HDFC securities | 25 YEARS
Powering India's Investments

INITIATING COVERAGE

VISHAL MEGA MART LTD.

INSTITUTIONAL RESEARCH

Vishal Mega Mart

A well-diversified value retail play

Indian value retail is highly polarized between apparel players struggling with footfall consistency and grocers grappling with structural margin dilution. Vishal Mega Mart (VMM) effectively extracts the best attributes of both models while neutralizing their respective weaknesses. Driven by its diversified mix (apparel ~44%, FMCG ~28%, and GM ~28% in FY25), VMM uses high-frequency FMCG as a hook to drive daily footfalls, effectively cross-selling captive shoppers into its higher-margin apparel and GM categories. By coupling this diverse mix with value pricing strategy led by its private label ecosystem (~75% of revenue in 9MFY26), VMM targets value-conscious tier 2 and beyond cities (comprising ~74% of the mix), where its value proposition is structurally most potent. We project ~18/21% revenue/EBITDA CAGR over FY26-28, with Pre-IND-AS EBITDAM expanding to 10.3%, largely driven by SSSG-led operating leverage. Supported by an asset-light, zero-debt balance sheet, PAT is expected to grow at ~26% CAGR, elevating Pre-IND-AS RoICs to ~18% (from ~13% currently) by FY28. Note: FY26 ROIC (ex-goodwill) stands at ~49%. We initiate coverage on VMM with a BUY rating and a DCF-based TP of INR 130/sh, implying 44x FY28 EPS.

- **Diversified category mix - balancing footfall and profitability:** Unlike pure-play fashion peers such as V2 Retail and Trent, which derive 90-100% of their revenue from apparel or grocery heavy peer like Dmart (78% Foods/FMCG share in FY25), VMM uniquely bridges these models with a highly diversified category mix. In FY25, apparel remained the largest contributor at ~44% of revenue, supported by GM and FMCG at ~28% each. The VMM model strategically uses high-frequency FMCG as a hook to drive daily footfalls, effectively cross-selling captive shoppers into its higher-margin apparel and GM portfolio. While apparel continues to anchor the portfolio, FMCG has been the primary growth driver, clocking a robust 28.4% CAGR over FY22-25 to outpace the company's overall 24.2% topline growth. Looking ahead, we expect this category mix to remain largely stable over FY26-28.
- **Private labels anchoring the value proposition:** VMM converts footfalls into high transaction volumes through its aggressive Opening Price Point (OPP) strategy, offering the lowest entry-level prices to capture unorganized retail demand. The enabler of this pricing power is VMM's dominant private-label ecosystem that drove ~75% of 9MFY26 revenue. By operating a 100% private-label model in apparel, ~70% in GM, and ~35% in FMCG, VMM effectively prices its own brand at ~10-50% discount against comparable national brands. Crucially, while OPP drives initial customer acquisition, it is capped at ~10-20% of store inventory. SSSG expansion is instead engineered through progressive customer upgradation - in 9MFY26, entry-level price points grew by 6% SSSG, whereas the medium and premium price points recorded 9% and 13-14% SSSG, respectively.
- **VMM is the lowest cost retailer within its value retail peers:** While VMM's high FMCG mix naturally dilutes its GM profile relative to most value apparel retailers, the company bridges this deficit through operational leverage to emerge as the lowest cost retailer in the peer group. In FY25, VMM's cost of retailing/sq ft stood at an industry-low of INR 1,794/sq ft (19.4% of revenue), lower than peers like V-Mart (INR 2,406/sq ft) and Dmart (INR 2,370/sq ft). Furthermore, VMM minimizes its gross block/sq ft through an asset-light expansion model, while its automated supply chain optimizes inventory management to deliver the lowest working capital/sq ft (~15days cash conversion cycle) in its peer group. Ultimately, this discipline across both cost and capital enabled VMM to deliver a 7.5% Pre-IND-AS EBIT margin (trailing only Trent) and an industry-leading Pre-IND-AS ROIC (ex-goodwill) of 46.1% in FY25.

BUY

CMP *(as on 13 Apr 2026)*	INR 114
Target Price	INR 130
NIFTY	23,843

KEY STOCK DATA	
Bloomberg code	VMM IN
No. of Shares (mn)	4,673
MCap (INR bn) / ($ mn)	535/5,732
6m avg traded value (INR mn)	2,138
52 Week high / low	INR 158/99

SHAREHOLDING PATTERN (%)

	Dec-25	Mar-26
Promoters	54.09	40.12
FIs & Local MFs	25.47	32.73
FPIs	15.52	22.01
Public & Others	4.92	5.14
Pledged Shares	-	-

Source : BSE

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- **Dominant tier 2+ player with a vast store opportunity:** VMM operates a pan-India network of 793 stores spanning 519 towns at the end of FY26, targeting value conscious markets with tier 2 and beyond cities comprising 74.5% of the mix. Strategically, ~39% of its current footprint operates within the 50k-250k population strata, where its value proposition is structurally most potent. Based on our town-level mapping, we project a massive whitespace of 1,246 incremental stores. Notably, 52% of this expansion potential (643 stores) aligns perfectly with its core 50K-250K demographic, minimizing execution risk. Beyond greenfield expansion, VMM can actively drive topline growth by densifying its presence within existing, proven catchments as state-wise town-store density remains notably low (~85% of covered towns currently house only a single VMM store). Regionally, the South and West markets present the highest absolute runway, collectively accounting for ~59% of the incremental opportunity. Management is already executing aggressively against this regional whitespace, deploying ~42% of its net 148 store additions between Sep-2024 and FY26 specifically within the South.

- **Valuation and outlook:** We forecast ~18% revenue CAGR over FY26-28, underpinned by ~100-110 store rollout annually and ~6% revenue/sq ft growth. As management strategically reinvests GM gains into sharper pricing to drive volumes, profitability improvements will be fueled almost entirely by SSSG-led operating leverage. Consequently, we project Pre-IND-AS EBITDA CAGR of ~21% over FY26-28, driven by ~60bps EBITDAM expansion to 10.3% by FY28. Supported by an asset-light, zero-debt balance sheet, we expect VMM to grow at ~26% PAT CAGR over FY26-28. We estimate VMM will generate cumulative OCF/FCFF of ~INR 30/20bn over FY26-28, propelling its RoIC (ex-goodwill) to ~57% by FY28. VMM remains a best-in-class tier 2+ value retailer, maximizing consumer wallet share through a diversified mix and driving penetration via its private-label value offering. However, with promoters still holding ~40% stake (having already liquidated ~58%), the inherent risk of a supply overhang from future private equity divestments in the medium term remains a key monitorable. We initiate coverage on VMM with a BUY rating and a DCF-based TP of INR 130/sh, implying 44x FY28 P/E.

Financial summary

Financial Summary	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales (INR mn)	55,885	75,860	89,119	1,07,163	1,27,291	1,50,515	1,76,350
EBITDA* (INR mn)	4,165	5,511	7,414	9,741	12,366	15,099	18,127
APAT (INR mn)	2,028	3,213	4,619	6,320	8,601	10,947	13,727
Dil. EPS (INR/sh)	0.5	0.7	1.0	1.4	1.8	2.3	2.9
P/E (x)	253.2	159.9	111.3	82.9	61.9	48.7	38.8
EV/EBITDA* (x)	122.9	93.1	69.2	52.9	41.8	33.5	27.1
ROE* (ex-goodwill, %)	33.1	35.8	35.8	33.1	30.5	27.5	24.9
ROIC* (ex-goodwill, %)	50.9	41.8	40.2	46.1	48.8	51.9	56.6
ROCE* (ex-goodwill, %)	21.9	29.0	36.7	35.5	30.8	27.7	25.1

Source: Company, HSIE Research. *Pre-IND AS figures

Peer valuation

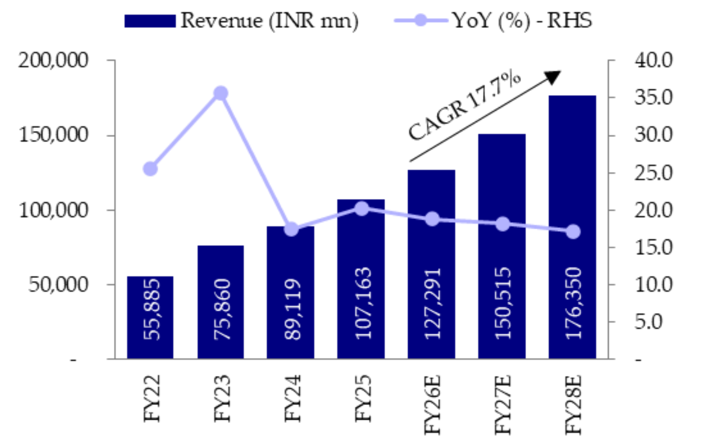
Company	CMP	M cap (INR bn)	Reco	TP	Revenue (INR bn)				EBITDA (INR bn)				EBITDAM (%)				PAT (Rs. bn)				EPS (Rs)			
					FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
F&G																								
Avenue Supermarts	4,456	2,900	Add	4,300	578	670	816	990	43	49	63	79	7.5	7.4	7.7	7.9	29	32	40	50	45.0	49.0	61.2	77.1
Vishal Mega Mart	114	533	Buy	130	107	127	151	176	10	12	15	18	9.1	9.7	10.0	10.3	6	9	11	14	1.4	1.8	2.3	2.9
Apparel																								
Shoppers Stop	298	33	Reduce	340	44	47	51	55	3	1	2	3	5.7	3.1	4.6	5.1	0	(0)	0	1	0.6	(2.4)	3.0	6.3
V-MART	613	49	Buy	850	33	38	44	51	1	2	3	3	4.4	6.1	6.2	6.4	0	1	2	2	2.7	14.5	21.8	29.3
Trent	3,872	1,376	Buy	4,300	167	197	244	283	21	26	33	38	12.8	13.3	13.5	13.4	16	19	23	27	44.6	52.8	65.0	75.5
ABLBL	102	124	Buy	155	78	84	95	106	6	6	8	9	7.0	7.7	8.4	8.9	2	2	3	4	1.3	1.5	2.6	3.5
Jewellery																								
Titan Company	4,470	3,978	Reduce	4,000	605	839	950	1,075	48	76	87	100	7.9	9.1	9.2	9.3	33	55	62	72	37.5	61.8	69.8	81.2
Footwear																								
Bata India	733	94	Reduce	800	35	35	38	42	4	4	4	5	11.0	11.0	11.7	12.6	3	2	3	4	16.1	16.1	21.4	27.6
Relaxo Footwears	295	73	Add	410	28	27	30	33	3	3	4	4	11.3	10.7	12.6	13.4	2	2	2	3	6.8	6.7	9.0	10.5
Metro Brands	1,028	280	Buy	1,080	25	28	34	41	5	6	7	9	20.7	20.8	21.0	21.0	4	4	5	7	13.0	14.9	18.8	24.1
New Age																								
FSN E-Commerce (Nykaa)	257	736	Sell	205	79	100	124	150	3	4	7	10	3.2	4.5	5.7	6.7	1	2	4	6	0.3	0.7	1.4	2.3
Swiggy	265	731	Buy	465	152	229	285	348	(31)	(37)	(20)	(5)	(20.3)	(16.0)	(7.0)	(1.6)	(31)	(36)	(21)	(7)	(12.5)	(13.1)	(7.7)	(2.6)
Eternal	236	2,277	Buy	340	202	546	885	1,182	3	2	16	28	1.4	0.4	1.8	2.4	5	3	12	21	0.5	0.3	1.3	2.2
Paints & Adhesives																								
Asian Paints	2,356	2,260	Add	2,800	339	351	388	431	60	65	72	81	17.7	18.5	18.5	18.8	40	44	50	59	34.4	42.2	52.3	61.8
Berger Paints	419	489	Add	540	115	118	129	143	19	18	21	24	16.1	15.0	16.1	16.5	12	11	14	15	10.1	9.8	11.6	13.3
Kansai Nerolac	178	144	Reduce	235	78	80	86	94	9	9	10	12	12.0	11.7	12.0	12.3	5	6	8	8	5.9	7.8	9.3	10.2

Company	P/E (x)				EV/Sales (x)				EV/EBITDA (x)				RoE(%)				RoCE(%)				RoIC (%)			
	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
F&G																								
Avenue Supermarts	99	91	73	58	5.0	4.3	3.6	2.9	67	59	47	37	14.7	13.9	15.0	17.2	14.8	13.7	14.5	15.6	14.6	13.5	14.2	15.4
Vishal Mega Mart	83	62	49	39	4.8	4.1	3.4	2.8	53	42	34	27	10.2	12.1	13.2	14.0	10.4	12.2	13.3	14.1	10.8	13.2	15.5	18.2
Apparel																								
Shoppers Stop	486	(127)	99	47	0.8	0.7	0.7	0.6	14	24	15	11	0.7	(2.8)	2.9	5.0	7.0	(0.9)	16.8	16.5	54.4	(0.3)	15.2	15.8
V-MART	225	42	28	21	1.5	1.3	1.0	0.8	35	21	17	13	2.3	10.7	13.1	14.1	7.1	11.9	13.5	14.4	10.9	8.8	10.6	13.0
Trent	87	73	60	51	11.5	8.2	6.9	4.6	64	52	41	35	30.5	25.0	22.8	20.5	29.6	24.7	22.5	20.2	31.8	25.8	26.5	29.6
ABLBL	79	66	39	29	1.7	1.5	1.3	1.1	24	20	15	12	9.1	8.1	10.2	10.7	9.3	8.7	9.9	10.4	9.0	9.3	10.2	11.2
Jewellery																								
Titan Company	119	72	64	55	6.9	5.0	4.4	3.9	88	55	48	42	29.2	37.2	32.1	29.7	13.4	17.2	16.2	15.9	12.6	16.6	16.4	17.1
Footwear																								
Bata India	45	45	34	27	2.5	2.5	2.2	1.9	23	22	19	15	25.9	25.9	25.9	25.9	11.5	9.5	11.6	12.9	15.4	13.5	16.8	20.1
Relaxo Footwears	43	44	33	28	2.5	2.5	2.3	2.0	22	24	18	15	9.0	8.3	10.5	11.4	9.0	8.2	10.5	11.4	9.8	8.3	12.6	14.9
Metro Brands	79	69	55	43	10.9	9.6	7.8	6.4	53	46	37	30	18.2	20.3	21.6	21.3	18.6	20.7	22.1	21.8	28.2	32.1	38.2	42.0
New Age																								
FSN E-Commerce (Nykaa)	1,020	355	178	114	9.3	7.4	6.0	4.9	295	166	104	73	5.5	13.7	20.7	23.4	5.2	10.2	16.4	20.1	4.0	9.1	16.4	21.5
Swiggy	NM	NM	NM	NM	4.0	3.1	2.1	1.8	NM	NM	NM	NM	(34.6)	(41.1)	(16.6)	(4.0)	(29.2)	(33.1)	(13.4)	(2.9)	(41.3)	(44.0)	(23.6)	(7.5)
Eternal	432	755	185	109	10.4	3.9	2.4	1.8	751	923	133	76	2.1	1.0	3.9	6.4	2.4	1.5	4.2	6.5	(1.4)	(3.1)	2.0	5.3
Paints & Adhesives																								
Asian Paints	68	56	45	38	6.7	6.4	5.7	5.1	38	34	31	27	21.1	21.5	22.6	24.2	18.3	18.8	20.0	21.7	19.6	20.4	24.6	29.7
Berger Paints	41	43	36	32	4.2	4.0	3.6	3.2	26	27	23	20	20.5	16.3	18.7	18.8	18.5	15.2	17.6	17.9	18.9	17.4	20.7	22.9
Kansai Nerolac	30	23	19	17	1.8	1.8	1.6	1.5	15	15	14	12	8.0	9.7	10.8	11.0	8.1	9.8	11.0	11.2	9.8	11.2	11.4	11.8

Source: Companies, HSIE Research

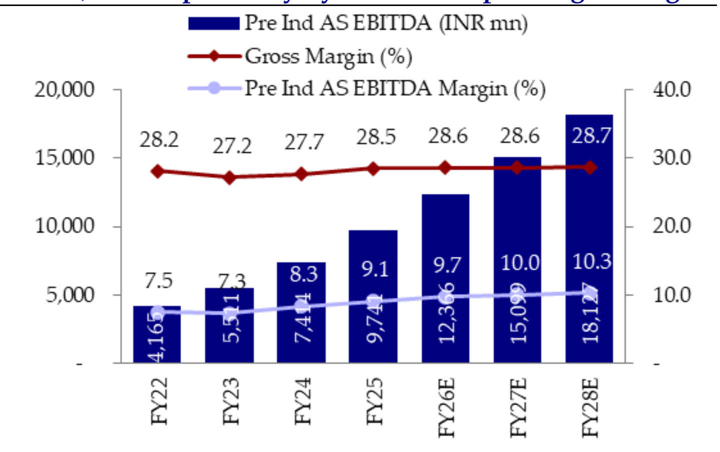
Focus Charts

We pencil in ~18% revenue CAGR over FY26-28



Source: Company, HSIE Research

We project ~60bps EBITDAM expansion to 10.3% by FY28, driven primarily by SSSG-led operating leverage



Source: Company, HSIE Research

VMM generates one of the highest Pre-IND-AS EBIT margin & store level ROCE within its peers, second only to Trent, driven by industry-leading cost of retailing/sq ft and capital employed/sq ft

Unit Economics - FY25	VMM		Vmart		V2 Retail		Style Bazaar		Dmart		Trent	
	INR/sq ft	% of revenue	INR/sq ft	% of revenue	INR/sq ft	% of revenue	INR/sq ft	% of revenue	INR/sq ft	% of revenue	INR/sq ft	% of revenue
Revenue	9,250	100.0	7,975	100.0	11,487	100.0	7,928	100.0	35,728	100.0	14,621	100.0
Gross Profit	2,635	28.5	2,755	34.5	3,155	27.5	2,669	33.7	5,053	14.1	6,497	44.4
Employee Expense	498	5.4	802	10.1	758	6.6	616	7.8	1,265	3.5	948	6.5
Rent	507	5.5	588	7.4	628	5.5	590	7.4	129	0.4	1,878	12.8
Other expense	271	2.9	463	5.8	354	3.1	415	5.2	417	1.2	935	6.4
Cost of Retailing	1,276	13.8	1,852	23.2	1,739	15.1	1,621	20.4	1,810	5.1	3,761	25.7
Store Pre-IND-AS EBITDA	1,359	14.7	903	11.3	1,416	12.3	1,048	13.2	3,243	9.1	2,736	18.7
Depreciation	144	1.6	193	2.4	160	1.4	171	2.2	365	1.0	250	1.7
Store EBIT	1,216	13.1	710	8.9	1,256	10.9	878	11.1	2,879	8.1	2,486	17.0
Company level overheads	519	5.6	554	7.0	508	4.4	491	6.2	560	1.6	872	6.0
Company EBIT	697	7.5	156	2.0	748	6.5	386	4.9	2,319	6.5	1,614	11.0
Capital Employed	1,571		1,901		2,385		2,443		17,350		2,964	
Capex	1,250		1,350		1,200		1,200		15,000		2,000	
Working Capital	321		551		1,185		1,243		2,350		964	
Store payback period (months)	16		32		23		33		72		14	
ROCE - post tax (%)	57.9		28.0		39.4		26.9		12.4		62.8	

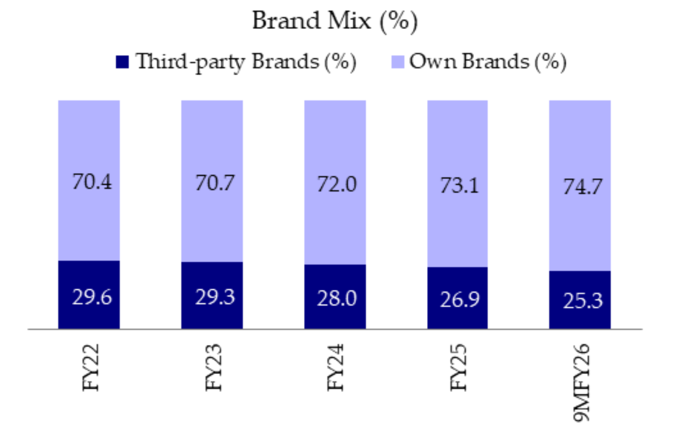
Source: Company, HSIE Research

VMM boasts the most diversified category mix among peers, capturing a broader share of the consumer wallet

Category Mix (%) - FY25	Apparel	FMCG/Foods	GM/Non-Apparel	GM + Apparel
VMM	44	28	28	-
Vmart	79	11	10	-
V2 Retail	92	-	8	-
Style Bazaar	87	-	13	-
Dmart	-	78	-	22
Trent	100	-	-	-

Source: Company, HSIE Research

VMM's private labels contributed ~75% to total revenue in 9MFY26



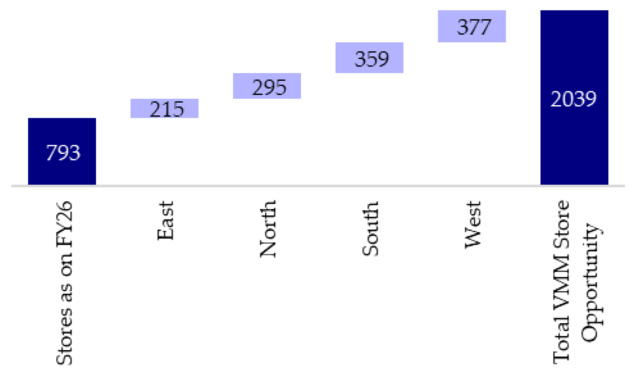
Source: Company, HSIE Research

We estimate VMM has the potential to add 1,246 incremental stores, given its town-level penetration remains notably low even across established geographies

Population Strata	Towns in India (#)	Towns with VMM Store (#)	% of total towns captured	VMM Stores as on FY26 (#)	Store-Town density (x)	Towns without VMM store (#)	Incremental Store Potential (#)	Incremental share in population strata (%)
>1M	46	30	65.2	202	6.73	16	221	17.7
500K-1M	43	29	67.4	92	3.17	14	65	5.2
250K-500K	90	56	62.2	73	1.30	34	109	8.7
50K-250K	928	285	30.7	306	1.07	643	643	51.6
20K-50K	1,881	82	4.4	83	1.01	1,799	105	8.4
<20K	4,680	37	0.8	37	1.00	4,643	103	8.3
Total	**7,668**	**519**	**6.8**	**793**	**1.53**	**7,149**	**1,246**	

Source: Company, HSIE Research

South and West regions hold the highest absolute opportunity, comprising ~59% of the incremental whitespace…



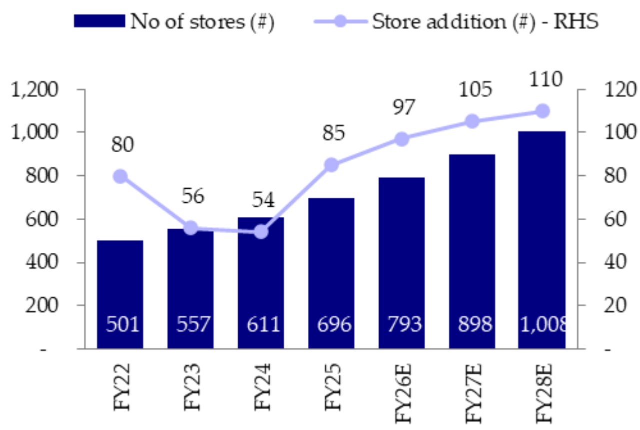
Source: Company, HSIE Research. Note: Regional classification is as per VMM's reported definition.

