

VEDANT FASHIONS LTD.

RECOMMENDATION : BUY

MARKET PRICE : Rs.1269.10 (As on 19th July 2023)

TARGET PRICE : Rs.1587.00

FACE VALUE : Re.1

BSE CODE : 543463

NSE CODE : MANYAVAR



**VEDANT FASHIONS
— LIMITED —**



Vedant Fashions Ltd. offers men's ethnic and celebration wear items such as Indo-western, Sherwanis, Kurtas, Jackets and accessories such as Jutti, Safa & Mala. For Women the Company offers ethnic and celebration wear items such as Lehengas, Sarees, Stitched Suits, gowns and Kurtis.

Under the umbrella of Vedant Fashions Limited (formerly known as Vedant Fashions Pvt. Ltd.) and paving the path for a happier family, the brand introduced Mohey, Indian wedding and celebration wear for women, in 2015 and acquired one of the biggest fashion brands in southern India, Mebaz, in 2018, a one-stop heritage brand catering to the entire family, with an established presence in the states of Andhra Pradesh and Telangana.

Timeless and iconic attires have cemented Manyavar's reputation across the world with a commanding retail presence of 600+ stores in over 200 cities and in 4 countries with 10+ international stores in U.A.E, U.S.A, UK & Canada.

ABOUT THE COMPANY

Introduction to Vedant Fashions

Indian Wedding and Celebration Wear Brands

Headquartered in Kolkata, incorporated in 2002 by Mr. Ravi Modi, Vedant Fashions offers Indian wedding & celebration wear for men, women & kids

Largest company in India in men's Indian wedding & celebration wear by Revenue, OPBDIT¹ & PAT*. Commands dominant position in conventionally unorganized market

Manyavar brand is category leader in branded Indian wedding & celebration wear market with pan-India presence*

Growing presence in women's Indian wedding & celebration wear with Mohey - Largest brand by number of stores with pan-India presence*



One-stop destination with wide product portfolio for every celebratory occasion; aspirational yet value-for-money offering

Omni-channel network of EBOs, MBOs, LFS & Online (own website, mobile app & leading lateral e-commerce platforms)

Delivers aristocratic & seamless customer experience via aesthetic franchisee-owned EBOs

Retail footprint (Q4 FY23) of 1.47 mn sq. ft. across India (633 EBOs² in 245 cities & towns in India) and Overseas (16 EBOs in USA, UAE, Canada & U.K.)



What makes Manyavar Special

Aspirational Yet Value for Money

1

- Aspirational Brand with Aristocratic & seamless customer experience
- Uniform pricing across online & offline channels in India
- No discounts/ end-of-season sales for Manyavar brand
- Multi Decade growth Opportunity for the Category from here

Multi-brand Product Portfolio

2

- One-stop destination with wide product portfolio for men, women & kids catering to all celebratory occasions across price points
- Low level of obsolete & dead stock
- 52 Week Design collection Model

Strong Control Over Entire Ecosystem

3

- Strong design capabilities with data-driven/ AI backed decision-making and demand forecasting
- Tech-driven unique supply chain & inventory mgmt. with Automated Replenishment System at pin code level
- Integrated secondary sales network with full visibility of products sold at our stores
- Having First mover advantage, VFL scaled up and organized highly unorganized and fragmented category

Curated Marketing Strategy with Multi Channel Presence

4

- Emotional connect with theme-based campaigns
- Celebrity brand ambassadors
- Omni-channel network with pan-India presence

