

Vedant Fashions



Connecting to the roots with style!

Aliasgar Shakir - Research Analyst (Aliasgar.Shakir@MotilalOswal.com)

Research Analyst: Harsh Gokalgandhi (Harsh.Gokalgandhi@MotilalOswal.com) / **Tanmay Gupta** (Tanmay.Gupta@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

01

Page # 3
Summary

02

Page # 10
A strong player decoding
fashion with ethnicity

03

Page # 21
Opportunities galore! –
Tradition for today &
tomorrow!

04

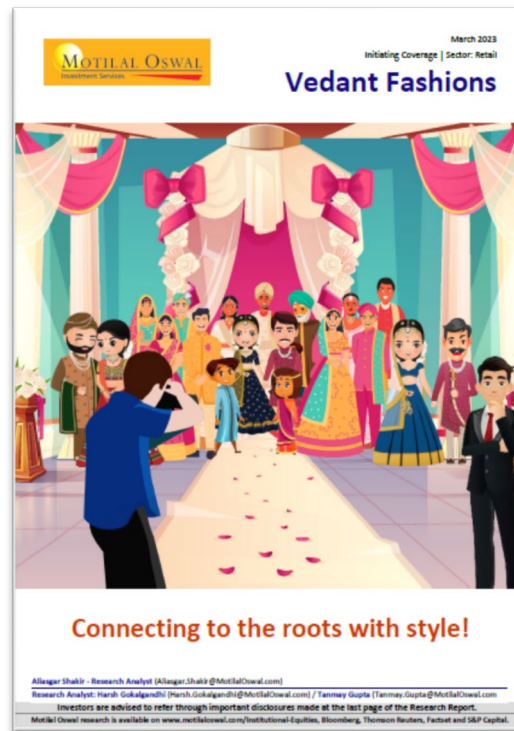
Page # 29
Adding new growth engines –
*Mohey, Twamev and
Manthan*

05

Page # 33
Strong brand + disciplined
approach = healthy earnings

06

Page # 38
Warrants rich valuation!
Initiate coverage with a BUY



Vedant Fashions

Connecting to the roots with style!

Vedant Fashions (VFL), with a Pan India presence covering 250 cities and 640 stores, has established itself as a strong brand within the under-penetrated ethnic-wear segment (~20% of the total market was branded as of FY20). Limited competition, growing cultural pull and strong brand recall present a huge runway of growth for VFL.

06

Page # 40
Key risks

07

Page # 41
ESG, CSR & Diversity

08

Page # 42
SWOT analysis

09

Page # 43
Bulls and Bear

10

Page # 44
Company overview

11

Page # 45
Management overview

12

Page # 46-47
Financials and valuations

Vedant Fashions

BSE SENSEX

57,960

S&P CNX

17,081



VEDANT FASHIONS
- LIMITED -

Stock Info

Bloomberg	MANYAVAR IN
Equity Shares (m)	243
M.Cap.(INRb)/(USDb)	268.4 / 3.3
52-Week Range (INR)	1501 / 899
1, 6, 12 Rel. Per (%)	-6/-23/19
12M Avg Val (INR M)	165
Free float (%)	15.1

Financial Snapshot (INR b)

Y/E March	FY23E	FY24E	FY25E
Sales	13.4	16.2	19.6
EBITDA	6.6	8.0	9.7
Adj. PAT	4.2	5.1	6.2
EBITDA Margin (%)	49.2	49.2	49.4
Adj. EPS (INR)	17.2	20.9	25.7
EPS Gr. (%)	32.4	21.8	23.1
BV/Sh. (INR)	55.0	67.2	82.2

Ratios

Net D:E	-0.3	-0.4	-0.5
RoE (%)	33.9	33.2	33.4
RoCE (%)	28.7	28.3	28.5
Payout (%)	40	40	40

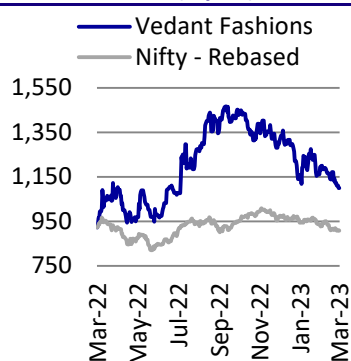
Valuations

P/E (x)	64.2	52.7	42.8
EV/EBITDA (x)	40.6	33.4	27.2
EV/Sales (X)	20.0	16.4	13.5
Div. Yield (%)	0.6	0.8	0.9
FCF Yield (%)	1.5	2.0	2.5

Shareholding pattern (%)

As On	Dec-22	Sep-22
Promoter	84.9	84.9
DII	9.7	9.7
FII	3.4	3.4
Others	2.0	2.0

Stock Performance (1-year)



CMP: INR1,106

TP: INR1,400 (+27%)

Buy

Connecting to the roots with style!

A category creator celebrating diversity with ethnic wear

- Vedant Fashions (VFL), with a pan-India presence covering 250 cities and 640 stores, has established itself as a strong brand within the highly under-penetrated and unorganized ethnic wear segment (~20% branded). Limited competition, growing cultural pull and strong brand recall present a huge runway of growth for VFL.
- The company's: a) strong design capabilities with data-driven decision making (leading to no discounted sales), b) tech-driven supply chain and auto replenishment model c) exclusive vendor ecosystem, and d) franchise-based EBO expansion have helped scale up its business and achieve superior margins.
- Scaling-up emerging brands (especially Mohey; ~10% of revenue), and catering to the sizeable women's celebration wear market (~5x the size of men's segment at INR735b as of FY20), can be the key growth levers with improving operating metrics and plans to add independent stores. Further, expanding a) Twamev through up-selling and b) Manthan to capture the value fashion segment could underpin revenue growth moving ahead.
- The company's minimal capex requirements, attributed to the franchise-funded growth and its strong profitability, are likely to translate into a healthy cash conversion cycle and an ROIC of 58% (pre-Ind AS 116; FY23E).
- We expect the company to report a revenue/PAT CAGR of 21%/22% over FY23-25, driven by 15% footprint additions. We ascribe a forward P/E of 55x, at ~10% premium to our average retail coverage multiple, to arrive at our TP of INR1,400. We initiate coverage on the stock with a BUY rating.
- Key downside risks: a) prolonged recovery in discretionary spending, b) a delay in scaling up of emerging brands (Mohey, Twamev and Mathan), c) heightened competition from the entry of National retailers in ethnic wear segment and d) strong dependence on external job workers for procurement and production of end-products.

Tradition reinvented, fashion renewed quite admirably

VFL, through the brand Manyavar, has created a strong brand in the deeply underserved men's ethnic wear market. Catering across price points, the brand offerings include a complete ready-made wedding and occasion wear, solving age-old hassles of long lead time and unimpressed wedding attire trousseau. With a revenue scale of INR13.4b (FY23E) across 640 stores, it has built a pan-India presence with limited competition. VFL's strong brand recall, thanks to its curated marketing strategy with celebrity brand ambassadors and emotional theme based campaigns has created aspirational brand yet value for money with industry leading margins and return profile. We expect it to garner a revenue/PAT CAGR of 21%/22% over FY23-25, led by continued footprint additions, healthy SSSG, and improving contribution from new sub-brands.

A tricky market to penetrate: being BOLD is the key

Most of the apparel brands cater to westernized clothing, as the Indian ethnic wear market remains highly fragmented and difficult to penetrate. It is a seasonal business that creates inventory management issue; it has a highly fragmented vendor ecosystem; its demanding customers want to explore a wide product range; and it is a business with high cost of retailing. Owing to these challenges, currently, there is no large wedding and occasion wear apparel player with a pan-India presence. VFL has addressed these issues through: a) strong design capabilities with data-driven decision making and demand forecasting leading to no discounted inventory, b) tech-driven supply chain and auto replenishment model, c) strong vendor ecosystem, and d) exclusive franchise-based EBO that help build scale.

Opportunities galore! – Tradition for today and tomorrow

India's wedding and occasion apparel market (at INR1,020b in FY20) caters to (less than 10%) a fraction of the total wedding spends, highlighting the low price elasticity despite high product cost. The men's celebration wear market – Manyavar's addressable market – stood at INR133b as of FY20. However, it has registered a CAGR of 6% over the last five years. Nearly 75-80% of the market is unbranded and unorganized. Only a handful of players have been able to build a scale beyond revenue of INR1b. The deepening cultural pull and healthy pricing power have led to the growing pie. Not just the bride and the groom, but even close family members and other attendees appreciate Indian ethnic wear for multi-event wedding celebrations and also for national and regional festivals. In the recent past, despite high entry barriers, many national retailers have made inroads into the market. However, we believe this is a large playfield and players need innovative market penetration strategies to gain foothold in the space.

Mohey's scale up could be a new growth lever

While Manyavar remains VFL's crown jewel, Mohey – the women's wedding celebration wear category – is a potential game changer, being 5x the size of men's segment at INR735b (FY20). Further, there are no large non-Saree women ethnic wear players in the market. VFL has taken small steps over the last five years to ensure it does not have to retract, but with 100+ flagship Manyavar stores already selling Mohey's nucleus of women's lehengas, sarees, and gowns, it is now poised to try a few independent stores. The company targets to improve store productivity and conversions, and also reduce dead stock rate. We view this as a strong growth lever that could over time contribute meaningfully to revenue share. Twamev, the premium format, is also in its infancy stage that could aid in upgrading Manyavar and Mohey's customers with a few independent stores. Manthan, the mass market ethnic wear brand, could help create scale through online and MBO routes.

Execution par excellence: The power of ethnicity

VFL's ability to garner gold standard profitability with gross (including job work charges)/EBITDA margins of 67.4%/49.2% and ROCE (Post Ind-AS 116) of 28.7% in FY23E is attributed to three key factors: a) right store size and healthy conversions that lead to strong store productivity (revenue/sqft), b) a healthy 4-5x cost-to-MRP ratio with right inventory planning and no dead stock and c) a healthy franchisee-led EBO model with a margin that validates its brand value and allows it to offload part

of the inventory to franchisee through security deposits, and create scale by deploying limited upfront store capex.

Superior cash conversion and ROCE: The magic of fashion

VFL has created a strong engine of growth with limited capital needs, leading to superior balance sheet and cashflow. It is likely to garner INR3.6b/INR4.4b OCF (pre IND-AS 116) in FY24/25E. VFL operates through a franchisee-funded FOFO model, implying a minimal annual capex requirement of INR50m. This leads to a 1x asset turn and 41.1% EBITDA margin (pre IND-AS 116), translating into an ROIC of 65.9% (pre IND-AS 116) for FY24E. The high cash pile (including investments) of INR7.9b in FY23E and no leverage should ensure high 40% dividend payout. The inventory and receivable days remained high at 196 and 139, respectively, in FY22 due to the inherently seasonal business and high inventory needs of the company. However, adjusted for the security deposit taken from franchisees, the receivable days contracted to 85 and net working capital to 150.

Warrants rich valuation! Initiate coverage with a BUY rating on the stock

The stock is trading at P/E and EV/EBITDA of 42.8x and 27.2x on FY25E, respectively. The Indian ethnic wear business is a difficult business to replicate, given its high customer needs and complex inventory management. This gives VFL an inherent competitive advantage. It has: a) a large-scale multi-year growth opportunity, b) no intense competition, and c) strong margin and ROCE profile. Further, VFL's franchisee model ensures limited store-related investments and working capital needs. Notably, the management's disciplined growth approach, as evident from Mohey and Twamev's gradual scale-up, has ensured it does not face the risk of bloated working capital and aggressive write-downs, which can hamper its profitability and retract scale. We expect the company to report a revenue/PAT CAGR of 21%/22% over FY23-25, driven by 15% footprint additions. We ascribe a forward P/E of 55x, at ~10% premium to our average retail coverage multiple, to arrive at our TP of INR1,400. **We initiate coverage on the stock with a BUY rating.**

Exhibit 1: Peer comparison: Valuation and return profiles

Company Name	RoE (%)			RoCE (%)			PE (x)			EV/EBITDA (x)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Apparel												
Trent	12.6	16.7	19.9	8.5	9.8	10.8	144.0	93.8	65.4	43.8	32.6	25.9
ABFRL	3.2	5.4	8.5	7.2	8.2	10.3	199.0	89.3	45.5	14.9	11.9	9.5
VMART	1.5	8.4	14.9	5.2	7.4	10.5	397.5	67.4	33.8	20.7	16.0	12.4
Shoppers Stop	56.6	59.3	45.6	9.3	11.5	11.8	69.7	36.7	28.4	13.6	11.3	9.7
Vedant Fashions	33.9	33.2	33.4	28.7	28.3	28.5	64.2	52.7	42.8	40.6	33.4	27.2
Footwear												
Metro Brands	26.2	24.8	24.4	18.5	17.2	17.3	56.0	47.8	38.1	31.0	26.8	21.0
Campus Active wear	24.3	24.9	26.0	21.2	22.9	25.1	70.2	51.6	36.4	35.3	27.2	20.6
Relaxo Footwears	8.8	14.1	16.7	8.6	13.4	15.7	127.6	72.9	54.7	60.2	39.8	30.8
Bata India	15.8	18.4	19.7	12.9	14.9	16.2	57.4	41.7	32.2	22.7	18.6	15.3

