23 September 2026
Company Update | Sector: Retail

Vishal Megamart

BSE SENSEX	S&P CNX
74,828	23,447

CMP: INR106	TP:INR135 (+27%)	Buy

Key-man risk addressed; stake sale overhang remain

We interacted with senior management and heads of key businesses of Vishal Mega Mart (VMM). The key takeaways are as below:

- The central message of the meeting, in our view, was to showcase the senior leadership depth to address the key investor concern about the key-man risk (its longstanding CEO is ~66 years old).
- Management is confident of sustaining double-digit SSSG on an annual basis (quarterly deviations might happen due to change in festive season, etc.), driven largely by volume-led growth while maintaining leadership in opening price points.
- Management believes there is a potential to add 1,200 stores in the large format (~17k sqft) in the next 10-12 years. The company has also piloted a small-store format to cater to towns with less than 50k population in relatively more saturated states such as UP and Haryana. Management expects a runway of 4k stores in the small format over the longer run.
- The company has recently launched a new store format 'Belong & Co', which will focus primarily on mid-premium apparel to cater to the rising affluence of its customers.
- VMM will continue to reinvest the savings on gross margin from scale benefits to improve the product quality and price proposition. Operating leverage, technology interventions (warehouse automation, RFID implementation) and savings on logistics costs (plans to have a central warehouse across all four regions) should drive higher EBITDA margins.
- VMM's digital commerce offerings have scaled up to 500+ towns, with its share varying between 2-10% of in-store sales, depending on competitive intensity in towns. Management noted that its digital commerce offering has already achieved cash break-even, and the aim is to increase the digital contribution as the offering adds new customers to its ecosystem.
- We remain positive on VMM considering its consistent growth trajectory and potential for operating leverage led margin expansion. We **reiterate our BUY rating with a revised TP of INR135**, premised on ~27x DCF-implied Sep'28E pre-INDAS 116 EV/EBITDA (implies ~42x Sep'28 EPS).
- The stake sale by promoter (PE with ~40% stake) remains a key overhang to the stock's performance, despite the stellar operating performance.

Confident of sustaining double-digit SSSG on an annual basis

- VMM management is confident of sustaining double-digit SSSG on an annual basis, though on a quarterly basis, there could be deviations due to the change in the festive calendar, among other factors.
- 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 sustained SSSG.
- Management noted that stores across various vintages are delivering double-digit SSSG, primarily driven by volume growth and select premiumization to gain higher wallet share from customers.

Bloomberg	VMM IN
Equity Shares (m)	4676
M.Cap.(INRb)/(USDb)	496.6 / 5.2
52-Week Range (INR)	152 / 99
1, 6, 12 Rel. Per (%)	6/2/-22
12M Avg Val (INR M)	1794
Free float (%)	60.0

Financials & Valuations (INR b)

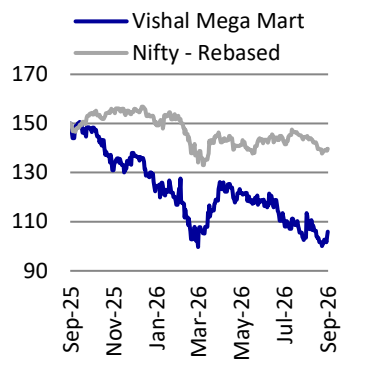
Y/E March	FY27E	FY28E	FY29E
Sales	154.2	183.1	216.3
EBITDA	22.5	27.5	33.4
Adj. PAT	10.5	13.4	17.1
EBITDA Margin (%)	14.6	15.0	15.5
Adj. EPS (INR)	2.2	2.8	3.6
EPS Gr. (%)	23.2	28.1	28.0
BV/Sh. (INR)	17.9	20.7	24.4
Ratios			
Net D:E	-0.1	-0.1	-0.2
RoE (%)	13.2	14.7	16.1
RoCE (%)	10.8	11.7	12.6
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	48.1	37.5	29.3
EV/EBITDA (x)	22.7	18.2	14.6
EV/Sales (X)	3.3	2.7	2.3

Shareholding Pattern (%)

As On	Jun-26	Mar-26	Jun-25
Promoter	40.1	40.1	54.2
DII	34.8	32.7	27.3
FII	20.4	22.0	12.9
Others	4.7	5.1	5.6

