

## Vishal Mega Mart

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	VMM IN
Equity Shares (m)	4671
M.Cap.(INRb)/(USDb)	560.1 / 6.1
52-Week Range (INR)	158 / 96
1, 6, 12 Rel. Per (%)	-9/-12/7
12M Avg Val (INR M)	3039

Financials & Valuations (INR b)			
Y/E March	FY26E	FY27E	FY28E
Sales	128.7	153.5	181.8
EBITDA	19.0	23.1	27.8
NP	8.6	10.7	13.4
EBITDA Margin (%)	14.8	15.0	15.3
Adj. EPS (INR)	1.8	2.3	2.9
EPS Gr. (%)	33.6	25.1	24.8
BV/Sh. (INR)	15.7	18.0	20.9
<b>Ratios</b>			
Net D:E	0.0	0.0	-0.1
RoE (%)	12.5	13.6	14.8
RoCE (%)	10.5	11.2	11.9
Payout (%)	0.0	0.0	0.0
<b>Valuations</b>			
P/E (x)	65.4	52.2	41.9
EV/EBITDA (x)	29.8	24.3	19.9
EV/Sales (x)	4.4	3.7	3.0

Shareholding pattern (%)			
As On	Dec-25	Sep-25	Dec-24
Promoter	54.1	54.1	76.0
DII	25.5	25.4	9.9
FII	15.5	15.4	6.6
Others	4.9	5.1	7.5

FII Includes depository receipts

**CMP: INR120** **TP: INR170 (+42%)** **Buy**

### Resilient quarter despite the shift in festive period

- Vishal Mega Mart (VMM) delivered a resilient performance amid a partial shift in festive (to 2Q) with ~17% YoY revenue growth, led by 29 net store additions (+15% YoY) and **~7.5% adj. SSSG** (vs. 12.8% in 2Q, ~210bp adverse impact due to festive shift to 2Q).
- VMM's EBITDA and pre-Ind AS EBITDA margins expanded ~40bp and ~20bp YoY, respectively, led by operating leverage and robust cost controls.
- Management guided that 1) the company will exit FY26 at the higher end of 80-100 store additions (75 net additions in 9M), and 2) the underlying demand (barring the festive impact) remained robust, driving confidence in the sustenance of double-digit SSSG annually over a fairly long period.
- For 9MFY26, VMM's performance remains robust with ~20%/28%/30% YoY growth in revenue/pre-IND AS EBITDA.
- We cut our FY27-28E EBITDA by 1-2% and PAT by ~1-3%, due to a slightly lower SSSG assumption (~75-100bp cut). We model a CAGR of 19%/22%/28% in revenue/EBITDA/PAT over FY25-28E, driven by ~13% CAGR in store additions and consistent ~10%+ SSSG.
- We reiterate our **BUY rating on the stock with an unchanged TP of INR170**. Our TP is premised on DCF-implied ~40x FY28E pre-IND AS 116 EV/EBITDA (implying ~28x FY28E reported EBITDA and ~60x FY28E EPS).

### Broadly in-line quarter; festive shift hurts SSSG

- VMM's 3QFY26 consolidated revenue at INR36.7b grew **17% YoY** (slightly lower than our est. of +20% YoY). The consol. revenue was **led by ~7.5% adj. SSSG** (vs. 12.8% in 2Q; ~210bp adverse impact due to the festive shift to 2Q).
- Among key categories, general merchandise (GM) revenue grew 18% YoY, followed by 17%/16% YoY growth in Apparel/FMCG.
- VMM's own brands contributed ~74.2% to revenue in 3Q (vs. ~73.5% in 2Q).
- Despite a shift in Pujo to 3Q, East continued to outperform with a revenue contribution of ~28% (vs. 25% contribution to VMM's store count), while North revenue contribution jumped to ~42% (vs. 39% contribution to stores). VMM's performance in South remained relatively weaker with 21% revenue contribution (vs. ~27% contribution to store count, likely due to newer stores).
- Combined 2Q+3Q revenue grew ~19% YoY, driven by 11% area additions and robust double-digit adj. SSSG
- VMM added **29 net new stores** (29 openings, 0 closures) in 3Q, bringing the total store count to 771 stores across 517 cities (24/57 cities added in 3Q/9H) with total retail areas of ~13.2m sqft (up ~11% YoY).
- The company added 12 stores in the South, seven each in the West/North, and three in the East.
- Gross profit at INR10.7b grew ~17% YoY as gross margin remained broadly stable YoY at 29.1% (in line).

- Employee and other expenses increased 12%/14% YoY (both 5% below estimates), while lease rental per sqft rose ~6% YoY to INR39 (on our estimate).
- Reported EBITDA grew ~20% YoY to INR6.05b (**in line**) as reported EBITDA margin expanded ~40bp YoY to 16.5%, driven by robust cost controls.
- Pre-IND AS 116 EBITDA (post-ESOP charges) **grew ~19% YoY** to INR4.7b, with **EBITDA margin expanding ~20bp YoY to 12.8%**.
- Reported PAT at INR3.1b (**in line**) rose ~19% YoY, driven mainly by higher EBITDA.

#### **VMM's 9MFY26 performance: Healthy ~20% growth with margin expansion**

- Consolidated revenue at INR97.9b grew ~20% YoY, driven by ~10.3% adj. SSSG and ~11% store area additions.
  - Revenue from own brands stood at 74.5% (up 100bp YoY).
  - Among key categories, GM revenue grew ~21% YoY, followed by 20%/18% growth for Apparel/ FMCG.
  - VMM added 75 net new stores (80 opened, 5 closures) in 9MFY26.
- Gross profit at INR28b grew ~20% YoY as gross margin inched up ~5bp YoY to 28.6%, likely driven by higher contribution from own brands.
- Reported EBITDA at INR14.6b rose ~24% YoY as margin expanded ~55bp YoY to 14.9%, driven by operating leverage.
- Pre-IND AS 116 EBITDA (post-ESOP charges) grew ~28% YoY to INR10.1b, with EBITDA margin expanding ~70bp YoY to 10.3%.
- Reported PAT at INR6.7b, surged 30% YoY, driven by robust EBITDA growth and higher other income (up 55% YoY).

