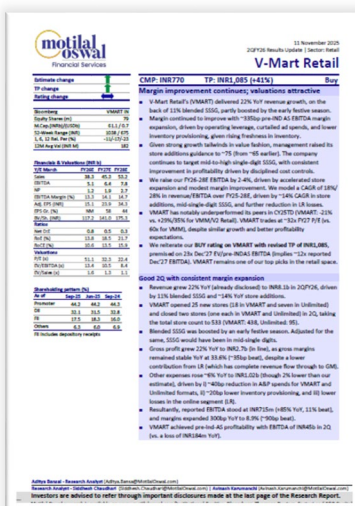
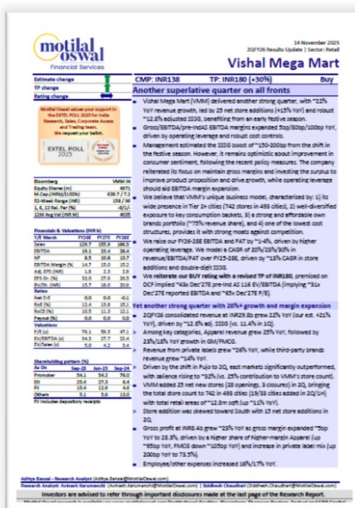


Value fashion retail

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2025



Value fashion sustains strong growth momentum

- Value fashion retailers sustained their outperformance with strong double-digit revenue and SSSG, driven by the shift of Pujo to 2QFY26 (vs. 3QFY25).
- Even after adjusting for the shift in the festive season, underlying demand trends remained robust, driven by the continued unorganized to organized shift in tier 2+ cities amid accelerated store expansions.
- Consumption-supportive policies, such as GST rationalization, income tax cuts, free food schemes, cash handouts in certain states, and a reduction in interest rates, along with strong rural cash flows from a good monsoon, have supported robust growth rates for value fashion retailers.
- While growth is likely to be optically lower in 3Q on a higher base due to the partial shift of the festive season to 2QFY26, the early onset of winter and wedding demand should provide tailwinds (especially for North-focused retailers), keeping the near-term outlook constructive.
- **We reiterate our BUY ratings on V-Mart (TP: INR1,085) and Vishal Mega Mart (VMM) (TP: INR180)**

Growth momentum sustains; profitability improves further

- During 2QFY26, value fashion retailers sustained their outperformance, with the four listed value fashion retailers delivering a combined **33% revenue growth, aided by 20% retail area addition** and double-digit SSSG.
- V2-Retail (V2REL) (accelerated store expansion) and Baazar Style (BSR, shift in Pujo dates) outperformed, while VMM and V-Mart continued to deliver strong double-digit growth rates.
- Strong growth momentum and robust cost controls also led to a broad-based expansion in **aggregate pre-IND AS EBITDA margins** by ~210bp YoY to 6.4%, resulting in almost doubling of aggregate pre-IND AS EBITDA in 2QFY26.
- VMM remained the most consistent with steady margin expansion, while V-Mart, BSR, and V2REL witnessed sharp margin expansions, delivering one of their best-ever 2Q performances, driven partly by the early festive boost.
- **Aggregate adjusted PAT** rose sharply YoY to INR1.6b, driven by robust growth, margin expansion, tighter control over working capital, and lower finance costs.

Broad-based acceleration in store additions

- Value fashion retailers are scaling rapidly as the demand outlook remains robust, driven by the shift from unorganized to organized retail in tier 2+ towns.
- The four listed value fashion retailers added 109 aggregate net stores in 2Q (+24% YoY), with the aggregate retail area rising by ~20% YoY.
- The robust demand outlook has prompted retailers such as V2REL and V-Mart to raise their store additions guidance for FY26, while VMM has also indicated that its focus remains on accelerating store additions.
- Store expansion is accelerating across the board, with retailers targeting white spaces in the South and West, along with deeper penetration in core Hindi-belt markets.

- Despite aggressive expansion plans, retailers remain disciplined on unit economics, focusing on faster ramp-up of new stores, improved inventory turns, and capital efficiency.

Accelerated store expansions weigh on FCF generation

- Despite aggressive store additions, value fashion retailers maintained effective control on inventory, with cumulative inventory days stable YoY at ~87.
- On a per sqft basis, inventory density improved for most value fashion retailers (except VMM), aided by the early festive season.
- Overall, cumulative core working capital days increased slightly to 15 (from 8 YoY), driven mainly by reduced payable days for VMM.
- Broad-based profitability improvements for value fashion retailers were offset by higher working capital requirements due to accelerated store openings, which led to a moderation in aggregate OCF (after interest and leases) to INR6.4b (vs. INR7.9b YoY).
- Further, with an acceleration in store expansions, aggregate capex for value fashion retailers surged ~37% YoY to INR3.7b, which resulted in a moderation in FCF generation to ~INR2.7b (vs. ~INR5.2b YoY).
- Going forward, working capital (on an absolute basis) and capex could remain elevated as value fashion retailers continue to focus on accelerated store expansions, resulting in muted FCF generation for the sector.

Growth momentum likely to sustain; operating leverage to boost margins

- Given the robust growth outlook and tailwinds from the unorganized to organized shift in tier 2+ towns, value fashion retailers have stepped up their targets for store additions, which should help sustain growth momentum.
- Rising salience of private labels, increasing full-price sell-through, robust inventory controls, and better supply chain efficiencies should help value retailers sharpen their value proposition.
- Operating leverage on fixed costs, such as warehouse, corporate, and A&P expenses, along with an improvement in store productivity for recently opened stores, should help drive margin expansion.

Valuation and view

- Value fashion retailers continue to outperform premium and branded apparel retailers, underpinned by structural tailwinds: i) rising aspirations in Tier 2/3/4 cities, ii) an accelerating shift from unorganized to organized channels, iii) deeper private-label penetration driving assortment depth, and iv) aggressive network expansion.
- We remain bullish on the growth prospects of value fashion retailers, driven by the massive opportunity from the unorganized-to-organized shift and rising preference for shopping from one-stop family shops in Tier 2 and beyond cities.
- We reiterate our **BUY rating on VMM with a TP of INR180**. Please refer to our [IC note](#) for a detailed thesis on the name.
- V-Mart is among the preferred picks in our entire apparel and footwear retail coverage as it provides a mix of high-teen growth, margin expansion, and attractive valuations (~17x Dec'27 EV/pre-INDAS EBITDA). Reiterate our **BUY rating on V-Mart with a TP of INR1,085**.

Exhibit 1: Valuation comparison for value fashion retailers

	Mcap (INR b)	P/E (X)			Pre IND-AS EV/EBITDA(X)			EV/Sales(X)			CAGR (%)
		FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28	Pre-INDAS EBITDA
VMART	62	52.0	32.8	22.8	27.1	20.0	15.2	1.6	1.4	1.1	40
V2 Retail	88	69.1	38.3	24.3	35.4	21.6	14.9	3.2	2.1	1.6	59
Vishal Mega Mart	626	73.8	57.7	45.6	51.9	41.6	33.8	4.9	4.0	3.3	26
Baazar Style	22	95.0	84.3	44.5	18.5	13.8	11.3	1.7	1.4	1.2	31
Value fashion retailers		72.5	53.3	34.3	33.3	24.2	18.8	2.9	2.2	1.8	39.0

