



3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✓	✗	✗
+ Positive = Neutral - Negative			

What has changed in 3R MATRIX

	Old		New
RS	✓	↔	✓
RQ	✓	↔	✓
RV	✓	↔	✓

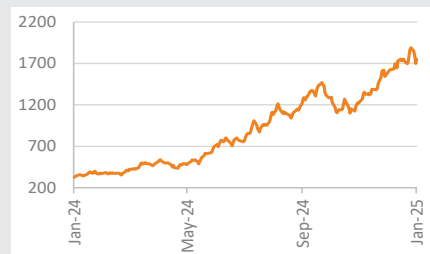
Company details

Market cap:	Rs. 6,061 cr
52-week high/low:	Rs. 1,950 / 319
NSE volume: (No of shares)	0.7 lakh
BSE code:	532867
NSE code:	V2RETAIL
Free float: (No of shares)	1.6 cr

Shareholding (%)

Promoters	54.3
FII	1.7
DII	6.0
Others	38.0

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	10.6	36.3	129.0	440.3
Relative to Sensex	13.2	40.8	133.9	432.7

Source: Mirae Asset Sharekhan Research, Bloomberg

V2 Retail Ltd

Robust Q3; outlook stays bright

Consumer Discretionary

Sharekhan code: V2RETAIL

Reco/View: Positive



CMP: Rs. 1,752

Price Target: Rs. 2,205



Upgrade



Maintain



Downgrade

Summary

- V2 Retail's (V2R's) Q3FY25 numbers were strong, with revenues rising 58% y-o-y, EBITDA margin expanding 256 bps y-o-y thus driving an over 2.2x y-o-y PAT growth.
- Shift from unorganised to organised in value fashion, aggressive store additions, higher revenue per sq. ft., focus on product development and double-digit SSSG will be key revenue growth drivers. We expect revenues to clock a 50% CAGR over FY24-27E.
- V2R plans to open 20-25 stores in Q4 (43 net additions in 9MFY25) and eyes 100 store additions in FY26 largely through internal accruals. It aims to become a pan-India retailer in 3-5 years.
- Stock trades at 26x, 17x and 12x its FY25E, FY26E and FY27E its EV/EBITDA, respectively. We stay Positive with a revised price target of Rs. 2,205.

Q3FY25 was yet another strong quarter for V2 Retail (V2R), with strong double-digit revenue growth and margin expansion leading to an over 2x y-o-y growth in PAT. Consolidated revenues grew by 58.1% y-o-y to Rs. 591 crore driven by ~25% y-o-y same-store-sales growth (SSSG) and store additions. Sales per sq. ft. per month rose to Rs. 1,219 from Rs. 1,085 in Q3FY24. Gross margins fell by 70 bps y-o-y to 34.3% and EBITDA margins expanded by 256 bps y-o-y to 18.9% led by better operating efficiencies. EBITDA margin beat our expectation of 15.6%. EBITDA grew by 83% y-o-y to Rs. 112 crore and PAT grew by 2.2x y-o-y to Rs. 51 crore (against expectation of Rs. 41 crore) led by strong revenue growth and better operating efficiencies. 9MFY25 revenues grew by 59.5% y-o-y to Rs. 1,386 crore, EBITDA margins expanded by 103 bps y-o-y to 14.4% and PAT stood at Rs. 65.6 crore versus Rs. 24.1 crore in 9MFY24. V2R opened 21 stores during Q3FY25 (43 net additions in 9MFY25), taking the count to 160 as of Q3-end, with total retail area at ~17.22 lakh sq. ft.

Key positives

- Sales per sq. ft. per month grew by 12.4% y-o-y to Rs. 1,219.
- SSSG stood at 25% y-o-y; Volumes rose by 34% y-o-y.
- MRP sales contribution increased to 91% versus 86% in Q3FY24.

Management Commentary

- India still has a high share of unorganised players, which is a good opportunity for organised players. Management expects organised value fashion to clock a 13-15% CAGR over 10 years.
- Management expects revenue to grow by at least 50% for next 10 years (10% growth from same stores and remining from new stores).
- ASP to stay steady (at +/- 5-10% of current level).
- V2R eyes a 10% SSSG in the coming years which would be largely driven by volume growth aided by product development, robust supply chain and higher number of sizes per design.
- It expects revenue per sq. ft. to be above Rs. 1,000 per sq. ft. per month in FY25 and further increase to Rs. 1,200 per sq. ft. per month over the next 2 years.
- V2R plans to increase share of in-house designing from 35% currently to 80% by next summer (management expects this to be one of the biggest driver of growth).
- Management guided that all four quarters are expected to be EBITDA positive going ahead. It targets 10% pre-Ind AS EBITDA margin in the coming years.
- It plans to open 20-25 stores in Q4 and targets 100 store additions in FY26 largely through internal accruals and aims to become a national level retailer in 3-5 years.