#### **Key highlights from the management commentary**

- **Demand trends:** SSSG in 3QFY26 was adversely impacted by ~210bp due to the shift in Pujo to 2QFY26 (vs. 3QFY25). However, adj. SSSG in 9MFY26 remained robust at ~10.3%. Management indicated that growth trends were broadly consistent across regions and city tiers. Winter merchandise also delivered double-digit SSSG despite a delayed onset of winter.
- **Demand outlook:** Management reiterated confidence in the medium-term consumption outlook, supported by policy measures such as GST 2.0, direct tax reforms, and broader structural drivers to boost disposable income. However, the benefits of GST rationalization have been camouflaged to a large extent by shifts in the festive period, adverse weather conditions, etc.
- **Store additions:** VMM added 29 stores in 3Q (75 net in 9M). Management expects to end FY26 at the upper end of its 80-100 store guidance in FY26. The execution capabilities have been beefed up to continue the accelerated store expansions. The store addition guidance for FY27 has been retained in the 80-100 band, including the small store formats, to avoid long-term detrimental decisions that can compromise store quality and profitability.
- **SSSG drivers:** VMM has managed to drive double-digit SSSG for the past several years (excluding COVID and the initial years after the acquisition). The key drivers for VMM's strong SSSG trajectory are 1) higher footfalls driven by market share gain from competition and customers upgrading from mom & pop stores (transactions driving ~70% of growth), 2) increase in ABV (~30% contribution to growth) and ASP for existing VMM customers (premium price points growing faster), and 3) relevant customer proposition around making aspirations affordable.

### Valuation and view

- VMM remains the most consistent retailer within our coverage. We believe its 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.
- We lower our FY27-28E EBITDA by 1-2% and PAT by ~1-3%, driven by slightly lower SSSG assumptions (~75-100bp cut). We model a CAGR of 19%/22%/28% in revenue/EBITDA/PAT over FY25-28E, driven by ~13% CAGR in store additions and consistent ~10%+ SSSG.
- We reiterate our **BUY rating on the stock with an unchanged TP of INR170**. Our TP is premised on DCF-implied ~40x FY28E pre-IND AS 116 EV/EBITDA (implying ~28x FY28E reported EBITDA and ~60x FY28E EPS).

### Consolidated – Quarterly earnings

	FY25				FY26E				FY25	FY26E	3QE	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
<b>Revenue</b>	<b>25,963</b>	<b>24,362</b>	<b>31,359</b>	<b>25,479</b>	<b>31,403</b>	<b>29,815</b>	<b>36,704</b>	<b>30,789</b>	<b>1,07,163</b>	<b>1,28,711</b>	<b>37,654</b>	<b>-2.5</b>
YoY Change (%)	0.0	19.3	19.5	23.2	21.0	22.4	17.0	20.8	20.2	20.1	21.0	
<b>Gross Profit</b>	<b>7,331</b>	<b>6,872</b>	<b>9,123</b>	<b>7,201</b>	<b>8,913</b>	<b>8,431</b>	<b>10,665</b>	<b>8,734</b>	<b>30,527</b>	<b>36,743</b>	<b>10,920</b>	<b>-2.3</b>
Gross margin	28.2	28.2	29.1	28.3	28.4	28.3	29.1	28.4	28.5	28.5	29.0	6
Total Expenditure	22,307	21,338	26,309	21,908	26,811	25,869	30,653	26,332	91,862	1,09,666	31,593	-3.0
<b>EBITDA</b>	<b>3,656</b>	<b>3,025</b>	<b>5,050</b>	<b>3,571</b>	<b>4,592</b>	<b>3,946</b>	<b>6,051</b>	<b>4,456</b>	<b>15,302</b>	<b>19,045</b>	<b>6,061</b>	<b>-0.2</b>
EBITDA margins (%)	14.1	12.4	16.1	14.0	14.6	13.2	16.5	14.5	14.3	14.8	16.1	2
Depreciation	1,383	1,405	1,407	1,707	1,591	1,691	1,676	1,791	5,902	6,749	1,758	-4.7
Interest	342	342	315	493	411	412	427	429	1,492	1,679	421	1.5
Other Income	77	132	190	186	170	202	246	261	586	880	250	-1.6
<b>PBT before EO expense</b>	<b>2,008</b>	<b>1,409</b>	<b>3,519</b>	<b>1,557</b>	<b>2,760</b>	<b>2,044</b>	<b>4,194</b>	<b>2,497</b>	<b>8,493</b>	<b>11,496</b>	<b>4,132</b>	<b>1.5</b>
<b>PBT</b>	<b>2,008</b>	<b>1,409</b>	<b>3,519</b>	<b>1,557</b>	<b>2,760</b>	<b>2,044</b>	<b>4,194</b>	<b>2,497</b>	<b>8,493</b>	<b>11,496</b>	<b>4,132</b>	<b>1.5</b>
Tax	506	369	892	406	699	521	1,065	636	2,173	2,920	1,040	2.4
Rate (%)	25.2	26.2	25.3	26.1	25.3	25.5	25.4	25.5	25.6	25.4	25.2	0.9
<b>Reported PAT</b>	<b>1,501</b>	<b>1,040</b>	<b>2,627</b>	<b>1,151</b>	<b>2,061</b>	<b>1,523</b>	<b>3,129</b>	<b>1,862</b>	<b>6,320</b>	<b>8,576</b>	<b>3,092</b>	<b>1.2</b>
<b>Adj PAT</b>	<b>1,501</b>	<b>1,040</b>	<b>2,627</b>	<b>1,151</b>	<b>2,061</b>	<b>1,523</b>	<b>3,129</b>	<b>1,862</b>	<b>6,320</b>	<b>8,576</b>	<b>3,092</b>	<b>1.2</b>
YoY Change (%)	0	0	28	88	37	46	19	62	37	35.7	18	