FII includes depository receipts

Stock Performance (1-year)



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Investors are advised to refer through important disclosures made at the last page of the Research Report.
Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Long runway for store expansion; piloting small-store and premium formats

- Management indicated that VMM could open 1,200 more stores in its traditional large format (~17k sqft) over the next 10-12 years.
- Customer response to VMM's recent forays in Maharashtra, Gujarat and Kerala has been encouraging, and these markets, alongside Tamil Nadu, are the key whitespaces for VMM to expand its large-format stores in the medium term.
- The company has also piloted a small-store format in states (UP, Haryana) with relatively higher saturation. Management believes there is a potential to open ~4k small-format stores over the medium term.
- The performance of small stores has been comparable to large-format stores (on SPSF, RoCE, etc). However, management will currently focus on opening larger-format stores in relatively less penetrated states as the effort on opening new stores is similar in both formats.
- The company has also launched a new format 'Belong & Co', which will focus primarily on mid-premium apparel category.

Achieved cash breakeven in digital commerce; looking to push the pedal

- VMM's digital commerce offering is live in ~500+ towns and contributes ~2-10% of in-store sales, depending on competitive intensity across regions (broadly in line with management's initial expectation of ~5% contribution to store sales).
- Management has fine-tuned the model in the last 18 months. It is now able to deliver 97%+ fill rates and will look to push the pedal on growing digital commerce as it brings new customers to VMM's ecosystem.
- Digital commerce margins are lower than in-store margins due to higher FMCG salience (70% for online orders vs. 27-28% in-store) and associated delivery costs (~INR30-40/order). However, the company's digital commerce offerings have achieved cash breakeven while contributing incremental sales to stores.

Gross margin gains to be reinvested in sharpening product proposition

- Management reiterated its ambition to maintain fairly stable gross margins. The scale-led benefits on gross margins will be reinvested in improving product quality and sharpening its price leadership.
- The company is investing ahead of the curve in technology (RFID implementation, warehouse automation), supply chain (planning to have a central warehouse for each of its four regions), people (to support larger business size) and improving the in-store experience.
- VMM's frugal cost structure, own brands' proposition, savings on logistics costs (through centralized warehouses) and RFID implementation (lower shrinkage, better inventory replenishment with low cost of ~INR1/tag over the longer run) should provide operating leverage and drive EBITDA margin expansion.

Valuation and view

- VMM remains among the most consistent retailers 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 believe the recent extension of its long-term CEO's tenure for another five years, alongside redesignation as Founder, provides comfort on the continuity of the business strategy.
- However, concerns about potential promoter stake sales and long-term ownership still remain key overhangs for the stock.
- Our estimates are broadly unchanged. We model a CAGR of 19%/24%/27% in revenue/pre-IND AS EBITDA/PAT over FY26-29E, driven by ~10% CAGR in area, consistent ~10%+ SSSG, and ~50bp annual pre-IND AS EBITDA margin expansion.
- We reiterate our **BUY rating on the stock with a revised TP of INR135** (earlier INR165). Our TP is premised on a DCF-implied ~27x Sep'28E pre-IND AS 116 EV/EBITDA (implying ~42x Sep'28E EPS). The cut in multiple (from ~34x earlier) is driven by a potential increase in contribution of small-format stores, which would contribute to lower absolute profitability (vs. large-format stores).

Exhibit 1: Our TP implies ~20x Sep'28E reported EBITDA

INR b	EBITDA	Multiple (x)	Value
Enterprise value	**30.4**	**20**	**617**
Net debt (incl. leases)			-20
Equity value			**638**
TP (INR/share)			**135**
CMP (INR/share)			106
Potential upside (%)			27

Source: MOFSL

Exhibit 2: Ascribe a TP of INR135, based on DCF implied ~27x Sep'28E pre-IND-AS 116 EBITDA

INR b	EBITDA	Multiple (x)	Value
Enterprise value	**21.8**	**27**	**591**
Net debt (excl. leases)			-47.0
Equity value			**638**
TP (INR/share)			**135**
CMP (INR/share)			106
Potential upside (%)			27