Industry Leading Economics

5

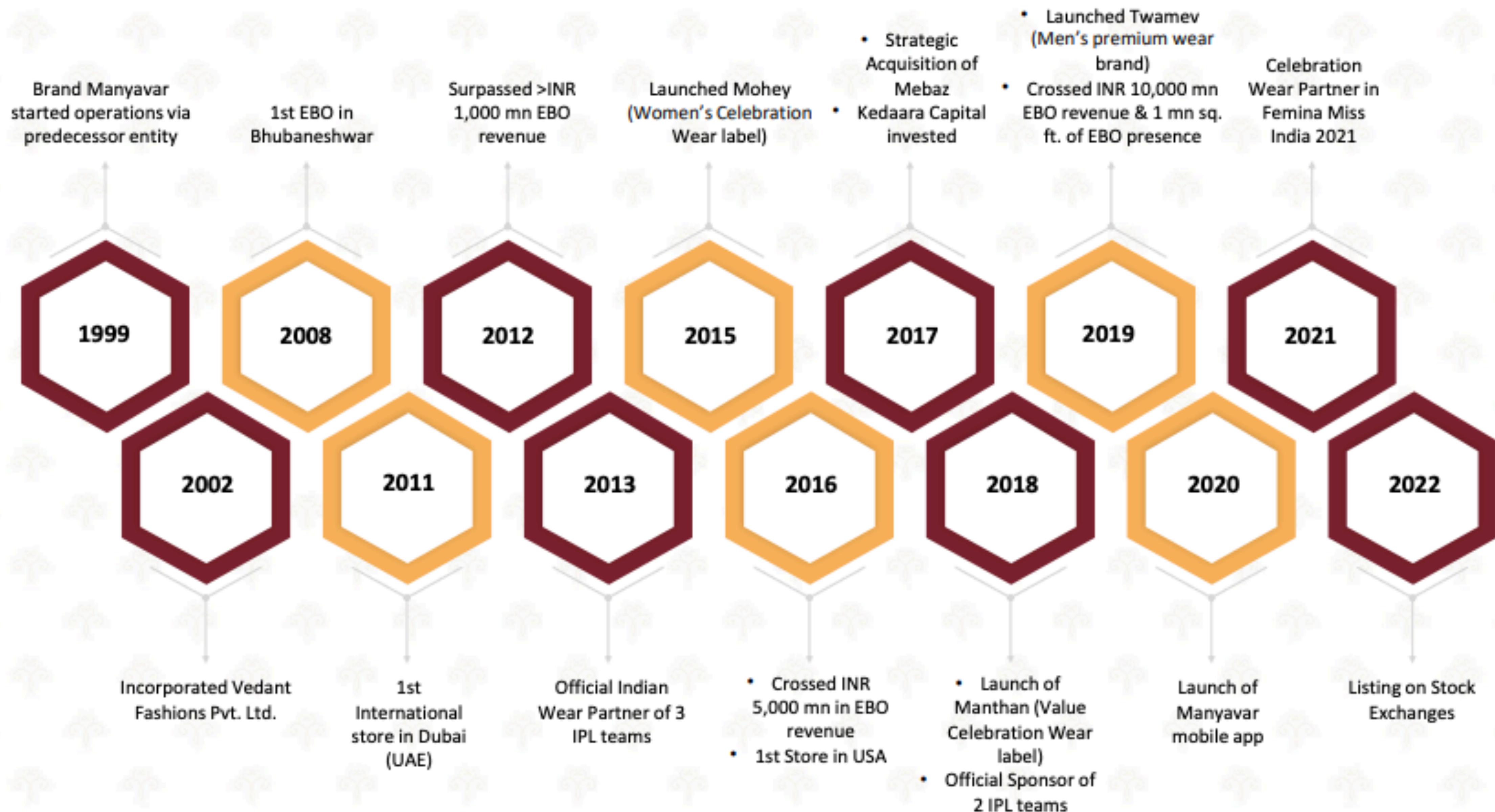
- World Class Financial Matrix in apparel retail being largest company in India in men's Indian wedding & celebration wear by Revenue, OPBDIT & PAT*
- Asset light & franchisee-led EBO distribution model with high cash conversion ratio
- Leads the peer set in terms of financial & operational metrics

Strong Corporate Governance

6

- Experienced management with rich functional expertise
- Big 4 statutory auditor coupled with eminent Board of Directors
- Embraces ESG & promotes CSR

Evolution Over the Years



Key Investment Highlights/ Our Strengths

Large & growing Indian wedding & celebration wear market driven by an increased spending on such wear

Market leader in Indian celebration wear market with diversified brand portfolio across value spectrum for entire family

Unique business model combining asset-light brand play along with seamless purchase experience; no end of season sales/ discounts for Manyavar brand

Attractive marketing initiatives of creating connections through emotions

Widespread pan-India multi-channel presence through EBO network with scalable franchisee model

Technology-based supply chain network with strong processes in place

Experienced & professional leadership team

Experienced Board of Directors aided by professional partners

Strong growth trajectory with industry leading margins, return metrics & healthy cash generation