**Exhibit 1: Our TP implies ~28x reported FY28 EV/EBITDA or (~60x FY28 EPS)**

INR b	EBITDA	Multiple (x)	Value
<b>Enterprise value</b>	<b>27.8</b>	<b>28</b>	<b>791</b>
Net debt (incl. leases)		-3	
<b>Equity value</b>		<b>794</b>	
<b>TP (INR/share)</b>		<b>170</b>	
CMP (INR/share)		120	
Potential upside (%)		42	

Source: MOFSL

**Exhibit 2: We ascribe a TP of INR170, premised on ~40x FY28 pre-IND AS 116 EV/EBITDA**

INR b	EBITDA	Multiple (x)	Value
<b>Enterprise value</b>	<b>19.2</b>	<b>40</b>	<b>769</b>
Net debt (excl. leases)		-25	
<b>Equity value</b>		<b>794</b>	
<b>TP (INR/share)</b>		<b>170</b>	
CMP (INR/share)		120	
Potential upside (%)		42	

Source: MOFSL

**Exhibit 3: Quarterly performance**

Consol P&L (INR m)	3QFY25	2QFY26	3QFY26	YoY%	QoQ%	3QFY26E	vs. est (%)	2Q+3Q25	2Q+3Q26	YoY%
<b>Total Revenue</b>	<b>31,359</b>	<b>29,815</b>	<b>36,704</b>	<b>17.0%</b>	<b>23.1%</b>	<b>37,654</b>	<b>-2.5%</b>	<b>55,722</b>	<b>66,519</b>	<b>19.4%</b>
Raw Material cost	22,237	21,384	26,039	17.1%	21.8%	26,734	-2.6%	39,727	47,423	19.4%
<b>Gross Profit</b>	<b>9,123</b>	<b>8,431</b>	<b>10,665</b>	<b>16.9%</b>	<b>26.5%</b>	<b>10,920</b>	<b>-2.3%</b>	<b>15,995</b>	<b>19,095</b>	<b>19.4%</b>
<b>Gross margin (%)</b>	<b>29.1%</b>	<b>28.3%</b>	<b>29.1%</b>	<b>-4 bp</b>	<b>78 bp</b>	<b>29.0%</b>	<b>6 bp</b>	<b>28.7%</b>	<b>28.7%</b>	<b>0 bp</b>
Employee Costs	1,709	1,761	1,921	12.4%	9.1%	2,022	-5.0%	3,234	3,682	13.9%
Other expenses	2,364	2,724	2,692	13.9%	-1.2%	2,837	-5.1%	4,686	5,416	15.6%
<b>EBITDA</b>	<b>5,050</b>	<b>3,946</b>	<b>6,051</b>	<b>19.8%</b>	<b>53.4%</b>	<b>6,061</b>	<b>-0.2%</b>	<b>8,075</b>	<b>9,997</b>	<b>23.8%</b>
<b>EBITDA margin (%)</b>	<b>16.1%</b>	<b>13.2%</b>	<b>16.5%</b>	<b>38 bp</b>	<b>325 bp</b>	<b>16.1%</b>	<b>39 bp</b>	<b>14.5%</b>	<b>15.0%</b>	<b>54 bp</b>
Depreciation and amortization	1,407	1,691	1,676	19.2%	-0.9%	1,758	-4.7%	2,812	3,368	19.8%
EBIT	3,644	2,254	4,375	20.1%	94.1%	4,303	1.7%	5,263	6,629	26.0%
<i>EBIT margin (%)</i>	<i>11.6%</i>	<i>7.6%</i>	<i>11.9%</i>	<i>30 bp</i>	<i>436 bp</i>	<i>11.4%</i>	<i>49 bp</i>	<i>9.4%</i>	<i>10.0%</i>	<i>52 bp</i>
Finance Costs	315	412	427	35.6%	3.6%	421	1.5%	657	839	27.7%
Other income	190	202	246	29.3%	21.9%	250	-1.6%	322	448	38.9%
<b>Profit before Tax</b>	<b>3,519</b>	<b>2,044</b>	<b>4,194</b>	<b>19.2%</b>	<b>105.2%</b>	<b>4,132</b>	<b>1.5%</b>	<b>4,928</b>	<b>6,237</b>	<b>26.6%</b>
Tax	892	521	1,065	19.4%	104.5%	1,040	2.4%	1,261	1,585	25.7%
<i>Tax rate (%)</i>	<i>25.3%</i>	<i>25.5%</i>	<i>25.4%</i>			<i>25.2%</i>		<i>25.6%</i>	<i>25.4%</i>	
<b>Profit after Tax</b>	<b>2,627</b>	<b>1,523</b>	<b>3,129</b>	<b>19.1%</b>	<b>105.4%</b>	<b>3,092</b>	<b>1.2%</b>	<b>3,667</b>	<b>4,652</b>	<b>26.9%</b>

**Exhibit 4: Key operational metrics**

	3QFY25	2QFY26	3QFY26	YoY%	QoQ
<b>SSSG (%)</b>	<b>10.8</b>	<b>12.8</b>	<b>7.5</b>		
Store Count	668	742	771	15.4%	3.9%
<b>Retail Area (m sq ft)</b>	<b>11.8</b>	<b>12.8</b>	<b>13.2</b>	<b>11.4%</b>	<b>3.1%</b>
<b>Pre-IND AS EBITDA</b>	<b>3,772</b>	<b>2,403</b>	<b>4,518</b>	<b>19.8%</b>	<b>88.1%</b>
<b>% Margin</b>	<b>12.0</b>	<b>8.1</b>	<b>12.3</b>	<b>28</b>	<b>425</b>
<b>Category wise revenue (INR b)</b>					
Apparel	14,032	12,569	16,367	16.6%	30.2%
General Merch	8,876	8,674	10,476	18.0%	20.8%
FMCG	8,431	8,548	9,739	15.5%	13.9%
<b>Category Mix (%)</b>					
Apparel	44.7	42.2	44.6	-15	244
General Merch	28.3	29.1	28.5	24	-55
FMCG	26.9	28.7	26.5	-35	-214
<b>Revenue (INR b)</b>					
Own Brands		21,926	27,222		24.2%
Third-Party		7,889	9,482		20.2%
<b>Mix (%)</b>					
Own Brands	73.5	74.2			63
Third-Party	26.5	25.8			-63

