



# DO MORE

W I T H L E S S

ANNUAL AND INTEGRATED REPORT 2019-20

# CONTENTS

## CORPORATE OVERVIEW

**02-35**

Our Approach to Reporting	02
Chairman and Managing Director's Message	03
Our Value Creation Process - Scoreboard of Our Six Capitals	07
V-mart Retail Today - Building on our Robust Foundation	08
Building on our Vision, Mission and Values	10
An Adaptive Business Model	13
Customer at the Core	14
Relevant and Differentiated Assortments	15
Our Stakeholders	16
Building Trust-based Relationships to Enable Growth	17
Our Approach to Value Creation	21
Operational Highlights	23
Performance Scorecard	24
Creating a Net Positive Society	25
Enabling Skill Development	28
Awards and Recognition	30
Board of Directors	31
Leadership Team	33
Corporate Information	35

## STATUTORY REPORTS

**36-138**

Management Discussion and Analysis	36
Notice	58
Directors' Report	77
Business Responsibility Report	113
Corporate Governance Report	120

## FINANCIAL STATEMENTS

**139-200**

Independent Auditor's Report	139
Balance Sheet	150
Statement of Profit and Loss	151
Statement of Changes in Equity	152
Cash Flow Statement	153
Notes to Financial Statements	155

# DO MORE WITH LESS

V-Mart has always been driven by the vision to create sustained value for the entire ecosystem. Our ethos of creating sustained value is even more relevant now, when resources are more scarce than ever before. Businesses, households and consumers are all searching for ways to create and derive more value from lesser resources at their disposal. In this uncertain time, making every rupee last longer and go farther is the spirit that is guiding our customers and other stakeholders.

The theme for our Annual and Integrated Report, ‘Do More With Less’ resonates with our vision and mission, and with these times.

**V-Mart, as a responsible value retailer focusing on the aspirational Indian masses in smaller towns, has pivoted to the reality of Doing More With Less.**

**In the way it conducts its business, it fulfils the needs and aspirations of its customers, employees and vendors, and creates sustained value for all its stakeholders.**

# OUR APPROACH TO REPORTING

V-Mart Retail Ltd. (V-Mart Retail/The Company) presents its first Annual and Integrated Report, comprising: an overview of the Company's business operations and performance, the stakeholder value creation approach and business model, and how the Company's strategic planning and execution create value over short, medium, and long term.

## SCOPE AND BOUNDARY OF REPORT

The scope of this 2020 Integrated Annual Report incorporates the financial reporting boundary of V-Mart Retail. Beyond financial reporting and metrics, the report also includes non-financial performance, opportunities, strategic objectives, risks, and outcomes that our key stakeholders deeply care about and influence.

As a value retailer focusing on fashion, but also including merchandise for home and daily household consumption, our business model is based on long-term stakeholder relationships. We manage our broader business impact through comprehensive social, ethical, and environmental policies and practices.



## REPORTING FRAMEWORK

At V-Mart Retail, we have been publishing a statutory Annual Report, in line with the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015; Companies Act, 2013; and Secretarial Standards. This is our first Annual and Integrated Report, which is aligned with the principles of the International Integrated Reporting Framework (referred to as the <IR> framework) developed by the International Integrated Reporting Council (IIRC).

## REPORTING PERIOD

The financial information is reported for the period April 1, 2019 to March 31, 2020. Comparative figures pertaining to financial, operating and stakeholder metrics have been incorporated for last three to five years to provide a holistic view to the stakeholders.

## OUR APPROACH TO MATERIALITY

The Report presents an overview of our operational activities and strategic execution that help in long-term value creation. The Report also presents the issues that could substantively affect the organisation's ability to create value in the short, medium or long term and the process by which we address such issues.

## FORWARD-LOOKING STATEMENTS

Certain statements in this Report regarding our business operations may constitute forward-looking statements. These include all statements other than statements of historical fact, including those regarding the financial position, business strategy, management plans and objectives for future operations. These are not intended to be a guarantee of future results, but constitute our current expectations based on reasonable assumptions.