Revision in earnings estimates – We have raised our estimates for FY25, FY26 and FY27 to factor in robust performance in 9MFY25 and strong management outlook.

Our Call

Valuation – Retain positive view with a revised PT of Rs. 2,205: V2R delivered strong performance in 9MFY25 with SSSG of ~31%. The company is focusing on becoming one of the key players in the value retail space with strong store expansion plans and consistent improvement in the same-store-sales in the coming years. Management is confident of a ~50% revenue growth in the coming years backed by internal initiatives and strong outlook for value fashion. The stock trades at 26x, 17x and 12x its FY25E, FY26E and FY27E EV/EBITDA, respectively. We stay Positive on the stock with a revised price target of Rs. 2,205 (rolling over to FY27 estimates).

Key Risks

Any substantial inflation and weak macro environment will affect consumer sentiments, especially in tier-2 and -3 towns, which will affect the same-store-sales of V2R and have an impact on the earnings in the near term.

Valuation (Consolidated)

Particulars	FY23	FY24	FY25E	FY26E	FY27E
Revenues	839	1,165	1,843	2,829	3,901
EBITDA margin (%)	10.0	12.7	13.9	14.0	13.9
Adjusted PAT	-13	28	80	185	290
Adjusted EPS (Rs.)	-3.7	8.1	23.3	53.8	84.3
P/E (x)	-	-	75.2	32.6	20.8
P/B (x)	24.4	21.9	17.0	11.2	7.3
EV/EBITDA (x)	76.7	44.4	25.7	16.5	12.0
RoNW (%)	-	10.7	25.4	41.4	42.4
RoCE (%)	3.5	10.5	18.9	28.2	33.6

Source: Company; Mirae Asset Sharekhan estimates

Key business updates

- ♦ Sales per sq. ft. per month increased to Rs. 1,219 from Rs. 1,085 in Q3FY24 (grew by 12% y-o-y). For 9MFY25, Sales per sq. ft. per month rose to Rs. 1,069 from Rs. 862 in 9MFY24 (rose by 24% y-o-y).
- ♦ SSSG stood at ~25% for Q3FY25 and ~31% for 9MFY25.
- ♦ Volumes rose 34% y-o-y aided by strong footfalls and store additions. Volume growth for 9MFY25 stood at 43% y-o-y.
- ♦ ASP rose 17.9% y-o-y to Rs. 343 led by better product mix. ASP was Rs. 293 in 9MFY25 as compared to Rs. 263 in 9MFY24 (up by 11.4% y-o-y).
- ♦ Average Bill Value (ABV) rose by 8.1% y-o-y to Rs. 924. ABV was Rs. 853 in 9MFY25 up by 6.9% y-o-y.
- ♦ MRP sales contribution increased to 91% versus 86% in Q3FY24. MRP sales stood at 91% in 9MFY25 compared to 85% in 9MFY24.
- ♦ Q3FY25 product mix comprised - Men's Wear: 40%, Ladies Wear: 26%, Kids Wear: 26% and LifeStyle: 8%.
- ♦ V2R opened 21 stores in Q3FY25 (Opened 45 & Closed 2 in 9MFY25), taking the total to 160 stores at Q3FY25-end spread across total retail area of ~17.22 lakh sq. ft.

Results (Consolidated)

Particulars	Q3FY25	Q3FY24	Y-o-Y (%)	Q2FY25	Rs cr Q-o-Q (%)
Total revenue	590.9	373.8	58.1	380.0	55.5
Raw material cost	401.5	256.3	56.7	276.2	45.3
Employee cost	42.3	29.7	42.2	39.0	8.3
Other expenses	35.7	26.8	33.1	31.7	12.8
Total operating cost	479.5	312.8	53.3	347.0	38.2
EBITDA	111.5	60.9	83.0	33.1	-
Other income	1.2	3.0	-60.6	2.5	-52.5
Interest & other financial cost	17.8	11.7	52.4	15.0	19.1
Depreciation	26.3	20.9	26.2	23.0	14.3
Profit before tax	68.5	31.4	-	-2.4	-
Tax	17.3	7.8	-	-0.5	-
Reported PAT	51.2	23.6	-	-1.9	-
Adj. EPS (Rs)	14.8	6.8	-	-0.6	-
			bps		bps
GPM (%)	32.1	31.4	63	27.3	476
EBITDA Margin (%)	18.9	16.3	256	8.7	-
NPM (%)	8.7	6.3	236	-0.5	917
Tax rate (%)	25.3	25.0	34	20.3	500

