

Vishal Mega Mart

BSE SENSEX
84,680

S&P CNX
25,860



Bloomberg	VMM IN
Equity Shares (m)	4671
M.Cap.(INRb)/(USDb)	635.5 / 7
52-Week Range (INR)	158 / 96
1, 6, 12 Rel. Per (%)	0/5/-
12M Avg Val (INR M)	3794
Free float (%)	45.9

Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Sales	129.2	154.7	184.0
EBITDA	19.0	23.1	27.9
Adj. PAT	8.4	10.8	13.8
EBITDA Margin (%)	14.7	14.9	15.2
Adj. EPS (INR)	1.8	2.3	3.0
EPS Gr. (%)	31.3	28.5	27.4
BV/Sh. (INR)	15.7	18.0	20.9

Ratios

Net D:E	0.0	-0.1	-0.2
RoE (%)	12.3	13.8	15.2
RoCE (%)	10.4	11.2	12.1
Payout (%)	0.0	0.0	0.0

Valuations

P/E (x)	75.4	58.6	46.0
EV/EBITDA (x)	33.8	27.5	22.4
EV/Sales (X)	5.0	4.1	3.4

Shareholding Pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	54.1	54.2	76.0
DII	25.4	27.3	6.4
FII	15.4	12.9	4.6
Others	5.1	5.6	13.0

FII includes depository receipts

CMP: INR136

TP: INR170 (+25%)

Buy

Long runway for sustainable double-digit growth

We interacted with senior management of Vishal Mega Mart (VMM) to understand the company's growth runway, scope of operating leverage and profitability in South India, among other things. Here are the key takeaways:

- Management remains optimistic about sustaining double-digit SSSG on an annual basis (quarterly deviations might happen due to a change in the festive season, etc.) for a fairly long period, driven by differentiated own brands portfolio (~75% of the revenue mix).
- VMM has focused on premiumization over the last few years to match the rising aspirations of its customer base while remaining competitive in the opening price points by investing the gains from better buying efficiencies to improve the product quality.
- The company's focus on volume-led growth, technology (warehouse automation, RFID implementation), best-in-class supply chain management (<3% of revenue) and frugal operational philosophy should result in operating leverage and drive EBITDA margin expansion.
- Management noted that lower throughput in South India is a function of relatively new stores (3-4 year old vs. 10+ years in core states). However, driven by higher apparel salience, the profitability in South is similar if not better than the pan-India level, which has buoyed management to accelerate store expansion in South India.
- VMM offers quick commerce (QC) in 460 towns, with its share varying between 2% and 9% of in-store sales, depending on competitive intensity. Further, management indicated that despite higher FMCG salience (~70%, lower gross margin) and associated delivery costs (~INR30-40/order), VMM's QC offering is largely profitable on cash basis as AoV at ~INR700 is similar to typical in-store sales.
- We remain positive on VMM for its consistent growth trajectory, along with potential for margin expansion. We **reiterate our BUY rating with a revised TP of INR170**, premised on ~40x DCF implied Dec'27E pre-INDAS 116 EV/EBITDA (implies ~61x Dec'27 P/E).

Confident of sustaining double-digit SSSG over fairly long period

- VMM management remains confident of sustaining double-digit SSSG on an annual basis over a fairly longer period, though on a quarterly basis, there could be deviations due to a change in the festive calendar, etc.
- VMM's differentiated proposition (~75% of revenue from own brands), ownership of opening price points and loyal customer base (~95% of sales to repeat customers) remain key drivers for sustainable SSSG.
- Management noted that stores across various cohorts are delivering double-digit growth. For example, 7-10-year old stores with SPSF of ~1.7-2x of system average remain among the best performing stores.
- Further, VMM's focus on premiumization is helping it garner a higher wallet share from customers, especially during the festive period.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

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South India expansion remains profitable despite lower throughput

- Throughput in South India is optically lower due to 1) historically larger store sizes in Karnataka (~25k sqft vs. ~17-18k sqft national average) and 2) relatively new store footprint (3-4 years of operations vs. 10+ years in core markets).
- However, despite lower throughput, management noted that profitability in South India is at par, if not better than national average, given higher salience of apparel in the region.
- Buoyed by the performance of stores in South India, the company has added more stores than initially anticipated in key markets such as Bangalore and Hyderabad and remains bullish on store expansion prospects.
- Further, VMM has witnessed encouraging response in new markets such as Kerala, which has prompted the company to accelerate the pace of store expansion (~15 stores already opened in last 12-15 months).