# CHAIRMAN AND MANAGING DIRECTOR'S MESSAGE



*Dear Stakeholders,*

It is a privilege, and also a humbling responsibility, to write to you again as the Chairman of the Board of V-Mart Retail.



The long-term consumption story of India remains intact: the largest base of young demographics globally (>800 million people below 35 years), per capita income crossing the retail spending 'inflection point' of USD 2,000, the 'aspirational' class accounting for nearly two-thirds of total households, and less than 30% organised retail penetration in the fashion segment.

Nearly two decades back, V-Mart pioneered the concept of value fashion in tier II and III cities, and has played an instrumental role in transforming the consumption landscape of small-town, aspirational India. Over the years, your Company has charted a consistent growth trajectory. This year was no exception. We opened a record number of new stores, expanding our footprint to more than 250 stores across 19

At V-Mart, we realise that COVID-19 has forced a 'Pause and Reset' button upon us. We did not have a choice. But, we do have a choice in what we do and how we act. Let me outline what your Company is doing to Respond, Renew and Reimagine in these times, and beyond.

states, surpassing the milestone of 2 million sq. ft. in retail area. Marking another significant milestone, we launched our omnichannel platform, taking affordable fashion to millions of more aspirational households across the country.

Keeping pace with our calibrated expansion, we enhanced our customer-centricity in significant ways - radically improving our merchandise depth and breadth, enhancing the customer experience of a V-Mart store as a fashion destination, personalising promotional and product suggestions through data analytics, and engaging more customers on digital media. All these efforts are synchronised and supported by a robust supply chain and technology backbone, which is crucial to realising our dream to 'take fashion to the remotest areas' of an aspirational India.

Faced with a constrained consumption environment during the year, we maintained a sharp focus on defending margins by improving productivity, and undertaking cost savings and efficiency enhancement initiatives. These measures exemplify our core value of Prudence and

will stand us in good stead for the unprecedented challenges arising from the COVID-19 pandemic, a crisis that will test us in many ways.

Let me share what your Company is doing, by outlining three themes - Respond, Renew and Reimagine.

### RESPOND

Starting from the early days of coronavirus crisis, we activated our scenario planning-based risk management and response plan,

focusing on three priorities - keep our employees and customers safe, sustain the entire ecosystem, and prepare for rapid recovery and growth post-COVID.





For each of these priorities, guided by our Board of Directors, we have implemented specific initiatives, and are adapting to the changing situation.

- *For employee and customer safety*, we have prepared and implemented detailed 'Corona-Safe at V-Mart' SOPs at our head office, warehouse and stores. Apart from our store teams, the security, housekeeping and support staff were trained to follow and implement coronavirus safety guidelines and equipped with adequate supply of hand sanitizer, masks, gloves, thermal scanners and PPE. We have also developed a customer tokening system in-house and implemented it at all stores to prevent overcrowding.
- *Sustaining and caring for the broader ecosystem*, including vendors, business partners, and local communities has always been in the V-Mart DNA, and throughout the crisis, we are communicating with, engaging and supporting our stakeholders continuously. On the fiscal front, our early and prudent measures are aimed at ensuring that, through cash conservation and cost control, we can mitigate any financial risk to the Company and its ecosystem effectively. Also, I am happy to share that your Company has been at the forefront of providing relief and support to local communities through a dedicated CSR budget for our 260+ stores and store teams.
- *Preparing for rapid recovery and growth* means a playbook for contingent actions that will be needed to revive business operations, as the world stumbles back to activity. Acting with agility and acting before normalcy returns is a vital element of our 'play to win' approach, aimed at increasing mind share, share of wallet and market share. In a post-COVID world, as everyone learns to live with less and less becomes more, V-Mart is well-placed to tap into this opportunity as a value retailer with a proven ethos of value creation for all stakeholders.

The COVID-19 pandemic is redefining many aspects of the retailing business, and is altering consumer behavior, some in the short-term and some that could be permanent. While we are focused on protecting what is core to our business and business model, we are also pivoting to the new realities and opportunities.

