

10 December 2025

India | Equity Research | Company Update

## Vishal Mega Mart

Consumer Staples &amp; Discretionary

### CXO 1x1: Gunender Kapur, MD & CEO

High confidence on Kerala TAM opening up in a material way was one of the major takeaways from our meeting with GK. Read on: (1) Strong traction in Kerala with a ~100-store opportunity; entry in Tamil Nadu will be in a phased manner to protect store economics. (2) Mix is premiumising, with premium apparel growing the fastest in a demand environment that is currently fully volume-led. (3) QC contributes ~3-4% of store revenue on average (range: 2-9%) with ~20% new customers. (4) Private labels remain a key margin lever with healthy penetration across core categories, though adoption varies by segment. (5) A clear value gap vs. local cooperatives and a differentiated role vs. DMart supports competitive positioning. (6) Execution remains strong with shrink (inventory loss) at ~0.59% and ROCE at ~70%, supporting a fully company-operated model. **BUY.**

### Expansion momentum strengthens medium-term visibility

Vishal Mega Mart (VMM) continues to build a dense, repeatable expansion model across tier II/III markets. Kerala has emerged as a strong next-leg opportunity, with management identifying a ~100-store potential, a meaningful opportunity given UP currently has ~125 stores. Early traction has been encouraging, supported by compact formats and strong value perception. Tamil Nadu will be approached in a calibrated manner to protect early unit economics and ensure consistency across the model as the footprint expands.

### Mix continues to premiumise

Fast fashion remains a core driver for VMM, supported by weekly design refreshes and sharp affordability for younger customers. Mix continues to improve, with premium apparel gaining traction while affordability remains a key strength for VMM in a volume-led environment. Rising digital exposure and improving affordability across small-city India continue to support steady fashion demand and healthier throughput across stores.

### QC scales steadily

QC has scaled steadily, contributing ~2-9% of store revenue depending on market maturity, with a blended ~3-4%. Roughly, 20% of QC users are new to Vishal, making it an effective acquisition channel. Fulfilment is handled directly from stores, enabling efficient order picking without any additional space or separate inventory.

### Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	1,07,320	1,29,999	1,55,242	1,82,195
EBITDA	15,459	18,754	22,572	26,832
EBITDA Margin (%)	14.4	14.4	14.5	14.7
Net Profit	6,477	8,396	10,417	12,894
EPS (INR)	1.4	1.8	2.3	2.8
EPS % Chg YoY	37.5	29.6	24.1	23.8
P/E (x)	93.0	71.8	57.8	46.7
EV/EBITDA (x)	38.4	31.3	25.7	21.2
RoCE (%)	11.9	13.2	14.3	15.2
RoE (%)	10.8	12.3	13.4	14.4

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#### Market Data

Market Cap (INR)	612bn
Market Cap (USD)	6,816mn
Bloomberg Code	VMM IN
Reuters Code	VSSL.BO
52-week Range (INR)	158 /96
Free Float (%)	45.0
ADTV-3M (mn) (USD)	15.1

Price Performance (%)	3m	6m	12m
Absolute	(14.4)	0.0	0.0
Relative to Sensex	(18.8)	(2.6)	0.0

ESG Score	2024	2025	Change
ESG score	NA	56.0	NA
Environment	NA	31.4	NA
Social	NA	50.4	NA
Governance	NA	78.1	NA

**Note** - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	-	-
EBITDA	(0.8)	(1.4)
EPS	(0.1)	(0.2)

#### Previous Reports

14-11-2025: [Q2FY26 results review](#)

14-08-2025: [Q1FY26 results review](#)

Management noted that while QC is often viewed as a 'delivery-cost vs. rent' trade-off, store rents in their model support both the channels, and physical stores remain more profitable overall. QC is, therefore, positioned as an incremental layer that deepens reach in dense catchments and adds steady volumes as stores mature.

### Private labels strengthen the model

Private labels remain central to VMM's price-value proposition and gross margin structure. The company maintains a disciplined architecture: market leaders and the second-best brand are retained as pricing benchmarks, while private labels are priced sharply but designed to deliver similar rupee gross margin per kg/litre as third-party brands. Penetration varies - categories such as toilet cleaners have achieved ~90% in-store share, while detergents require further strengthening due to perceived quality and emotional switching barriers. There is meaningful opportunity in short-shelf-life food categories and niche segments such as adult diapers, which are structurally suited to retailer-led development.

