

May 20, 2025

V-Mart Retail Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Fund-based bank facilities (WC)	295.00	295.00	[ICRA]AA-(Stable); reaffirmed
Non-fund based bank facilities	5.00	5.00	[ICRA]A1+; reaffirmed
Total	300.00	300.00	

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation for V-Mart Retail Limited (VMRL or the company) factors in the expectation of steady operational performance for the entity, going forward, benefitting from a gradual improvement in demand sentiments in the value retail industry. The company reported a ~17% growth in revenues in FY2025, driven by improvement in the same store sales growth (11% against 1% in FY2024), along with an improvement in the operating margins (11.6% from 7.6% in FY2024) on the back of reduced losses from Limeroad business as well as improved demand and closure of certain underperforming stores in the previous fiscal. This led to an improvement in debt coverage indicators with an interest coverage of 2.8 times in FY2025 and Total debt to operating profits of 2.1 times, as per FY2025 financials. The growth in business is expected to remain supported by continued profitable network expansion and steady growth in sales per sq. ft. through Same store sales growth.

The liquidity position of the entity remains supported by adequate cushion in the company's sanctioned working capital facilities and steady cash flow generation. Along with calibrated expansions and limited reliance on debt, the company's financial risk profile continues to be healthy, characterised by a conservative capital structure and comfortable liquidity profile. The ratings continue to factor in the benefits derived from the LimeRoad business, an online marketplace, which is expected to help VMRL strengthen its digital capabilities and expand its presence as an omni channel value fashion retailer in the medium term. The losses from the LimeRoad business have also moderated since acquisition, aided by reduction in marketplace exposure.

The ratings continue to be constrained by the intense competition in the retail sector due to the presence of numerous unorganised as well as organised players in the brick-and-mortar as well as online segments. As most of the target customers of the company depend on agriculture, the demand for its products is linked to the performance of monsoon, to some extent. The ratings also consider the high working capital intensity and the risks of high inventory on the books, as inherent in the apparel retail business.

The Stable outlook on the long-term rating factors in the expectation that even as the company continues to expand its network through addition of new stores, it is likely to adopt a calibrated approach to growth, helping it maintain its current credit metrics.

Key rating drivers and their description

Credit strengths

Established track record of promoters and management in retail industry with healthy brand presence – VMRL, incorporated in 2002, opened its first retail store in 2003. The promoters have been involved in this business for nearly two decades and the

management includes personnel with extensive experience in the industry. Through its extensive store network across northern, eastern and western India, VMRL has established a healthy brand presence and recall value in the domestic value fashion retail segment over the years.

Wide geographical presence and diversified product offerings across various segments – VMRL had an operational portfolio of 497 stores across 25 states/Union Territories (UTs) as of March 2025. The company's presence was restricted to the northern, western and eastern parts of the country till FY2021. With the acquisition of the Unlimited business in FY2022, the company ventured into the southern markets as well. As a result, its dependence on Uttar Pradesh and Bihar has decreased significantly. Since its acquisition, the company has been further expanding/diversifying its store network in the northern as well as the southern domestic markets, under both its brands (V-Mart and Unlimited), respectively, enabling higher regional diversification across the country. Moreover, the company has a diversified product profile comprising apparels, non-apparels and *kirana* items (limited to a few stores), with apparels comprising close to 80% of the turnover.

Established relationships with vendor base – The company enjoys established business relationships with its wide vendor base, which ensures cost optimisation and smooth operations. The same is likely to help the company maintain a healthy market position in the value retailing industry.

Credit challenges

Intense competition in retail sector – The company faces stiff competition from numerous players in the unorganised retail sector, along with competition from various organised players in the brick-and-mortar as well as online segments. Some of these organised players operating in smaller towns include Reliance Retail Limited, Max, and V2 Retail Limited, etc.

Operations remain vulnerable to weak demand conditions, increasing raw material prices and changing consumer preferences/spending trends – VMRL's sales, profitability and cash accruals, like any other apparel retailers, are closely linked to macroeconomic conditions, consumer confidence and spending patterns. Its sales also remain vulnerable to changing consumer tastes and preferences. Given VMRL's target market, a large part of which lies in rural India, most of its products are cotton based. Therefore, any material upward movement in cotton prices may result in increased cost pressure on the company. Accordingly, the company's ability to protect its margins in such a scenario remains critical.