…validating this focus, ~42% of the new store rollouts between Sep-24 and FY26 were concentrated in the South

Region	VMM Stores as of Sep-24 (#)	VMM Stores FY25 (#)	VMM Stores FY26 (#)	Stores added from Sep-24 to FY26 (#)	% of incremental stores added
East	168	183	197	**29**	19.6
North	266	284	304	**38**	25.7
South	155	166	217	**62**	41.9
West	56	63	75	**19**	12.8
Total	**645**	**696**	**793**	**148**	

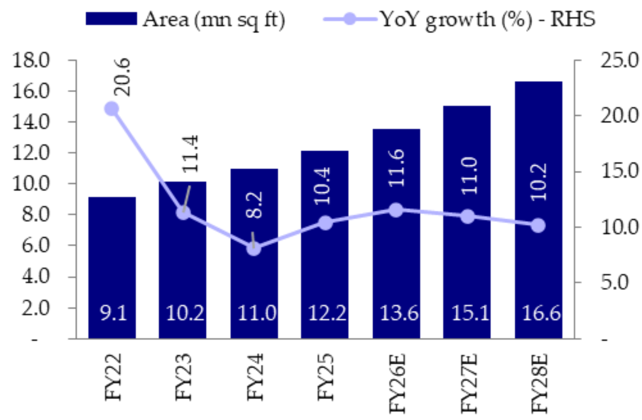
Source: Company, HSIE Research

We expect VMM to add ~100-110 stores annually to reach over 1,000 stores by FY28



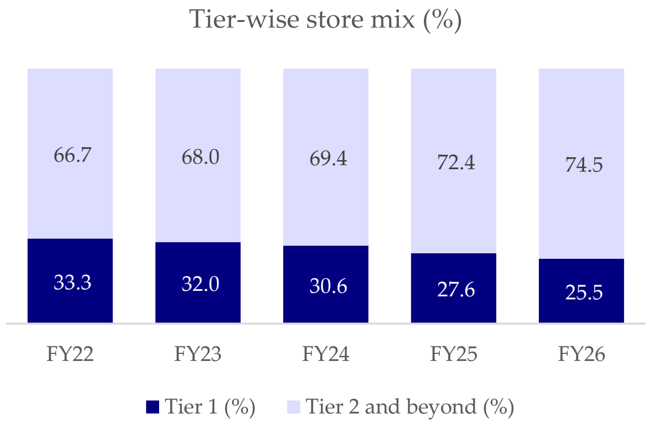
Source: Company, HSIE Research

We expect retail area CAGR to grow ~11% over FY26-28



Source: Company, HSIE Research

VMM targets tier 2 and beyond cities, where its OPP and deep discount private labels have the strongest appeal. Share of VMM stores in tier 2 and beyond cities has expanded to 74.5% in FY26



Source: Company, HSIE Research. Note: FY26 data is as per VMM's store locator

~39% of VMM's store network operates in the 50-250k population strata where its value pricing is most potent

Population Strata	VMM Stores as on FY26 (#)	% share
>1M	202	**25.5**
500K-1M	92	**11.6**
250K-500K	73	**9.2**
50K-250K	306	**38.6**
20K-50K	83	**10.5**
<20K	37	**4.7**
Total	**793**	

Source: Company, HSIE Research

VMM's operational overlap with DMART remains limited as over 50% of Dmart's store network lies in >1M population strata whereas VMM's highest share of store network is in 50-250K strata. Also, VMM's 129 stores in Dmart's most dominant region (South and West) are located in towns where DMart has absolutely no presence

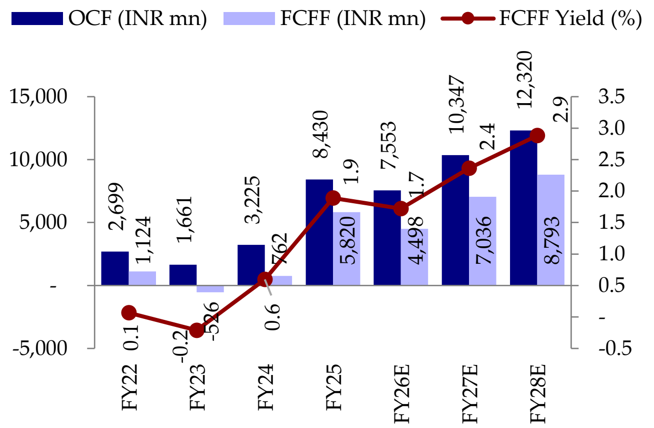
Population Strata	VMM stores as on FY26 (#)	% share	Dmart stores as on FY26 (#)	% share
>1M	202	25.5	252	50.4
500K-1M	92	11.6	37	7.4
250K-500K	73	9.2	41	8.2
50K-250K	306	38.6	123	24.6
20K-50K	83	10.5	29	5.8
<20K	37	4.7	18	3.6
Total	**793**		**500**	

Source: Companies, HSIE Research

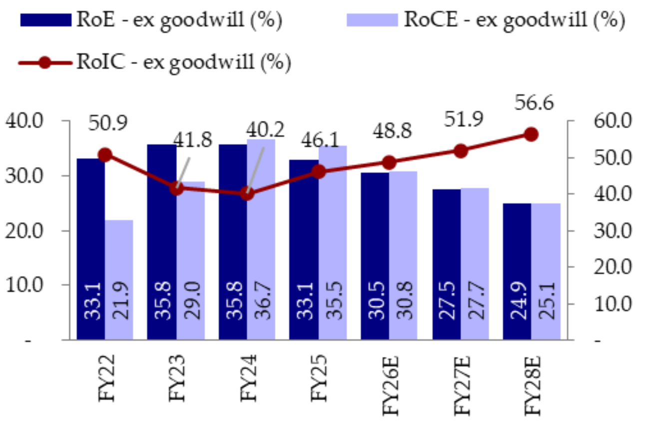
VMM stores in South			VMM stores in West		
Store Share range vs Dmart	**VMM Stores (#)**	**% share**	**Store Share range vs Dmart**	**VMM Stores (#)**	**% share**
100%	95	43.8	100%	34	45.3
>75%	3	1.4	>75%	-	-
50-75%	84	38.7	50-75%	27	36.0
25-50%	35	16.1	25-50%	9	12.0
<25%	-	-	<25%	5	6.7
Total stores (#)	**217**		**Total stores (#)**	**75**	

Source: Companies, HSIE Research. Note: Regional classification is as per VMM's reported definition.

Supported by its asset-light expansion model and steady margin improvement, we expect VMM to generate cumulative OCF/FCFF of ~INR30/20bn, respectively, over FY26–28, structurally elevating its RoIC (ex-goodwill) from 46.1% in FY25 to 55%+ by FY28



Source: Company, HSIE Research. *Pre-IND AS



Source: Company, HSIE Research. *Pre-IND AS

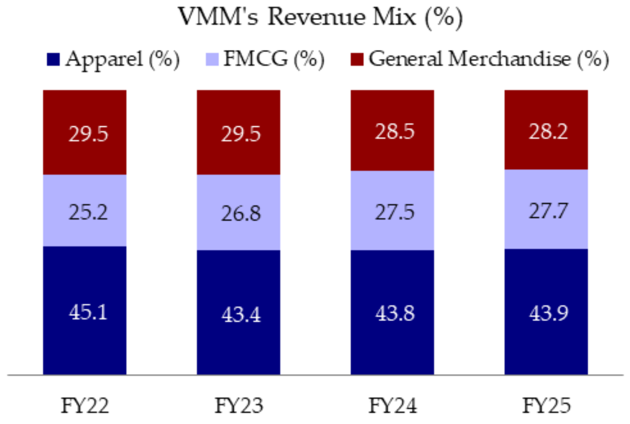
Contents

Diversified mix + value pricing = VMM's edge

Diversified category mix: balancing footfall and profitability

- At the core of VMM's competitive advantage is its highly diversified product portfolio, which positions it as the "one-stop shop" destination for the aspirational consumers. Unlike other value retailers that over-index into a single vertical, VMM strategically converges high-footfall driver FMCG with discretionary GM & Apparel. By unifying Apparel (~44% of revenue), FMCG (~28%), and GM (~28%) under a single roof, VMM effectively captures a much broader share of the consumer's wallet.

Unlike other value retailers that over-index into a single category, VMM has the most diversified category mix



Source: Company, HSIE Research

Category Mix (%) - FY25	Apparel	FMCG/Foods	GM/Non-Apparel	GM + Apparel
VMM	44	28	28	-
Vmart	79	11	10	-
V2 Retail	92	-	8	-
Style Bazaar	87	-	13	-
Dmart	-	78	-	22
Trent	100	-	-	-

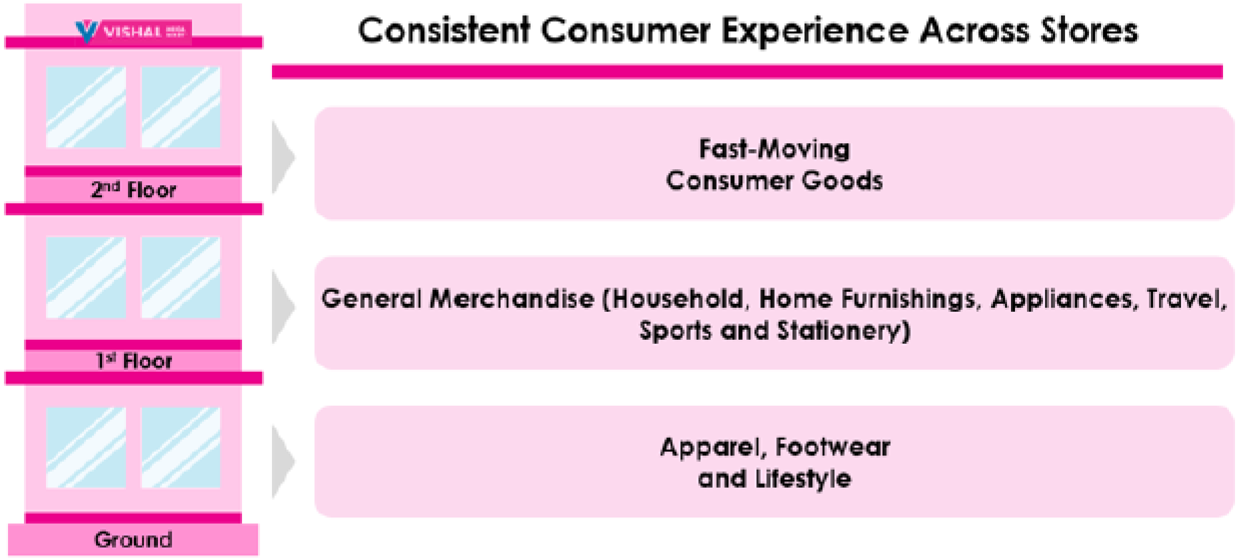
Source: Companies, HSIE Research

- The value retail sector is largely bifurcated into two camps, both of which face distinct structural limitations:
  - **The Apparel-Focused Peers (V-Mart, V2 Retail, Style Bazaar, Trent):** These apparel retailers mostly rely on discretionary consumer spending. Because apparel is inherently a low-frequency purchase, these players are highly sensitive to macroeconomic softness and consequently struggle to generate consistent, daily footfalls, leaving their store-level productivity highly exposed to seasonal lulls.
  - **The Grocery-Focused Peer (D-Mart):** Conversely, grocery-heavy hypermarkets naturally command massive, recurring daily traffic. However, they are constrained by thin gross margins inherent to selling third-party FMCG products, forcing them to operate at a significantly lower gross margin profile.

- VMM effectively extracts the best attributes of both models while neutralizing their respective weaknesses. The FMCG category act as the structural hook - driving the high-frequency, recurring footfall typical of a grocery hypermarket. Once the consumer is inside the store for their daily essentials, this captive traffic is strategically cross-sold into VMM's high-margin, 100% private-label apparel section. This cross-selling of categories ensures that VMM benefits from the predictable, low-acquisition-cost footfall of a grocer while simultaneously capturing the superior profitability profile of an apparel retailer, culminating in a diversified retail operations.

- This cross-selling mechanism is directly supported by VMM's multi-level store layout, which deliberately sequences category placement to optimize customer flow and maximize visibility for its most profitable categories. By dedicating the ground floor to high-margin private-label apparel, the first floor to discretionary general merchandise, and intentionally positioning the high-frequency FMCG category on the top floor, VMM ensures customers walk through the entire store. This deliberate store layout converts staple-driven footfall into higher-margin impulse sales, and consistently expands the consumer basket size.

VMM's store layout: high-frequency FMCG is strategically placed on top floor to expand consumer basket size



Source: Company, HSIE Research

While apparel gained share over GM during FY23-25; we suspect revenue mix is likely to remain steady hereon

Revenue (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY23-26E CAGR (%)
Apparels	25,180	32,927	39,013	47,047	56,135	19.5
FMCG	14,057	20,320	24,473	29,738	34,623	19.4
General Merchandise	16,493	22,383	25,433	30,222	36,216	17.4

Revenue mix (%)	FY22	FY23	FY24	FY25	FY26E	Expansion/ Contraction over FY23-26E (bps)
Apparels	45.1	43.4	43.8	43.9	44.2	-81
FMCG	25.2	26.8	27.5	27.7	27.3	48
General Merchandise	29.5	29.5	28.5	28.2	28.5	-98

Source: Company, HSIE Research

- While VMM's diversified product mix drives footfall, its ability to convert that footfall into transaction volumes is anchored by its aggressive opening price point (OPP) strategy. Across virtually every category in which it operates, VMM ensures that its assortment commands the lowest entry-level price point in the market.
- Given that ~80% of the Indian retail market still remains unorganized, VMM's OPP acts as the primary catalyst for formalization, facilitating the migration of value-conscious consumers from traditional mom-and-pop stores to organized trade. By minimizing the initial financial friction associated with entering a large-format retail space, VMM establishes itself as the primary organized retail touchpoint for these consumers.

VMM's opening price points across its diversified assortment

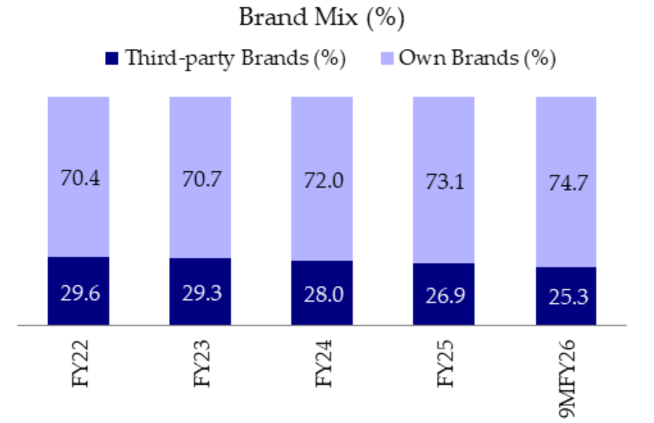
Source: Company, HSIE Research

Private labels: anchoring the value proposition

- Maintaining the lowest market prices while simultaneously defending its margins is challenging if heavily reliant on third-party national brands. Consequently, the primary enabler of VMM's OPP strategy is its extensive private label ecosystem. Own brands contributed ~73% of total revenue in FY25. Over FY22-25, own brands reported a robust CAGR of ~26% vs ~20% CAGR for third-party brands.

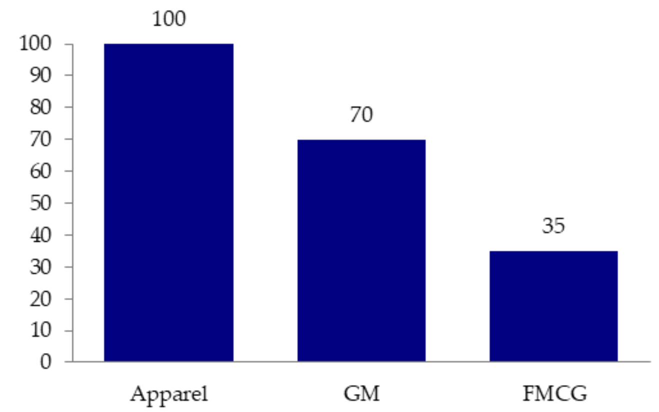
- VMM operates a portfolio of 26 own brands across its category mix. In FY25, 19 of these own brands recorded revenue exceeding INR 1bn each, and six brands surpassed INR 5bn revenue. VMM manages its private-label share across its three core categories:
  - **Apparel:** VMM operates a **100% private-label model** within this segment, utilizing an in-house design team to actively manage inventory relevance. The category is anchored by "Brink," the company's largest brand, which straddles both the apparel and general merchandise segments. Brink's revenue doubled over FY22-25 and currently exceeds INR 10bn. The segment also features "Yellow Hippo" - core label for children's and infant clothing, VMM's third-largest brand.
  - **General Merchandise: Private labels account for ~70% of the GM segment's revenue.** This category is largely driven by "Home Select" (VMM's second largest brand), which has products across household utility items, including cookware and plastics. Demonstrating strong market acceptance, Home Select more than doubled its revenue over FY22-25, with current scale approaching INR 10bn.
  - **FMCG:** Within the FMCG segment, **private labels drive ~60% of total category volume but account for only 35% of category value.** This stark volume-value divergence highlights VMM's deep-discount strategy, indicating that its own brands are positioned at a significantly lower ASP relative to competing third-party national brands.

VMM's brand mix over FY22-9MFY26



Source: Company, HSIE Research

VMM's private label share (%) – FY25



Source: Company, HSIE Research

- Over FY22-25, VMM's FMCG segment recorded a robust CAGR of 28.4%, outpacing the overall company growth of 24.2%. We believe this outperformance was primarily led by the accelerated penetration of own brands within the FMCG segment, where we estimate the FMCG private-label value share expanded from ~23% in FY22 to 35% by FY25. We believe this accelerated penetration is fueled by ~10-50% pricing discount on private labels vs other national brand alternatives, allowing the company to convert value-seeking footfall into recurring volume. As a result of this adoption, the own brand's FMCG contribution to VMM's total revenue increased from ~6% in FY22 to ~10% in FY25. Further, this strong FMCG execution - coupled with a steady private-label expansion in GM, where we estimate own brand proportion grew from ~66% to ~70% - lifted VMM's overall own brand revenue mix from 70.2% in FY22 to 73.1% in FY25.
- Going forward, the pace of private-label expansion within the FMCG category is expected to moderate. Management highlighted that already 60% of the volume in FMCG category is driven by its private label. With this base established, future mix expansion will pivot away from rapid new category additions and rely primarily on gradual volume gains within existing segments. Additionally, structural constraints such as consumer brand loyalty in specific sub-categories like carbonated beverages will naturally limit the ceiling for further private-label penetration, signaling a transition toward a more mature, stabilized mix in the FMCG segment.