### Strong value-led positioning vs. peers

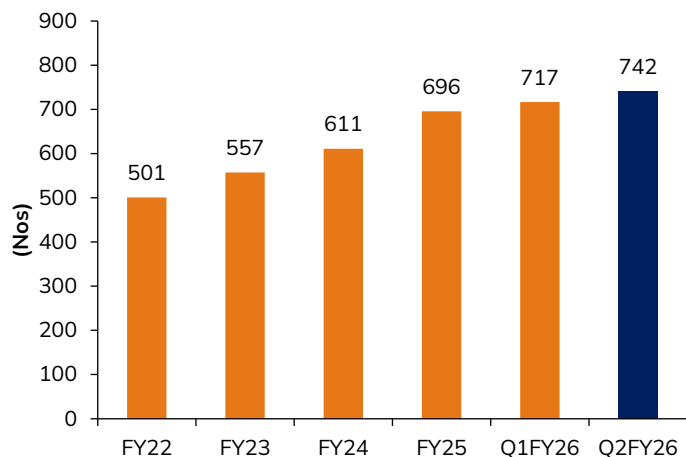
In Kerala, customers were historically accustomed to cooperative formats offering ~2-5% savings; VMM's sharply priced FMCG and GM products provide a materially stronger value proposition. In markets with DMart overlap, VMM plays a distinct role in consumer basket, led by fast fashion sharply priced private labels, while DMart remains dominant in full-basket FMCG. This differentiated positioning limits direct head-to-head competition and supports VMM's margin resilience.

### Strong execution and capital discipline

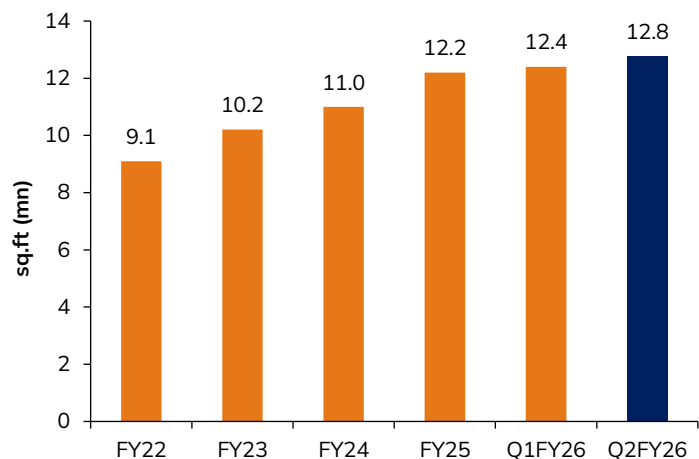
Store-level execution remains consistent, supported by team-based incentives linked to revenue and disciplined shrink control. Shrink currently stands at ~0.59%, a level management considers optimal. With ROCE at ~70%, VMM remains fully self-funded, removing the need for franchising. Management reiterated that franchising dilutes control, risks customer experience and offers limited commercial upside given the strong internal cash generation. As inflation stabilises and basket breadth improves, VMM remains positioned for volume-led growth. Rising affluence and aspiration across small Indian cities, combined with disciplined expansion, fashion relevance, private-label depth, q-commerce scale and consistent store execution, provide a clear multi-year runway for steady and profitable growth.

### Valuation and risks

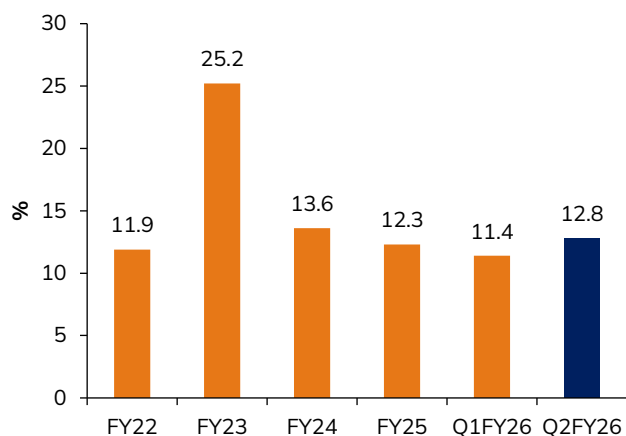
We largely maintain our earnings estimate; modelling revenue/ EBITDA/PAT CAGR of 19%/21%/26% over FY25-28E. Maintain **BUY** with a DCF-based target price of INR 175. Key risks: Slower-than-expected store addition and SSSG, exit of key managerial personnel and customer shifting towards convenience (quick commerce).

