June 30, 2025

V2 Retail Limited: Rating reaffirmed and withdrawn

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based – Working Capital Facilities	125.00	125.00	[ICRA]BBB (Stable); rating reaffirmed and withdrawn
Total	**125.00**	**125.00**	

**Instrument details are provided in Annexure I*

Rationale

ICRA has reaffirmed and withdrawn the rating assigned to the bank facilities of V2 Retail Limited (VRL) at the request of the company and based on the No Objection Certificate (NOC) received from its bankers, and in accordance with ICRA's policy on withdrawal of credit ratings.

The rating reaffirmation factors in the expectation of continuation of steady operational performance of VRL over the medium term, aided by its established presence in value retail across tier-II and tier-III cities. The company's scale of operations increased by ~62% on a YoY basis in FY2025 to ~Rs.1,885 crore on the back of healthy increase in sales per sq. ft. (29% same store sales growth during the period). The company, over the last three years, has taken several product development initiatives, including introducing fresh inventory at competitive prices, increasing share of private label sales as well as closing loss-making stores, which led to a steady increase in its monthly sales per sq. ft. A continued focus on these measures, combined with planned store additions is likely to help VRL clock a healthy double-digit revenue growth in FY2026 and FY2027. The operating profit margin (OPM) is also expected to improve, aided by the benefits of operating leverage. The rating continues to draw comfort from the company's position as an established value retailer in the country and the extensive experience of its promoters in the retail sector. Operationally, the company benefits from a healthy share of private label sales, backed by backward integration, its wide geographical presence, and established relationships with a wide and diversified vendor base that optimises its cost structure.

The above strengths are, however, partially mitigated by the company's working capital intensive nature of operations owing to high inventory level, which led to moderate coverage indicators and limited cushion in working capital limits despite an enhancement from Rs. 75 crore to Rs. 125 crore. Moreover, the operating margins have remained thin in the past owing to intense competition from the new entrants in the value retailing segment. Besides, the company's operations are exposed to the risks of aged inventory build-up, as inherent in the apparel retail business. ICRA also notes the qualified opinion and emphasis of matter in the books of accounts, and resolution of the same would be closely monitored.

The Stable outlook reflects ICRA's expectation that VRL will continue to record steady operational metrics, which would help it maintain a healthy financial risk profile.

Key rating drivers and their description

Credit strengths

Established value retailer with presence in tier-II and tier-III cities; extensive track record of promoters in retail industry – VRL is an established player in the value retailing segment in India and its stores are located primarily in tier-II and tier-III cities that offer healthy potential for growth. The company is promoted by Mr. Ram Chandra Agarwal, who established Vishal Megamart in 2001. The promoter's vast experience in India's retail sector, especially in the value segment of small-town India, remains a credit positive. Over the past five years, the company has expanded its retail footprint to 189 stores, primarily in Uttar Pradesh, Bihar and Odisha. In the upcoming fiscal, the company aims to increase its retail count by around 100 stores by expanding its store network through further penetration into its core markets.

Business profile characterised by healthy share of private label sales, backward integration and competitive cost structure –The revenue share of the company's private labels increased to more than 85% in FY2025 from 2% in FY2016. In 2019, the company established its in-house capacity for manufacturing its private label apparels under a wholly-owned subsidiary, V2 Smart Manufacturing Private Limited, to achieve better cost control and quality. At present, VRL can meet around 5% of its apparels requirments captively from its subsidiary.

Geographically diversified store presence, scaling through cluster-based approach and omni channel strategy – With 189 stores spread across the country, VRL benefits from healthy geographical diversity. The company's total retail footprint is spread across the regions, although with major concentration in Uttar Pradesh, Odisha and Bihar due to higher number of tier-II and tier-III towns in these states. With a changing industry landscape, the company has also tied up with prominent e-commerce players such as Amazon and Myntra, along with its own e-commerce portal, V2kart, to diversify its sales channel. However, contribution from this channel to the company's overall revenues has remained minimal in the recent years.