Source: MOFSL

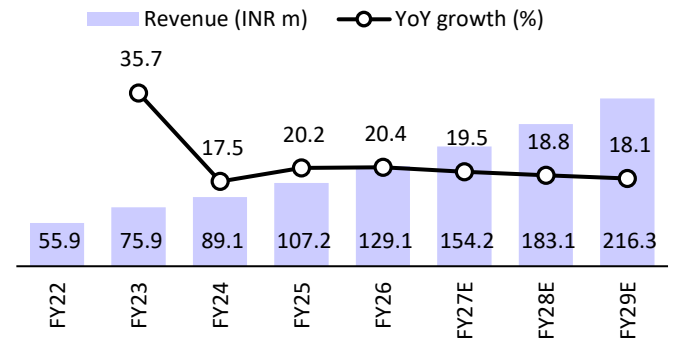
Exhibit 3: Key assumptions for VMM

Key assumptions	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
EoP stores	**501**	**557**	**611**	**696**	**795**	**900**	**1,010**	**1,125**
Net store additions		56	54	85	99	105	110	115
EoP retail area (msf)	**9.1**	**10.2**	**11.0**	**12.2**	**13.5**	**14.8**	**16.2**	**17.7**
YoY		11.3	8.1	10.5	10.6	10.1	9.7	9.2
SSSG (%)	**11.9**	**25.2**	**13.6**	**12.3**	**11.0**	**10.5**	**10.3**	**10.0**
Revenue (INR b)	**56**	**76**	**89**	**107**	**129**	**154**	**183**	**216**
YoY		36	17	20	20	19	19	18
Rev/sqft (INR)		7,853	8,415	9,251	10,078	10,911	11,792	12,727
Gross margin (%)	28.2	27.2	27.7	28.5	28.4	28.4	28.6	28.7
EBITDA (INR b)	**8.0**	**10.2**	**12.5**	**15.3**	**18.8**	**22.5**	**27.5**	**33.4**
EBITDA margin (%)	14.4	13.5	14.0	14.3	14.6	14.6	15.0	15.5
Pre-INDAS EBITDA (INR b)	**4.2**	**5.5**	**7.4**	**9.7**	**12.6**	**15.5**	**19.4**	**24.2**
Pre-INDAS margin (%)	7.5	7.3	8.3	9.1	9.8	10.0	10.6	11.2
PAT	**2.0**	**3.2**	**4.6**	**6.3**	**8.4**	**10.5**	**13.4**	**17.1**
Capex (INR b)	1.6	2.2	2.5	2.6	3.2	3.1	3.3	3.4
Capex /sqft		**2,119**	**3,007**	**2,280**	**2,523**	**2,306**	**2,304**	**2,303**

Exhibit 4: Summary of our estimate changes

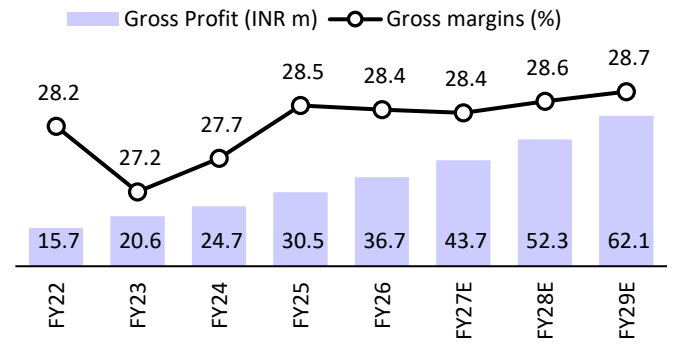
Particulars	FY27E	FY28E	FY29E
Revenue (INR m)			
Old	1,54,194	1,83,126	2,16,269
Actual/New	1,54,194	1,83,126	2,16,269
Change (%)	-	-	-
Gross Profit (INR m)			
Old	43,746	52,284	62,071
Actual/New	43,746	52,284	62,071
Change (%)	-	-	-
Gross Margin (%)			
Old	28.4	28.6	28.7
Actual/New	28.4	28.6	28.7
Change (bp)	-	-	-
EBITDA (INR m)			
Old	22,714	27,525	33,188
Actual/New	22,506	27,478	33,415
Change (%)	-0.9	-0.2	0.7
EBITDA margin (%)			
Old	14.7	15.0	15.3
Actual/New	14.6	15.0	15.5
Change (bp)	-13.5	-2.6	10.5
Net Profit (INR m)			
Old	10,576	13,457	17,063
Actual/New	10,459	13,399	17,144
Change (%)	-1.1	-0.4	0.5
EPS (INR/share)			
Old	2.3	2.9	3.7
Actual/New	2.2	2.8	3.6
Change (%)	-2.3	-1.6	-0.7