Diversified Brand Portfolio Catering to Aspirations of Entire Family

Brands					
Year	1999 ¹	2015	2019	2017 ²	2018 ³
Target Group	Men, Boys	Women	Men	Men, Women, Kids	Men
Price Spectrum	Mid-Premium	Mid-Premium	Premium	Mid-Premium to Premium	Value
Distribution	EBOs, MBOs, LFS, E-commerce	EBOs & E-commerce	EBO's	EBO's	MBOs, LFS, E-commerce
Product Portfolio	<ul style="list-style-type: none"> ❖ Men: Kurta, Indo-western, Sherwani, jacket, accessories ❖ Kids: Kurta set, jacket set, Indo-western, accessories 	<ul style="list-style-type: none"> ❖ Lehenga ❖ Saree ❖ Gown ❖ Accessories 	<ul style="list-style-type: none"> ❖ Kurta set ❖ Sherwani ❖ Indo-western ❖ Suit ❖ Accessories 	<ul style="list-style-type: none"> ❖ Men: Kurta, Indo-western, Sherwani, Jacket, Suit, Accessories ❖ Women: Lehenga, Saree, Suit, Kurti ❖ Kids: Lehenga, Gown, Frock, Kurta, Suit, Accessories 	<ul style="list-style-type: none"> ❖ Kurta
Key Attributes	<ul style="list-style-type: none"> ❖ Category leader in branded Indian wedding & celebration wear market with a pan-India presence* ❖ Other brands in the category only 1/7th the size of Manyavar ❖ No end of season sales or discounts for Manyavar brand 	<ul style="list-style-type: none"> ❖ Largest brand by number of stores, with pan-India presence focusing women's Indian wedding & celebration wear* ❖ Benefit from Manyavar's leadership position & pan-India EBO footprint ❖ Celebrity brand ambassador & campaigns like "#Dulhan wall feeling" 	<ul style="list-style-type: none"> ❖ Upscale consumer experience ❖ Cross-sell premium offering to Manyavar customers ❖ Priced between Manyavar & luxury boutique brands 	<ul style="list-style-type: none"> ❖ South India focused regional brand; strong presence in AP & Telangana ❖ One-stop shop for ethnic celebration need of entire family ❖ Rich heritage brand with strong legacy 	<ul style="list-style-type: none"> ❖ Large blend of product designs at value prices ❖ Aims to cater to sizable number of mid-market weddings & other celebrations

Our Growth Strategy

01

Retail Expansion within and outside India



02

Up-selling and cross-selling initiatives



03

Enhancement of brand appeal through targeted marketing initiatives



04

Significant potential and space for growth of our emerging brands

05

Disciplined approach towards acquisitions

Wide Pan-India Reach and Presence including International Markets

Presence (As of FY23)

1.47 mn Sq. ft.

EBO's Area*
(Including 36K area of Intl. Stores in 4 Countries)

649

EBO's* (Including 16 Intl. EBO's)

245

Cities and towns in India



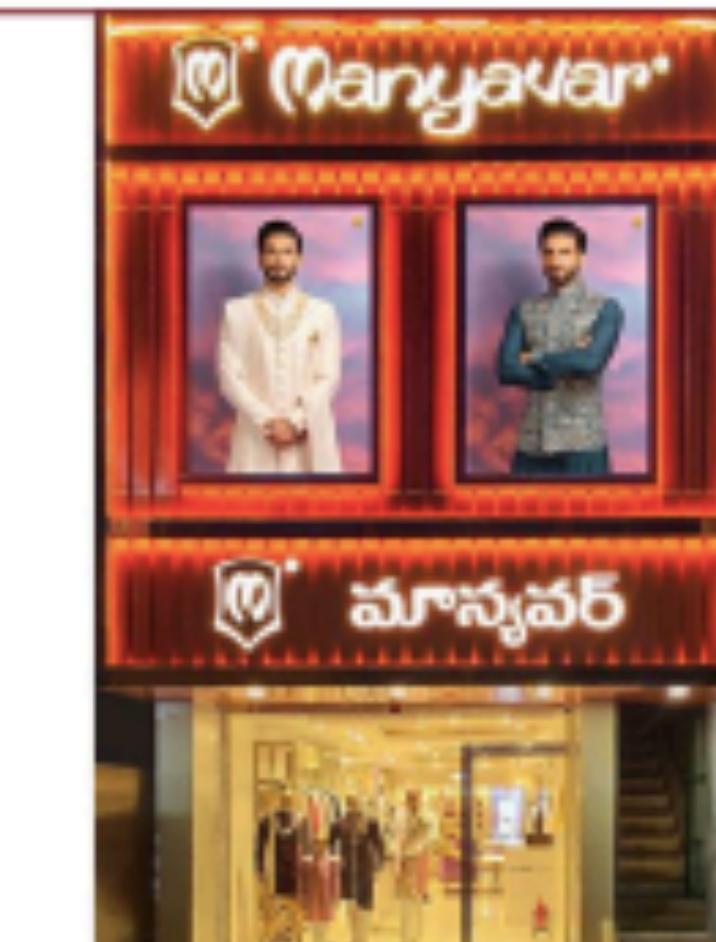
Net Rollout (Q4 FY23)

75 k Sq. ft.

EBO's Area (Including 5k area of Intl. EBO's)

9

EBO's (Including 2 Intl. EBO's)



Net Rollout (FY23)

204 k Sq. ft.