Note: Bloomberg estimates for uncovered companies

Source: MOFSL, Company

Exhibit 2: Cumulative performance of value fashion retail in 2QFY26

P&L (INR m)	2QFY25	1QFY26	2QFY26	YoY%	QoQ%	1HFY25	1HFY26	YoY%
Revenue	37,881	50,330	50,249	32.7	-0.2	78,613	100,580	27.9
Raw Material cost	26,933	35,107	35,511	31.8	1.2	55,557	70,618	27.1
Gross Profit	10,947	15,223	14,738	34.6	-3.2	23,056	29,961	30.0
Gross Margin (%)	28.9	30.2	29.3	43bp	-92bp	29.3	29.8	46bp
Employee Costs	3,010	3,488	3,714	23.4	6.5	5,880	7,202	22.5
Other Expenses	3,976	4,395	4,813	21.1	9.5	7,615	9,209	20.9
Total Expenses	6,986	7,883	8,528	22.1	8.2	13,495	16,411	-17.8
EBITDA	3,961	7,340	6,210	56.8	-15.4	9,561	13,551	41.7
EBITDA margin (%)	10.5	14.6	12.4	190bp	-222bp	12.2	13.5	131bp
Rent	2,330	2,801	2,981	28.0	6.4	4,619	5,783	25.2
Pre-IND AS EBITDA	1,632	4,539	3,229	97.9	-28.9	4,941	7,768	57.2
EBITDA margin (%)	4.3	9.0	6.4	212bp	-259bp	6.3	7.7	144bp
Depreciation and amortization	2,441	2,927	3,198	31.0	9.2	4,803	6,125	27.5
EBIT	1,520	4,413	3,013	98.2	-31.7	4,758	7,426	56.1
EBIT margin (%)	4.0	8.8	6.0	198bp	-277bp	6.1	7.4	133bp
Finance Costs	1,038	1,053	1,036	-0.2	-1.6	2,028	2,089	3.0
Other income	196	236	278	42.3	18.0	362	514	42.0
Exceptional item	0	8	-553	0.0	0.0	108	-545	-604.6
Profit before Tax	678	3,589	2,808	314.0	-21.8	2,984	6,396	114.4
Tax	325	894	678	108.2	-24.2	851	1,572	84.6
Tax rate (%)	48.0	24.9	24.1	-2385bp	-78bp	28.5	24.6	-396bp
Profit after Tax	353	2,695	2,130	503.9	-20.9	2,133	4,825	126.2
Operational Metrics	2QFY25	1QFY26	2QFY26	YoY%	QoQ%	1HFY25	1HFY26	YoY%
Stores	1,435	1,675	1,784	24.3	6.5	1,435	1,784	24.3
Area	18.6	21.3	22.4	20.4	5.6	18.6	22.4	20.4
Per sqft								
Revenue	690	805	767	11.1	-4.8	741	816	10.1
Cost of Retailing	170	171	176	3.5	2.7	171	180	5.4

Source: MOFSL, Company

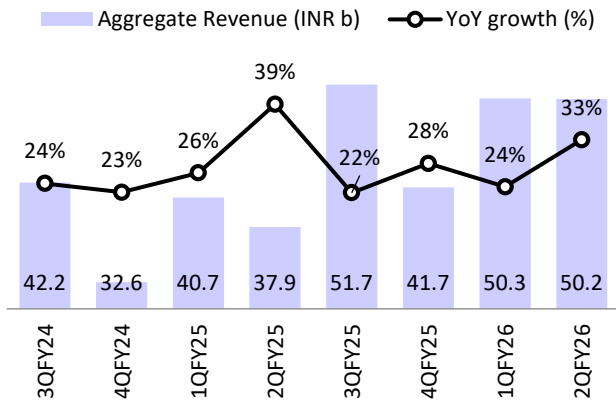
Exhibit 3: Value fashion retail industry's performance over the past two years

P&L (INR m)	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26
Revenue	42,196	32,571	40,732	37,881	51,652	41,719	50,330	50,249
YoY Growth (%)	24	23	26	39	22	28	24	33
Raw Material cost	29,200	23,502	28,624	26,933	35,485	29,473	35,107	35,511
Gross Profit	12,995	9,069	12,108	10,947	16,168	12,245	15,223	14,738
Margin (%)	30.8	27.8	29.7	28.9	31.3	29.4	30.2	29.3
Employee Costs	2,609	2,420	2,869	3,010	3,349	3,353	3,488	3,714
Other Expenses	3,555	3,204	3,640	3,976	4,113	3,668	4,395	4,813
Total Expenses	6,164	5,623	6,509	6,986	7,462	7,021	7,883	8,528
EBITDA	6,831	3,446	5,599	3,961	8,706	5,224	7,340	6,210
Margin (%)	16.2	10.6	13.7	10.5	16.9	12.5	14.6	12.4
Pre-IND AS EBITDA	4,637	1,240	3,310	1,632	6,292	2,354	4,539	3,229
Margin (%)	11.0	3.8	8.1	4.3	12.2	5.6	9.0	6.4
Depreciation and amortization	2,293	2,349	2,362	2,441	2,560	2,816	2,927	3,198
EBIT	4,538	1,097	3,237	1,520	6,146	2,408	4,413	3,013
EBIT margin (%)	10.8	3.4	7.9	4.0	11.9	5.8	8.8	6.0
Finance Costs	933	986	990	1,038	1,087	1,093	1,053	1,036
Other income	319	135	167	196	247	240	236	278
Exceptional item	-	-	108	-	-	(242)	8	(553)
Profit before Tax	3,924	246	2,306	678	5,306	1,797	3,589	2,808
Tax	884	85	526	325	1,157	471	894	678
Tax rate (%)	22.5	34.5	22.8	48.0	21.8	26.2	24.9	24.1
Profit after Tax	3,040	161	1,780	353	4,149	1,326	2,695	2,130
Operational Metrics	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26
Stores	1,303	1,334	1,367	1,435	1,515	1,596	1,675	1,784
Area (m sqft)	17.0	17.6	18.0	18.6	19.5	20.4	21.3	22.4
Per sqft (INR)								
Revenue	840	627	764	690	903	697	805	767
Cost of Retailing	165	151	165	170	173	165	171	176