We believe expansion in overall own brand mix from 70.2% in FY22 to 73.1% in FY25 was primarily driven by rising share of private label brands in the FMCG segment

Revenue Mix (INR mn)	FY22	FY23	FY24	FY25	FY22-25 CAGR (%)
Apparel	25,180	32,927	39,013	47,047	23.2
GM	16,493	22,383	25,433	30,222	22.4
FMCG	14,057	20,320	24,473	29,738	28.4
Total Revenue	**55,885**	**75,860**	**89,119**	**1,07,163**	**24.2**

Own Brands Mix (INR mn)	FY22	FY23	FY24	FY25	FY22-25 CAGR (%)
Apparel	25,180	32,927	39,013	47,047	23.2
GM	10,816	14,863	17,149	21,020	24.8
FMCG	3,233	5,689	7,831	10,319	47.2
Total Own Brands	**39,229**	**53,480**	**63,993**	**78,386**	**26.0**
Own Brands Mix (% of total revenue)	**70.2**	**70.5**	**71.8**	**73.1**	295

Own Brands Mix (% of total revenue)	FY22	FY23	FY24	FY25	Change (bps)
Apparel	45.1	43.4	43.8	43.9	-115
GM	19.4	19.6	19.2	19.6	26
FMCG	5.8	7.5	8.8	9.6	384
Total Own Brand Mix	**70.2**	**70.5**	**71.8**	**73.1**	**295**

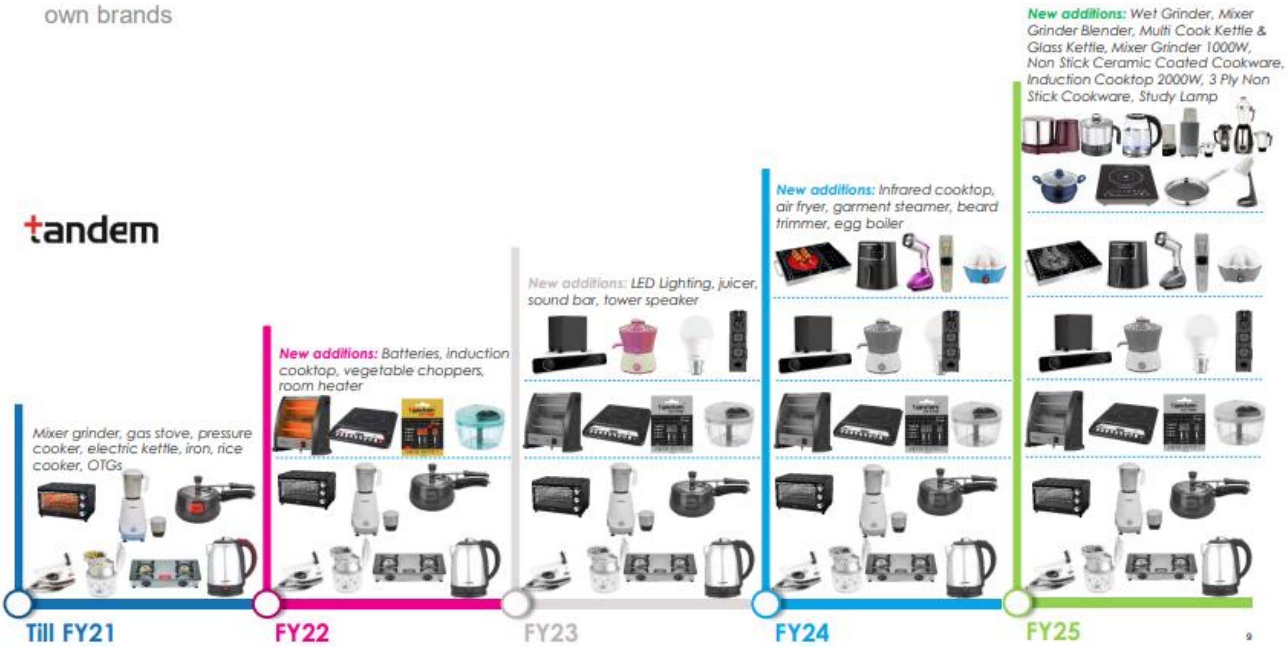
Own Brand Proportion (% of total category revenue)	FY22	FY23	FY24	FY25	Change (bps)
Apparel	100	100	100	100	-
GM	66	66	67	70	397
FMCG	23	28	32	35	1,170

Source: Company, HSIE Research. Note: Own brand proportion in FMCG and GM from FY22-24 is estimated

VMM's portfolio of own brands

Source: Company, HSIE Research

Alongside introducing new brands, VMM continuously broadens the assortment under its established private labels. This allows the company to cross-sell more effectively and drive incremental volume



Source: Company, HSIE Research

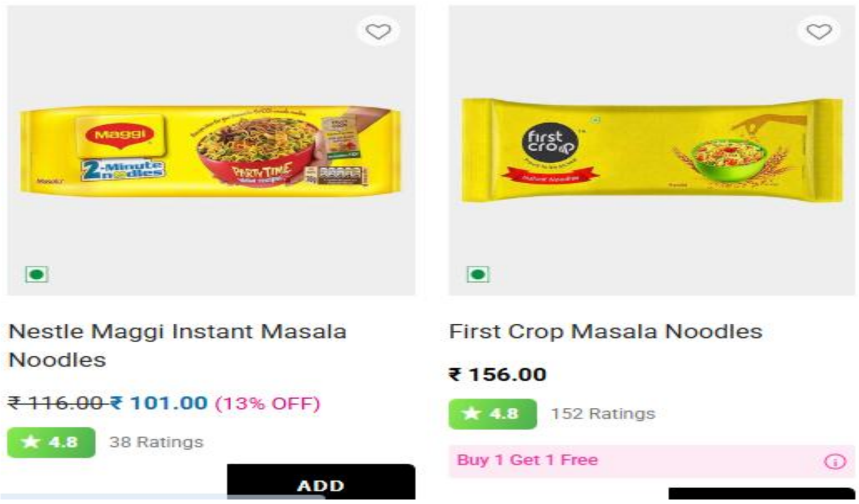
VMM's own brand products are priced ~10-50% lower than other national brand alternatives

Category	Product	Quantity	VMM Brand	Price	Third Party Brand	Price	Price Gap (%)
FMCG	Rozana Basmati Rice	5kg	First Crop	365	India Gate	398	-8
FMCG	Sharbatti Atta	5kg	First Crop	215	Aashirvaad	330	-35
FMCG	Chana Dal	500g	First Crop	50	Tata Sampann	60	-17
FMCG	Mustard Oil	1L	First Crop	138	Fortune	175	-21
FMCG	Red Chilli Powder	200g	Imli Tree	79	Everest	116	-32
FMCG	Ghee	1L	Pure Burst	551	Amul	611	-10
FMCG	Butter Cookies	200g	First Crop	26.8	Good Day	32.4	-17
FMCG	Cashews	1kg	First Crop	895	Tata Sampann	1159	-23
FMCG	Malted Beverage	500g	Pure Burst	99	Cadbury (Bournvita)	255	-61
FMCG	Coffee	25g	Full Bloom	115*	Nescafe	117	-2
FMCG	Aloo Bhujia	1kg	First Crop	164*	Haldiram	199	-18
FMCG	Masala Noodles	560g	First Crop	156*	Maggi	101	54
FMCG	Detergent Powder	1kg	Home Ninja	69.5	Tide	128	-46
FMCG	Liquid Detergent	2L	Home Ninja	215	Ariel	310	-31
General Merchandise	3-Burner Gas Stove	1 unit	Tandem	2499	Prestige	3899	-36
General Merchandise	Mixer Grinder 500W	1 unit	Tandem	1299	Bajaj	2049	-37
General Merchandise	Digital Air Fryer	1 unit	Tandem	2999	Prestige	3799	-21
General Merchandise	Steam Iron	1 unit	Tandem	799	Usha	1399	-43
General Merchandise	Rice Cooker	1 unit	Tandem	1499	Usha	2499	-40
General Merchandise	Sandwich Maker	1 unit	Tandem	699	Usha	1399	-50

Source: Company, HSIE Research. Note: There was a "Buy 1 Get 1" offer on VMM's own brand for coffee, aloo bhujia, and masala noodles.

- We conducted an analysis of 20 sample SKUs across VMM's FMCG and general merchandise categories. Our findings are detailed below:
  - VMM prices its private labels at ~10-50% discount relative to comparable third-party national brands. This pricing strategy is applied across both general merchandise and FMCG, presenting a lower absolute shelf price to capture value-conscious consumers.
  - In addition to direct unit discounting, VMM utilizes bundled promotions to drive volume in the FMCG segment. The company frequently deploys "Buy 1 Get 1" (BOGO) offers and other similar bundle offers. This pricing structure maintains an initial shelf price comparable to a national brand while significantly lowering the effective per-unit cost.

VMM's Buy 1 Get 1 promotional offer



Source: Company, HSIE Research

We benchmarked VMM's private-label instant noodles against the market leader, Maggi - a single packet of Maggi was available at INR 101, while VMM's instant noodles packet was available at INR 156/unit. However, VMM applies a BOGO offer, pricing a two-packet bundle at INR 156 translating to an effective price of INR 78/unit. This serves a twofold purpose: (1) The effective per unit economics ensures VMM's value pricing is maintained, delivering a clear 23% discount against the national benchmark and (2) by bundling units, VMM increases ABV per transaction and accelerates inventory clearance.

- To address the quality concerns often associated with discounted private labels, VMM outsources production to reputed contract manufacturers such as United Biscuits, Goodrich Foodtech, Bikanervala Foods, Indo Nissin, and CCL Products. This sourcing approach ensures that the formulation and hygiene standards of its own brands match those of competing national brands.

- While entry-level pricing functions as the primary customer acquisition tool, OPP merchandise is capped at ~10-20% of total store inventory. VMM's SSSG expansion majorly relies on customer upgradation—progressively integrating higher price points into the assortment to retain consumers as disposable incomes rise. This mechanism supports SSSG expansion through volume gains, basket expansion, and ASP improvement. In 9MFY26, entry-level price points grew by 6% SSSG, whereas the medium and premium price points recorded 9% and 13-14% SSSG, respectively. This variance indicates that VMM uses its OPP to acquire market share before migrating consumers toward higher-ticket assortments.

Dominant tier 2+ player with a vast store opportunity

- Based on data extracted from the company's store locator, VMM has a pan-India store network of 793 stores spanning across 519 towns at the end of FY26. While this expansive footprint establishes VMM with formidable national scale, a granular analysis of the network reveals that state-wise town-store density remains notably low (~85% of VMM's covered towns has only a single VMM store). Beyond greenfield expansion into virgin territories, VMM has a substantial runway to drive topline growth by densifying its presence within existing, proven catchments. Densifying in these mature clusters allows the company to leverage established regional supply chains, optimize operating leverage, and deepen localized brand equity.

- Regionally, the north region remains VMM's stronghold with footprint of 304 stores (38.3% of the network) , anchored predominantly by Uttar Pradesh, which alone houses 133 stores. The east region contributes 197 stores (24.8% share). Concurrently, VMM has aggressively scaled in south region to surpass east in the overall footprint; currently operating 217 stores (27.4% share). Recent network expansion data underscores this deliberate strategic pivot: between Sep-24 and FY26, VMM added net 148 stores nationally and ~42% of these new stores (62 stores) were added in the South region alone, compared to ~26% (38 stores) in the north and ~20% (29 stores) in the east. In contrast, the west region remains a critical white space. With massive consumer markets like Maharashtra and Gujarat, the west accounts for a mere 9.5% of the current network with only 75 stores - seeing just 19 incremental additions (~13%) over Sep-24 to FY26. While VMM currently lacks a footprint in major tier 1 cities such as Mumbai, Surat, and Thane, management is actively running pilot stores in Maharashtra and Gujarat to test unit economics ahead of a broader structural rollout.

VMM's region-wise store presence

Region	VMM stores as on FY26 (#)	% share
East	197	24.8
North	304	38.3
South	217	27.4
West	75	9.5
Total	**793**	

Source: Company, HSIE Research. Note: 1. Regional classification is as per VMM's reported definition. 2. Number of stores at end of FY26 is as per VMM's store locator

~42% of the new store additions from Sep-24 to FY26 were added in the south region

Region	VMM stores as on Sep-24 (#)	VMM stores FY25 (#)	VMM stores FY26 (#)	Stores added from Sep-24 to FY26 (#)	% of incremental stores added
East	168	183	197	**29**	19.6
North	266	284	304	**38**	25.7
South	155	166	217	**62**	41.9
West	56	63	75	**19**	12.8
Total	**645**	**696**	**793**	**148**	

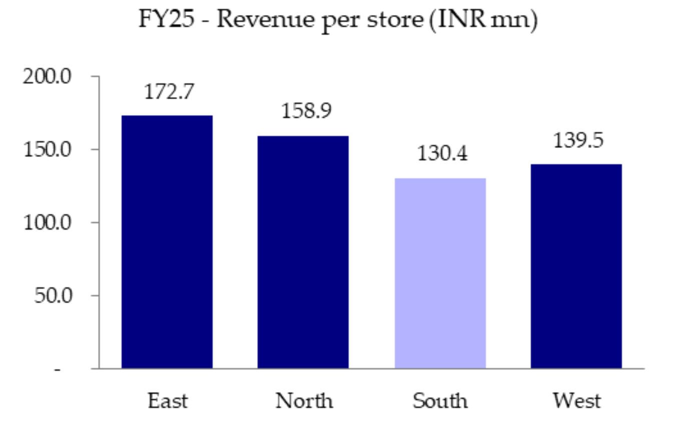
Source: Company, HSIE Research

VMM's state-wise town-store density remains notably low

States	Town presence as on FY26 (#)	VMM stores as on FY26 (#)	State-wise town-store density (x)
Uttar Pradesh	74	133	1.80
Andhra Pradesh and Telangana	58	96	1.66
Karnataka	49	93	1.90
Assam	36	45	1.25
Madhya Pradesh	32	44	1.38
Punjab	29	36	1.24
West Bengal	27	35	1.30
NCR	1	33	33.00
Odisha	27	33	1.22
Bihar	25	32	1.28
Haryana	19	31	1.63
Rajasthan	19	25	1.32
Kerala	15	23	1.53
Chhattisgarh	16	21	1.31
Uttarakhand	16	21	1.31
Jharkhand	12	20	1.67
Himachal Pradesh	14	15	1.07
Jammu & Kashmir	7	10	1.43
Arunachal Pradesh	8	8	1.00
Manipur	6	7	1.17
Gujarat	4	6	1.50
Nagaland	6	6	1.00
Goa	4	4	1.00
Maharashtra	4	4	1.00
Meghalaya	3	4	1.33
Sikkim	4	4	1.00
Tripura	2	2	1.00
Mizoram	1	1	1.00
Tamil Nadu	1	1	1.00
Total	**519**	**793**	**1.53**

Source: Company, HSIE Research. Note - Number of town presence and stores at end of FY26 is as per VMM's store locator

Revenue throughput in south is low given VMM's aggressive expansion in the region in last 18 months



Source: Company, HSIE Research

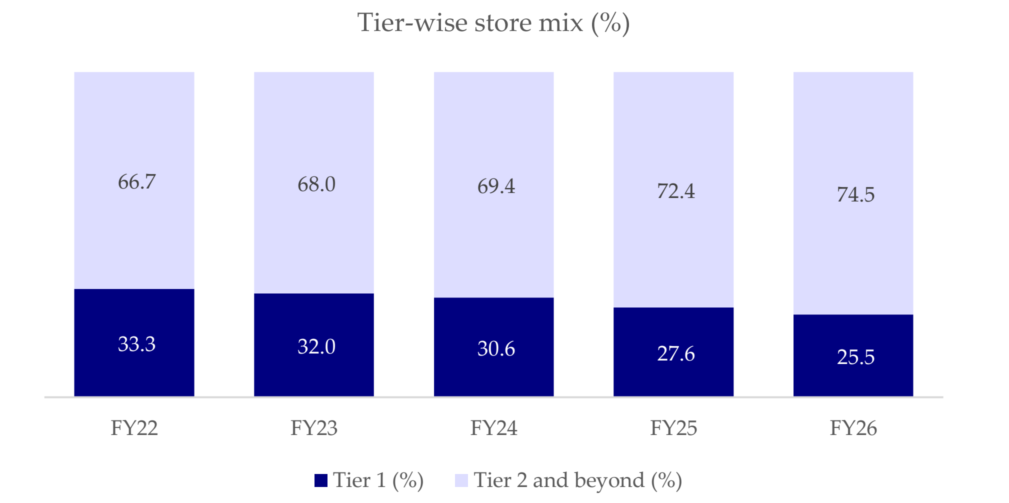
Within the top 3 revenue generating states as on H1FY25, Assam generates the highest revenue throughput per store

Revenue per store (INR mn)	FY22	FY23	FY24	H1FY25
Uttar Pradesh	94.9	122.9	134.7	139.9
Karnataka	109.8	127.5	150.5	160.9
Assam	159.1	209.4	216.6	221.0
Overall VMM's Revenue per store	**111.5**	**136.2**	**145.9**	**156.0**

Source: Company, HSIE Research. Note – H1FY25 figures are annualized.

- A tier-wise dissection of the store network underscores VMM's strategic focus on capturing the value-conscious consumers. The company deliberately targets tier 2 and smaller cities, where its OPP and deep-discount private labels have the strongest appeal. Between FY22 and FY26, the share of VMM stores in tier 2 and beyond cities expanded from 66.7% to 74.5%. This shift demonstrates an intentional push to deepen its footprint in mid-tier and smaller markets. By prioritizing these areas over tier 1 cities, VMM efficiently capitalizes on the secular shift from unorganized to organized retail. At the same time, this approach protects the company's profitability by avoiding high rental bills and operating costs typical of large urban cities.

VMM's tier-wise store mix (%)



Source: Company, HSIE Research. Note: FY26 data is as per VMM's store locator. Tier 1: Population >1M, Tier 2: Population 200K to 1M , Tier 3: Population <200K

- Drilling down further into population strata provides granular visibility into VMM's broader tier classifications. As of FY26, towns with population ranging between 50-250k house ~39% of VMM's total store network. This specific demographic band represents the semi-urban market where VMM's value proposition is structurally most potent. Operating aggressively within this strata allows VMM to strike an optimal economic balance: these catchments offer sufficient population density to drive the consistent, high-volume footfall required to support a large-format store, yet they offer highly favorable lease terms compared to larger cities.

~39% of VMM's total store network operates in the 50-250k population strata

Population Strata	VMM Stores as on Mar-26 (#)	% share
>1M	202	**25.5**
500K-1M	92	**11.6**
250K-500K	73	**9.2**
50K-250K	306	**38.6**
20K-50K	83	**10.5**
<20K	37	**4.7**
Total	**793**	

Source: Company, HSIE Research

Mapping the vast store opportunity

- To quantify VMM's long-term expansion runway, we mapped the total addressable store opportunity across 7,668 Indian towns, segmented by population strata. Our analysis indicates VMM has the potential to incrementally add 1,246 stores to the current store network. Even within its established catchments, VMM's town-level penetration remains notably low (~85% of VMM's covered towns has only single VMM store), presenting a significant lower-risk runway to drive topline growth through densification in proven catchments.
- **Mapping methodology:**
  - **>3M Population:** Assumed an opportunity to add 10 stores per town.
  - **>1M Population:** Assumed 7 stores per town.
  - **500K–1M Population:** Assumed 3 stores per town.
  - **250K–500K Population:** Assumed 2 stores per town.
  - **50K–250K Population:** Assumed 1 store per town.
  - **20K–50K Population:** Assumed 1 store per town, applying a 10% capture rate to account for economic and supply chain viability in smaller pockets.
  - **<20K Population:** Assumed 1 store per town, applying a conservative 3% capture rate.

VMM has the potential to incrementally add 1,246 stores to its current store network

Population Strata	Towns in India (#)	Towns with VMM Store (#)	% of total towns captured	VMM Stores as on FY26 (#)	Store-Town density (x)	Towns without VMM store (#)	Incremental Store Potential (#)	Incremental share in population strata (%)
>1M	46	30	65.2	202	6.73	16	221	17.7
500K-1M	43	29	67.4	92	3.17	14	65	5.2
250K-500K	90	56	62.2	73	1.30	34	109	8.7
50K-250K	928	285	30.7	306	1.07	643	643	51.6
20K-50K	1,881	82	4.4	83	1.01	1,799	105	8.4
<20K	4,680	37	0.8	37	1.00	4,643	103	8.3
Total	**7,668**	**519**	**6.8**	**793**	**1.53**	**7,149**	**1,246**	

Source: Company, HSIE Research

- ~52% of the total incremental opportunity (643 out of 1,246 stores) resides precisely within VMM's established demographic — towns with population between 50-250k. This indicates that over 50% of the company's future growth can be executed within the exact semi-urban market conditions where its value proposition and unit economics are already proven.
- With ~82% of the identified whitespace (1,025 out of 1,246 incremental stores) concentrated in tier 2 and beyond markets (population <1M), VMM is structurally positioned to capture the secular shift from unorganized to organized retail across semi-urban India.
- From a regional perspective, west and south regions offer the highest absolute opportunity, collectively accounting for ~59% of the incremental whitespace. The west holds an incremental potential of 377 stores (~30%), while the south offers a runway of 359 stores (~29%).

