization. Company have a track record of profitable and capital-efficient growth. During Financial Year 2023, they were the most efficient company in terms of adjusted ROCE among the leading offline-first diversified retailers in India.

### Valuation

Vishal Mega Mart Ltd is focused on serving a large and fast growing section of the Indian population with Consumer-centric approach resulting in loyal consumer base and Diverse and Growing Portfolio of Own Brands with Pan-India Presence along with Technology Enabled, Systems Driven Operations.

At the upper price band company is valuing at P/E of 67.83x, with an EV/EBITDA of 28.1x and market cap of ₹ 3,51,680 million post issue of equity shares and return on net worth of 8.18%.

We believe that the IPO is fairly priced and recommend a "Subscribe-Long term" rating to the IPO.

## Description of Business

Their diversified product portfolio spans across three product categories, i.e., apparel, general merchandise, and fast-moving consumer goods, with products offered under their own and third-party brands. The table below sets out their revenue from the sale of products for apparel, general merchandise, and fast-moving consumer goods, for the period/years indicated.

Particulars	Six months period ended September 30, 2024		Six months period ended September 30, 2023		FY24		FY23		FY22	
	(₹ in million)	(% of revenue from operations)	(₹ in million)	(% of revenue from operations)	(₹ in million)	(% of revenue from operations)	(₹ in million)	(% of revenue from operations)	(₹ in million)	(% of revenue from operations)
Sale of products - apparel	22,448.49	44.61%	18,605.98	44.10%	39,013.21	43.78%	32,926.84	43.40%	25,179.53	45.06%
Sale of products - fast-moving consumer goods	13,799.44	27.42%	11,485.02	27.22%	24,473.09	27.46%	20,319.62	26.79%	14,056.87	25.15%
Sale of products - general merchandise	14,013.70	27.85%	11,989.32	28.41%	25,433.15	28.54%	22,383.46	29.51%	16,493.03	29.51%
Sale of products across their three product categories	50,261.63	99.88%	42,080.32	99.73%	88,919.45	99.78%	75,629.92	99.70%	55,729.43	99.72%

## Products and Brands

### ➤ Apparel

Company's apparel category comprises exclusively of their own brands with a range of apparel for all members of a family. The graphic below sets out an overview of the products under their own brands for the apparel product category:

	MEN'S WEAR	WOMEN'S WEAR	KIDS AND INFANTS WEAR
	T-shirts, shirts, trousers, track pants, denims, among others	Dresses, denims, kurta, lingerie, among others	T-shirts, shorts, pyjamas, among others
Products and Brands	"Black Tie" for formals	"Pink Almirah" for ethnic wear	"Yellow Hippo" for infants
	"Drift Wood" for casuals	"Lucky Charm" for western wear	"Yellow Hippo" for infants
	"Wavelength" for denims	"Wavelength" for denims	"Hand Print" for girls
	"Be Unstoppable" for athleisure	"Gold Foil" for lingerie	"Slant" for boys
	"Mavie" for classics		
	"Viveza" for fashion		
	"Brink" for t-shirts		

### ➤ General Merchandise

Company's general merchandise category comprises their own brand and third-party brand products which cater to diverse household and family requirements of the Indian consumer. The products sold under their third-party brands for the general merchandise category include, among others, mixers, grinders, gas stoves, pressure cookers, induction cooktops, and trolley bags. The graphics below sets out an overview of the products under their own brands for the general merchandise category:

	HOME FURNISHINGS	HOUSEHOLD PRODUCTS	TRAVEL ACCESSORIES
	Pillows, bedsheets, curtains, door mats, towels, among others	Dinner sets, China mugs, glass tumblers, containers, bottles, cleaning aids, steel utensils, among others	Backpacks, duffel bags, trekking bags, among others
Products and Brands	"Home Beautiful" for home furnishings	"Home Finery" for crockery	"Level NXT" for travel accessories
		"Home Select" for general household products	



➤ **Fast-Moving Consumer Goods**

Company’s fast-moving consumer goods category comprises their own and third-party brand products across the food, non-food and staples categories. The products sold under their third-party brands for the fast-moving consumer goods category include, among others, (i) biscuits, cake, rusk, cookies and flavoured milk, (ii) detergent powder, hair shampoo, sanitary pad, and baby diaper, and (iii) tooth brush, shaving razor, cartridge, foam cream, gel and brush. The graphic below sets forth an overview of the products under their own brands for the fast-moving consumer goods product category:



The table below sets out certain business metrics as at, or for the six months period ended September 30, 2024 and 2023, and the Financial Years ended March 31, 2024, 2023 and 2022:

Particulars	Six months period ended September 30, 2024	Six months period ended September 30, 2023	FY24	FY23	FY22
Number of stores (number)	645	576	611	557	501
Adjusted Same-store sales growth (%)	12.57	13.34	13.57	25.16	11.89
Revenue from operations (₹ in millions)	50,325.13	42,194.61	89,119.46	75,860.37	55,885.15
Profit before tax (₹ in millions)	3,416.47	2,636.50	6,209.51	4,305.31	2,696.49
Profit for the year (₹ in millions)	2,541.37	1,953.57	4,619.35	3,212.73	2,027.70
EBITDA (₹ in millions)	6,680.34	5,711.10	12,486.01	10,205.21	8,036.85
EBITDA margin (%)	13.27	13.54	14.01	13.45	14.38
Net cash flow from operating activities (₹ in millions)	9,918.37	4,865.48	8,296.70	6,355.34	6,570.97
Net trade working capital days (in number of days)	N.A.	N.A.	11	N.A.	N.A.
Adjusted Return on Capital Employed (%)	49.63	42.93	70.95	92.16	156.34