*Note: YoY growth rates do not include VMM till 3QFY25 and BSR till 1QFY25

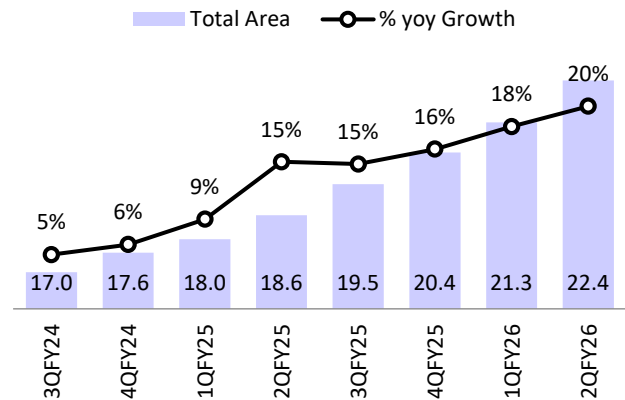
Source: MOFSL, Company

Exhibit 4: Robust 33% YoY revenue growth, led by a shift in festive dates



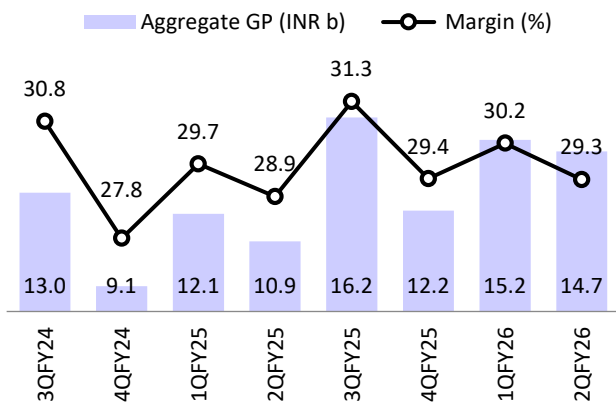
Source: MOFSL, Company

Exhibit 5: Area addition remains aggressive



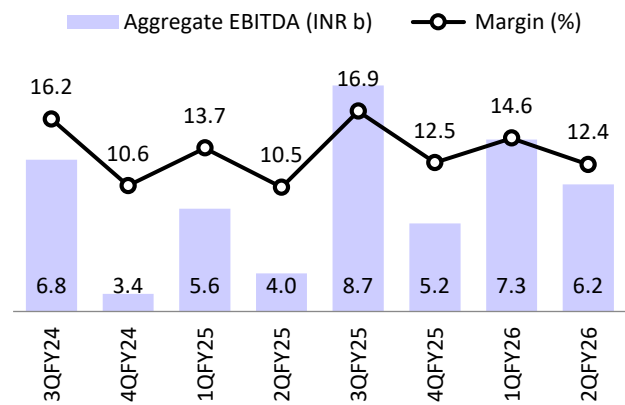
Source: MOFSL, Company

Exhibit 6: GM expanded ~45bp YoY



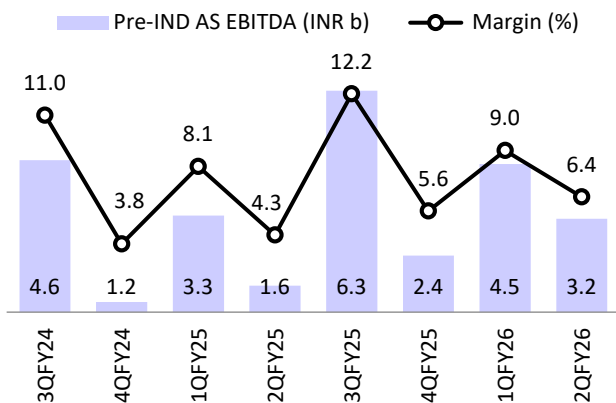
Source: MOFSL, Company

Exhibit 7: EBITDA margin also expanded ~190bp YoY



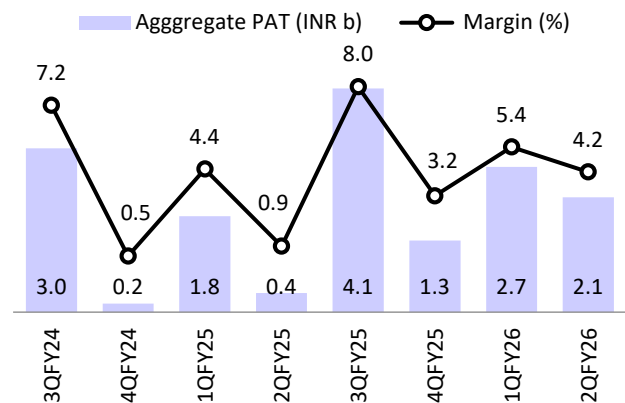
Source: MOFSL, Company

Exhibit 8: Pre-IND AS margin expanded ~210bp YoY to 6.4%



Source: MOFSL, Company

Exhibit 9: PAT margins expanded ~330bp YoY in 2QFY26



Source: MOFSL, Company

Broad-based acceleration in store additions

Value fashion retailers are scaling rapidly as the demand outlook remains robust, driven by the shift from unorganized to organized retail in tier 2+ towns. The robust demand outlook has prompted retailers such as V2REL and V-Mart to raise their store additions guidance for FY26, while VMM has also indicated that its focus remains on accelerating store additions. Expansion is accelerating across the board, with retailers targeting white spaces in the South and West, along with deeper penetration in core Hindi-belt markets. Despite aggressive expansion plans, retailers remain disciplined on unit economics, focusing on faster ramp-up of new stores, improved inventory turns, and capital efficiency. VMM is also piloting smaller store formats to tap towns with a catchment population of ~50k, thereby increasing its targetable customer base.

- **VMM** added 46 net stores in 1H and now operates 742 outlets in 493 cities. While it has not provided explicit guidance on store additions, the company remains focused on accelerated store expansions, citing strong traction in recently entered states such as Kerala (16 stores already) and white spaces in key states such as Gujarat, Maharashtra, and Tamil Nadu. The company is also piloting smaller format stores in towns with ~50k population.
- **V2REL** has the most aggressive expansion plans. Following its recent QIP, the company has raised its FY26 store addition target from 100 to 130 stores (70 opened in 1H) and aims to open 150 stores in FY27. Management indicated that 60-70% of the new store openings will be in its core markets, while 30-40% will be in relatively newer markets, as the company aims to become a pan-India retailer in the next few years.
- **V-Mart** opened 40 stores in 1H and has raised its guidance to 70-75 stores for FY26 (vs ~65 stores earlier), with its Unlimited (UL) format gaining strong traction in Tamil Nadu, even as Telangana and Andhra Pradesh remain weak.
- **BSR** has retained its FY26 target of 40–50 new stores despite already opening 36 in 1H, reflecting a likely cash flow constraint. It continues to expand its footprint in UP and Bihar, along with cluster-based expansion in its core markets of West Bengal and Assam.

Exhibit 10: Store print across geographies

Store Count	V-MART	VMM	BSR	V2REL	Industry
North	237	291	29	87	644
East	171	189	216	126	702
South	89	193	5	22	309
West	36	69	-	24	129
Total	533	742	250	259	1,784

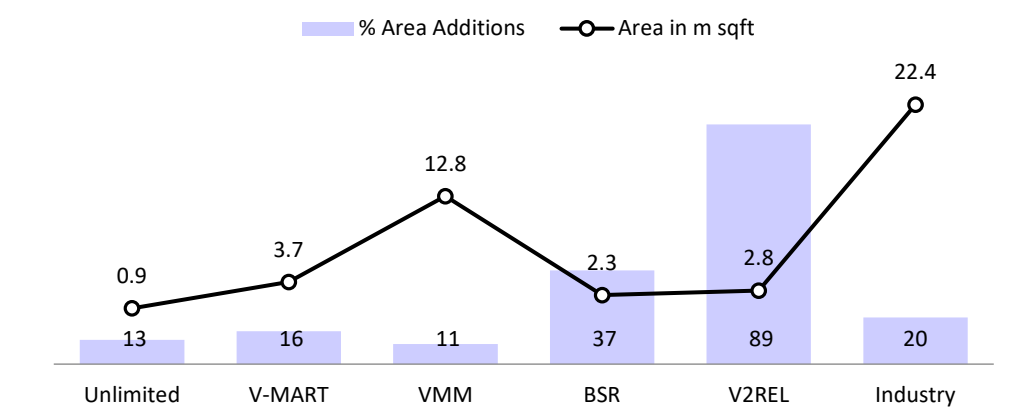
Net Additions in FY26TD	V-MART	VMM	BSR	V2REL	Industry
North	12	7	8	33	60
East	12	6	28	21	67
South	9	27	-	7	43
West	3	6	-	9	18
Total	36	46	36	70	188

Source: MOFSL, Company

Exhibit 11: State-wise store additions

State Wise	Store in 2QFY26			Additions YTD		
	V-MART	BSR	V2REL	V-MART	BSR	V2REL
Uttar Pradesh	162	29	48	7	8	13
Bihar	76	32	44	6	6	6
Tamil Nadu	33	-	-	3	-	-
Jharkhand	31	14	19	3	-	3
Rajasthan	30	-	3	1	-	2
Karnataka	21	-	18	4	-	6
West Bengal	21	95	13	-	18	4
Telangana	18	-	-	2	-	-
Uttarakhand	18	-	7	3	-	1
Madhya Pradesh	16	-	20	-	-	7
Assam	15	37	17	-	3	4
Orissa	15	34	30	2	-	4
Gujarat	13	-	1	1	-	1
Andhra Pradesh	12	5	2	-	-	1
Jammu & Kashmir	10	-	5	1	-	3
Delhi	7	-	10	-	-	2
Tripura	7	3	1	-	1	-
Maharashtra	6	-	1	1	-	1
Haryana	4	-	4	-	-	4
Kerala	4	-	-	-	-	-
Punjab	4	-	7	-	-	6
Arunachal Pradesh	2	1	1	-	-	-
Manipur	2	-	-	-	-	-
Meghalaya	2	-	1	1	-	-
Chandigarh	1	-	-	-	-	-
Chhattisgarh	1	-	2	1	-	-
Himachal Pradesh	1	-	3	-	-	2
Puducherry	1	-	-	-	-	-
Daman	-	-	-	-	-	-
Goa	-	-	2	-	-	-
Industry	533	250	259	36	36	70

Source: MOFSL, Company

Exhibit 12: Aggregate area grew 20% YoY, led by V2R (89%) and BSR (37%)


Source: MOFSL, Company

Exhibit 13: Store expansion remains aggressive, driven by the robust demand outlook for value fashion retailers

