



annual report | 2018-19

DELIVERING
VALUE FASHION.
WHERE INDIA
MEETS 'BHARAT'.

The inside story

CORPORATE OVERVIEW

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AND JOY.



Led by a unique focus on locations where the urban and rural India meet, and are united by the common aspiration to look good and dress fashionably, V-Mart delivers affordable fashion to the aspiring class in Tier II, III and IV towns.

Underlying this V-Mart value proposition is a strong ethos of diversity that is called India, aimed at bringing smiles through a diversified and exciting portfolio of latest value fashion delivered to the aspiring consumer in small towns. By consistently delivering on its promise, the Company has earned the trust of consumers, more than 35 million of whom visited V-Mart stores this year.

The commitment to deliver unmatched value to customers, and create sustained value for all stakeholders, remains at the heart of V-Mart's business philosophy. It is what drives V-Mart to be the most preferred one-stop family fashion destination.

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CHAIRMAN'S OVERVIEW

The Indian retail industry growth story continues to evolve, best exemplified in a fascinating mix of retail formats. Those with mass appeal, many with niche positioning, and yet others that are creating new, previously undiscovered market segments. With aspirational consumption, especially among the youth and young families, reaching new highs, fashion retailing is on an unprecedented growth trajectory. This is even more evident in smaller towns, the confluence of India and Bharat, where the aspiring class has an unmet need for value fashion, designed to satiate their desire for fashionable apparel while giving them value for money

Well-equipped to harness opportunity

Broader demographic and socio-economic shifts in the consumer landscape, rising penetration of the Internet and social media, and the enabling GST structure have all been catalysts in driving the growth of organised retail, yielding greater benefits for the economy. The value fashion market, in particular, is witnessing a new level of adoption, both from consumers and organised retailers, with Tier IV towns also eagerly adopting the trend of Tier II and III towns of seeking fashionable, but affordable apparel. With the aspiration gap between the small and large towns narrowing, organised retail is getting bigger and better – a trend that augurs well for us, at V-Mart. With our pulse firmly on the evolving consumer needs and aspirations across the diverse tapestry of 17 states where we operate, your Company is well placed to shape as well as harness the unfolding consumption story in newer locations, even as we continue to

delight customers in towns where we have been present for long.

That said, we are aware, of course, that the growing interest and foray of many organised retail players, both regional and national, into markets where V-Mart has traditionally focussed, has intensified competition. But, that only goes to establish more firmly the case for untapped opportunity and potential in these markets, a theme that remains topmost on our strategic radar. Focussed on this opportunity, and aided by the first-mover advantage in these markets, which means we understand the consumer better than others, have a tried-and-tested sourcing, supply chain and expansion model, and are therefore, better positioned to deliver on evolving customer needs and aspirations. Moreover, the differentiators we have built over the years, driven by internal capabilities and processes, and by consistently accumulating customer trust and loyalty, gives us a sustainable advantage amidst growing competition.

Pursuing ethical, profitable growth

Our distinctive value-centric business model is focussed on the entire stakeholder ecosystem, putting shared and ethical value creation as its guiding philosophy. This means, we operate our business and conduct our relationships with all stakeholders – customers, employees, vendors, investors and local communities – with equal commitment and focus. Over the years, this philosophy has been unwaveringly applied through a proven track record of strategically scaling our capabilities and processes, to harness the potential of new markets, while consolidating our presence in existing ones.

Having established our market-leading presence in Tier II towns, it has been our endeavour to penetrate the Tier III and Tier IV towns with equal success. Our expertise and experience give us a cutting-edge advantage in delivering the best product and the best fashion at the best price. It has lent us the strategic understanding that enables us to connect with the needs of the



LALIT AGARWAL

Chairman and Managing Director

new-age customers, who aspire to live better, explore possibilities, and spend wisely. This is a class of consumers in smaller towns who prefer the 'touch and feel' shopping experience in a comfortable retail mall-like environment, and for whom buying fashion apparel for themselves and their family is a much-awaited and carefully budgeted occasion of celebration. While shopping, they choose affordable products that excite them and make them feel good. We have long observed that this is a class that does not want to dig too deep into their relatively smaller wallets while experimenting with fashion. Now, thanks to high awareness because of easy access to digital media, these aspirational consumers in smaller towns have a growing urge to be seen as early fashion adopters in their peer group, just like their counterparts in metros and bigger towns.