**Strengths:**

➤ **Serving a Large and Growing Section of the Indian Population.**

Company is a one-stop destination for middle and lower-middle-income India. They serve this section of the Indian population through their 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. Company have a 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. As the Indian retail market matures and basic needs are increasingly met, there is a broad-based shift towards discretionary spending. 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 a wider assortment, better pricing, denser urban areas, and large whitespace for organized retailers in aspirational retail. Moreover, organized retailers, catering to the aspirational retail market, provide a streamlined retail experience through quality assurance, standardized and consumer-friendly in-store experiences, building a loyal consumer base, and sales assistance. This large and growing addressable market presents an attractive opportunity for them

➤ **Consumer-Centric Approach Resulting in a Large and Loyal Consumer Base.**

Company adopt a consumer-centric approach that seeks to maximize variety, affordability, quality and convenience for their consumers.

- **Variety:** Company recognize that the needs and aspirations of consumers are constantly evolving. To cater to these varying needs, they offer a large and diversified portfolio of products under their own brands and third-party brands, continuously refreshing their product selection to stay up-to-date with trends and innovation. They have the most diversified merchandise mix among offline-first diversified retailers for the Financial Year 2024, with a revenue contribution of over 25% across each of the apparel, general merchandise, and fast-moving consumer goods product categories.

- **Affordability:** Company meet the needs of their middle and lower-middle-income consumers by offering products across multiple price points and pack sizes. For instance, within apparel, their men's t-shirt sub-category includes products ranging from ₹99 to ₹599. Similarly, their women's western wear category includes products ranging from ₹89 to ₹2,499. They have leadership in opening price points across several product categories in apparel, general merchandise, and fast-moving consumer goods, including dresses, jeans, t-shirts, shirts, bedsheets, spin mops, casseroles, pet bottles, butter cookies, savory snacks (navratan namkeen), sanitary napkins, oats, fruit juice, and noodles, among leading offline-first diversified retailers in India as of April 30, 2024.
- **Quality:** Maintaining product quality is a key tenet of their business proposition, and they have implemented stringent quality control standards for all their vendors, ensuring they provide consumers with good quality products across product categories. They perform quality inspections and testing of raw materials used by their vendors and all finished goods produced by their vendors.
- **Convenience:** Company offer a convenient shopping experience to their consumers through their pan-India network of stores, mobile application, and website. Their stores are typically located in populated residential areas with convenient store access. Their store selection methodology considers factors such as population, market density, proximity to potential consumers, and accessibility by road, and parking facilities, among others. Their stores offer a consistent shopping experience with standardized designs and layouts that prioritize visibility, wide aisles, and accessibility. To enhance consumer convenience, through their mobile application or website, they offer the ability to check product availability at the nearest store and place orders online for delivery or pick-up from their stores. They were ranked among the two leading offline-first diversified retailers in India based on the number of cities where they offered same-day delivery as of March 31, 2024.

#### ➤ 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. Their own brand portfolio includes their brands for men, women, children, and infants in the apparel category; their brands for household and home furnishings, travel accessories, kitchen appliances, utensils, crockery, footwear, and lifestyle products in the general merchandise category; and their brands for food products, non-food products, and staples in the fast-moving consumer goods category. During Financial Year 2024, 19 of their own brands recorded sales exceeding ₹1,000 million each, with six of their brands recording sales exceeding ₹5,000 million each. Their own brands constituted 72.86%, 71.57%, 71.81%, 70.50%, and 70.20% of their revenue from operations for the six-month periods ended September 30, 2024, and 2023, and the Financial Years 2024, 2023, and 2022, respectively, aggregating to ₹36,665.57 million, ₹30,197.83 million, ₹63,993.42 million, ₹53,479.79 million, and ₹39,228.81 million during the six-month periods ended September 30, 2024, and 2023, and the Financial Years 2024, 2023, and 2022, respectively. Their revenue from operations from sales of own brands grew at a CAGR of 27.72% between the Financial Years 2022 and 2024. In addition to creating new own brands, they continue to add additional products to their existing portfolio of own brands. For example, under their 'Tandem' brand for home appliances, as set out in the graphic below, they have significantly expanded their product portfolio in the last three financial years with the inclusion of products such as air fryers, garment steamers, egg boilers, beard trimmers, juicers, sound bars and travel speakers, induction cooktops, and vegetable choppers, among others.



#### ➤ 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. They are 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-month periods ended September 30, 2024, and 2023, and the Financial Years 2024, 2023, and 2022, they opened 35, 24, 61, 66, and 88 new stores, respectively, and closed a total of 26 stores during these periods.