Scale-up of QC offerings and small-format stores to expand VMM's TAM

- VMM's QC offering (now live in ~460 towns) is also bringing newer customers to VMM's ecosystem. QC contributes ~2-9% of VMM's in-store sales, depending on competitive intensity across regions.
- Further, management noted that VMM's QC offering is broadly profitable on cash basis as a high average order value (~INR700, in line with typical in-store ABV) makes up for the lower gross margin (~70% FMCG salience vs. ~27-28% in store) and associated delivery costs (~INR30-40/order).
- VMM is also piloting small store formats to target ~50k population towns, which is leading to expansion in its targetable addressable market (TAM). As per management, the performance of these small-format stores has been broadly in line with large-format stores, providing encouragement to roll it out to 40-50 stores over the next 12 months.

Valuation and view

- We believe the company's diversified category mix, ownership of opening price points, significant contribution from its own brands, and lean cost structure provide it with a strong moat against intense competition from both offline and online value retailers.
- Our FY26-28 earnings estimates remain broadly unchanged. We model a CAGR of 20%/22%/27%/30% in revenue/EBITDA/pre-INDAS 116 EBITDA/PAT over FY25-28E, driven by ~12% CAGR in store additions, consistent double-digit SSSG and ~160bp pre-INDAS 116 EBITDA margin expansion.
- We **reiterate our BUY rating with a revised TP of INR170**, premised on DCF-implied ~40x Dec'27E pre-IND AS 116 EV/EBITDA (implying ~29x Dec'27E reported EBITDA and ~61x Dec'27E P/E).

Exhibit 1: Our TP implies ~29x Dec'27E reported EBITDA

INR b	EBITDA	Multiple (x)	Value
Enterprise value	26.7	29	779
Net debt (incl. leases)			-2
Equity value			781
TP (INR/share)			170
CMP (INR/share)			136
Potential upside (%)			25

Source: MOFSL

Exhibit 2: Ascribe a TP of INR170, based on DCF implied ~40x Dec'27E pre-IND-AS 116 EBITDA

INR b	EBITDA	Multiple (x)	Value
Enterprise value	18.7	40	758
Net debt (excl. leases)			-23
Equity value			781
TP (INR/share)			170
CMP (INR/share)			136
Potential upside (%)			25