Source: MOFSL, Company

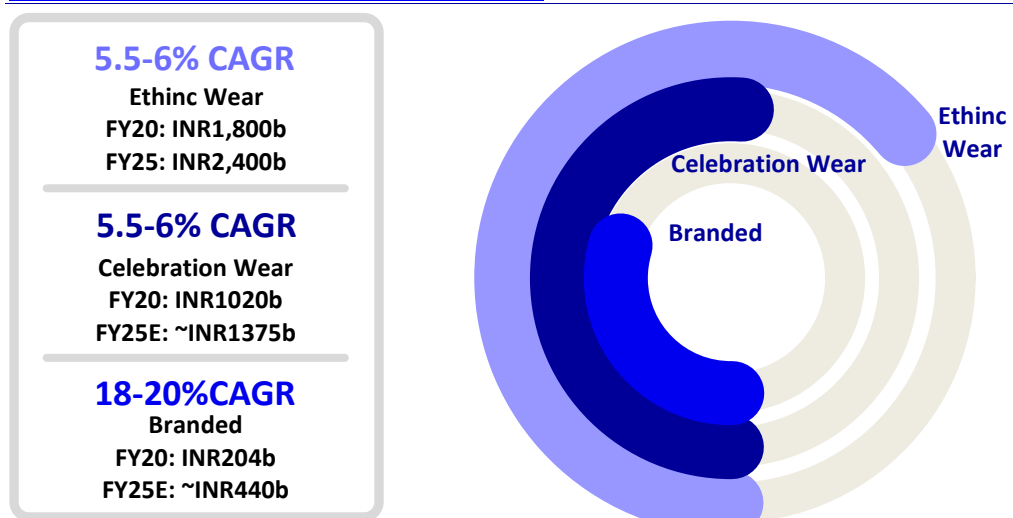
Story in charts

Industry landscape and overview

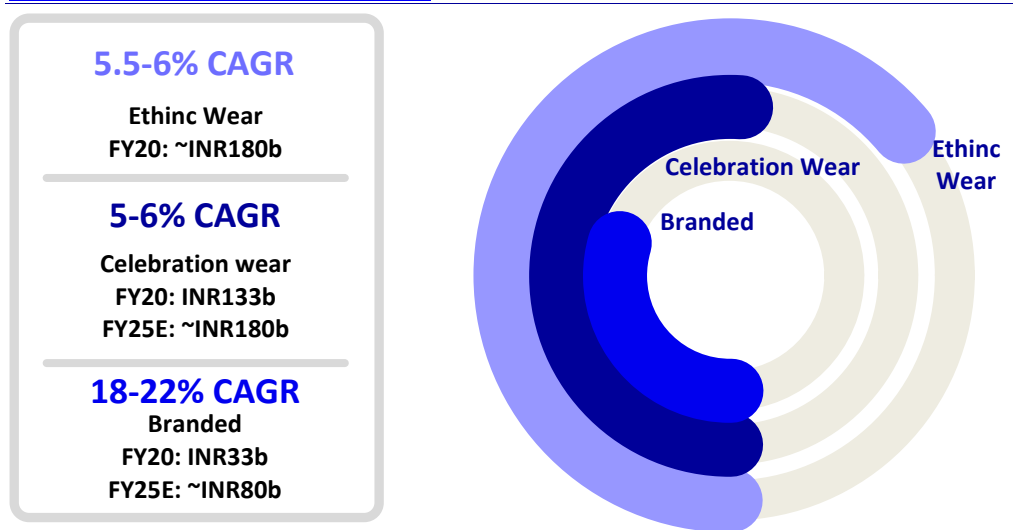
(INR b)	Total Market			Women's			Men's			Kids'		
	FY15	F20	FY25	FY15	FY20	FY25	FY15	FY20	FY25	FY15	FY20	FY25
Total Market	4,000	5,647	8,200	1,720	2,372	3,608	1,560	2,259	3,198	720	1,016	1,394
% of total Market				43	42	44	39	40	39	18	18	18
Total Ethnic wear	1,292	1,800	2,400	1,034	1,458	1,920	138	172	240	120	170	240
<i>as a % of total apparel wear</i>	32	32	29	60	61	53	9	8	8	17	17	17
<i>% of ethnic</i>				80	81	80	11	10	10	9	9	10
Indian wedding/celebration wear	753	1,020	1,375	550	735	1,004	100	133	179	103	153	193
<i>as a % of total Ethnic wear</i>	58	57	57	53	50	52	72	77	74	86	90	80
<i>as a % of total Wedding</i>				73	72	73	13	13	13	14	15	15
Branded	75	204	440	33	147	301	10	33	80	32	24	58
% of wedding and celebration	10	20	32	6	20	30	10	25	45	31	16	30
Unbranded	678	816	935	517	588	703	90	99	98	71	129	134
% of wedding and celebration	90	80	68	94	80	70	90	75	55	69	84	70

Source: MOFSL, Company

Industry-wide Indian and Ethic wear market



Men Indian and Ethic wear market

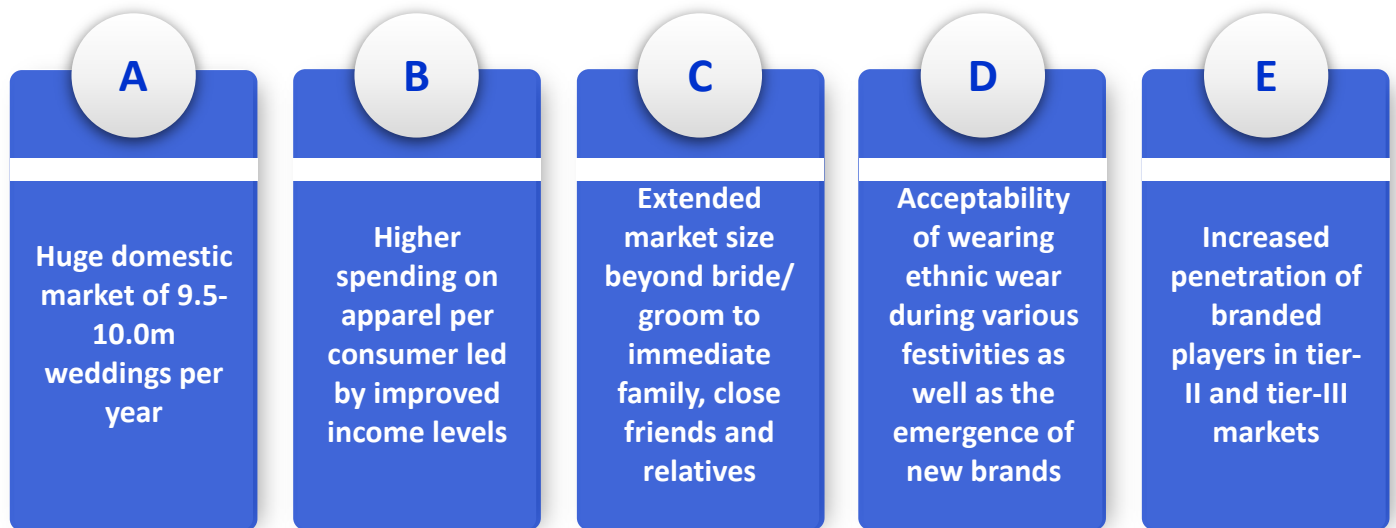


Women's Indian and Ethic wear market



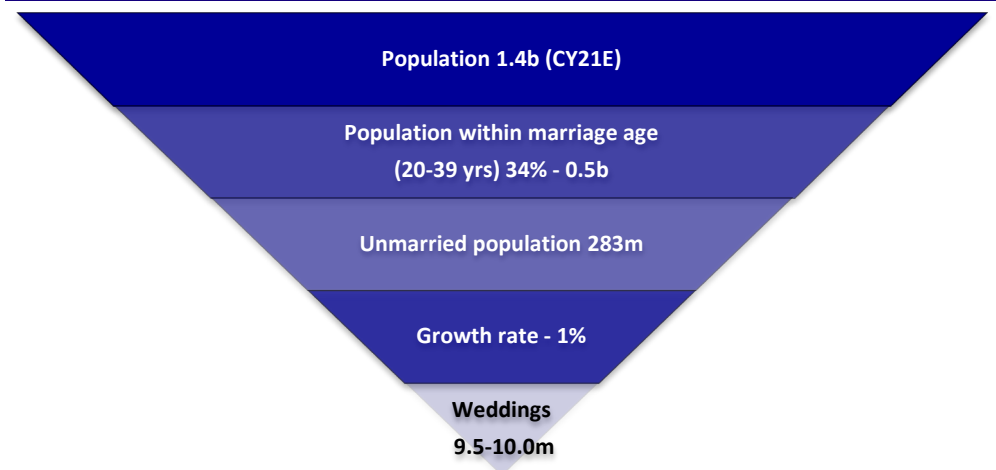
Source: MOFSL, Company

Key industry growth drivers



Source: MOFSL, Company

Strong opportunity within the Indian wedding market








Source: MOFSL, Company

Curious case of high gross margins – Comparative study

a INR	Brand	Retailer	Manyavar
b Multiple (x)	5	4	4
c Discount sales	25%	40%	0%
d Channel commission	45%	0%	25%
e Sales	1,000	1,000	1,000
f Channel discount (e*d)	450	-	250
g Revenue (e-f)	550	1,000	750
h Discount (g*c)	138	404	-
i Revenue (h-i)	413	596	750
j RM cost (e/b)	200	270	250
k Gross profit (i-j)	213	326	500
l Gross margins (k/i)	52%	55%	67%

Source: MOFSL, Company

Strong portfolio of brands across segments

KEY ATTRIBUTES	<ul style="list-style-type: none"> ❖ Category leader in branded wear ❖ No EOSS or discount sales ❖ Revenue scale INR10.4b (FY20) 	<ul style="list-style-type: none"> ❖ Up scaling consumer experience ❖ Pricing between Manyavar and luxury boutique brands 	<ul style="list-style-type: none"> ❖ Value price offerings ❖ Focusing on sizeable mid-market weddings 	<ul style="list-style-type: none"> ❖ Leveraging the Manyavar leadership ❖ Undertaking independent brand campaign to improve visibility ❖ Revenue scale INR899m (FY20) 	<ul style="list-style-type: none"> ❖ Focus on South Indian market ❖ Strong presence in AP & Telangana
DISTRIBUTION	EBO/MBO/LFS/E-com	EBO	MBO/LFS/E-com	EBO/E-Com	EBO
PRICING	Mid-Premium	Premium	Value	Mid-Premium	Mid and Premium
TARGET GROUP	Men, Boys	Men	Men	Women	Men, Women, Kids
	 1999	 2019	 2018	 2015	 2017*

*Brand started in 2002; Source: Company, MOFSL

Store economics considering no franchise

INR m	Total		
FY22	Per Store	Per sqft	% Sales
Average store size		2,230	
Capex	5	2,250	
Security Deposit	1	500	
Inventory	10	4,498	
Total	16	7,248	
Payback (in years)	1.1	1.1	
Revenue	27	12,280	
Gross Profit	21	9,405	
Gross margin (%)	77	77	
Rent	4	1,656	13%
Employee cost	1	553	5%
Other expenses	1	432	4%
Store Level EBITDA	15	6,765	
Margin (%)	55	55	

Store economics considering for franchise

INR m	Total		
FY22	Per Store	Per sqft	% Sales
Average store size		2,230	
Capex	5	2,250	
Deposit for property	1	500	
Deposit against Inventory	2	921	
Total	8	3,671	
Payback (in years)	3.7	3.7	
Asset turn		3.34	
Revenue	27	12,280	
Gross Profit	8	3,623	
Gross margin (%)	30	30	
Rent	4	1,656	13
Employee cost	1	553	5
Other expenses	1	432	4
Store Level EBITDA	2	982	
Margin (%)	8	8	
Depreciation		281	
EBIT		701	
Margins (%)		6	
ROIC (%)		19	

Store economics for company

INR m	Total		
FY22	Per Store	Per sqft	% Sales
Average store size		2,230	
Capex			
Inventory	5	2,385	
Total	5	2,385	
Payback (in years)			
Sales to customer	27	12,280	
Franchise Margin	8	3,623	
Net Revenue	19	8,657	
Raw material cost	6	2,875	
Total	14	6,498	
Gross Profit	13	5,782	
Gross margin (on customer revenue)		47%	
Gross margin (net of franchise share)	67%	67%	

Store economics considering no franchise

INR m	Total		
FY22	Per Store	Per sqft	% Sales
Average store size		2,230	
Capex	5	2,250	
Security Deposit	1	500	
Inventory	10	4,498	
Total	16	7,248	
Payback (in years)	1.1	1.1	
Revenue	27	12,280	
Gross Profit	21	9,405	
Gross margin (%)	77	77	
Rent	4	1,656	13%
Employee cost	1	553	5%
Other expenses	1	432	4%
Store Level EBITDA	15	6,765	
Margin (%)	55	55	

Store economics considering for franchise

INR m	Total		
FY22	Per Store	Per sqft	% Sales
Average store size		2,230	
Capex	5	2,250	
Deposit for property	1	500	
Deposit against Inventory	2	921	
Total	8	3,671	
Payback (in years)	3.7	3.7	
Revenue	27	12,280	
Gross Profit	5	2,272	
Gross margin (%)	19%	19%	
Rent	-	-	0%
Employee cost	1	553	5%
Other expenses	2	737	10%
Store Level EBITDA	2	982	
Margin	8%	8%	

Store economics for company

INR m	Total		
FY22	Per Store	Per sqft	% Sales
Average store size		2,230	
Capex			
Inventory	5	2,385	
Total	5	2,385	
Payback (in years)			
Sales to customer	27	12,280	
Franchise Margin	5	2,272	
Net Revenue	22	10,008	
Raw material cost	6	2,875	
Total	11	5,147	
Gross Profit	16	7,133	
Gross margin (on customer revenue)	58%	58%	
Gross margin (net of franchise share)	71%	71%	

A strong player decoding fashion with ethnicity

- VFL's strong and diverse portfolio of brands operating across price points helps cater to the wider audience within the underserved ethnic wear market.
- With its strong portfolio of brands, VFL has been successful in achieving a healthy customer revenue scale of INR19b (FY23E), with a market share of >10% within the INR133b men's celebration wear market (as of FY20).
- The company has a strong Pan-India presence with 640 stores occupying 1.39m sqft spanning across 250 cities.
- The company's asset-light, franchise-led growth plans and data-backed supply chain system will help drive footprint additions.
- This, coupled with strong vendor management, and its focus on digital transformation will help accelerate business growth.

Dominant player in the organized traditional wear market

Operating within the Indian celebration wear segment, VFL, through its Manyavar brand, has created a revenue scale of INR13.4b (FY23E) across 640 stores in a highly unorganized market.

Portfolio of brands catering to various segments across price points

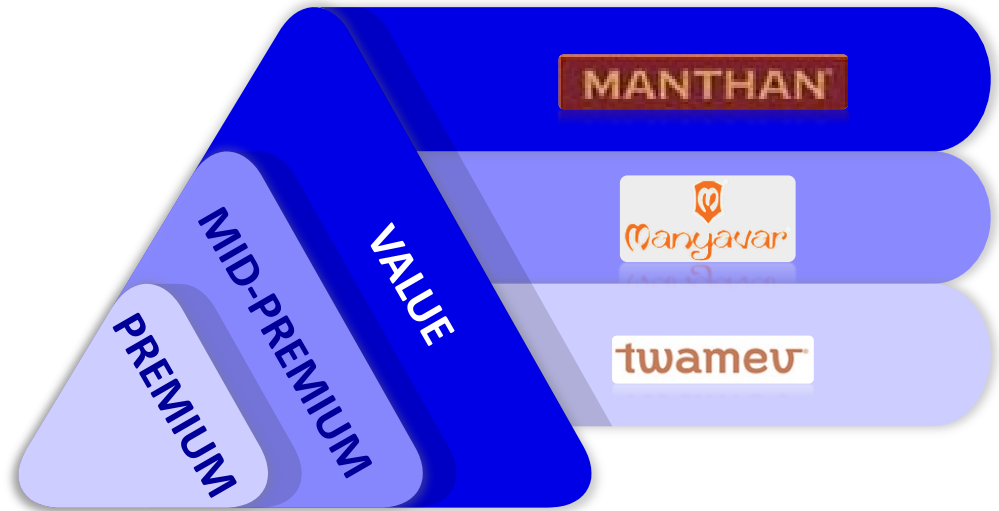
With a diversified portfolio of brands (home grown and acquired), it straddles across price points to cater to the ethnic wear needs of consumers, irrespective of the occasion and affordability.

