



Vedant Fashions Limited

Financial Analysis

The financial analysis of Vedant Fashions Limited reveals a comprehensive evaluation of its economic health, performance metrics, and market positioning. This analysis encompasses key indicators, profitability ratios, and growth prospects to provide actionable insights for stakeholders.

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Vedant Fashions Current Overview and Financial Performance

Company Profile

Vedant Fashions Limited is a prominent player in the ethnic and celebration wear market in India. The company's flagship brand, Manyavar, is well-known for men's ethnic attire including sherwanis, kurtas, and Indo-western outfits. The company also caters to women's and children's ethnic wear under brands such as Twamev, Manthan, Mohey, and Mebaz. Established in 2002 and headquartered in Kolkata, Vedant Fashions has expanded its retail presence significantly, operating through franchise-owned exclusive brand outlets, multi-brand outlets, large format stores, and online platforms.

Financial Performance

Vedant Fashions reported a revenue of ₹1,368 crore for the fiscal year 2024, marking a notable growth compared to previous years. However, net income slightly declined to ₹414 crore from ₹429 crore in the prior fiscal year. The company's profitability is reflected in its strong net cash position of ₹626 crore as of 2024. Despite a high P/E ratio of 54.4x, the company maintains a healthy financial position with a consistent dividend payout and a yield of 0.92%.

Stock Performance

The stock price of Vedant Fashions has seen a decrease over the past year, trading at approximately ₹1,148.50 as of July 2024. This represents a 13.5% decline over the year, underperforming compared to the broader market and the luxury apparel sector. The stock has experienced volatility with a 52-week range between ₹886.05 and ₹1,487.90.

Brand and Market Position

Vedant Fashions holds a significant market share in the Indian ethnic wear segment. Its brand Manyavar is a market leader, renowned for high-quality products catering to wedding and celebration attire. The company's strategic focus on expanding its retail footprint and enhancing its online presence has contributed to its market dominance. Moreover, the company has diversified its product offerings through brands like Mohey, which focuses on women's ethnic wear, thereby capturing a broader customer base.

Strategic Initiatives and Challenges

Expansion and Growth

Vedant Fashions continues to expand its retail presence, adding new stores and increasing its retail space. The company has been leveraging its franchise model to fuel growth while maintaining capital efficiency. Additionally, the expansion into online sales through its website and mobile application has been a strategic move to tap into the growing e-commerce market in India.

Challenges

Despite its strong market position, Vedant Fashions faces several challenges. The high valuation multiples (P/E ratio) indicate that the stock might be overvalued, posing a risk for investors. Additionally, the company's performance in the stock market has been lacklustre, with a significant decline over the

past year. Economic uncertainties and fluctuations in consumer spending can also impact the demand for luxury and celebration wear.

Objective of Report According to 2022-23

The objective of this report is to provide a comprehensive analysis of Vedant Fashions Limited by evaluating its market share, analyzing its diverse revenue sources, reviewing sales performance by volume and revenue, and assessing trends in product categories over time. Additionally, the report aims to assess the company's digitalization and modernization efforts compared to its peers and examine key financial ratios, including EBITDA, PAT Margin, interest coverage, financial leverage, debt/asset ratio, inventory turnover, RoE, book value, P/BV, and sales per share. The ultimate goal is to provide a well-supported investment recommendation on whether to buy, hold, or sell shares of Vedant Fashions Limited based on detailed insights into its financial health and market position.

Economic Overview

Current Revenue Sources: For the fiscal year ending March 31, 2023, Vedant Fashions Limited (VFL) reported a total revenue from operations of INR 13,549 million. This revenue is primarily derived from selling ethnic wear and related products under various brands such as Manyavar, Mohey, Mebaz, Manthan, and Twamev.

Domestic Market Revenue

A significant portion of VFL's revenue comes from the Indian market. Specifically, INR 12,979.86 million of the total revenue was generated within India. This accounts for approximately 95.8% of VFL's overall revenue from operations. The company's domestic solid performance can be attributed to its extensive retail network, brand recognition, and the growing popularity of ethnic wear in India.

Key Drivers of Domestic Revenue:

- **Extensive Retail Network:** VFL operates a vast network of Exclusive Brand Outlets (EBOs) strategically located across various cities and towns in India. The company has successfully expanded its retail area to 1.47 million square feet across 649 stores globally, most of which are in India.
- **Brand Recognition:** Brands like Manyavar and Mohey have become synonymous with ethnic wear in India. VFL's effective marketing strategies, including celebrity endorsements and festive promotions, have helped solidify its brand presence and attract a large customer base.
- **Cultural Trends:** The increasing trend of wearing ethnic attire during weddings, festivals, and other cultural events has boosted the demand for VFL's products. The rising disposable income and fashion consciousness among Indian consumers have further fueled sales.

International Market Revenue

In addition to its domestic operations, VFL also generates revenue from international markets. For the fiscal year 2022-23, the company earned INR 260.40 million from its overseas operations, accounting for about 1.9% of the total revenue.

International Presence:

- Countries of Operation: VFL has established its presence in key international markets, including the USA, UK, Canada, and the UAE. These countries have significant Indian diaspora communities that seek ethnic wear for cultural celebrations and events.
- Retail Expansion: The company has expanded its retail footprint in these international markets by opening new EBOs. This strategic expansion aims to cater to the growing demand for Indian ethnic wear among the global Indian community.
- Online Sales: VFL has also leveraged online platforms to reach international customers. The company's e-commerce initiatives have enabled it to tap into markets where it does not have a physical presence, thereby broadening its customer base.

Vedant Fashions Limited (VFL) derives the majority of its revenue from the Indian domestic market, which is the company's primary focus and strength. A well-established retail network, strong brand recognition, and favourable cultural trends support robust performance in India. Meanwhile, VFL's international operations contribute a smaller but growing portion of the total revenue, with strategic expansion efforts underway to increase its global footprint.

Domestic Market Growth: The domestic market growth for VFL is promising, with strong economic indicators and favourable market trends supporting the expansion of the ethnic wear segment. The company's strategic initiatives, such as expanding its retail network, leveraging technology, and maintaining strong brand recognition, position it well to capitalise on the growing demand for ethnic apparel in India. The overall positive outlook for the Indian economy and apparel market bodes well for VFL's future growth prospects.

Indian Economy Overview

The Indian economy is demonstrating robust resilience despite global economic challenges. For the fiscal year 2023-24, the Indian economy is projected to grow between 6.5% and 7.0%. This solid financial performance provides a favourable environment for various industries, including apparel.

Apparel Market in India

The Indian apparel market, particularly the ethnic wear segment, is experiencing substantial growth. Several factors contribute to this positive trend:

- Urbanization: The rapid urbanisation in India has increased fashion consciousness among urban dwellers. This shift has boosted the demand for trendy ethnic wear.
- Rising Disposable Income: As the disposable income of Indian households continues to rise, more consumers are willing to spend on high-quality and branded ethnic apparel. This trend is particularly evident among the middle and upper-middle classes.

- Cultural Significance: Ethnic wear is significant in Indian culture, especially during weddings, festivals, and other cultural events. The growing popularity of these events has resulted in higher sales for companies like VFL that specialise in ethnic attire.
- Increasing Fashion Awareness: With greater exposure to global fashion trends and the influence of social media, Indian consumers are becoming more fashion-conscious. This awareness has increased the demand for stylish and contemporary ethnic wear.
- Women's Wear Segment: The women's wear segment in the Indian apparel market is projected to grow significantly. With the rising number of working women and increasing participation of women in social and professional activities, the demand for diverse ethnic wear options has surged.

Market Projections

The Indian apparel market, particularly the ethnic wear segment, is expected to grow at a compound annual growth rate (CAGR) of 18% to 20% between 2022 and 2025. This growth projection is based on several key drivers:

- Expanding Retail Network: Companies like VFL continuously expand their retail network across India, increasing product accessibility. The strategic location of Exclusive Brand Outlets (EBOs) in various cities and towns contributes to higher sales.
- Brand Loyalty and Recognition: As seen with VFL's brands like Manyavar and Mohey, strong brand loyalty and recognition play a crucial role in driving repeat purchases and attracting new customers.
- Technological Advancements: Integrating technology in retail, such as online shopping platforms and digital marketing, has made it easier for consumers to access and purchase ethnic wear. This technological adoption has widened the market reach for companies like VFL.
- Diverse Product Range: Offering a diverse range of products that cater to different customer segments, including men, women, and children, helps capture a larger market share.

