Value & Variety

V2 Retail Limited

02nd September, 2026

BSE Ltd.
Corporate Relation Department,
Listing Department,
Rotunda Building, PJ Towers,
Dalal Street, Mumbai – 400 023.
Scrip Code: 532867

National Stock Exchange of India Ltd.
Listing Department
Exchange Plaza, C-1, Block- G,
Bandra Kurla Complex
Bandra (East) Mumbai–400 051
NSE Symbol: V2RETAIL

Sub: Intimation of upgradation in Credit Rating under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, please find below the details of upgradation in rating of V2 Retail Limited:

Credit Rating Agency	Type of Rating	Previous Rating	Revised Rating
India Ratings & Research	Fund Based – Working Capital Limits of Issue size of INR 1250 million	IND A-/Stable/IND A2+	INDA/Positive/INDA1
India Ratings & Research	Fund Based – Working Capital Limits of Issue size of INR 500 million	-	INDA/Positive/INDA1

The report from the credit rating agency covering the rationale for revision in credit rating is enclosed herewith.

Kindly take the above information on record.

Thanking you,
YOURS FAITHFULLY,
FOR V2 RETAIL LIMITED

SHIVAM AGGARWAL

Digitally signed by SHIVAM AGGARWAL
DN: c=IN, postalCode=110094, st=DELHI, street=NORTH EAST DELHI, l=NORTH EAST DELHI, o=Personal,
serialNumber=3e8894d34adc5ec70046a4e579ac34acd476836a6caa13e0b6f28c5c680199a5, pseudonym=613d52fbb3f9237bf08489fac202c3b4,
2.5.4.20=b29f938f6588a23bc19439d3b96d7a4c283a36630f928bf77e25f2e09ab2c161, email=FCSSHIVAM1994@GMAIL.COM, cn=SHIVAM AGGARWAL
Date: 2026.09.02 09:28:17 +05'30'

SHIVAM AGGARWAL
COMPANY SECRETARY & COMPLIANCE OFFICER
MEM. NO. A55785

Encl.: As above

India Ratings & Research
A Fitch Group Company

India Ratings Upgrades V2 Retail's Bank Loan Facilities to 'IND A'/Positive/'IND A1'

Sep 01, 2026 | V2 Retail Limited | Diversified Retail

India Ratings and Research (Ind-Ra) has upgraded V2 Retail Limited's (VRL) bank loan facilities' long-term rating to 'IND A' from 'IND A-' with a Positive Outlook and short-term rating to 'IND A1' from 'IND A2+' as follows:

Details of Instruments

Instrument Type	Regulator of Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (INR million)	Rating Assigned with Outlook/Watch	Rating Action
Bank loan facilities	RBI	-	-	-	1,250	IND A/Positive/IND A1	Upgraded
Bank loan facilities	RBI	-	-	-	500	IND A/Positive/IND A1	Assigned

Analytical Approach

To arrive at the ratings, Ind-Ra continues to take a fully consolidated view of VRL and its wholly owned subsidiary, V2 Smart Manufacturing Private Limited (VSML), considering the 100% ownership and strong operational and financial interlinkages.

Detailed Rationale of the Rating Action

The upgrade reflects VRL's healthy scale growth of over 60% yoy, driven by a sustained expansion of its store network, strong same-store sales growth, and efficient inventory management, which collectively supported a steady improvement in the EBITDA to over 4,544 million in FY26. The upgrade also factors in VRL's established position in India's value retail segment, with its growing geographical diversification, particularly in tier-2 and smaller cities, providing a competitive advantage and supporting revenue growth and earnings visibility. Furthermore, the company's asset-light expansion strategy has enabled it to expand its footprint with limited capital intensity while maintaining financial flexibility.

The Positive Outlook reflects Ind-Ra's expectation of VRL continuing to gain market share through its ongoing store additions, with operating leverage helping sustain profitability over the medium term.

However, the ratings remain constrained by the company's moderate credit metrics and the intensely competitive nature of the retail industry. In addition, an accelerated pace of store expansion could result in a slower-than-expected ramp-up of new stores, which may put pressure on VRL's cash flows and credit metrics. Therefore, the execution of the company's expansion strategy and the performance of newly added stores are key rating monitorables.

