

Rating: Subscribe for listing gain

Issue Offer

The IPO is a book-built issue and entirely an OFS of 1,025,641,025 shares up to INR 80 Bn by Promoters group.

Issue Summary	
Price Band INR	74-78
Face Value INR	10
Implied Market Cap INR Bn.	351.68
Market Lot.	190
Issue Opens on	Dec 11, 2024
Issue Close on	Dec 13, 2024
No. of share pre-issue	4,508,719,493
No. of share post issue	4,508,719,493
Listing	NSE, BSE

Issue Break-up %	
QIB Portion	≤ 50
Retail Portion	≥ 35
NII Portion	≥ 15

Registrar	
Kfin Technologies Limited	

Book Running Lead Managers	
Kotak Mahindra Capital Ltd	
ICICI Securities Ltd	
Intensive Fiscal Services Pvt Ltd	
Jefferies India Pvt Ltd	
J.P. Morgan India Pvt Ltd	
Morgan Stanley India Company Pvt Ltd	

Shareholding Pattern		
	Pre-Issue	Post-Issue
Promoters	96.46%	76.02%
Public & Others	3.54%	23.98%

Objects of the issue	
➤ Achieve the benefits of listing the Equity Shares on the Stock Exchanges;	
➤ Carry out the Offer for Sale of up to 1,025,641,025 Equity Shares of face value of ₹ 10 each by the Promoter Selling Shareholder.	

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Vishal Mega Mart is a prominent hypermarket chain in India, targeting middle and lower-middle income people. Initially focused on ready-made apparel, the company has significantly diversified its offerings to include groceries, electronics, home essentials, and various fast-moving consumer goods (FMCG) products. As of September 30, 2024, Vishal Mega Mart operates 645 stores across 414 cities in 28 states and two union territories. Company has both physical stores and a digital platform comprising a mobile app and website.

Investment Rationale:

Strong Market Position: Company operates in the retail sector, which has shown resilience and growth potential in India. The total addressable market for aspirational retail in India is projected to reach INR 104-112 trillion (Tn) by 2028, growing at a CAGR of 9% from INR 68-72 Tn in 2023. The company aims to leverage its established brand and extensive network to capture a larger market share. The number of middle-income households increased from 201 million in 2018 to 225 million in 2023, indicating a growing consumer base driven by economic development and employment support. Company offers a wide range of products, catering to various consumer needs. This diversification helps mitigate risks associated with reliance on a single product category.

Growth Strategy: Company operates 645 stores across 414 cities in India, with a focus on accessibility and convenience for consumers. The company plans to expand its footprint through new store openings and enhancing its online presence. This dual approach is expected to drive sales growth and improve customer accessibility. Company has a well-structured supply chain supports efficient operations, ensuring that stores are well-stocked and can respond quickly to market demands. Company focuses on its price strategy providing value to customers, which can enhance customer loyalty and attract price-sensitive consumers. Revenue from operations for the six months ending Sept 30, 2024, reached INR 36,666 Mn, marking a significant increase from INR 30,198 Mn in the same period of 2023. This reflects a y-o-y growth rate of approximately 21.5%.

Financial Performance: Historical financial performance indicates a positive trajectory in revenue and profitability. Company has demonstrated a consistent upward trend in revenue over the past few years, reflecting its expanding market presence and effective sales strategies. Net profit margin of the company has shown improvement, indicating better cost management and operational efficiency. Company's revenue from their own brand has been recorded for FY 2022 INR 39,229 Mn, FY 2023 INR 53,480 Mn and for FY 2024 INR 63,994 Mn which grew at a CAGR of 27.72% between FY 2022 and FY 2024, demonstrating strong brand performance and consumer acceptance.

Experienced Management Team: Company has significant experience in the retail sector, which is crucial for navigating market challenges and executing growth strategies effectively. Their prior experiences include managing large retail operations, enhancing supply chain efficiencies, and driving sales growth. Team has previously demonstrated success within the retail sector.

Valuation and View:

Company presents an attractive opportunity given its growth strategy and market positioning; potential investors should weigh these opportunities against the risks associated with investing in a newly listed entity. The management team's experience in retail is a positive indicator for navigating market challenges and executing growth strategies effectively. **At the upper band of INR 78, the issue is valued at an EV/EBITDA of 29.26x based on FY24 EBITDA of INR 12,486 Mn. We are recommending "Subscribe For listing gain" for this issue.**

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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