EBO's Area (Including 11.4k area of Intl. EBO's)

54

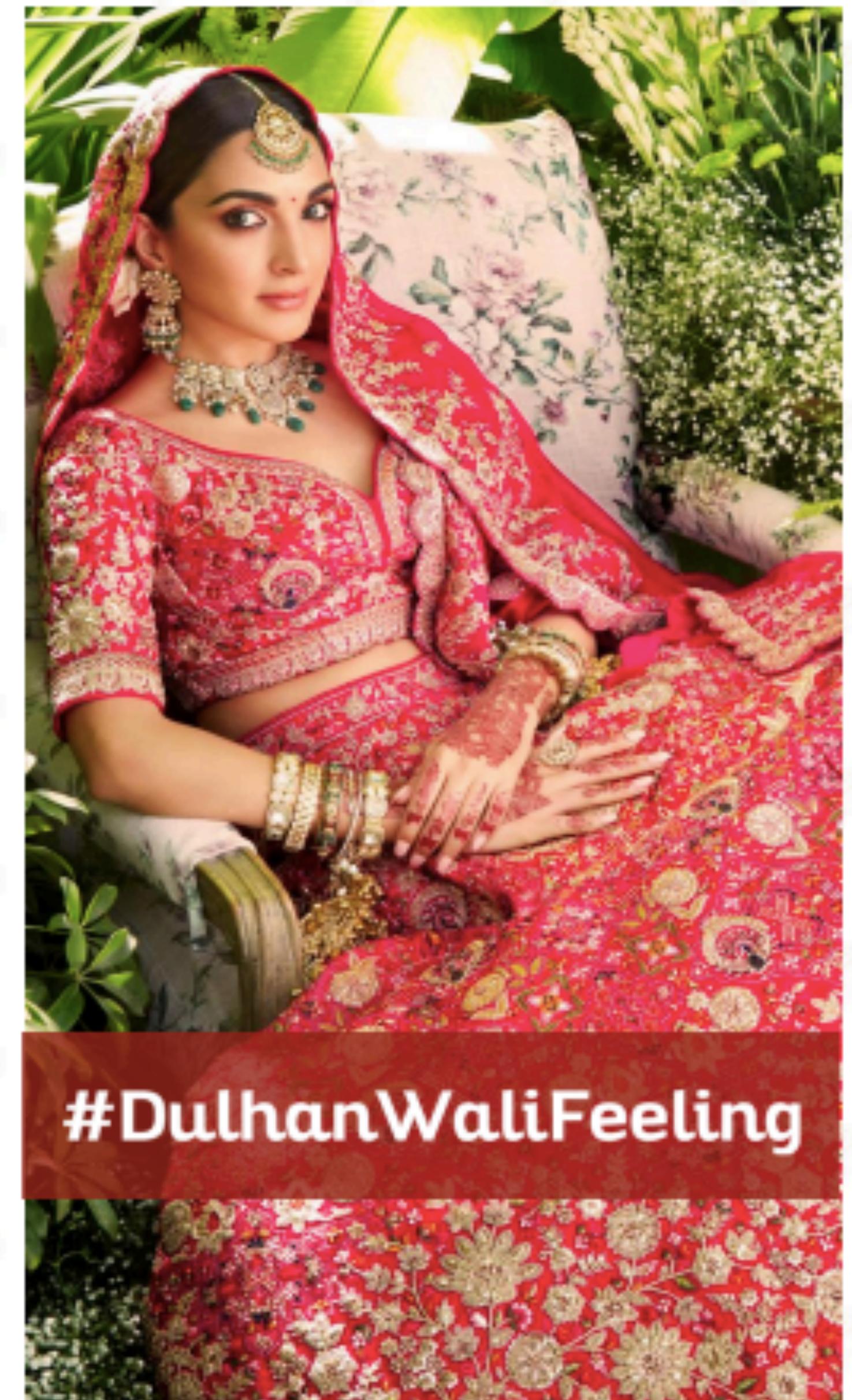
EBO's (Including 4 Intl. EBO's)