Men's Indian wedding and celebration wear market

The company has three brands within the men's Indian wedding and celebration wear market across various price points (i.e., value, mid-premium, and premium price points):

- **Manyavar:** This is company's flagship brand, which caters to the mid-premium Indian wedding and celebration wear price range with a comprehensive product portfolio.
- **Twamev:** Launched in 2019, Twamev caters to the premium segment within the men's ethnic and celebration wear market. Through Twamev, the company aims to offer upscale consumer experience and premium products.
- **Manthan:** Manthan operates within the value segment. The company sells its products through MBOs, LFSs, and online channel, following a refreshed launch in 2018. Through this brand, the company looks to capture the sizable number of mid-market weddings and other celebrations.

Exhibit 2: Presence across price points under men’s wear portfolio



Source: Company, MOFSL

Women’s Indian wedding and celebration wear market

- Mohey: The company launched its mid-premium brand Mohey in 2015 to cater to and develop a presence within the women’s Indian wedding and celebration wear market. The brand caters to a range of attires such as lehengas, sarees and gowns, capitalizing on the leadership position of flagship brand “Manyavar”.

Regional Indian wedding and celebration wear market in South India

- Mebaz: The company acquired Mebaz in FY18 to establish its presence in the southern markets. The segment had a revenue base of INR1.4b as on FY17.

Strong portfolio of brands across segments

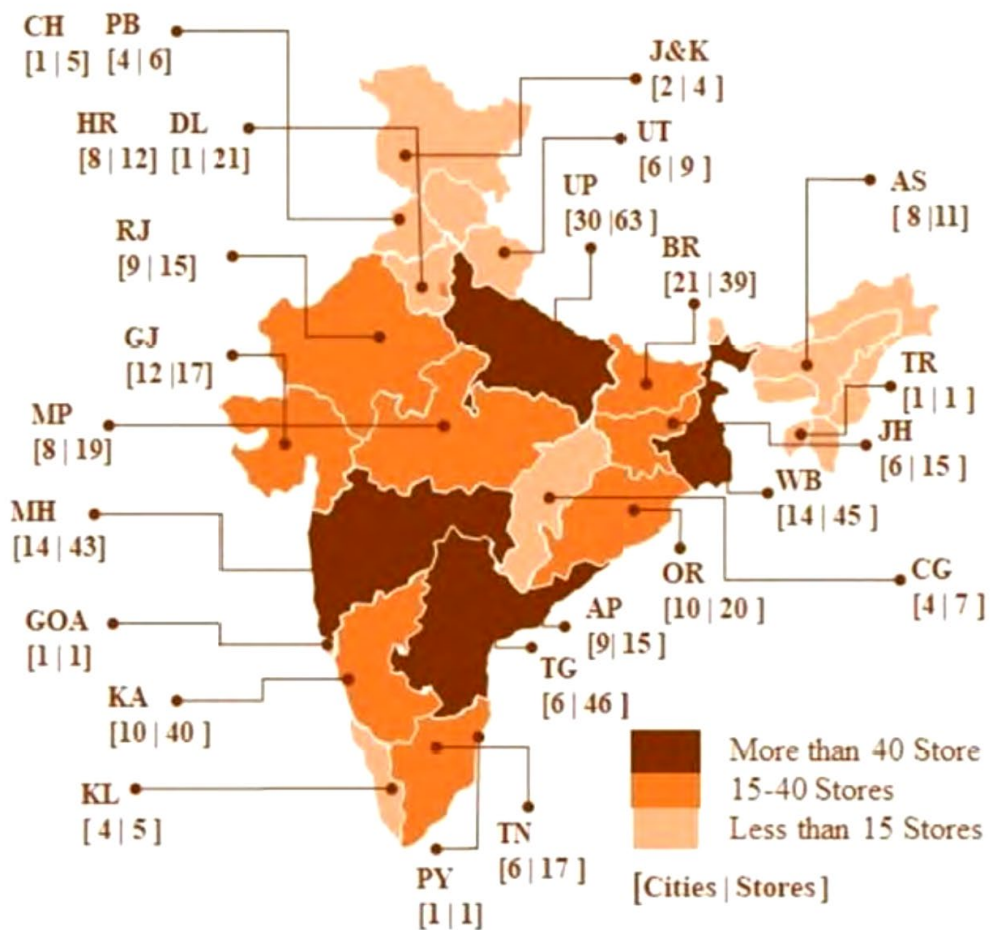
KEY ATTRIBUTES	Category leader in branded wear No EOSS or discount sales Revenue scale INR10.4b (FY20)	Up-scaling consumer experience Pricing between Manyavar and luxury boutique brands	Value price offerings Focusing on sizeable mid-market weddings	Leveraging the Manyavar leadership Undertaking independent brand campaign to improve visibility Revenue scale INR899m (FY20)	Focus on South Indian market Strong presence in AP & Telangana
DISTRIBUTION	EBO/MBO/LFS/E-com	EBO	MBO/LFS/E-com	EBO/E-Com	EBO
PRICING	Mid-Premium	Premium	Value	Mid-Premium	Mid and Premium
TARGET GROUP	Men, Boys	Men	Men	Women	Men, Women, Kids
	1999	2019	2018	2015	2017*

*Brand started in 2002; Source: Company, MOFSL

Pan-India operations

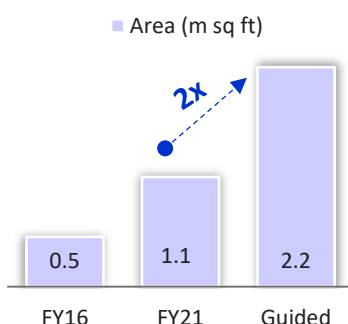
Manyavar has widespread pan-India multi-channel presence with ~90% sales of customers coming through the EBO network with asset-light franchisee model and high cash conversion ratio. This allows it to scale up without own investments. It currently operates 640 stores with 1.39m sq. ft. across 251 cities, out of which, 626 stores are in India, while the rest are overseas (including the US, Canada, and the UAE). In India, it is present across 242 cities. All the formats are operated through the franchisee-led EBO model, along with online and other channels. However, the value brand Manthan, which potentially operates at a lower margin, operates through the online and MBOs networks.

Exhibit 3: Pan-India presence (as of Sep'21)



Source: MOFSL, Company

VFL targets to double its footprint in the next few years



Healthy growth plans

VFL targets to double its overall footprint in the next few years. This should be done equally across three areas: a) new cities/towns, b) new markets in existing cities/towns, and c) deeper penetration into existing markets, owing to higher footfalls in these stores. With presence in 242 cities in India, it could comfortably expand to 100 new cities overtime. The company’s footprint has grown at 17% CAGR over FY16-22, which it plans to maintain going ahead.

Exhibit 4: Expect 10% footprint CAGR over FY18-23

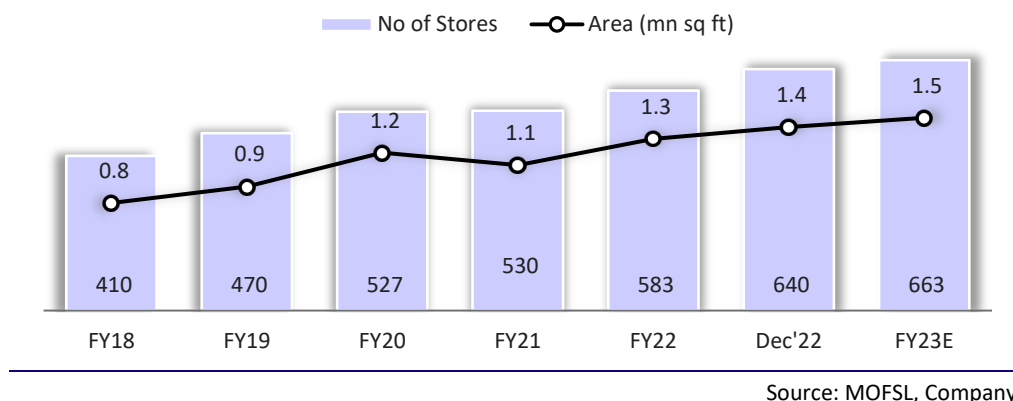
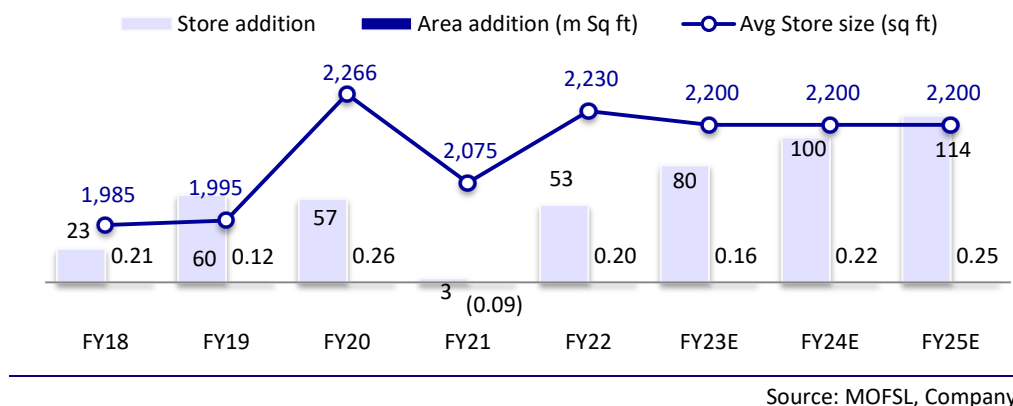


Exhibit 5: Expect 15% footprint CAGR over FY23-25



The company primarily operates under two formats:

1. COFO model having a mark-up of 18.5% with lease cost being borne by VFL
2. FOFO model having a mark-up of 29.5% with lease cost being borne by the franchisee.

Adjusting for ~12% rental, ~5% employee and ~5% other store expenses (electricity, maintenance, etc.), the franchisee generates ~8% EBITDA margin at the store level.

Asset-light approach – Franchisee model

While the average store size is 2,200 sqft, the flagship stores are spread across over 3,000 sqft. There are two types of franchisee models: a.) the COFO model (company-owned and franchisee-operated), which are nearly 60% of the total EBOs. In this model, the franchisee gets 18.5% commission (implying gross margin), but the lease cost is borne by the company. These are based on strategic locations, and therefore, the company prefers to retain store ownership. b.) The FOFO model (Franchisee-owned and Franchisee-operated), where the franchisee gets 29.5% commission (implying gross margin), and the lease cost is also borne by the franchisee. Adjusting for 12% rental, ~5% employee and 5% other store expenses (electricity, maintenance, etc.), the franchisee makes about 8% EBITDA margin at the store level. The store identification is proposed by the company but agreed/accepted by the franchisee, as operation/revenue generation is the latter’s responsibility while VFL provides support in the form of continuous training.

Automated processes aid franchisee

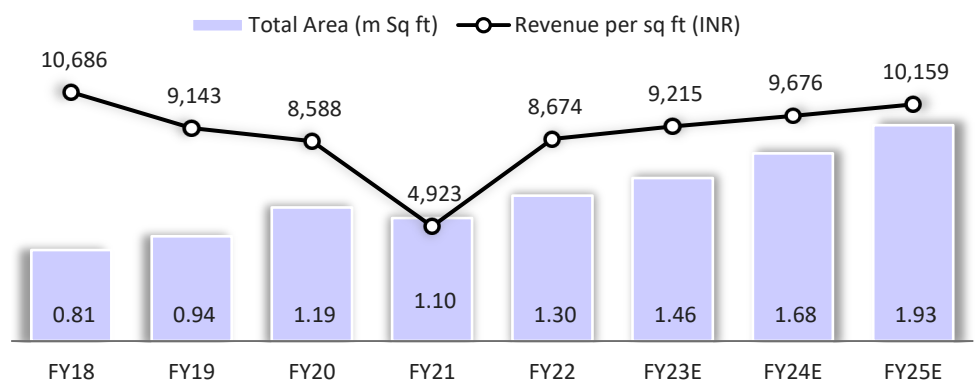
Unlike in most franchise models, where the franchisee has to decide on the inventory selection, in the case of VFL, the company takes complete control of the designing, inventory selection, and visual merchandising. Thus, the franchisee is only responsible for the store upkeep and managing the customers. The inventory filling and refilling is done automatically through the internal tech systems without any human intervention. The algorithm helps decide the store inventory/merchandising based on factors such as locality, taste, and preference in its existing stores and benchmarking with similar locations in new stores. Similarly, the auto replenishment also happens based on multiple factors of sales pattern, including age of inventory and other stores in the vicinity. Product refills for super premium stores are done thrice a week; for premium stores, it is done twice a week; and for the rest of the stores, it is done once a week. The company ensures store upkeeps through regular audits and training. VFL takes an initial security deposit from the franchisee at the time of store opening to release its inventory burden. VFL books revenue when it provides inventory to the store, but, only takes cash when the products are sold in the store.

Product refill for super premium stores is carried out thrice a week; for premium stores, it is done twice a week; and for the rest of the stores, it is done once a week.

Healthy store economics

The strength of the franchisee network is evident from the point that it has not seen a single franchisee closure yet except for a few non-performers that were closed by the company. In order to bring in the transparency and inclusivity, franchisees are given opportunities for new expansion in their familiar locality based on their scorecards. Franchise partners with over 80% plus score gets auto first right of refusal (working on the transparency, inclusivity angle). The terms for franchise partners scoring below 80% may depend on other factors. VFL aims to work towards a franchisee-driven model, which is able to self-audit and ensure right customer experience/offerings. Currently, franchisee’s store-level EBITDA margin stands at 8%.