## RENEW

A shutdown brings the entire system to a halt and, is therefore, an opportunity to scrutinise each stationary nut-and-bolt, and identify what is not working well enough or can work better. In the manufacturing world, a planned shutdown is a fairly common and essential activity, to sustain and renew the efficiency and productivity of a production line. Faced with a sudden and forced shutdown, we switched our perspective to viewing this as an opportunity, and making the most of it.

An opportunity to review and renew core business processes, to change organisational habits and routines that may hinder productivity and

efficiency, and to mindfully unlearn and relearn what we may have held sacrosanct as the best or the only way of accomplishing business goals all these years. More specifically, this has meant a deep probing at a functional and process level, working more collaboratively internally and with our vendors and technology partners, to develop and pilot creative solutions in areas that remain in a constant whirl of activity in the normal times.

## REIMAGINE

COVID-19 is predicted to trigger an economic contraction globally, adversely impacting consumer spending. However, looking beyond

the obvious writing on the wall, it also means discontinuous shifts could happen in how we live, work, use technology, consume products and services, and interact with brands and service providers. Many of these shifts will last beyond COVID-19, and compel retailers like us to rethink and reimagine their business and business model.

A low-touch and high-convenience shopping environment; cut back in discretionary spending; higher focus on wardrobe essentials; hygiene and wellness products; preference for seasonless design; a significant step up in digital interactions; search for brands that are more trustworthy and community-friendly – we foresee that many of these consumer shifts may endure in the mid to long term. Therefore, we are accelerating technology adoption, making processes and cost model more resilient and our supply chain more agile and localised, and adapting or even redesigning our value proposition to changing consumer preferences.

At V-Mart, we have been constantly raising the bar in every sphere of activity, to create higher value for all stakeholders. By adopting

better processes and technology, by enhancing capabilities and efficiency, by setting higher standards of customer service and corporate governance, and by caring for local communities - in every way, our endeavor is to be a better version of what we are today.

As we conclude this fiscal year, I am particularly delighted to note that our continued growth and market leadership journey is being achieved by staying true to our core values of Customer Centricity, Prudence, Commitment, Agility and Integrity. These values are part of the V-Mart DNA and continue to serve us well. With over 7,500 employees most of whom are from the economically underprivileged strata, 700+ vendors, and by further engaging over 10,000 people through indirect employment, you can be proud that your Company is actively contributing to the larger socio-economic betterment of our country.

In conclusion, I earnestly thank the V-Mart team for their exceptional resolve and commitment in facing the biggest crisis of our times. On behalf of our Board, and 7,500 plus V-Martians, I wish you a safe, peaceful and prosperous year ahead.

**Lalit Agarwal**

*Chairman and Managing Director*



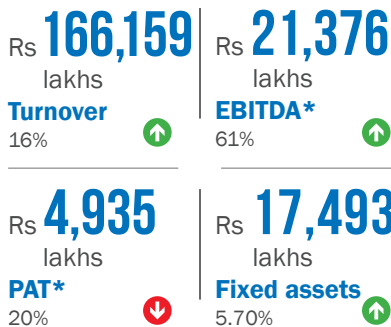
# OUR VALUE CREATION PROCESS

## SCOREBOARD OF OUR SIX CAPITALS



### FINANCIAL CAPITAL

We consider our financial capital as equity investment from shareholders, surplus arising from business operations annually and funding from debt providers.

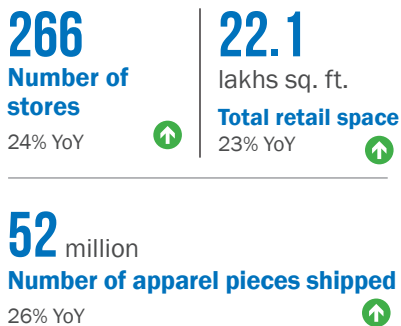


\*Adjusted for IND-AS 116



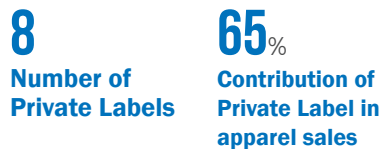
### MANUFACTURED CAPITAL

We continually invest in opening new stores, renovating existing stores and strengthening our warehouse and logistics infrastructure, to ensure reliability of business operations and support scalability.



