

## 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	✓	↔	✓

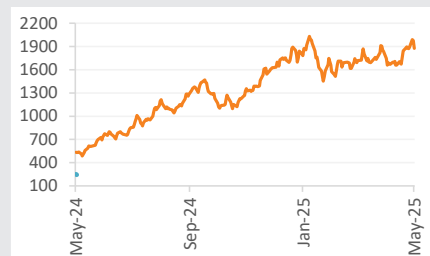
## Company details

Market cap:	Rs. 6,493 cr
52-week high/low:	Rs. 2,095/470
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	2.2
DII	6.7
Others	36.9

## Price chart



Source: NSE India, Mirae Asset Sharekhan Research

## Price performance

(%)	1m	3m	6m	12m
Absolute	7.5	19.1	38.5	250.7
Relative to Sensex	6.1	8.0	35.6	242.5

Source: Mirae Asset Sharekhan Research, Bloomberg

## V2 Retail Ltd

## Strong Q4; outlook stays bright

Consumer Discretionary	Sharekhan code: V2RETAIL		
Reco/View: Positive	↔	CMP: Rs. 1,877	PT: Rs. 2,293
↑ Upgrade	↔ Maintain	↓ Downgrade	↑

## Summary

- Q4FY25 numbers were strong, with revenues rising 68% y-o-y, EBITDA margin expanding 99 bps y-o-y thus driving 79% y-o-y PAT growth.
- Management guided for y-o-y revenue growth of 45-50% driven by new stores and SSSG of 8-10% and pre-IndAS EBITDA margin of 8-9% for the next 2-3 years.
- V2R plans 100 store openings annually for the next few years with new stores likely to perform 25%-30% less than old stores. Store additions largely to be funded by internal accruals.
- Stock trades at 18x and 12x its FY26E and FY27E EV/EBITDA, respectively. We stay Positive with a revised PT at Rs. 2,293.

Q4FY25 was yet another strong quarter for V2 Retail (V2R), with strong double-digit revenue growth and margin expansion leading to 79% y-o-y growth in PAT. Consolidated revenues grew by 68.4% y-o-y to Rs. 499 crore driven by ~24% y-o-y same-store-sales growth (SSSG) and store additions. Volumes grew 44% y-o-y. Sales per sq. ft. per month rose to Rs. 896 from Rs. 830 in Q4FY24 (an 8% y-o-y increase). Gross margins fell by 402 bps y-o-y to 28.3%, while EBITDA margins expanded by 99 bps y-o-y to 11.6% led by better operating efficiencies. EBITDA grew by 84.1% y-o-y to Rs. 58 crore and PAT grew by 78.8% y-o-y to Rs. 6.4 crore led by strong revenue growth and better operating efficiencies. FY25 revenues grew by 61.8% y-o-y to Rs. 1,885 crore, EBITDA margins rose 99 bps y-o-y to 13.7% and PAT stood at Rs. 72 crore versus Rs. 28 crore in FY24. V2R opened 74 stores and closed two stores during FY25 (72 net additions in FY25), taking the count to 189 stores as of FY25-end, with total retail area at ~20.27 lakh sq. ft.

## Key positives

- SSSG stood at 24% y-o-y; Volumes rose by 44% y-o-y.
- ASP rose 18% y-o-y to Rs. 308.

## Management Commentary

- Management pointed at good traction in Q1 so far, largely due to the wedding season and also indicated that new stores are performing well.
- Management eyes revenue growth of 45-50% driven by new stores and an SSSG of 8-10% and pre-Ind AS EBITDA margin to be at 8-9% for next 2-3 years.
- V2R aims to be PAT positive in all the four quarters in FY26 and eyes PAT margin of 4-5%.
- Store network has increased to 207 (18 stores added in Q1 already). It plans to open 100 stores annually for the next few years. No need of external funds for adding 100 stores per annum, however, if store guidance is raised, then funds might be required. A business development team of 8-9 people, along with external agents, brokers, and agencies, is responsible for finding and analysing new sites. Further, it also plans to add more warehouses as number of stores increase.
- V2R is expanding rapidly across high-performing clusters like UP, Bihar, Odisha, Jharkhand and now also entering Punjab, Bengal, Rajasthan and the South. The company recently opened its first store in Maharashtra, which received an overwhelming response, and hopes to make it a core territory in the next 4-5 years.
- V2R continues to focus on increasing share of private label, with own design products contributing 35-40% in FY25 and targeting 60% by Summer 2026 and 80% by 2027.
- Old inventory (that is more than one year old) has been reduced from 18% to just 5%, ensuring freshness and relevance.
- V2R has taken steps to optimise inventory, including knowledge transfer and training for vendors, resulting in an increase in on-time delivery from 40% to 70-75%.
- Company has reduced inventory days by 6-7 days aided by an increase in per square feet sale and has also reduced safety stock from 30 days to a lower level and plans to further reduce it by 6-7 days going forward.
- Current inventory cycle is at ~90 days. V2R aims to reduce it to 75-80 days through improved vendor ERP integration and supply chain management.

**Revision in earnings estimates** – We have broadly maintained our estimates for FY26, while we have increased our estimates for FY27 in view of a strong outlook.