**Exhibit 1: Store network**

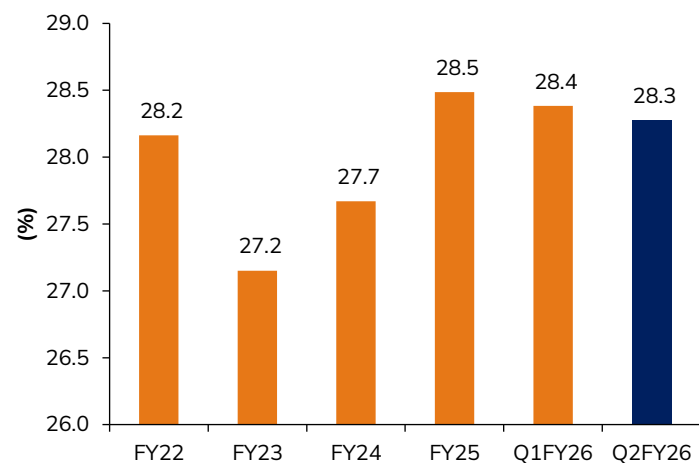
Source: Company data, I-Sec research

**Exhibit 2: Retail space**

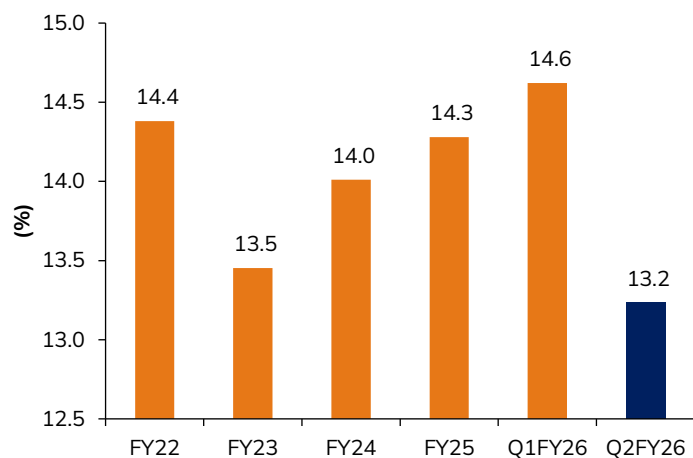
Source: Company data, I-Sec research

**Exhibit 3: Adjusted SSSG (%)**

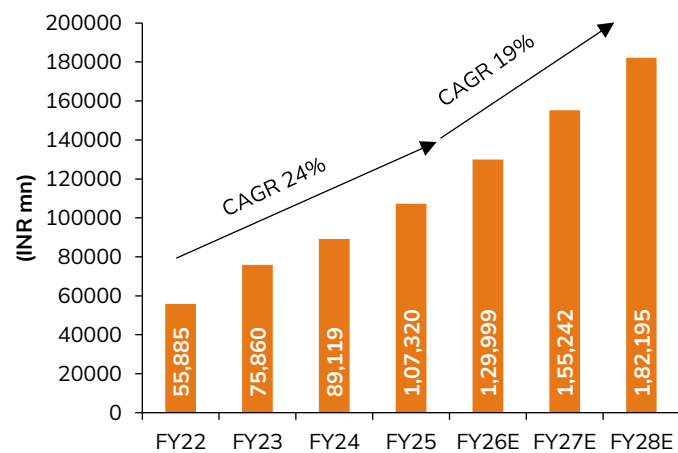
Source: Company data, I-Sec research

**Exhibit 4: Gross margin**

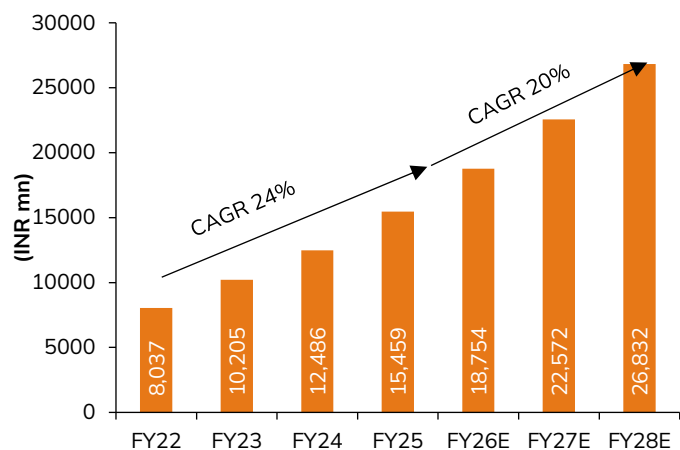
Source: Company data, I-Sec research

**Exhibit 5: EBITDA margin**

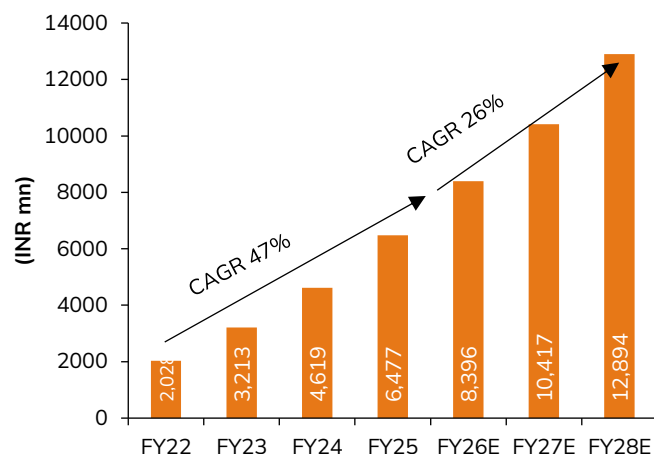
Source: Company data, I-Sec research

**Exhibit 6: Revenue and growth rates**

Source: Company data, I-Sec research

**Exhibit 7: EBITDA and growth rates**

Source: Company data, I-Sec research

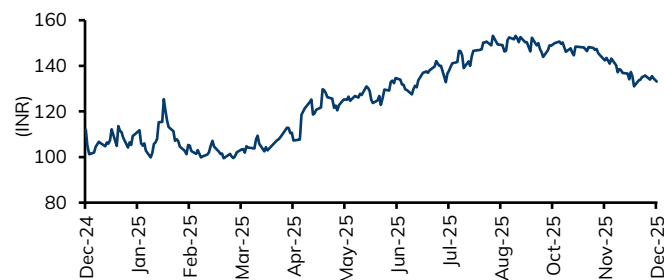
**Exhibit 8: PAT and growth rates**

Source: Company data, I-Sec research

**Exhibit 9: Shareholding pattern**

%	Mar'25	Jun'25	Sep'25
Promoters	75.6	54.2	54.1
Institutional investors	19.2	40.2	40.8
MFs and other	11.4	25.7	23.8
Banks/ FIs	0.0	0.1	0.3