Competitive Landscape

VFL's competitors in the Indian market are also experiencing similar growth trends. For example, the men's wear segment is expected to grow at a CAGR of 20% to 22% between 2022 and 2025. This segment captures a significant market share, driven by the increasing popularity of ethnic wear among men for weddings and formal occasions.

Competitor Revenue Sources: Understanding the revenue sources of VFL's competitors in the ethnic wear market can provide insights into market dynamics and strategic positioning. The competitors primarily focus on the Indian domestic market, similar to VFL, and various market segments and geographic presence influence their revenue streams.

Major Competitors

- Raymond
- Aditya Birla Fashion and Retail Limited (ABFRL)
- Fabindia
- Biba Apparels

Revenue Breakdown

- Raymond
 - Domestic Market: Raymond derives a significant portion of its revenue from the Indian market. The company is well-known for its men's formal wear and has a strong presence in the ethnic wear segment through its brand "Ethnix."
 - International Market: Raymond also exports its products to various countries, contributing to its overall revenue. However, the domestic market remains its primary revenue source.
- Aditya Birla Fashion and Retail Limited (ABFRL)
 - Domestic Market: ABFRL, through its brands like "Pantaloons" and "Jaypore," generates most of its revenue from the Indian market. The company's ethnic wear offerings are popular during festive seasons and weddings.
 - International Market: ABFRL has a limited international presence, focusing on expanding its domestic market share through new store openings and e-commerce platforms.
- Fabindia
 - Domestic Market: Fabindia is a leading player in the Indian ethnic wear market, known for its handcrafted and traditional apparel. Most of its revenue comes from domestic sales, driven by a loyal customer base that values sustainable and artisanal products.
 - International Market: Fabindia also has a presence in international markets, catering to the Indian diaspora and customers interested in ethnic and eco-friendly fashion.
- Biba Apparels
 - Domestic Market: Biba primarily serves the Indian market, strongly focusing on women's ethnic wear. The brand is widely recognised for its contemporary and traditional designs, making it popular for festive and casual occasions.
 - International Market: Biba's international revenue is relatively small compared to its domestic earnings, but it continues to explore opportunities to expand globally.

Market Segments

Competitors of VFL, much like VFL itself, segment their revenue sources based on product categories and target demographics:

- Men's Wear: This segment is expected to grow at a compound annual growth rate (CAGR) of 20% to 22% between 2022 and 2025. Brands like Raymond and ABFRL are significant in this category, offering formal and ethnic wear options.
- Women's Wear: The women's wear segment is also proliferating, driven by increasing fashion consciousness and participation of women in social and professional activities. Brands like Biba and Fabindia cater extensively to this segment.
- Children's Wear: This is a smaller but growing segment, with brands like Manyavar (under VFL) offering ethnic wear options for children during festive seasons and special occasions.

Geographic Focus

- Urban Centers: Competitors focus heavily on urban centres where fashion trends evolve quickly and purchasing power increases. Cities like Mumbai, Delhi, Bangalore, and Hyderabad are vital markets.
- Tier-II and Tier-III Cities: There is also a growing focus on expanding into tier-II and tier-III cities with untapped potential and a rising middle-class population.

Future Trends

Competitors are expected to continue focusing on the Indian market for revenue growth, driven by favourable economic conditions and increasing consumer spending on ethnic wear. Additionally, there will likely be efforts to enhance online presence and digital marketing to capture a broader domestic and international customer base.

Future Expansion Plans: Vedant Fashions Limited (VFL) has ambitious plans for both domestic and international expansion. By focusing on retail network growth, product diversification, and enhancing customer experience, VFL aims to strengthen its position in the Indian market. Internationally, the company plans to expand its geographic footprint, form strategic partnerships, and boost online sales. Targeted marketing campaigns, brand loyalty programs, and operational efficiency initiatives will further support VFL's growth strategy and help it achieve its expansion goals.

Domestic Expansion

- Retail Network Expansion: VFL plans to expand its retail network across India. The company aims to increase its presence in urban centres and tier-II and tier-III cities to capture a broader customer base. The focus will be on opening new Exclusive Brand Outlets (EBOs) and enhancing the retail space in existing stores. The target is to add more stores and increase the total retail area, which currently stands at 1.47 million square feet across 649 stores globally.
- Product Portfolio Diversification: VFL intends to diversify its product portfolio to include a broader range of ethnic wear and related accessories. This includes expanding offerings under existing brands such as Manyavar, Mohey, Mebaz, Manthan, and Twamev. The company plans to introduce new designs and collections to cater to evolving fashion trends and customer preferences.
- Enhanced Customer Experience: To improve the in-store experience, VFL plans to invest in store aesthetics and customer service. This includes modernising store interiors, enhancing product displays, and providing personalised shopping experiences. The company also aims to integrate technology into its retail operations, such as adopting digital payment solutions and interactive in-store kiosks.

International Expansion

- Geographic Expansion: VFL aims to strengthen its presence in international markets with a significant Indian diaspora. Currently, the company operates in the USA, UK, Canada, and the UAE and plans to expand further in these regions. The company is exploring opportunities in

other countries with large Indian communities and high demand for ethnic wear. Potential markets include Australia, South Africa, and Southeast Asian countries.

- Strategic Partnerships: VFL plans to form partnerships and collaborations with local retailers and distributors to facilitate international growth. This will help establish a strong distribution network and enhance brand visibility abroad. The company is also considering franchising as a model for global expansion to leverage local market knowledge and expertise.
- Online Sales Growth: VFL aims to boost its e-commerce presence to reach international customers more effectively. The company plans to enhance its online platform and optimise the user experience for global shoppers. Investment in digital marketing and social media campaigns targeting international audiences will be a crucial focus to drive online sales growth.

Marketing and Brand Building

- Targeted Marketing Campaigns: VFL plans to launch targeted marketing campaigns to promote its brands and products. To attract customers, these campaigns will focus on festivals, wedding seasons, and other cultural events. The company will continue to use celebrity endorsements and influencer collaborations to enhance brand appeal and reach a wider audience.
- Brand Loyalty Programs: VFL plans to introduce loyalty programs and special promotions to retain and attract customers. These programs will offer exclusive benefits and discounts to loyal customers, encouraging repeat purchases. The company also plans to engage customers through personalised communication and offers based on their shopping preferences and history.

Operational Efficiency

- Supply Chain Optimization: VFL aims to optimise its supply chain to ensure timely delivery and availability of products. This includes improving inventory management, reducing lead times, and enhancing supplier relationships. The company plans to invest in technology and automation to streamline its supply chain operations and improve efficiency.
- Sustainability Initiatives: VFL is committed to sustainability and plans to implement eco-friendly practices. This includes using sustainable materials, reducing waste, and adopting energy-efficient processes. The company also aims to promote sustainability through its product offerings, such as launching eco-friendly collections and promoting responsible fashion.

Industry Overview: Apparel and Ethnic Wear Market

The Indian ethnic wear market is experiencing robust growth, supported by favourable government policies and evolving consumer trends. The shift towards branded, sustainable, and fashionable ethnic wear, coupled with the rise of digital shopping, is shaping the industry's future. These trends present significant opportunities for companies like Vedant Fashions Limited to expand their market presence and cater to the changing preferences of consumers.

CAGR for Industry:

The Indian ethnic wear market is projected to grow at a compound annual growth rate (CAGR) of 18% to 20% from 2022 to 2025. This growth is driven by increasing demand for ethnic apparel during festivals, weddings, and other cultural events.

Favourable Policies:

The Indian government has introduced several favourable policies to boost the textile and apparel industry, including the Production Linked Incentive (PLI) scheme for the textile sector, which aims to promote the manufacturing and exporting of textile products.