West and south regions offer highest incremental store opportunity

Region	VMM stores as on FY26 (#)	Incremental store opportunity (#)	Total VMM opportunity (#)	% incremental stores
East	197	215	412	17.3
North	304	295	599	23.7
South	217	359	576	28.8
West	75	377	452	30.3
Total	**793**	**1,246**	**2,039**	

Source: Company, HSIE Research

- While west and south regions offer highest incremental store opportunity, these are regions where Dmart has market dominance. Hence, to determine the extent of geographical competitive threat to VMM, we conducted store-level analysis of both the companies. Our findings were:

  1. Historically, VMM commands a strongshold in the north and east (~63% share out of its 793 store network), whereas Dmart is dominant across the west and south (~84% share out of its 500 store network). Notably, the south region emerges as the primary geographic intersection where both retailers have a higher mutual presence. In the south, VMM operates 217 stores (~55% share of the combined network of 398 stores) against Dmart's mature base of 181 stores.

  2. The two retailers anchor their presence in different population strata – Dmart primarily targets large tier 1 catchments, with over 50% of its network (252 out of 500 stores) located in towns with populations >1M. In contrast, VMM's stores are located in semi-urban markets, with its core focus on the 50-250k population band (~39% share).

  3. Even as VMM aggressively scales its presence in Dmart's core markets, direct operational confrontation remains contained. Our town-wise mapping reveals that in the west, ~45% of VMM's 75 stores are located in towns where DMart has absolutely no presence. Similarly, in the south, ~44% of VMM's 217 stores operate in catchments completely unpenetrated by Dmart.

VMM is dominant in north and east while Dmart has stronghold in south and west markets. Currently, south region serves as the primary overlap between the two retailers

Region	VMM stores as on FY26 (#)	% VMM share	Dmart stores as on FY26 (#)	% Dmart share	Combined stores (#)	VMM combined share (%)	Dmart combined share (%)
East	197	24.8	1	0.2	198	99.5	0.5
North	304	38.3	77	15.4	381	79.8	20.2
South	217	27.4	181	36.2	398	54.5	45.5
West	75	9.5	241	48.2	316	23.7	76.3
Total	**793**		**500**		**1,293**		

Source: Companies, HSIE Research. Note: Regional classification is as per VMM's reported definition

VMM's operational overlap with DMART remains limited as over 50% of Dmart's store network lies in >1M population strata whereas VMM's highest share of store network is in 50-500k strata. Also, VMM's 129 stores in Dmart's most dominant region (south and west) are located in towns where DMart has absolutely no presence

Population Strata	VMM stores as on FY26 (#)	% share	Dmart stores as on FY26 (#)	% share
>1M	202	25.5	252	50.4
500K-1M	92	11.6	37	7.4
250K-500K	73	9.2	41	8.2
50K-250K	306	38.6	123	24.6
20K-50K	83	10.5	29	5.8
<20K	37	4.7	18	3.6
Total	**793**		**500**	

Source: Companies, HSIE Research

VMM stores in South			VMM stores in West		
Store Share range vs Dmart	**VMM Stores (#)**	**% share**	**Store Share range vs Dmart**	**VMM Stores (#)**	**% share**
100%	95	43.8	100%	34	45.3
>75%	3	1.4	>75%	-	-
50-75%	84	38.7	50-75%	27	36.0
25-50%	35	16.1	25-50%	9	12.0
<25%	-	-	<25%	5	6.7
Total stores (#)	**217**		**Total stores (#)**	**75**	

Source: Companies, HSIE Research

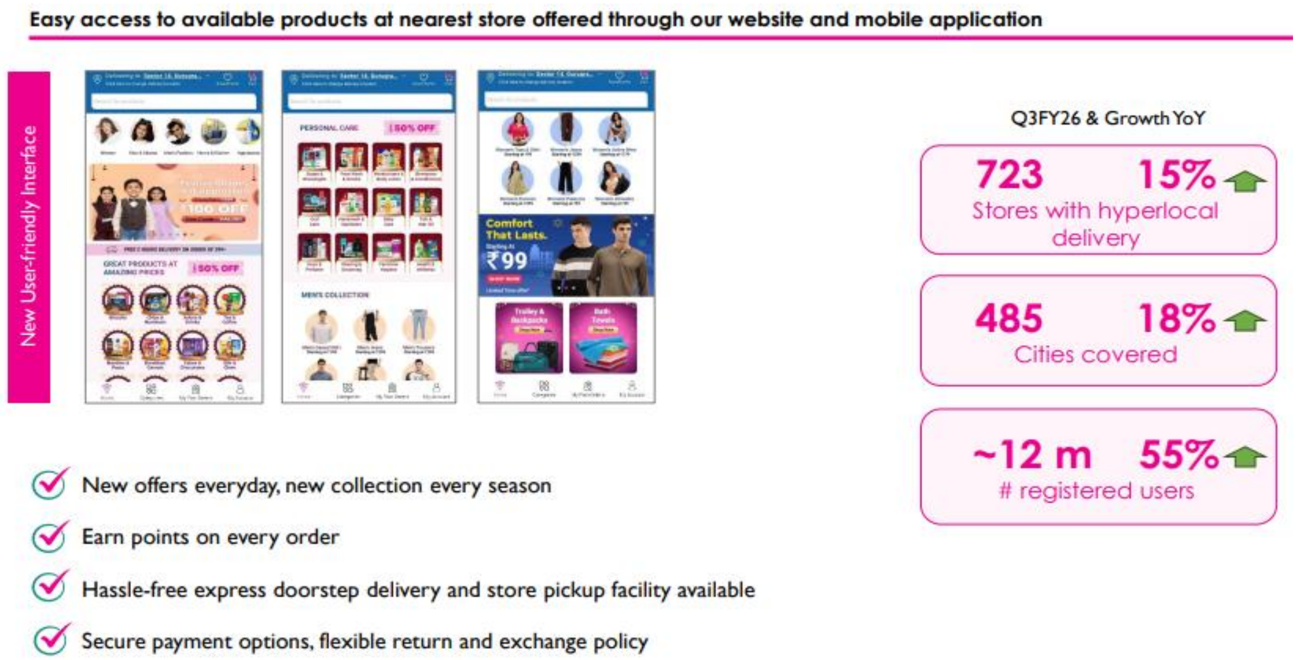
Monetizing physical stores via Quick Commerce

- VMM's omni-channel strategy monetizes its extensive physical footprint through a store-led quick commerce (QC) model, leveraging existing retail assets as decentralized fulfillment hubs. By utilizing its existing retail footprint for fulfillment, VMM avoids heavy capex associated with dark stores, reducing fulfillment to a purely variable, incremental delivery cost. This hyper-local capability has rapidly scaled across 723 stores in 485 cities and amassed a registered user base of 12mn, as of Dec-25. Notably, management maintains strict pricing parity between its offline and digital channels and offers free two-hour delivery on basket sizes exceeding INR 299 to enforce basket expansion and support transaction-level profitability.

- The digital channel operates as a distinct growth vector rather than simply cannibalizing physical footfall. The platform serves as a highly effective customer acquisition tool; as of Q1FY26, 20% of QC consumers were entirely new to the VMM ecosystem, driving incremental volume and expanding the overall TAM. Revenue contribution from the QC segment continues to scale, currently accounting for ~9% of total sales in mature stores. Performance naturally varies by competitive density: in regional markets with fewer organized players, QC drives 6-8% of store revenue, whereas penetration stands at 2-3% in highly fragmented, hyper-competitive urban centers.

- From a margin perspective, the digital basket is currently heavily skewed toward high-frequency staples, with FMCG contributing over 70% of QC revenue. While this mix inherently dilutes the blended gross margin relative to the offline channel, profitability is offset by a higher penetration of high-margin own FMCG brands within the digital basket. Because VMM's core Tier-2 and Tier-3 consumer base prioritizes absolute affordability over convenience, and QC competitors lack access to these deep-discounted own brand SKUs which VMM has, we expect VMM to defend its market share from QC players.

VMM's QC proposition



Source: Company, HSIE Research

Comparison of VMM with value retail peers

- When benchmarked against its value retail peers, VMM stands out for its superior operating leverage, structural cost advantages, and industry-leading return profile. Despite operating on structurally lower gross margins, VMM capitalizes on robust SSSG and supply chain efficiencies to generate the highest pre-Ind-AS EBIT margins, trailing only Trent. Specifically, VMM's diversified product mix (FY25: ~44% apparel, ~28% FMCG, ~28% GM) drives higher revenue throughput than value retailers like V-Mart and Style Bazaar. However, its throughput lags against fashion retailers like V2 Retail and Trent, and significantly trails the high-footfall driven grocery model of Dmart. Similarly, VMM's gross margin is lower than other value retailers due to a higher mix of lower-margin FMCG, yet remains significantly superior to Dmart's owing to a healthy share of higher-margin apparel and GM. The true structural differentiator, however, is its highly efficient retail operation; VMM operates with lowest cost of retailing/sq ft and the lowest capital employed/sq ft among its peers. This extreme cost and capital discipline offsets its gross margin deficit, allowing the company to deliver an industry-leading EBIT margin and RoCE (second only to Trent).

In FY25, VMM has a store payback period of 16 months and generated post-tax RoCE of ~58%, ranking second only to Trent within its peers

Unit Economics - FY25	VMM		Vmart		V2 Retail		Style Bazaar		Dmart		Trent	
	INR/sq ft	% of revenue	INR/sq ft	% of revenue	INR/sq ft	% of revenue	INR/sq ft	% of revenue	INR/sq ft	% of revenue	INR/sq ft	% of revenue
Revenue	**9,250**	**100.0**	**7,975**	**100.0**	**11,487**	**100.0**	**7,928**	**100.0**	**35,728**	**100.0**	**14,621**	**100.0**
Gross Profit	**2,635**	**28.5**	**2,755**	**34.5**	**3,155**	**27.5**	**2,669**	**33.7**	**5,053**	**14.1**	**6,497**	**44.4**
Employee Expense	498	5.4	802	10.1	758	6.6	616	7.8	1,265	3.5	948	6.5
Rent	507	5.5	588	7.4	628	5.5	590	7.4	129	0.4	1,878	12.8
Other expense	271	2.9	463	5.8	354	3.1	415	5.2	417	1.2	935	6.4
Cost of Retailing	**1,276**	**13.8**	**1,852**	**23.2**	**1,739**	**15.1**	**1,621**	**20.4**	**1,810**	**5.1**	**3,761**	**25.7**
Store Pre-IND-AS EBITDA	**1,359**	**14.7**	**903**	**11.3**	**1,416**	**12.3**	**1,048**	**13.2**	**3,243**	**9.1**	**2,736**	**18.7**
Depreciation	144	1.6	193	2.4	160	1.4	171	2.2	365	1.0	250	1.7
Store EBIT	**1,216**	**13.1**	**710**	**8.9**	**1,256**	**10.9**	**878**	**11.1**	**2,879**	**8.1**	**2,486**	**17.0**
Company level overheads	519	5.6	554	7.0	508	4.4	491	6.2	560	1.6	872	6.0
Company EBIT	**697**	**7.5**	**156**	**2.0**	**748**	**6.5**	**386**	**4.9**	**2,319**	**6.5**	**1,614**	**11.0**
Capital Employed	**1,571**		**1,901**		**2,385**		**2,443**		**17,350**		**2,964**	
Capex	1,250		1,350		1,200		1,200		15,000		2,000	
Working Capital	321		551		1,185		1,243		2,350		964	
Store payback period (months)	**16**		**32**		**23**		**33**		**72**		**14**	
ROCE - post tax (%)	**57.9**		**28.0**		**39.4**		**26.9**		**12.4**		**62.8**	

Source: Companies, HSIE Research

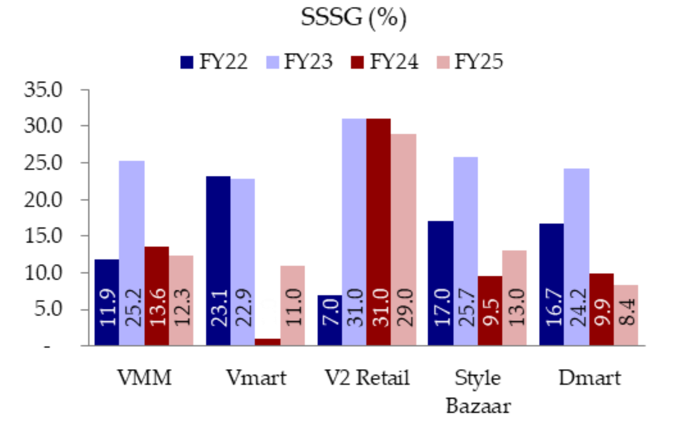
- Over FY22-25, VMM clocked revenue CAGR of 24.2%, led by 11.4% revenue/sq ft CAGR and 10% retail area CAGR. Trent delivered an exceptional 62.6% CAGR, driven by aggressive expansion of Zudio, while other value retailers like V2 Retail and Style Bazaar also posted higher growth of 44.1% and 34.6% respectively over the same period, though these were aided by a more favorable base (note – VMM's revenue base is ~6-8x larger than that of V2 Retail and Style Bazaar).

- VMM's diversified product mix (~44% apparel, ~28% FMCG, ~28% GM) drives higher revenue throughput than value retailers like V-Mart and Style Bazaar. However, its throughput lags against fashion retailers like V2 Retail and Trent, and significantly trails the high-footfall driven grocery model of Dmart.

- On the retail area addition – while VMM's retail area CAGR over FY22-25 stood at 10%, it lagged behind the more robust expansion seen across the broader value retail sector (ex-Vmart). VMM maintained a conservative pace during FY23 and FY24, adding just 56 and 54 stores respectively (~10-11% growth on the existing base). However, the store expansion has since picked up pace with 85/80 store additions in FY25/9MFY26 respectively.

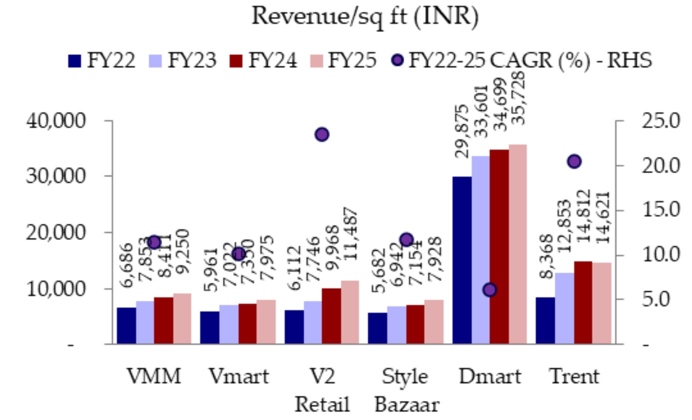
VMM clocked revenue CAGR of 24.2% over FY22-25, led by consistent double-digit SSSG

Revenue (INR bn)	FY22	FY23	FY24	FY25	FY22-25 CAGR (%)
VMM	55.9	75.9	89.1	107.2	24.2
Vmart	16.7	24.6	27.9	32.5	25.0
V2 Retail	6.3	8.4	11.6	18.8	44.1
Style Bazaar	5.5	7.9	9.7	13.4	34.6
Dmart	303.5	418.3	495.3	577.9	23.9
Trent	38.8	77.2	119.3	166.7	62.6



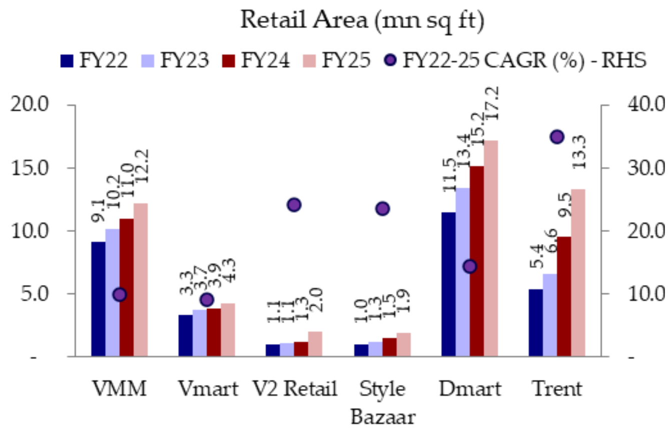
Source: Companies, HSIE Research

VMM delivered revenue/sq ft CAGR of ~11% over FY22-25



Source: Companies, HSIE Research

while retail area CAGR over the same period stood at 10%



Source: Companies, HSIE Research

- VMM structurally operates on lower gross margin profile than its value retail peers like V-Mart, Style Bazaar, and Trent. Unlike these competitors, which are heavily overweight on high-margin apparel, VMM derives ~28% of its revenue from FMCG. While FMCG inherently carries lower gross margins, it serves as a critical driver for high-frequency, recurring footfall. Further, this margin drag is partially mitigated by a robust private label strategy within the FMCG segment, which accounts for ~60% of volumes and ~35% of value. Conversely, when benchmarked against a grocery heavy peer like Dmart (which operates at a ~14.1% gross margin), VMM's margin is roughly double, supported by its ~44% apparel and ~28% GM mix and high share of private-label brands.

- Also, VMM actively chooses to reinvest its gross margin gains back into pricing (to maintain the sharpest opening price points in the market) and product quality improvements in order to drive volume growth and capture market share.

VMM's gross margin profile is lower than most other value retailers due to higher mix of lower-margin FMCG

Gross Margin (%)	FY22	FY23	FY24	FY25
VMM	28.2	27.2	27.7	28.5
Vmart	34.5	35.2	34.5	34.5
V2 Retail	30.0	29.0	27.4	27.5
Style Bazaar	31.8	32.2	33.5	33.7
Dmart	14.2	14.5	14.1	14.1
Trent	51.0	45.4	45.2	44.4

Category Mix (%) - FY25	Apparel	FMCG/Foods	GM/Non-Apparel	GM + Apparel
VMM	44	28	28	-
Vmart	79	11	10	-
V2 Retail	92	-	8	-
Style Bazaar	87	-	13	-
Dmart	-	78	-	22
Trent	100	-	-	-

Source: Companies, HSIE Research

- VMM has the lowest cost of retailing/sq ft among its value retail peers. This unparalleled cost efficiency is structurally baked into VMM's DNA, acting as the primary lever that bridges its gross margin deficit and catapults its EBITDA margin above peers (second only to Trent). By operating massive ~17,500 sq. ft. stores, heavily anchored by self-service FMCG and GM, VMM spreads its fixed costs over a substantially larger revenue and physical base.
- In FY25, VMM's total operating expenses stood at just 19.4% of revenue, comfortably undercutting other value retail peers like V-Mart (30.2%), Style Bazaar (26.6%), and Trent (31.7%). When viewed on a per sqft basis, VMM operates the leanest CoR in the sector at INR 1,794/sq ft in FY25, significantly cheaper than V-Mart (INR 2,406/sq ft), V2 Retail (INR 2,247/sq ft), and even Dmart (INR 2,370/sq ft).

VMM's cost of retailing/sq ft is the lowest among all its peers

Cost of Retailing - FY25	Rent/sq ft	Employee Exp/sq ft	A&P exp/sq ft	Other exp/sq ft	Total CoR/sq ft
VMM	517	553	46	678	1,794
V-Mart	600	891	204	712	2,406
V2 Retail	641	842	57	707	2,247
Style Bazaar	602	685	134	692	2,112
Dmart	131	1,405	-	833	2,370
Trent	1,916	1,053	105	1,558	4,633

Source: Companies, HSIE Research

- VMM outclasses its value retail peers in staff productivity, operating with an employee expense of just INR 553/sq ft in FY25. In contrast, other value retailers like V-Mart and V2 Retail carry relatively heavier staff costs at INR 891/sq ft and INR 842/sq ft, respectively. We believe this massive gap is led directly by format differences as pure fashion retail requires a high density of floor staff to assist customers, fold garments, and manage fitting rooms. Since ~56% of VMM's revenue mix (FMCG and GM) is an entirely self-service, grab-and-go format, the floor requires fewer employees to maintain per sq ft. The average area covered per employee is the highest for VMM compared to its peers.