Marketing Campaign



#Taiyaar Hokar Aaiye



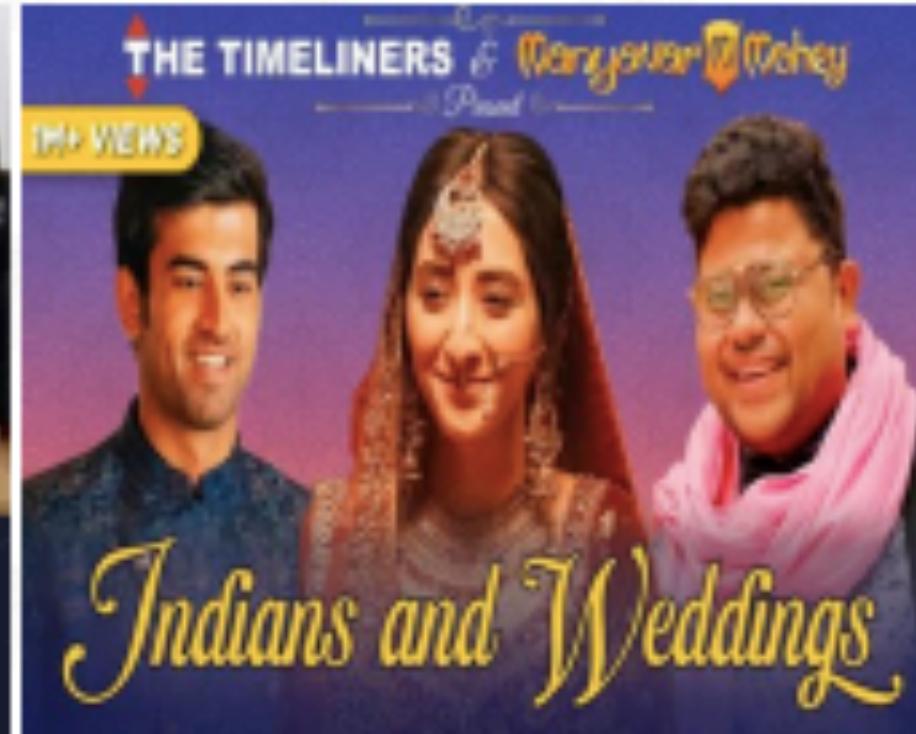
#DulhanWaliFeeling

Marketing Initiatives

Marketing Initiatives

Commonwealth Games Official Indian Style Partner

Digital integration with TVF



TV- News Channel & T20 World Cup Deal

R. भारत
TV9 भारतवर्ष

INDIA TV
abp न्यूज़
ZEENEWS



Perimeter Branding Cricket Deal
Ind Vs Aus & Ind Vs SA



Theme- based Marketing Ad Campaigns

Wedding

Taiyaar Hokar Aaiye



Dulhan Wali Feeling

Launch of New Brand Ambassador
Klara Advani



Festival

Rakhi - Brocode

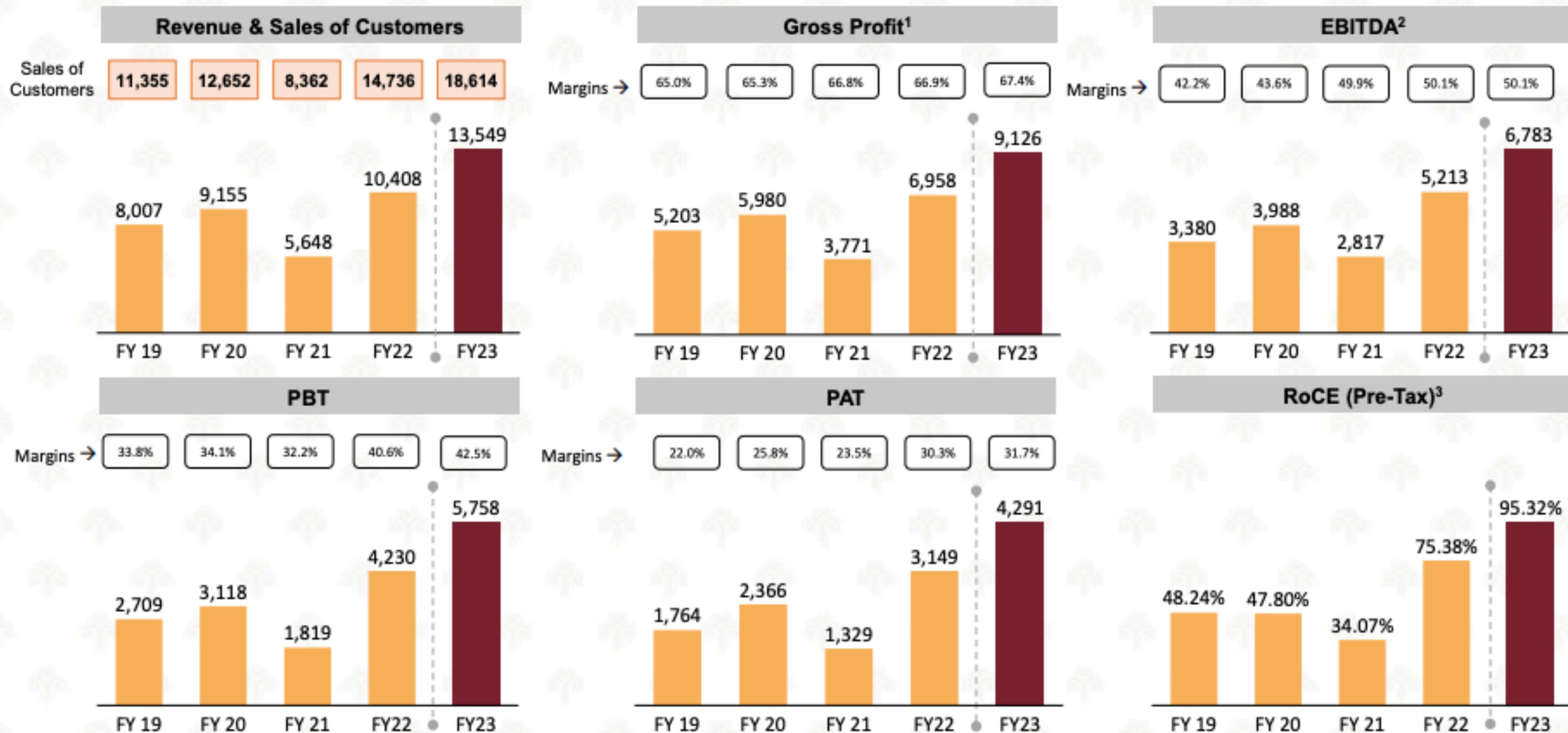


Diwali - Taiyaar Hokar Aaiye



Long Track Record of Strong Growth Trajectory

INR in mn



Company key Performance Highlights

**Revenue from Operations
(Y-o-Y Growth)**
Q4: 15.3 %
FY: 30.2 %

Gross Margin %
Q4: 66.0 %
FY: 67.4 %

EBITDA Margin %
Q4: 50.2 %
FY: 50.1 %

PAT Margin %
Q4: 31.9 %
FY: 31.7%

**PAT
(Y-o-Y Growth)**
Q4: 22.7 %
FY: 36.3 %