Exhibit 6: Total area and store productivity – growth trends



Source: MOFSL, Company

CASE I: FOFO MODEL

Store economics considering no franchise

INR m	Total		
FY22	Per Store	Per sqft	% Sales
Average store size		2,230	
Capex	5	2,250	
Security Deposit	1	500	
Inventory	10	4,498	
Total	16	7,248	
Payback (in years)	1.1	1.1	
Revenue	27	12,280	
Gross Profit	21	9,405	
Gross margin (%)	77	77	
Rent	4	1,656	13%
Employee cost	1	553	5%
Other expenses	1	432	4%
Store Level EBITDA	15	6,765	
Margin (%)	55	55	

Store economics considering for franchise

INR m	Total		
FY22	Per Store	Per sqft	% Sales
Average store size		2,230	
Capex	5	2,250	
Deposit for property	1	500	
Deposit against Inventory	2	921	
Total	8	3,671	
Payback (in years)	3.7	3.7	
Asset turn		3.34	
Revenue	27	12,280	
Gross Profit	8	3,623	
Gross margin (%)	30	30	
Rent	4	1,656	13
Employee cost	1	553	5
Other expenses	1	432	4
Store Level EBITDA	2	982	
Margin (%)	8	8	
Depreciation		281	
EBIT		701	
Margins (%)		6	
ROIC (%)		19	

Store economics for company

INR m	Total		
FY22	Per Store	Per sqft	% Sales
Average store size		2,230	
Capex			
Inventory	5	2,385	
Total	5	2,385	
Payback (in years)			
Sales to customer	27	12,280	
Franchise Margin	8	3,623	
Net Revenue	19	8,657	
Raw material cost	6	2,875	
Total	14	6,498	
Gross Profit	13	5,782	
Gross margin (on customer revenue)		47%	
Gross margin (net of franchise share)	67%	67%	

CASE II: COFO MODEL

Store economics considering no franchise

INR m	Total		
FY22	Per Store	Per sqft	% Sales
Average store size		2,230	
Capex	5	2,250	
Security Deposit	1	500	
Inventory	10	4,498	
Total	16	7,248	
Payback (in years)	1.1	1.1	
Revenue	27	12,280	
Gross Profit	21	9,405	
Gross margin (%)	77	77	
Rent	4	1,656	13%
Employee cost	1	553	5%
Other expenses	1	432	4%
Store Level EBITDA	15	6,765	
Margin (%)	55	55	

Store economics considering for franchise

INR m	Total		
FY22	Per Store	Per sqft	% Sales
Average store size		2,230	
Capex	5	2,250	
Deposit for property	1	500	
Deposit against Inventory	2	921	
Total	8	3,671	
Payback (in years)	3.7	3.7	
Revenue	27	12,280	
Gross Profit	5	2,272	
Gross margin (%)	19%	19%	
Rent	-	-	0%
Employee cost	1	553	5%
Other expenses	2	737	10%
Store Level EBITDA	2	982	
Margin	8%	8%	

Store economics for company

INR m	Total		
FY22	Per Store	Per sqft	% Sales
Average store size		2,230	
Capex			
Inventory	5	2,385	
Total	5	2,385	
Payback (in years)			
Sales to customer	27	12,280	
Franchise Margin	5	2,272	
Net Revenue	22	10,008	
Raw material cost	6	2,875	
Total	11	5,147	
Gross Profit	16	7,133	
Gross margin (on customer revenue)	58%	58%	
Gross margin (net of franchise share)	71%	71%	

Novel marketing strategy has created a strong consumer connect

Manyavar’s attempt to connect with the customers at an emotional level through subtle messages that include value-based messaging themes embedded around traditional Indian society, festivals, and cultural values have helped the company develop a strong brand identity. Given the highly unorganized nature of the market, with no sizeable Indian brand, particularly in the Indian men’s celebration wear, Manyavar’s marketing initiatives are established to enhance two factors of growth.

- a.) expanding the addressable market by promoting the concept of dressing in Indian weddings and festivities and
- b.) increasing the brand awareness of its product creations.

Advertisement spends, which earlier stood at ~8% of revenue; post-COVID, has seen a reduction to ~5% of revenue aided by the use of digital media

Its campaigns such as “Diwali Wali Feeling”, “Shaadi Grand Hogi”, “Pehno Apni Pehchan”, “Apno Wali Shaadi” and “Shaadi ka Kharcha Adha Adha.” have seen very high consumer receptiveness. For such marketing campaigns, it has signed strong brand ambassadors, including leading individuals from the sports and film industries. Prior to Covid-19, the advertisement and sales promotion expenses were about 8% of the revenue each at INR667m and IN694m, respectively. But post-COVID, through the use of digital media, VFL is expected to reduce its marketing spends to 5-6% of revenue.



“Apno Wali Shaadi” campaign



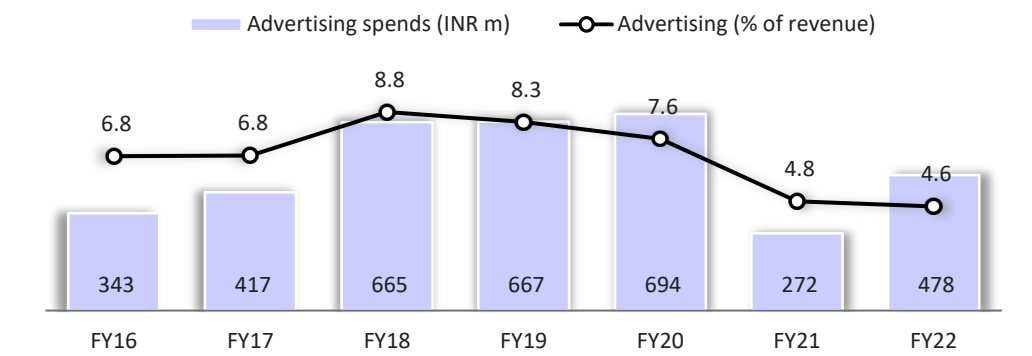
“Diwali Wali Feeling” campaign



“Taiyar hokar aaiye” campaign



“Taiyar hokar aaiye” campaign

Exhibit 7: Ad Spends as a % of revenue sees a gradual decline post-COVID

Source: MOFSL, Company

Tech adoption to drive scale efficiency

VFL's approach in new product/design selection is quite different from the market/peers. Others in the market first work on creating new designs and then take market feedback on customer reception and demand. However, VFL first studies demand forecasting through its internal tech system, and then accordingly, creates designs, and sends for production. VFL uses its supply chain network to ensure quick product availability in the stores, and then, auto replenishment. Technology and supply chain moats help the company to: a) analyze store-level sales pattern and aid franchisee to sell across the network and b) predict the market reception for new designs and overall demand in advance and accordingly source inventory.

Automated supply chain

VFL has implemented innovative technology initiatives at the front-end and back-end of the operations, including procurement, manufacturing, distribution, and supply chain operations (comprising store replenishments). This is system-driven and based on data analytics, thus aiding in accurate forecast and optimize operations. Although it outsources a large portion of the manufacturing exclusively to jobbers, it retains control by managing: a) design conceptualization and finalization, b) procurement of fabric, c) allocation of work, quality control, and testing, and d) review of allocation of job orders. VFL leverages tech platforms to improve its processes.

The Enterprise Resource Planning (ERP-Ginesys) system installed at each of the franchisee-owned EBOs helps to integrate VFL's front-end and back-end operations and ensures product resource synchronization between the franchisee-owned EBOs and warehouse.

Business analytical tools and modules for intra-store communication (in-house POS order management 'Sansar' module and 'Wooqer' application) further aid in optimizing the inventory management between the stores.

Strong supply chain to optimize inventory management



Source: MOFSL, Company

Vendor ecosystem

The fully automated vendor ecosystem is seamlessly efficient with a quick turnaround. The highly fragmented market consists of 400 vendors and a large number of artisans/job workers. The vendors work with some level of exclusivity for VFL to ensure that the designs and product uniqueness is maintained. With an efficient tech platform, the systems and processes can be leveraged to create scale.

Unlike most players, who source products seasonally according to market demand, VFL procures a steady rate of inventory from these vendors/jobbers every month, even in low-/high-demand periods. Therefore, the vendors/jobbers continue to enjoy consistent business. Further, VFL provides top dollar business to its vendors, which is significantly higher than any other player, and also makes on-time weekly payments. The company has cultivated strong, positive business relationships with vendors, and enjoy long-term relational benefits with these vendors, who have grown and benefited from VFL’s journey over the last 15-20 years. Of the total vendors associated with the company, ~50 would be the larger ones with INR50m business and the top 10-15 would be doing INR100-150m business. VFL has some level of exclusive contracts with them and makes no compromise on principles.

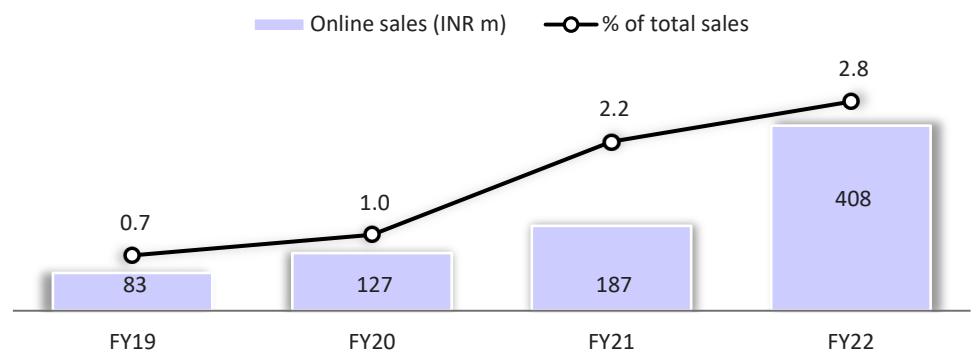
Low online penetration, but customers can walk through endless isles

VFL’s online contribution stands at ~3% of the total revenue as on FY22. Being a high ticket size product, customers are very particular of the quality, fit, and fabric, therefore, they prefer to buy the product through the physical stores. However, VFL has two key aspects of Online business that improves customer experience – omni-channel and endless isle:

a) Omni-channel: With the help of a seamless integrated platform, it can shop through both EBO store and online Manyavar.com, mobile application, and leading e-com platforms. As the pricing of the product is uniform across both online and offline channels throughout India, customers have the flexibility to opt for their preferred channel.

b) Endless Isle: It has also adopted modules for communication at EBOs, whereby, the EBOs can access the products inventory across the Manyavar stores and place orders from another store (in case of a stock-out), and as a result, can service the customers’ orders at a short notice at the EBO of their choice.

Exhibit 8: Share of online sales improving gradually

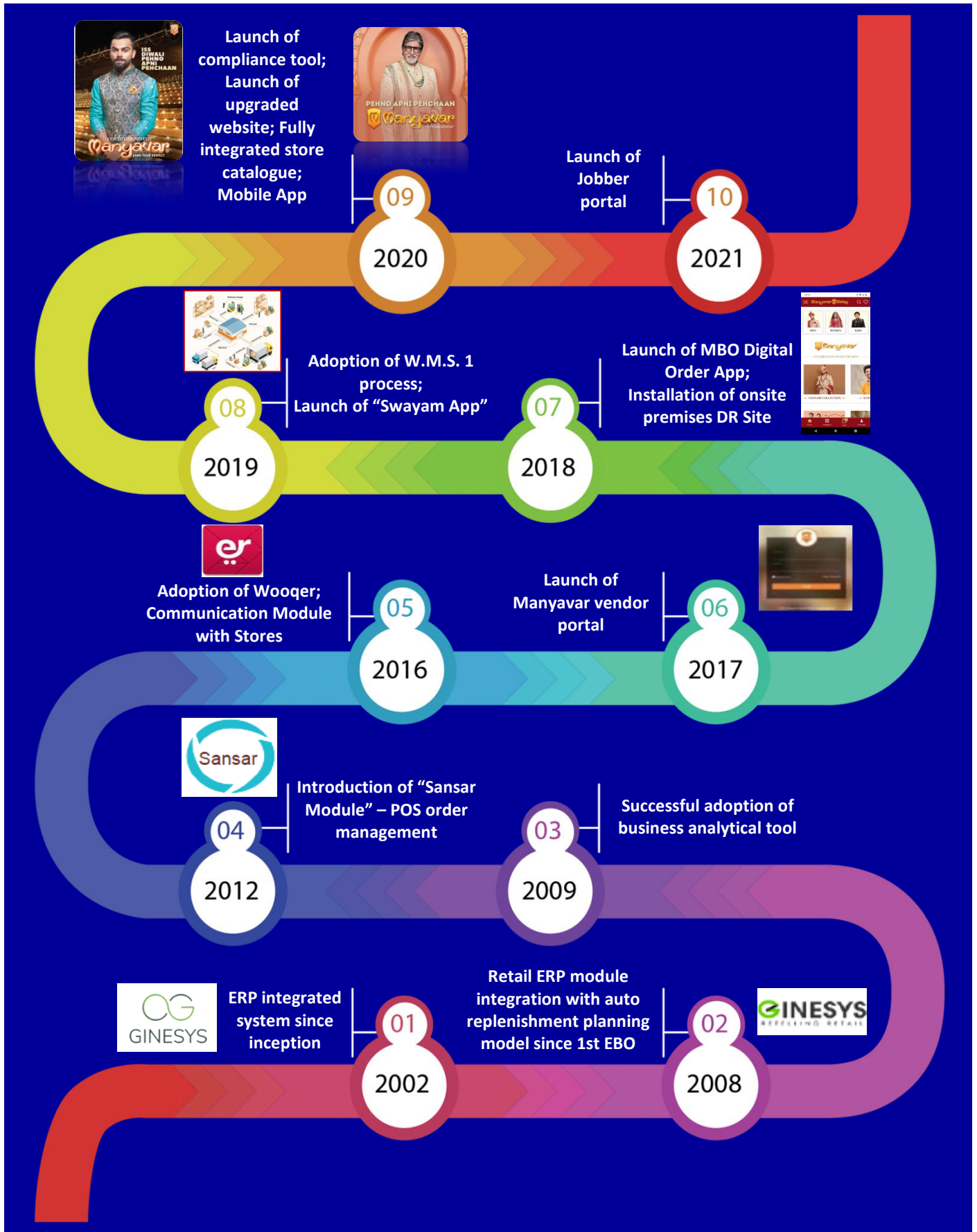


Source: MOFSL, Company

Intensifying the digital transformation journey

VFL is also working on a digital transformation program. In the first phase, it will be working with a sales force to refresh the CRM and the user interface with improved features such as book appointment and trial at store, offering complete Phygital experience, thus enhancing the e-com revenue. The second phase will refresh the operating platform with improved features related to ordering, return, exchanges, and feedback platform. The first phase, including website and UI improvement, is expected to be completed by mid-1QFY24.

Digital transformation journey



Opportunities galore! – Tradition for today & tomorrow

- The men's occasion and celebration wear market, which stood at INR133b in FY20, is likely to reach INR170-180b by FY25. Within this, the branded segment that enjoys a 20-25% share is likely to post 18-22% CAGR during FY22-25 and reach 40-45% by FY25E.
- The strong growth in branded segment will be fueled by: 1) a growing cultural pull, driving a shift toward Indian ethnic clothing in festivals and celebrations, and beyond the bride and groom. 2) VFL continued with its footprint expansion, thus, enhancing market reach.
- VFL garners a market share of over 10% in this segment and the above factors present a strong opportunity to expand its customer base.