## Our Call

**View – Retain positive view with a revised PT of Rs. 2,293:** FY25 numbers were strong with SSSG of ~29%. V2R 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 a revised 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	2,952	4,068
EBITDA margin (%)	10.0	12.7	13.7	14.2	14.4
Adjusted PAT	-13	28	72	186	306
Adjusted EPS (Rs.)	-3.7	8.0	20.8	53.6	88.4
P/E (x)	-	-	90.1	35.0	21.2
P/B (x)	26.1	23.6	18.7	12.2	7.8
EV/EBITDA (x)	81.8	47.6	28.6	17.6	12.4
RoNW (%)	-	10.7	23.2	42.3	44.7
RoCE (%)	3.5	10.5	13.3	22.6	29.3

Source: Company; Mirae Asset Sharekhan estimates

## Key business updates

- ♦ Sales per sq. ft. per month increased to Rs. 896 from Rs. 830 in Q4FY24 (grew by 8% y-o-y). For FY25, Sales per sq. ft. per month rose to Rs. 1,017 from Rs. 854 in FY24 (rose by 19% y-o-y).
- ♦ SSSG stood at ~24% for Q4FY25 and ~29% for FY25.
- ♦ Volumes rose 44% y-o-y led by strong footfalls and store additions. FY25 volumes up 43% y-o-y.
- ♦ ASP rose 18% y-o-y to Rs. 308 led by better product mix. ASP was Rs. 297 in FY25 as compared to Rs. 263 in FY24 (up by 13% y-o-y).
- ♦ Average bill value (ABV) rose by 10% y-o-y to Rs. 877. ABV was Rs. 859 in FY25 up by 8% y-o-y.
- ♦ MRP sales contribution fell to 87% versus 90% in Q4FY24. MRP sales improved to 89% in FY25 compared to 87% in FY24.
- ♦ **FY25 product mix comprised - Men's Wear: 40%, Ladies Wear: 27%, Kids Wear: 25% and LifeStyle: 8%.**
- ♦ V2R opened 74 stores and closed 2 stores during FY25 (72 net additions in FY25), taking the count to 189 stores as of FY25-end, with total retail area at ~20.27 lakh sq. ft.

## Results (Consolidated)

Particulars	Rs cr				
	Q4FY25	Q4FY24	Y-o-Y (%)	Q3FY25	Q-o-Q (%)
<b>Total revenue</b>	<b>498.5</b>	<b>296.0</b>	<b>68.4</b>	<b>590.9</b>	<b>-15.6</b>
Raw material cost	357.4	200.4	78.4	388.5	-8.0
Employee cost	42.3	29.5	43.5	42.3	0.1
Other expenses	41.0	34.8	17.7	48.7	-16.0
Total operating cost	440.7	264.6	66.5	479.5	-8.1
<b>EBITDA</b>	<b>57.8</b>	<b>31.4</b>	<b>84.1</b>	<b>111.5</b>	<b>-48.1</b>
Other income	1.9	0.9	97.9	1.2	56.4
Interest & other financial cost	21.4	12.8	66.9	17.8	20.0
Depreciation	27.9	19.5	43.5	26.3	6.1
<b>Profit before tax</b>	<b>10.3</b>	<b>0.0</b>	<b>-</b>	<b>68.5</b>	<b>-84.9</b>
Tax	3.9	-3.6	-	17.3	-77.5
<b>Reported PAT</b>	<b>6.4</b>	<b>3.6</b>	<b>78.8</b>	<b>51.2</b>	<b>-87.4</b>
Adj. EPS (Rs)	1.9	1.0	78.8	14.8	-87.4
			<b>bps</b>		<b>bps</b>
GPM (%)	28.3	32.3	-402	34.3	-597
EBITDA Margin (%)	11.6	10.6	99	18.9	-727
NPM (%)	1.3	1.2	7	8.7	-737
Tax rate (%)	37.8	-	-	25.3	-

Source: Company; Mirae Asset Sharekhan Research

## Operational performance

Particulars	Q4FY25	Q4FY24	Y-o-Y (%/bps)	Q3FY25	Q-o-Q (%/bps)
Sales per sq. ft. (Rs./month)	896.0	830.0	8.0	1,219.0	-26.5
Average Selling Price (Rs.)	308.0	262.0	17.6	343.0	-10.2
Average Bill Value (Rs.)	877.0	795.0	10.3	924.0	-5.1
MRP Sales Contribution	87.0	90.0	-300	91.0	-400

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 stores per annum in FY26 and FY27) 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 47% revenue CAGR over FY25-27E. Rising contribution of in-house designing and better operating efficiencies will help EBITDA clock a 51% 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

FY25 numbers were strong with SSSG of ~29%. V2R 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 a revised price target of Rs. 2,293.

#### Peer valuation

Companies	P/E (x)			EV/EBIDTA (x)			RoCE (%)		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Trent	-	91.9	74.5	64.6	48.8	40.0	30.1	32.7	31.6
V2 Retail	90.1	35.0	21.2	28.6	17.6	12.4	13.3	22.6	29.3

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 FY25-end, the company's store network comprised of 189 stores spread across 20 states and 150 cities with a total retail area of ~20.27 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
Manshu Tandon	Chief Executive Officer
Pratik Adukia	Chief Financial 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.	6.38
2	Todi Vishal Vishwanath	2.15
3	Kasera Sachin	1.59
4	Periwal Abhijit	1.38
5	Trust Investment Advisors Pvt Ltd	0.19
6	Blackrock Inc	0.19
7	Dimensional Fund Advisors LP	0.18
8	Bank of India Investment Managers Pvt Ltd	0.05
9	State Street Corp	0.03

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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