Exhibit 5: Expect 19% revenue CAGR over FY26-29



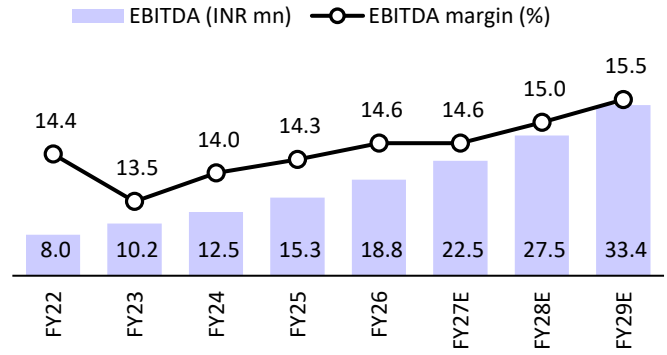
Source: Company, MOFSL

Exhibit 6: Build in modest ~30bp GM expansion over FY26-29



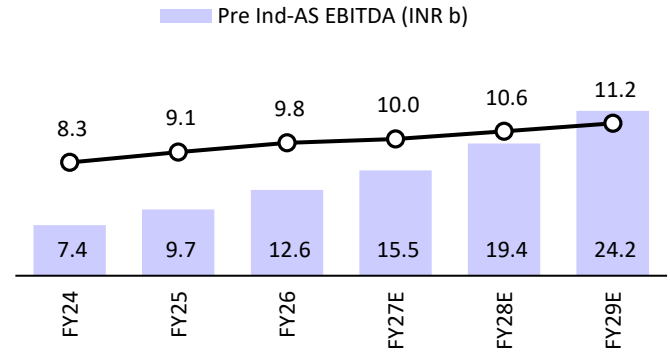
Source: Company, MOFSL

Exhibit 7: Expect 21% EBITDA CAGR over FY26-29



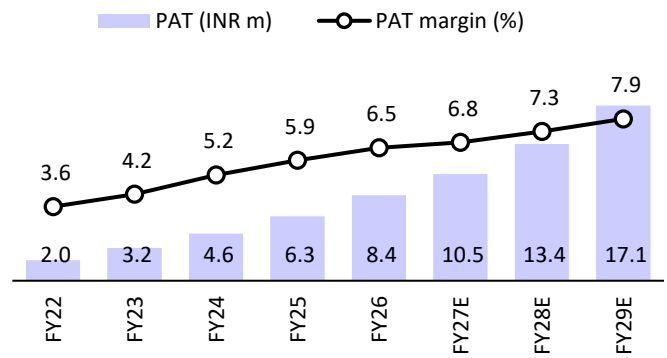
Source: Company, MOFSL

Exhibit 8: Expect 24% pre-Ind AS EBITDA CAGR over FY26-29



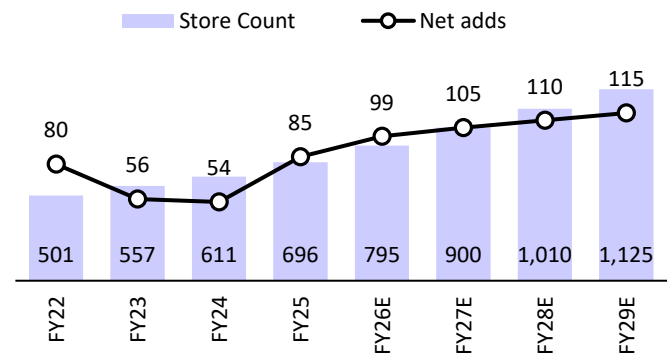
Source: Company, MOFSL

Exhibit 9: Expect 27% PAT CAGR over FY26-29



Source: Company, MOFSL

Exhibit 10: Store adds to remain robust over FY26-29



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement

INRm

Y/E March	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Total Income from Operations	**75,860**	**89,119**	**1,07,163**	**1,29,063**	**1,54,194**	**1,83,126**	**2,16,269**
Change (%)	35.7	17.5	20.2	20.4	19.5	18.8	18.1
Raw Materials	55,263	64,461	76,636	92,382	1,10,448	1,30,842	1,54,198
Gross Profit	**20,597**	**24,659**	**30,527**	**36,681**	**43,746**	**52,284**	**62,071**
Margin (%)	27.2	27.7	28.5	28.4	28.4	28.6	28.7
Employees Cost	4,318	5,047	6,406	7,283	8,943	10,383	11,895
Other Expenses	6,074	7,126	8,820	10,561	12,297	14,423	16,761
Total Expenditure	**65,655**	**76,633**	**91,862**	**1,10,227**	**1,31,688**	**1,55,648**	**1,82,853**
% of Sales	86.5	86.0	85.7	85.4	85.4	85.0	84.5
EBITDA	**10,205**	**12,486**	**15,302**	**18,836**	**22,506**	**27,478**	**33,415**
Margin (%)	13.5	14.0	14.3	14.6	14.6	15.0	15.5
Depreciation	4,614	5,173	5,902	6,734	7,946	9,385	10,919
EBIT	**5,591**	**7,313**	**9,399**	**12,102**	**14,560**	**18,093**	**22,496**
Int. and Finance Charges	1,614	1,435	1,492	1,715	1,937	2,175	2,421
Other Income	329	332	586	863	1,353	1,989	2,836
PBT bef. EO Exp.	**4,305**	**6,210**	**8,493**	**11,250**	**13,977**	**17,906**	**22,911**
PBT after EO Exp.	**4,305**	**6,210**	**8,493**	**11,250**	**13,977**	**17,906**	**22,911**
Total Tax	1,093	1,590	2,173	2,858	3,518	4,507	5,767