VMM operates at lowest employee expense/sq ft at INR 553/sq ft among its peers

Employee Exp/sq ft (INR)	FY22	FY23	FY24	FY25	FY22-25 CAGR (%)
VMM	404	447	476	553	11.0
Vmart	643	728	757	891	11.5
V2 Retail	560	763	793	842	14.6
Style Bazaar	478	603	621	685	12.7
Dmart	1,133	1,172	1,212	1,405	7.4
Trent	729	966	1,165	1,053	13.1

Employee Exp (% of revenue)	FY22	FY23	FY24	FY25
VMM	6.0	5.7	5.7	6.0
Vmart	10.8	10.4	10.3	11.2
V2 Retail	9.2	9.7	8.0	7.3
Style Bazaar	8.4	8.7	8.7	8.6
Dmart	3.8	3.5	3.5	3.9
Trent	8.7	7.5	7.9	7.2

Source: Companies, HSIE Research. Note: For Dmart, we have included contract labor charges in employee expense.

- VMM operates on rent/sq ft at an industry low of INR 517 in FY25. This sits well below the rental costs borne by V-Mart (INR 600/sq ft), Style Bazaar (INR 602/sq ft), and V2 Retail (INR 641/sq ft). Management maintains strict underwriting discipline on new site selection, actively leasing properties only if they protect store-level profitability and keeping rent capped at ~6% of revenue. Further, ~74% of its store network as of Dec-25 is located in Tier 2 and beyond cities and hence the company naturally benefits from lower rentals. Finally, as a large-format tenant commanding massive square footage, VMM wields bargaining power with landlords, structurally suppressing rental inflation and insulating its P&L.

At INR 517, VMM's rent/sq ft is one of the lowest among its peers

Rent/sq ft (INR)	FY22	FY23	FY24	FY25	FY22-25 CAGR (%)
VMM	484	507	507	517	2.3
Vmart	480	580	578	600	7.7
V2 Retail	521	648	661	641	7.1
Style Bazaar	495	530	541	602	6.7
Dmart	118	119	115	131	3.5
Trent	1,498	1,920	2,062	1,916	8.6

Rent (% of revenue)	FY22	FY23	FY24	FY25
VMM	7.2	6.5	6.0	5.6
Vmart	8.1	8.3	7.9	7.5
V2 Retail	8.5	8.3	6.6	5.6
Style Bazaar	8.7	7.6	7.6	7.6
Dmart	0.4	0.4	0.3	0.4
Trent	17.9	14.9	13.9	13.1

Source: Companies, HSIE Research

- VMM maintains strict discipline over its marketing spends, keeping A&P expenses at mere 0.5% of revenue, or just INR 46/sq. ft. in FY25. For comparison, V-Mart spent roughly 2.6% of revenue (INR 204/sq. ft.) on marketing, while Style Bazaar spent INR 134/sq. ft. VMM utilizes a robust loyalty program where customers earn rewards on their purchases. This program allows it to create highly targeted promotions that drive cross-selling and up-selling of products and sustainably boost customer engagement and recurring footfall. As of Dec-25, the company has 163mn registered loyalty customers and ~95% of the revenue is generated from them.

By leveraging a robust loyalty program to drive footfall and sustain customer engagement, VMM structurally restricts its A&P spend to less than 1% of revenue

A&P/sq ft (INR)	FY22	FY23	FY24	FY25	FY22-25 CAGR (%)
VMM	41	60	56	46	3.9
Vmart	150	246	393	204	10.8
V2 Retail	49	52	36	57	5.2
Style Bazaar	78	103	113	134	19.6
Dmart	-	-	-	-	NA
Trent	244	237	109	105	-24.6

A&P (% of revenue)	FY22	FY23	FY24	FY25
VMM	0.6	0.8	0.7	0.5
Vmart	2.5	3.5	5.3	2.6
V2 Retail	0.8	0.7	0.4	0.5
Style Bazaar	1.4	1.5	1.6	1.7
Dmart	-	-	-	-
Trent	2.9	1.8	0.7	0.7

Source: Companies, HSIE Research

- VMM exercises tight discipline over its other expenses (which covers power & fuel, logistics, housekeeping, and store maintenance), standing at INR 678/sq. ft. (7.3% of revenue) in FY25. This tracks highly favorably against peers like V-Mart (INR 712/sq. ft.) and V2 Retail (INR 707/sq. ft.), and is also lower than D-Mart (INR 833/sq. ft.). VMM achieves these savings by optimizing store layouts for energy efficiency and utilizing centralized, tech-enabled supply chain logistics.

VMM maintains lowest other expense/sq ft among its peers at INR 678/sq ft

Other Expenses/sq ft (INR)	FY22	FY23	FY24	FY25	FY22-25 CAGR (%)
VMM	455	548	588	678	14.2
Vmart	502	660	781	712	12.4
V2 Retail	626	707	681	707	4.1
Style Bazaar	525	611	587	692	9.6
Dmart	636	754	807	833	9.4
Trent	1,141	1,582	1,619	1,558	11.0

Other Expenses (% of revenue)	FY22	FY23	FY24	FY25
VMM	6.8	7.0	7.0	7.3
Vmart	8.4	9.4	10.6	8.9
V2 Retail	10.2	9.0	6.8	6.2
Style Bazaar	9.2	8.8	8.2	8.7
Dmart	2.1	2.2	2.3	2.3
Trent	13.6	12.3	10.9	10.7

Source: Companies, HSIE Research

VMM generates highest Pre-IND-AS EBITDA margin, ranking second only to Trent within its peers

Pre-IND AS EBITDA/sq ft (INR)	FY22	FY23	FY24	FY25	FY22-25 CAGR (%)
VMM	498	571	700	841	19.1
Vmart	283	259	25	349	7.2
V2 Retail	76	103	565	908	129.1
Style Bazaar	230	391	535	557	34.2
Dmart	2,344	2,821	2,761	2,684	4.6
Trent	658	1,125	1,733	1,864	41.5

Pre Ind AS EBITDA Margin (%)	FY22	FY23	FY24	FY25
VMM	7.5	7.3	8.3	9.1
Vmart	4.8	3.7	0.3	4.4
V2 Retail	1.2	1.3	5.7	7.9
Style Bazaar	4.1	5.6	7.5	7.0
Dmart	7.8	8.4	8.0	7.5
Trent	7.9	8.8	11.7	12.8

Source: Companies, HSIE Research

- VMM operates with an incredibly lean asset base, clocking a gross block of just INR 1,288/sq. ft. in FY25. This stands in stark contrast to Dmart, which carries a massive fixed capital intensity of INR 10,434/sq. ft. driven by its real estate ownership strategy . However, VMM's capital intensity remains exceptionally low even when benchmarked against core value apparel peers who operate on similar asset-light, leased-store models. VMM's gross block/sq ft sits well below the levels carried by V-Mart (INR 2,052/sq.ft.), V2 Retail (INR 2,057/sq.ft.), Style Bazaar (INR 2,061/sq.ft.), and Trent (INR 2,239/sq.ft.)
- The second leg of VMM's capital efficiency is its best-in-class working capital management, requiring a mere INR 378/sq. ft. to operate in FY25. In contrast, other value retailers operate on a much higher working capital with V-Mart at INR 551/sq.ft., V2 Retail at INR 1,186/sq.ft., Style Bazaar at INR 1,243/sq.ft., and Trent at INR 1,016/sq.ft.. This structural advantage is primarily rooted in its inventory management. VMM holds only INR 1,597/sq.ft. in inventory (equating to just 63 inventory days in FY25). By contrast, peers like V2 Retail and Style Bazaar have significantly higher capital locked up in apparel inventory, holding INR 3,207/sq. ft. (102 days) and INR 3,076/sq. ft. (142 days), respectively. VMM's rapid inventory turns are driven by its ~28% FMCG and grocery mix, which inherently clears off the shelves much faster than apparel. Further, an optimized tech-enabled automated supply chain ensures just-in-time replenishment, minimizing the need for heavy store-level inventory. When combined with healthy payable days, this results in lean cash conversion cycle of ~15 days.

VMM operates with lowest gross block/sq ft and working capital/sq ft among its value retail peers

Gross block/sq ft (INR)	FY22	FY23	FY24	FY25
VMM	1,061	1,083	1,219	1,288
Vmart	1,555	1,472	1,941	2,052
V2 Retail	1,728	1,766	1,854	2,057
Style Bazaar	1,496	1,697	1,974	2,061
Dmart	8,791	9,007	9,625	10,434
Trent	2,165	2,089	2,045	2,239

Source: Companies, HSIE Research

Working Capital/sq ft (INR)	FY22	FY23	FY24	FY25
VMM	-290	-6	261	378
Vmart	1,351	1,089	481	551
V2 Retail	1,523	1,424	1,717	1,186
Style Bazaar	1,033	1,330	1,258	1,243
Dmart	2,251	2,089	2,216	2,566
Trent	1,131	1,207	1,107	1,016

Source: Companies, HSIE Research

- Ultimately, this strictly managed fixed asset base and lean working capital management keeps VMM's overall capital employed highly efficient, serving as a significant structural tailwind for its industry-leading RoCE/RoIC.

VMM generates the highest Pre-IND-AS ROCE/ROIC (ex-goodwill) among its industry peers

Pre IND AS ROCE (ex-goodwill) (%)	FY22	FY23	FY24	FY25
VMM	21.9	29.0	36.7	35.5
Vmart	1.2	-0.4	-8.0	7.1
V2 Retail	-2.7	-3.4	10.0	26.5
Style Bazaar	0.4	5.9	9.2	10.5
Dmart	13.1	17.7	15.8	14.8
Trent	12.1	15.5	19.1	29.6

Source: Companies, HSIE Research

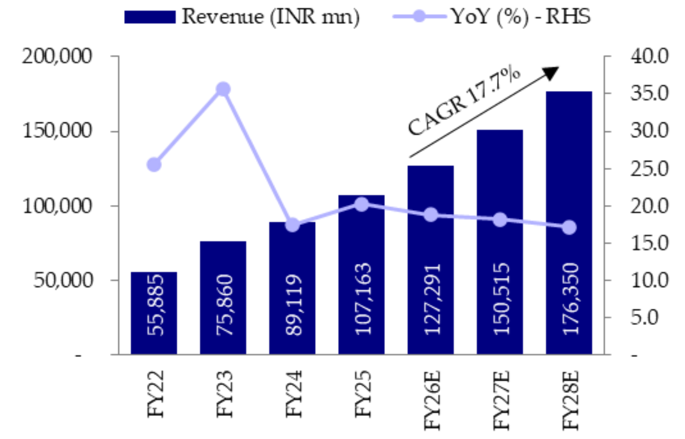
Pre IND AS ROIC (ex-goodwill) (%)	FY22	FY23	FY24	FY25
VMM	50.9	41.8	40.2	46.1
Vmart	5.1	2.1	-5.3	10.9
V2 Retail	-2.3	-1.9	12.1	30.5
Style Bazaar	2.9	9.0	11.2	15.9
Dmart	14.8	19.1	16.3	14.6
Trent	13.2	13.5	16.7	31.8

Source: Companies, HSIE Research

Financial analysis

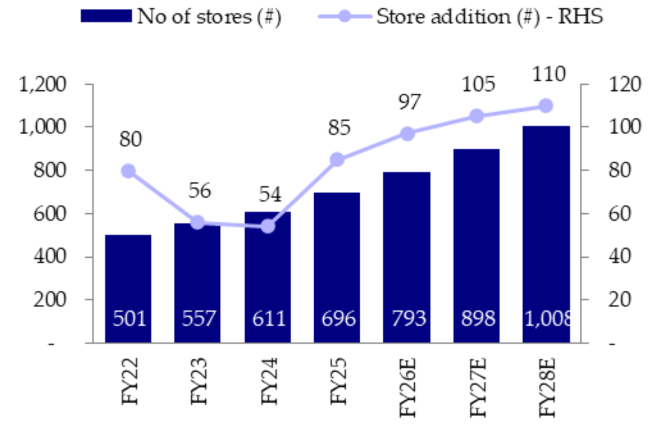
- We expect VMM to deliver ~18% revenue CAGR over FY26-28E, led by ~11% CAGR in retail area and ~6% CAGR in revenue/sq. ft (8.9% SSSG built in over FY26-28). This growth is underpinned by network rollout of ~100-110 net stores annually, reflecting a 12.7% store addition CAGR. The divergence between store addition growth and retail area growth highlights VMM's strategic pivot toward smaller store formats specifically targeting towns with populations of ~50k is primarily to maximize store throughput and improve store-level RoI. Furthermore, VMM has a long growth runway as the company scales its footprint into structural whitespaces across western (Gujarat, Maharashtra) and southern India (Tamil Nadu, Kerala), while maintaining its stonghold in northern and eastern India.
- The improvement in revenue/sq ft and sustained double-digit SSSG are primarily driven by VMM's strategy of reinvesting gross margins to drive volumes. By continuously improving product quality while maintaining its strict Opening Price Point (OPP) proposition, the company generates robust, recurring footfalls.

We expect VMM to clock revenue CAGR of ~18% over FY26-28E



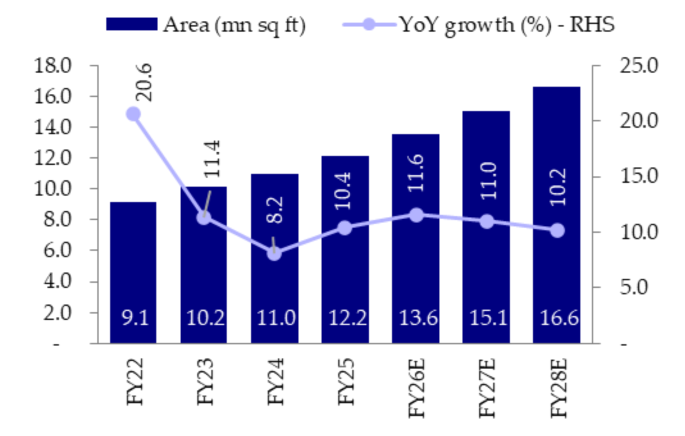
Source: Company, HSIE Research

VMM to add ~100-110 stores annually to reach over 1,000 stores by FY28



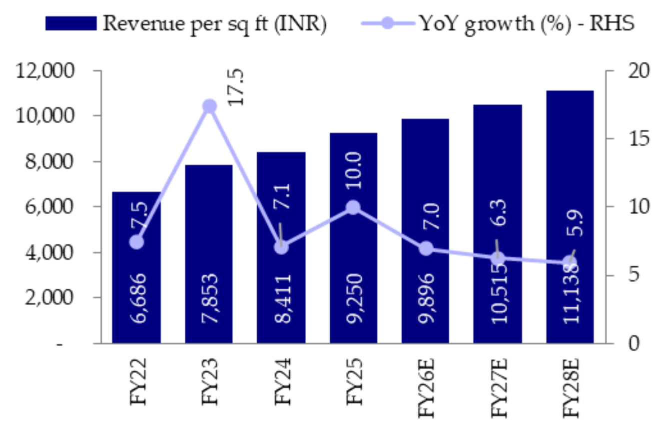
Source: Company, HSIE Research

We expect retail area CAGR to grow ~11% over FY25-28



Source: Company, HSIE Research

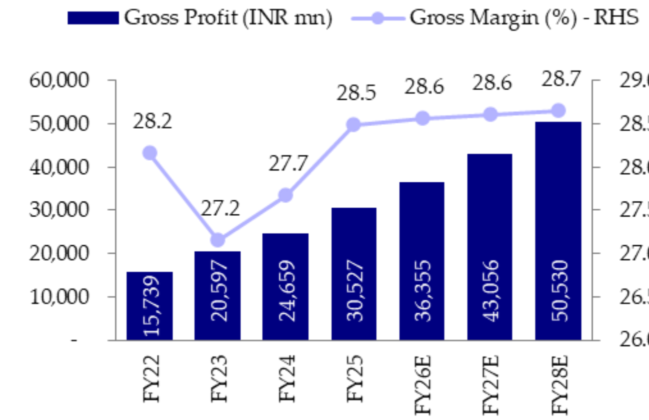
Revenue/sq ft expected to grow by ~6% over FY25-28



Source: Company, HSIE Research

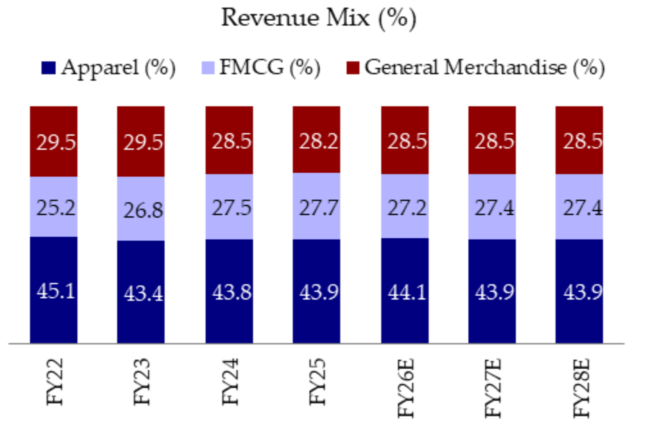
- Over FY22-25, VMM's gross margin expanded by ~30bps, as the scale up of private label brands within the FMCG category offset the margin drag from ~260bps increase in FMCG revenue mix. Looking ahead, we expect the broader revenue mix to remain largely stable over FY26-28E. With private labels already driving ~60% of FMCG volumes, future penetration pace of private label brands in this segment – alongside the general merchandise category is likely to moderate. Consequently, we project VMM's steady gross margin of to improve only modestly by ~10bps over FY26-28E to 28.7%, supported by (1) sourcing efficiencies, (2) an incrementally higher overall private label mix, and (3) underlying category-level margin improvements. Structurally, gross margin expansion will remain contained as management deliberately reinvests sourcing gains into sharper pricing and superior product quality to maximize footfalls and volume growth.

We expect GM to expand marginally by ~10bps over FY26-28E to 28.7%…



Source: Company, HSIE Research

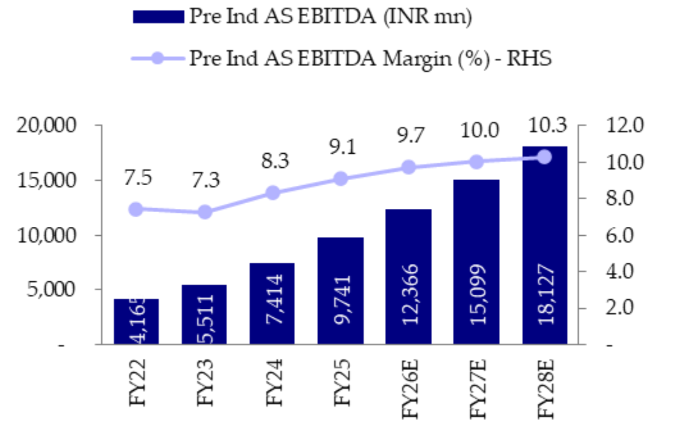
…we expect revenue mix to remain largely stable over FY26-28E



Source: Company, HSIE Research

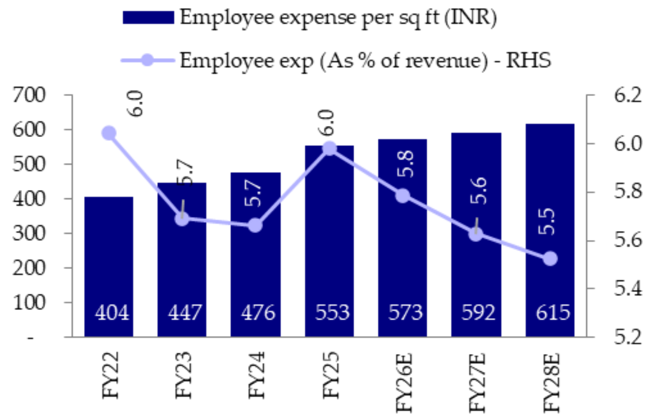
- Over FY22-25, VMM delivered revenue CAGR of 24.2% and Pre-Ind-AS EBITDA CAGR of 32.7%, driven by 164bps expansion in the Pre-Ind-AS EBITDA margin to 9.1%. <u>For FY26-28, we model Pre-Ind-AS EBITDA CAGR of 21.1% against a revenue CAGR of 17.7%, translating to ~60bps margin expansion to 10.3% by FY28.</u> As management continues to reinvest gross margin gains into pricing and product quality to drive volumes, the margin gains are likely to be earned almost entirely by operating leverage (SSSG-led). We expect operating expenses to grow at a slower pace than revenue throughput. While rent and employee expenses will increase over FY26-28 at a CAGR of ~5% and ~4% respectively on a per sq ft basis — increasing to INR582 and INR615 by FY28 – we expect them to steadily decline as a percentage of revenue. We project rent to compress from 5.3% in FY26E to 5.2% of revenue by FY28E, employee expenses to decrease from 5.8% to 5.5%, and A&P expenses to remain stable at 0.5%.

