


**3R MATRIX**

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

**What has changed in 3R MATRIX**

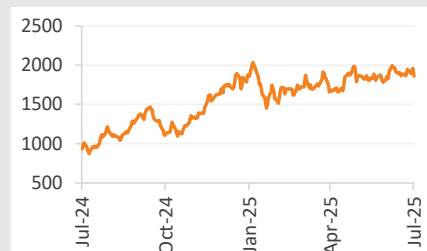
	Old		New
RS	✓	↔	✓
RQ	✓	↔	✓
RV	✓	↔	✓

**Company details**

Market cap:	Rs. 6,439 cr
52-week high/low:	Rs. 2,095/840
NSE volume: (No of shares)	0.6 lakh
BSE code:	532867
NSE code:	V2RETAIL
Free float: (No of shares)	1.6 cr

**Shareholding (%)**

Promoters	54.2
FII	2.8
DII	7.4
Others	35.6

**Price chart**


Source: NSE India, Mirae Asset Sharekhan Research

**Price performance**

(%)	1m	3m	6m	12m
Absolute	2.6	10.3	-0.8	99.6
Relative to Sensex	5.5	9.1	-6.5	100.3

Source: Mirae Asset Sharekhan Research, Bloomberg

**V2 Retail Ltd**
**Strong Q1; growth momentum to sustain**

Consumer Discretionary		Sharekhan code: V2RETAIL		
Reco/View: Positive	↔	CMP: Rs. 1,862	PT: Rs. 2,293	↔

**Summary**

- V2 Retail (V2Rs) Q1FY26 numbers were strong, with revenues rising 52% y-o-y, EBITDA margin up 78 bps y-o-y, thus driving a 61% y-o-y adjusted PAT growth.
- Management guided for a y-o-y revenue growth of over 50% driven by new stores and SSSG of 8-10% and pre-Ind-AS EBITDA margin increasing to ~10% in coming quarters.
- QIP of Rs. 400 crore to be utilised for debt reduction, higher store additions (raised store addition target to ~120 stores from ~100 stores earlier), paying vendors for negotiating better terms and growth.
- Stock trades at 18x and 12x its FY26E and FY27E EV/EBITDA, respectively. We stay Positive with an unchanged PT of Rs. 2,293.

V2R began FY26 on a strong note, with robust double-digit revenue growth and margin expansion leading to 61% y-o-y growth in adjusted PAT. Consolidated revenues grew by 52.3% y-o-y to Rs. 632 crore, largely in line with our estimate of Rs. 628 crore, driven by volume growth of 50%. SSSG stood at 5%, with strong double-digit growth in May and June, offset by a temporary dip in April due to an early Eid in Q4FY25. On a normalised basis, Q1FY26 SSSG stood at 10%. Gross margins fell 289 bps y-o-y to 29.6%. However, EBITDA margins improved by 78 bps y-o-y to 14.1% on back of store level efficiencies. EBITDA margin lagged our expectation of 14.7%. EBITDA grew by 61.2% y-o-y to Rs. 89 crore and adjusted PAT grew by 61.4% y-o-y to Rs. 26 crore led by strong revenue growth and improved operating efficiencies. Exceptional items included loss on sale of fixed assets. Reported PAT grew by 50.9% y-o-y to Rs. 25 crore. V2R opened 27 net stores during Q1FY26, taking the total count to 216 stores at Q1FY26-end, with total retail area of ~23.49 lakh sq. ft. The company's board has approved fundraising of up to Rs. 400 crore via equity or convertible securities.

**Key positives**

- Volumes increased by 50% y-o-y.
- Average selling prices rose 16.5% y-o-y to Rs. 303.

**Key negatives**

- Interest cost rose 66% y-o-y to Rs. 23 crore.