**Exhibit 5: Key assumptions for VMM**

Key assumptions	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
EoP stores	501	557	611	696	790	890	1,000
Net store additions		56	54	85	94	100	110
EoP retail area (msf)	9.1	10.2	11.0	12.2	13.4	14.7	16.2
YoY		11.3	8.1	10.5	10.2	9.9	9.9
<b>SSSG (%)</b>	<b>11.9</b>	<b>25.2</b>	<b>13.6</b>	<b>12.3</b>	<b>10.8</b>	<b>10.5</b>	<b>10.0</b>
<b>Revenue (INR b)</b>	<b>56</b>	<b>76</b>	<b>89</b>	<b>107</b>	<b>129</b>	<b>153</b>	<b>182</b>
YoY		36	17	20	20	19	18
Rev/sqft (INR)		7,853	8,415	9,251	10,067	10,907	11,756
Gross margin (%)	28.2	27.2	27.7	28.5	28.5	28.5	28.5
<b>EBITDA (INR b)</b>	<b>8.0</b>	<b>10.2</b>	<b>12.5</b>	<b>15.3</b>	<b>19.0</b>	<b>23.1</b>	<b>27.8</b>
EBITDA margin (%)	14.4	13.5	14.0	14.3	14.8	15.0	15.3
<b>Pre-IND AS EBITDA (INR b)</b>	<b>4.2</b>	<b>5.5</b>	<b>7.4</b>	<b>9.7</b>	<b>12.6</b>	<b>15.6</b>	<b>19.2</b>
Pre-IND AS margin (%)	7.5	7.3	8.3	9.1	9.8	10.2	10.5
<b>PAT</b>	<b>2.0</b>	<b>3.2</b>	<b>4.6</b>	<b>6.3</b>	<b>8.6</b>	<b>10.7</b>	<b>13.4</b>
Capex (INR b)	2	2	2	3	3	3	3
<b>Capex /sqft</b>	<b>2,119</b>	<b>3,007</b>	<b>2,280</b>	<b>2,380</b>	<b>2,377</b>	<b>2,374</b>	

**Exhibit 6: Summary of our estimate changes**

Particulars	FY26E	FY27E	FY28E
<b>Revenue (INR m)</b>			
Old	129,710	155,906	186,530
Actual/New	128,711	153,469	181,760
Change (%)	-0.8	-1.6	-2.6
<b>Gross Profit (INR m)</b>			
Old	37,028	44,584	53,435
Actual/New	36,743	43,810	51,886
Change (%)	-0.8	-1.7	-2.9
<b>Gross Margin (%)</b>			
Old	28.5	28.6	28.6
Actual/New	28.5	28.5	28.5
Change (bp)	0.0	-5.0	-10.0
<b>EBITDA (INR m)</b>			
Old	19,063	23,303	28,346
Actual/New	19,045	23,092	27,803
Change (%)	-0.1	-0.9	-1.9
<b>EBITDA margin (%)</b>			
Old	14.7	14.9	15.2
Actual/New	14.8	15.0	15.3
Change (bp)	10	10	10
<b>Net Profit (INR m)</b>			
Old	8,427	10,833	13,866
Actual/New	8,576	10,729	13,390
Change (%)	1.8	-1.0	-3.4
<b>EPS (INR/share)</b>			
Old	1.8	2.3	3.0
Actual/New	1.8	2.3	2.9
Change (%)	1.8	-1.0	-3.4