Insurance Cos.	0.6	1.3	1.3
FII	7.2	13.1	15.4
Others	5.2	5.6	5.1

Source: Bloomberg, I-Sec research

**Exhibit 10: Price chart**

Source: Bloomberg, I-Sec research

## Financial Summary

### Exhibit 11: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	1,07,320	1,29,999	1,55,242	1,82,195
<b>Operating Expenses</b>	<b>91,862</b>	<b>1,11,245</b>	<b>1,32,670</b>	<b>1,55,363</b>
EBITDA	15,459	18,754	22,572	26,832
<b>EBITDA Margin (%)</b>	<b>14.4</b>	<b>14.4</b>	<b>14.5</b>	<b>14.7</b>
Depreciation & Amortization	5,902	6,694	7,790	8,739
EBIT	9,556	12,060	14,782	18,093
Interest expenditure	1,492	1,574	1,643	1,712
Other Non-operating Income	586	727	774	858
Recurring PBT	8,650	11,213	13,913	17,238
<b>Profit / (Loss) from Associates</b>	-	-	-	-
<b>Less: Taxes</b>	<b>2,173</b>	<b>2,817</b>	<b>3,496</b>	<b>4,344</b>
PAT	6,477	8,396	10,417	12,894
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	6,477	8,396	10,417	12,894
<b>Net Income (Adjusted)</b>	<b>6,477</b>	<b>8,396</b>	<b>10,417</b>	<b>12,894</b>