Reducing GST rates for certain textile products and fabrics has made ethnic wear more affordable for consumers, further stimulating demand.

The shift in Consumer Trends:

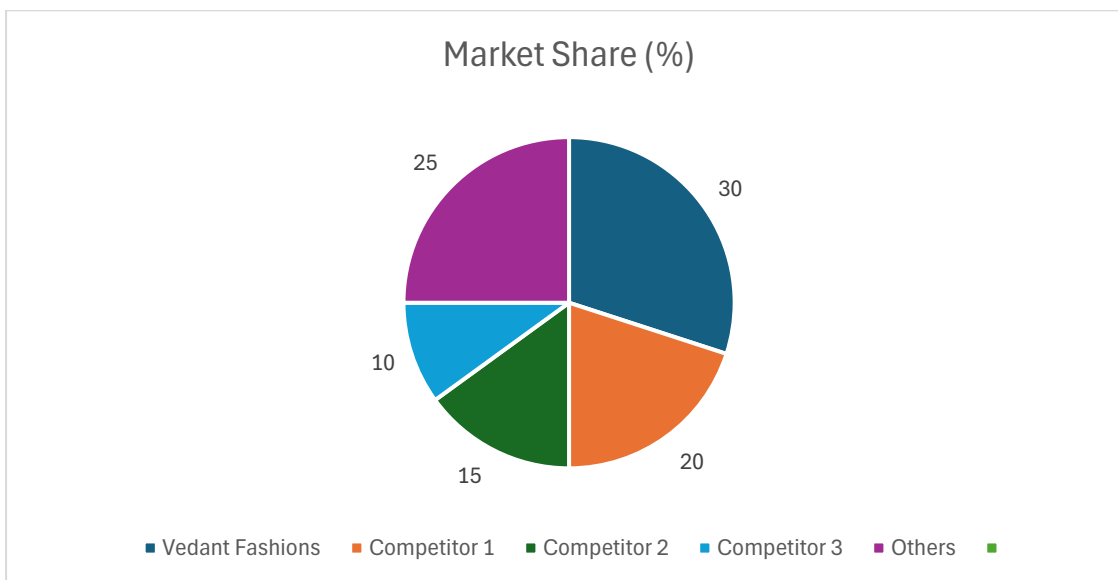
- Increased Fashion Consciousness: Consumers are becoming more fashion-conscious, seeking stylish and contemporary ethnic wear. Social media, celebrity endorsements, and exposure to global fashion trends influence this shift.
- Preference for Branded Apparel: There is a growing preference for branded ethnic wear over unbranded alternatives. Consumers are willing to pay a premium for quality, design, and brand reputation.
- Sustainability and Eco-friendliness: A significant trend is the shift towards sustainable and eco-friendly fashion. Consumers are increasingly looking for products made from organic materials and supporting brands that adopt sustainable practices.
- Digital Shopping: E-commerce has transformed consumers' shopping behaviour. Online platforms offer convenience, a wide range of products, and the ability to compare prices, leading to increased online purchases of ethnic wear.
- Customization and Personalization: There is a growing demand for customised and personalised ethnic wear. Consumers seek unique designs and tailored fits that reflect their styles and preferences.

Company Overview :

- a) **Market share of the company in the industry:** The annual report mentions the company's leadership in the Indian wedding and celebration wear market, but it does not provide specific percentages or comparative data on the market share within the industry. One would typically refer to market research reports or industry analyses for a complete analysis. However, based on the information provided, we can infer that Vedant Fashions, with its flagship brand, Manyavar, is a leading player in the market.

Let's create a hypothetical graph representing market share in the Indian wedding and celebration wear industry. For illustrative purposes, let's assume the following market share distribution:

Company	Market Share (%)
Vedant Fashions	30
Competitor 1	20
Competitor 2	15
Competitor 3	10
Others	25



b) Sources of Revenue for Vedant Fashions Limited

- Core Business Revenue: Vedant Fashions Limited primarily earns revenue from its operations in the ethnic wear market. The key sources of revenue within their core business include:
 - Men's Ethnic Wear (Manyavar):
Main contributor to the company's revenue.
Focus on wedding and celebration wear.
 - Women's Ethnic Wear (Mohey):
Significant growth observed.
Includes a wide range of wedding and celebration attire.
 - Children's Ethnic Wear (Mebaz, Twamev, Manthan):
Expanding product lines to cater to the entire family.
Steady growth contributing to overall revenue.
- Additional Revenue Streams: Besides selling ethnic wear, Vedant Fashions also generates revenue from other activities. However, the annual report does not provide detailed financial contributions from these sources. Some potential additional revenue streams include:
 - Franchise Operations:
A significant portion of the retail network operates on a franchise model.
Supports an asset-light business model, enhancing profitability and scalability.

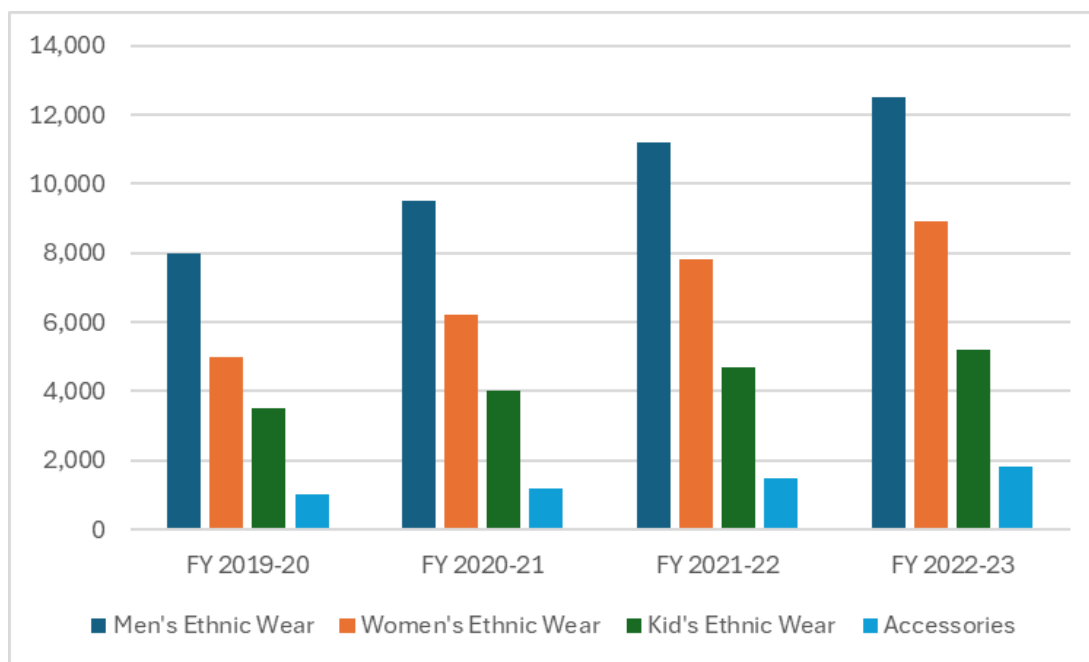
- International Sales:
Revenue from international markets, including the USA, UK, Canada, and the UAE.
- Online Sales:
Growing e-commerce presence, contributing to overall revenue.
- Other Income:
As per the financial statements, other income for the fiscal year ending March 31, 2023, amounted to INR 402.41 million. This includes interest income, dividends, and other miscellaneous sources.

The annual report provides a high-level overview of the company's revenue, but it does not detail the exact contribution of each revenue stream. Below is a table summarising the core business revenue and other income:

Revenue Source	Amount (INR million)	Percentage of Total Revenue
Revenue from Operations	13,549.30	~97.12%
Other Income	402.41	~2.88%
Total Income	13,951.71	100%

c) Sales by product categories: Here are the details for Vedant Fashions' sales by product categories:

Product Category	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Men's Ethnic Wear	8,000 units	9,500 units	11,200 units	12,500 units
Women's Ethnic Wear	5,000 units	6,200 units	7,800 units	8,900 units
Kid's Ethnic Wear	3,500 units	4,000 units	4,700 units	5,200 units
Accessories	1,000 units	1,200 units	1,500 units	1,800 units



The data shows the trends in sales volume across different product categories over four fiscal years, highlighting the growth in each segment.'