## Detailed takeaways from the management commentary

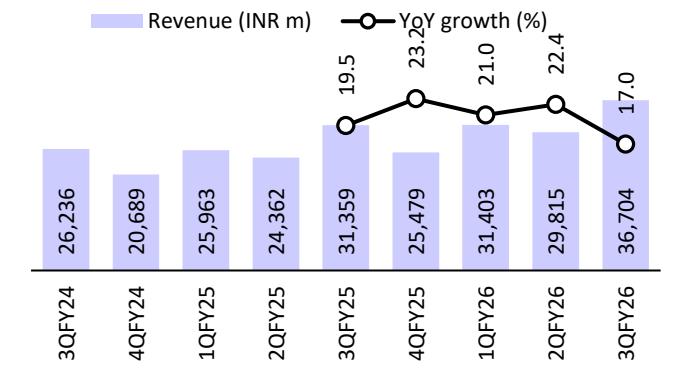
- **Demand trends:** SSSG in 3QFY26 was adversely impacted by ~210bp due to the shift in Pujo to 2QFY26 (vs. 3QFY25). However, adj. SSSG in 9MFY26 remained robust at ~10.3%. Management indicated that growth trends were broadly consistent across regions and city tiers. Winter merchandise also delivered double-digit SSSG despite a delayed onset of winter.
- **Demand outlook:** Management reiterated confidence in the medium-term consumption outlook, supported by policy measures such as GST 2.0, direct tax reforms, and broader structural drivers to boost disposable income. However, the benefits of GST rationalization have been camouflaged to a large extent by the shift in the festive period, adverse weather conditions, etc.
- **Store additions:** VMM added 29 stores in 3Q (75 net in 9M). Management expects to end FY26 at the upper end of its 80-100 store guidance in FY26. The execution capabilities have been beefed up to continue the accelerated store expansions. The store addition guidance for FY27 has been retained in the 80-100 band, including the small store formats, to avoid long-term detrimental decisions that can compromise store quality and profitability.
- **SSSG drivers:** VMM has managed to drive double-digit SSSG for the past several years (excluding COVID and initial years after the acquisition). The key drivers for VMM's strong SSSG trajectory are 1) higher footfalls driven by market share gain from competition and customers upgrading from mom & pop stores (transactions driving ~70% of growth), 2) increase in ABV (~30% contribution to growth) and ASP for existing VMM customers (premium price points growing faster) and 3) relevant customer proposition around making aspirations affordable.
- **Premiumization:** Management indicated that premium price points continue to outperform with ~14% SSSG, followed by ~9% for mid-price points and ~6% for the opening price points. The company consciously introduces one higher price point during every festive season through investment of savings from better buying to improve the product quality and increase promotional activities to drive upgrades.
- **Discounting:** The discounts have generally been higher YoY, driven by regional factors (unfortunate incidents which led to shut down in Assam during the peak Pujo season) and seasonal factors (such as delayed onset of winters). However, VMM has not faced much issue on its winter inventory.
- **Expansion in newer states:** The company is making rapid progress in its store expansion in Kerala (19 stores opened in the last 12 months, with 20 more in the pipeline). It has also expanded its pilot in Maharashtra (four stores) and Gujarat (six stores), and would add more stores to gauge the market feedback.
- **Small format stores:** The company added four more smaller format stores in 3Q to bring the total to 10. The smaller stores are delivering throughput and profitability on par with larger format stores. VMM is looking to extend the pilot to 30-40 stores in the near term to test the hypothesis before aggressively expanding the format. The assortment for smaller stores in rural areas is focused on lesser priced merchandise, both in apparel and FMCG, based on the customers' demand.
- **Retail area additions:** VMM's retail area additions have been lower than store additions as the company is deliberately capping the store size to ~15k sqft in

certain markets such as Kerala (contagious population, will add more than earlier envisaged stores), Maharashtra and Gujarat (higher cost structure), Further, the company has also right sized several stores in Karnataka to improve their productivity.

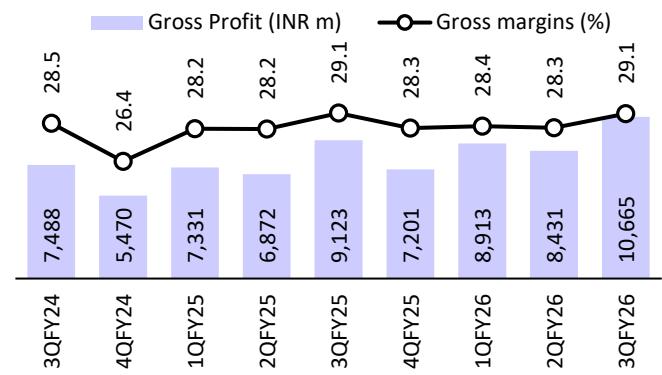
- **Quick Commerce (QC):** The quick commerce initiative has expanded to 723 stores across 485 cities, with ~12m registered users on the platform. Management noted continued growth in QC contribution to store revenues, with a measured and sustainable scale-up strategy.
- **Labor code impact:** Impact from revised labor codes amounted to ~INR 84m in 9MFY26, largely affecting managerial and corporate staff. Most store employees were already covered under the higher gratuity threshold, keeping the impact non-material.
- **Revenue per store (South India):** Lower revenue per store in southern states (vs. system average) reflects a higher proportion of new and smaller stores, particularly in Kerala. Management expects throughput to improve as stores mature.

## Story in charts

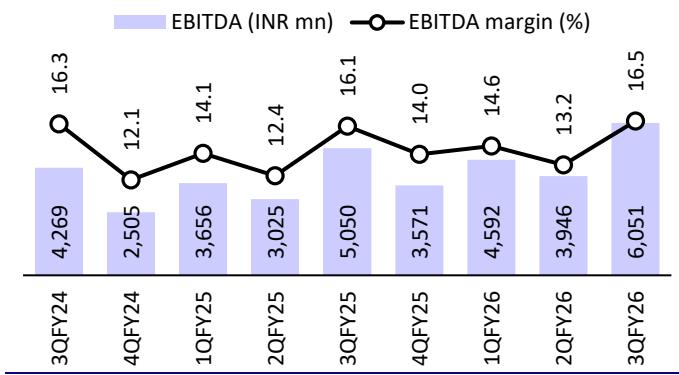
**Exhibit 7: Revenue grew ~17% YoY, driven by ~7.5% adj. SSSG**



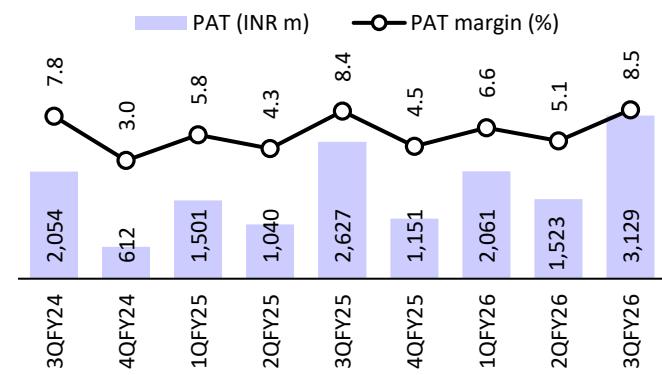
**Exhibit 8: GM remained broadly stable YoY at 29.1%**