We are continuously relooking at and reimagining our value-creation approach to make our business strategy more relevant to evolving customers, who seek lesser mind-to-market time and faster delivery of newer fashion. We have structured our strategic approach to give them all this, thus making them visit our stores more frequently to satiate their fashion needs and feel more connected with V-Mart as a fashion destination of choice. We are also cognizant that though these customers do not prefer the e-commerce route to buying fashion goods, they want a seamless digitally-driven brand experience. We are, thus, designing a 360-degree omnichannel experience, seamlessly integrated with and across the entire customer lifecycle. Taking a strategic

stance, we foresee the digitally connected and informed consumer landscape as an opportunity, through which exciting possibilities exist to create more value for all stakeholders.

Roadmap for growth

Quite evidently, the market opportunity in affordable fashion segment is large, and expanding as the migration of customers from unorganised to organised value retailing fold is accelerating. While we have to be continually ready to leverage this opportunity, we must also respond to a dynamic environment that is witnessing growing competitor presence, more 'fashion-ready' consumers, and the unlocking of aspiration to consume in Tier II, III and IV towns. Looking ahead at how the consumption story is unfolding in our target markets and consumer segments, we have put together a strategic roadmap that is responsive and adaptable, and equally, also aligned with our vision and mission.

There are three defining elements of this strategic roadmap. One, we are preparing to be more customer-centric, by designing processes and nurturing capabilities that make us more agile and responsive to evolving customer needs. Driven by this intent, there is an increased thrust on making our buying and planning processes more aligned with regional fashion tastes and preferences. Two, we are focussing on making our 'hardware', i.e. the organisational structure, supply chain, logistics, and technology backbone more robust and future-ready to support scalable growth and expansion into new markets, and enhance data-driven



WITH CUSTOMER-CENTRICITY AS A CORE VALUE, CUSTOMER SATISFACTION AND RETENTION IS AN IMPORTANT GROWTH DRIVER FOR US, AND WE AIM TO BE AN INDUSTRY-LEADING BENCHMARK ON THIS PARAMETER.

decision-making. This has translated into investments in setting up an organisation-wide data analytics platform, preparing to add a second warehouse closer to our eastern markets and a fully-integrated CRM and customer loyalty platform. And, three, we are equally focussed on reinforcing the 'software', i.e. beefing up our leadership pipeline and middle management capabilities, and reinforcing organisational culture and values that guide us like a beacon in what we choose to do, and how we do it.

We understand that, as a pioneer in the value retailing space in India, we have an enduring responsibility towards all stakeholders to stay committed and focussed on our vision. This reflects in our uncompromising approach to maintaining product quality, accelerating the past CAGR growth at a consistent pace, retaining our balance sheet strength, and engaging deeply with local communities where we operate. Driven by an enduring vision, we have to navigate through a rapidly-changing business, consumer and competitive landscape. In this endeavour, instead of being reactive, we are taking a longer-term view on how we chart our path and the steps we must take to fully unlock our potential.

Priorities for the future

We believe that, driven by our strategic roadmap, sustained efforts to build internal capabilities and organisational structure, improve processes and systems through advanced technology and digitalisation, investments in talent pipeline, and increasing cost efficiencies will propel us on a faster

growth trajectory. While growth is a priority, we continue to temper our targets with caution, as we are clear that we want to create sustained value for the entire ecosystem.

With customer-centricity as a core value, customer satisfaction and retention is an important growth driver for us, and we aim to be an industry-leading benchmark on this parameter. Our customer focus has consistently yielded strong benefits for us, as manifested in the addition of many new customers even during the post demonetisation period. Our strong loyalty programme, coupled with small but engaging marketing initiatives with local communities, is powering customer accretion. We believe our brand equity is helping us create a powerful customer pull and thus continue to invest in our brand building exercise. We have positioned ourselves as a family-focussed trusted value fashion provider – a positioning that is resonating well with aspirational customers in smaller towns, and has encouraged us to establish our presence in remote places like Tejpur (Assam) and Jowai (Meghalaya).

Outlook

Going forward, we shall continue to equip and empower ourselves for the next phase of transformational growth, in which digitalisation will play a key role, with both our customers and employees largely coming from a young and rising India. Another key differentiator for our business will be People, who we see as an important partner in our growth plans. As we press the pedal on our expansion plans, we are taking our people empowerment plans to the next level and have recently implemented an

organisation-wide HR management software platform to deliver exceptional employee experience to our vastly distributed workforce.

The prospects ahead are promising, especially in the Indo-Gangetic plain, where we see significant growth opportunities propelled by new consumption patterns. Our two biggest markets, Bihar and Uttar Pradesh, look particularly promising in the region, where we will continue to follow our cluster-based expansion strategy, opening new stores in the same vicinity of nearby towns and cities, where our brand salience and presence is high. Last year, we opened stores in three new states, and this exploration of opportunities and setting up signposts in new, or even unfamiliar markets will continue.