The table below sets out details of their total number and geographic distribution of their stores, as of September 30, 2024, and March 31, 2024, 2023, and 2022:

Particulars	As of Sep 30, 2024	As of Sep 30, 2023	FY24	FY23	FY22
Total number of stores	645	576	611	557	501
Stores in Tier 1 cities	194	180	187	178	167
Stores in Tier 2 cities and beyond	451	396	424	379	334



Company have a new store selection methodology that considers factors such as population, market density, proximity to their consumers, and accessibility by road, with parking facilities, among others. Their stores, with an average floor area ranging around 18,000 square feet, offer a consistent shopping experience to their consumers with standardized designs and layouts that prioritize visibility, ease of navigation, and accessibility. As all their stores are operated on a leasehold basis, this model allows them to roll out new stores with optimal upfront investment and deliver short payback periods on per-store investment. Their average payback per store for new stores opened during Financial Year 2023 was 19 months. This is the shortest store payback period among leading offline-first diversified retailers in India.

➤ **Technology Enabled and Systems Driven Operations.**

Company have implemented technology and systems across their operations, enabling them to offer existing and new products to their consumers in a timely and cost-effective manner.

- **Product Identification and Finalization:** Company leverage technology to identify the latest trends, designs, and features globally in the apparel and general merchandise categories. This enables them to understand product attributes, finalize new product designs and features, and launch them at affordable prices.
- **Sourcing of Products:** Company utilize technology to place orders with their vendors based on daily sales and demand. Their systems enable them to identify fast-selling items across their stores and procure such items from their vendors in a timely manner. These systems also ensure consistency in sourcing, helping maintain the quality of their products.
- **Inventory Management:** Company have an integrated allocation system that facilitates automatic unit-based replenishment of stock at their stores directly from their distribution centers. This helps them meet consumer demand, optimize inventory, and reduce wastage. Data Analytics: They maintain a data repository with consumer purchase and sales patterns and trends. These insights help them narrow down product preferences in each store location, replenish best-selling designs and products, and improve the shopping experience for their consumers.
- **Hyperlocal and Omni-channel Experience:** Their technology infrastructure is integrated with their stores, enabling them to track store inventory levels frequently and provide an omni-channel experience to their consumers. Once an order is placed on their mobile application or website, their systems enable them to deliver products directly from the nearest store within a short span of time.

**Key Strategies:**

➤ **Expand their Pan-India Store Network.**

Company believe that there is significant potential for further expansion of their pan-India store network and intend to expand their store footprint by entering new cities and towns and strengthening their presence in existing cities and towns through their established store rollout model.

- **Entering New Cities and Towns:** Company aim to continue expanding their store footprint to cities and towns with populations exceeding 50,000. As of Calendar Year 2023, India has approximately 50 Tier 1 cities and 1,250 Tier 2 cities and beyond, with populations exceeding 50,000. This represents a substantial untapped market for organized retailers, as these cities, especially Tier 2 cities and beyond, currently have low organized retail store densities. Historically, their presence in cities with populations exceeding 50,000 has expanded from 290 cities as of March 31, 2022, to 352 cities as of September 30, 2024.
- **Strengthening Presence in Existing Cities and Towns:** There is significant potential to continue enhancing their penetration within existing cities and towns. For example, they increased their number of stores in Hyderabad from 15 stores as of March 31, 2022, to 24 stores as of September 30, 2024. Similarly, they expanded their store network in Karnataka from 53 stores as of March 31, 2022, to 73 stores as of September 30, 2024. Furthermore, as of September 30, 2024, they had more than one store in 64 cities in India, compared to 46 cities as of March 31, 2022.

➤ **Drive Same-Store Sales Growth through Multiple Initiatives.**

Company aim to drive same-store sales growth through several complementary initiatives, including expanding their product portfolio, enhancing their hyperlocal offering, leveraging technology and data obtained from their loyalty program, and improving the in-store experience at their stores.

- **Expansion of their Portfolio:** Company aim to continue introducing new products and own brands and increasing the span and penetration of their existing own brands, thereby enhancing their value proposition to consumers. Their recently introduced products include down jackets, their athleisure apparel range, microwave lunch boxes, garment steamers, air fryers, and infrared cooktops, among others. They also plan to introduce new apparel ranges for men, women, and children, new products such as study lamps and high-wattage induction cooktops in the general merchandise category, and new food and non-food products such as chilly noodles and body wash in the fast-moving consumer goods category. While introducing new products, they aim to maintain opening price point leadership.
- **Expansion of their Hyperlocal Offering:** Company aim to expand their hyperlocal offering to all their stores through their mobile application and website. This will enable them to extend their reach, target catchment areas around their stores, and enhance

convenience for consumers. They also aim to utilize consumer data to enhance their omni-channel shopping experience by delivering personalized recommendations to their consumers.

- **Leverage Technology and Data Obtained from their Loyalty Program:** Company aim to continue leveraging technology to enhance consumer engagement and drive sales. They seek to achieve this by implementing insights derived from analyzing consumer buying behaviors and journeys to drive recommendations and promotions, facilitate cross-sell as well as up-sell opportunities, and enhance the overall shopping experience. They also intend to further leverage data obtained from their loyalty program to boost consumer engagement and drive sales.
- **Enhanced In-store Experiences:** Their approach to improving in-store experiences includes multiple ongoing initiatives such as enhancing store ambience through visual merchandising and lighting and streamlining the checkout process. This includes their proposed initiative to introduce hand-held checkout devices at their stores to provide a faster checkout experience. Recent refurbishments have given their stores a fresh and contemporary appearance, contributing to sales growth in their existing stores.