Credit challenges

High working capital intensity of retail business – The company remains exposed to various risks associated with high inventory on the books, as inherent in the apparel retail business. The risk of the inventory becoming obsolete, getting damaged, or going out of fashion remains, among others. In the past, owing to slower-than-anticipated sales from the pandemic-led lockdown, significant inventory had built up, increasing the company's net working capital intensity (NWC/OI) to 33% in FY2022 from 18% in FY2020. However, with the company liquidating its built-up inventory and reducing fresh purchases, its NWC/OI reduced to 13% in FY2025.

Moderate coverage metrics – Owing to relatively lower margins and working capital intensive operations, the debt coverage indicators remained moderate. VRL's coverage metrics remained moderate with an interest cover of 3.8 times (post INDAS) in FY2025.

Exposure to intense competition and cyclicity in retail sector – The company faces stiff competition owing to the presence of numerous players in the unorganised segment along with competition from various organised players in the brick-and-mortar and online segments. The retail sector also remains susceptible to adverse macroeconomic environment for being discretionary in nature.

Environmental and Social Risks

Environmental considerations – The sector remains exposed to the risks of elevated input costs owing to increased compliance costs faced by suppliers stemming from tightening environmental regulations. However, these costs account for only a fraction of the overall costs. Given the high demand for products, retailers can over time, pass on these costs to consumers and/or diversify their sourcing and product mix to ensure sustainable supply chains.

Social considerations – Being a manpower intensive segment, entities are exposed to the risk of disruptions due to inability to properly manage human capital in terms of their overall well-being. Besides, human rights issues and inability to ensure diversity, while providing equal opportunity could pose social risks for the company. As a retailer, the company is also subject to other social factors such as responsible sourcing, product and supply chain sustainability, given the high reliance on external suppliers. The company strictly forbids hiring or use of child force at workplace and expects the same from its vendors. As per the annual report, the company also makes efforts to provide a healthy and safe working environment to its employees. To improve the capacity and capability of local and small vendors, VRL procures goods and services from small scale industries and small producers to the extent possible and provides early payment facilities to MSME vendors to enable them to manage their finances properly.

Liquidity position: Adequate

VRL's liquidity profile is adequate, characterised by expectation of steady cash flows and limited buffer in working capital limits (fund-based working capital limit utilisation stood at an average of 95% in the last 12 months [till May 2025]). ICRA expects the company's cash flow from operations to be adequate in the upcoming fiscals to meet its planned capital expenditure requirements towards store additions (Rs. 100-120 crore in FY2026) and repayment obligations of (~Rs.3 crore in FY2026).

Rating sensitivities

Positive factors – Not applicable

Negative factors – Not applicable

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Retail Policy on withdrawal of ratings
Parent/Group support	Not applicable
Consolidation/Standalone	The rating is based on the consolidated financials of the company. As of March 31, 2025, it had one subsidiary, details of which can be found in Annexure 2.

About the company

V2 Retail Limited, earlier known as Vishal Mega Mart Limited, was incorporated in 2001 by Mr. Ram Chandra Agrawal. The company was a pioneer in creating a value retail chain in India. Vishal Mega Mart offered both apparel and FMCG products from its stores in India's tier-II and tier-III cities and towns. The company expanded across the country at a swift pace and went public in FY2007. However, it faced headwinds and turned loss-making due to multiple reasons. These included an aggressive debt-funded expansion strategy and weak store locations with poor economics, coupled with lack of IT-backed supply-chain management, which led to a piling of stocks. To overcome financial constraints, the promoters sold their Vishal brand in 2011. Mr. Agarwal restructured the business and introduced V2 Retail Limited brand when the company opened its first store in Jamshedpur (Jharkhand) in 2011.

As on March 31, 2025, VRL operates 189 retail stores, which mainly sell fashion apparel for men, women and children along with lifestyle products from its stores located primarily in India's tier-II and III cities. The company's presence is primarily concentrated in Uttar Pradesh, Bihar, Odisha, Jharkhand and Assam. The company is mainly focused on the value retailing segment in India, catering to mass-market consumers.