	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Store Count									
V-MART	353	367	365	370	384	403	412	421	438
Unlimited	84	87	79	78	83	85	85	89	95
VMM	576	589	611	626	645	668	696	717	742
BSR	144	153	162	166	184	199	214	232	250
V2REL	103	107	117	127	139	160	189	216	259
Industry	1,260	1,303	1,334	1,367	1,435	1,515	1,596	1,675	1,784
Net Additions QoQ									
V-MART	4.0	14	(2)	5	14	19	9	9	17
Unlimited	2.0	3	(8)	(1)	5	2	-	4	6
VMM	-	13	22	15	19	23	28	21	25
BSR	4.0	9	9	4	18	15	15	18	18
V2REL	(2.0)	4	10	10	12	21	29	27	43
	584.0	43	31	33	68	80	81	79	109
Area (in m sqft)									
V-MART	3.0	3.1	3.1	3.1	3.2	3.4	3.5	3.6	3.7
Unlimited	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.9
VMM	10.5	10.6	11.0	11.2	11.5	11.8	12.2	12.4	12.8
BSR	1.3	1.4	1.5	1.5	1.7	1.8	1.9	2.1	2.3
V2REL	1.1	1.1	1.3	1.4	1.5	1.7	2.0	2.3	2.8
Industry	16.7	17.0	17.6	18.0	18.6	19.5	20.4	21.3	22.4
YoY Area growth (%)									
V-MART	3.4	7.6	7.6	3.3	6.7	9.7	12.9	16.1	15.6
Unlimited	-	(4.8)	(9.5)	-	-	-	5.3	-	12.5
VMM	-	-	-	-	-	11.3	10.5	10.7	11.1
BSR	-	-	-	-	25.6	28.8	31.1	40.7	37.1
V2REL	1.0	7.6	15.8	23.4	34.7	51.1	61.6	72.2	88.5
Industry					11.5	14.6	16.1	18.3	20.4
Avg Store Size (sqft)									
V-MART	8,499	8,447	8,493	8,378	8,333	8,437	8,495	8,551	8,447
Unlimited	9,524	9,195	9,620	10,256	9,639	9,412	9,412	8,989	9,474
VMM	18,202	17,997	18,012	17,891	17,812	17,665	17,474	17,294	17,197
BSR	9,236	9,085	9,043	9,036	9,076	8,995	8,977	9,095	9,156
V2REL	10,680	10,654	10,718	10,740	10,662	10,763	10,725	10,875	10,788
Industry	13,265	13,070	13,181	13,141	12,990	12,879	12,788	12,692	12,580

Source: Company, MOFSL

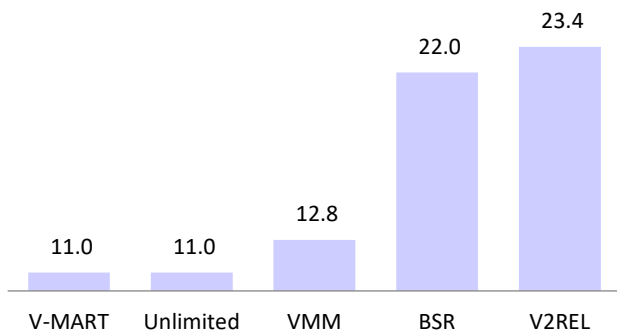
Robust demand trends continued across value fashion retailers

Value fashion retailers delivered strong revenue and SSSG print, driven by the shift of Durga Puja to 2QFY26 (vs. 3QFY25). Even after adjusting for the shift in the festive season, underlying demand trends remained robust, driven by the continued unorganized to organized shift in tier 2+ cities amid accelerated store expansions. Consumption-supportive policies such as GST rationalization, income tax cuts, free food schemes, cash handouts in certain states, and reduction in interest rates, along with strong rural cash flow from a good monsoon, have supported robust growth rates for value fashion retailers. While growth is likely to be optically lower in 3Q on a higher base due to the partial shift of the festive season to 2QFY26, the early onset of winter and wedding demand should provide tailwinds (especially for North-focused retailers), keeping the near-term outlook constructive.

- **VMM** reported 22% YoY revenue growth in 2QFY26 (22% in 1H vs 20% in FY25), driven by a 12.8% adjusted SSSG (12.1% in 1H) and 11% retail area expansion. Management estimates that the festive shift boosted 2Q SSSG by ~150-200bp, on ballpark, although weather-related seasonality during the festive period also remains a critical factor for apparel demand. Quick Commerce (QC) is scaling well, contributing 1.5-9.5% to store sales depending on the catchment and competition.
- **V2REL** delivered ~85% YoY revenue growth in 2QFY26 (68% in 1H vs 62% in FY25), supported by 23.4% SSSG (13.3% in 1H) and a robust network expansion, with retail area rising 89% YoY. Monthly SPSF grew ~4% YoY to INR938 in 2QFY26, despite accelerated store expansions. Management noted that new store performances have been tracking in line with/ahead of their internal targets.
- **V-Mart** reported a 23% YoY revenue growth in 2QFY26 (18% in 1H vs. 21% in FY25), driven by an 11% SSSG (5% in 1H) and a 14% YoY increase in area. Demand momentum improved further post-Diwali, as winter sell-through and the marriage season led to an improvement in the product mix and ASP. Management expects Nov-Dec to outperform Oct. With Puja sales already captured in 2Q, 3Q growth will be optically lower. However, management has maintained its target of mid-single digit SSSG for FY26 while raising its guidance on store additions.
- **UL** delivered 22% YoY revenue growth in 2QFY26 (16% in 1H vs 7% in FY25), supported by ~11% SSSG and ~10% area growth. The format's turnaround, driven by sharper pricing (ASP down 6%) and improved merchandise mix, is now translating into sustained traction. Tamil Nadu has emerged as a core growth market for UL.
- **Baazar Style Retail (BSR)** posted a strong 71% YoY revenue growth in 2QFY26 (55% in 1H vs 38% in FY25) due to its east-heavy footprint and a boost from early Pujo. SSSG came in at 22% (10% in 1H), supported by higher volume. For 1HFY26, retail area expanded 38% YoY, while monthly SPSF stood at INR768 (up 12% YoY). Management raised its FY26 growth guidance from 25% to 30% (though still conservative vs. ~55% in 1H), reflecting strong demand visibility.

Exhibit 14: Robust SSSG on the back of the festive momentum

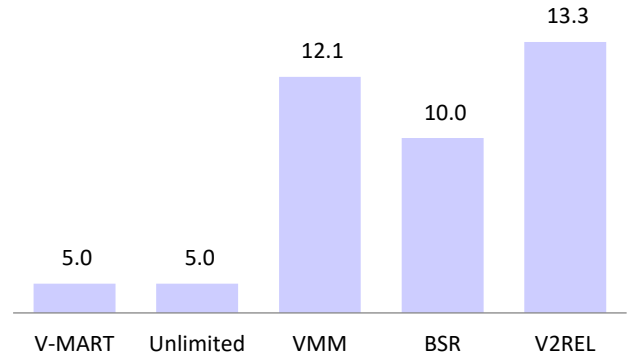
% SSSG - 2QFY26



Source: Company, MOFSL

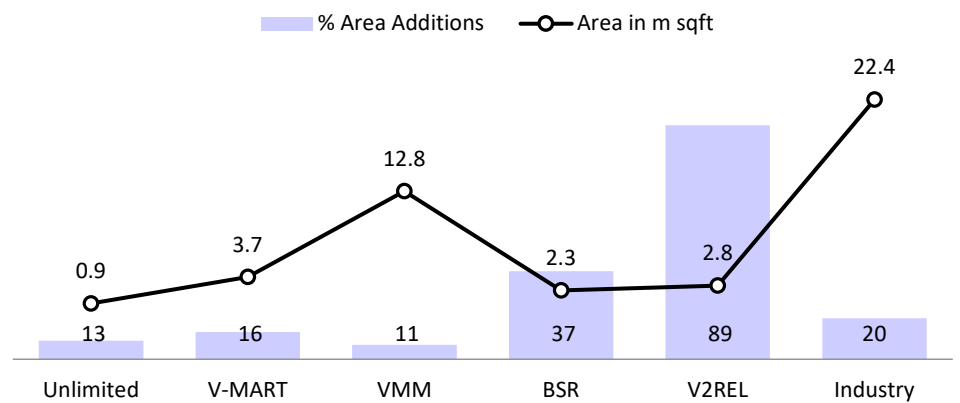
Exhibit 15: For 1HFY26, SSSG remained healthy