➤ **Commitment to Consumer Centricity: Aspirational, Affordable and Accessible.**

Consumers are at the core of their decision-making, and they remain committed to a consumer-centric approach, offering a broad assortment of aspirational yet affordable products with ease of access.

- **Aspirations:** Company will continue leveraging technology to identify the latest trends in fashion, the latest features in general merchandise, as well as the varying consumer preferences and tastes in the fast-moving consumer goods category. This approach enables them to launch products that meet the evolving aspirations of their consumers.
- **Affordability:** Company remain focused on maintaining their opening price leadership while offering a broad range of products across multiple price points. They aim to continue offering products at affordable price points by sharing the benefits from scale efficiencies, cost productivity, and efficient operations.
- **Accessibility:** Company remain committed to improving the accessibility of their products to consumers by expanding their store network to catchments close to their consumers in an economically viable manner, as well as by continuing to enhance their hyperlocal direct delivery service.

➤ **Driving Cost Efficiencies across their Operations.**

Company will continue to drive cost efficiencies across their operations through multiple initiatives:

- **Reduce Store Operating Costs:** Company aim to implement processes to minimize loss and wastage of inventory. Furthermore, they plan to leverage advanced inventory tracking systems and conduct frequent stock audits to manage their inventory effectively. They also aim to optimize their store operations and streamline operational procedures to reduce store operating costs.
- **Continue to Optimize Their Supply Chain:** Company aim to achieve sourcing efficiencies and optimization by leveraging economies of scale and cost-effective procurement of raw materials from suppliers and finished products from vendors. Additionally, they plan to enhance their supply chain by implementing advanced distribution and transportation management solutions, which would help reduce costs and improve efficiency.
- **Continued Use of Technology and Operating Leverage:** Company plan to deploy technology to achieve operational efficiency through automation and data-driven insights. This includes introducing faster checkout and queue-busting options through mobile devices and implementing a warehouse management system to increase the efficiency and capacity of their warehouses.
- **Further Grow Their Own Brand Portfolio:** Company aim to expand their portfolio of own brands and product offerings under such brands, based on evolving consumer preferences and aspirations. This strategy includes introducing new own-brand product lines that complement their existing own-brand product lines and enhancing the quality and aspirational appeal of existing products to drive repeat sales.
- **Drive Focused Marketing Efforts:** Company aim to optimize returns on their marketing expenditure by expanding their store presence within current markets, thereby achieving economies of scale. Concurrently, they plan to introduce cost-effective communication tools and capitalize on their loyalty database to increase both the average purchase per consumer and the frequency of consumer visits to their stores.

**Industry Snapshot:**

**India's retail opportunity**

**The Indian retail market has exhibited robust growth and rebounded post-Covid to reach ₹76 trillion (approximately US\$ 916 billion) in CY2023**

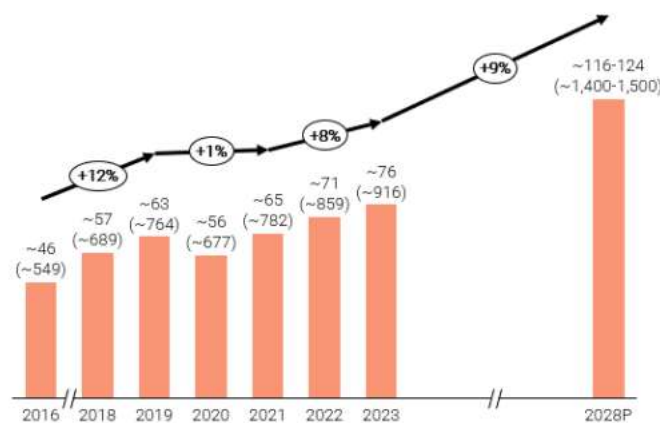
Between CY2016 and CY2019, the Indian retail market experienced robust growth, expanding at a CAGR of approximately 12% to reach ₹63 trillion (approximately US\$ 764 billion) by CY2019. This expansion was primarily fuelled by demographic changes, government interventions, and evolving consumption patterns. The rising middle-income segment has played a pivotal role in this growth, with their increasing disposable incomes driving greater demand for branded products, particularly in Tier-2 cities and beyond. This shift reflects broader economic trends, including rapid urbanization and the nuclearization of families, which have reshaped consumption patterns and expanded the

consumer base. Government interventions have also played a crucial role in shaping the retail landscape. The implementation of the GST and the liberalization of FDI policies have helped formalize the retail sector. These policy reforms have been complemented by technological advancements, particularly in digital payments. Innovations such as UPI have streamlined transactions, making consumer goods more accessible and boosting retail sales. Additionally, government social welfare schemes have injected additional disposable income into the hands of consumers, further energizing the retail market by increasing purchasing power and consumer spending. Furthermore, a broad-based shift towards consumerism, driven by digital media influence and global trends, has continuously influenced the preferences, and purchasing behaviours of Indian consumers. This cultural transformation is integrating Indian markets more closely with global markets, reflecting a growing alignment with international consumption standards. Despite the growth contortions caused by Covid-19, India's retail market demonstrated structural resilience, reaching approximately ₹76 trillion (approximately US\$ 916 billion) by CY2023.