Source Company data, I-Sec research

### Exhibit 12: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	23,804	35,057	46,830	62,865
of which cash & cash eqv.	4,637	11,839	19,104	30,325
Total Current Liabilities & Provisions	18,624	22,559	26,940	31,617
<b>Net Current Assets</b>	<b>5,181</b>	<b>12,498</b>	<b>19,891</b>	<b>31,248</b>
Investments	3,873	3,873	3,873	3,873
Net Fixed Assets	6,951	8,462	9,907	11,275
ROU Assets	15,457	13,593	13,581	12,049
Capital Work-in-Progress	136	136	136	136
Total Intangible Assets	42,941	42,941	42,941	42,941
Long Term Loans & Advances	1,160	1,406	1,679	1,970
Deferred Tax assets	-	-	-	-
<b>Total Assets</b>	<b>81,307</b>	<b>89,702</b>	<b>1,00,120</b>	<b>1,13,014</b>
<b>Liabilities</b>				
<b>Borrowings</b>	-	-	-	-
<b>Deferred Tax Liability</b>	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Equity Share Capital	45,974	45,974	45,974	45,974
Reserves & Surplus	18,039	26,434	36,852	49,746
<b>Total Net Worth</b>	<b>64,013</b>	<b>72,409</b>	<b>82,826</b>	<b>95,720</b>
Minority Interest	-	-	-	-
<b>Total Liabilities</b>	<b>81,307</b>	<b>89,702</b>	<b>1,00,120</b>	<b>1,13,014</b>

Source Company data, I-Sec research

### Exhibit 13: Quarterly trend

(INR mn, year ending March)

	Dec 24	Mar 25	Jun 25	Sep 25
Net Sales	31,359	25,479	31,403	29,815
% growth (YOY)	19.5	23.2	21.0	22.4
EBITDA	5,050	3,571	4,592	3,946
Margin %	16.1	14.0	14.6	13.2
Other Income	190	186	170	202
Extraordinaries	-	-	-	-
Adjusted Net Profit	2,627	1,151	2,061	1,523

Source Company data, I-Sec research

### Exhibit 14: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
<b>Operating Cashflow</b>	<b>13,991</b>	<b>14,391</b>	<b>17,357</b>	<b>20,651</b>
Working Capital Changes	7,897	5,995	6,939	7,757
Capital Commitments	13,123	(3,464)	(3,720)	(3,997)
<b>Free Cashflow</b>	<b>27,114</b>	<b>10,927</b>	<b>13,637</b>	<b>16,654</b>
<b>Other investing cashflow</b>	<b>(19,228)</b>	<b>593</b>	<b>614</b>	<b>666</b>
Cashflow from Investing Activities	(6,105)	(2,871)	(3,106)	(3,332)
Issue of Share Capital	897	-	-	-
Interest Cost	(1,492)	(1,574)	(1,643)	(1,712)
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	-	-	-	-
Others	-	(2,772)	(5,483)	(4,985)
Cash flow from Financing Activities	(4,786)	(4,346)	(7,126)	(6,697)
<b>Chg. in Cash &amp; Bank balance</b>	<b>3,100</b>	<b>7,174</b>	<b>7,124</b>	<b>10,622</b>
Closing cash & balance	7,737	19,014	26,228	40,948

Source Company data, I-Sec research

### Exhibit 15: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
<b>Per Share Data (INR)</b>				
Reported EPS	1.4	1.8	2.3	2.8
Adjusted EPS (Diluted)	1.4	1.8	2.3	2.8
Cash EPS	2.7	3.3	4.0	4.7
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	13.9	15.7	18.0	20.8
Dividend Payout (%)	-	-	-	-
<b>Growth (%)</b>				
Net Sales	20.4	21.1	19.4	17.4
EBITDA	23.8	21.3	20.4	18.9
EPS (INR)	37.5	29.6	24.1	23.8
<b>Valuation Ratios (x)</b>				
P/E	93.0	71.8	57.8	46.7
P/CEPS	48.7	39.9	33.1	27.9
P/BV	9.4	8.3	7.3	6.3
EV / EBITDA	38.4	31.3	25.7	21.2
P / Sales	5.6	4.6	3.9	3.3
Dividend Yield (%)	-	-	-	-
<b>Operating Ratios</b>				
Gross Profit Margins (%)	28.6	28.4	28.4	28.5
EBITDA Margins (%)	14.4	14.4	14.5	14.7
Effective Tax Rate (%)	25.1	25.1	25.1	25.2
Net Profit Margins (%)	6.0	6.5	6.7	7.1
Net Debt / Equity (x)	(0.1)	(0.2)	(0.3)	(0.4)
Net Debt / EBITDA (x)	(0.6)	(0.8)	(1.0)	(1.3)
Fixed Asset Turnover (x)	7.7	7.8	7.7	7.6
Working Capital Days	2	2	2	2
Inventory Turnover Days	74	75	75	74
Receivables Days	3	3	3	3
Payables Days	59	60	60	59
<b>Profitability Ratios</b>				
RoCE (%)	11.9	13.2	14.3	15.2
RoE (%)	10.8	12.3	13.4	14.4
RoIC (%)	12.6	14.0	15.0	15.9

Source Company data, I-Sec research

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