- ❖ Company expanded its retail footprint presence by adding ~75 k sq. ft. retail area in Q4FY23 and 2.04 lacs sq. ft. retail area in FY23, with total retail presence of 1.47 mn sq. ft. as of Mar 2023; Company also expanded its international presence with new stores in London (UK) and Canada in Q4 FY23, and has presence in 4 International Countries (USA, UAE, Canada and UK);
- ❖ Company recorded retail growth (Sale of our Customers) of 26.3% in FY23 as compared to FY22, and retail growth (Sale of our Customers) of 47.1% in FY23 over FY20;
- ❖ Company recorded retail growth (Sale of our Customers) of 21.2% in Q4 FY23 as compared to Q4 FY22, and retail growth (Sale of our Customers) of 45.8% in Q4 FY23 over Q4 FY20;
- ❖ Company recorded SSSG growth of 14% in Q4 FY23 compared to Q4 FY22, and SSSG growth of 16.2% in Q4 FY23 over Q4 FY20;
- ❖ Company recorded SSSG growth of 18.1% in FY23 compared to FY22, and SSSG growth of 17.6% in FY23 over FY20;
- ❖ Company has achieved ROCE of 95.3% in FY23 and cash conversion ratio (Operating cash flow over PAT) of 105% in Q4 of FY23, and 83% in FY23