% SSSG - 1HFY26



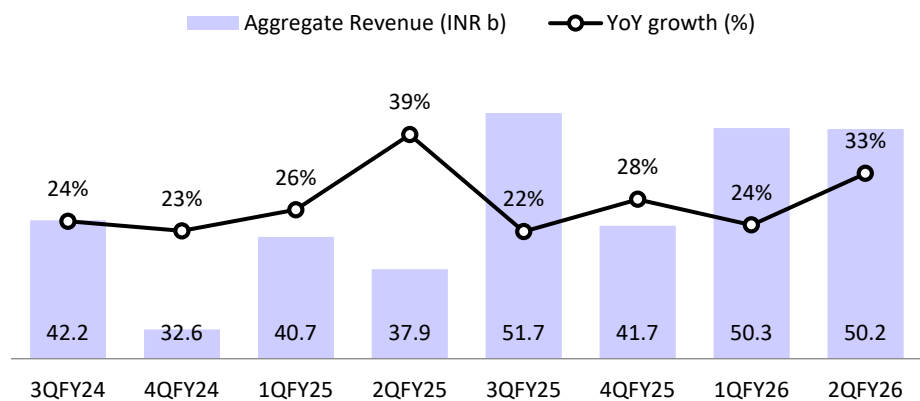
Source: Company, MOFSL

Exhibit 16: Aggregate area grew 20% YoY, led by V2 retail (89%) and BSR (37%)



Source: MOFSL, Company

Exhibit 17: Aggregate value fashion retail revenue grew 33% YoY in 2QFY26 (vs. 24% in 1Q)



Source: MOFSL, Company

Exhibit 18: Revenue growth remained robust across leading value fashion retailers in 2QFY26

	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Revenue (INR m)									
Core V-Mart	4,228	7,281	5,486	6,500	5,371	8,634	6,556	7,407	6,624
Unlimited	1,047	1,439	1,047	1,245	1,134	1,528	1,164	1,383	1,380
VMM	-	26,236	20,689	25,963	24,362	31,359	25,479	31,403	29,815
BSR	1,884	3,332	2,235	2,758	3,109	4,116	3,454	3,778	5,317
V2REL	2,313	3,738	2,960	4,150	3,800	5,909	4,985	6,297	7,049
Industry	9,691	42,196	32,571	40,732	37,881	51,652	41,719	50,330	50,249
YoY revenue growth (%)									
Core V-Mart	5	13	11	20	27	19	20	14	23
Unlimited	0	9	20	5	8	6	11	11	22
VMM	-	-	-	-	-	20	23	21	22
BSR	-	-	-	21	65	24	55	37	71
V2REL	19	56	53	57	64	58	68	52	85
Industry	8.3	22.5	22.4	27.2	41.6	22.4	28.1	23.6	32.7
SSSG (%)									
V-MART	(3)	1	5	12	14	10	7	1	11
Unlimited	4	6	13	8	11	11	10	1	11
VMM	-	-	13	12	13	11	14	11	13
BSR	(29)	50	10	5	41	(3)	20	(3)	22
V2REL	16	47	40	37	34	25	24	5	23
Calculated monthly SPSF (INR)									
V-MART	470	796	590	699	568	872	633	695	605
Unlimited	436	600	447	532	473	637	485	576	541
VMM	-	830	638	779	716	898	709	852	790
BSR	478	817	522	620	654	793	620	625	806
V2REL	699	1,112	824	1,057	890	1,230	886	959	914
Industry		834	627	764	690	903	697	805	767
SPSF - YoY growth (%)									
V-MART	(3.5)	7.0	2.9	13.7	21.0	9.6	7.4	(0.5)	6.4
Unlimited	0.3	11.7	29.6	10.3	8.3	6.2	8.4	8.3	14.5
VMM	-	-	-	-	-	8.2	11.0	9.3	10.4
BSR	-	-	-	-	36.9	(2.9)	18.9	0.8	23.2
V2REL	16.8	49.6	36.9	31.6	27.3	10.5	7.5	(9.2)	2.6
Industry						8.3	11.1	5.4	11.1

Source: Company, MOFSL

Strong volume-led growth; ATV remains broadly steady

Value fashion retailers' fundamentals remain intact, with the industry's monthly SPSF rising ~11% YoY to INR767, driven by stronger throughput in smaller towns. ASP improved for Core V-Mart format and V2REL (rationalization of low-ticket items), while there was a steady reduction for UL. ATVs remained broadly stable in 2Q. With the onset of winters, a 3-5% ASP uplift can be expected for North-based retailers in 3Q, while the GST rationalization benefit is expected to lead to slight premiumization or an increase in the number of items per transaction. Retailers continue to emphasize volume-led growth over pricing growth. Efficiency gains in sourcing and supply chains will be reinvested into pricing to maintain the value proposition.

- **V2REL's** calculated SPSF grew 3% due to a higher share of new stores, which typically trails mature stores' SPSF by ~25%. ASP continues to rise 17% YoY to INR303, driven by a higher apparel mix and rationalization of lower ticket items.
- **V-Mart: Core V-Mart** SPSF grew 6% YoY, while apparel ASP rose ~5% YoY to INR331, largely led by mix changes. Apparel ASP continued to decline (-3% YoY in 2QFY26) in **UL** to sharpen its value positioning. Despite sharper pricing, UL's

SPSF rose 15% YoY to INR541, fueled by higher volume. Across both V-Mart formats, footfalls trended positively, rising 14% YoY, benefiting from store additions and improved value proposition. Stronger assortment curation and localized pricing helped improve conversion rates by 100bp to ~46%.

- **BSR:** Calculated monthly SPSF grew 23% YoY at INR806, benefiting from festive-related purchases. ATV grew marginally by ~1% YoY to INR1,005. ASP grew ~5% YoY, likely driven by an improved festive mix, and volume grew 63% YoY.
- **VMM** reported resilient throughput, with ~10% YoY growth in calculated SPSF to INR790. It witnessed the strongest growth in premium and fashion-forward SKUs, even as it maintains the lowest opening price points, signaling that customers are trading up within the value format.

Exhibit 19: Operating metrics across value fashion retailers

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
ASP										
V-MART	345	317	420	351	322	330	414	343	326	347
Core V-Mart	320	291	402	337	304	309	401	328	309	331
Unlimited	485	441	516	438	445	439	493	433	434	427
V2REL	257	234	291	262	260	269	343	308	303	315
% YoY Growth										
V-MART	(6.0)	(13.0)	(6.0)	(8.1)	(6.7)	4.1	(1.4)	(2.3)	1.2	5.2
Core V-Mart	(3.0)	(11.0)	(6.0)	(7.7)	(5.0)	6.2	(0.2)	(2.7)	1.6	7.1
Unlimited	(18.0)	(19.0)	(9.0)	(12.0)	(8.2)	(0.5)	(4.5)	(1.1)	(2.5)	(2.7)
V2REL	(10.1)	(11.0)	(9.1)	(0.4)	1.2	15.0	17.9	17.6	16.5	17.1
ATV										
V-MART	952	839	1,113	980	961	881	1,074	965	932	887
Unlimited	2,140	1,766	2,128	1,620	1,816	1,644	1,912	1,594	1,716	1,576
BSR	1,006	951	1,135	1,039	949	997	1,031	997	900	1,005
V2REL	807	711	855	795	824	791	924	877	901	899
YoY (%)										
V-MART	5.8	(14.0)	0.2	0.7	0.9	5.0	(3.5)	(1.6)	(3.0)	0.7
Unlimited	(2.4)	(22.6)	(13.1)	(16.9)	(15.1)	(6.9)	(10.1)	(1.6)	(5.5)	(4.2)
*BSR	-	-	-	-	(5.7)	4.8	(9.2)	(4.0)	(5.2)	0.8
V2REL	(0.2)	(5.1)	0.9	2.4	2.1	11.3	8.1	10.3	9.3	13.7
Bills Cut per store ('000)										
V-MART	16.3	13.9	17.5	15.3	17.0	15.0	18.7	15.7	17.5	16.2
BSR		14.0	19.8	13.7	17.7	17.8	20.8	16.8	18.8	22.0
V2REL	31.6	31.3	41.6	33.2	41.3	36.1	42.8	32.6	34.5	33.0
YoY (%)										
V-MART	7.5	5.3	3.5	7.6	4.6	7.7	6.8	3.1	2.9	7.7
*BSR	-	-	-	-	-	27.7	5.5	22.8	6.2	23.2
V2REL	23.3	23.5	48.6	34.0	30.8	15.5	2.8	(2.0)	(16.4)	(8.6)

Source: Company, MOFSL

Broad-based improvement in profitability

Value fashion retailers delivered modest gross margin gains, with the aggregate gross margin expanding **~45bp YoY to 29.3% (~29.8% in 1H)**, driven by an improved festive mix, lower markdowns, and higher full-price sell-through. V2REL led with a sharp 340bp expansion (on a standalone basis), while BSR witnessed an 85bp expansion, likely led by the festive boost. Driven by robust cost controls and strong operating leverage, the aggregate **pre-INDAS EBITDA margin expanded ~210bp YoY to 6.4%**, with broad-based margin expansion. Looking ahead, retailers plan to maintain gross margins at current levels and reinvest the benefits of sourcing efficiency. However, scale benefits and improvement in new stores' profitability should help lift EBITDA margins.