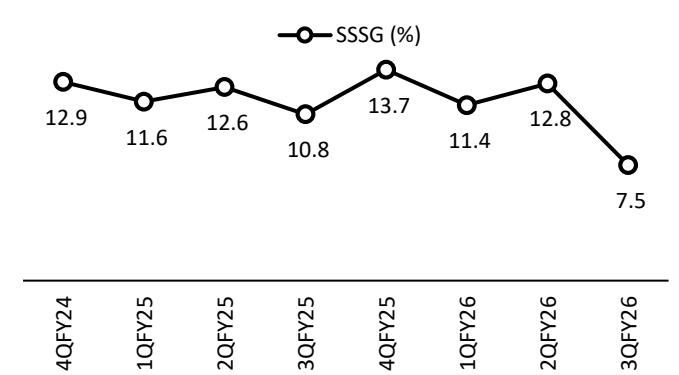
**Exhibit 9: Reported EBITDA margins expanded ~40bp YoY**



**Exhibit 10: Healthy improvement in profitability continues**

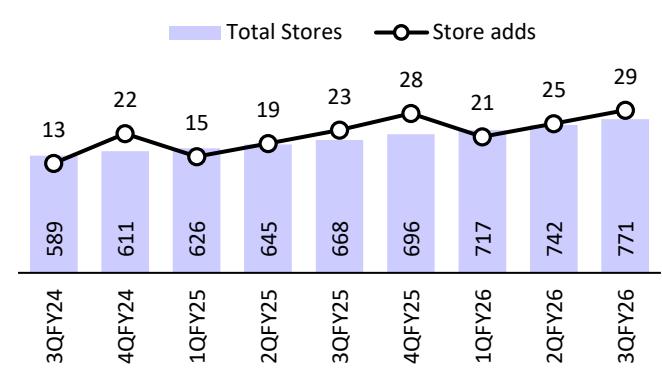


**Exhibit 11: Adj SSSG came in at 7.5%**



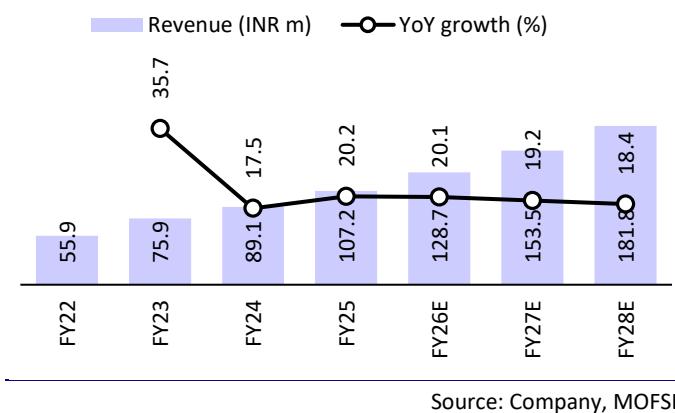
Source: Company, MOFSL

**Exhibit 12: Opened 29 net new stores; total store count reached 771**



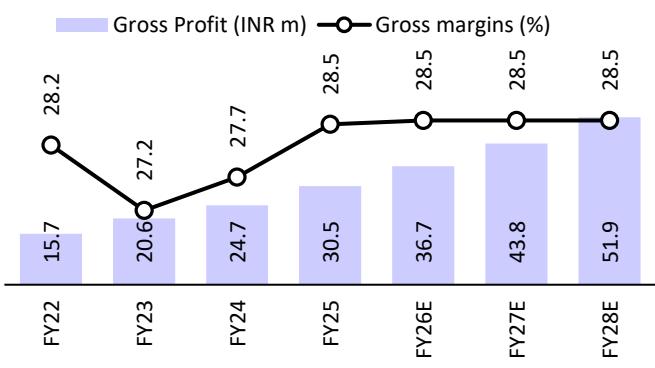
Source: Company, MOFSL

**Exhibit 13: Expect 19% revenue CAGR over FY25-28**



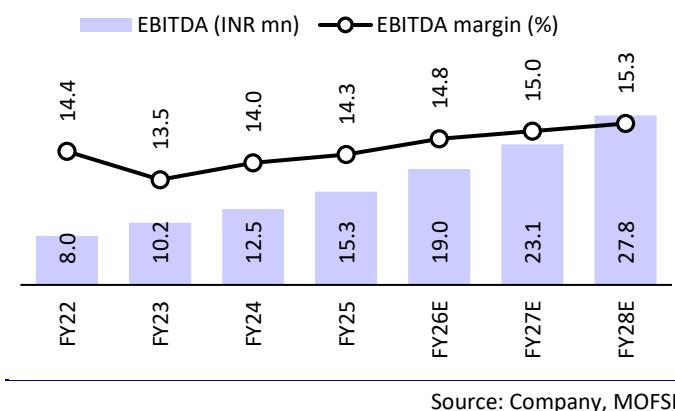
Source: Company, MOFSL

**Exhibit 14: GM to remain stable over FY25-28E**



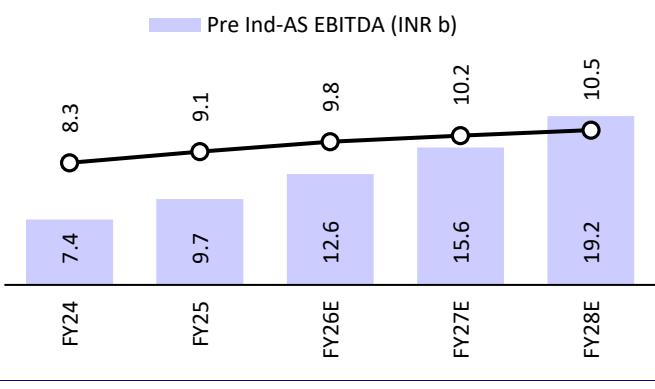
Source: Company, MOFSL

**Exhibit 15: Expect 22% EBITDA CAGR over FY25-28**



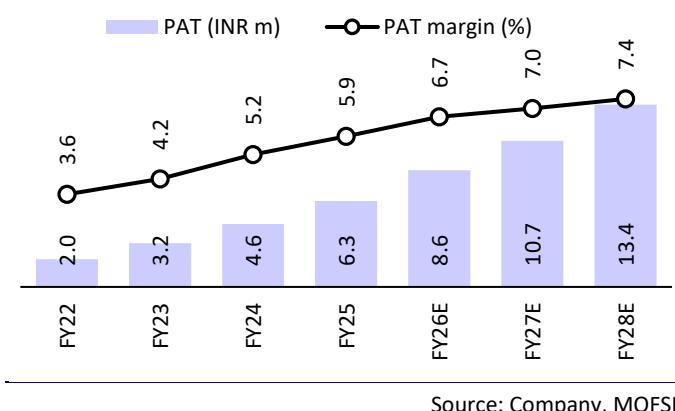
Source: Company, MOFSL

**Exhibit 16: Expect 25% Pre-Ind AS EBITDA CAGR over FY25-28**



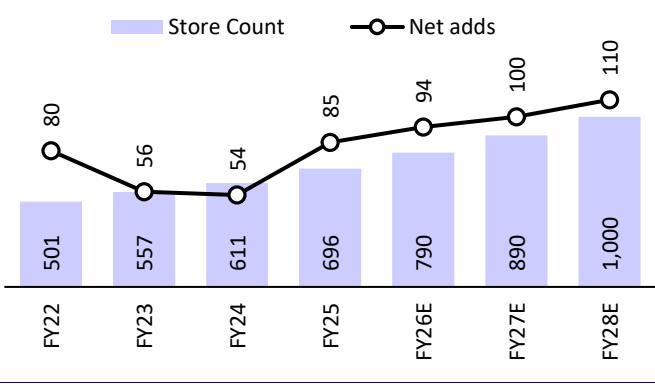
Source: Company, MOFSL

**Exhibit 17: Expect 28% PAT CAGR over FY25-28**



Source: Company, MOFSL

**Exhibit 18: Store adds to remain robust**



Source: Company, MOFSL

## Financials and valuations

Consolidated - Income Statement							INRm
Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Total Income from Operations</b>	<b>55,885</b>	<b>75,860</b>	<b>89,119</b>	<b>107,163</b>	<b>128,711</b>	<b>153,469</b>	<b>181,760</b>
Change (%)	25.5	35.7	17.5	20.2	20.1	19.2	18.4
Raw Materials	40,146	55,263	64,461	76,636	91,968	109,659	129,873