Source: MOFSL

Detailed takeaways from the management interaction

- **Sustaining double-digit SSSG:** Management reiterated that retail is a seasonal industry, with buying behavior heavily influenced by festivals, EoSS, etc., and SSSG should be assessed over a full-year cycle, not on a quarterly basis. However, stores across various cohorts are delivering double-digit SSSG. For example, mature stores (7-10+ years), which typically deliver 1.7x-2.1x SPSF compared to system average, are still among the best performing stores. Further, management indicated that VMM's differentiated offering through a higher share of own brands (~75%), provides it with a long runway for sustainable SSSG.
- **Profitability in South India:** Management clarified that VMM's profitability in South India is at par or better than the rest of India. The store throughput was lower due to bigger store sizes in Karnataka, which have been right-sized. The lower sales per store in South are primarily due to relatively new (opened in last 3-4 years) stores, as compared to relatively more mature stores in core regions, which distorts the comparison. However, the profitability is not materially different as the share of apparel in VMM's category mix in South is higher. Further, buoyed by the performance in South, the company is targeting to reach ~50 stores in Bangalore and ~40 stores in Hyderabad, which are significantly higher than what was anticipated at the time of entering these markets. Similarly, the response in Kerala has been encouraging, which has led to a fast scale-up (15+ stores already opened) and an increase in store opening target. The company will ramp up its presence in Tamil Nadu over the medium term.
- **Operating leverage and lean cost structure:** Overheads, including logistics and distribution, corporate overheads and marketing, account for ~6% of revenue. Management believes VMM's supply chain (warehousing and logistics costs) at ~2.8% of revenue is among the lowest in the industry. These overheads are largely fixed and grow with inflation rather than revenue and therefore provides operating leverage. VMM's lean cost structure is driven by the philosophy of incurring costs only when customers are in stores (for example rationalized air conditioning and cash counter staff during lean hours).
- **Premiumization:** The company has been deliberately moving customers up the pricing ladder for the past five years in line with the rising affluence of typical VMM customers. Management noted that customer that typically purchase low-price apparel (~INR100) in normal periods, tend to purchase high-priced apparel during festive periods (INR400-500) and would inadvertently purchase it from other retailers if VMM is not offering that product. Management noted that during 2Q, the higher price points delivered 16-17% SSSG, mid-price points grew ~12%, and opening price points grew ~6-7%; however, this was also skewed by festive-led buying. Management intends to further expand premium assortments while remaining competitive in opening price points.
- **Small store format:** VMM is piloting smaller store formats to cater to ~50k population towns. Management noted that throughput and thereby return metrics in small store formats has not been materially different from large-format stores. However, assortment planning and display for smaller stores are done in a different way to ensure customer relevance and higher sales density in order to maintain store economics as overheads typically do not change

materially for smaller stores. The company expects to reach ~40-50 smaller store count in the next 12 months, but the focus would remain on the larger store format (~18k sqft).

- **Quick Commerce (QC):** VMM offers QC or hyperlocal delivery in 430+ cities. This offering has brought in new customers to VMM's ecosystem. The buying patterns on QC are more skewed toward FMCG (~70% vs. ~28% on average in store sales) with good traction for VMM's private label brands. QC contributes 2-9% of store sales, varying by region, based on delivery infrastructure and presence of competition.
- **QC economics:** Management noted that the average basket value (~INR700) in QC orders is not materially different from in-store sales. Management indicated that VMM's QC offering is broadly profitable on cash basis, as gross margins are ~23-24% on ballpark due to higher FMCG salience and additional cost is related to delivery (INR30-40/order).
- **Lean inventory:** VMM's lower inventory levels are an outcome of higher sales velocity, not intentional understocking. Management focuses on maximizing velocity through competitive pricing, frequent launches (40-50 new fashion options weekly), albeit with limited depth per style to begin with. Faster sell-through enables negative working capital for VMM.
- **Refurbishment:** Stores undergo refurbishment on a cyclical basis to maintain the store look and feel. Typically, 40-50 stores undergo refurbishment annually as VMM tries to maintain a fine balance between new store openings and refurbishment of old stores.
- **Adjustments in SSSG:** For SSSG computation, the company adjusts for store refurbishment (to make it comparable) and any changes in store sizes. For example, several stores in Karnataka were historically oversized (~25k sqft) and have now been downsized to bring them closer to the national average of ~17-18k sqft. Further, the company's SSSG is based on 18 months from the store opening to adjust for the initial euphoria and the ramp-up phase for the new stores.
- **Winter demand:** Management indicated that winter apparel is a functional category and buying behavior is generally influenced by cold temperatures, except in kids category, where buying happens in anticipation of winter. High pollution was noted as a reason for mild winters; however, based on current weather indicators, temperature is expected to fall in coming days, which should support winter apparel demand.
- **GST:** GST rationalization has been positive for consumer sentiment but overall benefit for retailers such as VMM has been limited. The price reduction in FMCG is not meaningful enough to drive buying spurt, unlike in higher ticket size categories such as automobiles. Further, management noted that certain categories, such as edible oil and wheat, do not see higher consumption, just because the prices have reduced. However, GST reduction on the overall basket improves affordability and drives customers to explore higher-priced apparel with better fabric and fashion quotient.
- **Technology/Automation:** The company has an automated warehouse spanning 0.6m sqft, which is yielding direct benefits in the form of lower manpower costs and operating leverage. These benefits become more pronounced as volume scales up, since costs are largely fixed until full capacity utilization is achieved,

unlike in a manual warehouse, which requires more manpower as volume ramps up.