**Management Commentary**

- Management pointed at good traction in Q2 so far, as July is doing better than expectations with strong momentum likely to continue.
- V2R has added nine stores so far in Q2, taking the total to 225 stores till date and plans to open 100-120 stores in FY26, with focus on tier 2-3 cities, which have opportunities for strong growth. Management highlighted that the new stores are break even from first day of operations, but revenue/sq. ft is ~25% less than matured stores.
- The board has approved a QIP of Rs. 400 crore, which is expected to be utilised for debt reduction, higher store additions, paying vendors for negotiating better terms and future growth (automation, infrastructure, technology, etc).
- Management eyes revenue growth of 45-50% driven by new stores and an SSSG of 8-10% which would be driven by a 3-5% rise in ASP and the rest from volume growth.
- Management has guided for gross margins to be at 28-29% and pre-Ind AS EBITDA margin to increase to ~10% in coming quarters. It has maintained guidance of reporting positive PAT in all four quarters in FY26.
- V2R plans to incur capex of Rs. 300 crore in FY26, including store addition capex of Rs. 250-260 crore (~Rs. 2.5 crore capex per store) and capex for warehouse (Rs. 40-50 crore).

**Revision in earnings estimates** - We have marginally tweaked our estimates for FY26 and FY27 as Q1FY26 performance was largely in line with expectations.

**Our Call**

**View - Retain positive view with an unchanged PT of Rs. 2,293:** V2R's Q1FY26 performance was strong with revenue/PAT growing by over 50% y-o-y. 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 and revenue per sq. ft. in the coming years. Management is confident of 45-50% revenue growth in the coming years backed by internal initiatives and strong outlook for value fashion. Stock trades at 18x and 12x its FY26E and FY27E EV/EBITDA, respectively. We stay Positive on the stock with an unchanged price target of Rs. 2,293.

**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	FY25	FY26E	FY27E
Revenues	839	1,165	1,884	2,927	4,087
EBITDA margin (%)	10.0	12.7	13.7	14.3	14.5
Adjusted PAT	-13	28	72	185	304
Adjusted EPS (Rs.)	-3.7	8.0	20.8	53.5	88.0
P/E (x)	-	-	89.4	34.8	21.2
P/B (x)	25.9	23.4	18.6	12.1	7.7
EV/EBITDA (x)	81.2	47.2	28.4	17.5	12.2
RoNW (%)	-5.1	10.7	23.2	42.2	44.5
RoCE (%)	3.5	10.5	13.3	22.6	29.1

Source: Company; Mirae Asset Sharekhan estimates

## Key business updates

- ◆ Sales per sq. ft. per month fell to Rs. 960 from Rs. 1,061 in Q1FY25 (down by 9.5% y-o-y).
- ◆ SSSG stood at 5%, with strong double-digit growth in May and June, offset by a temporary dip in April due to an early Eid in Q4FY25. On a normalized basis, SSSG stood at 10%.
- ◆ Volumes rose 50% y-o-y led by strong footfalls and store additions.
- ◆ ASP rose 16.5% y-o-y to Rs. 303 led by better product mix.
- ◆ Average bill value (ABV) rose by 9.3% y-o-y to Rs. 901.
- ◆ MRP sales contribution fell to 92% versus 93% in Q1FY25.
- ◆ **Q1FY26 product mix comprised** - Men's Wear: 41%, Ladies Wear: 29%, Kids Wear: 24% and LifeStyle: 6%.
- ◆ V2R opened 28 stores and closed 1 store during Q1FY26, taking the count to 216 stores as of Q1FY26-end, with total retail area at ~23.49 lakh sq. ft.