List of Key Rating Drivers

Strengths

- Established market position with geographically diversified store presence
- Healthy operating parameters
- Strong growth in scale of operations and profitability likely to sustain

Weaknesses

- Moderate credit metrics; improvement likely in medium term
- Aggressive store expansion plans can impact profitability
- Intense competition; vulnerability to economic cycles in retail sector

Detailed Description of Key Rating Drivers

Established Market Position with Geographically Diversified Store Presence: VRL is an established apparel retailer in India with a strong footprint in the retail segment in tier-2 and smaller cities, offering a wide product portfolio across men's wear, women's wear, kids' wear, and accessories. The company had 325 stores spread across 225 cities and 25 states with a total retail area of over 3.5 million square feet as on 31 March 2026. VRL has an entrenched presence in the northern, eastern, and central India, with an expanding footprint in the southern and western India. The company added 136 stores in FY26, and Ind-Ra expects it to add 170 stores in FY27, enabling a deeper penetration into primary markets and pushing its retail area up around 50% yoy. The company rolled out 56 stores(net) in 1QFY27 and crossed the 400-store mark in August 2026. The revenue contribution from its own brands rose to 90% in FY26 (FY25: 80%, FY24: 60%), with an increase likely over FY27-FY28. The cluster-based expansion model enables cost rationalisation and marketing efficiency, while its strategic focus remains on deepening penetration in existing markets and expanding further into tier-2 and smaller cities.

Healthy Operating Parameters: VRL benefits from its economies of scale, a healthy share of own-brand sales, and established relationships with a wide and diversified vendor base, resulting in significant operational efficiencies. The same-store sales growth remains healthy despite moderating to 10% in FY26 on a high base (FY25: 30%; FY24: 31%). VRL's sales per square foot per month (a productivity metric) declined to INR931 in FY26 (FY25: INR1,020), primarily due to the addition of 136 new stores (over 70% network increase). Nevertheless, on a consolidated level, its average selling price increased to INR326 in FY26 (FY25: 295) and average bill value to INR922 (INR854), indicating healthy customer spending. The impact of the recent store additions on VRL's operating metrics is likely to moderate gradually as the newer stores mature and scale up. VRL closed its in-house manufacturing unit in 2025 and transitioned to an asset-light operating model focused on retailing. Manufacturing is outsourced to third-party vendors, while VRL maintains control over design and product development, enabling brand consistency, operational flexibility, and cost efficiency.

Strong Growth in Scale of Operations and Profitability Likely to Sustain: VRL's consolidated revenue grew about 63% yoy to INR30,670 million in FY26 (FY25: INR18,845 million), driven by steady same-store sales growth, with an increase in customer footfalls, a rise in the average billing per customer, and the ongoing store additions. The company's EBITDA margin rose to 14.85% in FY26 (FY25: 13.7%), supported by an increasing contribution from own brands, which accounted for 90% of the revenue, alongside improved sourcing efficiencies, enhanced inventory management, and operating leverage. Ind-Ra expects the revenue growth momentum to continue over FY27-FY29 with stable profitability, led by the ramp-up of recently added stores and continued same-store sales growth.

Moderate Credit Metrics; Improvement Likely in Medium Term: VRL's consolidated interest coverage (post Ind-AS EBITDA/interest-including the interest on lease liabilities) improved to 4.71x in FY26 (FY25: 3.8x; FY24: 3.1x) due to higher EBITDA. The company's external debt increased to INR2,294 million in FY26 (FY25: INR1,264 million; FY24: XX) due to an increase in working capital limits. Its net leverage (net debt including lease/EBITDA) improved to 2.17x in FY26 (FY25: 3.3x; FY24: 3.5x) due to higher EBITDA margins. The adjusted net leverage (net debt excluding lease/EBITDA) was comfortable at 0.5x in FY26. Ind-Ra expects the interest coverage to improve over FY27-FY28 with an improving EBITDA. However, the net leverage is likely to be broadly stable, as operating cash flows are largely offset by the company's continued store expansion plans and associated funding requirements.

Aggressive Store Expansion Plans Can Impact Profitability: VRL plans to add over 170 (net) stores in FY27 and around 200 stores in FY28, mainly funded through internal accruals. However, these plans can cause a slower-than-anticipated ramp-up in store performance, resulting in subdued profitability and stretched free cash flow from operations. While internal accruals are likely to support the planned phase of growth, any shortfall in expected returns or delays in breakeven timelines could stretch VRL's liquidity. However, the company has indicated that incremental inventory investments could be funded through bank debt, given the availability of drawing power, and trade credit. Maintaining operational efficiency and optimising store performance while maintaining profitability are key monitorables.

Intense Competition; Vulnerability to Economic Cycles in Retail Sector: The organised retail sector is characterised by intense competition as well as susceptibility to economic cycles, especially in discretionary categories such as apparel. Intense competition from other established organised retailers and the rapid expansion of the e-commerce industry pose a threat to traditional brick and mortar stores. VRL is exposed to the inherent risks associated with inventory obsolescence, physical damage, and shifts in consumer preferences, particularly in fashion-driven categories. Amid India’s moderating economic momentum, with urban consumption softening and rural demand gradually recovering, the trajectory of discretionary spending is a critical monitorable.