- **V2REL** delivered ~345bp uplift in standalone gross margin, led by higher full-price sell-through. Despite accelerated store expansions, pre-Ind AS EBITDA margins expanded ~470bp YoY to 6.4%, driven by operating leverage and strong performance by recently opened stores.
- **BSR** reported an 85bp gross margin expansion to 30.5%, fueled by the rising share of private labels and better product mix. Pre-Ind AS EBITDA margin jumped 525bp YoY to 6.3%.
- **V-Mart's** gross margin remained steady YoY at 33.6%, despite a declining contribution from Limeroad (100% gross margin). Lower inventory provisioning and reduced losses in Limeroad drove a 340bp expansion in pre-Ind AS EBITDA margins to 0.6%. Reported core V-Mart/UL margins expanded 255bp/110bp YoY to 9.1%/10.4%.
- **VMM's** gross margins were broadly steady at 28.3%, reinvesting private label gains into sharper pricing. Its pre-Ind AS EBITDA margin expanded ~100bp to ~8.1%, driven by operating leverage.

Exhibit 20: Aggregate gross margin expanded ~40bp YoY

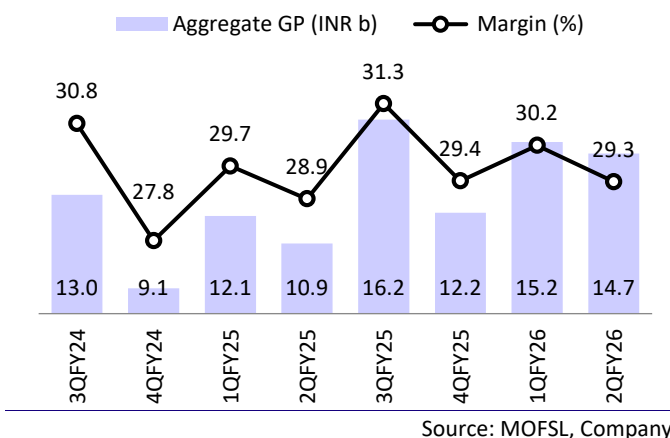


Exhibit 21: EBITDA margin expanded by sharp ~190bp YoY

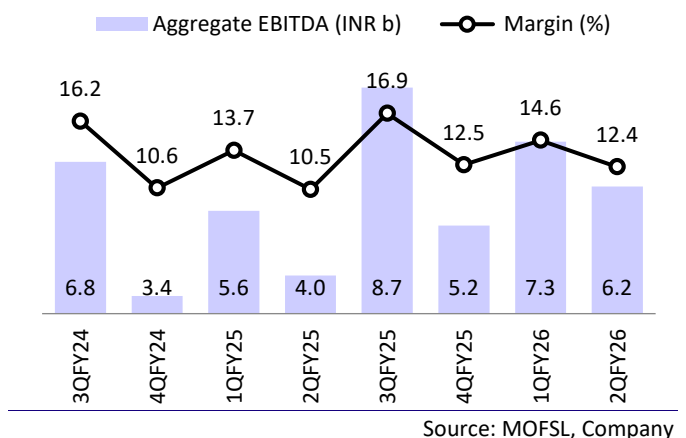
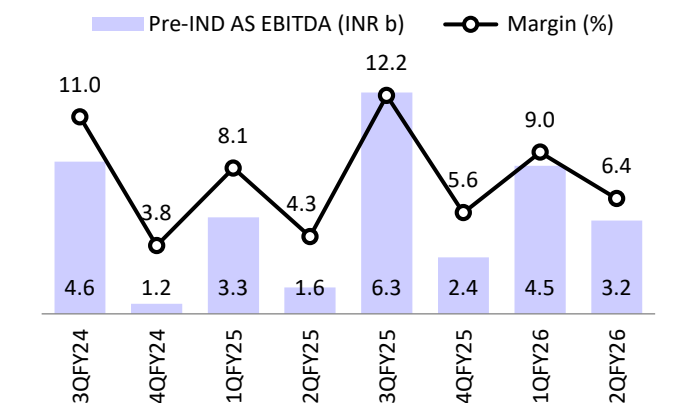
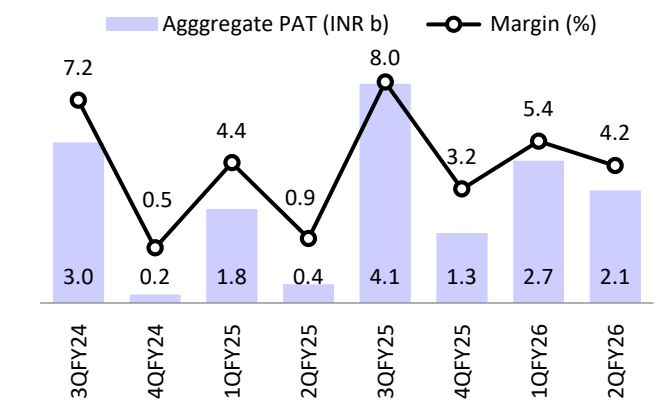


Exhibit 22: Pre-IND AS margin expanded sharply to 6.4% (up ~210bp YoY)



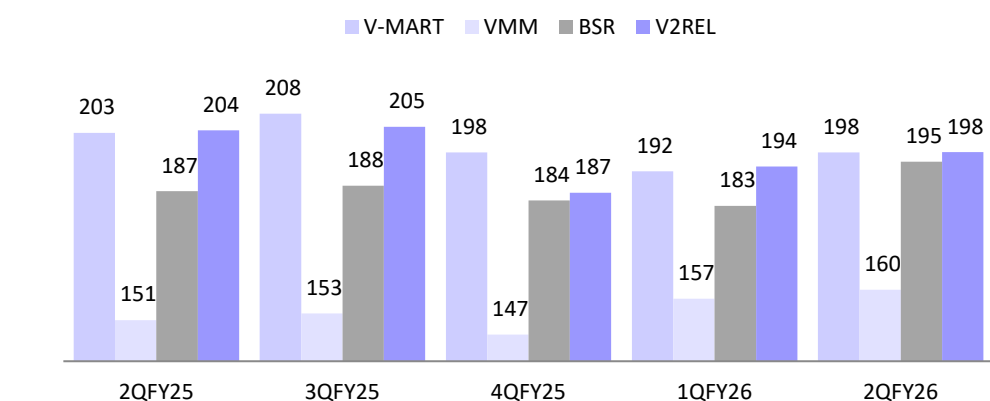
Source: MOFSL, Company

Exhibit 23: PAT margins expanded ~330bp YoY in 2QFY26



Source: MOFSL, Company

Exhibit 24: Cost of retailing (CoR including rentals) per sqft grew YoY for BSR/VMM, while it declined for V2/V-Mart