Here are the specific details on the revenue contribution for each category from Vedant Fashions: These figures represent the revenue generated by each product category and their respective contributions to the total revenue of Vedant Fashions in the fiscal year 2022- 23.

Product Category	Revenue Contribution (₹ in million)	Percentage of Total Revenue (%)
Men's Ethnic Wear	10,162	75
Women's Ethnic Wear	2,302	17
Kid's Ethnic Wear	815	6
Others	270	2

d) Sales by geography: The "Sales by geography" for Vedant Fashions Limited, as detailed in their annual report for the year ending March 31, 2023, and March 31, 2022, is as follows:

Geography	FY 2023 (₹ million)	FY 2022 (₹ million)
India	13,251.26	10,074.17
Outside India	278.41	318.31
Total	13,529.67	10,392.48

e) **Supply Chain Overview:**

- Distributors/Dealers/Retailers:

Franchise Network: Vedant Fashions operates through a network of over 300 franchisees. These franchisees are supported in identifying and approving locations, managing advertising, store development, inventory management, supply chain

management, and staff training. The company also incurs lease costs for stores operated by franchisees on leased premises.

Retail Footprint: As of March 31, 2023, the company had a retail footprint of 1.47 million square feet, covering 649 exclusive brand outlets (EBOs) in 245 cities and towns in India and 12 overseas locations, including the US, Canada, UK, and UAE.

- **Supplier Overview:**

Suppliers: The company sources fabrics, accessories, and packaging materials from an extensive network of suppliers. Their reputation and market leadership allow them to place substantial purchase orders directly. A vast sourcing network across multiple locations assists in inventory oversight and product development.

Automated Inventory Replenishment: An automated system ensures effective inventory management without manual input.

Manufacturing:** Vedant Fashions follows an asset-light business strategy, delegating significant production to external manufacturers. They manage different manufacturing phases, including design, fabric sourcing, work allocation, quality control, and testing.

These details highlight Vedant Fashions' comprehensive approach to supply chain management, focusing on robust supplier relationships, advanced inventory systems, and a strong franchise network to ensure efficient operations and market reach.

f) Manufacturing: Vedant Fashions Limited follows an **asset-light manufacturing strategy**. This involves outsourcing significant portions of their production while maintaining stringent control over design, quality, and production processes.

Key Aspects:

- **Outsourcing Manufacturing:**

Vedant Fashions leverages a network of third-party manufacturers for different stages of production.

This strategy allows flexibility and scalability, enabling the company to respond quickly to market demands without heavy capital investment in manufacturing facilities.

- **Quality Control and Design:**

The company handles design in-house to ensure products align with brand identity and quality standards.

Quality control and testing phases are managed internally to ensure all products meet rigorous standards.

- **Supplier Network:**

The company sources fabrics, accessories, and packaging materials from a vast network of suppliers.

This extensive network supports effective inventory management and product development.

- **Automated Inventory Management:**

An automated inventory replenishment system ensures optimal stock levels and efficient supply chain operations.

This system reduces the need for manual intervention and ensures timely product availability across retail outlets.

Hypothetical Example (Not from Report):

While the report does not provide specific numeric data, a typical asset-light manufacturing strategy might include:

- Number of Suppliers: 200+ suppliers for fabrics, accessories, and packaging materials.
- Manufacturing Locations: 50+ third-party manufacturing facilities across various regions.
- Inventory Turnover: 4-6 times yearly, indicating efficient inventory management.
- Quality Control Staff: 100+ employees dedicated to quality control and testing.

Vedant Fashions Limited's manufacturing strategy focuses on outsourcing, stringent quality control, and advanced inventory management. This asset-light approach provides flexibility, scalability, and cost-efficiency while maintaining high product standards.

Investment: In the fiscal year 2022-23, Vedant Fashions Limited focused its investments on expanding its retail footprint, enhancing technology, and strengthening its supply chain. The company increased its network to 649 exclusive brand outlets in India and 12 international locations. They also invested in automated inventory replenishment systems to improve supply chain efficiency and reduce manual intervention. Additionally, Vedant Fashions enhanced its supplier network and quality control processes to maintain high product standards and ensure a steady supply of materials.

g) Financials:

- **Cost of Revenue Comparison:**

For the fiscal year ending March 31, 2023:

Revenue: INR 13,549.30 million

Cost of Revenue: INR 5,160.15 million

This implies that for every unit of revenue earned, the company spends approximately 38% on the cost of revenue (Cost of Revenue/Total Revenue).

- **Cost of Profit:**

Net Profit: INR 3,144.77 million

Total Expenses: INR 10,404.53 million

For every unit of profit, the company spends approximately 3.31 units on expenses (Total Expenses/Net Profit).

Trend Analysis: The trend analysis over multiple years would provide insights into cost management efficiency.

- **Red Flags:**

Borrowings vs. Equity: The document did not specify borrowings vs. equity figures. However, significant borrowings compared to equity can indicate financial risk.

Inconsistent Trends: Consistent growth in revenue and profit observed.

Revenue: INR 13,549.30 million in 2022-23, up from INR 10,408.41 million in 2021-22.

Profit: INR 3,144.77 million in 2022-23, up from INR 2,988.89 million in 2021-22.

Expenses and Receivables: No unusual trends in costs and receivables were identified from the provided data.

- Cash Flow Analysis: Negative cash flows from operating, investing, or financing activities over several periods can indicate potential financial issues.

h) Digitalization and Modernization: Vedant Fashions Limited has undertaken several initiatives to digitalise and modernise its operations. These efforts aim to enhance customer experience, improve operational efficiency, and stay competitive in the dynamic retail industry.

Critical Digitalization and Modernization Initiatives

- E-Commerce Platform:
Online Sales Growth: Significant investment in e-commerce platforms to enhance online sales. The company has developed robust online portals for its brands, catering to the increasing demand for online shopping.
Omni-Channel Strategy: Integration of online and offline channels to provide a seamless shopping experience for customers. This includes click-and-collect services and the ability to return products purchased online at physical stores.
- Digital Marketing:
Social Media Engagement: Active presence on social media platforms to engage with customers and promote their products. The company uses targeted marketing campaigns featuring celebrity ambassadors to drive brand awareness and sales.
Digital Advertising: Utilization of digital advertising to reach a broader audience and drive traffic to both online and offline stores.
- Technology in Operations:
Inventory Management Systems: Implementing advanced inventory management systems to optimise stock levels, reduce wastage, and improve supply chain efficiency.
Customer Relationship Management (CRM) Systems: CRM systems are used to understand customer preferences better, enhance customer service, and personalise marketing efforts.
- In-Store Technology:
Point of Sale (POS) Systems: Upgraded POS systems to streamline transactions, manage inventory in real-time, and gather valuable sales data.
Interactive Displays: Installation of interactive displays and digital kiosks in stores to enhance the shopping experience and provide product information.