High working capital intensity of retail business and inventory obsolescence risk – The company remains exposed to various risks associated with high inventory on books, as inherent in the apparel retail business. There also continues to be the risk of its inventory getting damaged or going out of fashion. However, in the medium term, ICRA expects VMRL to maintain inventory of 90-120 days.

Environmental and Social Risks

Environmental considerations: The domestic apparel retail sector remains exposed to the risks of elevated input costs, owing to increased compliance costs faced by suppliers from tightening environmental regulations. As these costs account for only a fraction of the overall costs and given the high demand for such products, over time, retailers can pass on such costs to end-consumers and/or diversify their sourcing and product mix to ensure sustainable supply chains. Further, the company has put in place procedures for sustainable sourcing of its products to mitigate the associated operational risks.

Social considerations: From the social standpoint, increasing usage of customer data following growing penetration of e-commerce, poses privacy and legal risks for retail entities. The retail industry also needs to adapt to the changing consumer preferences from time to time. Being a manpower-intensive sector, entities are exposed to the risks of disruptions from the inability to properly manage human capital in terms of their overall well-being. Besides, human rights issues and the 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 makes efforts to provide a healthy and safe working environment to its employees and strictly forbids hiring or using child labour and expects the same from its vendors.

Liquidity position: Adequate

VMRL's liquidity profile is expected to remain **adequate**, characterised by free cash and bank balance and liquid investments of ~Rs. 39 crore, and unutilised fund-based working capital facilities of ~Rs. 150 crore as on March 31, 2025. Further, the company has no debt repayment obligations and primarily utilises its internal accruals to fund its network expansion. ICRA expects the company's fund flow from operations to be adequate to comfortably meet the foreseeable capex as well as working capital requirements in the near-to-medium term.

Rating sensitivities

Positive factors – The ratings could be upgraded if the company reports a sustained growth in the operating income along with an improvement in return metrics, while efficiently managing its working capital cycle and expanding the financing surplus.

Negative factors – The ratings could be downgraded if a significant decline in the operating income and/or a contraction in the profit margins, results in a decline in RoCE on a sustained basis. Further, an increase in the working capital intensity, or other factors, adversely impacting the cash flows, could put pressure on the ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Retail
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

VMRL was incorporated as Varin Commercial Private Limited in 2002. The company started its operations in the value retail segment by launching its first store in Gujarat in 2003. In 2006, the company was renamed as V-Mart Retail Private Limited. Subsequently, in 2008, the constitution of the company was changed to public limited and renamed once again as V-Mart Retail Limited.

VMRL is mainly involved in value retailing of apparels with minor presence in non-apparel (footwear, accessories, toys/ games, home textiles, furnishings, and appliances, etc.) and *kirana* products. It is one of the largest value retail chains in India in terms of store count and retail area, operating 497 stores admeasuring ~42 lakh sq. ft., as of March 2025. Most of VMRL's stores are in tier-II, III and IV cities and towns of India. While its highest concentration of stores continues to remain in Uttar Pradesh and Bihar, Tamil Nadu and Rajasthan have also become major markets.

Key financial indicators (audited)

Standalone	FY2024	FY2025
Operating income	2,786	3,254
PAT	-97	46
OPBDIT/OI	7.6%	11.6%
PAT/OI	-3.5%	1.4%

Total outside liabilities/Tangible net worth (times)	2.7	1.9
Total debt*/OPBDIT (times)	6.5	2.1
Interest coverage (times)	1.5	2.8

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. Crore*Total debt of Rs 783 crores in FY2025 comprises lease liabilities of Rs 634 crores.

