



V2 Retail Limited

23rd June, 2025

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	[ICRA] BBB (Stable)	IND A-/Stable/IND A2 +

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.

This is for your information & record.

**Thanking you,
YOURS FAITHFULLY,
FOR V2 RETAIL LIMITED**

**SHIVAM AGGARWAL
COMPANY SECRETARY
MEM. NO. A55785**

India Ratings Assigns V2 Retail's Bank Limits 'IND A-/Stable

Jun 19, 2025 | Diversified Retail

India Ratings and Research (Ind-Ra) has rated V2 Retail Limited's (VRL) bank facility as follows:

Details of Instruments

Instrument Description	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating Assigned along with Outlook/Watch	Rating Action
Fund-based working capital limits	-	-	-	INR1,250	IND A-/Stable/IND A2+	Assigned

Analytical Approach

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

Detailed Rationale of the Rating Action

The rating reflects the continued traction in operating parameters such as net store additions, same store sales growth, and inventory turns at the consolidated level over FY24-FY25. VRL demonstrated healthy growth in scale and EBITDA margins over FY23-FY25, and Ind-Ra expects the company to maintain a healthy revenue growth trajectory while sustaining its EBITDA margin and credit profile on a consolidated basis over the medium term. The ratings are also supported by the company's established market position as one of India's leading retailer in tier-2 and beyond cities, with a geographically diversified store presence. The company continues to grow through store rollouts on an asset-light model. However, the ratings are partially constrained by the consolidated moderate credit metrics and intense competition in the retail sector. Furthermore, a rapid store expansion leading to a slower-than-expected ramp-up of operations at new stores can impact the profitability and cash flows, which will be a key monitorable.

List of Key Rating Drivers

Strengths

- Established market position with geographically diversified store presence
- Continued improvement in operating parameters over FY24-FY25
- Healthy growth in scale of operations over FY24-FY25, likely to sustain

Weaknesses

- Moderate credit metrics, improvement expected in medium term
- Aggressive store expansion plans can impact profitability
- Qualified audit opinion
- 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 beyond cities, offering a wide product portfolio across men's wear, women's wear, kids' wear and accessories. As on 31 March 2025, the company operated from 189 stores spread across 150 cities and 20 states with a total retail area of over 2.03 million square feet. Also, VRL has an entrenched presence in the north, east and central regions of India, and is expanding the footprint in the southern and western India, resulting in geographic diversification. Over the past five years, the company has added 113 stores and the agency expects the company to add another 85-90 stores in FY26 and increase its retail area by 35%-40%, driven by deeper expansion within its primary markets. During FY25, revenue contribution from its own brands increased to over 90% from 60% in FY24, which is likely to improve to 100% over FY26-FY27. The cluster-based expansion model enables cost rationalisation and marketing efficiency, while its strategic focus remains on deepening penetration in the existing markets and expanding into Tier 2 and beyond cities. The company is promoted by Ram Chandra Agarwal has more than two decades of experience in the retail industry.

Continued Improvement in Operating Parameters over FY24-FY25: Operationally, 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 company reported healthy same store sales growth of 29% in FY25 (FY24: 31%), owing to an increase in the revenue per square foot by 15% yoy (27%), signalling healthy sales traction across both existing and new stores. The company also reported an improvement in inventory turns to 3.4x in FY25 from 2.8x in FY24. VRL operates on the asset-light business model with about less than 10% of its apparel produced internally and the rest sourced from external vendors. While manufacturing is largely outsourced, the company retains full control over design and product development to ensure brand consistency. The asset-light model helps maintain cost efficiency and operational flexibility by minimising fixed overheads. In 2019, the company started in-house manufacturing of apparel under its wholly-owned subsidiary, VSML, to enhance cost control and maintain quality. As of now, VRL meets around 10% of its apparel requirements (FY24: 15%) through this subsidiary, and has no plans to increase the same. In-house manufacturing provides costs savings compared to procurement from external vendors, and the company passes these benefits on to its customers.

Healthy Growth in Scale of Operations over FY24-FY25, Likely to Sustain: VRL's consolidated revenue grew at a CAGR of about 52% over FY22-FY25 and stood at INR18,845 million in FY25 (FY24: INR11,647 million; FY23: INR8,389 million), driven by steady growth in same-store sales growth, resulting from an increase in customer footfalls, a rise in average billing per customer, and the ongoing additions to store count. The company's EBITDA margin remained healthy and rose to 13.7% in FY25 (FY24: 12.7%; FY23: 10.0%), supported by an increasing contribution from own brands, which accounted for 90% of the revenue during the year (60%; 40%), alongside improved sourcing efficiencies, enhanced inventory management, and the and benefits of operating leverage. Ind-Ra expects VRL to continue with revenue growth momentum over FY26-FY27 while maintaining the profitability on account of a ramp-up of the recently added stores and healthy same store sales growth.

Moderate Credit Metrics, Improvement Expected in Medium Term: The consolidated interest coverage (post Ind-AS EBITDA/interest- including the interest on lease liabilities) remained moderate, despite improving to 3.8x in FY25 (FY24: 3.1x; FY23: 2.1x) on account of an improvement in EBITDA to INR2,578 million (INR1,478 million; INR840 million). The company's external debt remained low at INR115.5 million as on 31 March 2025, although it increased from INR908 million in FY23 on account of an increase in vehicle loans and unsecured loans. The company's net leverage (net debt including lease/EBITDA) remained high at 3.3x in FY25 (FY24: 3.5x; FY23: 5.0x) owing to higher lease liabilities. The adjusted net leverage (net debt excluding lease/EBITDA) stood comfortable at 1.5x. Ind-Ra expects the interest coverage and net leverage to improve over FY26-FY27 on account of an improvement in EBITDA and repayment of external debt.