We expect EBITDAM to expand ~60bps over FY26-28 to reach 10.3% in FY28



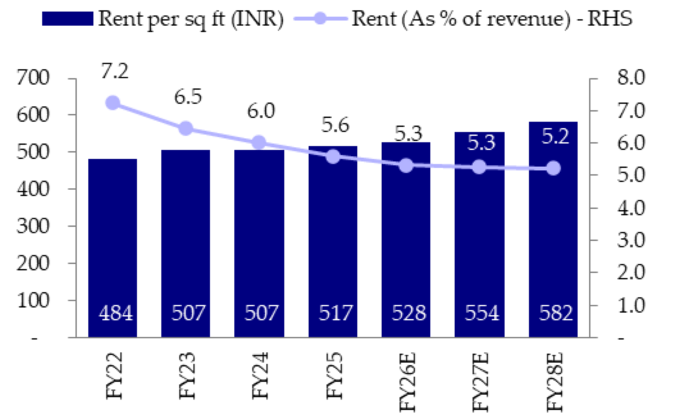
Source: Company, HSIE Research

Employee expense as % of revenue to contract by ~30bps over FY26-28



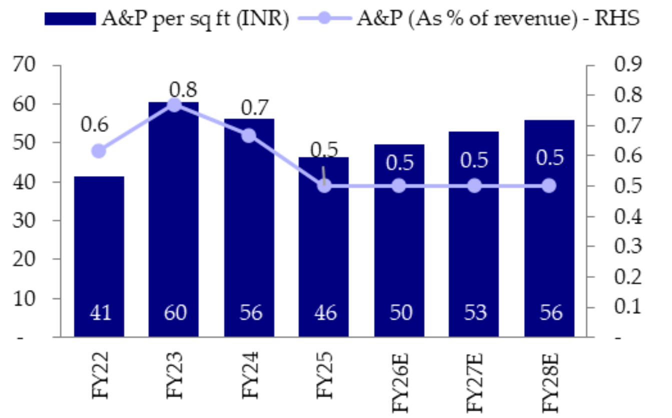
Source: Company, HSIE Research

Rent/sq ft to grow at a CAGR of ~5% over FY26-28



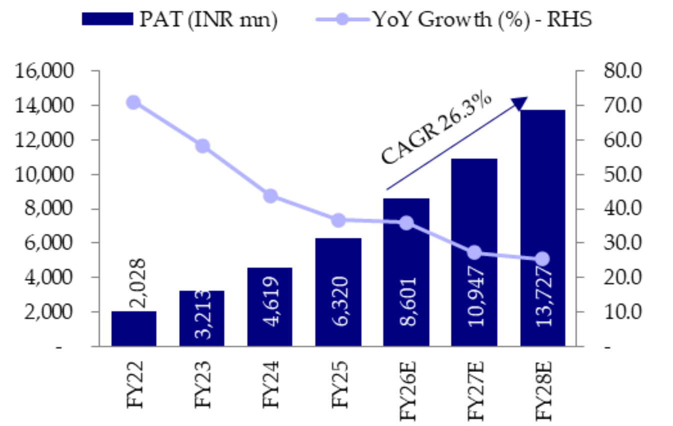
Source: Company, HSIE Research

We expect A&P expense to remain stable at 0.5% of revenue



Source: Company, HSIE Research

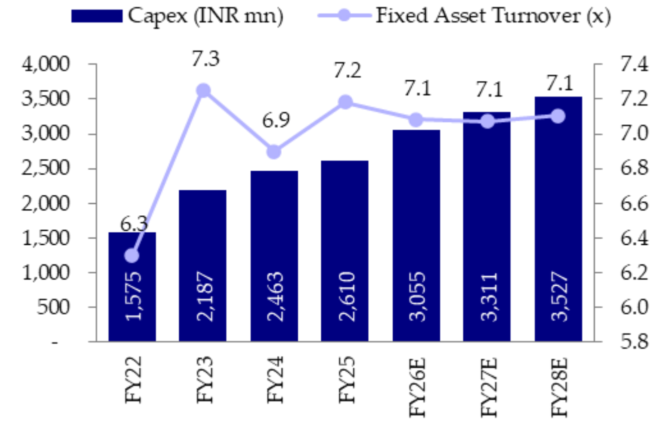
PAT to grow at ~26% CAGR over FY26-28



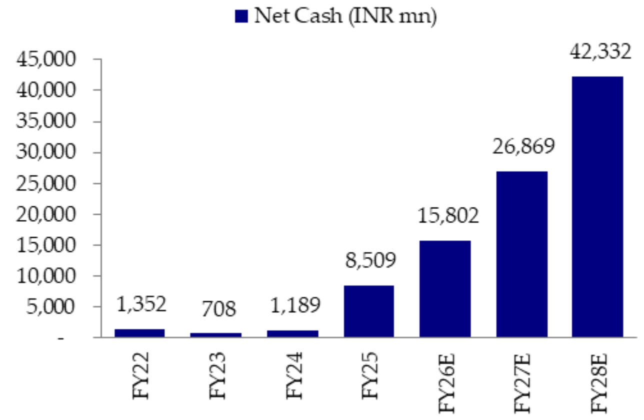
Source: Company, HSIE Research

- Over FY22-25, VMM's PAT grew from INR2bn to INR6.3bn, registering a 46.1% CAGR and expanding the PAT margin from 3.6% to 5.9%. PAT growth significantly outpaced Pre-Ind-AS EBITDA CAGR of 32.7%, driven by efficient fixed-cost absorption and net cash profile that minimized interest expenses. For FY26-28, we model PAT to increase from INR8.6bn to INR13.8bn, representing a 26.3% CAGR. Consequently, we project the PAT margin to expand by ~100 bps over FY26-28 to 7.8% by FY28.

VMM's asset light expansion ensures all capex requirement is funded through internal accruals, ensuring a debt-free balance sheet and driving its net cash position to projected INR42.3bn by FY28

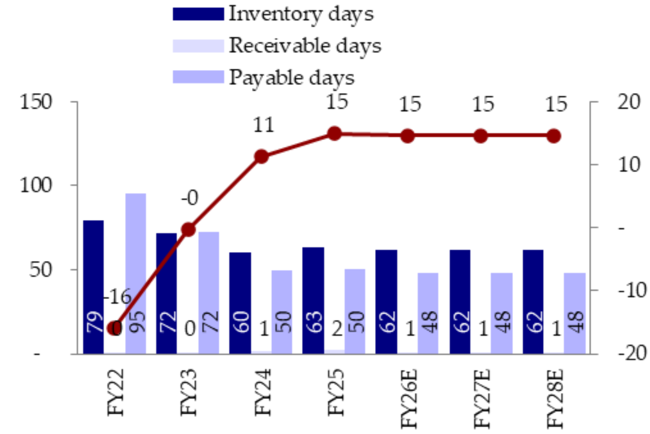


Source: Company, HSIE Research



Source: Company, HSIE Research

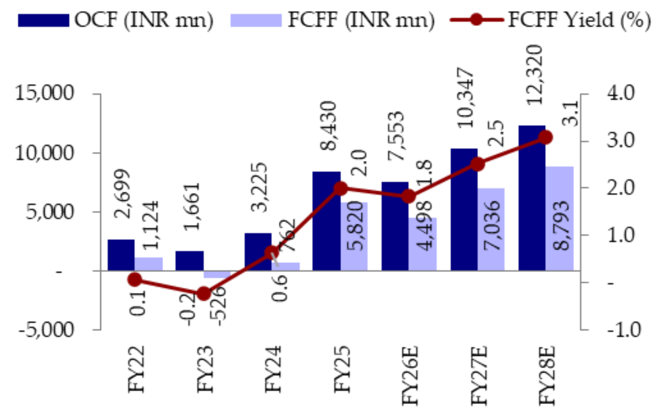
Cash conversion cycle is projected to remain stable at 15 days over FY26-28



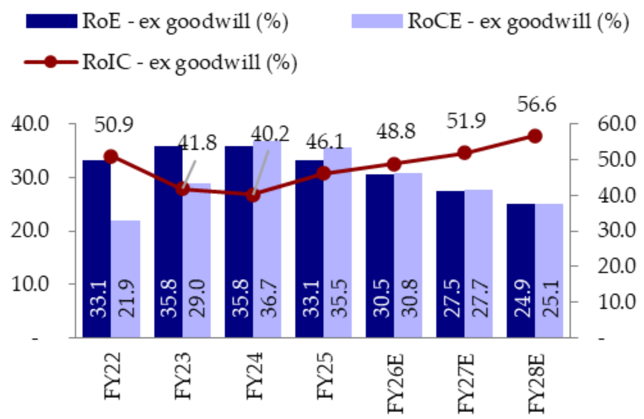
Source: Company, HSIE Research

- Inventory days improved from 77 days in FY22 to 63 days in FY25, and we expect them to stabilize at 62 days over FY26-28.
- Payable days moderated from an elevated 74 days in FY22 to 50 days in FY25, and we project them to remain steady at 48 days through FY28.
- Driven by these normalizations, the cash conversion cycle transitioned from 3 days in FY22 to 15 days in FY25, and is expected to stabilize at 15 days over FY26-28.

Supported by its asset-light expansion model and steady margin improvement, we expect VMM to generate cumulative OCF/FCFF of ~INR30/20bn, respectively, over FY26–28, structurally elevating its RoIC (ex-goodwill) from ~46% in FY25 to ~57% by FY28



Source: Company, HSIE Research. *Pre-IND AS



Source: Company, HSIE Research. *Pre-IND AS

Valuation

We build in revenue/ Pre-IND-AS EBITDA CAGR of ~18/21% over FY26-28; which bakes in ~60bps EBITDA margin expansion to 10.3% by FY28. The topline compounding is underpinned by network rollout of ~100-110 store additions annually (11% retail area CAGR) and a steady improvement in throughput (~6% revenue/sq ft CAGR). As management continuously reinvests gross margin gains into pricing and product quality to drive volumes, this profitability improvement will be led almost entirely by operating leverage, with inflation in rent and employee expenses growing slower than the company's SSSG.

Given VMM's asset-light model and debt-free balance sheet, we build in PAT CAGR of ~26% over FY26-28. This translates to cumulative OCF/FCFF of ~INR30/20bn respectively over FY26-28, with ~67% OCF to FCFF conversion, structurally elevating its RoIC (ex-goodwill) to a robust ~57% by FY28.

We initiate coverage on VMM with a BUY rating and a DCF based TP of INR 130/sh, implying 44x FY28 EPS / 32x FY28 EV/EBITDA (Pre-IND-AS). Our valuation assumes: (1) FY27-37E revenue CAGR: 12%; (2) Avg. EBITDA margins of 9.4% over FY27-37E; (3) FY27-42E FCFF CAGR: 15%; (4) WACC: 10.5%; (5) terminal growth: 6%

DCF valuation (INR mn)

DCF (INR m)	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY37E	FY42E
EBIT*(1-t)	10,378	12,672	15,230	18,194	21,193	24,586	42,683	
Depreciation	2,395	2,766	3,171	3,596	4,045	4,513	7,820	
Capex	-3,311	-3,527	-3,673	-3,978	-4,222	-4,437	-7,042	
Changes in WC (Winv)	-1,069	-1,189	-1,276	-1,379	-1,373	-1,471	-805	
FCFF	**8,392**	**10,722**	**13,452**	**16,433**	**19,644**	**23,191**	**42,656**	**67,643**
YoY (%)	*54*	*28*	*25*	*22*	*20*	*18*	*13*	*8*
Interest (1-t)	-29	-32	-36	-39	-43	-47	-76	
Net Borrowings	-	-	-	-	-	-	-	
FCFE	**8,363**	**10,690**	**13,417**	**16,394**	**19,601**	**23,144**	**42,580**	
YoY (%)	*55*	*28*	*26*	*22*	*20*	*18*	*13*	
EOP date	**Mar-27**	**Mar-28**	**Mar-29**	**Mar-30**	**Mar-31**	**Mar-32**	**Mar-37**	**Mar-42**
Years to DCF date	-	1.0	2.0	3.0	4.0	5.0	10.0	15.0
PV (FCFF)	**8,392**	**9,701**	**11,014**	**12,176**	**13,172**	**14,069**	**15,704**	**15,112**
Terminal Value								**15,93,373**

DCF Date		**Mar-27**	
Kd	10.0	Mar-28 Implied EV/Sales (x)	3.3
Kd*(1-t)	7.5	Mar-28 Implied EV/EBITDA (x)	32
Ke	10.5	Mar-28 Implied P/E (x)	44
Net Debt (Mar-27E)	(26,869)	Terminal growth rate (%)	6.0
Debt/Equity	-	WACC	10.5
PV-Explicit Period	2,22,933	Terminal FCF multiple (x)	24.6
PV-Terminal Value	3,55,966	No. of shares (mn)	4,673
Enterprise Value	5,78,898	CMP	114
Equity Value (INR m)	6,05,767	Upside/(Downside)	13.7%
Equity value per share (INR)	130		

		WACC (%)				
		9.5	**10.0**	**10.5**	**11.0**	**11.5**
Terminal growth rate (%)	**5.0**	144	128	115	105	96
	5.5	155	136	122	110	100
	6.0	169	147	**130**	116	105
	6.5	189	161	140	123	110
	7.0	216	179	152	133	117

Company profile

- Vishal Mega Mart Ltd (VMM) is one of India's leading fashion-led hypermarket chains, offering a diverse range of merchandise through its portfolio of own brands and third-party brands to fulfil the aspirational and daily needs of consumers.
- It offers products across three major product categories, i.e., apparel, general merchandise and fast-moving consumer goods, through a pan-India network of 771 stores (as of 31 December, 2025) and its Vishal Mega Mart mobile application and website.
- VMM targets middle and lower middle-income India. Its product assortment and consumer-centric approach aims to fulfil the daily and aspirational requirements of the consumers with a focus on variety, affordability, quality and convenience.
- VMM operates a hub and spoke distribution model to source products and manage its in-store inventory. For its apparel category, in particular, its distribution capabilities enable it to replenish the store inventory in quick response to latest fashion trends and store level sales. As of March 31, 2025, it operates one central distribution center, one distribution center and 17 regional distribution centers, each located in close proximity to its major demand areas.
- VMM operates an asset-light business model with all its distribution centers and stores leased, and its products manufactured by third-party vendors or sourced from third party brands.
- The company was ranked among the three leading offline-first diversified retailers in India, based on retail space as of 31 March, 2024 and also the fastest-growing leading offline-first diversified retailers in India, based on profit after tax growth between Financial Years 2021 and 2024, and among the two leading offline-first diversified retailers in India in terms of same-store sales growth for Financial Year 2024. VMM has a track record of profitable and capital-efficient growth. During Financial Year 2023, it was the most efficient company in terms of adjusted RoCE among the leading offline-first diversified retailers in India.

A One Stop Destination with Diverse Range of Merchandize

Historical background

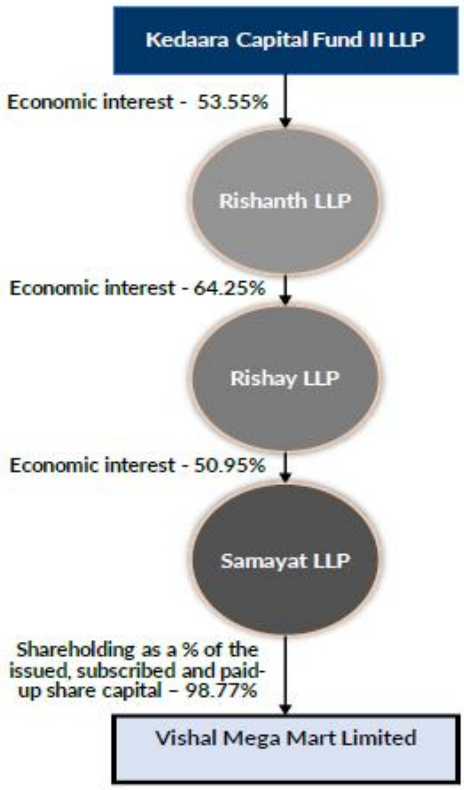
VMM's compelling story began in 2001, when Ram Chandra Agarwal founded Vishal Retail Private **Ltd**, rapidly expanding it into a leading hypermarket chain across India. However, ambitious, debt-fueled expansion plans led to significant financial challenges, with debt soaring to approximately INR7-7.3bn by June 2010.

This distress paved the way for a landmark acquisition in March 2011, as TPG Capital and the Shriram Group stepped in, purchasing Vishal Retail's core businesses for INR0.7bn. This strategic move split the original entity: Vishal Retail Ltd rebranded as V2 Retail Ltd, embarking on its own independent journey, while the acquired business began its transformation into "Vishal Mega Mart". Following the acquisition, VMM underwent significant transformation, with a strong emphasis on store profitability and fostering strategic growth.

The evolution continued in 2018 when Partners Group and Kedaara Capital acquired VMM for a substantial INR50bn, propelling it into a new phase of growth. Today, VMM stands as a testament to strategic restructuring and private equity intervention, having overcome financial adversity to become a publicly listed retail powerhouse.

Holding structure of the company

While Kedaara Capital Fund II LLP holds no direct equity in VMM, it maintains effective control through a structured, multi-tiered chain of limited liability partnerships. Specifically, Kedaara controls Rishanth Services LLP, which controls Rishay Services LLP, which ultimately holds a controlling interest in Samayat Services LLP. As VMM's direct promoter, Samayat currently retains ~40% stake in the company following its IPO and recent stake sales. Through this layered mechanism, Kedaara exerts full indirect control over VMM's operations and strategic direction.



Source: Company RHP, HSIE Research. Note: Samayat currently retains ~40% stake in the company following its IPO and recent stake sales.

VMM's Key Management Personnel

Name	Designation	Holding position with effect from	Description
Gunender Kapur	Managing Director and Chief Executive Officer	June 27, 2024	He holds a bachelor's degree in engineering with honours from the Birla Institute of Technology and Science and a master's degree in business administration from the University of Delhi. He has over 40 years of experience in management and investment in the consumer and retail sectors. Previously, he was associated with Hindustan Lever Ltd, Unilever Nigeria PLC, Reliance Industries Ltd and TPG Capital.
Amit Gupta	Chief Financial Officer	November 20, 2020	He holds a bachelor's degree in commerce from University of Rajasthan. He is a member of the Institute of Chartered Accountants of India and has passed the final company secretaryship examination held by the Institute of Company Secretaries of India. He has over 21 years of experience in finance. He was previously associated with Agro Tech Foods Ltd, Jubilant Foodworks Ltd and Hindustan Coca Cola Beverages Private Ltd. He is responsible for managing the finance and secretarial functions of our company.
Manoj Kumar	Chief Operations Officer	April 24, 2014	He holds a master's degree in business administration from Philips University. He has over 30 years of experience in management and retail operations. He was previously associated with Walmart. He is responsible for managing the retail operations of our company.
Karthik Kuppusamy	Chief Information Officer	May 29, 2017	He holds a bachelor's degree in engineering from the Birla Institute of Technology and Science and a post graduate diploma in management from the Indian Institute of Management, Calcutta. He has over 24 years of experience in information technology, planning and allocation and e-commerce. He was previously associated with Accenture India Private Ltd, Infosys Technologies Ltd, SAP India and Spencer's Retail Ltd. He is responsible for managing the information technology, planning and allocation and E-commerce segments of our company.
Dhruva K Dubey	Chief Human Resources Officer	September 19, 2023	He holds a bachelor's degree in mechanical engineering from the University of Pune and a post graduate diploma in personnel management and industrial relations from XLRI Jamshedpur. He has over 22 years of experience in human resource management. He was previously associated with Spencer's Retail Ltd, The Hong Kong and Shanghai Banking Corporation Ltd, Dell International Services India Private Ltd and Quikr India Private Ltd. He is responsible for human resource management and administration functions in our company.
Vishal Mehrotra	Vice President - FMCG	April 15, 2019	He holds a bachelor's degree in science with honours in chemistry from Jadavpur University, a post graduate diploma in business management from XLRI Jamshedpur and a master's degree in business administration from the University of Oxford. He has over 23 years of experience in the management sector. He was previously associated with Snapdeal, Spencer's Retail Ltd, ICICI Bank Ltd, Dabur India Ltd, and Britannia Industries Ltd. He is responsible for managing the fast-moving commercial goods segment of our company.
Samir Agrawal	Vice President - General Merchandising	August 2, 2011	He holds a bachelor's degree in engineering (mechanical) from the University of Delhi and a post graduate diploma in business management from XLRI Jamshedpur. He has over 21 years of experience in the sales, operations and merchandising. He was previously associated with Aditya Birla Retail Limited, Shopper's Stop Ltd, GE Countrywide Consumer Financial Services Ltd, and Whirlpool of India Ltd. He is responsible for managing the general merchandising segment of our company
Anne Puvis	Chief B&M Officer - Apparel	November 23, 2016	She graduated from the School of Advanced Studies, HEC Paris. She was previously associated with Club Méditerranée, Camif Group, Sociedad Nestlé, A.E.P.A. and Redoute France. She has over 30 years of experience in the marketing sector. She is responsible for managing the apparels segment of our company.
Sambit Swain	General Counsel	November 13, 2025	He holds an LL.M. degree from Jindal Global Law School and an LL.B. from Amity Law School, underpinning over 16 years of multifaceted experience in the legal domain. Most recently serving as Director (Legal) at Coca-Cola India, he played a pivotal role in shaping corporate legal strategy and safeguarding organizational interests. His extensive background spans corporate law, litigation, and data privacy, with prior roles at prominent organizations including Reckitt Benckiser India, McKinsey & Co, and HDFC Ltd.