## Results (Consolidated)

Particulars	Q1FY26	Q1FY25	Y-o-Y (%)	Q4FY25	Q-o-Q (%)
<b>Total revenue</b>	<b>632.2</b>	<b>415.0</b>	<b>52.3</b>	<b>498.5</b>	<b>26.8</b>
Raw material cost	445.0	280.1	58.9	357.4	24.5
Employee cost	52.6	35.6	47.7	42.3	24.4
Other expenses	45.2	43.8	3.2	41.0	10.4
Total operating cost	542.8	359.6	51.0	440.7	23.2
<b>EBITDA</b>	<b>89.4</b>	<b>55.5</b>	<b>61.2</b>	<b>57.8</b>	<b>54.6</b>
Other income	0.9	1.4	-34.0	1.9	-50.7
Interest & other financial cost	22.8	13.7	66.1	21.4	6.4
Depreciation	32.1	21.4	50.2	27.9	14.9
<b>Profit before tax</b>	<b>35.4</b>	<b>21.8</b>	<b>62.8</b>	<b>10.3</b>	-
Tax	9.1	5.4	66.8	3.9	-
<b>Adjusted PAT</b>	<b>26.4</b>	<b>16.3</b>	<b>61.4</b>	<b>6.4</b>	-
Extraordinary item	1.7	0.0	-	0.0	-
<b>Reported PAT</b>	<b>24.7</b>	<b>16.3</b>	<b>50.9</b>	<b>6.4</b>	-
Adj. EPS (Rs)	7.6	4.7	61.4	1.9	-
			bps		bps
GPM (%)	29.6	32.5	-289	28.3	131
EBITDA Margin (%)	14.1	13.4	78	11.6	254
NPM (%)	3.9	3.9	-4	1.3	261
Tax rate (%)	25.6	24.9	62	37.8	-

Source: Company; Mirae Asset Sharekhan Research

## Operational performance

Particulars	Q1FY26	Q1FY25	Y-o-Y (%/bps)	Q4FY25	Q-o-Q (%/bps)
Sales per sq. ft. (Rs./month)	960.0	1,061.0	-9.5	896.0	7.1
Average Selling Price (Rs.)	303.0	260.0	16.5	308.0	-1.6
Average Bill Value (Rs.)	901.0	824.0	9.3	877.0	2.7
MRP Sales Contribution	92.0	93.0	-100	87.0	500

Source: Company; Mirae Asset Sharekhan Research

## Outlook and Valuation

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

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 per annum in FY26 and FY27) and management's focus on improving revenue per sq. ft to ~Rs. 1,200 per sq. ft per month. will help the company clock a 47% revenue CAGR over FY25-27E. Rising contribution of in-house designing and better operating efficiencies will help EBITDA clock a 52% CAGR over FY25-27E. Strong revenue growth, improvement in profitability and efficient working capital management will drive return ratios, with RoE/RoNW expected to rise to 45%/29% in FY27E from 23%/13% in FY25.

### ■ Valuation – Retain positive view with a revised PT of Rs. 2,293

V2R's Q1FY26 performance was strong with revenue/PAT growing by over 50% y-o-y. 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 and revenue per sq. ft. in the coming years. Management is confident of 45-50% revenue growth in the coming years backed by internal initiatives and strong outlook for value fashion. Stock trades at 18x and 12x its FY26E and FY27E EV/EBIDTA, respectively. We stay Positive on the stock with an unchanged price target of Rs. 2,293.

### Peer Comparison

Particulars	P/E (x)			EV/EBIDTA (x)			RoCE (%)		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
ABFRL	-	-	-	19.5	18.7	15.2	-2.2	-2.3	-0.8
Trent	-	87.9	70.7	58.3	44.8	36.8	30.1	30.5	30.1
V2 Retail	89.4	34.8	21.2	28.4	17.5	12.2	13.3	22.6	29.1

Source: Company; Mirae Asset Sharekhan Research

## About 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 Q1FY26-end, the company's store network comprised of 216 stores spread across 21 states and over 165 cities with a total retail area of ~23.49 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 47% revenue CAGR over FY25-27E. Rising contribution of in-house designing and better operating efficiencies will aid in ~80 bps expansion in EBITDA margin over FY25-27E. 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

Name	Designation
Ram Chandra Agarwal	Chairman and Managing Director
Akash Agarwal	Chief Executive Officer
Shivam Aggarwal	Company Secretary and Compliance Officer

Source: Company Website

### Top 9 shareholders

Sr. No.	Holder Name	Holding (%)
1	Motilal Oswal Asset Management Co. Ltd.	6.53
2	Todi Vishal Vishwanath	2.06
3	Kasera Sachin	1.59
4	Periwal Abhijit	1.37
5	Trust Investment Advisors Pvt. Ltd.	0.21
6	Blackrock Inc.	0.20
7	Dimensional Fund Advisors LP	0.19
8	Bank of India Investment Managers Pvt. Ltd.	0.09
9	State Street Corp	0.04

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 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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