Aggressive Store Expansion Plans Can Impact Profitability: The company plans to add another over 90 (net) stores each in FY26 and FY27, majorly funded by internal accruals. However, such aggressive store expansion plans can result in a slower-than-anticipated ramp-up in store performance, resulting in subdued profitability and stretched free cashflow from operations. While internal accruals are expected to support the planned phase of growth, any shortfall in expected returns or delays in breakeven timelines could stretch liquidity. However, the company has indicated that any expansion beyond the current plan will be financed through equity infusions. Maintaining operational efficiency and optimising store performance while maintaining profitability will remain a key monitorable.

Qualified Audit Opinion: Ind-Ra notes a qualified opinion in the company's audit report for FY24, which continued in 4QFY25, with respect to the physical verification and carrying value of property, plant and equipment held by VRL. This qualification has been recurring over the past few years. As per the management, the same is primarily due to the absence of a fixed asset module in the enterprise resource planning system and the complexity involved in managing over 15,000 fixed asset items. Previously, an external agency was engaged to support the fixed asset identification process. However, due to unsatisfactory progress, the engagement was discontinued. The company has since appointed a new agency, and around 80% of the verification work has now been completed. The management anticipates that the qualified opinion may be resolved in FY26.

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. The company is also 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 position is adequate with an unencumbered cash of INR90 million and consolidated cash flow operations of INR2,229 million as on 31 March 2025. The company has received an enhancement in its sanctioned limits which increased to INR1,250 million from INR750 million in May 2025. The company's average working capital utilisation remained high at 93% for the 12 months ended 31 March 2025; however, it is likely to reduce over FY26 with the enhancement in its working capital limits. The company has a high inventory funding requirement, resulting in inventory days of 153 in FY25 (FY24: 187); however, it was majorly funded by creditors of INR3,693 million in FY25 (creditor days of 83 days in FY25, 69 days in FY24) and working capital debt of INR723 million and internal accruals, resulting a working capital cycle of 70 days (117 days). Despite the large number of store roll-outs, Ind-Ra expects the cash flow from operations to remain positive over the medium term, on the back of strong revenue growth, stable margins and cash conversion cycle, resulting in improvement in credit metrics. VRL has also provided corporate guarantee for VSML's term loan (current outstanding as on March 31, 2025- INR 38.9 million).

Rating Sensitivities

Positive: The following factors, individually or collectively, could lead to a positive rating action:

- maintaining the growth trajectory in the scale of operations and operating parameters (net store additions, same store sales growth, and inventory turns), while maintaining operating profitability and credit ratios
- the post Ind-AS net leverage remaining below 3.5x on a sustained basis

Negative: The following factors, individually or collectively, could lead to a negative rating action:

- Lower-than-expected improvement/deterioration in the scale of operations and a weakening of operating parameters, leading to lower cash flow generation, resulting in deterioration in the financial credit metrics and the adjusted net leverage (Post Ind-AS) exceeding 4.0x on a sustained basis

Any Other Information

Standalone Performance: VRL has shown significant improvement in its performance with revenue growing at a CAGR of 44% over FY22-FY25, reaching INR18,844 million in FY25. Also, the EBITDA margin rose to 13.4% in FY25 (FY24: 12.3%, FY22: 10%). The steady growth has been driven by same-store sales growth, customer footfalls, and ongoing additions to store count. The interest coverage improved to 3.8x in FY25 (FY24: 3.04x; FY23: 2.07x) and the net leverage reduced to 3.30x (3.59x; 4.99x) due to an improvement in EBITDA level. The company's major debt comprises lease liabilities which accounted for 87% of total debt outstanding as on 31 March 2025 (31 March 2024: 81%).

About the Company

The V2 Retail group consists of two entities, VRL and VSML. VRL is the flagship group of the group and India's leading apparel retailer with presence across three major categories, i.e., women, men and kids wear. The company has a pan-India network of 189 stores spread across 2.03 million sf. Its stores are located primarily in India's tier-II and beyond cities.

VSML was set up in 2029 for in-house manufacturing of apparel. As of now, VRL meets around 0% of its apparel requirements through this subsidiary.

Key Financial Indicators

Particulars	FY25	FY24
Revenue (INR million)	18,845	11,647
EBITDA (INR million)	2,578	1,478
EBITDA margin (%)	13.68	12.69
Interest expenses (INR million)	679	472
PAT (INR million)	720	278
Interest coverage (EBITDA/interest, x)	3.8	3.1
Net leverage (net debt including lease liabilities/ EBITDA, x)	3.3	3.5
Source: VRL, Ind-Ra		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook		
	Rating Type	Rated Limits (million)	Rating
Fund-based working capital limits	Long-term/Short-term	INR1,250	IND A-/Stable/IND A2+

Bank wise Facilities Details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Fund-based working capital limits	Low

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

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About India Ratings and Research: India Ratings and Research (Ind-Ra) is committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Corporate Rating Methodology

The Rating Process

Short-Term Ratings Criteria for Non-Financial Corporates

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