Name	Designation	Holding position with effect from	Description
Tapan Kulshrestha	Vice President & Head - Supply Chain	April 01, 2026	He holds a Bachelor's degree in Science (Mathematics) and a Master's degree in Computer Applications, underpinning over 24 years of experience in supply chain management and digital transformation across the retail and IT sectors. He was previously associated with Trent Hypermarket Pvt. Ltd. as Head of Supply Chain (PAN India), he is recognized for driving network expansion, process optimization, and technology-driven initiatives. His extensive operational background includes significant prior leadership roles at Future Retail Ltd., overseeing supply chains for major brands including Easy Day, Heritage, and Big Bazaar.

VMM's Board of Directors

Neha Bansal	Chairperson and Independent Director	She holds a bachelor's degree in commerce (honors) from Gargi College, University of Delhi. She is a member of the Institute of Chartered Accountants of India and has successfully completed the course on valuation and a post qualification course in information systems audit held by the Institute of Chartered Accountants of India. She has over 16 years of experience in finance and business administration. She is the cofounder of Lenskart. She was previously associated with Vinod Kumar and Associates.
Gunender Kapur	Managing Director and Chief Executive Officer	He holds a bachelor's degree in engineering with honours from the Birla Institute of Technology and Science and a master's degree in business administration from the University of Delhi. He has over 40 years of experience in management and investment in the consumer and retail sectors. Previously, he was associated with Hindustan Lever Ltd, Unilever Nigeria PLC, Reliance Industries Ltd and TPG Capital.
Soumya Rajan	Independent Director	She holds a bachelor's degree in maths with honours from St. Stephen's College, University of Delhi. She has over 29 years of experience in strategy, finance, and operations. She is the founder and chief executive officer of Waterfield Advisors Private Ltd. Previously, she was also associated with Standard Chartered Bank.
Yogesh Yadav	Independent Director	He holds a B.Tech in Electrical Engineering from IIT Delhi and a PGDM from IIM Ahmedabad, underpinning nearly two decades of leadership across retail, consumer goods, consulting, and private equity. Currently the CEO of Wellness Forever Medicare Limited, he drives growth and innovation across a network of over 475 stores in India. Prior to this, he led major strategic and operational transformations in senior roles at Accenture Strategy and India Equity Partners.
Sanjeev Aga	Non-Executive Director	He holds a bachelor's degree in science with honours from the University of Delhi and a post graduate diploma in management from the Indian Institute of Management, Calcutta. He has more than 37 years of experience in management. Previously, he was associated with Asian Paints (India) Ltd, Blow Plast Ltd, Aditya Birla Group and Idea Cellular Ltd.
Nishant Sharma	Non-Executive Director	He holds a master's degree in business administration from Harvard University and a master's degree in bio-chemical engineering and biotechnology from IIT Delhi. He has more than 20 years of experience in various fields. He is the managing partner and chief investment officer of Kedaara Capital. Previously, he was associated with the Bill & Melinda Gates Foundation, General Atlantic, and McKinsey & Co.
Manas Tandon	Non-Executive Director	He holds a bachelor's degree of technology in electrical engineering from the Indian Institute of Technology Kanpur and a master's degree in business administration with honours from The Wharton School, University of Pennsylvania. He is currently associated with the Partners Group and previously, he was associated with Cisco Systems Inc., Matrix India Asset Advisors Pvt Ltd and TPG Capital India Pvt Ltd.
Vageesh Gupta	Non-Executive Director	He holds a Bachelor of Arts (Honours) in Economics from St. Stephen's College and an MBA from INSEAD, France, underpinning over 18 years of experience in private equity and consulting. Currently the Head of Partners Group's Mumbai office, he serves on multiple investment committees driving strategy across diverse sectors in India. His robust background includes prior roles with leading firms such as TA Associates, Sequoia Capital, and McKinsey & Co.

Key Risks

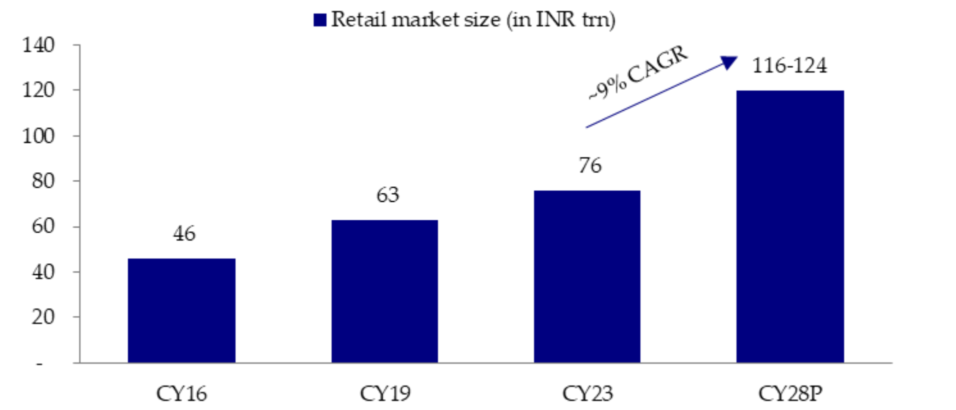
Risks	Description
Reliance on Third-Party Manufacturing and Vendor Compliance Risks	The company's complete dependence on external manufacturers for its private-label goods creates substantial supply chain vulnerabilities. This exposes the company to risks concerning vendor adherence to its quality, design, and manufacturing specifications, potentially impacting product quality, availability, and brand reputation.
Geographic revenue Concentration in Key States	A significant portion of the company's revenue is concentrated in stores located within Uttar Pradesh, Karnataka, and Assam. Any adverse economic, political, or natural events in these key states could substantially impact the company's performance.
Third-Party Brand Reliance and Portfolio Diversification Challenges	The company's product assortment depends heavily on partnership with third-party brands. If the company fails to maintain existing relationships or establish new ones, particularly as it expands its own brand offerings, the variety and quantity of available products may decrease, negatively impacting sales and financial performance.
Promoter Stake Sale Overhang	Kedaara Capital Fund-II LLP maintains a majority stake in the company through Samayat Services LLP. Business operations are led entirely by the professional management team. Given that the promoters have already liquidated a ~58% stake and currently retains ~40% stake, the stock carries an inherent risk of a supply overhang from future private equity divestments.
Inventory Management and Demand Forecasting Inaccuracies	The company's success hinges on accurately predicting consumer demand and maintaining optimal inventory levels. Failure to do so could lead to stock shortages or excess inventory, adversely affecting financial performance. Inaccurate demand forecasting may result in lost sales or increased holding costs, impacting profitability and cash flow.
Leasehold Dependence and Potential Lease Renewal Risks	The company's reliance on leased properties for its stores, distribution centres, and offices exposes it to risks associated with lease renewals. Failure to secure renewals on favorable terms could necessitate costly relocations and operational disruptions, negatively impacting financial performance.
Competition	The company operates in highly competitive industries with low entry barriers and frequent innovations. Competitors with stronger resources, market expertise, and aggressive marketing may attract customers and partners. This could force the company to lower margins, increase incentives, or spend more on marketing, impacting its financial performance.
Macro challenges	The company's performance is heavily dependent on the Indian economy, which is influenced by global uncertainties, policy changes, and macroeconomic factors. Global slowdowns, financial instability, or adverse domestic developments like rising deficits or policy shifts could impact India's economy, affecting the company's business and growth prospects.
Risk of inefficient expansion of stores and distribution centres	The company's business relies on expanding and optimizing its network of stores and distribution centres. Strategic location selection is essential to enhance supply chain efficiency, reduce costs, and improve customer experience. Challenges in identifying suitable locations, expanding the network, or maintaining efficient operations could impact order fulfilment, customer satisfaction, and overall business performance.

Annexure:

Industry outlook

- India's retail sector has experienced strong growth, expanding at a CAGR of ~12% to reach ~INR63trn over CY16-19, driven by demographic shifts, rising disposable incomes (especially among middle-income households in Tier-2 cities), rapid urbanization, and evolving consumption patterns. Government reforms such as GST implementation, FDI liberalization, and the push for digital payments have formalized the sector while welfare schemes enhanced consumer purchasing power. Despite Covid-19 disruptions, India's retail market reached ~INR76trn by CY23 demonstrating resilience with a recovery supported by structural drivers including favorable demographics, supportive government policies, and accelerating technological advancements. Due to these foundational elements coupled with revival in consumer demand and stronger logistics, India's retail market is projected to grow at a CAGR of ~9% over CY23-28 to reach INR 116-120trn.

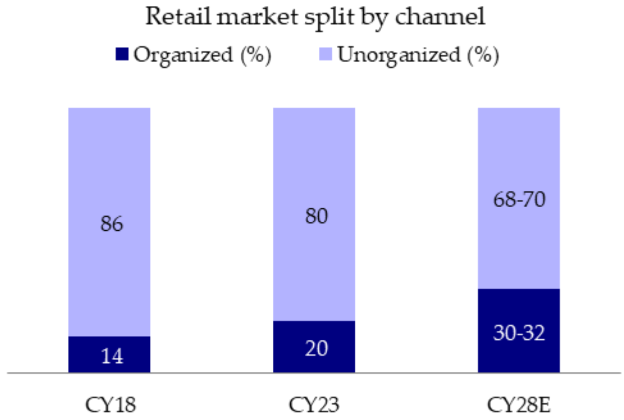
India's retail market to grow at a ~9% CAGR over CY23-28 to reach INR116-124trn



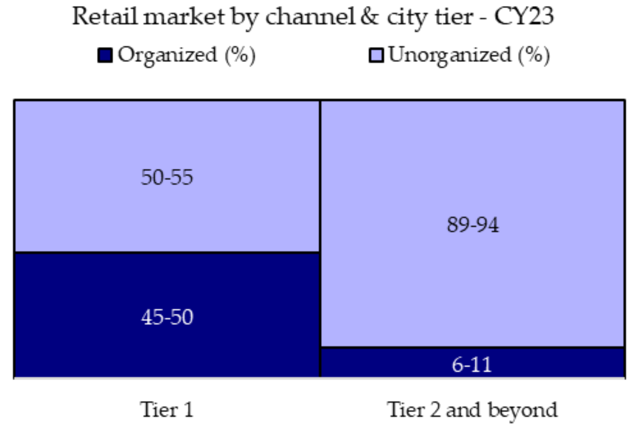
Source: Company, HSIE Research

- India's retail market is rapidly shifting toward organized formats and is projected to grow at a 20% CAGR between CY23-28, led by rising disposable incomes, urbanization, and improving consumption patterns. Tier-2 cities and beyond are driving this transition with an expected ~32% CAGR, supported by growing demand for modern retail formats, while Tier-1 cities, where unorganized retail still holds a 50-55% share, also provide significant headroom. Both offline brick-and-mortar stores and online platforms are expanding in tandem, displacing unorganized players through superior offerings and operational efficiency, thereby widening the organized retail base.

Within the overall retail market, organized retail is set for significant expansion with tier 2 cities leading the charge



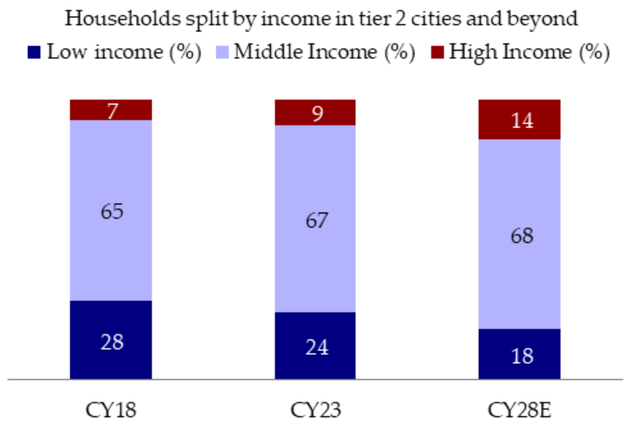
Source: Company, HSIE Research



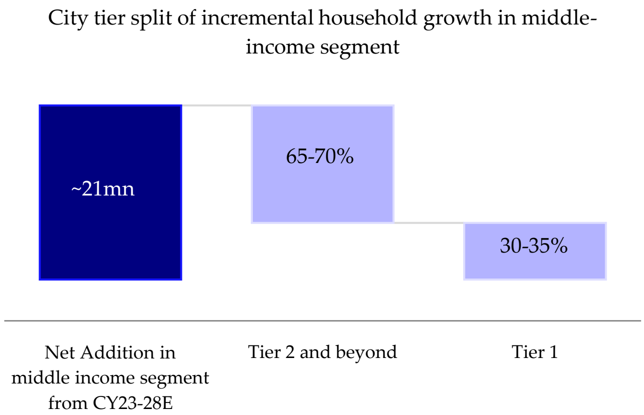
Source: Company, HSIE Research

- The rapid economic growth of Tier-2 cities and beyond is emerging as a key driver of India's retail expansion, fueled by industry decentralization, government initiatives like the Smart Cities Mission, and technological advancements. Businesses are expanding into these under-penetrated markets to tap growth potential and benefit from a more distributed workforce. The rising middle- and high-income population in these regions - expected to grow from ~76% of households in CY23 to ~82% by CY28 - is driving increased consumption, particularly in categories like packaged foods, general merchandise, and cosmetics. Also, 65-70% of incremental middle-income household growth is expected to come from Tier-2 locations. This has led to disproportionate retail growth in under-penetrated categories as consumers emulate Tier-1 lifestyles and increasingly adopt modern retail formats, thereby democratizing retail demand across India.

With 65–70% of incremental middle income growth between CY23-28E projected to come from Tier-2 and beyond cities, consumption in these regions is set to accelerate significantly



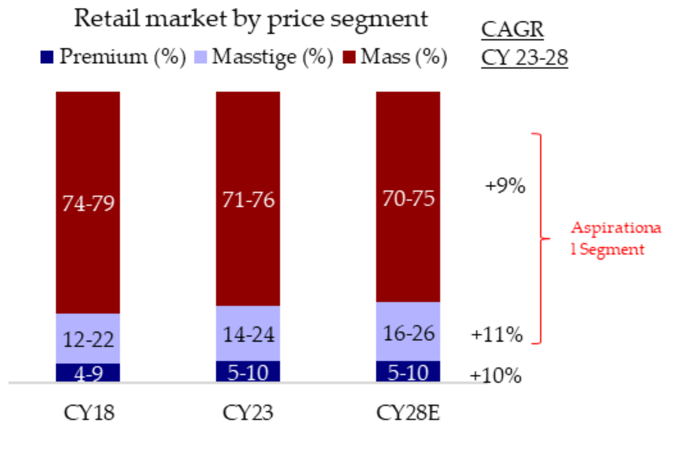
Source: Company, HSIE Research



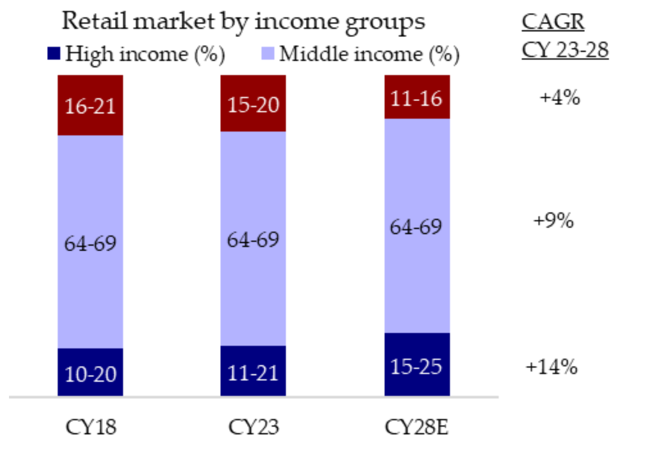
Source: Company, HSIE Research

- Aspirational retail, which includes mass and masstige products, forms the backbone of India's retail market, estimated at INR 68-72trn in CY23 and accounting for 90-95% of the total retail landscape. This segment is largely driven by the growing middle-income population that prioritizes good quality products at affordable price points, reflecting a strong value-driven consumption mindset. The demand is further amplified by rapid urbanization, a surge in consumption from Tier-2 cities and beyond, and the increasing shift toward organized retail and brandification across categories. With middle-income households comprising nearly 225mn (around 945mn individuals) as of CY23 and contributing 64-69% of retail spending, this consumer base ensures sustained demand for aspirational purchases, making it the most dominant and long-term growth driver across apparel, FMCG, staples, and general merchandise. Aspirational retail's TAM is projected to expand from INR 68-72trn in CY23 to INR 104-112trn by CY28, reflecting a CAGR of ~9%.

Aspirational retail makes up 90-95% of India's retail market, is expected to remain the dominant segment, driven by the large middle-income cohort that contributes a substantial share of overall retail spending



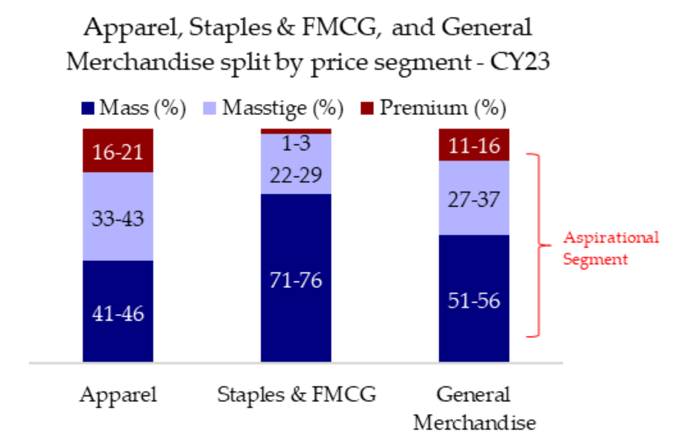
Source: Company, HSIE Research



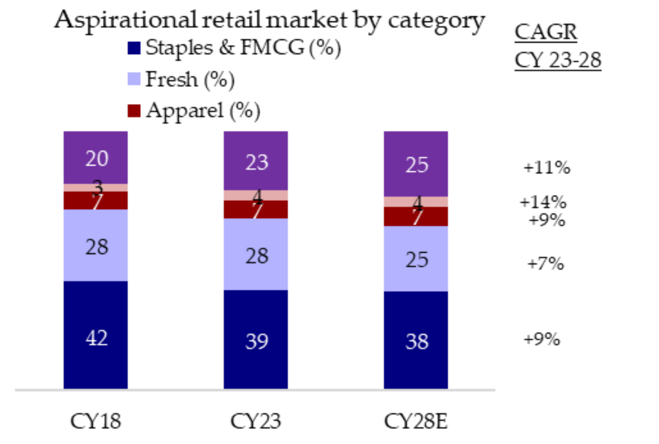
Source: Company, HSIE Research

- At a category level, aspirational retail accounts for the bulk of spending, with shares of 84-89% in apparel, 97-99% in staples & FMCG, and 84-89% in general merchandise. While fresh and staples & FMCG together will continue to constitute over 60% of the market, their share is expected to moderate slightly as categories like apparel and general merchandise gain traction, underscoring the segment's evolving and broad-based growth potential.

Aspirational retail's growth will be led by apparel and general merchandise, while the share of staples & FMCG is expected to moderate



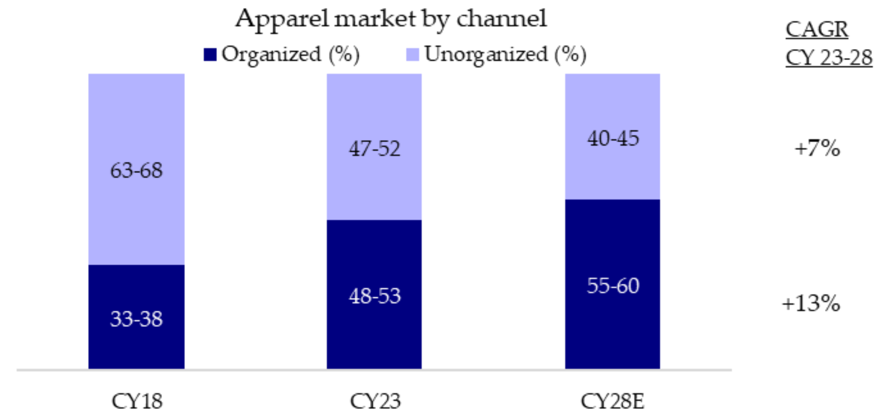
Source: Company, HSIE Research



Source: Company, HSIE Research

- India's apparel retail market, valued at INR 6trn in CY23, is projected to grow at ~10% CAGR to reach INR 10trn by CY28. Growth is being fueled by increased media exposure, the rise of fast fashion, and expanding retail accessibility. While unorganized channels currently account for 47-52% of the market, their share is steadily declining in favor of organized retail, which is expected to reach 55-60% by CY28, led by stronger consumer demand for quality, wider assortments, competitive pricing, and the advantage of denser urban markets. Aspirational retail dominates the apparel sector with a ~79-84% share, led primarily by middle-income households that contribute 60-65% of demand, a share likely to remain stable in the medium term. Though the premium segment is expected to outpace in growth rate, its overall scale will remain far smaller compared to the aspirational retail opportunity.