**Overall retail market – India**

(CY2016, CY2018-2013 CY2028P, in ₹ trillions (US\$ billions))

x% CAGR



**The market has a long runway as the per-capita retail spends are very low compared to other nations**

Despite significant growth, India's retail market remains relatively under-penetrated compared to its global counterparts. Per capita retail spending in India is currently around ₹53,200 (approximately US\$640), markedly lower than in the United States at ₹1,016,000 (approximately US\$12,250) and China at ₹219,000 (approximately US\$2,640). This indicates significant growth headroom for India.

**Retail per capita – India, China, USA**

(CY2023, in ₹ 000s (US\$ 000s))

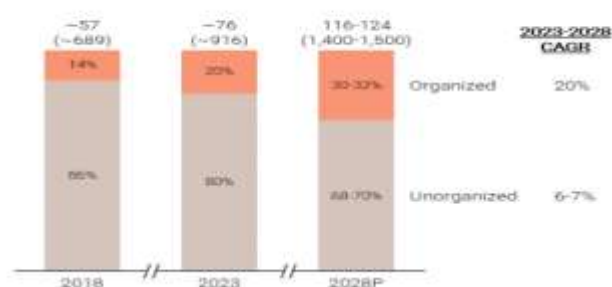


The core growth drivers of the retail market in India are outlined below:

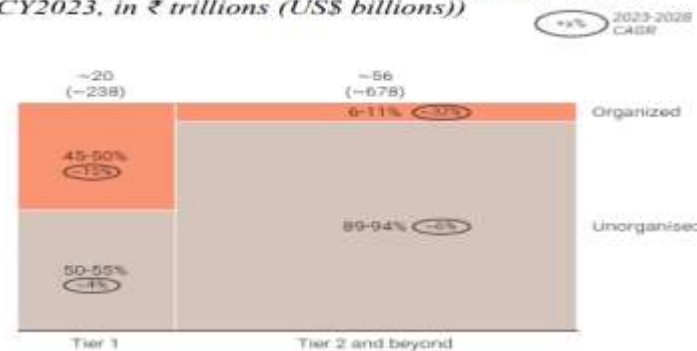
**A. India retail market is becoming more organized and is expected to grow at 20% CAGR between CY2023 and CY2028**

India's retail landscape is transitioning towards a more organized direction, with Tier-2 cities and beyond at the forefront of this change. As disposable incomes rise and urbanization continues to spread, unorganized retail spaces are being progressively displaced by both organized offline brick-and-mortar stores and online platforms. These two channels are projected to grow symbiotically, not only attracting a new consumer base but also converting users from unorganized retail through enhanced service offerings and operational efficiency. While Tier-2 cities and beyond are leading the charge, projected to grow at ~32% CAGR between CY2023 and CY2028, the potential for organized retail expansion extends beyond these cities. Tier-1 cities, where the share of unorganized retail currently ranges between 50-55%, also present a substantial headroom for growth. As India's retail market continues to formalize, it will gradually move towards the market structures of more developed economies such as the United States and China with 85-90% and 50-60% share of organized retail respectively as of CY2023.

**Overall retail market by channel – India**  
(CY 2018, CY2023, CY2028P, in ₹ trillions (US\$ billions))



**Overall retail market by channel & city tier – India**  
(CY2023, in ₹ trillions (US\$ billions))





**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 favorable 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. Additionally, organized retailers maintain transparent pricing policies, clearly displaying prices to ensure consumers are aware of what they are paying. This builds consumer trust and cultivates loyalty, altering consumer behavior in regions traditionally dominated by unorganized retail, as communities increasingly opt for the convenience, variety, and reliability offered by organized retailers.
- **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 behavior. Further, the introduction of new retail outlets in smaller urban centers, particularly in Tier-2 cities and beyond, is often met with enthusiasm. These outlets transform shopping into a celebratory event, offering a diverse array of products and a contemporary shopping experience. Additionally, technological enhancements in consumer service, such as direct product interactions, targeted marketing and efficient inventory management, further enrich the consumer experience.
- **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. This enables them to introduce relevant products across their national or regional store networks. This proactive approach not only strengthens their market presence but also enhances consumer satisfaction by ensuring their offerings align closely with consumer expectations.
- **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 behavior 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.

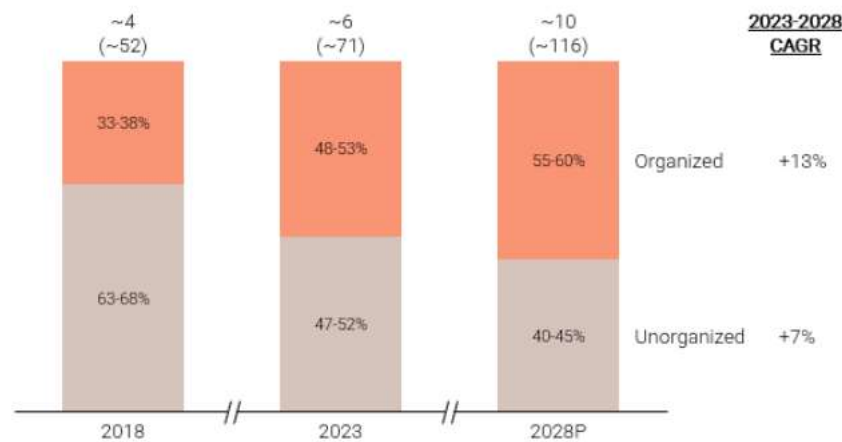
The top categories in the Aspirational Retail have been further detailed as follows:

**A. Apparel:** The apparel retail market in India was sized at ₹6 trillion (US\$71 billion) as of CY2023 and is projected to reach ₹10 trillion (US\$116 billion) by CY2028, growing at a CAGR of ~10%. Its growth drivers are outlined below:

- **Increased media exposure:** The proliferation of digital media has heightened exposure to global Apparel trends, influencing consumer tastes and preferences. The presence of social media platforms like Facebook, X, Instagram, and Pinterest acts as a continuous showcase of the latest fashion, which inspires consumer toward these trends. Influencer marketing has further amplified this effect, as influencers actively shape and promote these global styles, making them more desirable. Given the large aspirational middle-income segment in India that demands affordable yet trendy propositions, there is emergence and rapid growth of multiple mass-mid brands in the country.
- **Emergence of fast fashion:** India's demographic profile is notably young, with a significant portion of the population under the age of 30. This youth population is more likely to be influenced by trends and peer appearances, and more eager to make fashion statements that elevate their social status. This is leading to proliferation of many fast fashion brands across the nation.
- **Retail expansion and accessibility:** The expansion of both online and offline retail formats has made Apparel more accessible to a wider audience. This includes organized retailers rapidly expanding into Tier-2 cities and beyond, tapping into latent demand from a young yet aspirational audience whose Apparel needs were previously underserved. Unorganized channel accounts for 47-52% of the Apparel Market as of CY2023 but has been progressively declining at the expense of organized channels. This shift is primarily driven by increasing baselines for quality, availability of wider assortment in organized channels, better pricing, denser urban areas, and large whitespace. The decline of unorganized channel is expected to continue with organized channels accounting for 55-60% by CY2028 as outlined in the chart below.



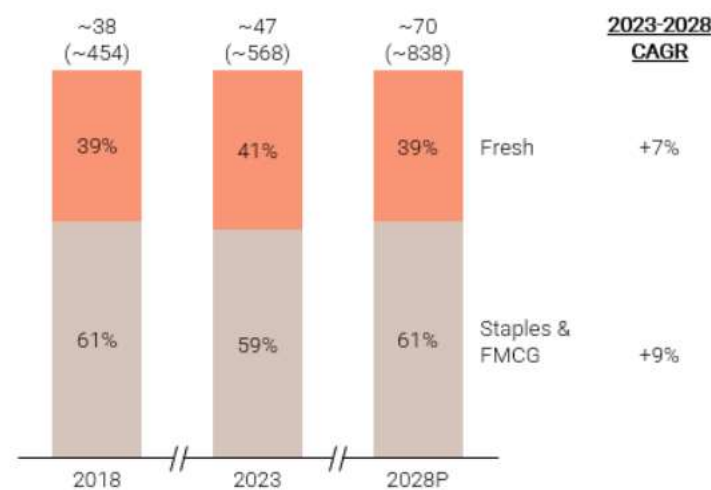
**Apparel market by channel – India**  
(CY2018, CY2023, CY2028P, in ₹ trillions (US\$ billions))



## B. Staples & FMCG

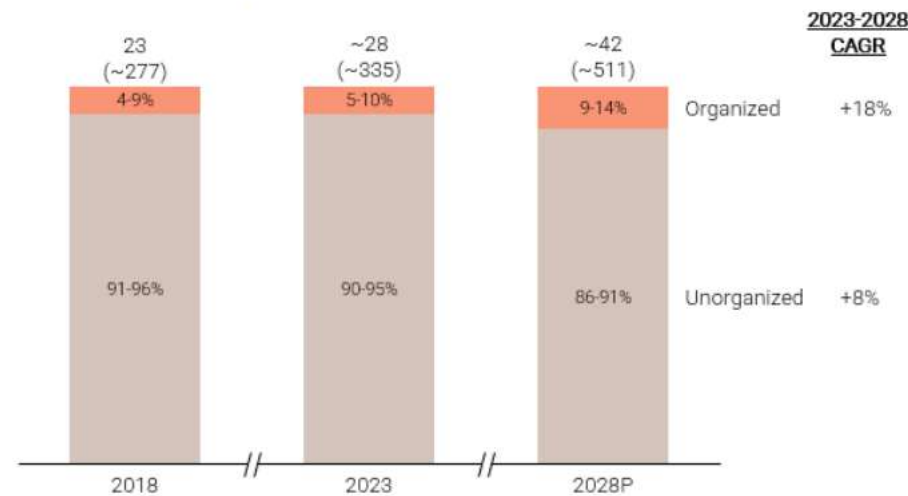
As of CY2023, the grocery retail market in India is valued at ₹47 trillion (US\$ 568 billion). Staples & FMCG account for ~59% of this market, contributing ₹28 trillion (US\$ 335 billion), and is projected to reach ₹42 trillion (US\$ 511 billion) by CY2028, growing at a CAGR of 9%. The key growth drivers for this segment are outlined below:

**Grocery market split by fresh and staples & FMCG – India**  
(CY2018, CY2023, CY2028P, in ₹ trillions (US\$ billions))



- Daily necessity and evolving needs:** Staples and FMCG remain a key household expenditure. Increasingly, Indian consumers seek a balance of convenience, quality, and variety beyond what kirana stores can offer. This creates a market for retailers who can cater to aspirational choices with wider selections, better-quality products, and superior consumer service. Additionally, there is a shift towards packaged foods versus unbranded loose foods, driven by factors such as perceived hygiene, consistency in quality, and longer shelf life. This shift further fuels growth in the staples and FMCG sector.
- Increased focus on health and wellness:** There's a rising awareness of healthy lifestyles and conscious eating in India. Consumers are keen on a greater range of better-quality foods, organic options, and global food items aligned with health goals.
- Expanding organized retail footprint:** The growth of supermarkets, hypermarkets, and organized online channels is transforming the landscape. These formats provide a superior shopping experience compared to smaller stores – wide aisles, better product displays, and more diverse offerings aligned with aspirational choices of quality and convenient shopping experience.
- Evolving household dynamics:** Rising instances of dual-income households and nuclear family units are reshaping dietary, purchasing, and personal care habits. There's a greater need for convenient meal solutions and smaller packaged items to cater to individual preferences within the same household. Similarly, in personal care, there is an increasing demand for products that suit diverse needs, ranging from quick and efficient grooming items to specialized skincare products that address specific concerns.
- Increasing e-Commerce penetration:** Driven by heightened demand for convenience and price-value proposition, e-Commerce has seen rapid adoption by consumers in the Staples & FMCG category in the past 3-4 years due to doorstep delivery, widespread assortment, frictionless payment options and promotional schemes.

**Staples & FMCG market by channel– India**  
(CY2018, CY2023, CY2028P, in ₹ trillions (US\$ billions))

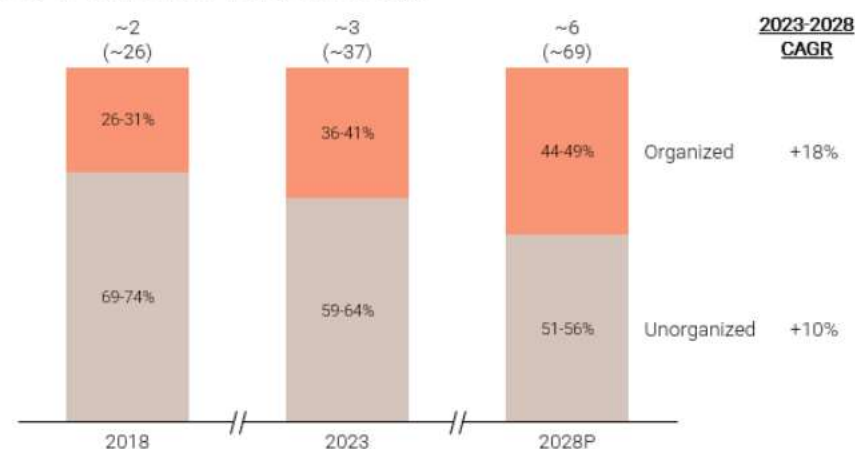


**C. General Merchandise:**

The General Merchandise retail market in India was sized at ₹3 trillion (US\$ 37 billion) as of CY2023 and is projected to reach ₹6 trillion (US\$ 69 billion) by CY2028 growing at a CAGR of 14%. Its growth drivers are outlined below:

- Increased accessibility and assortment through organized retailers:** As organized retailers extend their reach into Tier-2 cities and beyond, they address the limitations of unorganized retail. Unlike scattered product offerings in unorganized outlets, organized retailers consolidate a diverse range of products in a single store offering a wide assortment previously unavailable in these regions and enhancing convenience for consumers. By tapping into this latent demand, they not only streamline the shopping experience but also stimulate market growth.
- Rapid growth in footwear and fashion accessories:** The growth of the Footwear & Fashion Accessories sub category in India is driven by the positioning of domestic brands that align closely with local consumer preferences and offer value-for-money. These brands have successfully expanded their market reach through extensive distribution networks that span both urban, semi-urban, and rural areas. Their focus on providing quality products at an affordable price aligns with Indian consumer preferences, driving higher sales volumes. Furthermore, the adoption of online sales channels has enhanced accessibility and convenience for consumers.
- Shift towards convenience in small household appliances:** There's a trend towards buying appliances that offer ease of use and save time, catering to the busy lifestyles of both urban and semi-urban consumers in India. Popular products include mixer-grinders, microwave ovens, electric pressure cookers, and induction cooktops, which simplify cooking processes and reduce preparation time. This driver is particularly potent given India's large working population that values quick meal solutions and hassle-free kitchen experiences.
- Home-centric consumer behaviour:** With trends like work-from-home, there's a greater focus on enhancing living spaces, which boosts sales in home décor and furnishing segments. Consumers invest more in their home environments, leading to increased purchases of both functional and decorative items.
- Cultural and social trends toward DIY and home decor:** There's a growing DIY culture across various consumer segments, spurred by digital platforms like Facebook, X, Pinterest, and Instagram. This trend inspires consumers to customize their living spaces, increasing demand for home improvement products and driving greater interest in personalized home décor.
- Increased travel and mobility:** As travel returns to pre-pandemic levels, there is an upswing in demand for travel related general merchandise like luggage and travel accessories, which cater to both utility and style preferences.