The growth strategy we have mapped for ourselves will, in my view, steer us successfully towards higher and sustained value creation for all our stakeholders. The stakeholder trust and confidence we have earned, is owing to our transparent, prudent and holistic approach, and will continue to drive our onward journey of collective progress for all of us.

Warmest Regards,

Lalit Agarwal

Chairman and Managing Director

AN ENDURING LEGACY OF DELIVERING VALUE FASHION

V-MART AT A GLANCE

In the business of providing value fashion across Tier II, Tier III and Tier IV towns since 2002, V-Mart Retail Limited (V-Mart) has pioneered the concept of 'Organised Value Retail', emerging as the frontrunner in the segment.

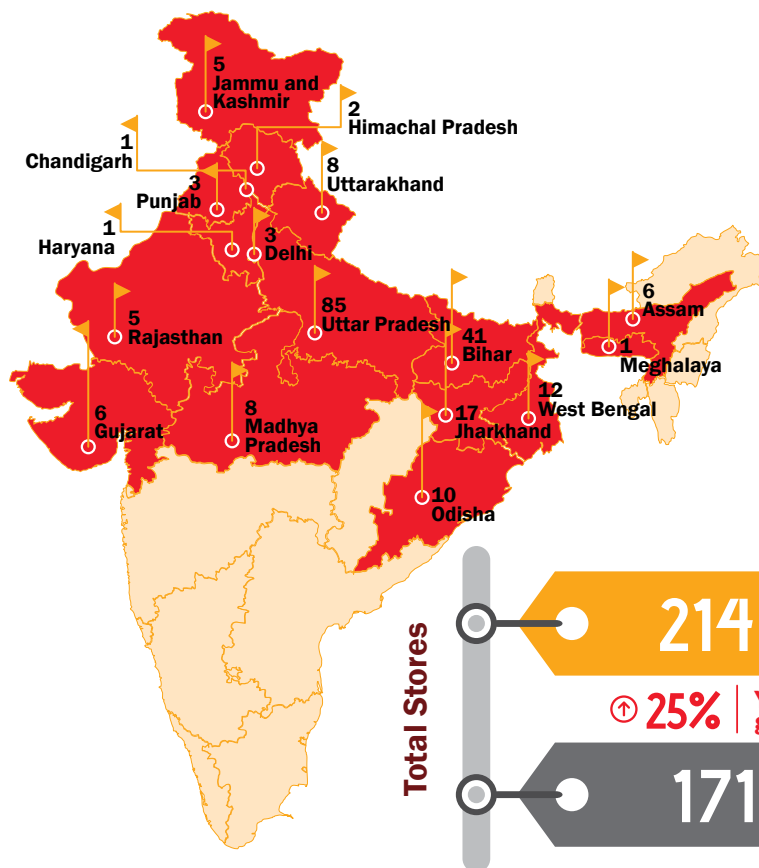
Operating on the key guiding principle of Price "Less" Fashion, we cater to the 'aspiring class' and 'middle class' demographics, with added focus on youth and young families. Currently present across 170 cities in 17 states and UTs, we get more than 35 million footfalls annually, with 12 million customers enrolled in our loyalty programme, endorsing our growing pan-India popularity in the value fashion-seeking population of the country.

Growing pan-India presence

Our stores, located over a total retail area of 18 Lakhs sq. ft. in prime states/UTs such as Bihar, Chandigarh, Gujarat, Haryana, Jammu and Kashmir, Madhya Pradesh, New Delhi, Punjab, Rajasthan, Uttarakhand and Uttar Pradesh, are designed to cater to the needs of the entire family. Based in New Delhi, V-Mart has operations spread across northern, western and eastern parts of India.

Expanding network of stores

To deliver on our promise of taking value fashion to the doorstep of our growing expanse of customers pan-India, we have developed a robust network of 214 stores, spread strategically across markets that we target.

