

# BACKING THE **INDIA STORY**

V2 Retail Limited | Annual Report 2018-19



## Content

4	Corporate snapshot
6	Our widening footprints
8	How we have performed over the years
10	Chairman's message
14	Enhancing stakeholder value
26	Managing risks at V2 Retail
28	Management discussion and analysis
34	Notice
46	Directors' report
72	Corporate governance report
97	Independent Auditor's Report
106	Balance Sheet
107	Statement of Profit and Loss
108	Cash Flow Statement

## Forward-looking statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically, 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we make, contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects' believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

## Backing the Indian story

At V2 Retail, we have consistently believed in the India story.

That there is a larger Bharat beyond the conventional Indian growth story.

That this Bharat is marked by a combination of increased aspirations and incomes.

That this increase will be even faster going ahead.

In line with this optimism, V2 Retail made the largest investment in its business during the last financial year.

With a singular objective graduate the Company to the next level.

# At **V2 Retail**, we believe that our performance has been derived from the conviction to do courageous things

## **Emerging consumers**

Most retail chains focused on 'emerged' consumer marked by higher consumer spends

*V2 Retail focused on a large number of 'emerging' consumers marked by higher aspirations and spending budgets instead*

## **Semi-urban and rural**

Most retail chains focused on metro cities and prominent Tier One urban clusters of India

*V2 Retail focused on the growth coming out of semi-urban and Tier 2 / 3 cities instead*

## **Investing in down cycles**

Most retail chains focused on conserving cash during downtrends and spending in favourable cycles.

*V2 Retail invested in building scale during good and challenging market phases.*

## **Focus on private label**

Most retail chains focused on a trading operation – outsourcing and retailing.

*V2 Retail focused on marketing proprietary labels as well, increasing consumer value proposition.*

## **Technology driven**

Most retail chain invested in technologies for back-end MIS storage.

*V2 Retail invested in an emerging technology-driven retail enterprise.*

## **Marginal debt**

Most retail companies grew their business through a combination of debt and accruals.

*V2 Retail retained its almost debt-free status and grew its business through net worth alone.*

## **Growing investments**

Most companies in India's organized retail sector turned conservative the larger they grew.

*V2 Retail progressively increased its investments, growing its spread of stores in larger annual increments*

At V2 Retail, there has  
been one result of our  
courageous conviction:  
**Long-term sustainable  
growth**

## Revenue growth

286.77	748.40
₹cr, revenues in 2014-15	₹cr, revenues in 2018-19

## Profits

27.7	46.9
₹cr, EBITDA in 2014-15	₹cr, EBITDA in 2018-19

## Retail space

1.98	9.06
Lakh sq ft, retail space in 2014-15	Lakh sq ft, retail space in 2018-19

## Stores

16	77
Number of stores in 2014-15	Number of stores in 2018-19

## States

8	17
Number of states of presence in 2014-15	Number of states of presence in 2018-19



## V2 Retail.

Focusing on the large and growing Bharat opportunity.

Possibly the largest under-consumed population cluster in the world.

### Our background

V2 Retail Limited went into business in 2001. The Company provides a wide retail mix, product quality and variety. The Company offers fashionable apparel across various categories at affordable prices.

### Our promoter

The Company is promoted by Mr. Ram Chandra Agarwal, possessing more than 30 years of entrepreneurial experience. He has been the Chairman and the Managing Director of the Company since July 2011.

### Our presence

The Company's business footprint has been complemented by a widening presence - 77 retail stores in 17 States as on 31 March 2019.

### Our product offerings

The Company's portfolio comprised apparel and non-apparel products - garments and products like footwear, toys, games, handbags, cosmetics, home furnishings, decor products and sports items, among others.

### Our positioning

The Company's inclusive business model addresses the growing needs of India's 'neo-middle class' and 'middle class' segments. V2 Retail's average product realization of ₹273 and average net billing per customer of ₹789 in FY2019 were lower than most organized retail brands in India, reinforcing its position as one of the most affordable retail brands of India.