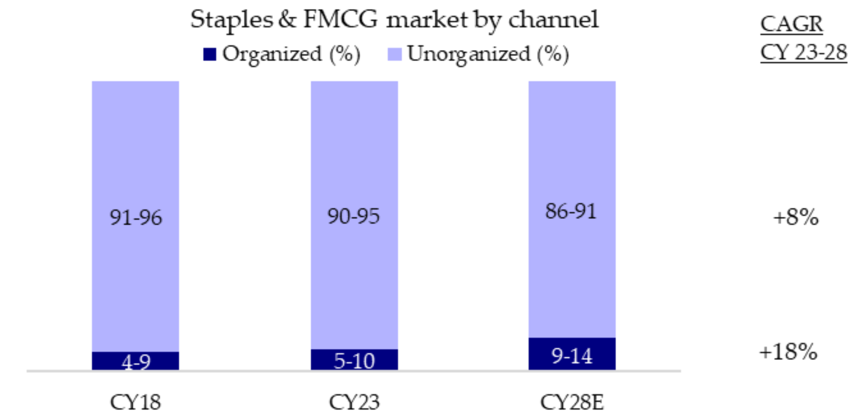
Organized share in India's apparel market is expected to reach 55-60% by CY28



Source: Company, HSIE Research

- As of CY23, India's grocery retail market is valued at INR 47trn, with staples & FMCG forming the largest share at ~59% or INR 28trn. This segment is expected to grow at ~9% CAGR to reach INR 42trn by CY28, supported by drivers such as daily necessity consumption, rising health and wellness focus, expanding organized retail presence, changing household structures, and increasing e-commerce penetration. While unorganized channels currently contribute 90-95% of staples & FMCG sales, their dominance is gradually eroding as consumers increasingly shift toward organized formats that provide greater convenience, wider assortments, transparent pricing, better promotions, and stronger trust in quality. By CY28, organized channels are expected to capture 9-14% of the staples & FMCG market.

Organized channels are expected to capture 9-14% share of staples & FMCG market by CY28

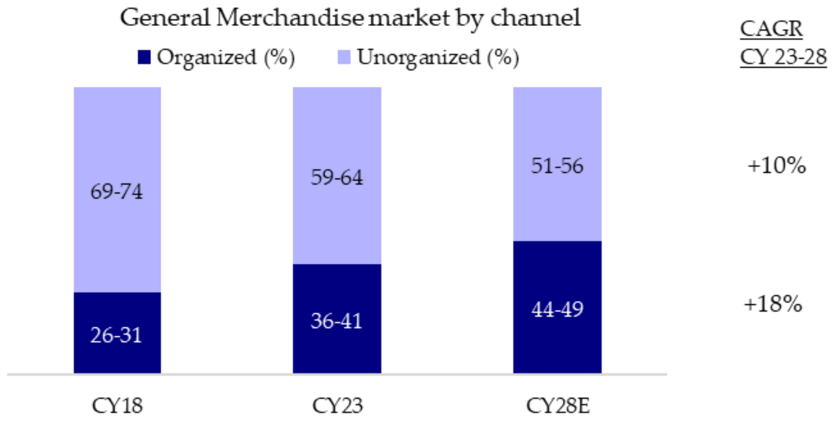


Source: Company, HSIE Research

- India's general merchandise retail market was valued at INR 3trn in CY23 and is projected to double to INR 6trn by CY28, growing at a robust CAGR of 14%. This growth is being fueled by greater accessibility and product variety through organized retailers, rising demand in footwear and fashion accessories, increasing preference for convenience-driven small household appliances, and home-centric consumer trends such as DIY and decor, supported further by cultural influences, social dynamics, and higher mobility and travel. While unorganized channels still dominate with a 59-64% share as of CY23, their influence is steadily declining as organized players expand, particularly in Tier-2 cities and beyond, by offering wider assortments, better shopping experiences, and stronger quality assurance.

As a result, the share of organized retail in general merchandise is expected to rise to 44-49% by CY2028.

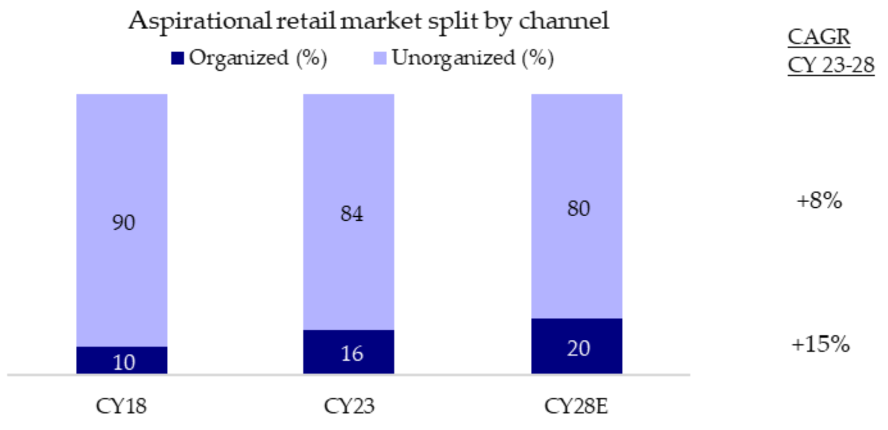
Organized share in India's general merchandise market is expected to reach 44-49% by CY28



Source: Company, HSIE Research

- Aspirational retail market, though currently fragmented and dominated by unorganized channels such as general trade outlets (~84% share in CY23), is witnessing a steady shift toward organized formats, with the unorganized share projected to decline to ~80% by CY28. This transition is being driven by rising consumer expectations for quality, wider product assortments, competitive pricing, and the growing presence of organized players leveraging urban density and whitespace opportunities. As a result, organized retail is set to play an increasingly critical role in capturing growth within the aspirational retail segment.

Organized retail is gaining share rapidly within India's aspirational retail market



Source: Company, HSIE Research

- Value-First Offline Retailers are uniquely positioned to capture India's large and fast-growing aspirational retail opportunity, with a serviceable addressable market of INR 56-60trn in CY2023 projected to expand to INR 90-96trn by CY2028. Their competitive opening price points is typically 10-20% lower than most offline peers - coupled with sustainable margins, faster store paybacks, and broad appeal across upper-middle to lower-middle-income households enable them to target a wide demographic, including underserved high-income households in Tier-2 cities and beyond. Their extensive geographic footprint ensures maximum visibility, accessibility, and economies of scale, while offering near-instant access to merchandise through store pick-ups—an advantage over e-commerce platforms that take >3 days for delivery in Tier-2 and smaller markets.

Value-First Offline retailers serve one of the largest Serviceable Addressable Markets (SAM) in India

Business Model	Primary Presence	SAM CY23 (INR trn)	SAM CY28P (INR trn)
Value-First Offline	Offline	56-60	90-96
Premium Offline	Offline	26-30	49-55
e-Commerce	Online	61-65	99-105
Quick Commerce	Online	26-30	49-55

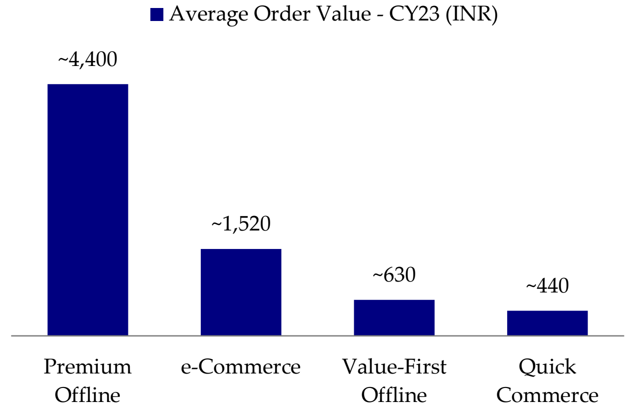
Source: Company, HSIE Research

Value-First Offline retailers have high presence in Tier 2 cities and beyond and offer fastest delivery

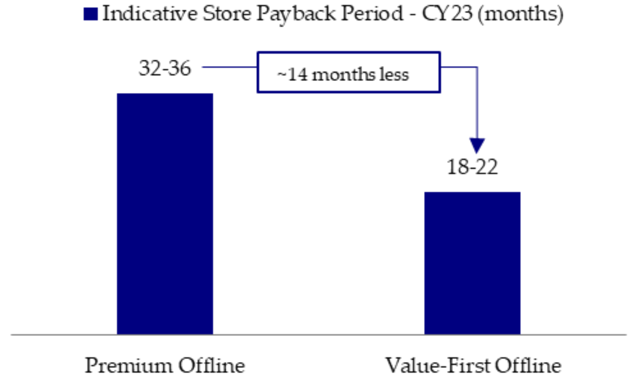
Business Model	Geographical Presence	Tier 2 cities and beyond Presence	Tier 2 cities and beyond Delivery Speed
Value-First Offline	Pan-India	High	Instant / In-store Pickup
Premium Offline	Primarily Tier 1 and Tier 2 cities	Medium	Instant / In-store Pickup
e-Commerce	Pan-India	High	>3 Days
Quick Commerce	Primarily Tier 1 cities	Low	<30 minutes

Source: Company, HSIE Research

Despite lower AOVs than premium retailers, Value-First Offline players achieve faster store paybacks through efficient store design, cost-effective locations, lean staffing, and strong supply chain strategies



Source: Company, HSIE Research



Source: Company, HSIE Research

Income Statement

Year End (March)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Revenues	**55,885**	**75,860**	**89,119**	**1,07,163**	**1,27,291**	**1,50,515**	**1,76,350**
Growth (%)	25.5	35.7	17.5	20.2	18.8	18.2	17.2
COGS	40,146	55,263	64,461	76,636	90,936	1,07,459	1,25,821
Employee Expense	3,377	4,318	5,047	6,406	7,367	8,472	9,742
A&P Expense	346	584	596	538	639	756	886
Rent	173	201	298	432	450	532	623
Other Expenses	3,807	5,289	6,232	7,849	9,196	10,799	12,564
EBITDA	**8,037**	**10,205**	**12,486**	**15,302**	**18,704**	**22,498**	**26,714**
EBITDA Growth (%)	**31.8**	**27.0**	**22.3**	**22.6**	**22.2**	**20.3**	**18.7**
EBITDA Margin (%)	**14.4**	**13.5**	**14.0**	**14.3**	**14.7**	**14.9**	**15.1**
Pre IND AS EBITDA	**4,165**	**5,511**	**7,414**	**9,741**	**12,366**	**15,099**	**18,127**
Pre IND AS EBITDA Growth (%)	**147.3**	**32.3**	**34.5**	**31.4**	**26.9**	**22.1**	**20.1**
Pre Ind AS EBITDA Margin (%)	**7.5**	**7.3**	**8.3**	**9.1**	**9.7**	**10.0**	**10.3**
Depreciation	4,056	4,614	5,173	5,902	6,479	7,187	7,908
EBIT	**3,981**	**5,591**	**7,313**	**9,399**	**12,224**	**15,311**	**18,806**
EBIT - Pre IND AS	**3,008**	**4,349**	**6,032**	**8,076**	**10,310**	**12,704**	**15,360**
Other Income (Including EO Items)	653	329	332	586	877	1,165	1,575
Interest	1,938	1,614	1,435	1,492	1,664	1,847	2,036
Interest - Pre IND AS	728	334	93	33	36	39	43
PBT	**2,696**	**4,305**	**6,210**	**8,493**	**11,437**	**14,629**	**18,344**
Total Tax	669	1,093	1,590	2,173	2,836	3,682	4,617
PAT before share of associate earnings	**2,028**	**3,213**	**4,619**	**6,320**	**8,601**	**10,947**	**13,727**
Share of associate earnings	-	-	-	-	-	-	-
RPAT	**2,028**	**3,213**	**4,619**	**6,320**	**8,601**	**10,947**	**13,727**
Exceptional Gain/(loss)	-	-	-	-	-	-	-
Adjusted PAT	**2,028**	**3,213**	**4,619**	**6,320**	**8,601**	**10,947**	**13,727**
APAT Growth (%)	**71.0**	**58.4**	**43.8**	**36.8**	**36.1**	**27.3**	**25.4**
Adjusted EPS (Rs)	**0.5**	**0.7**	**1.0**	**1.4**	**1.8**	**2.3**	**2.9**
EPS Growth (%)	**70.3**	**58.3**	**43.7**	**34.2**	**33.9**	**27.3**	**25.4**

Balance Sheet

Year End (March)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
SOURCES OF FUNDS							
Share Capital - Equity	45,033	45,066	45,087	45,974	46,730	46,730	46,730
Reserves	3,219	6,495	11,131	18,039	27,522	40,539	57,919
Total Shareholders Funds	**48,252**	**51,561**	**56,218**	**64,013**	**74,252**	**87,269**	**1,04,649**
Long Term Debt	4,037	922	-	-	-	-	-
Short Term Debt	938	413	-	-	-	-	-
Total Debt	**4,974**	**1,335**	**-**	**-**	**-**	**-**	**-**
Net Deferred Taxes	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other Non-current Liabilities & Provns	**12,921**	**13,281**	**14,834**	**17,294**	**17,563**	**17,904**	**18,208**
TOTAL SOURCES OF FUNDS	**66,147**	**66,177**	**71,052**	**81,307**	**91,815**	**1,05,172**	**1,22,857**
APPLICATION OF FUNDS							
Net Block	4,157	4,720	6,000	7,055	8,054	8,970	9,731
CWIP	111	685	383	136	136	136	136
Other Non-current Assets	56,895	57,534	58,957	61,721	61,962	62,267	62,538
Total Non-current Assets	**61,164**	**62,940**	**65,340**	**68,913**	**70,152**	**71,373**	**72,406**
Inventories	12,160	14,907	14,650	18,503	21,630	25,576	29,966
Debtors	23	42	317	664	349	412	483
Other Current Assets	2,506	2,958	3,565	3,341	4,101	4,849	5,682
Cash & Equivalents	**6,326**	**2,043**	**1,189**	**8,509**	**15,802**	**26,869**	**42,332**
Total Current Assets	**21,016**	**19,949**	**19,721**	**31,018**	**41,881**	**57,707**	**78,462**
Creditors	14,606	15,008	12,200	14,786	16,865	19,942	23,365
Other Current Liabilities & Provns	1,427	1,704	1,808	3,838	3,353	3,965	4,646
Total Current Liabilities	**16,033**	**16,712**	**14,009**	**18,624**	**20,219**	**23,908**	**28,011**
Net Current Assets	**4,983**	**3,237**	**5,712**	**12,394**	**21,662**	**33,799**	**50,451**
TOTAL APPLICATION OF FUNDS	**66,147**	**66,177**	**71,052**	**81,307**	**91,815**	**1,05,172**	**1,22,857**

Source: Company, HSIE Research

Cash Flow Statement

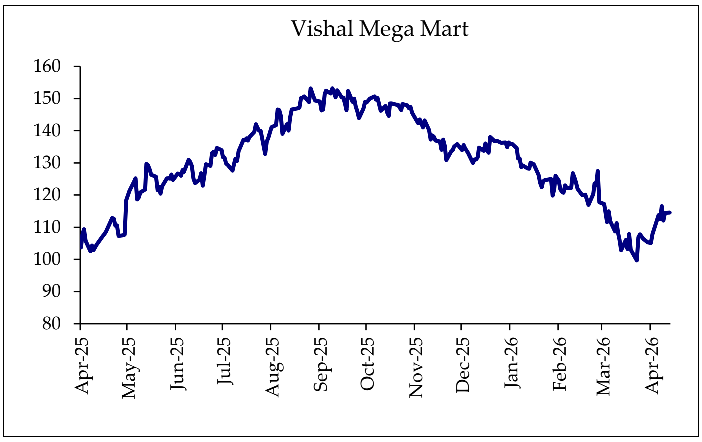
Year ending March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Reported PBT	2,696	4,305	6,210	8,493	11,437	14,629	18,344
Non-operating & EO Items	(182)	(278)	(339)	(4)	(877)	(1,165)	(1,575)
Interest Expenses	1,938	1,614	1,435	1,492	1,664	1,847	2,036
Depreciation	4,056	4,614	5,173	5,902	6,479	7,187	7,908
Working Capital Change	(1,238)	(2,656)	(2,685)	507	(1,976)	(1,069)	(1,189)
Tax Paid	(700)	(1,245)	(1,497)	(2,400)	(2,836)	(3,682)	(4,617)
OPERATING CASH FLOW (a)	**6,571**	**6,355**	**8,297**	**13,991**	**13,891**	**17,747**	**20,907**
Capex	(1,575)	(2,187)	(2,463)	(2,610)	(3,055)	(3,311)	(3,527)
Free Cash Flow (FCF)	4,996	4,168	5,834	11,381	10,836	14,435	17,380
Investments	1,800	3,909	1,086	(3,563)	-	-	-
Non-operating Income	47	51	76	68	877	1,165	1,575
INVESTING CASH FLOW (b)	**272**	**1,773**	**(1,301)**	**(6,105)**	**(2,178)**	**(2,147)**	**(1,952)**
Debt Issuance/(Repaid)	(4,665)	(5,253)	(2,769)	(1,492)	(1,664)	(1,847)	(2,036)
FCFE	331	(1,085)	3,065	9,889	9,172	12,588	15,345
Share Capital Issuance	222	22	18	897	756	-	-
Dividend	-	-	-	-	-	-	-
Others	(2,662)	(3,414)	(3,831)	(4,191)	(3,513)	(2,686)	(1,457)
FINANCING CASH FLOW (c)	**(7,105)**	**(8,645)**	**(6,582)**	**(4,786)**	**(4,421)**	**(4,533)**	**(3,492)**
NET CASH FLOW (a+b+c)	**(262)**	**(517)**	**415**	**3,100**	**7,292**	**11,067**	**15,463**
EO Items, Others							
Closing Cash & Equivalents	2,158	1,692	1,189	4,637	11,929	22,996	38,459

Key Ratios

	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
PROFITABILITY (%)							
GPM	28.2	27.2	27.7	28.5	28.6	28.6	28.7
EBITDA Margin	14.4	13.5	14.0	14.3	14.7	14.9	15.1
EBIT Margin	7.1	7.4	8.2	8.8	9.6	10.2	10.7
APAT Margin	3.6	4.2	5.2	5.9	6.8	7.3	7.8
RoE	4.3	6.4	8.6	10.5	12.4	13.6	14.3
RoIC (or Core RoCE)	5.1	6.7	8.1	9.8	12.4	14.8	17.7
RoCE	5.3	6.7	8.3	9.8	11.4	12.5	13.4
RoE*	4.1	6.2	8.3	10.2	12.1	13.2	14.0
RoIC (or Core RoCE)*	4.8	6.4	8.3	10.8	13.2	15.5	18.2
RoCE*	4.7	6.3	8.4	10.4	12.2	13.3	14.1
EFFICIENCY							
Tax Rate (%)	24.8	25.4	25.6	25.6	24.8	25.2	25.2
Fixed Asset Turnover (x)	6.3	7.3	6.9	7.2	7.1	7.1	7.1
Inventory (days)	79.4	71.7	60.0	63.0	62.0	62.0	62.0
Debtors (days)	0.2	0.2	1.3	2.3	1.0	1.0	1.0
Other Current Assets (days)	16.4	14.2	14.6	11.4	11.8	11.8	11.8
Payables (days)	95.4	72.2	50.0	50.4	48.4	48.4	48.4
Other Current Liab & Provns (days)	9.3	8.2	7.4	13.1	9.6	9.6	9.6
Cash Conversion Cycle (days)	(8.8)	5.7	18.5	13.2	16.8	16.8	16.8
Net D/E (x)	(0.03)	(0.01)	(0.02)	(0.13)	(0.21)	(0.31)	(0.40)
Interest Coverage (x)	2.1	3.5	5.1	6.3	7.3	8.3	9.2
PER SHARE DATA (Rs)							
EPS	0.5	0.7	1.0	1.4	1.8	2.3	2.9
CEPS	12.2	14.0	16.0	18.4	20.6	23.1	25.8
Dividend	-	-	-	-	-	-	-
Book Value	139.3	148.9	162.3	184.8	214.4	252.0	302.2
VALUATION							
P/E (x)	253.2	159.9	111.3	82.9	61.9	48.7	38.8
P/BV (x)	0.8	0.8	0.7	0.6	0.5	0.5	0.4
EV/EBITDA* (x)	122.9	93.1	69.2	52.9	41.8	33.5	27.1
EV/Revenues (x)	9.2	6.8	5.8	4.8	4.1	3.4	2.8
OCF/EV (%)	1.3	1.2	1.6	2.7	2.7	3.5	4.3
FCF/EV (%)	1.0	0.8	1.1	2.2	2.1	2.9	3.5
FCFE/Mkt Cap (%)	0.1	(0.2)	0.6	1.9	1.7	2.4	2.9
Dividend Yield (%)	-	-	-	-	-	-	-

Source: Company, HSIE Research

Price History



Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: >10% Downside return potential

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