**General Merchandise by channel– India**  
(CY2018, CY2023, CY2028P, in ₹ trillions (US\$ billions))



➤ **Accounting ratios**

Particulars	Six months period ended September 30, 2024	Six months period ended September 30, 2023	FY24	FY23	FY22
Revenue from Operations (₹ in million)	50,325.13	42,194.61	89,119.46	75,860.37	55,885.15
Profit for the period/ year (₹ in million)	2,541.37	1,953.57	4,619.35	3,212.73	2,027.70
Net Cash flow from Operating activities (₹ in million)	9,918.37	4,865.48	8,296.70	6,355.34	6,570.97
Sales mix – Apparel (₹ in million)	22,448.49	18,605.98	39,013.21	32,926.84	25,179.53
Sales mix – Fast moving consumer goods (₹ in million)	13,799.44	11,485.02	24,473.09	20,319.62	14,056.87
Sales mix – General Merchandise (₹ in million)	14,013.70	11,989.32	25,433.15	22,383.46	16,493.03
Sales mix contribution – Apparel (%)	44.61	44.1	43.78	43.4	45.06
Sales mix contribution – Fast moving consumer goods (%)	27.42	27.22	27.46	26.79	25.15
Sales mix contribution – General Merchandise (%)	27.85	28.41	28.54	29.51	29.51
Increase in revenue from operations (%)	19.27	NA	17.48	35.74	25.52
Profit Margin (%)	5.05	4.63	5.18	4.24	3.63
Gross Profit (₹ in million)	14,202.89	11,700.71	24,658.93	20,597.05	15,739.08
Gross Margin (%)	28.22	27.73	27.67	27.15	28.16
EBITDA (₹ in million)	6,680.34	5,711.10	12,486.01	10,205.21	8,036.85
EBITDA Margin (%)	13.27	13.54	14.01	13.45	14.38
Return on Capital Employed (%)	29.77	35.07	68.76	75.8	56.43
Inventory days (No. of days)	60	67	61	65	71
Adjusted Same-Store Sales Growth (%)	12.57	13.34	13.57	25.16	11.89
Retail Space (sq. ft. million)	11.49	10.48	11.01	10.18	9.14
Number of Stores (No.)	645	576	611	557	501
Average store size (sq. ft.)	17,812.32	18,201.74	18,011.56	18,268.86	18,250.95
Revenue contribution of own brands (₹ in million)	36,665.57	30,197.83	63,993.42	53,479.79	39,228.81
Revenue contribution of own brands (%)	72.86	71.57	71.81	70.5	70.2
Number of Stores – Tier 1 cities (No.)	194	180	187	178	167
Number of Stores – Tier 2 cities and beyond (No.)	451	396	424	379	334

**Comparison with listed entity**

Name of the company	Face Value (₹ per share)	Revenue from operations (₹ in millions)	Basic EPS 2024 (₹)	Diluted EPS 2024 (₹)	P/E	RONW (%)	NAV (₹)
Vishal Mega Mart Limited*	10	89,119.46	1.15*	1.15*	67.83**	8.18	12.53
<b>Listed Peers</b>							
Avenue Supermarts Limited	10	5,07,888.30	38.99	38.93	98.23	13.56	287.47
Trent Limited	1	1,23,751.10	41.82	41.82	163.59	39.99	104.59

Note: 1) P/E Ratio has been computed based on the closing market price of equity shares on NSE on December 03, 2024.

2) \*\* P/E and EPS of company is calculated on basis TTM and post issue no. of equity shares issued.

**Key Risk:**

- Company do not manufacture any of the products that are sold in their stores, and they rely entirely on third party vendors for the manufacturing of all products under their own brands who are required to meet their product specification, quality, design and manufacturing standards, which subjects them to risks, which, if materialized, could adversely affect their business, results of operations, cash flows and financial condition.
- Company has received two directives with requests for information from the Enforcement Directorate to furnish information and documents as part of its investigation and any possible penalties/action. Any adverse outcome in such matters may lead to future inquiries or escalate to investigations, legal proceedings or any possible penalties.
- If company fail to identify and effectively respond to changing consumer preferences in a timely manner, the demand for their products could decrease, causing their business, results of operations, financial condition and cash flows to be adversely affected.
- If company is unable to identify consumer demand accurately and maintain an optimal level of inventory, their business, results of operations, financial condition and cash flows may be adversely affected.
- Company derive a significant portion of their revenues from sale of products from their stores located in Uttar Pradesh, Karnataka and Assam, and any adverse developments in these states may have an adverse effect on their business, results of operations, financial condition and cash flows.
- The success of their business depends substantially on their management team and other key personnel. Company's inability to attract or retain such manpower or any loss of members of their senior management personnel or key managerial personnel could significantly delay or prevent the achievement of their business objectives, and could adversely affect their business and operations.
- Company have experienced negative cash flows in the past. Company cannot assure you that their net cash flows will be positive in the future.



**Valuation:**

Vishal Mega Mart Ltd is focused on serving a large and fast growing section of the Indian population with Consumer-centric approach resulting in loyal consumer base and Diverse and Growing Portfolio of Own Brands with Pan-India Presence along with Technology Enabled, Systems Driven Operations.

At the upper price band company is valuing at P/E of 67.83x, with an EV/EBITDA of 28.1x and market cap of ₹ 3,51,680 million post issue of equity shares and return on net worth of 8.18%.

We believe that the IPO is fairly priced and recommend a “**Subscribe-Long term**” rating to the IPO.

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