### Our listing

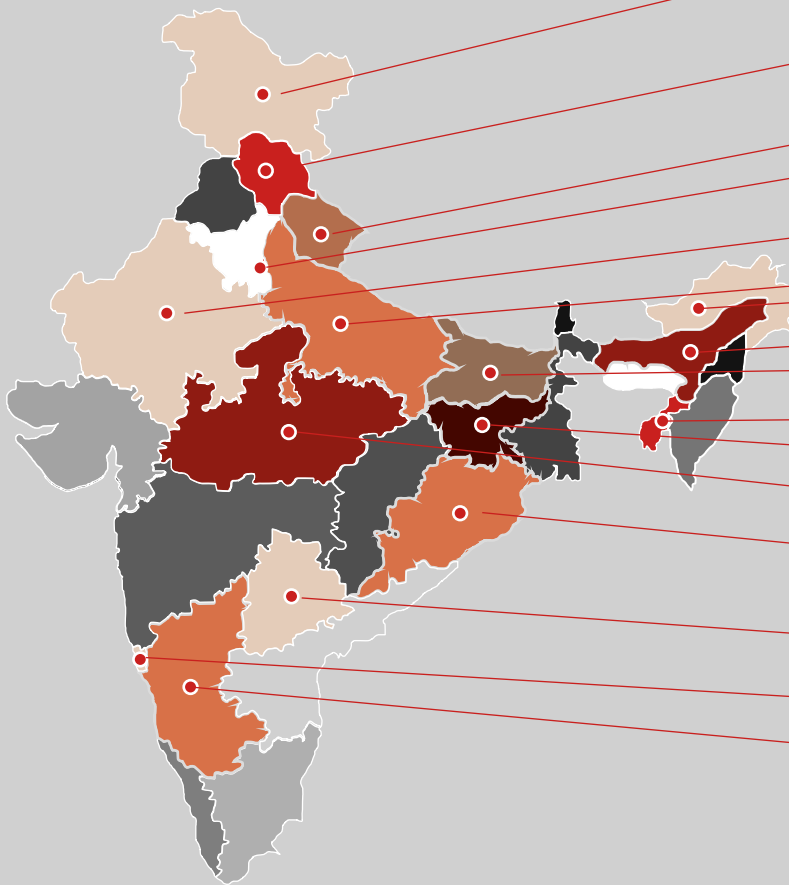
The Company is listed on BSE and National Stock Exchange in India. As on March 31, 2019, the Company's market capitalization was ₹996.67 crore while the promoter's holding stood at 51.14%.





## V2 Retail.

Our widening footprint  
covers the heart of Bharat



This is how we have grown across the years

**2001**

The Company was incorporated in 2001 as Vishal Retail Limited.

**2007**

The Company went to public and raised ₹110 crore.

**2008**

Turnover reached ₹1,000 crore.