Sizeable market, growing pie

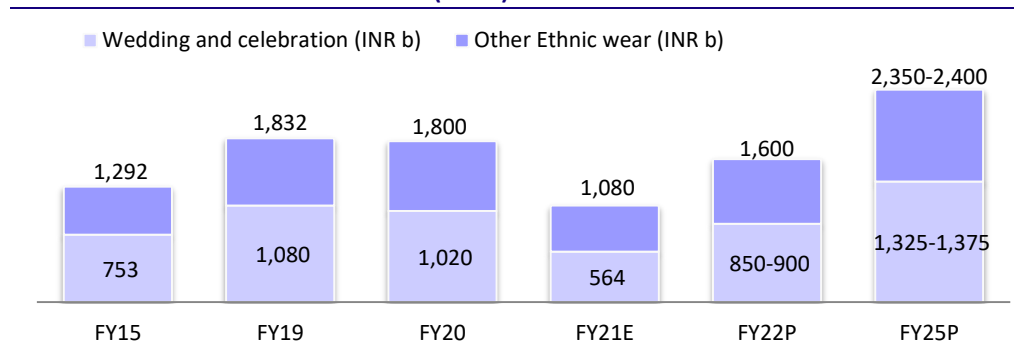
The total Indian ethnic wear market as on FY20 stands at INR1,800b, out of which the celebration and occasion wear segment accounts for INR1,020b. The men's occasion and celebration wear segment, which stood at INR133b in FY20, reported 6% CAGR in the last five years, with Manyavar garnering a market share of over 10% (INR14.7b in customer revenue) as of FY22. Nearly 25% of players are branded and organized as only a handful of players have been able to scale up to over INR1b in revenue.

Exhibit 9: Industry landscape and overview (INR b)

(INR b)	Total Market			Women's			Men's			Kids'		
	FY15	F20	FY25	FY15	FY20	FY25	FY15	FY20	FY25	FY15	FY20	FY25
Total Market	4,000	5,647	8,200	1,720	2,372	3,608	1,560	2,259	3,198	720	1,016	1,394
% of total Market				43%	42%	44%	39%	40%	39%	18%	18%	18%
Total Ethnic wear	1,292	1,800	2,400	1,034	1,458	1,920	138	172	240	120	170	240
as a % of total apparel wear	32%	32%	29%	60%	61%	53%	9%	8%	8%	17%	17%	17%
% of ethnic				80%	81%	80%	11%	10%	10%	9%	9%	10%
Indian wedding/celebration wear	753	1,020	1,375	550	735	1,004	100	133	179	103	153	193
as a % of total Ethnic wear	58%	57%	57%	53%	50%	52%	72%	77%	74%	86%	90%	80%
as a % of total Wedding				73%	72%	73%	13%	13%	13%	14%	15%	15%
Branded	75	204	440	33	147	301	10	33	80	32	24	58
% of wedding and celebration	10%	20%	32%	6%	20%	30%	10%	25%	45%	31%	16%	30%
Unbranded	678	816	935	517	588	703	90	99	98	71	129	134
% of wedding and celebration	90%	80%	68%	94%	80%	70%	90%	75%	55%	69%	84%	70%

Source: MOFSL, Company

Exhibit 10: Indian ethnic wear market (INR b)



Source: MOFSL, Company

Industry-wide Indian and Ethic wear market

5.5-6.0% CAGR

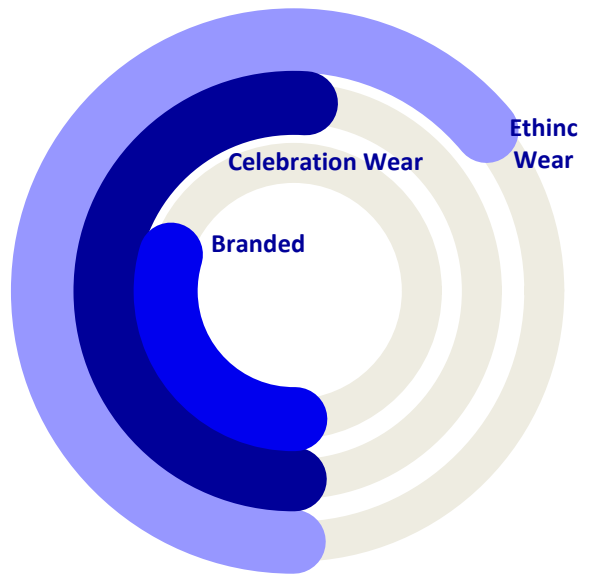
Ethinc Wear
 FY20: INR1,800b
 FY25E: ~INR2,400b

5.5-6.0% CAGR

Celebration Wear
 FY20: INR1,020b
 FY25E: ~INR1,375b

18-20% CAGR

Branded
 FY20: ~INR204b
 FY25E: ~INR440b



Men Indian and Ethic wear market

5.5-6.0% CAGR

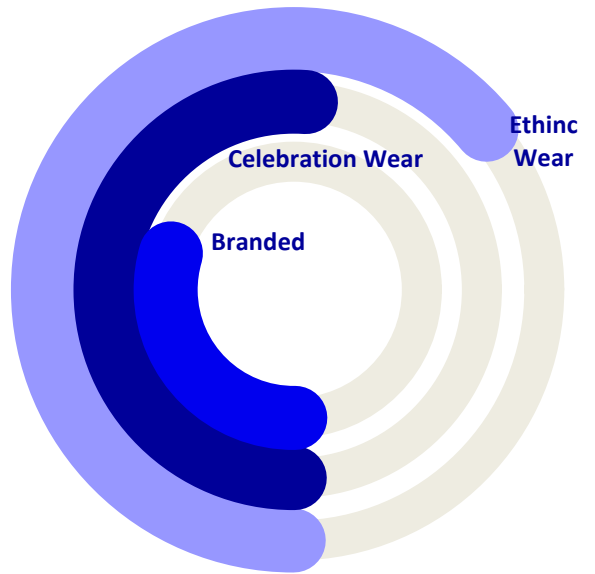
Ethinc Wear
 FY20: INR180b

5-6% CAGR

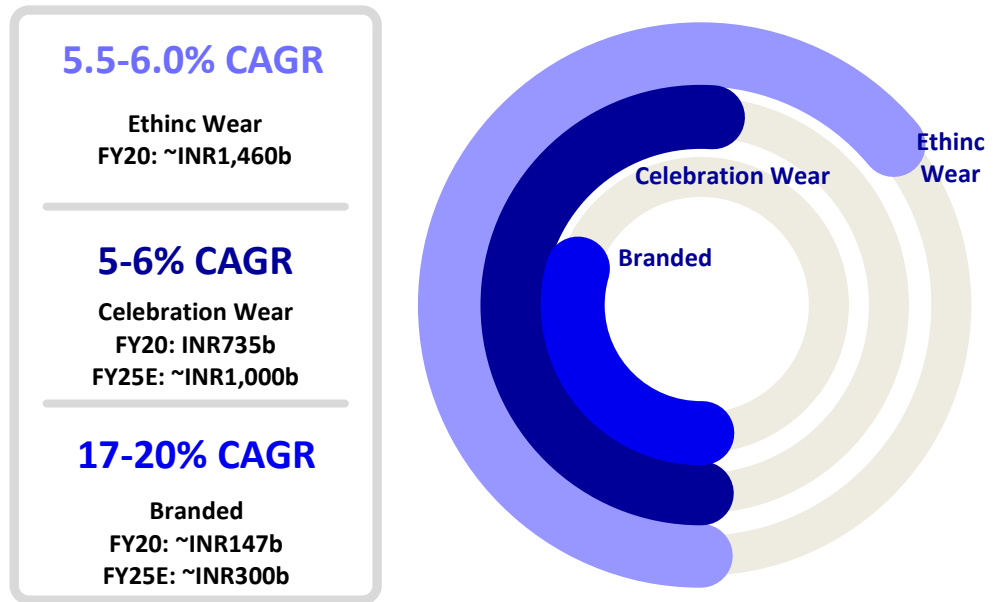
Celebration Wear
 FY20: INR133b
 FY25E: ~INR180b

18-22% CAGR

Branded
 FY20: ~INR33b
 FY25E: ~INR91b



Women’s Indian and Ethic wear market

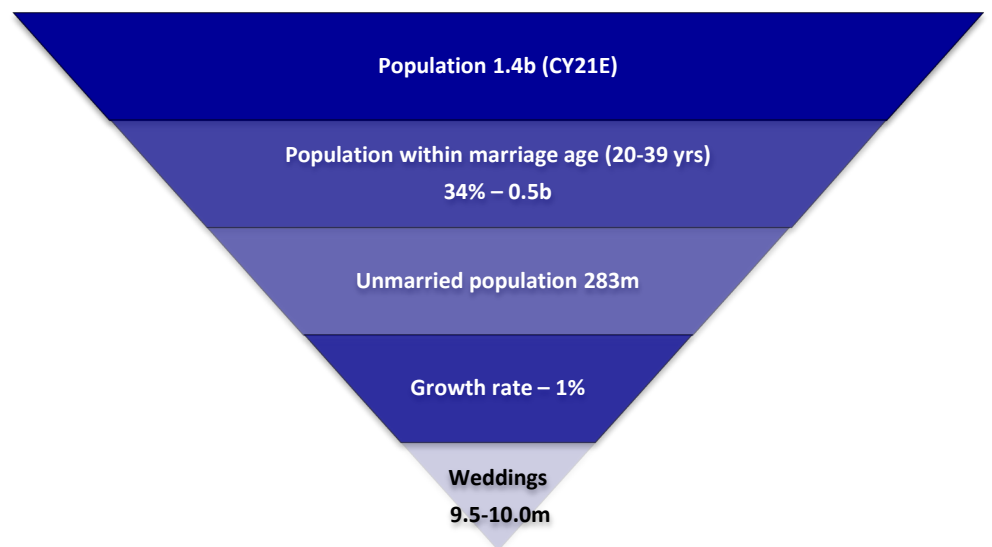


Source: MOFSL, Company

Growing cultural pull

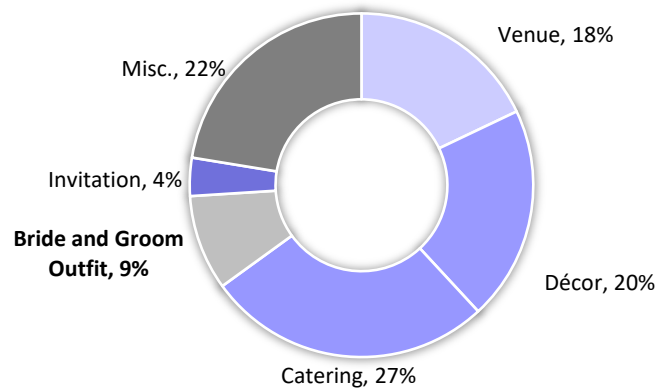
The Indian ethnic wear market has been expanding thanks to the growing cultural pull and relatively lower price sensitivity in the category. There is an increasing trend of wearing traditional Indian clothes. Vedant firmly believes in this trend and is creating a category shift in the market and products to cater to this shift toward traditional clothes. With typically 9.5-10.0m weddings per year, the market opportunity is huge. Average spending on bride/groom outfits in urban India ranges around INR50k-100k. The bride/groom outfits tend to be the most prominent expenditure in a wedding but yet a small percentage of overall wedding expenditure (less than 10% of the total spending), which highlights the low price elasticity in the category.

Exhibit 11: Strong opportunity within the Indian wedding market



Source: MOFSL, Company

Exhibit 12: Bride/groom outfits form 9% of total expenditure in a wedding

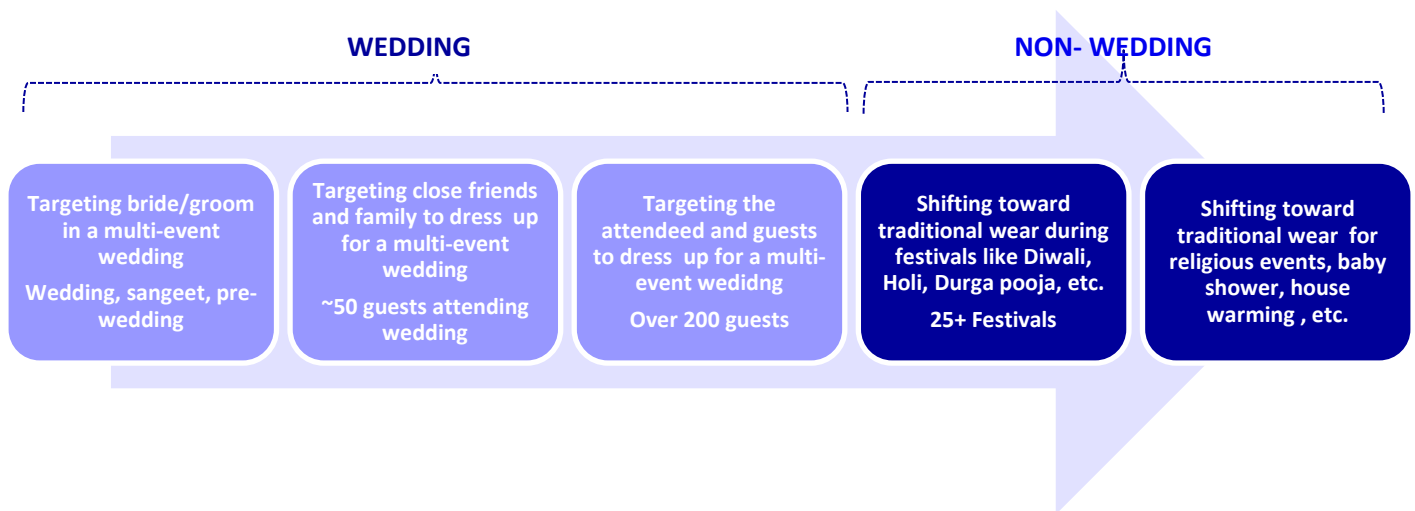


Source: MOFSL, Company

Tapping the complete nucleus

Apart from the bride and the groom, close family members and other attendees also prefer Indian ethnic wear for a multi-event wedding. Indian traditional clothes are also becoming popular in national and regional festivals. Through Manyavar, Twamev and Manthan brands, VFL offers a wide portfolio of wedding products with a price range of INR2k to ~50k, which allows it to cater to consumers across budgets and consumers other than bride/groom. Through Mohey, it caters to women consumers.

Exhibit 13: Levers of growth within the wedding and non-wedding space



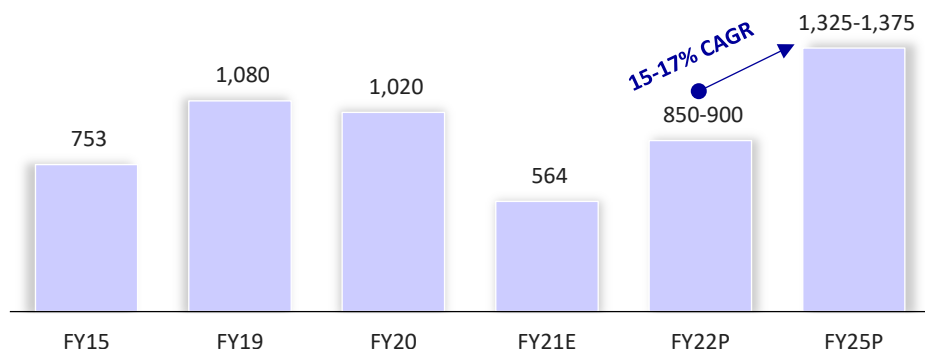
Source: MOFSL, Company

Key growth drivers in the category

As per CRISIL, the market size of the ethnic wear industry is expected to increase to INR1,325-1,375b with a 15-17% CAGR over FY22-FY25, driven by various factors:

- huge domestic market of 9.5-10m weddings per year.
- higher spending on apparel per consumer led by improved income levels
- increasing trend of multi-day weddings in India.
- extended market size beyond bride/groom to immediate family, close friends and relatives.