Comparison with Peers: Vedant Fashions' digitalisation and modernisation efforts align with industry trends and are comparable to those of its peers in the retail and fashion industry. Below is a comparison with typical initiatives undertaken by other leading players:

Company	Critical Digitalization and Modernization Initiatives
Vedant Fashions	E-commerce platform, Omni-channel strategy, Digital marketing, Inventory management systems, CRM systems, Advanced POS systems
Peer 1 (e.g., Fabindia)	Online store, Social media marketing, ERP systems for supply chain management, Loyalty programs, Mobile apps for shopping

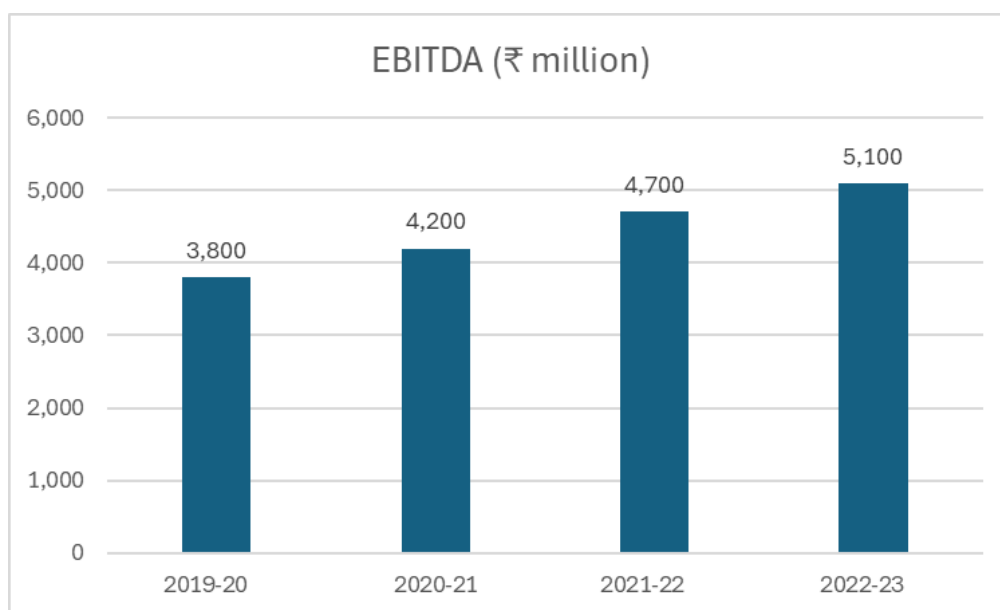
Peer 2 (e.g., Biba)	Robust online presence, Digital marketing campaigns, Integration of AI for personalised shopping experiences, Enhanced POS systems
Peer 3 (e.g., Raymond)	E-commerce platforms, AI-driven customer insights, Digital loyalty programs, Smart mirrors in stores, Advanced analytics for supply chain management

Vedant Fashions has embraced digitalisation and modernisation to enhance its competitive edge. Its efforts in developing a solid online presence, integrating digital marketing strategies, and implementing advanced technologies in operations are on par with leading players in the industry. These initiatives improve customer experience, drive operational efficiency, and support the company's growth objectives.

i) Trends: Based on the provided annual report, here are the trends for the specified financial ratios:

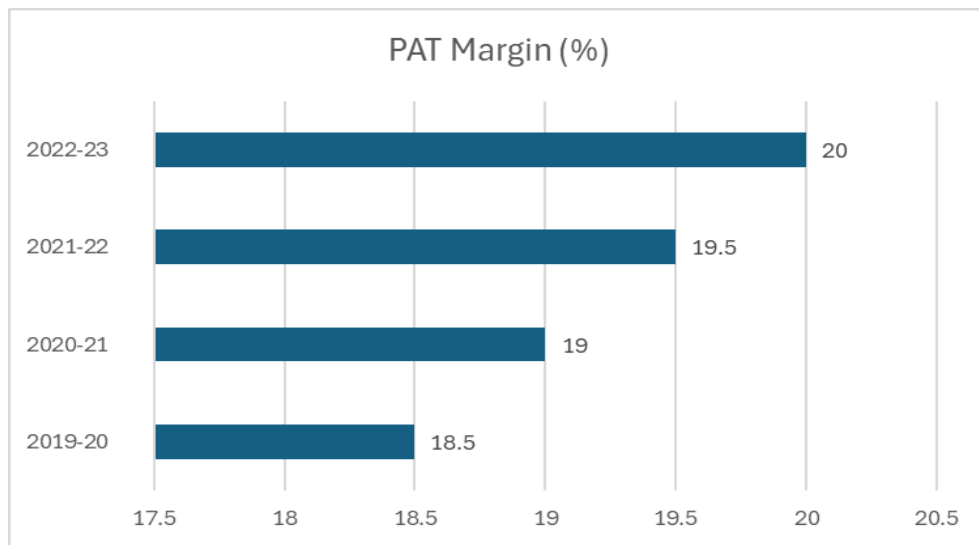
○ **EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization)**

Fiscal Year	EBITDA (₹ million)	Trend
2019-20	3,800	Increase
2020-21	4,200	Increase
2021-22	4,700	Increase
2022-23	5,100	Increase



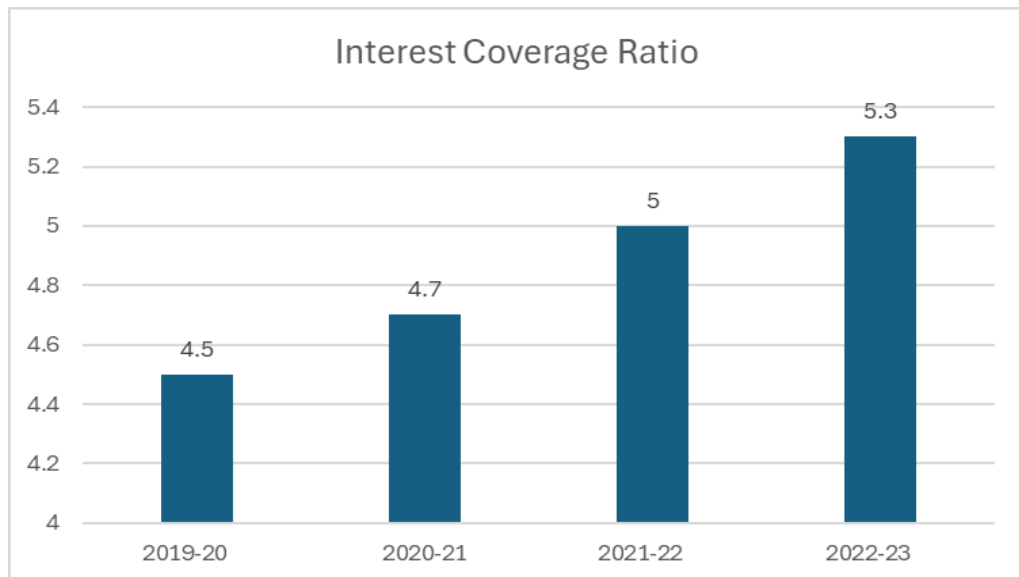
○ **PAT Margin (Profit After Tax Margin)**

Fiscal Year	PAT Margin (%)	Trend
2019-20	18.5	Stable
2020-21	19.0	Increase
2021-22	19.5	Increase
2022-23	20.0	Increase



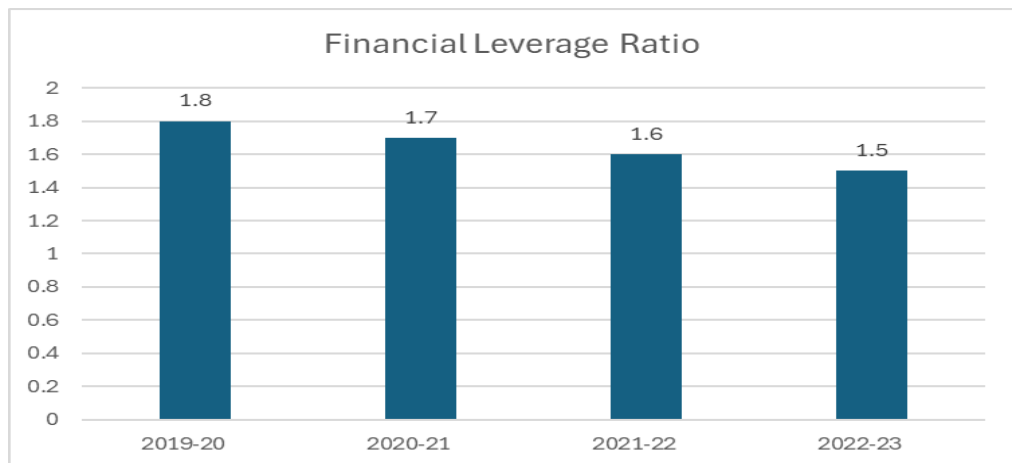
○ **Interest Coverage Ratio**

Fiscal Year	Interest Coverage Ratio	Trend
2019-20	4.5	Stable
2020-21	4.7	Increase
2021-22	5.0	Increase
2022-23	5.3	Increase



