

NURTURING FAITH INSPIRING TRUST

ANNUAL INTEGRATED
REPORT 2020-21



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OUR APPROACH TO REPORTING

V-Mart Retail Ltd. (V-Mart Retail/The Company) presents its second Annual Integrated Report, an overview of the Company's business operations and performance, our 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 2021 Integrated Annual Report incorporates the financial reporting 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 focussing on fashion apparel, and merchandise for home and daily household needs, 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. Since FY 2019-20, we started bringing out an Annual and Integrated Report, 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

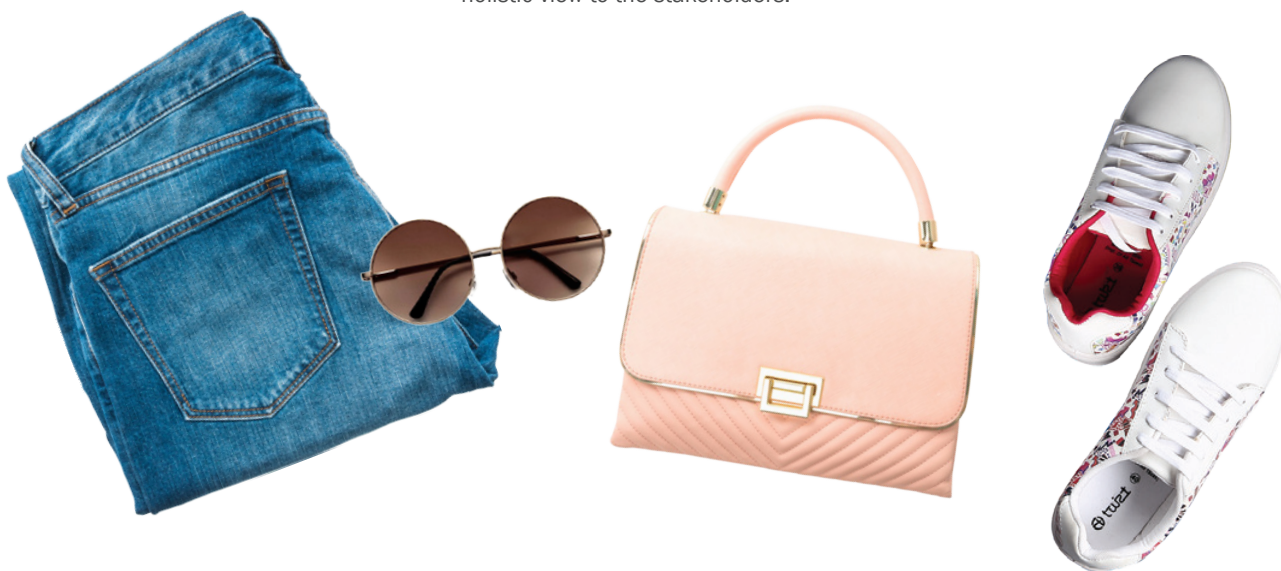
The financial information is reported for the period April 1, 2020 to March 31, 2021 (unless otherwise stated). Comparative figures pertaining to financial, operating and stakeholder metrics have been incorporated for the last three to five years to provide a holistic view to the stakeholders.

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.



NURTURING FAITH INSPIRING TRUST

At V-Mart, we continued to sustain your trust vis-à-vis our stakeholders, partners, employees and customers through FY 2020-21.

Our unshakeable belief in our core values and never-say-die spirit saw us emerging stronger and wiser, despite the raging pandemic. We went on with our expansion plans, emboldened by your endearing trust, even as we continued to build on our digital capabilities for future readiness.

The unprecedented COVID-19-induced challenges saw businesses worldwide having a turbulent time. However, with our grit and prudence, we navigated successfully through this difficult period while strengthening our foundation for the future.

Moving with agility and efficacy, we harnessed our strengths to grow our customer outreach and safeguard the interests of our stakeholders, inspiring them to continue reposing their trust in the V-Mart brand.

CHAIRMAN & MANAGING DIRECTOR'S MESSAGE



Dear Shareholders,

The year 2020 proved to be an extraordinary year for the entire human race. Not one of us managed to remain unaffected by a global pandemic, which tested the mettle of businesses and individuals, right down to the survival for many.