- acceptability of wearing ethnic wear during various festivities as well as the emergence of new brands.
- increased penetration of branded players in tier-II and tier-III markets.

Exhibit 14: Indian wedding/celebration wear segment to report 15-17% CAGR (INR b)

Source: MOFSL, Company

Exhibit 15: List of prominent festivals in India

Festivals	No of Days Celebrated	Typically celebrated in	
		Month	Qtr
Lohri	2	Jan	Q4
Makar Sankranti	2	Jan	Q4
Pongal	1	Jan	Q4
Republic Day	1	Jan	Q4
Vasant Panchami	1	Feb	Q4
Maha Shivratri	2	Feb	Q4
Holi	2	Mar	Q1
Mahavir Jayanti	1	Apr	Q1
Rama Navami	1	Apr	Q1
Easter	1	Apr	Q1
Gudi Padwa	1	Apr	Q1
Akshay Trititya	1	Apr-May	Q1
Eid-al-Fitr	02-03	Apr-May	Q1
Eid-al-Adha	3	Jul-Aug	Q2
Independence Day	1	Aug	Q2
Janmastami	1	Aug	Q2
Pateti / Parsi New Year	1	Aug	Q2
Onam	1	Aug	Q2
Raksha Bandhan	1	Aug-Sep	Q2
Ganesh Chaturthi	10-11	Aug-Sep	Q2
Navaratri	9	Oct-Nov	Q3
Durga Puja	05-06	Oct-Nov	Q3
Dussehra	1	Oct-Nov	Q3
Eid-Milad-un-Nabi	2	Oct-Nov	Q3
Diwali	04-05	Oct-Nov	Q3
Christmas	1	Dec	Q3

Source: MOFSL, Company

Flurry of new players within the space








There are hardly any brands historically that have focused on the Indian wear particularly in the celebration market. The current apparel market works on low operating margin, barring a few large players, as the industry is plagued with weak demand forecasting, limited product edge and high discounting due to dead stocks. Within the ethnic wear segment, there have been limited sizeable players, dominated by the unorganized segment. However, it is now witnessing a change in the trend with the entry of big names. Identifying strong growth potential within the space, a lot of strong apparel companies in the recent period have entered the ethnic wear segment.

Exhibit 16: Competitive mapping of key players in the Indian wedding and celebration wear market

Company Name	Category	Celebration wear Brand	Primary Focus on celebration wear
Vedant Fashions Ltd	Men, Women & Kids	Manyavar, Mohey, Manthan, Twamev Mebaz	100%
TCNS Clothing	Women	W, Aurelia, Wishful	25%
Swayamvar	Men	Swayamvar	100%
Soch Apparels	Women	Soch	25%
Ritika Pvt Ltd	Women	Ritu Kumar	75%
Neeru Ensembles Pvt Ltd	Men, Women & Kids	Neeru's	95%
Nalli Silk Sarees Pvt Ltd	Women and Men	Nalli	75%
Jahapanah Clothing Pvt Ltd	Men	Jahapanah	100%
Jadeblue Lifestyle India Ltd	Men	Jade Blue	10%
Biba Apparels Pvt Ltd	Women	Biba, Rangriti	25%

Source: MOFSL, Company

Flurry of brands across genders along with scale

WOMEN'S BRANDS 	REVENUE FY20 (INR B)	MEN'S BRANDS 
	>7	
	3 to 7	
	1 to 3	
	<1	

Source: Company

Prominent brands across price points



Source: Company

The segment is witnessing entry of various national players (e.g., Raymond and ABFRL)

Apart from VFL's Manyavar brand, Raymond and Aditya Birla Fashion (ABFRL) have also entered the segment with their own brands:

- **Ethnix by Raymond:** The company ventured into the ethnic wear space with the introduction of 'Ethnix', offering menswear for special occasions, weddings and celebrations. The brand, which is currently at a nascent stage with 27 stores as of Mar'22, is looking to scale up aggressively.
- **Ethnic wear portfolio by ABFRL:** ABFRL along with Tarun Tahlian (34% stake acquired by ABFRL), has launched Tasva in direct competition with Manyavar. It has already opened 32 stores. It also acquired Nikhil and Shantanu and Jaypore in Jul'19 with 15 stores in total and INR218m/INR267m in revenue, respectively.
- In women's wear too, ABFRL has acquired a 51% stake in Sabyasachi in the luxury category in Jan'21 for INR3.9b and launched Marigold in the premium segment.

We think the market is big enough to accommodate more players, even though it is a difficult market to penetrate. Further, the moat created by Manyavar is huge in terms of scale, vendor ecosystem and market standing in many local markets, (INR150-200m revenue in many large localities), offering a much wider SKU/variety to customers. The system-driven approach helps in right demand forecasting by eliminating human interface, thus leading to low dead stock and healthy profitability. In many localities, it has increased the store size, yet productivity and the revenue base of existing/older stores continue to grow. Localities that had hardly any stores five years back are now big revenue generating centers.

Exhibit 17: Revenue scale of competition within the space

INR m	FY18	FY19	FY20	FY21	FY22
Revenues					
Casual Wear					
Ethnicity	1,461	1,191	1,114	378	381
Biba	7,168	7,294	7,572	5,258	6,292
Soch	3,650	3,272	2,810	1,337	2,388
TCNS	8,424	11,480	10,788	6,355	8,961
Celebration Wear					
Ritu Kumar	2,014	2,410	2,853	1,753	2,500
House of Anita Dongre	4,819	5,092	5,078	2,570	NA
Vedant Fashion	7,593	8,007	9,155	5,648	10,408
Jahanpanah Clothing	164	324	355	NA	NA

Source: MOFSL, Company

Exhibit 18: Operating profits –VFL leads the pack

	FY18	FY19	FY20	FY21	FY22
EBITDA Margins (%)					
Casual Wear					
Ethnicity	4.3	6.2	4.7	-18.0	-43.4
Biba	13.7	17.8	18.0	11.9	16.9
Soch	9.5	6.1	-7.4	-19.7	-0.7
TCNS	18.9	15.4	18.0	0.4	10.0
Celebration Wear					
Ritu Kumar	6.1	3.0	3.9	-9.5	4.7
House of Anita Dongre	8.9	5.6	20.0	-7.1	NA
Vedant Fashion	30.5	41.9	43.0	43.0	47.6
Jahanpanah Clothing	1.5	1.8	5.6	NA	NA

Source: MOFSL, Company

Exhibit 19: Robust gross margins across segment

INR m	FY18	FY19	FY20	FY21	FY22
Gross Margins (%)					
Casual Wear					
Ethnicity	22	33	35	31	32
Biba	88	66	67	58	63
Soch	49	50	46	43	47
TCNS	60	66	70	57	65
Celebration Wear					
Ritu Kumar	90	84	85	78	58
House of Anita Dongre	79	77	68	61	NA
Vedant Fashion	68	72	73	74	74

Source: MOFSL, Company

Exhibit 20: Profitability within the space remains a mixed bag

	FY18	FY19	FY20	FY21	FY22
PAT Margins (%)					
Casual Wear					
Ethnicity	1.3	2.3	0.6	(22.3)	(36.3)
Biba	6.7	2.8	1.6	(2.2)	1.9
Soch	3.7	0.5	(9.9)	(23.1)	(4.8)
TCNS	12.1	11.4	14.4	(8.9)	(0.6)
Celebration Wear					
Ritu Kumar	2.1	(1.0)	(0.6)	(17.9)	(13.9)
House of Anita Dongre	2.6	0.7	(2.2)	(35.1)	NA
Vedant Fashion	19.3	22.0	25.8	23.5	30.3
Jahanpanah Clothing	0.6	0.8	0.6	NA	NA

Source: MOFSL, Company

Exhibit 21: ROE comparatives (%)

	FY18	FY19	FY20	FY21	FY22
ROE (%)					
Casual Wear					
Ethnicity	14.8	13.6	2.5	(41.4)	(37.9)
Biba	17.1	6.6	4.0	(3.9)	3.8
Soch	36.2	3.9	(86.8)	(831.2)	69.2
TCNS	29.6	25.6	24.3	(8.9)	(0.9)
Celebration Wear					
Ritu Kumar	4.3	(2.4)	(1.8)	(48.6)	(44.6)
House of Anita Dongre	4.7	1.2	(4.3)	(42.9)	NA
Vedant Fashion	28.5	22.3	24.3	12.3	29.0
Jahanpanah Clothing	36.8	18.7	NA	NA	NA

Source: MOFSL, Company

Exhibit 22: ROCE comparatives (%)

	FY18	FY19	FY20	FY21	FY22
ROCE (%)					
Casual Wear					
Ethnicity	7.8	9.2	4.1	(16.2)	(20.9)
Biba	15.1	11.1	6.9	1.7	6.1
Soch	12.9	5.2	(13.3)	(18.9)	(3.8)
TCNS	41.4	30.9	23.2	(4.1)	3.0
Celebration Wear					
Ritu Kumar	4.0	(0.1)	3.0	(14.2)	(9.0)
House of Anita Dongre	5.0	2.0	9.6	(12.8)	NA
Vedant Fashion	28.7	21.3	21.6	11.6	25.2
Jahanpanah Clothing	47.5	23.1	NA	NA	NA

Source: MOFSL, Company

Adding new growth engines – Mohey, Twamev and Manthan

Apart from growing the flagship brands, VFL is also expanding its emerging brands:

- The introduction of Mohey with a view to capitalize on the large women celebration wear market opportunity could be the next big growth lever for VFL.
- The growth in Mohey is likely to be aided by: a) Manyavar’s network of flagship stores to cross-sell Mohey’s products, b) opening of independent EBOs, and c) creating a successful nucleus of product portfolio in terms of lehenga, saree and gown.
- Notably, VFL so far went slow on Mohey’s expansion until it reached the sweet spot in throughput (sales/sqft), inventory turnover, conversions, and dead stocks to limit any pull-back risk.
- Through its premium offering ‘Twamev’, VFL plans to upscale existing Manyavar customer base to a premium offering and expand the consumer base having a preference for premium products.
- The company further looks to capture the mass segment through ‘Manthan’, its value brand offering under the menswear segment primarily through MBOs, LFSs and online platforms.
- With increased focus on kidswear, VFL looks to capture the under tapped segment by offering SKUs under the existing Manyavar brand.

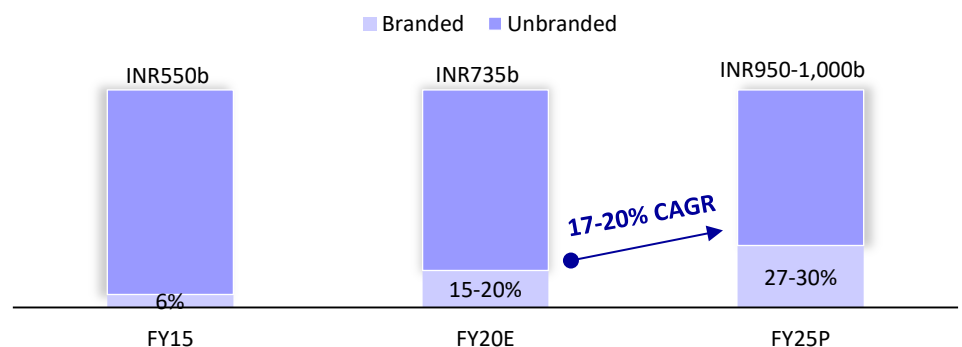
Targets to grow emerging brands as follows:

- ❖ **Mohey:** Cross-selling to Manyavar’s customers
- ❖ **Twamev:** Up-scaling the existing Manyavar customers
- ❖ **Manthan:** Capturing the mass segment under mid-market weddings and other celebrations

Mohey – the next big growth lever

With a little over INR1b in revenue currently, VFL’s Mohey brand, which caters to the women wedding and occasion wear category, presently contributes less than 10% of revenue. The brand could see the next leg of growth acceleration in the next few quarters given a large opportunity and limited competition. The overall market size for women celebration wear is INR735b – ~5x as compared to menswear. Within this, the share of organized retail increased from ~6% in FY15 to 15-20% in FY20 and is expected to reach 27-30% by FY25.

Exhibit 23: Women’s Indian wedding and celebration wear to report 17-20% CAGR in the branded segment over FY20-25



Source: MOFSL, Company

Organized women’s ethnic and celebration wear market has been dominated by saree players, which have been achieving a scale over the period.

Exhibit 24: South-based players have seen strong scale-up

INR m	FY18	FY19	FY20	FY21	FY22
Revenues					
Women Ethnic wear					
R.S. Brothers	10,852	12,879	13,599	7,961	15,520
SSKL	6,918	10,439	11,756	6,772	11,293
Pothy's	12,644	16,538	15,988	7,633	NA

Source: MOFSL, Company

Exhibit 25: Players operating at a healthy gross margins

	FY18	FY19	FY20	FY21	FY22
Gross Margins (%)					
Women Ethnic wear					
R.S. Brothers	32.0	29.3	31.0	34.9	33.0
SSKL	26.8	29.7	28.0	34.0	34.7
Pothy's	25.8	30.7	36.3	38.8	NA

Source: MOFSL, Company

Exhibit 26: Operating margins within the space

	FY18	FY19	FY20	FY21	FY22
EBITDA Margins (%)					
Women Ethnic wear					
R.S. Brothers	5.2	4.2	4.8	8.4	7.0
SSKL	7.2	7.4	8.8	9.2	12.2
Pothy's	4.1	9.6	17.0	20.5	NA

Source: MOFSL, Company

Exhibit 27: PAT margins trajectory

	FY18	FY19	FY20	FY21	FY22
PAT Margins (%)					
Women Ethnic wear					
R.S. Brothers	2.0	1.6	2.2	3.0	3.1
SSKL	2.2	2.9	3.6	0.8	5.1
Pothy's	1.5	4.5	9.1	7.7	NA

Source: MOFSL, Company

Exhibit 28: ROE trajectory

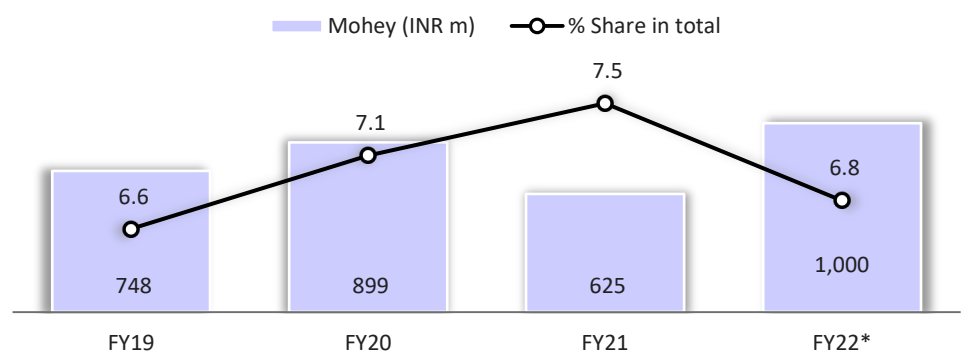
	FY18	FY19	FY20	FY21	FY22
ROE (%)					
Women Ethnic wear					
R.S. Brothers	35.6	15.4	18.6	12.7	21.4
SSKL	10.3	17.4	20.0	2.2	21.2
Pothy's	47.6	74.8	63.4	15.8	-

Source: MOFSL, Company

Exhibit 29: ROCE trajectory

	FY18	FY19	FY20	FY21	FY22
ROCE (%)					
Women Ethnic wear					
R.S. Brothers	40.0	18.3	18.6	12.4	21.8
SSKL	9.2	12.6	15.4	4.9	13.5
Pothy's	24.7	33.0	43.0	18.7	-

Source: MOFSL, Company

Exhibit 30: Share of Mohey in overall sales remains below 10%

*Estimated revenue; Source: MOFSL, Company

Focusing on creating operational excellence

Given the franchisee-led asset-light model, strong brand recognition and its ability to turnaround a large number of stores, VFL could scale up the brand of over 100 stores, but management does not want to bear the risk of store closures, which could lead to inventory write-downs. Therefore, it wants to restrict the scale-up until it has perfected the model. It plans to focus on four key operational factors: 1) productivity (revenue/sqft), which is nearing the required level of INR10,000 rev/sqft in EBOs, 2) inventory turnover, 3) dead stock, and 4) conversion rate at 65% v/s 80% for Manyavar. Each of them is reaching closer to Manyavar's benchmark.