Source: Company; Mirae Asset Sharekhan Research

Operational performance

Particulars	Q3FY25	Q3FY24	Y-o-Y (%/bps)	Q2FY25	Q-o-Q (%/bps)
Sales per sq. ft. (Rs./month)	1,219.0	1,085.0	12.4	904.0	34.8
Average Selling Price (Rs.)	343.0	291.0	17.9	269.0	27.5
Average Bill Value (Rs.)	924.0	855.0	8.1	791.0	16.8
MRP Sales Contribution (%)	91.0	86.0	500	89.0	200

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Near-term outlook bleak; long-term growth prospects intact

In the near term, revenue growth for the branded retail and apparel companies is likely to be largely driven by store expansion, steady demand for premium products, and better consumer sentiments in urban markets/metros. In the medium to long term, market share gains, higher traction on the e-commerce platform, a strong retail space expansion strategy, and steady expansion of the product portfolio will help branded apparel and retail companies post consistent growth. Better operating leverage, improved efficiencies, and an enhanced mix would help branded apparel and retail companies post higher margins in the coming years.

■ Company Outlook – Multiple growth strategies in place

A well-defined expansion strategy targeting Tier-II and Tier-III cities (targets to open ~100-120 stores during FY25-26) and management's focus on improving revenue per sq. ft to Rs. 12-13,000 per sq. ft. will help the company to post a 50% revenue CAGR over FY2024-27E. Rising contribution of in-house designing and better operating efficiencies will help EBITDA clock a 54% CAGR over FY2024-27E. Strong revenue growth, improvement in profitability and efficient working capital management will drive return ratios, with RoE/RoNW expected to rise to 42%/34% in FY2027E from 11%/10% in FY2024.

■ Valuation – Retain positive view with a revised PT of Rs. 2,205

V2R delivered strong performance in 9MFY25 with SSSG of ~31%. The company is focusing on becoming one of the key players in the value retail space with strong store expansion plans and consistent improvement in the same-store-sales in the coming years. Management is confident of a ~50% revenue growth in the coming years backed by internal initiatives and strong outlook for value fashion. The stock trades at 26x, 17x and 12x its FY25E, FY26E and FY27E EV/EBIDTA, respectively. We stay Positive on the stock with a revised price target of Rs. 2,205 (rolling over to FY27 estimates).

Peer Comparison

Particulars	P/E (x)			EV/EBITDA (x)			RoCE (%)		
	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
ABFRL	-	-	-	26.3	20.9	16.9	0.3	0.9	0.8
Trent	-	-	74.1	89.7	60.3	45.1	24.5	38.4	43.2
V2 Retail	-	75.2	32.6	44.4	25.7	16.5	10.5	18.9	28.2

Source: Company; Mirae Asset Sharekhan Research

About the company

V2R is one of the fastest growing retail companies in India and enjoys strong brand equity from customers across segments. The company's product portfolio is comprised of two broad categories of apparels, which constitutes ~88% of total business and lifestyle products, which contribute ~12% to total business. It primarily operates in Tier-2 and -3 cities, with a chain of 'V2 Retail' stores. The company has a strong presence in North and East India and caters to the neo middle class and middle-class group of population. At Q3FY2025-end, the company's store network comprised of 160 stores spread across 18 states and 130 cities with a total retail area of ~17.22 lakh sq. ft.

Investment theme

V2R is one of the fastest growing retail companies in India and enjoys strong brand equity from customers across segments. Management's focus on improving revenue per sq. ft to Rs. 15,000 per sq. ft. and aggressive store additions would aid the company to post 50% revenue CAGR over FY2024-27E. Rising contribution of in-house designing and better operating efficiencies will aid in ~120 bps expansion in EBITDA margin over FY2024-27E. Improved operating performance, a lean balance sheet and strategies in place to drive consistent growth make it a strong play in the retail space.

Key Risks

- ♦ Slowdown in discretionary demand or increased competition from new players in the branded space would act as a key risk to earnings estimates.
- ♦ Volatility in key raw-material prices such as cotton can affect the company's profitability.

Additional Data

Key management personnel

Ram Chandra Agarwal	Chairman and Managing Director
Manshu Tandon	Chief Executive Officer
Pratik Adukia	Chief Financial Officer
Shivam Aggarwal	Company Secretary and Compliance Officer

Source: Company Website

Top 8 shareholders

Sr. No.	Holder Name	Holding (%)
1	Motilal Oswal Asset Management Co. Ltd.	4.89
2	Todi Vishal Vishwanath	2.15
3	Kasera Sachin	1.59
4	Periwal Abhijit	1.51
5	Dimensional Fund Advisors LP	0.14
6	Trust Investment Advisors Pvt. Ltd.	0.08
7	Bank of India Investment Managers Pvt. Ltd	0.05
8	State Street Corp	0.02

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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