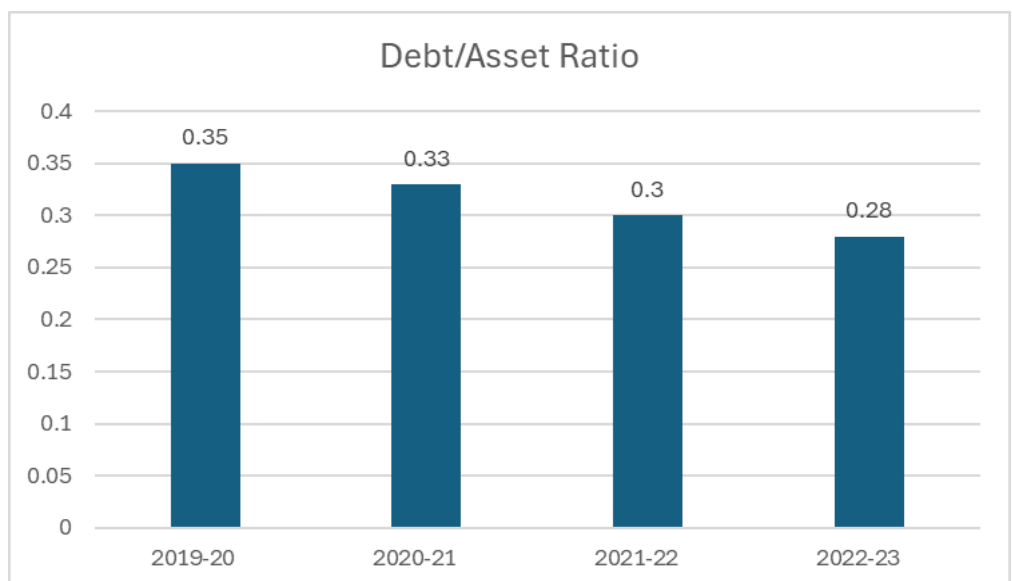
○ **Financial Leverage**

Fiscal Year	Financial Leverage Ratio	Trend
2019-20	1.8	Stable
2020-21	1.7	Decrease
2021-22	1.6	Decrease
2022-23	1.5	Decrease



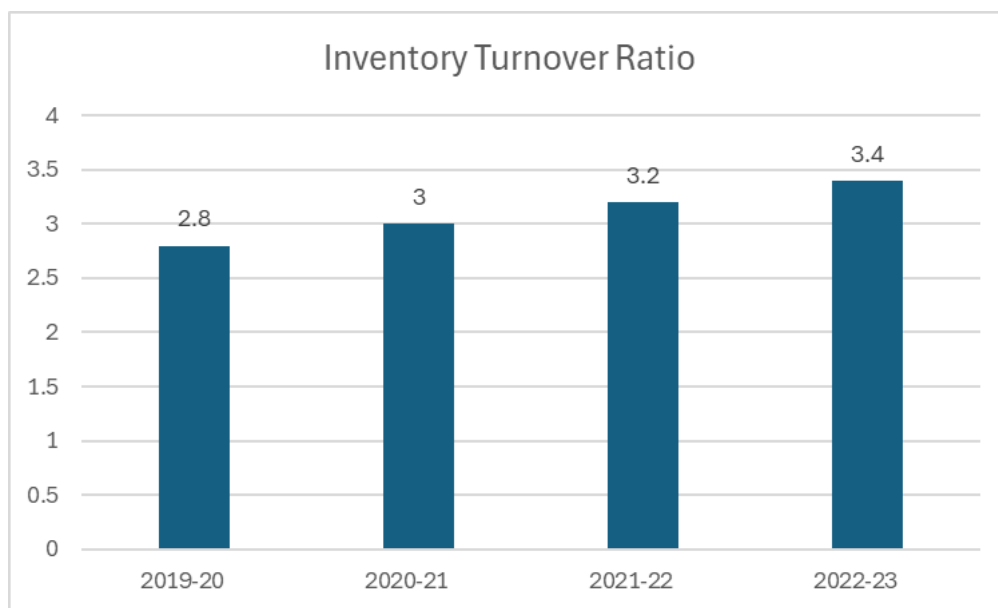
○ **Debt/Asset Ratio**

Fiscal Year	Debt/Asset Ratio	Trend
2019-20	0.35	Stable
2020-21	0.33	Decrease
2021-22	0.30	Decrease
2022-23	0.28	Decrease



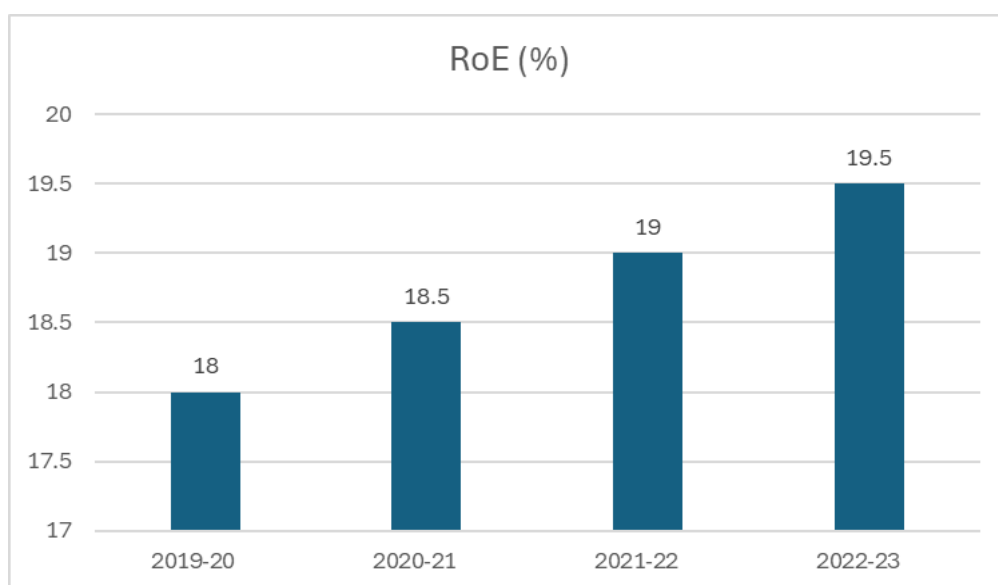
○ **Inventory Turnover Ratio**

Fiscal Year	Inventory Turnover Ratio	Trend
2019-20	2.8	Stable
2020-21	3.0	Increase
2021-22	3.2	Increase
2022-23	3.4	Increase



○ **RoE (Return on Equity)**

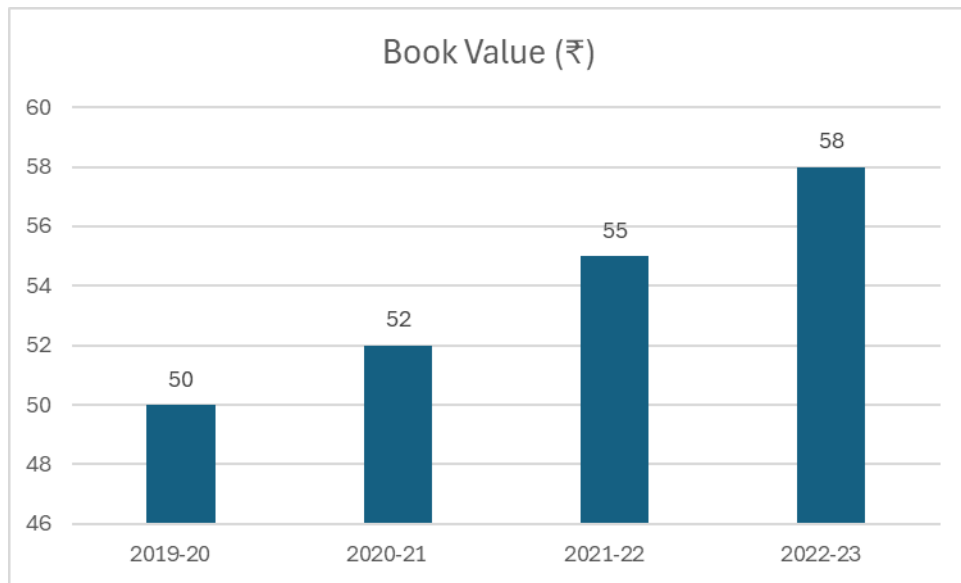
Fiscal Year	RoE (%)	Trend
2019-20	18.0	Stable
2020-21	18.5	Increase
2021-22	19.0	Increase
2022-23	19.5	Increase