Key financial indicators (audited)

Consolidated	FY2024	FY2025
Operating income	1,164.7	1,884.5
PAT	27.8	72.0
OPBDIT/OI	12.7%	13.7%
PAT/OI	2.4%	3.8%
Total outside liabilities/Tangible net worth (times)	2.6	3.6
Total debt/OPBDIT (times)	3.5	3.3
Interest coverage (times)	3.1	3.8

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current rating (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount Rated (Rs Crore)	June 30,2025	Date	Rating	Date	Rating	Date	Rating
Fund-based – Working Capital Facilities	Long term	125.00	[ICRA]BBB (Stable) reaffirmed and withdrawn		-	26-MAR-2024	[ICRA]BBB (Stable)	02-MAR-2023	[ICRA]BBB-(Stable)
				-	-	-	-	16-JAN-2023	[ICRA]BB+(Stable) ISSUER NOT COOPERATING

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund-based Working Capital Facilities	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Fund-based – Working Capital Facilities**	NA	NA	NA	125.00	[ICRA]BBB (Stable) reaffirmed and withdrawn

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
V2 Smart Manufacturing Private Limited	100%	Full Consolidation

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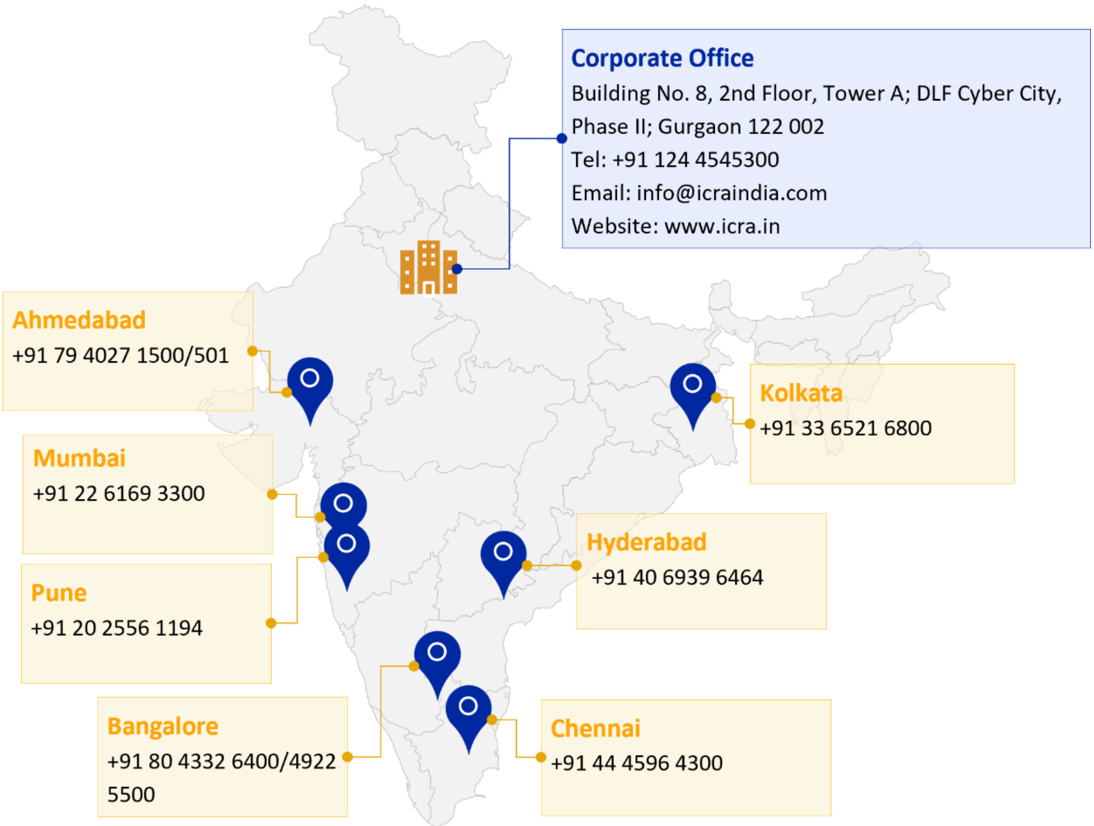

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