- **RFID:** RFID implementation requires scale and volume to be effective. Management highlighted that RFID benefits are significant, particularly in case of apparel, where physical as well as value shrinkage gets reduced. The company is working on secure RFID tags that cannot be detached unless scanned, ensuring full system integrity. VMM is currently implementing RFID just for the apparel category.

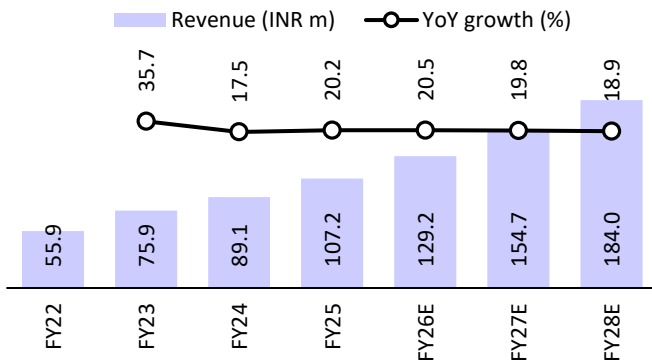
Exhibit 3: Key assumptions for VMM

Key assumptions	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
EoP stores	501	557	611	696	785	880	980
Net store additions		56	54	85	89	95	100
EoP retail area (msf)	9.1	10.2	11.0	12.2	13.4	14.6	16.0
YoY		11.3	8.1	10.5	9.9	9.6	9.2
SSSG (%)	11.9	25.2	13.6	12.3	11.5	11.3	11.0
Revenue (INR b)	55.9	75.9	89.1	107.2	129.2	154.7	184.0
YoY		35.7	17.5	20.2	20.5	19.8	18.9
Rev/sqft (INR)		7,853	8,415	9,251	10,120	11,048	12,011
Gross margin (%)	28.2	27.2	27.7	28.5	28.5	28.6	28.6
EBITDA (INR b)	8.0	10.2	12.5	15.3	19.0	23.1	27.9
EBITDA margin (%)	14.4	13.5	14.0	14.3	14.7	14.9	15.2
Pre-INDAS EBITDA (INR b)	4.2	5.5	7.4	9.7	12.5	15.8	19.7
Pre-INDAS margin (%)	7.5	7.3	8.3	9.1	9.7	10.2	10.7
PAT	2.0	3.2	4.6	6.3	8.4	10.8	13.8
Capex (INR b)	1.6	2.2	2.5	2.6	2.8	3.0	3.2
Capex /sqft		2,119	3,007	2,280	2,338	2,335	2,333

Exhibit 4: Summary of our estimate changes

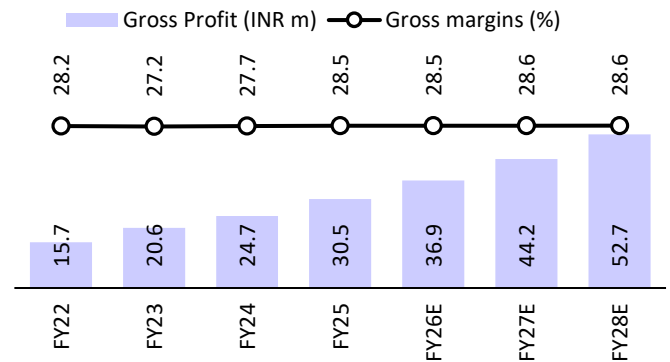
Particulars	FY26E	FY27E	FY28E
Revenue (INR m)			
Old	1,29,728	1,55,900	1,86,490
Actual/New	1,29,167	1,54,730	1,84,020
Change (%)	-0.4	-0.8	-1.3
Gross Profit (INR m)			
Old	37,098	44,738	53,610
Actual/New	36,873	44,248	52,715
Change (%)	-0.6	-1.1	-1.7
Gross Margin (%)			
Old	28.6	28.7	28.7
Actual/New	28.5	28.6	28.6
Change (bp)	-5.0	-10.0	-10.0
EBITDA (INR m)			
Old	19,066	23,380	28,433
Actual/New	19,002	23,127	27,919
Change (%)	-0.3	-1.1	-1.8
EBITDA margin (%)			
Old	14.7	15.0	15.2
Actual/New	14.7	14.9	15.2
Change (bp)	1.5	-5	-7.5
Net Profit (INR m)			
Old	8,477	10,838	13,711
Actual/New	8,428	10,832	13,801
Change (%)	-0.6	-0.1	0.7
EPS (INR/share)			
Old	1.8	2.3	2.9
Actual/New	1.8	2.3	3.0
Change (%)	-0.6	-0.1	0.7