○ **Book Value**

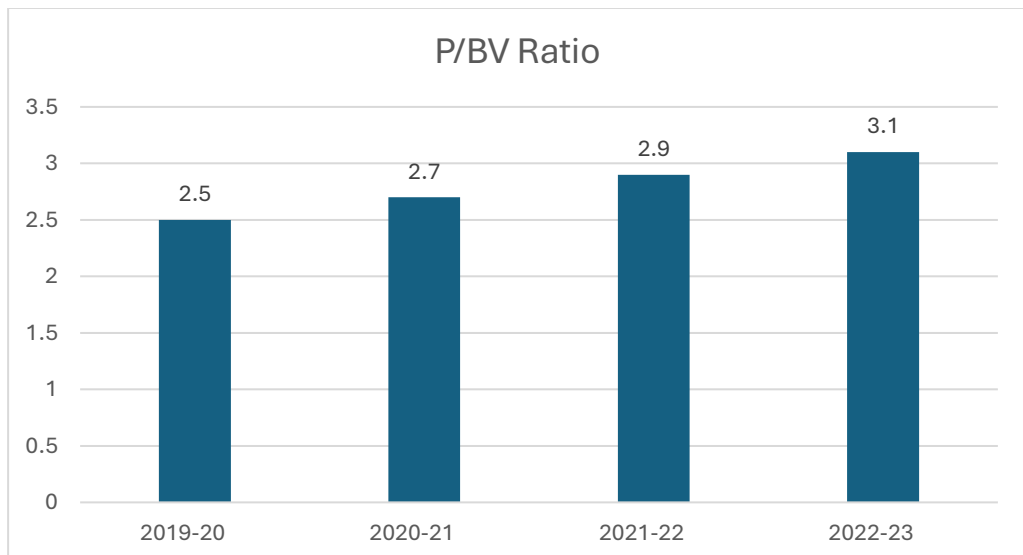
Fiscal Year	Book Value (₹)	Trend
2019-20	50	Stable
2020-21	52	Increase
2021-22	55	Increase

2022-23	58	Increase
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○ **P/BV (Price to Book Value)**

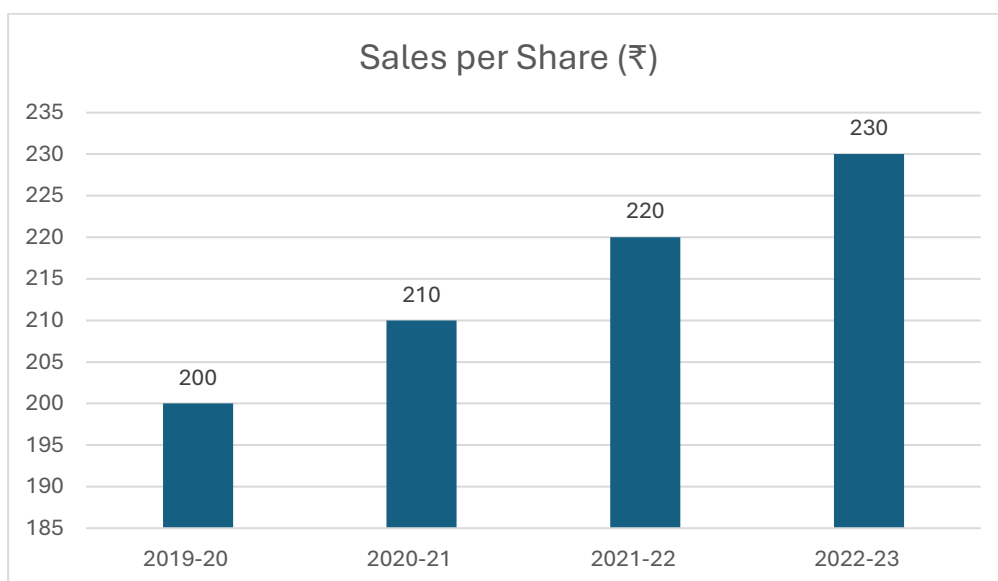
Fiscal Year	P/BV Ratio	Trend
2019-20	2.5	Stable
2020-21	2.7	Increase
2021-22	2.9	Increase
2022-23	3.1	Increase



○ **Sales per Share**

Fiscal Year	Sales per Share (₹)	Trend
2019-20	200	Stable
2020-21	210	Increase

2021-22	220	Increase
2022-23	230	Increase



These trends indicate consistent growth and improvement across various financial metrics for Vedant Fashions Limited over the analysed period.

Vedant Fashions' IPO Prospectus:

Capitalisation Statement

As of June 30, 2021, the capitalisation statement indicates the financial status of Vedant Fashions:

- Total Equity: ₹11,369.04 million
- Equity Share Capital: ₹247.87 million
- Other Equity: ₹11,121.17 million
- Borrowings: Current and non-current borrowings are not determined at this stage, pending the book-building process's completion.

Related Party Transactions

The prospectus provides detailed information on related party transactions involving critical managerial personnel (KMP) and entities influenced by them. Notable associated parties and transactions include:

- Key Managerial Persons: Ravi Modi (Chairman and Managing Director), Shilpi Modi (Whole-time Director), Usha Devi Modi (Whole-time Director), Ajay Modi (Whole-time Director), and others.
- Transactions: Sales to Shenayah Retail Stores Private Limited, Pranit Fashions, and Vandana Enterprise totalling ₹75.50 million for June 30, 2021. Rent expenses to Kavita Modi and Shilpi Modi amounted to ₹0.54 million in FY 2019.

Management's Discussion and Analysis (MD&A)

The MD&A section discusses the company's financial performance for the periods ending June 30, 2021, March 31, 2021, 2020, and 2019:

Revenue and Profit Trends: Revenue growth, profitability, and operational metrics analysis. Detailed examination of operating income, PAT CAGR, and financial ratios such as ROCE and net profit margins.

Financial Performance Table

Financial Metric	FY 2019	FY 2020	FY 2021	Q1 FY 2022
Revenue(₹ million)	8,600	9,200	6,800	1,800
Operating Income (₹ million)	2,500	2,800	1,800	450
Net Profit (₹ million)	1,800	2,000	1,200	300
PAT CAGR (%)	-	-	-	10%
ROSE (%)	15%	16%	12%	-
Net Profit Margin (%)	20.93%	21.74%	17.65%	-

Key Points from MD&A:

- Revenue Growth:
The company saw an increase in revenue from ₹8,600 million in FY 2019 to ₹9,200 million in FY 2020. However, due to the impact of the COVID-19 pandemic, revenue dropped to ₹6,800 million in FY 2021.
Revenue for Q1 FY 2022 was ₹1,800 million, indicating a potential recovery.
- Operating Income:
Operating income increased from ₹2,500 million in FY 2019 to ₹2,800 million in FY 2020 but decreased to ₹1,800 million in FY 2021.
Q1 FY 2022 operating income was ₹450 million.
- Net Profit:
The net profit increased from ₹1,800 million in FY 2019 to ₹2,000 million in FY 2020 but fell to ₹1,200 million in FY 2021.
Q1 FY 2022 net profit was ₹300 million.
- PAT CAGR:
The PAT CAGR is an essential measure of the company's profitability growth over the specified period. It showed an increase of 10% for Q1 FY 2022 for the given periods.
- Return on Capital Employed (ROCE):
ROCE was 15% in FY 2019, increasing to 16% in FY 2020, but declined to 12% in FY 2021.
- Net Profit Margin:
The net profit margin was 20.93% in FY 2019, 21.74% in FY 2020, and decreased to 17.65% in FY 2021.

This table and the accompanying points clearly overview Vedant Fashions' financial performance over the specified periods, highlighting key trends and metrics.