Source: MOFSL, Company

Exhibit 25: Gross margins continue to expand, led by a better mix

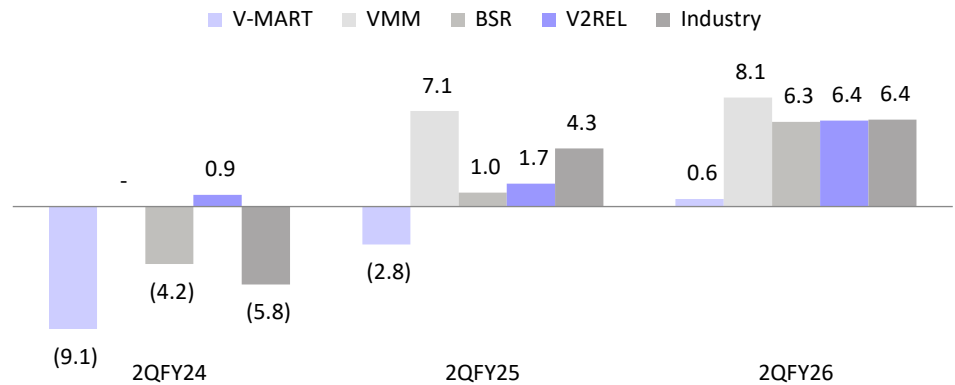
	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
% Gross Margin										
V-MART	35.8	34.6	35.5	31.7	35.2	33.6	35.8	33.1	35.3	33.6
VMM	-	-	28.5	26.4	28.2	28.2	29.1	28.3	28.4	28.3
BSR	32.7	29.1	37.2	32.4	32.9	29.6	37.7	33.1	35.9	30.5
V2REL	27.9	25.7	29.7	25.5	26.6	24.6	30.8	26.5	29.1	28.0
Industry	33.6	32.0	30.8	27.8	29.7	28.9	31.3	29.4	30.2	29.3
Change in bp										
V-MART	(152)	(169)	9	(23)	(57)	(101)	25	140	9	3
VMM	-	-	-	-	-	-	55	182	15	7
BSR	-	-	-	-	21	48	55	66	299	85
V2REL	(113)	37	(436)	(91)	(136)	(111)	106	97	249	343
Industry							50	151	52	43

Source: Company, MOFSL

Exhibit 26: Costs remain well under control (INR/sqft/month)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Cost of Retailing (incl rentals, INR/sqft)										
V-MART	212	211	215	192	200	203	208	198	192	198
VMM	-	-	143	132	150	151	153	147	157	160
BSR	144	159	163	158	154	187	188	184	183	195
V2REL	182	174	208	181	202	204	205	187	194	198
Industry			165	151	165	170	173	165	171	176
Rentals (INR/sqft)										
V-MART	43	44	45	45	47	48	49	49	50	50
VMM	-	-	41	40	39	38	37	46	40	41
BSR	41	42	46	43	45	44	50	51	55	54
V2REL	57	51	58	55	57	57	57	54	53	53

Source: Company, MOFSL

Exhibit 27: Pre-IND AS EBITDA margins expanded sharply on better operating leverage


Source: MOFSL, Company

Exhibit 28: V2 and VMM remain the leaders on per sqft pre-INDAS EBITDA; V-Mart and BSR saw sharp improvements in 1H

Based on 1HFY26 actuals (INR/sqft)	VMM	V2 Retail	V-Mart	Style Bazaar
Revenue	784	923	634	720
GP	222	263	219	236
Employee	47	73	72	59
Other expenses	63	68	72	76
Overheads	110	141	145	135
EBITDA	112	122	74	101
Rentals below EBITDA	43	52	49	55
CoR incl. rentals	153	193	194	189
pre-INDAS EBITDA	69	70	25	46

Source: MOFSL, Company

Exhibit 29: V-Mart leads on gross margins, while VMM leads on pre-INDAS EBITDA margin

Based on 1HFY26 actuals (% of sales)	VMM	V2 Retail	V-Mart	Style Bazaar
Gross margin	28.3	28.5	34.5	32.7
Employee	5.9	8.0	11.4	8.2
Other expenses	8.0	7.3	11.4	10.6
Overheads	14.0	15.3	22.8	18.7
EBITDA	14.4	13.2	11.7	14.0
Rentals below EBITDA	5.5	5.7	7.8	7.6
CoR incl. rentals	19.5	21.0	30.6	26.3
pre-INDAS EBITDA	8.8	7.5	3.9	6.4

Source: MOFSL, Company

Exhibit 30: Costs remain well under control (INR/sqft/month)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Pre-IND AS EBITDA (INR m)										
V-MART	35	(498)	675	(116)	438	(185)	1,109	61	612	46
VMM	-	-	2,977	1,201	2,343	1,721	3,772	1,905	3,118	2,403
BSR	181	(80)	573	49	220	32	575	117	250	333
V2REL	139	20	412	105	309	64	836	270	559	448
Industry			4,637	1,240	3,310	1,632	6,292	2,354	4,539	3,229
YoY Growth (%)										
V-MART	(93)	(609)	19	(53)	1,165	63	64	153	40	125
VMM	-	-	-	-	-	-	27	59	33	40
BSR	-	-	-	-	22	(140)	0	139	14	941
V2REL	128	(122)	109	(314)	122	220	103	157	81	600
Industry	-	-					36	90	37	98
Pre-IND AS EBITDA (%)										
V-MART	0.5	(9.1)	7.6	(1.7)	5.6	(2.8)	10.8	0.8	6.9	0.6
VMM	-	-	11.3	5.8	9.0	7.1	12.0	7.5	9.9	8.1
BSR	7.9	(4.2)	17.2	2.2	8.0	1.0	14.0	3.4	6.6	6.3
V2REL	5.3	0.9	11.0	3.5	7.4	1.7	14.1	5.4	8.9	6.4
Industry	3.0	(5.8)	11.0	3.8	8.1	4.3	12.2	5.6	9.0	6.4
Change in bp										
V-MART	(781)	(1,100)	29	239	506	627	321	252	134	337
VMM						706	68	167	90	100
BSR						528	(323)	120	(136)	523
V2REL	527	86	1,102	355	217	82	312	187	143	467
Industry							119	184	89	212
Adj PAT (INR m)										
V-MART	(219)	(641)	282	(389)	121	(565)	716	(57)	336	(89)
VMM	-	-	2,054	612	1,501	1,040	2,627	1,151	2,061	1,523
BSR	55	(156)	383	(65)	103	(90)	304	(64)	28	(38)
V2REL	65	(84)	321	3	162	(32)	502	54	277	181
Industry	(99)	(882)	3,040	161	1,888	353	4,149	1,084	2,702	1,578
YoY Growth (%)										
V-MART	(272)	270	113	(7)	(155)	12	154	85	177	84
VMM	-	-	-	-	-	-	28	88	37	46
BSR	-	-	-	-	87	(42)	(21)	(2)	(72)	(58)
V2REL	(345)	(52)	155	(103)	148	(62)	56	1,522	71	(665)
Industry							36	572	43	347

Source: Company, MOFSL

Inventory and working capital trends broadly steady

Despite aggressive store additions, value fashion retailers maintained effective control on inventory, with cumulative inventory days stable YoY at ~87. On a per sqft basis, inventory density improved for most value fashion retailers (except VMM), aided by the early festive season. Overall, cumulative core working capital days increased slightly to 15 (from 8 YoY), driven mainly by reduced payable days for VMM. A few retailers, such as V2REL, are planning to use improved trade terms (faster payments to vendors) to improve sourcing efficiency.

- **BSR** saw the sharpest improvement in inventory days to 122 (vs. 143 YoY), driven by a shift in key festive (Durga Puja) to 2QFY26 (vs. 3QFY25). On a per sqft basis, inventory declined ~9% YoY to INR2,441, in line with management's guidance of reducing inventory/sqft gradually. However, the core WC stood at 41 days (vs 40 days) as payable days also reduced sharply to 81 (vs. 102 YoY).
- **V-Mart** saw a modest reduction in inventory days to 109 (vs. 111 in 1HFY25); however, the freshness of inventory improved, which resulted in ~60bp YoY

reduction in provisions of aging inventory. On a per sqft basis, V-Mart's inventory remained largely stable YoY at INR2,270/sqft. Overall core WC days improved to 18 days (from 25 YoY) as payable days inched up to 91 (vs. 86 YoY).