Exhibit 5: Expect 20% revenue CAGR over FY25-28



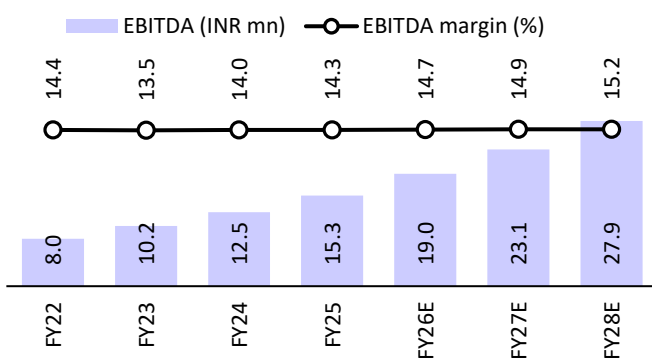
Source: Company, MOFSL

Exhibit 6: Build in modest ~15bp GM expansion over FY25-28



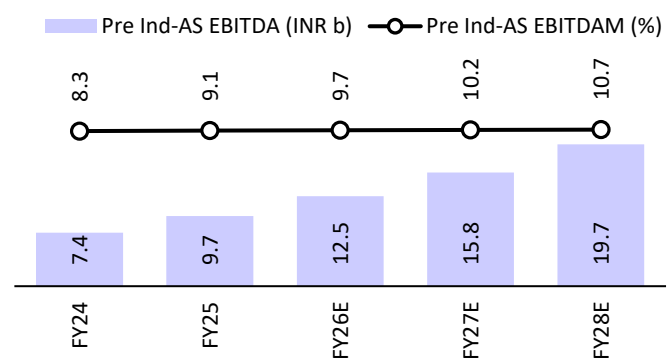
Source: Company, MOFSL

Exhibit 7: Expect 22% EBITDA CAGR over FY25-28



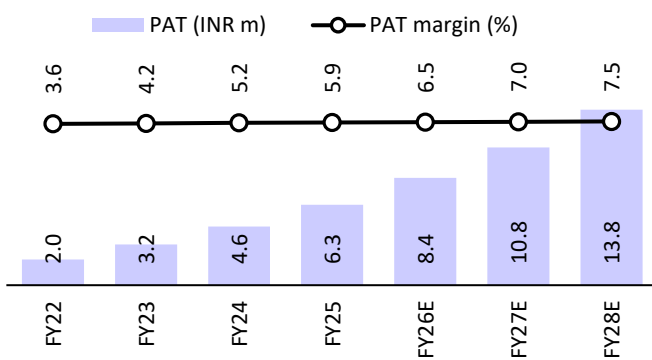
Source: Company, MOFSL

Exhibit 8: Expect 27% Pre-Ind AS EBITDA CAGR over FY25-28



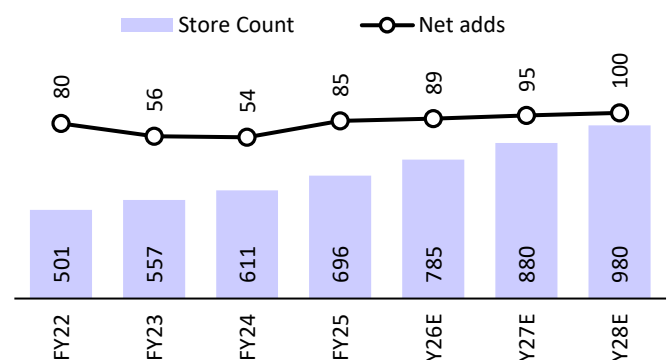
Source: Company, MOFSL

Exhibit 9: Expect 30% PAT CAGR over FY25-28



Source: Company, MOFSL

Exhibit 10: Store adds to remain robust over FY25-28



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement

	INRm						
Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Income from Operations	55,885	75,860	89,119	1,07,163	1,29,167	1,54,730	1,84,020
Change (%)	25.5	35.7	17.5	20.2	20.5	19.8	18.9
Raw Materials	40,146	55,263	64,461	76,636	92,294	1,10,483	1,31,304
Gross Profit	15,739	20,597	24,659	30,527	36,873	44,248	52,715
Margin (%)	28.2	27.2	27.7	28.5	28.5	28.6	28.6
Employees Cost	3,377	4,318	5,047	6,406	7,408	8,742	10,259
Other Expenses	4,325	6,074	7,126	8,820	10,462	12,378	14,538
Total Expenditure	47,848	65,655	76,633	91,862	1,10,164	1,31,603	1,56,101
% of Sales	85.6	86.5	86.0	85.7	85.3	85.1	84.8
EBITDA	8,037	10,205	12,486	15,302	19,002	23,127	27,919
Margin (%)	14.4	13.5	14.0	14.3	14.7	14.9	15.2
Depreciation	4,056	4,614	5,173	5,902	6,951	8,184	9,494
EBIT	3,981	5,591	7,313	9,399	12,051	14,943	18,425
Int. and Finance Charges	1,938	1,614	1,435	1,492	1,669	1,880	2,101
Other Income	653	329	332	586	885	1,419	2,126
PBT bef. EO Exp.	2,696	4,305	6,210	8,493	11,268	14,481	18,450
PBT after EO Exp.	2,696	4,305	6,210	8,493	11,268	14,481	18,450