<b>Gross Profit</b>	<b>15,739</b>	<b>20,597</b>	<b>24,659</b>	<b>30,527</b>	<b>36,743</b>	<b>43,810</b>	<b>51,886</b>
Margin (%)	28.2	27.2	27.7	28.5	28.5	28.5	28.5
Employees Cost	3,377	4,318	5,047	6,406	7,337	8,594	9,997
Other Expenses	4,325	6,074	7,126	8,820	10,361	12,124	14,086
<b>Total Expenditure</b>	<b>47,848</b>	<b>65,655</b>	<b>76,633</b>	<b>91,862</b>	<b>109,666</b>	<b>130,377</b>	<b>153,956</b>
% of Sales	85.6	86.5	86.0	85.7	85.2	85.0	84.7
<b>EBITDA</b>	<b>8,037</b>	<b>10,205</b>	<b>12,486</b>	<b>15,302</b>	<b>19,045</b>	<b>23,092</b>	<b>27,803</b>
Margin (%)	14.4	13.5	14.0	14.3	14.8	15.0	15.3
Depreciation	4,056	4,614	5,173	5,902	6,749	8,101	9,603
<b>EBIT</b>	<b>3,981</b>	<b>5,591</b>	<b>7,313</b>	<b>9,399</b>	<b>12,295</b>	<b>14,991</b>	<b>18,200</b>
Int. and Finance Charges	1,938	1,614	1,435	1,492	1,679	1,917	2,168
Other Income	653	329	332	586	880	1,264	1,861
<b>PBT bef. EO Exp.</b>	<b>2,696</b>	<b>4,305</b>	<b>6,210</b>	<b>8,493</b>	<b>11,496</b>	<b>14,338</b>	<b>17,893</b>
<b>PBT after EO Exp.</b>	<b>2,696</b>	<b>4,305</b>	<b>6,210</b>	<b>8,493</b>	<b>11,496</b>	<b>14,338</b>	<b>17,893</b>
Total Tax	669	1,093	1,590	2,173	2,920	3,609	4,504
Tax Rate (%)	24.8	25.4	25.6	25.6	25.4	25.2	25.2
<b>Reported PAT</b>	<b>2,028</b>	<b>3,213</b>	<b>4,619</b>	<b>6,320</b>	<b>8,576</b>	<b>10,729</b>	<b>13,390</b>
<b>Adjusted PAT</b>	<b>2,028</b>	<b>3,213</b>	<b>4,619</b>	<b>6,320</b>	<b>8,576</b>	<b>10,729</b>	<b>13,390</b>
Change (%)	71.0	58.4	43.8	36.8	35.7	25.1	24.8
Margin (%)	3.6	4.2	5.2	5.9	6.7	7.0	7.4