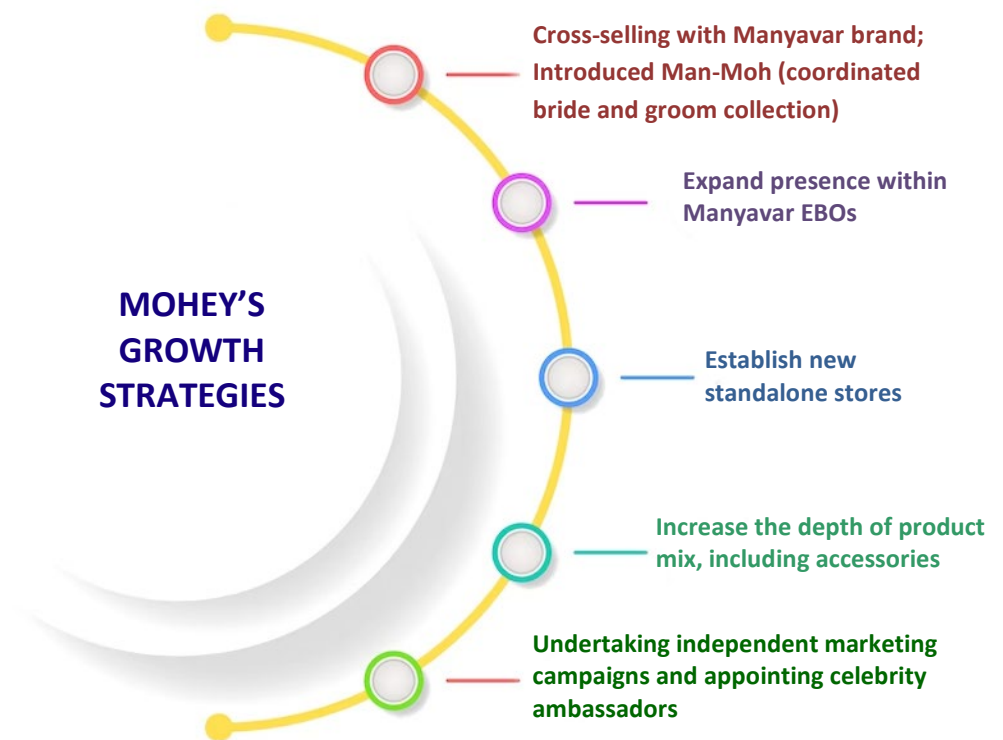
Hence, VFL should be in a position to accelerate the pace of Mohey’s store addition in the next few quarters. All four key factors will be closely tracked in EBOs and once it sees the required results, then the pace of store addition will be accelerated. The target is to achieve 10,000sqft/store in EBOs before accelerating the pace of growth.

VFL is targeting a nucleus of three product categories viz., lehenga, saree and gown. The lehenga category is doing very good and is the key contributor/growth driver. Saree is second and gowns are kept to add variety. It is improving the merchandise to optimize key metrics. Surprisingly, Mohey needs a much lower number of SKUs for sizes as lehenga/sarees need fewer sizes (only blouse are customized).

Strategies to grow the brand

Mohey could see three areas of growth: 1) adding Mohey space in all large flagship stores (3000+ sqft stores). Currently 104 flagship stores have Mohey format and it could reach to about 180-200 flagship stores; 2) in all new flagship stores, the Mohey category will be kept; and 3) planning to test a few 6-7 Mohey exclusive EBOs. Setting up independent EBOs and increased marketing spends to create and build a brand image that could aid growth. However, the company’s ability to compete with local players and its understanding of constantly updating product designing would remain key for growth in the segment.

Exhibit 31: Mohey’s growth strategies



Source: MOFSL, Company

Independent ad campaigns under Mohey



Opportunity in kidswear exists with some challenges:

The share of ethnic wear in the overall kidswear market stands at ~17% as of FY20 (INR170b). The kids' ethnic wear segment reported a CAGR of ~7% from INR120b in FY15 to INR170b in FY20. As per CRISIL Research, this segment is expected to see a 14-15% CAGR over FY22-25 to INR200-250b. While the segment presents a huge opportunity in the form of a rising proportion of the young population (30% of India's population is younger than 15 years), the segment faces various challenges, which include 1) the absence of standard sizes given the wide range of age, 2) lower preference toward mid-premium and premium products given fast changes in sizes among kids. Thus, VFL has not created a separate kidswear brand and caters to the segment through the menswear brand Manyavar.

Other formats and categories of growth

- **Twamev:** Twamev is premium brand within the men's wedding and celebration wear segment. The product pricing is between Manyavar and other luxury boutique brand. VFL is currently selling Twamev products in Manyavar's flagship stores (3,000+ sqft) and aims to upscale existing Manyavar customer base to a premium offering and expand the consumer base having a preference for premium products. Twamev will open a few EBOs in the next few months and add space in existing flagship Manyavar stores.
- **Manthan:** Manthan is a value brand offering under the menswear segment. Following a refreshed launch in 2018, Manthan products are sold primarily through MBOs, LFSs and online platforms and VFL expects to capture the mass segment under mid-market weddings and other celebrations. While the segment has a huge growth potential to cater to the mass market, along with offerings under the casual traditional wear segment. Catering to value conscious customers, it faces strong competition in MBOs and online channels, where small brands compete at low pricing, which could dilute margins.
- **Kids segment:** The major issue in the kidswear category is that unlike men's wear and women's wear categories, it requires a much higher number of SKUs due to a wider number of sizes. But unlike general presumption that kids have lower preference, it gets equal or actually higher attention in wedding/occasion wear. There is much lower competition as it is a very difficult category to manage inventory. There is an increased focus on kidswear. But VFL does not want to create a new kidswear brand. It will be offered through the existing Manyavar brand.

Strong brand + disciplined approach = healthy earnings

- VFL enjoys an industry-leading gross margin profile, mainly driven by a sharp 4-5x pricing multiple and no discounted sales, and moderate 25% channel margin, thanks to its strong inventory control.
- Its asset-light expansion strategy, coupled with a strong store productivity of INR12,000/sq. ft. and a healthy store level margins of 8%, enables it to grow without denting the balance sheet, results in strong cash flow.
- The company's debtor days appear to be elevated at 140 days due to the inherent nature of the business. However, adjusted for deposits received from franchise partners and provisioning of sales return, debtor days came down to 54 days (FY22).

VFL enjoys industry leading margins led by:

- ❖ A healthy 4-5x multiple for cost-to-MRP ratio
- ❖ No discount or dead stock
- ❖ Moderate 25% channel margin

The interesting case of superior gross margins

Apparel companies in India across multiple categories garner 55-60% margin at the peak for premium segments and 30-35% at the lower level for value segments. VFL operates in the high ticket size products but caters to the mid-premium segment with very competitive pricing. This makes it interesting to ponder what allows it to consistently garner high gross margin. We see three key reasons for the same.

- A healthy 4-5x multiple for cost to MRP
- No discount or dead stock
- Moderate 25% channel margin

Many companies operate at one of these parameters, but a disciplined approach to maintain all three factors help VFL gain high gross margin. We highlight three different scenarios:

1) Apparel brand:

- **Cost-to-MRP multiple:** Typically apparel brands would be catering to the premium segment and therefore sell at a healthy 4-5x cost-to-MRP multiple to customers.
- **Channel commission:** But being a brand, it would be having multiple sales channels, including MBOs and LFS. Typically, about 40-45% is channel commission paid between distributors and retailers, which dilute earnings.
- **Discounted sales:** Further, most brands offer the end of season sale twice a year where they sell residual inventory of 20-30% (after the end of season) at a discounted price of nearly 20-30%. While only a few strong brands are able to keep discipline to ensure low EOSS, most brands sell 70% of products at full price and 30% at discounts.
- These three factors lead to 55% gross margins.

2) Apparel retailer:

- **Cost-to-MRP multiple:** Apparel retailers that sell products exclusively in own stores offer products at a low cost-to-MRP multiple to create a pull for customers. They sell good quality products at a slightly lower price point below brands to attract customers to their EBOs.
- **Channel commission:** They operate through own EBO channels and therefore do not have to share commission/margin with any outside retailers/distributors. This helps them earn better margin despite a low cost-to-MRP multiple.

- **Discounted sales:** Retailers that are able to create a pull for customers through products led by upbeat designs and quality have low discounted sales. On the other hand, retailers that face the problem of low full-price sell-through offer a higher share of products at discounts in the EOSS. This leads to a margin range of 45-55%, where companies with low discounted sales are able to earn 55% gross margins, while retailers with a high proportion of discounted sales generate relatively lower gross margin of 45%.

3) Manyavar

- **Cost-to-MRP multiple:** It operates at a healthy yet competitive 4-5x cost-to-MRP multiple.
- **Channel Commission:** It offers low 25% channel margin (blended for COFO and FOFO model) against top brands offering 40-45% depending on their distributor-retailer share.
- **Discounted Sales:** Manyavar is highly disciplined in its price offering with zero discounts throughout the year.
- Thus these three factors help it garner healthy gross margin of ~70%.

Exhibit 32: Case study on gross margins for various players in the segment

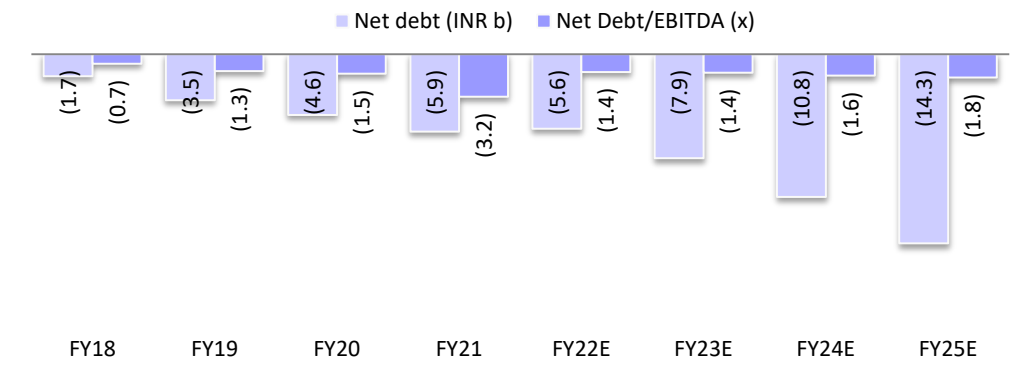
a INR	Brand	Retailer	Manyavar
b Multiple (x)	5	4	4
c Discount sales	25%	40%	0%
d Channel commission	45%	0%	25%
e Sales	1,000	1,000	1,000
f Channel discount (e*d)	450	-	250
g Revenue (e-f)	550	1,000	750
h Discount (g*c)	138	404	-
i Revenue (h-i)	413	596	750
j RM cost (e/b)	200	270	250
k Gross profit (i-j)	213	326	500
l Gross margins (k/i)	52%	55%	67%

Source: MOFSL, Company

Strong balance sheet: Franchisee model aids in limited capital needs

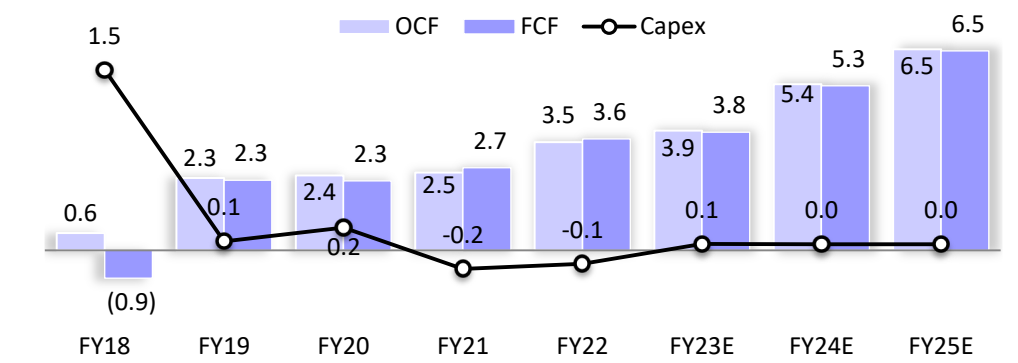
VFL operates on a franchisee model, which limits its capex requirement as store related capex is fully done by the franchisee. Subsequently it has no leverage and high cash flow. VFL is expected to report CFO and FCF of INR3.9b and INR3.8b, respectively, in FY23E and cumulative CFO of INR11.9b in FY24-25E.