Total Tax	669	1,093	1,590	2,173	2,839	3,649	4,649
Tax Rate (%)	24.8	25.4	25.6	25.6	25.2	25.2	25.2
Reported PAT	2,028	3,213	4,619	6,320	8,428	10,832	13,801
Adjusted PAT	2,028	3,213	4,619	6,320	8,428	10,832	13,801
Change (%)	71.0	58.4	43.8	36.8	33.4	28.5	27.4
Margin (%)	3.6	4.2	5.2	5.9	6.5	7.0	7.5

Balance Sheet

	INRm						
Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	45,033	45,066	45,087	45,974	46,711	46,711	46,711
Total Reserves	3,219	6,495	11,131	18,039	26,467	37,299	51,099
Net Worth	48,252	51,561	56,218	64,013	73,178	84,009	97,810
Total Loans	17,895	14,616	14,834	17,294	19,565	21,967	24,432
Net Deferred Tax Liabilities/ (Asset)	-1,978	-2,139	-2,221	-2,464	-2,464	-2,464	-2,464
Capital Employed	64,169	64,038	68,831	78,843	90,279	1,03,513	1,19,779
Net Fixed Assets	15,048	16,000	18,914	22,407	25,379	28,054	30,284
Goodwill on Consolidation	42,976	42,926	42,918	42,941	42,958	42,972	42,982
Capital WIP	111	685	383	136	136	136	136
Total Investments	4,987	1,229	855	4,791	4,791	4,791	4,791
Curr. Assets, Loans&Adv.	16,921	19,759	19,769	27,191	38,328	53,187	71,952
Inventory	12,160	14,907	14,650	18,503	21,233	25,435	30,250
Account Receivables	23	42	317	664	801	959	1,141
Cash and Bank Balance	2,158	1,692	1,189	4,637	12,222	21,923	34,779
Other Current Assets	2,506	2,958	3,565	3,341	4,027	4,823	5,737
Loans and Advances	74	160	48	46	46	46	46
Curr. Liability & Prov.	15,875	16,561	14,009	18,624	21,314	25,628	30,368
Account Payables	14,606	15,008	12,200	14,786	16,809	20,348	24,200
Other Current Liabilities	634	844	1,311	3,249	3,916	4,691	5,579
Provisions	635	710	497	589	589	589	589
Net Current Assets	1,046	3,198	5,760	8,567	17,014	27,558	41,585
Appl. of Funds	64,169	64,038	68,831	78,843	90,279	1,03,513	1,19,779