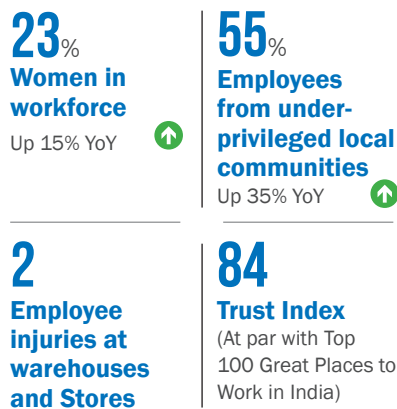
### INTELLECTUAL CAPITAL

Our continued thrust on bringing differentiated and latest products to our customers, as well as our ways of doing business, which include knowledge systems, processes and technology.



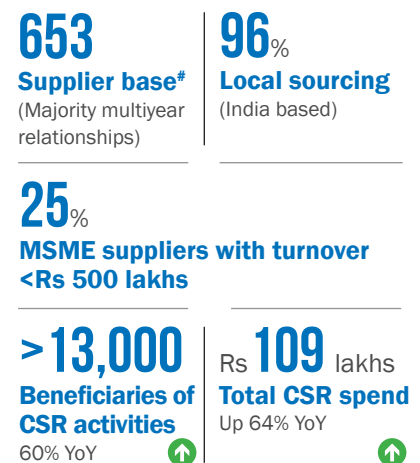
### HUMAN CAPITAL

Our people make possible what we do. We focus on attracting, retaining and nurturing talent to drive performance excellence. Our work environment and organisational culture ensure the wellbeing and growth of our employees.



### SOCIAL AND RELATIONSHIP CAPITAL

We focus on staying true to our promise of honest prices and quality merchandise. We value our relationship with vendors and local communities and invest in their sustenance and wellbeing.

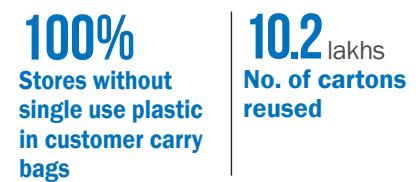


\*excluding FMCG



### ENVIRONMENTAL CAPITAL

Driven by our core value of Prudence, we focus our efforts on using resources more efficiently and doing business in an environmentally sustainable manner.



# V-MART RETAIL TODAY

## BUILDING ON OUR ROBUST FOUNDATION

Almost two decades back, V-Mart pioneered the concept of value fashion primarily in tier II, III and IV cities, providing a retail-mall-like shopping ambience to the newly-aspirational consumers.

Since then, we have come a long way, evolving and growing with our customers and their aspirations in this new millennium. We exist to serve the new, aspirational India comprising millions of households in small towns, focusing on the youth and young families who dream of a better life, and for whom fashion is a small expression of that dream. Our journey has closely tracked the emergence of tier II, III and IV cities that barely existed on the map till two decades back, into hubs of rising aspirations that are fueling a rapid consumption growth.

V-Mart pioneered value fashion in the high population density clusters of North and East India, where aspirations have far outpaced the per capita income. Within a decade of its existence, V-Mart established a loyal customer base in its key catchments through its unique value proposition of Price “Less” Fashion, combined with the comfort and convenience of a retail mall-like ambience. As our markets and customers evolved over the years, V-Mart has continued to remain relevant for its customers, witnessed in more than 393 lakhs patrons visiting our stores annually. Now, with the customer landscape taking on a digital hue, V-Mart is

marching towards being a ‘connected retailer’ in step with a demographic that is increasingly digital-savvy.

Also, as less becomes more in a post-COVID world, and as everyone learns to live with less, we are adapting as a value retailer, building on the ethos of sustained value creation for all our stakeholders. With a ‘play-to-win’ approach, our aim is to increase mind share, share of customers’ wallet and our market share.

Currently present across 191 cities in 19 states and UTs, we get nearly 393 lakhs footfalls annually, with 130 lakhs customers in our loyalty database, endorsing our growing pan-India popularity in the value fashion-seeking population of the country.