It was a year where thousands lost their loved ones; lost jobs or had to survive on meagre pay. It was a time for rediscovery by many businesses – what they were, and what they could become in such uncertain times. As the events played out, we as an organisation were focussed on what we could do to serve our customers, partners, employees, and the community at large.

I am happy to say that notwithstanding the grave challenges, your Company did not just sustain the business, but moved resolutely forward on its expansion and growth plans.

Despite challenging times, the Company's results for FY 2020-21 are encouraging. They validate the strength of our visionary strategic approach, while also enabling us to ensure continued stakeholder trust in the organisation. They are an endorsement of our ability to do more with less – a feat we accomplished effectively in the challenging industry environment. They reflect our success in leveraging our lean inventory model and omnichannel approach to deliver better outcomes with minimal investments.

Our goal has been to create value for all stakeholders; for the entire ecosystem in fact. I believe that if we do not create

CHAIRMAN & MANAGING DIRECTOR'S MESSAGE

value, no matter how impressive we might appear on the surface, we aren't really 'touching lives' and making a resounding impact on the society at large. This ultimately affects our long-range business prospects, our very survival.

Be it our employee satisfaction, business partners' faith, customers' trust or our stock price, there is a tangible value assigned to all. It is this value I'm talking of, and which we keep improving year-on-year.

Based on this, we continued to make significant investments in our products range, technology and people, all the while maintaining a disciplined credit and an encouraging balance sheet.

Despite the complexities of the new COVID-19-induced realities, we did not hold back on our strategic plans and execution processes during FY 2020-21. On the contrary, with the active collaboration of our stakeholders, we went on to actively pursue our goals. In fact, we even accelerated in certain areas like digital and capability development. And we stayed decisively on course with our long-term plans for sustainable growth and value creation for our stakeholders, opening 20 new stores during the year.

Our efforts translated into a fair/relatively strong performance despite the challenges that impacted the year. The Company reported a full-year income of Rs 109,650.04 lakhs - recovering to 66% of the last year's base.

Despite lower operating days, reduced topline, and marginalised savings due to largely fixed cost structures, the Y-o-Y EBITDA recovery remained high at 61%, with 12.2% vs. 12.9% EBITDA reported for FY 2019-20. Though footfalls fell by 48% Y-o-Y, an 14% expansion in basket size and increased customer conversions helped drive revenue recovery.

A major highlight of the year was our Fund raise through QIP in February



2021. That the QIP was oversubscribed about 6 times in the pandemic situation, stands testimony to the underlying confidence of investors in V-Mart's credentials and capabilities. The successful signing up of several prestigious global and Indian investors in these critical times, after fulfilling their rigorous due diligence standards, underscores the depth of our strategic and operational execution excellence. It is an endorsement of the robustness and long-term sustainability of your Company's business model and strong financial metrics, which the investors trust. The cash reserves that we have built with the QIP fund raise will enable us to fast-track our planned expansion projects, including construction of our future-ready and new warehouse.

On behalf of the Board, I would like to assure our investors, as well as our customers, partners, and other stakeholders, that V-Mart will stay true to its core values, to further strengthen its trust quotient.

I would also like to thank all our employees, who continued to extend their unwavering support for the realisation of V-Mart's business goals in these testing times.

Herein, I particularly remember one of our store associates in Patna, Rani Singh. I recall how she always had a

smile on her face, despite the tough COVID protocol. Travelling on foot over five kilometres to work daily in the absence of public transport during the peak pandemic, she symbolises the grit and spirit of all V-Martians who continued serving our customers during these hard times. Some even volunteered to personally deliver products at customers' doorstep in severely affected areas.

I recall how overwhelming it was personally interacting with those employees over telephone calls, who lost their loved ones, or had to face major hardships due to the pandemic. Each and every one of those phone calls made me appreciate the true valour of these 'warriors' who refused to let times defeat their spirits.

To all our employees, I would like to extend my appreciation and assurance that V-Mart shall continue to nurture your faith by providing you a culture of safety, well-being, motivation and inspiration, which enabled the Company to retain the title of Great Place to Work during the year.

Let me share with you all some details of how we successfully negotiated the tribulations of the year to surge forward on our strategic journey of how we responded and renewed in line with the approach we had taken at the start of the pandemic in FY 2019-20.

CHAIRMAN & MANAGING DIRECTOR'S MESSAGE

HOW WE RESPONDED

The seamless roll-out of our business continuity plan enabled us to successfully embrace the various challenges during the year. From ensuring employee and customer safety, to sustaining business operations and gearing up for post-pandemic recovery, we ensured continuing engagement and collaboration with each of our stakeholder groups. This approach enabled us to deliver an effective and agile response to the transforming ecosystem.