Liquidity

Adequate: VRL's liquidity is adequate with an unencumbered cash of INR60.56 million and consolidated cash flow from operations of INR2,229 million as on 31 March 2026. The company had INR1,250 million in sanctioned cash credit limits until 31 March 2026, which was enhanced to INR1,750 million in July 2026 with a proposal to further enhance the working capital limits by INR750 million over the next few months. The average utilisation was 78% for the 12 months ended July 2026. The company also has an ad hoc limit of INR150 million upon request, which it availed during the peak season in FY26. VRL has a high inventory funding requirement, with inventory days (on COGS) increasing to 194 in FY26 (FY25: 154), primarily driven by higher stocking levels in response to supply chain uncertainties amid the West Asia conflict. The management expects inventory levels to gradually normalise as the situation stabilises. The inventory requirement is funded largely through trade payables of INR4,633 million (creditor days: 65 days in FY26; FY25: 73 days) and working capital borrowings of INR1,999 million (including supplier finance funding of INR764 million), with the balance funded through internal accruals. Consequently, the company's working capital cycle elongated to 130 days in FY26 (FY25: 80 days). Given the significant store rollout plans, Ind-Ra expects cash flow from operations to turn negative over the medium term, mainly due to higher working capital requirements and capex.

Rating Sensitivities

Positive: The following factors, individually or collectively, could lead to a positive rating action:
• a sustained improvement in the scale of operations and operating profits, with improved working capital management and liquidity profile.
• the post Ind-AS net leverage below 2.5x on a sustained basis.

Negative: The following factors, individually or collectively, could lead to a negative rating action:
• sustained deterioration in the scale/profitability or larger-than-expected debt-funded capex along with deterioration in the working capital management, leading to a continued stretch in the liquidity profile.
• the post Ind-AS net leverage above 2.5x on a sustained basis.

Any Other Information

Standalone Performance: VRL’s standalone revenue grew 62% yoy to INR30,600 million in FY26 (FY25: INR18,845 million). Moreover, the EBITDA margin rose to 15.2% in FY26 (FY25: 13.4%). The steady growth has been driven by same-store sales growth, customer footfalls, and ongoing additions to store count. The interest coverage improved to 4.8x in FY26 (FY25: 3.8x) and the net leverage reduced to 2.12x in FY26 (FY25: 3.30x) due to an improvement in the EBITDA level. The company’s major debt comprises lease liabilities, which accounted for 74% of the total debt outstanding as on 31 March 2026 (31 March 2025: 87%).

About the Company

VRL is a leading apparel retailer catering to the three major categories, i.e. women, men, and kids wear, with its 381 stores located primarily in India’s tier-2 and smaller cities spread across 4.07 million square feet as on 30 June 2026. The company is promoted by Ram Chandra Agarwal, who has over three decades of experience in the retail industry.

Key Financial Indicators

Particulars (INR million) - Consolidated	FY26	FY25
Revenue	30,670	18,845

Particulars (INR million) - Consolidated	FY26	FY25
EBITDA	4,555	2,578
Interest expenses	967	679
PAT	1,621	720
Interest coverage (EBITDA/interest) (x)	4.7	3.8
Net leverage (net debt including lease liabilities/EBITDA) (x)	2.2	3.3
Source: VRL, Ind-Ra		

Status of Non-Cooperation with Previous Rating Agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook
	Rating Type	Rated Limits (INR million)	Current Rating	19 June 2025
Bank loan facilities	Long-term/Short-term	1,750	IND A/Positive/IND A1	IND A-/Stable/ IND A2+

Disclosure on instruments / activities and names of regulators:

A list of products/activities or ratings of instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by Ind-Ra on its website. A link to the same has been provided below for ready reference:

Rating Activities

Note: Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Bank wise Facilities Details

The details are as reported by the issuer as on (01 Sep 2026)

#	Bank Name	Instrument Description	Rated Amount (INR million)	Rating
1	HDFC Bank Limited	Fund Based Working Capital Limit	500	IND A/Positive / IND A1
2	Bank of Maharashtra	Fund-based working capital limits	500	IND A/Positive / IND A1
3	Punjab National Bank	Fund-based working capital limits	750	IND A/Positive / IND A1

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Bank loan facilities	Low

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity-indicators.

Contact

Primary Analyst
Saket Upadhyay
Analyst
India Ratings and Research Pvt Ltd
DLF Epitome, Level 16, Building No. 5, Tower B DLF Cyber City, Gurugram Haryana - 122002
+91 124 6687208
For queries, please contact: infogrp@indiaratings.co.in

Secondary Analyst
Mihir Gawade
Senior Analyst
+91 22 40356199

Media Relation
Ameya Bodkhe
Marketing Manager
+91 22 40356121

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APPLICABLE CRITERIA AND POLICIES

Corporate Rating Methodology

Short-Term Ratings Criteria for Non-Financial Corporates

The Rating Process

Evaluating Corporate Governance

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