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)	May 20,2025	Date	Rating	Date	Rating	Date	Rating
Fund-based bank facilities (WC)	Long term	295.00	[ICRA]AA-(Stable)	6-Dec-24	[ICRA]AA-(Stable)	15-Jun-23	[ICRA]AA-(Stable)	28-Oct-22	[ICRA]AA-(Positive)
				6-May-24	[ICRA]AA-(Stable)	-	-	3-aug-22	[ICRA]AA-(Positive)
								27-Jun-22	[ICRA]AA-(Positive)
Non-fund-based bank facilities	Short term	5.00	[ICRA]A1+	6-Dec-24	[ICRA]A1+	15-Jun-23	[ICRA]A1+	28-Oct-22	[ICRA]A1+
				6-May-24	[ICRA]A1+	-	-	3-aug-22	[ICRA]A1+
								27-Jun-22	[ICRA]A1+
Unallocated	Long /Short term	-	-	-	-	-	-	28-Oct-22	[ICRA]AA-(Positive)/[ICRA]A1+
		-	-	-	-	-	-	3-aug-22	[ICRA]AA-(Positive)/[ICRA]A1+
		-	-	-	-	-	-	27-Jun-22	[ICRA]AA-(Positive)/[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Fund-based bank facilities (WC)	Simple
Non-fund-based bank facilities	Very 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 bank facilities (WC)	-	-	-	295.00	[ICRA]AA- (Stable)
NA	Non-fund-based bank facilities	-	-	-	5.00	[ICRA]A1+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis-Not Applicable

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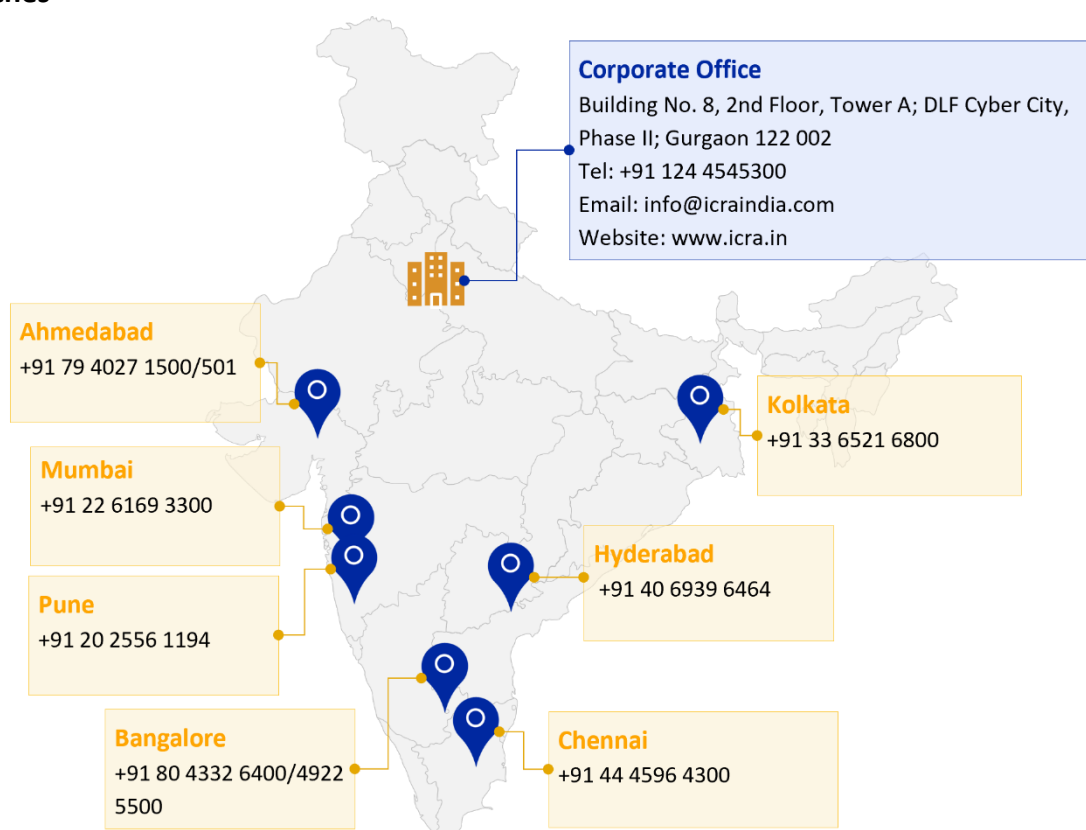
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