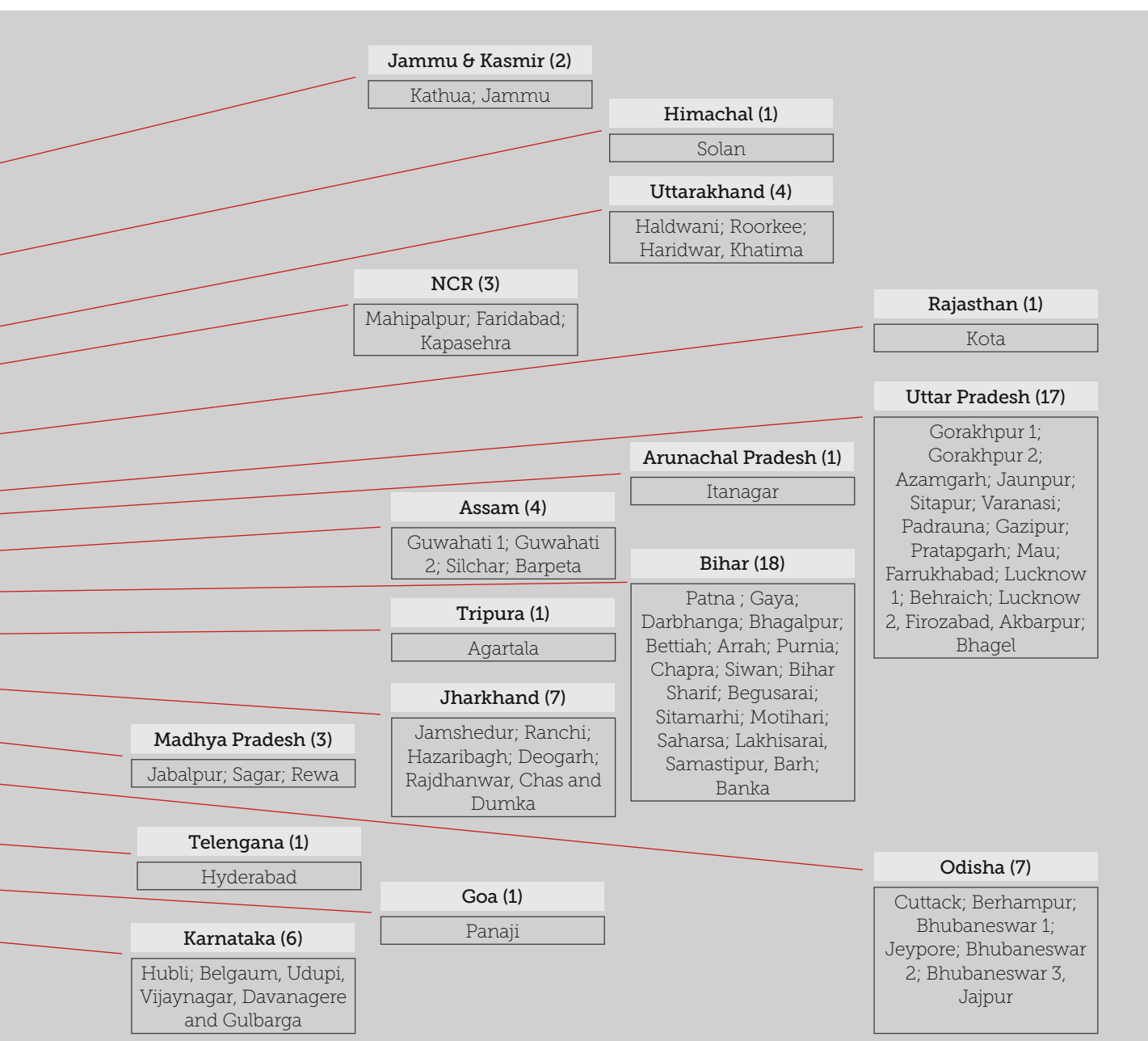
**2011**

Brand Vishal was sold due to operational losses. The name of the Company was changed from Vishal Retail Limited to V2 Retail Limited.

**2012**

First store was opened in Jamshedpur following restructuring.



**2014**

Number of stores increased to 16, covering more than 2 lakh square feet in retail space.

**2016**

Total number of store increased to 22. Retail space coverage crossed 2.60 lakh square feet.

**2017**

The total number of stores increased to 37. Aggregate retail space coverage crossed 4.60 lakh square feet.

**2018**

The Company attracted investment of ₹76 crore from India 2020 Fund II Limited. The total number of stores increased to 49. Retail space coverage crossed 5.56 lakh square feet. Turnover crossed ₹500 crore.

**2019**

Total number of stores increased to 77. The Company launched many marketing campaigns including 'Triple Dhamal, Shubh Lagan, Special Diwali Offer, Big Republic Sale, Loot Sako to Loot & Holi Dhamaka Sale'. Retail space coverage crossed 9.06 lakh square feet. Turnover crossed ₹748.40 crore.

# How we have performed over the years

## Stores (Number)

FY14-15	16
FY15-16	22
FY16-17	37
FY17-18	49
<b>FY18-19</b>	<b>77</b>

The Company commissioned the largest number of stores in any single year in 2018-19.

## Retail space (lakh sq.ft.)

FY14-15	1.98
FY15-16	2.62
FY16-17	4.62
FY17-18	5.56
<b>FY18-19</b>	<b>9.06</b>

The Company's retail space outlay was by far the largest in any single year in 2018-19.

## Inventory (days of sales)

FY14-15	101
FY15-16	124
FY16-17	89
FY17-18	105
<b>FY18-19</b>	<b>132</b>

The increase in inventory was a result of the large expansion – and progressively expected to moderate.

## Sales per sq. ft. (₹ per month)

FY14-15	1204
FY15-16	1255
FY16-17	1107
FY17-18	942
<b>FY18-19</b>	<b>792</b>

The decline in sales per square foot was on account of the sharp increase in aggregate retail space that will progressively correct itself.

## Rent per sq. ft. (₹ per month)

FY14-15	46
FY15-16	47
FY16-17	53
FY17-18	44
<b>FY18-19</b>	<b>43</b>

The Company combined an increase in retail space with a decline in negotiated rentals – a long-term advantage.

## Cash profit per sq. ft. (₹ per month)

FY14-15	76
FY15-16	71
FY16-17	81
FY17-18	89
<b>FY18-19</b>	<b>50</b>

The Company's cash profit temporarily declined 43.82% to ₹50 because of declining profits.