Despite extended periods of negligible cash inflow due to the lockdown in early FY 2020-21, the Company stood by its employees. The Company honoured its financial commitments to employees and other stakeholders in every way, thus reinforcing its strong trust ethos. We also enhanced our focus on sustainable business practices, through more environment-friendly initiatives, along with stringent safety compliances. Despite all the challenges faced during the year, we managed to keep our sustainability quotient high.

Employee & customer safety: We implemented well-formulated hygiene and social distancing SOPs at the stores and the workplaces, to maintain a high level of safety culture across the organisation. We also instituted a 24x7 helpline to help employees cope up with COVID-related emergencies and give them mental strength. We also extended a variety of medical, financial, essential supplies' assistance to all our employees and their families suffering from COVID-19. To ensure their mental well-being, we also started imparting motivational training and counselling sessions for employees. At the same time, even amid the closure of offices during the lockdown periods, we managed to keep our back-office teams operational through effective work-from-home arrangements.

We went on serving our customers amid the restrictions, by reaching out to fulfil their requirements in various creative ways. We identified weekly Haats and Bazaars in rural areas, and 'brought the store to the customer' with our 'V-Truck' initiative. Trucks with our products were sent to such rural areas to enable people to buy what they wanted. This not only led to higher overall sales for the stores, but also facilitated new customer acquisition in such areas.

Rural belt folk responded with enthusiasm to our V-Truck initiative, as it offers them convenience in the absence of adequate transportation facilities to the cities, and helps them avoid being charged higher by local shopkeepers.

Broader ecosystem: We maintained cordial relations with all our landlords and vendors during the disturbed period of the lockdown. With our vendors, business partners and local communities central to our strategic plans, we initiated several measures to reach out to them more effectively. Our collaborative partnerships, which included equitable commercial arrangements, helped equip our vendors and other partners in the value chain to maintain supply chain continuity in the restrictive business environment. This enabled the Company to quickly revive and scale up operations as stores opened after lockdowns were eased.

On the fiscal front, our prudent approach and risk-mitigation strategy enabled

...
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 ...

the Company to be cash positive. This equipped the organisation with sufficient working capital arrangements to meet its operational requirements on a sustained basis.

Cognisant of our social responsibility in these critical times, we also augmented our CSR outreach and budget estimates to support more and more vulnerable people impacted by the pandemic. Besides helping set-up of a 300-bed COVID care facility in Gurugram, we helped in arrangement of Oxygen concentrators, ventilators, plasma, and medication supplies.

At the peak of lockdown last year, we supported 1.25 lakhs beneficiary families by free food distribution to help them wade through that tough phase.

Our employees created groups within themselves, on their own accord. This was to help the needy and the suffering during the pandemic's peak last year by way of medical aid, essential items etc.

HOW WE RENEWED

The unprecedented shutdowns and restrictions gave us the opportunity to review and renew our core business processes during the year. We made a strategic shift to start focussing more aggressively on quicker mind-to-market strategies in fashion apparels, while boosting our private label offerings. New product quality enhancement and vendor programmes were initiated to sharpen the fashion quotient of our portfolio. The focus was on improved quality and cost efficiencies.

We also started the process of revitalising our Omnichannel platform, through creative and compelling products and shopping experience aimed at boosting our overall sales going forward. We augmented our digital proposition to deliver a more engaging experience to our customers, business partners, employees and other stakeholders. This also helped us keep

CHAIRMAN & MANAGING DIRECTOR'S MESSAGE

our ears close to the ground and create products that are relevant to the consumers' changing needs and resonate with their aspirations. Our launch on the marketplace ecosystem of online retail has opened up new avenues.

Our thrust is on rethinking how we can deliver more value to our customers, in a safer and more convenient manner, without excessive expenditure. Our endeavour is to realign our product assortment, pricing, and channels to what they need the most at the moment. Innovative store branding, attractive designs, impactful marketing campaigns, and multiple promotional offers were developed during the year to drive footfalls and sales, especially during occasion and season-linked shopping. E-learning initiatives were launched to align our employees quickly and effectively to the new business norms.