Tax Rate (%)	25.4	25.6	25.6	25.4	25.2	25.2	25.2
Reported PAT	**3,213**	**4,619**	**6,320**	**8,392**	**10,459**	**13,399**	**17,144**
Adjusted PAT	**3,213**	**4,619**	**6,320**	**8,392**	**10,459**	**13,399**	**17,144**
Change (%)	58.4	43.8	36.8	32.8	24.6	28.1	28.0
Margin (%)	4.2	5.2	5.9	6.5	6.8	7.3	7.9

Balance Sheet

INRm

Y/E March	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Equity Share Capital	45,066	45,087	45,974	46,731	46,731	46,731	46,731
Total Reserves	6,495	11,131	18,039	27,401	37,860	51,259	68,404
Net Worth	**51,561**	**56,218**	**64,013**	**74,133**	**84,591**	**97,990**	**1,15,135**
Total Loans	14,616	14,834	17,294	19,880	22,865	25,629	28,123
Net Deferred Tax Liabilities/ (Asset)	-2,139	-2,221	-2,464	-975	-975	-975	-975
Capital Employed	**64,038**	**68,831**	**78,843**	**93,038**	**1,06,482**	**1,22,644**	**1,42,283**
Net Fixed Assets	**16,000**	**18,914**	**22,407**	**25,803**	**29,068**	**31,640**	**33,451**
Goodwill on Consolidation	42,926	42,918	42,941	43,014	43,012	43,005	42,992
Capital WIP	685	383	136	336	336	336	336
Total Investments	**1,229**	**855**	**4,791**	**12,273**	**12,273**	**12,273**	**12,273**
Curr. Assets, Loans&Adv.	**19,759**	**19,769**	**27,191**	**30,202**	**44,794**	**62,565**	**85,186**
Inventory	14,907	14,650	18,503	20,170	24,502	29,099	34,366
Account Receivables	42	317	664	278	332	395	466
Cash and Bank Balance	1,692	1,189	4,637	5,949	15,426	27,697	44,019
Other Current Assets	2,958	3,565	3,341	3,746	4,475	5,315	6,277
Loans and Advances	160	48	46	58	58	58	58
Curr. Liability & Prov.	**16,561**	**14,009**	**18,624**	**18,590**	**23,000**	**27,174**	**31,955**
Account Payables	15,008	12,200	14,786	16,188	20,278	24,082	28,441
Other Current Liabilities	844	1,311	3,249	1,645	1,965	2,334	2,757
Provisions	710	497	589	757	757	757	757
Net Current Assets	**3,198**	**5,760**	**8,567**	**11,611**	**21,794**	**35,391**	**53,231**
Appl. of Funds	**64,038**	**68,831**	**78,843**	**93,038**	**1,06,482**	**1,22,645**	**1,42,283**