Financials and valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)							
EPS	0.5	0.7	1.0	1.4	1.8	2.3	3.0
Cash EPS	1.4	1.7	2.2	2.7	3.3	4.1	5.0
BV/Share	10.7	11.4	12.5	13.9	15.7	18.0	20.9
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)							
P/E	302.0	190.8	132.7	98.9	75.4	58.6	46.0
Cash P/E	100.7	78.3	62.6	51.2	41.3	33.4	27.3
P/BV	12.7	11.9	10.9	9.8	8.7	7.6	6.5
EV/Sales	11.3	8.5	7.3	6.0	5.0	4.1	3.4
EV/EBITDA	78.2	61.3	50.2	41.7	33.8	27.5	22.4
Dividend Yield (%)	NA	NA	NA	NA	NA	NA	NA
FCF per share	0.1	-0.2	0.1	1.2	1.3	1.8	2.3
Return Ratios (%)							
RoE	4.3	6.4	8.6	10.5	12.3	13.8	15.2
RoCE	4.6	6.3	7.9	9.2	10.4	11.2	12.1
RoIC	5.4	7.1	8.6	10.3	12.7	14.9	17.6
Working Capital Ratios							
Fixed Asset Turnover (x)	3.7	4.7	4.7	4.8	5.1	5.5	6.1
Asset Turnover (x)	0.9	1.2	1.3	1.4	1.4	1.5	1.5
Inventory (Days)	79	72	60	63	60	60	60
Debtor (Days)	0	0	1	2	2	2	2
Creditor (Days)	95	72	50	50	48	48	48
Net WC days	-16	0	11	15	15	14	14
Leverage Ratio (x)							
Current Ratio	1.1	1.2	1.4	1.5	1.8	2.1	2.4
Interest Cover Ratio	2.1	3.5	5.1	6.3	7.2	7.9	8.8
Net Debt/Equity	0.2	0.2	0.2	0.1	0.0	-0.1	-0.2

Cash Flow Statement

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	2,696	4,305	6,210	8,493	11,268	14,481	18,450
Depreciation	4,056	4,614	5,173	5,902	6,951	8,184	9,494
Interest & Finance Charges	1,938	1,614	1,435	1,492	1,669	1,880	2,101
Direct Taxes Paid	-700	-1,245	-1,497	-2,400	-2,839	-3,649	-4,649
(Inc)/Dec in WC	-1,419	-2,934	-3,024	503	-861	-844	-1,170
CF from Operations	6,571	6,355	8,297	13,991	15,302	18,634	22,100
Leases and interest paid	-4,600	-5,028	-5,266	-5,683	-6,529	-7,357	-8,219
CF from Operating incl EO	1,971	1,327	3,030	8,308	8,773	11,277	13,881
(Inc)/Dec in FA	-1,575	-2,187	-2,494	-2,638	-2,809	-2,995	-3,150
Free Cash Flow	397	-860	537	5,669	5,964	8,282	10,731
(Pur)/Sale of Investments	1,800	3,909	1,086	-3,563	-	-	-
Others	47	51	107	97	885	1,419	2,126
CF from Investments	272	1,773	-1,301	-6,105	-1,924	-1,576	-1,024
Issue of Shares	222	22	18	897	736	-	-
Inc/(Dec) in Debt	-2,727	-3,639	-1,333	-	-	-	-
Others	-	-	-	667	-	-	-
CF from Fin. Activity	-2,505	-3,617	-1,315	1,564	736	-	-
Inc/Dec of Cash	-262	-517	415	3,767	7,585	9,701	12,856
Opening Balance	1,234	972	455	870	4,637	12,222	21,923
Closing Balance	972	455	870	4,637	12,222	21,923	34,779

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