WAY AHEAD

No doubt the path ahead remains fraught with challenges, but we are confident that we shall continue on the course of expansion and growth in the years ahead. Our debt-free and cash-rich balance sheet, as well as the launch of new formats, will continue to drive our

strategic plans. We believe that as the economy starts lifting back to normalcy, we shall once again see a resurgence of the consumers' pent-up demand. This, we feel, will drive them towards retail stores they trust. We are optimistic that value-led offerings, which are central to our proposition, will draw consumers to V-Mart stores in even bigger numbers than before.

To drive cash preservation, our focus will be around further optimising resources, operating costs and exploring innovative models. We are strategically focussed on sustaining the growth journey in our strong markets, leveraging the unprecedented digital penetration, and scaling up Omnichannel operations by introducing new offerings and expanding our footprints across e-commerce marketplaces.

While the dynamic uncertainties may impact the stock price in short-term, our record of delivering consistent performance over the years is the testimony of our commitment, where we stand strong in long-term wealth creation for our stakeholders.

Your Company consistently complies with corporate governance, monitors and improves risk controls, while diversifying its vast pool of talent and tech implementation.

The crisis has made us stronger and more resilient and coupled with the hard work of the team as well as our organisational capacity and capability, we shall pursue accelerated growth and reach greater heights in the years ahead. As 'Living with less' becomes a necessity in times of financial hardship, we, at V-Mart, shall continue to invest in innovative and newer ways of creating enhanced value for all our stakeholders. We believe this will earn us even more trust and goodwill in the coming years.

We will continue to make those investments we believe would give us a significant edge and market leadership in the long term, rather than solely focussing upon short-term gains. We will continue hiring, nurturing, retaining and grooming an exceptionally devoted workforce. And yes, we will continue our unwavering focus on customers by creating compelling experiences, both at our stores, and online.

We continue to experiment and expand to new horizons, and take V-Mart to places where it has never been before, along with your enabling support. Further, to safeguard the ROCE, and to enable future plans, we are creating new avenues, along with a tremendous digital thrust. Post raising funds from the QIP, our cash reserves have increased, which will help us fueling the future expansion. We reiterate our commitment to deploy these funds prudently and productively to accelerate the long-term growth of the Company.

On this note, on behalf of the Board, I would like to once again thank all of you, and wish you a safe and prosperous year ahead.

Lalit Agarwal

Chairman and Managing Director



ROOTED IN STRONG BELIEFS

INTRODUCING V-MART RETAIL LTD.

A value retail chain rooted in strong ethos and beliefs, V-Mart offers fashion apparel, footwear, home furnishings, general merchandise and kirana for the complete family. Led by the concept of 'value retailing', the Company caters to the needs of the value and fashion conscious consumers living in tier II, III and IV cities across India.

- Our business model is attuned to the evolving aspirations of the rapidly-expanding middle class for affordable, high-quality fashion
- We are strategically focussed on providing unparalleled shopping experience to customers in untapped markets
- We deliver the enhanced customer experience by providing fashion-oriented & modern ambience of a large retail mall in our markets
- Our 'Price less fashion' principles is driving V-Mart's consistent efforts to continuously nurture stakeholder trust and deliver sustained value

Founded in 2002, V-Mart has consistently delivered a differentiated experience to its growing customer base through relevant products, with an optimal mix of private and market labels.



Our Vision

Create value and make our ecosystem proud.



Our Mission

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



ROOTED IN STRONG BELIEFS - INTRODUCING V-MART RETAIL LTD.



Our Core Values



CUSTOMER CENTRICITY

We Act with a **'Customer First' mindset**

- Understanding customer fashion preferences and trends in how we plan, buy and allocate
- Proactively approaching and assisting customers in always making the best buying decision for themselves
- Implementing and following customer-friendly processes/policies that enhance customer's in-store experience



COMMITMENT

We **Consistently Own and Strive** to Achieve V-Mart's Goals

- Meeting deadlines, as committed
- Going the extra mile by demonstrating complete ownership of assigned tasks
- Not accepting sub-standard output from self, colleagues, business partners or vendors



AGILITY

We Act with **Speed to Learn**, Adapt and Execute

- Understanding/anticipating changes in the external business environment – customer, competitor, technology, and preparing our response proactively
- Identifying and addressing gaps that may prevent the organisation from achieving its short and long-term goals
- Designing/Improving processes and policies that improve the organisation's ability to respond to change
- Motivating self, our teams and colleagues to execute with speed