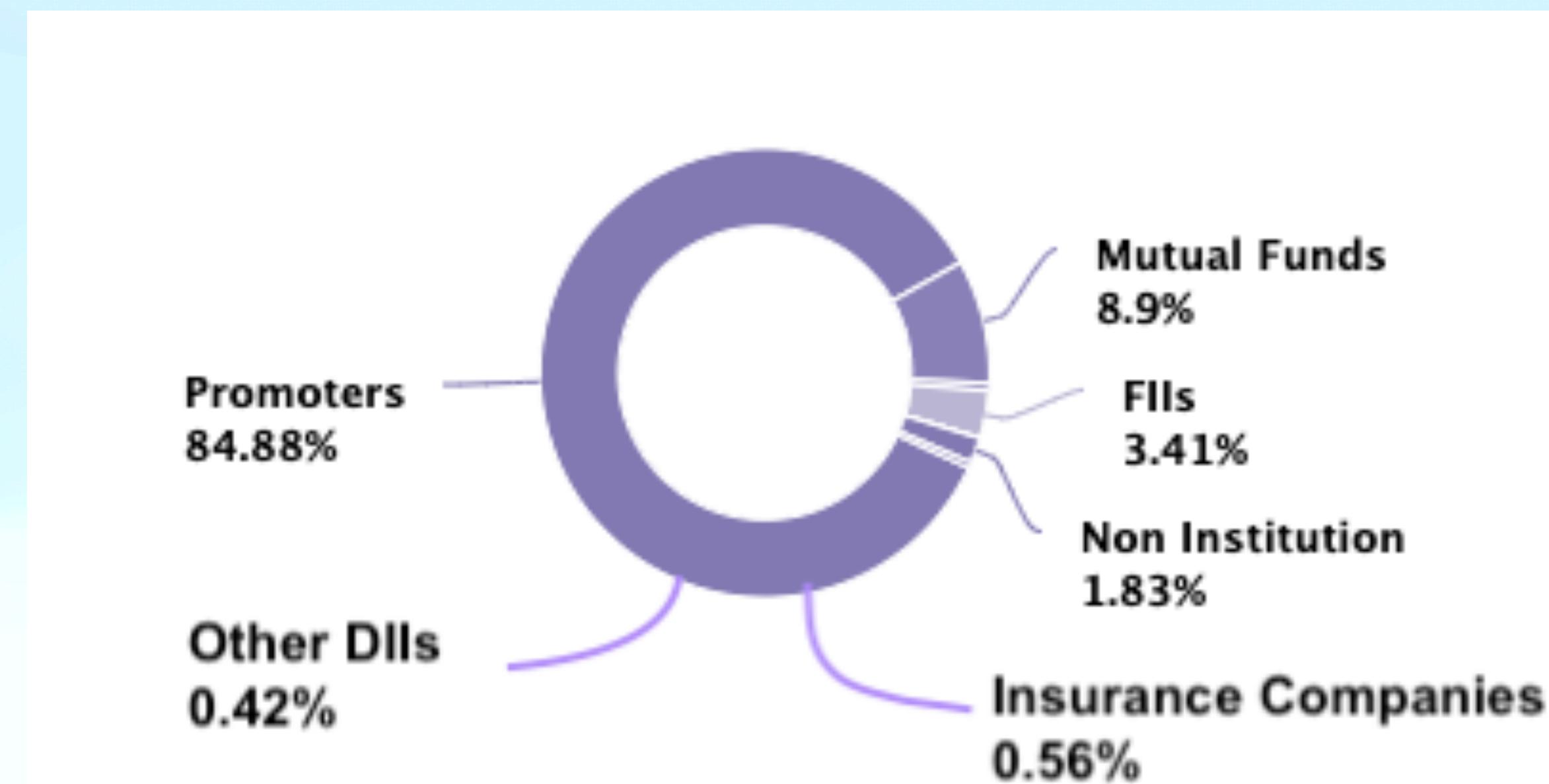
Yearly Results

YEARLY RESULTS OF VEDANT FASHIONS (in Rs. Cr.)	MAR '23	MAR '22	MAR '21	MAR '20	MAR '19
Net Sales/Income from operations	1,354.93	1,040.84	564.07	914.53	799.51
Other Operating Income	--	--	0.74	1.02	1.23
Total Income From Operations	1,354.93	1,040.84	564.82	915.55	800.74
EXPENDITURE					
Consumption of Raw Materials	143.65	115.20	65.57	107.50	86.23
Purchase of Traded Goods	228.10	170.65	70.76	168.24	136.74
Increase/Decrease in Stocks	-38.86	-36.60	10.00	-24.52	-0.38
Power & Fuel	--	--	--	--	--
Employees Cost	56.63	57.53	38.11	53.30	47.21
Depreciation	103.79	94.36	95.53	88.73	8.58
Excise Duty	--	--	--	--	--
Admin. And Selling Expenses	--	--	--	--	--
R & D Expenses	--	--	--	--	--
Provisions And Contingencies	--	--	--	--	--
Exp. Capitalised	--	--	--	--	--
Other Expenses	294.57	238.19	137.31	217.28	257.32
P/L Before Other Inc., Int., Excpt. Items & Tax	567.06	401.51	147.53	305.02	265.03
Other Income	40.24	49.93	60.20	32.43	19.06
P/L Before Int., Excpt. Items & Tax	607.30	451.44	207.74	337.45	284.09
Interest	31.46	28.43	25.82	25.61	4.35
P/L Before Exceptional Items & Tax	575.84	423.01	181.92	311.84	279.74
Exceptional Items	--	--	--	--	--
P/L Before Tax	575.84	423.01	181.92	311.84	279.74
Tax	146.73	108.10	49.01	75.20	97.58
P/L After Tax from Ordinary Activities	429.11	314.91	132.90	236.64	182.16
Prior Year Adjustments	--	--	--	--	--
Extra Ordinary Items	--	--	--	--	--
Net Profit/(Loss) For the Period	429.11	314.91	132.90	236.64	182.16
Minority Interest	--	--	--	--	--
Share Of P/L Of Associates	--	--	--	--	--
Net P/L After M.I & Associates	429.11	314.91	132.90	236.64	182.16
Equity Share Capital	24.28	24.27	24.79	25.05	25.05
Reserves Excluding Revaluation Reserves	1,375.60	1,058.47	1,066.62	1,040.97	863.46
Equity Dividend Rate (%)	--	--	--	--	--
EPS BEFORE EXTRA ORDINARY					
Basic EPS	17.68	12.90	10.72	18.90	14.55
Diluted EPS	17.68	12.90	10.71	18.90	14.55
EPS AFTER EXTRA ORDINARY					
Basic EPS.	17.68	12.90	10.72	18.90	14.55
Diluted EPS.	17.68	12.90	10.71	18.90	14.55