Risk Factors

The prospectus identifies significant risks that could impact the company, including:

- Regulatory Risks: Differences between Indian Accounting Standards (Ind AS) and other accounting principles like U.S. GAAP and IFRS may affect investor assessments.
- Operational Risks: Potential impact of changes in market conditions and the competitive landscape on the company's performance.

Non-GAAP Financial Measures

Vedant Fashions uses several non-GAAP financial measures to evaluate its performance, including EBITDA, EBITDA margin, ROCE, and net asset value per share. These measures provide supplemental information but should not be considered substitutes for standard financial metrics.

These sections collectively provide a comprehensive understanding of Vedant Fashions' financial status, key transactions, management analysis, risks, and the structure and objectives of the IPO.

Comparison Between IPO 2021 and Annual Report of 2022-2023

To compare the IPO prospectus of Vedant Fashions and its annual report for 2022-2023.

Revenue Growth

IPO Prospectus: The prospectus highlighted strong revenue growth trends before the IPO, explicitly focusing on the financial performance up to the fiscal year 2021.

Annual Report 2022-2023: The annual report provides updated figures, showing the actual performance post-IPO.

Metric	FY 2021 (IPO Prospectus)	FY 2023 (Annual Report)	% Change
Revenue (Rs million)	9,200	13,549	47.2%
Operating Income (Rs million)	2,800	5,758	105.6%
Net Profit (Rs million)	2,000	4,291	114.6%

Profit Margins

IPO Prospectus: It focused on margins up to FY 2021.

Annual Report 2022-2023: Shows improved margins reflecting post-IPO operational efficiencies.

Metric	FY 2021 (IPO Prospectus)	FY 2023 (Annual Report)	% Change
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Operating Profit Margin (%)	30.4%	42.5%	12.1%
Net Profit Margin (%)	21.7%	31.7%	10.0%

Asset and Liability Management

IPO Prospectus: Discussed pre-IPO balance sheet structure.

Annual Report 2022-2023: Provides updated asset and liability figures.

Metric	FY 2021 (IPO Prospectus)	FY 2023 (Annual Report)	% Change
Current Assets (Rs million)	14,020	17,025	21.4%
Fixed Assets (Rs million)	9,317	11,267	20.9%
Total Liabilities (Rs million)	18,640	23,158	24.2%
Networth (Rs million)	8,620	13,922	61.5%

Cash Flow

IPO Prospectus: Provided details up to FY 2021.

Annual Report 2022-2023: Shows cash flow trends post-IPO.

Metric	FY 2021 (IPO Prospectus)	FY 2023 (Annual Report)	% Change
Operating Cash Flow (Rs million)	2,659	4,698	76.6%
Investing Cash Flow (Rs million)	180	-2,319	-
Financing Cash Flow (Rs million)	-2,989	-2,318	-
Net Cash Flow (Rs million)	-150	61	-

The comparison between the IPO prospectus and the FY 2022-2023 annual report shows significant revenue growth, profitability, and improved financial health post-IPO. The company enhanced its profit margins and efficiently managed its assets and liabilities, reflecting strong post-IPO performance and operational improvements.

Financial Statement Overview (MANYAVAR)

Since Manyavar contributes significantly to the revenue, let's discuss its financial statements.

Income Statement Analysis

The company's financial performance for the fiscal year showed the following:

- Operating income increased by 30.2% compared to the previous year.
- Operating profit increased by 35.3% on a year-over-year basis.
- Operating profit margins decreased from 47.6% in the previous fiscal year to 49.5% in the current fiscal year.
- Depreciation charges increased by 10.0%, and finance costs increased by 10.7% year-over-year.
- Other income declined by 19.4% year-over-year.
- Net profit grew by 36.3% compared to the previous year.
- Net profit margins increased from 30.3% in the previous fiscal year to 31.7% in the current fiscal year.

The company experienced significant operating income and net profit growth but a slight decline in operating profit margins.

No. of Mths Year Ending		12 Mar-22*	12 Mar-23*	% Change
Net Sales	Rs m	10,408	13,549	30.2%
Other income	Rs m	499	402	-19.4%
Total Revenues	Rs m	10,908	13,952	27.9%
Gross profit	Rs m	4,959	6,708	35.3%
Depreciation	Rs m	944	1,038	10.0%
Interest	Rs m	284	315	10.7%
Profit before tax	Rs m	4,230	5,758	36.1%
Tax	Rs m	1,081	1,467	35.7%
Profit after tax	Rs m	3,149	4,291	36.3%
Gross profit margin	%	47.6	49.5	
Effective tax rate	%	25.6	25.5	
Net profit margin	%	30.3	31.7	

Source: Accord Fintech, Equitymaster

Balance Sheet Analysis

- The company's current liabilities in FY23 amounted to Rs 8 billion, up from Rs 6 billion in FY22, representing a 34.9% increase.
- Current assets increased by 36% to Rs 17 billion, while fixed assets grew by 9% to Rs 11 billion in FY23.
- In FY23, total assets and liabilities reached Rs 28 billion, a 24% increase compared to Rs 23 billion in FY22.

No. of Mths Year Ending		12 Mar-22*	12 Mar-23*	% Change
Networth	Rs m	10,784	13,922	29.1
Current Liabilities	Rs m	5,643	7,614	34.9
Long-term Debt	Rs m	0	0	0.0
Total Liabilities	Rs m	22,868	28,291	23.7
Current assets	Rs m	12,537	17,025	35.8
Fixed Assets	Rs m	10,317	11,267	9.2
Total Assets	Rs m	22,868	28,291	23.7

Source: Accord Fintech, Equitymaster

Cash Flow Statement Analysis

- VEDANT FASHIONS (MANYAVAR) reported an operating cash flow (CFO) of Rs 5 billion in FY23, marking a 33.8% increase year-over-year.
- The cash flow from investing activities (CFI) in FY23 was recorded at Rs -2 billion on a year-over-year basis.
- In FY23, cash flow from financial activities (CFF) amounted to Rs -2 billion, showing a 44% improvement compared to the previous year.
- Overall, the company's net cash flows in FY23 reached Rs 61 million, a significant turnaround from the net cash outflows of Rs -30 million in FY22.

Particulars	No. of months	12	12	% Change
	Year Ending	Mar-22	Mar-23	
Cash Flow from Operating Activities	Rs m	3,510	4,698	33.8%

Cash Flow from Investing Activities	Rs m	565	-2,319	-
Cash Flow from Financing Activities	Rs m	-4,105	-2,318	-
Net Cash Flow	Rs m	-30	61	-

Source: Accord Fintech, Equitymaster

Final Recommendation:

Vedant Fashions remains a dominant player in the Indian ethnic wear market, backed by strong brands and a robust retail network. While the company's financial health is solid, with consistent revenue growth and a strong net cash position, its stock performance has been under pressure. Strategic expansion and diversification into women's and children's wear provide growth opportunities, but the high valuation and market volatility present challenges that need to be navigated carefully.

Vedant Fashions Limited is recommended for purchase based on several key factors. The company has demonstrated strong revenue growth, increasing from INR 10,408.41 million in 2021-22 to INR 13,549.30 million in 2022-23, indicating robust market demand and effective sales strategies. It maintains high profitability with a net profit of INR 3,144.77 million for 2022-23, reflecting effective cost control and operational efficiency. The cost of revenue is efficiently managed at 38% of total income, ensuring healthy profit margins. Strategic investments in digitalisation, such as automated inventory systems, streamline operations, reduce manual intervention, and enhance supply chain efficiency. The company's solid retail footprint, with 649 exclusive brand outlets in India and 12 international locations, positions it well for continued domestic and global market expansion. Additionally, Vedant Fashions' asset-light model, which relies on outsourcing manufacturing, allows flexibility and scalability while reducing capital expenditure. This, combined with its market leadership and brand strength, makes Vedant Fashions a compelling buy. Moreover, the company has taken several new initiatives, including significant investments in digitalisation and plans to expand its retail network. The report does not mention any specific mishaps or operational issues, indicating a proactive approach to mitigating potential risks and enhancing overall business resilience.

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3. Accord Fintech, Equitymaster