Financials and valuations

Ratios

Y/E March	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Basic (INR)							
EPS	**0.7**	**1.0**	**1.4**	**1.8**	**2.2**	**2.8**	**3.6**
Cash EPS	1.7	2.2	2.7	3.2	3.9	4.8	5.9
BV/Share	11.4	12.5	13.9	15.9	17.9	20.7	24.4
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	149.3	103.9	77.4	59.2	48.1	37.5	29.3
Cash P/E	61.3	49.0	40.0	32.9	27.3	22.1	17.9
P/BV	9.3	8.5	7.6	6.7	5.9	5.1	4.4
EV/Sales	6.7	5.8	4.7	4.0	3.3	2.7	2.3
EV/EBITDA	48.3	39.5	32.8	27.1	22.7	18.2	14.6
Dividend Yield (%)	NA	NA	NA	NA	NA	NA	NA
FCF per share	-0.2	0.1	1.2	2.4	1.7	2.2	2.9
Return Ratios (%)							
RoE	6.4	8.6	10.5	12.1	13.2	14.7	16.1
RoCE	6.3	7.9	9.2	10.3	10.8	11.7	12.6
RoIC	7.1	8.6	10.3	12.6	14.2	16.8	20.0
Working Capital Ratios							
Fixed Asset Turnover (x)	4.7	4.7	4.8	5.0	5.3	5.8	6.5
Asset Turnover (x)	1.2	1.3	1.4	1.4	1.4	1.5	1.5
Inventory (Days)	72	60	63	57	58	58	58
Debtor (Days)	0	1	2	1	1	1	1
Creditor (Days)	72	50	50	46	48	48	48
Net WC days	0	11	15	12	11	11	11
Leverage Ratio (x)							
Current Ratio	1.2	1.4	1.5	1.6	1.9	2.3	2.7
Interest Cover Ratio	3.5	5.1	6.3	7.1	7.5	8.3	9.3
Net Debt/Equity	0.2	0.2	0.1	0.0	-0.1	-0.1	-0.2

Cash Flow Statement

INRm

Y/E March	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
OP/(Loss) before Tax	4,305	6,210	8,493	11,250	13,977	17,906	22,911
Depreciation	4,614	5,173	5,902	6,734	7,946	9,385	10,919
Interest & Finance Charges	1,614	1,435	1,492	1,715	1,937	2,175	2,421
Direct Taxes Paid	-1,245	-1,497	-2,400	-3,255	-3,518	-4,507	-5,767
(Inc)/Dec in WC	-2,934	-3,024	503	-232	-705	-1,326	-1,519
CF from Operations	**6,355**	**8,297**	**13,991**	**16,213**	**18,283**	**21,645**	**26,130**
Leases and interest paid	-5,028	-5,266	-5,683	-1,715	-7,012	-8,067	-9,202
CF from Operating incl EO	**1,327**	**3,030**	**8,308**	**14,498**	**11,271**	**13,578**	**16,928**
(Inc)/Dec in FA	-2,187	-2,494	-2,638	-3,249	-3,148	-3,295	-3,443
Free Cash Flow	**-860**	**537**	**5,669**	**11,249**	**8,123**	**10,283**	**13,485**
(Pur)/Sale of Investments	3,909	1,086	-3,563	-6,727	-	-	-
Others	51	107	97	96	1,353	1,989	2,836
CF from Investments	**1,773**	**-1,301**	**-6,105**	**-9,879**	**-1,795**	**-1,306**	**-606**
Issue of Shares	22	18	897	1,241	-	-	-
Inc/(Dec) in Debt	-3,639	-1,333	-	-4,529	-	-	-
Others	-	-	667	-	-	-	-
CF from Fin. Activity	**-3,617**	**-1,315**	**1,564**	**-3,288**	**-**	**-**	**-**
Inc/Dec of Cash	**-517**	**415**	**3,767**	**1,331**	**9,476**	**12,271**	**16,321**
Opening Balance	972	455	870	4,619	5,949	15,426	27,697
Closing Balance	**455**	**870**	**4,637**	**5,949**	**15,426**	**27,697**	**44,019**

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NOTES

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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
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