Key Financial Ratios

KEY FINANCIAL RATIOS OF VEDANT FASHIONS (in Rs. Cr.)		MAR 23	MAR 22
PER SHARE RATIOS			
Basic EPS (Rs.)		17.68	12.90
Diluted EPS (Rs.)		17.68	12.90
Cash EPS (Rs.)		21.95	16.86
Book Value [ExclRevalReserve]/Share (Rs.)		57.66	44.61
Book Value [InclRevalReserve]/Share (Rs.)		57.66	44.61
Revenue from Operations/Share (Rs.)		55.81	42.89
PBDIT/Share (Rs.)		29.29	22.49
PBIT/Share (Rs.)		25.01	18.60
PBT/Share (Rs.)		23.72	17.43
Net Profit/Share (Rs.)		17.67	12.98
NP After MI And SOA / Share (Rs.)		17.67	12.98
PROFITABILITY RATIOS			
PBDIT Margin (%)		52.48	52.43
PBIT Margin (%)		44.82	43.37
PBT Margin (%)		42.49	40.64
Net Profit Margin (%)		31.67	30.25
NP After MI And SOA Margin (%)		31.67	30.25
Return on Networth/Equity (%)		30.65	29.08
Return on Capital Employed (%)		34.32	31.64
Return on Assets (%)		19.81	17.79
Total Debt/Equity (X)		0.00	0.08
Asset Turnover Ratio (%)		0.69	0.60
LIQUIDITY RATIOS			
Current Ratio (X)		3.37	3.01
Quick Ratio (X)		2.93	2.60
Inventory Turnover Ratio (X)		0.91	1.09
Dividend Payout Ratio (NP) (%)		0.00	0.00
Dividend Payout Ratio (CP) (%)		0.00	0.00
Earnings Retention Ratio (%)		0.00	0.00
Cash Earnings Retention Ratio (%)		0.00	0.00
COVERAGE RATIOS			
Interest Coverage Ratios (%)		22.60	19.20
Interest Coverage Ratios (Post Tax) (%)		22.60	19.20
VALUATION RATIOS			
Enterprise Value (Cr.)		27,641.42	23,517.60
EV/Net Operating Revenue (X)		20.40	22.59
EV/EBITDA (X)		38.87	43.09
MarketCap/Net Operating Revenue (X)		20.41	22.51
Retention Ratios (%)		0.00	0.00
Price/BV (X)		19.75	21.64
Price/Net Operating Revenue		20.41	22.51
Earnings Yield		0.02	0.01

Shareholding Pattern as on Mar'23



Summary

- ❖ On quarterly basis, the Company delivered robust performance in Q4 of FY'23, with Net Sales up by 15.31% i.e. Rs.341.63 crs in Mar'23 as compared to Rs.296.25 crs in Mar'22. However, the Net Profits increased by 22.73% i.e. Rs.108.87 crs in Mar'23 versus Rs.88.70 crs in Mar'22. In addition to this, the Statement of Changes in Equity witnessed a slight increase in the Equity Capital i.e. Rs.24.28 crs in Mar'23 juxtapose to Rs.24.27 crs in Mar'22.
- ❖ As per healthy financials and sound fundamentals, the Company is available at a good price of Rs.1269.10 with its 52 week low at Rs.1058.05 and its 52 week high at Rs.1501.55.
- ❖ Viewing healthy valuations as well as the Promoters holding majority stake around 84.88%, indicates that the Management is growth oriented.
- ❖ The Shareholding Pattern as on Mar'23, shows the FIIs and the Other DIIs cumulatively stood with 3.83% stake. Whereas, the Mutual Fund Houses own 8.90% holdings in the Company.
 - ❖ It is reassuring to see that Vedant Fashions Ltd. is held by SBI MF, KOTAK MF, MOSL MF, AXIS MF, PGIM MF, EDELWEISS MF, ICICI PRU MF, CANARA ROBECO MF, UTI MF, SUNDARAM MF, ABSL MF, TATA MF, BANDHAN MF, MAHINDRA MANULIFE MF, MIRAE MF, WOC MF and a few more.
- ❖ On consolidated basis, the Company registered Return on Equity (ROE) and Return on Capital Employed (ROCE) around 30.65% & 34.32% respectively as on Mar'23.
- ❖ Vedant Fashions Ltd. has declared an equity dividend of 900.00% i.e. Rs.9.00 per equity share.

Disclosure

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Introduction:

I, Amiteshwar Singh, am the proprietor of M/S Amiteshwar.in. I am a Research Analyst registered with SEBI having registration no. INH100010013. I provide services through my website www.researchlyne.com which is primarily focused on research of Multi-Cap stocks of India.

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1. My spouse, Mrs. Prabhjash Kaur
2. My daughter, Ms. Palvit Kaur

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