- **VMM** maintained strong inventory discipline, with inventory days broadly stable YoY at 68. On a per sqft basis, VMM's inventory inched up ~8% YoY to INR1,735/sqft, but remained the lowest among value fashion retailers. However, a 12-day YoY reduction in payables (to 64 days) led to a slight increase in core WC days to 5 (vs. -7 days YoY).
- **V2REL** saw a modest uptick in inventory days to 121 (from 116 YoY). On a per sqft basis, inventory reduced ~8% YoY to INR2,885/sqft, but remained elevated compared to peers. However, its core-WC days saw a modest reduction to 42 (from 43 YoY) as the company's payables days increased to 80 (vs. 73 YoY), driven by a reduction in the salience of V2's own manufacturing (which is at zero creditor days) in overall sales. Going forward, management plans to use the recent fund raise to reduce creditor days in order to receive better discounts from vendors.

Exhibit 31: Inventory days largely stable

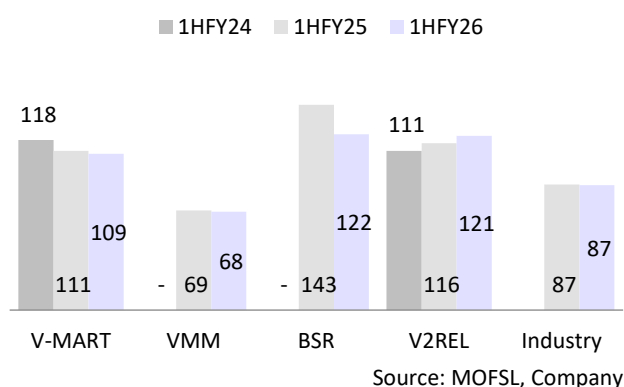


Exhibit 32: Core WC days show a gradual improvement

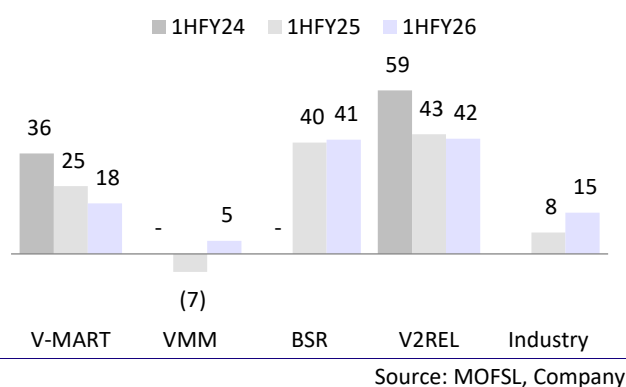


Exhibit 33: Inventory intensity declines amid tech-led supply chain upgrades and favorable seasonality

Inventory per sqft	1HFY24	FY24	1HFY25	FY25	1HFY26
V-MART	2,218	2,114	2,281	2,295	2,270
VMM	1,519	1,331	1,609	1,521	1,735
BSR		2,955	2,680	2,735	2,441
V2REL	2,563	2,871	3,148	2,596	2,885

Core WC per sqft	1HFY24	FY24	1HFY25	FY25	1HFY26
V-MART	683	473	505	523	382
VMM	4	251	(153)	360	119
BSR		1,168	758	1,117	827
V2REL	1,372	1,186	1,176	1,031	992

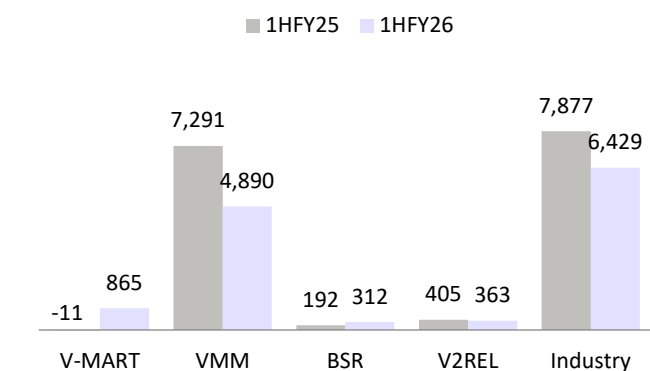
Source: Company, MOFSL

Accelerated store additions weigh on FCF generation

Broad-based profitability improvements for value fashion retailers were offset by higher working capital requirements for accelerated store openings, which led to a moderation in aggregate OCF (after interest and leases) to INR6.4b (vs. INR7.9b YoY). V-Mart and BSR witnessed sharp improvements in OCF generation, while V2REL and VMM's OCF generation was adversely impacted by adverse working capital movements. Further, with an acceleration in store expansions, aggregate capex for value fashion retailers surged ~37% YoY to INR3.7b, which resulted in a moderation in FCF generation to ~INR2.7b (vs. ~INR5.2b YoY). V-Mart witnessed significant improvement in its FCF generation, while FCF moderated significantly for VMM, and FCF outflow increased for V2REL and BSR. Going forward, working capital (on an absolute basis) and capex could remain elevated as value fashion retailers continue to focus on accelerated store expansions, resulting in muted FCF generation for the sector.

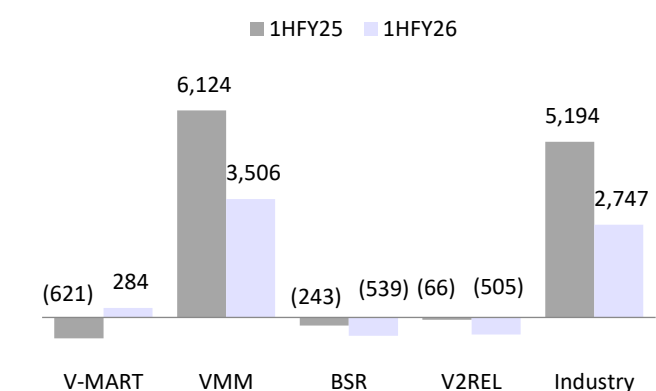
- **VMM:** OCF (after interest and leases) declined to INR4.9b (vs. ~INR7.3b YoY) due to a reduction in payable days. Further, driven by accelerated store additions, capex inched up to ~INR1.4b (vs. ~INR1.2b YoY). As a result, FCF moderated to INR3.5b (from ~INR6b YoY)
- **V-Mart** witnessed a sharp improvement in its OCF, driven by a marked improvement in profitability and favorable movement in working capital. Capex remained largely stable YoY at INR0.6b, leading to FCF generation of INR0.3b (vs. outflow of INR0.6b YoY).
- **V2 Retail:** OCF (after interest and leases) declined 10% YoY as a 2.7x YoY increase in pre-INDAS EBITDA was offset by higher working capital needs for the accelerated store expansion. Further, as capex jumped 84% YoY, FCF outflow increased sharply to INR0.5b (vs. ~INR 0.1b YoY). However, the recent QIP (INR4b) has ensured sufficient liquidity for V2 to increase its store additions guidance.
- **Baazar Style:** OCF (after interest and leases) improved to INR0.3b (vs. INR0.2b YoY), driven by improved profitability. However, capex almost doubled YoY to INR850b, driven by accelerated store openings, which led to an FCF outflow of INR0.5b (vs. ~INR0.25b YoY). BSR's weak OCF generation limits the room for acceleration in store expansion (from its 40-50 store additions guidance).

Exhibit 34: OCF generation remained strong



Source: MOFSL, Company

Exhibit 35: FCF under pressure owing to aggressive capex



Source: MOFSL, Company

Exhibit 36: FCF generation comes under strain amid rapid expansion

Pre-IND AS CFO (INR m)	1HFY24	2HFY24	1HFY25	2HFY25	1HFY26
V-MART	312	1,328	(11)	925	865
VMM	2,279	752	7,291	1,017	4,890
BSR	(33)	456	192	(617)	312
V2REL	65	(44)	405	583	363
Industry	2,622	2,492	7,877	1,907	6,429
Cash capex (INR m)					
V-MART	702	507	610	628	581
VMM	1,110	1,383	1,167	1,472	1,384
BSR	190	656	436	638	850
V2REL	137	169	471	830	867
Industry	2,139	2,716	2,683	3,567	3,683
FCF (INR m)					
V-MART	(390)	821	(621)	296	284
VMM	1,168	(631)	6,124	(455)	3,506
BSR	(224)	(200)	(243)	(1,255)	(539)
V2REL	(71)	(214)	(66)	(247)	(505)
Industry	483	(224)	5,194	(1,661)	2,747

Source: Company, MOFSL

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