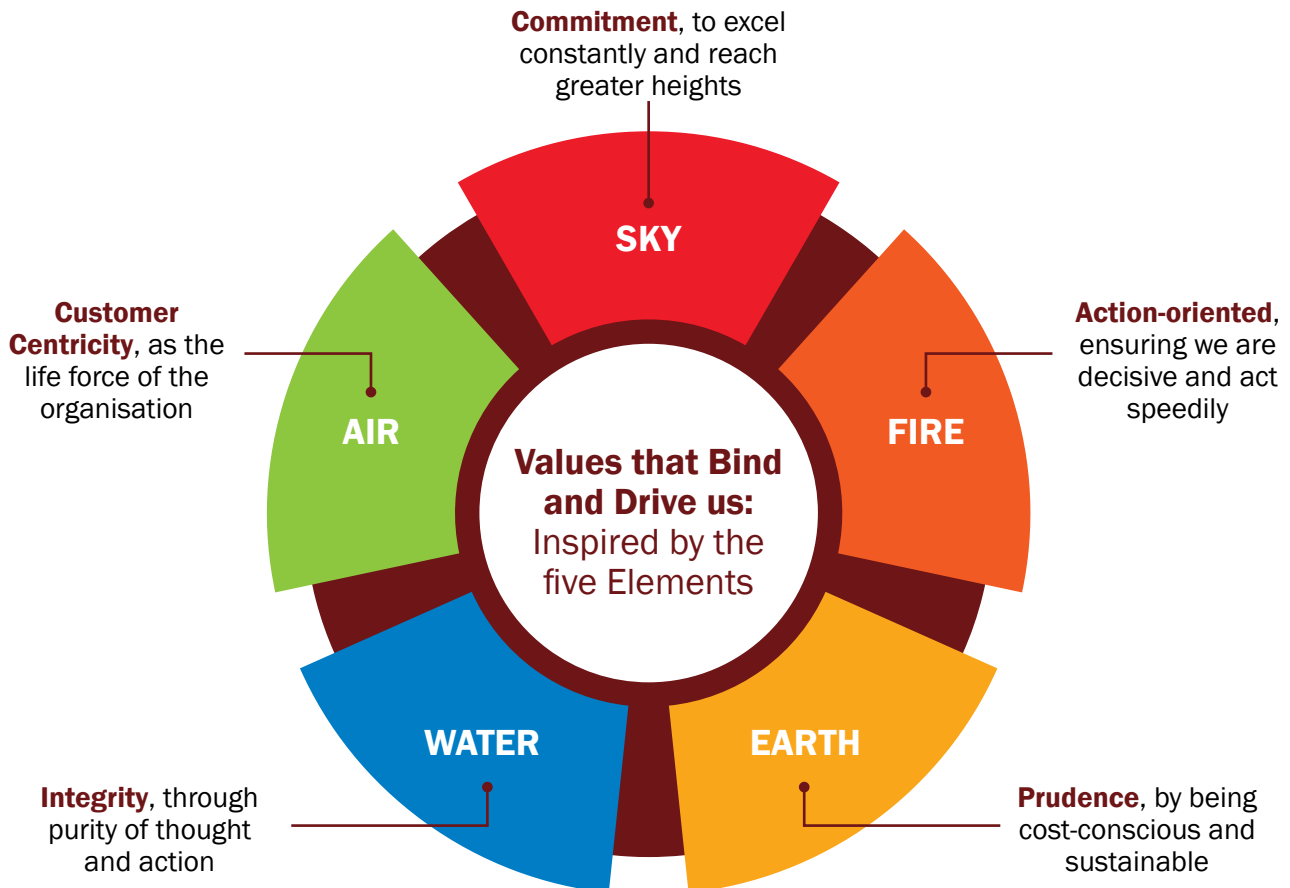


VISION that leads V-Mart

Create value and make our ecosystem proud

Focussed on our MISSION

Care for customer aspirations, discover and nurture talent, sustained ethical growth for stakeholders and harness vendor relationships



CUSTOMER-CENTRIC BUSINESS MODEL

In line with our business philosophy, we have evolved a highly customer-centric business model, with a chain of 'value retail', company-operated departmental stores that cater to the entire family. We remain strategically focussed on developing a relevant and innovative business model, targeted at aspirational consumers in Tier II, Tier III and Tier IV towns. Our business approach is based on the primary concept of 'value retailing', that seeks to provide the latest fashion in apparel and non-apparel categories.

Cluster-based approach

Our Cluster approach of 'creeping expansion' is aimed at generating visibility, supply chain efficiencies, rapid scalability leading to buying/procurement flexibility and cost savings. It ensures that all new locations are strategically placed within a 50-150 km radius from an existing city. The locations are identified and vetted by an in-house new store operations (NSO) team, based on a multi-dimensional business assessment matrix.

Sourcing efficiencies

Our strong sourcing capability is backed by an efficient logistics network, which is supported by a robust IT infrastructure, systems and processes, thus enabling us to achieve our concept of "value retailing". We secure our merchandise optimally to ensure there is no compromise on quality while keeping prices affordable. To optimise costs, we have implemented several technological changes at the warehouse, as well as at the stores.

Asset-light model

As a strategic initiative, we rent stores on long-term leases instead of getting saddled with expensive real estate, capex that would have compromised scalability and/or led to high debt burden.



With over 600 districts in India, majority of which are in the tier II/III category, the highly scalable and efficient business model of V-Mart has charted a well-calibrated plan to grow and expand at the current pace for several years to come. It is our endeavour to 'take fashion to the remotest areas'.