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	26,615	37,344	50,734
<b>Net Worth</b>	<b>48,252</b>	<b>51,561</b>	<b>56,218</b>	<b>64,013</b>	<b>73,325</b>	<b>84,055</b>	<b>97,444</b>
Total Loans	17,895	14,616	14,834	17,294	19,890	22,464	25,266
Net Deferred Tax Liabilities/ (Asset)	-1,978	-2,139	-2,221	-2,464	-2,464	-2,464	-2,464
<b>Capital Employed</b>	<b>64,169</b>	<b>64,038</b>	<b>68,831</b>	<b>78,843</b>	<b>90,752</b>	<b>104,055</b>	<b>120,246</b>
<b>Net Fixed Assets</b>	<b>15,048</b>	<b>16,000</b>	<b>18,914</b>	<b>22,407</b>	<b>25,997</b>	<b>29,171</b>	<b>32,286</b>
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
<b>Total Investments</b>	<b>4,987</b>	<b>1,229</b>	<b>855</b>	<b>4,791</b>	<b>4,791</b>	<b>4,791</b>	<b>4,791</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>16,921</b>	<b>19,759</b>	<b>19,769</b>	<b>27,191</b>	<b>38,110</b>	<b>52,408</b>	<b>70,053</b>
Inventory	12,160	14,907	14,650	18,503	21,158	25,228	29,878
Account Receivables	23	42	317	664	798	952	1,127
Cash and Bank Balance	2,158	1,692	1,189	4,637	12,096	21,398	33,335
Other Current Assets	2,506	2,958	3,565	3,341	4,012	4,784	5,666
Loans and Advances	74	160	48	46	46	46	46
<b>Curr. Liability &amp; Prov.</b>	<b>15,875</b>	<b>16,561</b>	<b>14,009</b>	<b>18,624</b>	<b>21,241</b>	<b>25,424</b>	<b>30,002</b>
Account Payables	14,606	15,008	12,200	14,786	16,750	20,182	23,903
Other Current Liabilities	634	844	1,311	3,249	3,902	4,653	5,510
Provisions	635	710	497	589	589	589	589
<b>Net Current Assets</b>	<b>1,046</b>	<b>3,198</b>	<b>5,760</b>	<b>8,567</b>	<b>16,869</b>	<b>26,984</b>	<b>40,051</b>
<b>Appl. of Funds</b>	<b>64,169</b>	<b>64,038</b>	<b>68,831</b>	<b>78,843</b>	<b>90,752</b>	<b>104,055</b>	<b>120,246</b>

## Financials and valuations

### Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Basic (INR)</b>							
EPS	0.5	0.7	1.0	1.4	1.8	2.3	2.9
Cash EPS	1.4	1.7	2.2	2.7	3.3	4.0	4.9
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
<b>Valuation (x)</b>							
P/E	266.5	168.3	117.1	87.3	65.4	52.2	41.9
Cash P/E	88.8	69.1	55.3	45.1	36.6	29.8	24.4
P/BV	11.2	10.5	9.6	8.6	7.6	6.7	5.8
EV/Sales	10.0	7.6	6.4	5.3	4.4	3.7	3.0
EV/EBITDA	69.2	54.3	44.4	36.9	29.8	24.3	19.9
Dividend Yield (%)	NA	NA	NA	NA	NA	NA	NA
FCF per share	0.1	-0.2	0.1	1.2	1.3	1.7	2.2
<b>Return Ratios (%)</b>							
RoE	4.3	6.4	8.6	10.5	12.5	13.6	14.8
RoCE	4.6	6.3	7.9	9.2	10.5	11.2	11.9
RoIC	5.4	7.1	8.6	10.3	12.8	14.8	17.1
<b>Working Capital Ratios</b>							
Fixed Asset Turnover (x)	3.7	4.7	4.7	4.8	5.0	5.3	5.6
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
<b>Leverage Ratio (x)</b>							
Current Ratio	1.1	1.2	1.4	1.5	1.8	2.1	2.3
Interest Cover Ratio	2.1	3.5	5.1	6.3	7.3	7.8	8.4
Net Debt/Equity	0.2	0.2	0.2	0.1	0.0	0.0	-0.1

### Cash Flow Statement

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	2,696	4,305	6,210	s	11,496	14,338	17,893
Depreciation	4,056	4,614	5,173	5,902	6,749	8,101	9,603
Interest & Finance Charges	1,938	1,614	1,435	1,492	1,679	1,917	2,168
Direct Taxes Paid	-700	-1,245	-1,497	-2,400	-2,920	-3,609	-4,504
(Inc)/Dec in WC	-1,419	-2,934	-3,024	503	-843	-812	-1,130
<b>CF from Operations</b>	<b>6,571</b>	<b>6,355</b>	<b>8,297</b>	<b>13,991</b>	<b>15,282</b>	<b>18,671</b>	<b>22,170</b>
Leases and interest paid	-4,600	-5,028	-5,266	-5,683	-6,475	-7,483	-8,634
<b>CF from Operating incl EO</b>	<b>1,971</b>	<b>1,327</b>	<b>3,030</b>	<b>8,308</b>	<b>8,807</b>	<b>11,188</b>	<b>13,536</b>
(Inc)/Dec in FA	-1,575	-2,187	-2,494	-2,638	-2,964	-3,150	-3,460
<b>Free Cash Flow</b>	<b>397</b>	<b>-860</b>	<b>537</b>	<b>5,669</b>	<b>5,843</b>	<b>8,038</b>	<b>10,076</b>
(Pur)/Sale of Investments	1,800	3,909	1,086	-3,563	-	-	-
Others	47	51	107	97	880	1,264	1,861
<b>CF from Investments</b>	<b>272</b>	<b>1,773</b>	<b>-1,301</b>	<b>-6,105</b>	<b>-2,084</b>	<b>-1,886</b>	<b>-1,599</b>
Issue of Shares	222	22	18	897	736	-	-
Inc/(Dec) in Debt	-2,727	-3,639	-1,333	-	-	-	-
Others	-	-	-	667	-	-	-
<b>CF from Fin. Activity</b>	<b>-2,505</b>	<b>-3,617</b>	<b>-1,315</b>	<b>1,564</b>	<b>736</b>	-	-
<b>Inc/Dec of Cash</b>	<b>-262</b>	<b>-517</b>	<b>415</b>	<b>3,767</b>	<b>7,459</b>	<b>9,303</b>	<b>11,937</b>
Opening Balance	1,234	972	455	870	4,637	12,096	21,398
<b>Closing Balance</b>	<b>972</b>	<b>455</b>	<b>870</b>	<b>4,637</b>	<b>12,096</b>	<b>21,398</b>	<b>33,335</b>

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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