Exhibit 33: Healthy leverage position



Source: MOFSL, Company

Exhibit 34: Strong FCF generation due to minimal capex (INR b)



Source: MOFSL, Company

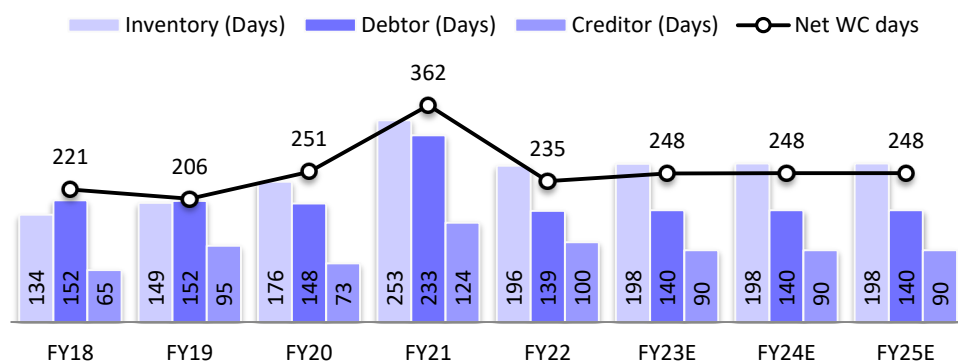
Adjusted for the security deposits from franchise and provision for refund, FY22 debtor days reduced to below 70 from 140

Franchisee model reshuffles working capital burden

The maximum capital deployment happens in working capital to the tune of INR4.7b in FY22, i.e., nearly 50% of the invested capital – excluding liquid investments and cash. It is operating in a business, which is seasonal in nature and requires high investment due to the high ticket size. With combine inventory and high receivable days at 180, VFL has benefited from its franchisee model.

- **Receivables days:** VFL accounts for revenue when it ships products to the franchisee, but it receives cash when it is sold in the store. So the receivable days were average 140 days in FY22. But it seeks security deposit from the franchisee upfront at the time of store opening, when the company ships products to the franchisee stores, and provisions nearly 8% refund of the total inventory shipped to the franchisee stores. **Adjusted for these factors, the account receivable comes down significantly to 54 days.**
- **Inventory days:** On sales, inventory is about 50 days, but it is nearly 195 days on cost. This is due to 1) nearly 120 days of inventory is due to the long four month conversion cycle from RM to finished goods, and 2) two months of inventory kept in the warehouse for auto replenishment at the store.

Exhibit 35: Net working capital days expected to see marginal increase

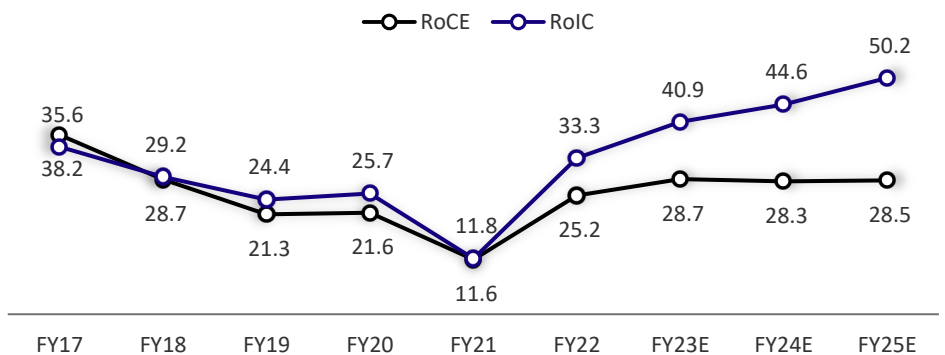


Payable days and Inventory days calculated on Cost

Source: MOFSL, Company

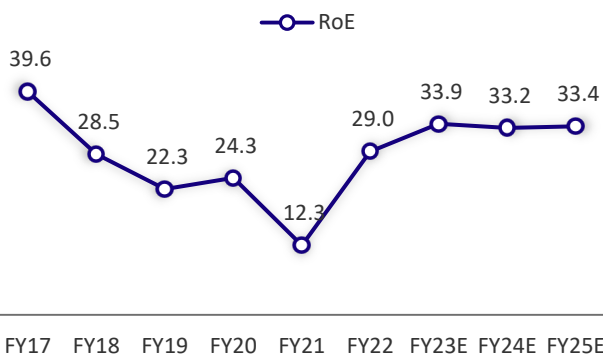
Healthy return profile: VFL garners ROCE of 28.7% and ROE of 33.9%, led by healthy 0.7x asset turns and rich 49.4% EBITDA margin (FY23E). On pre-IND-AS 116, it garners 29.6% ROCE. But one of the key dampeners is its high liquid investment and cash position of INR5.1b (1HFY23). Since the company does not need growth capital, there is limited use of the capital. It has a dividend payout of 40-45% but the existing high cash balance drags down ROCE. Adjusted for high cash, ROIC works out to be a healthy 40.9% (FY23E; Post Ind-AS 116) despite having high working capital. This is because there is limited investment requirement in the business beyond working capital.

Exhibit 36: Strong returns profile (Post Ind-AS 116)



Source: MOFSL, Company

Exhibit 37: ROE profile remains robust (Post Ind-AS 116)



Source: MOFSL, Company

Exhibit 38: Du-Pont analysis

Du Pont analysis	FY17	FY18	FY19	FY20	FY21	FY22
Net profit margin (%)	18.2	19.3	22.0	25.8	23.5	30.3
Assets turnover (x)	1.4	1.1	0.7	0.6	0.4	0.7
Financial leverage (x)	1.52	1.38	1.42	1.49	1.49	1.41
RoE (%)	39.6	28.5	22.3	24.3	12.3	29.0

Source: MOFSL, Company

Exhibit 39: ROCE decomposition analysis (Post Ind-AS 116)

ROCE de-composition	FY17	FY18	FY19	FY20	FY21	FY22
Net operating margin (%)	18.5	19.8	23.6	28.0	26.9	32.3
Assets turnover (x)	2.1	1.4	0.9	0.8	0.4	0.8
RoCE (%)	38.2	28.7	21.3	21.6	11.6	25.2

Source: MOFSL, Company

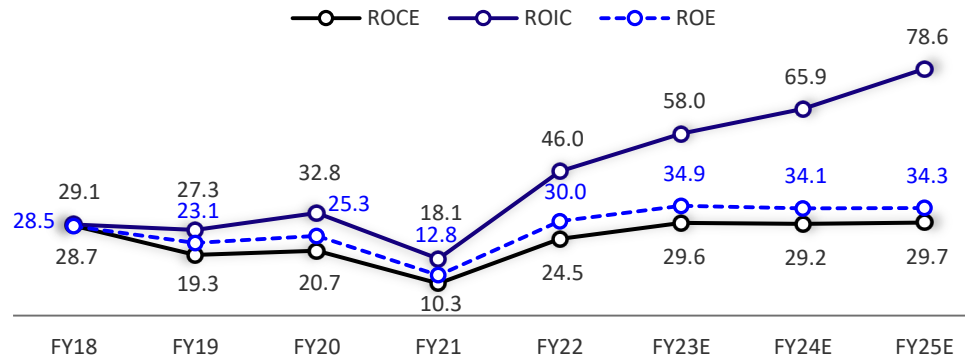
Exhibit 40: ROIC decomposition analysis (Post Ind-AS 116)

ROIC de-composition	FY17	FY18	FY19	FY20	FY21	FY22
EBIT margin (%)	18.2	19.0	22.1	25.3	19.1	28.7
Assets turnover (x)*	2.0	1.5	1.1	1.0	0.6	1.2
RoIC (%)	35.6	29.2	24.4	25.7	11.8	33.3

*excluding cash and investment

Source: MOFSL, Company

Exhibit 41: Strong return profile (Pre Ind-AS 116)



Source: MOFSL, Company

Warrants rich valuation! Initiate coverage with a BUY

Distinguished growth

VFL has a large scale, multiyear growth opportunity on the back of a growing market size and a large unorganized market with little competition. It is difficult to replicate a successful business in the Indian ethnic wear segment given high customer needs and complex inventory management. This gives VFL inherent competitive advantage. This also offers a huge runway for growth over the next 5-7 years with a potential to more than double the footprint and enter more than 100 new cities from currently 242 cities.

Inherently high ROCE business

VFL's strong margin and healthy ROCE validate its brand value. Its franchisee model ensures limited store-related investments and working capital needs. This helps it garner high ROIC and cash generation. Despite the inherent need for high working capital in the business, the company has leveraged its franchisee platform to offload part of the burden and yet likely to garner 40.9% ROIC in FY23 (Post Ind AS 116).

Disciplined approach

Notably, VFL management's disciplined growth approach, evident from Mohey and Twamev's gradual scale-up, has ensured that the company does not face the risk of bloated working capital or aggressive inventory write-downs. VFL's no discount and limited dead stock ensures that it does not aggressively chase growth, which could impact profitability adversely and retract scale.

Warrants premium valuation! Initiate with a BUY

With healthy profitability metrics, steady growth and a disciplined approach, the stock warrants a rich valuation. The recent trend of weak discretionary spends has a limited impact on VFL's earnings, as management indicated that VFL's customer sales should recover in 4QFY23. The stock is trading at P/E of 42.8x and EV/EBITDA of 27.2x on FY25E. We expect a revenue/PAT CAGR of 21%/22% over FY23-25, led by 15% footprint additions. We ascribe a forward P/E of 55x (at 10% premium to the average multiple in our retail coverage), to arrive at our TP of INR1,400. **We initiate coverage on the stock with a BUY rating.**

Exhibit 42: P/E-based valuation

Valuation	FY25E
EPS	26
PE multiple (x)	55
Target Price (INR)	1,400
CMP (INR)	1,106
Upside (%)	27

Source: MOFSL, Company

DCF-based valuation indicates VFL is operating at fair value

Given the strong track record of profitable growth witnessed historically, we have projected a five-year cash flow for the company. During this period, we have modeled 17% revenue CAGR over FY25-FY30 with same EBITDA margin of FY25 along with 0.3% capex requirements. Assuming terminal growth of 5% and WACC of 12%, we arrive at our TP of INR1,380, offering 25% upside.

Exhibit 43: DCF valuation

DCF Valuation	INR b
Enterprise Value	340
Net Debt	-5
Equity Value	335
No. of Shares (m)	243
Target Price (INR)	1,380
CMP (INR)	1,106
Upside (%)	25

Source: MOFSL, Company

Key risks

Key risks to our call include:

- **Prolonged recovery in discretionary spending:** The sector is currently witnessing demand slowdown in discretionary spending due to the inflationary environment. So far the wedding and celebration wear segment has not seen any severe impact. However, any delay in demand recovery could dent revenue growth.
- **Delay in scale-up of Mohey could hamper growth:** The company has been successful in scaling up its flagship brand Manyavar in the men's ethnic wear segment. However, to sustain growth, it may have to diversify in new engines of growth. The next leg of growth is expected to be driven by the scale-up of emerging brands, like Mohey, which caters to a larger market of women's wedding and celebration wear (~5x of men's wear segment). While Mohey continues to see strong potential in the women's ethnic wear segment, VFL is still working on understanding the product demand and SKUs, which could dampen store productivity and affect margins.
- **Delay in scale-up of Twamev and Manthan:** The company plans to open independent stores for its premium offering brand, Twamev, which could be margin dilutive in the near term. Any delay in scaling up its premium offering brand Twamev and value offering brand Manthan could dilute margins.
- **Intensifying competition:** The segment has witnessed a flurry of players (branded and unbranded) grow over the period. In addition to intense competition from various local and unorganized players, the strong opportunity in the segment has led to the entry of many large competitors such as Raymond (Ethnix) and ABFRL. This could lead to a hyper-competitive environment in local pockets, thereby putting pressure on pricing and market share.
- **Dependence on external job workers for procurement and production of end products:** The ecosystem is highly fragmented with a large number of job workers and vendors. Over time, it has created a strong relationship with vendors for product sourcing. However, in a hyper-competitive market, the loss of a large pool of job workers could turn detrimental to the business.

ESG, CSR & Diversity



Environmental and Sustainability initiatives

- In line with the company's objective of contributing toward environmental sustainability, all warehouses/offices/stores are equipped with energy efficient solutions (LED).
- VFL's emission/waste generation is within the permissible limits set by the Central Pollution Control Board (CPCB)/State Pollution Control Board (SPCB).
- It has 87 permanent women employees out of total 704 employees, indicating a more than 10% ratio.

Governance pointers

- The proportion of independent directors on the board is 50% (3 out of 6 directors) as of Mar'22.
- The promoter's representation on the Board is moderate, with two of the six directors (33%) being from the promoter family.
- Mr. Ravi Modi (promoter family) is a member of the audit committee. As a good practice, only independent non-conflicted members should comprise the audit committee.

CSR initiatives

- Mr. Ravi Modi is the chairperson of the CSR committee.
- During FY22, VFL undertook CSR initiatives in the following areas:
 - Environment Sustainability
 - Animal Welfare
 - Health care
 - Education
- VFL spent the entire CSR expenditure allocation of INR52m in FY22 (as per 2% of three-year average profit).

SWOT analysis

- ☑ Strong margin profile, combining the strengths of a brand and a retailer
- ☑ Data-backed decision making and strong control over supply chain leading to no discounted sales
- ☑ Asset-light expansion model leading to lower capex and improved cash flows

S

STRENGTH



- ☑ Its business is highly concentrated on Indian wedding and celebration wear and is vulnerable to variations in demand
- ☑ Reliance on 3rd party job workers for production could hamper business operations in case of any disturbances

W

WEAKNESS



- ☑ Huge domestic market of 9.5-10m weddings per year
- ☑ Widening of market size on the back of multi-day and multi-event wedding celebrations and extending the offerings beyond Bride and Groom
- ☑ Shift from tailored to ready-to-wear celebration ethnic apparel and acceptability of brands

O

OPPORTUNITY



- ☑ Demand pressure in the discretionary spending space due to inflationary pressures
- ☑ Increased competition from larger players entering the segment.

T

THREATS



Bull and Bear cases



Bull Case

- ☑ In our bull case scenario, we assume a 8% CAGR in store productivity (revenue/sq ft) over FY23-25E v/s a 5% CAGR in the base case. We assume a 25%/30% CAGR in revenue/PAT (21%/22% in base case) over FY23-25E.
- ☑ We expect revenue to be driven by improved productivity within in-store sales and the scale-up of other brands within stores.
- ☑ Assuming a target multiple of 60x in the bull case, we arrive at a TP of INR1,750 (upside of 59%) as against a base case TP of INR1,400 (upside of 27%), based on FY25E EPS.



Bear Case

- ☑ In the bear case, we assume a 2% volume CAGR over FY23-25E v/s a 5% CAGR in the base case. We assume a 17%/17% CAGR in revenue/PAT (21%/22% in base case) over FY23-25E.
- ☑ A slower revenue growth can be attributed to a slower pickup in new categories, which hurts store productivity and expansion growth.
- ☑ Assuming a target multiple of 40x in the bear case v/s 55x in the base case, we arrive at a bear case TP of INR945 (downside of 14%) v/s a base case TP of INR1,400 (upside of 27%), based on FY25E EPS.

Exhibit 44: Scenario analysis – Bull and Bear Case

Amount (INR m)	Bull				Base				Bear			
	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E
Revenue	10,408	13,449	16,704	20,881	10,408	13,449	16,240	19,610	10,408	13,387	15,634	18,259
YoY growth (%)		29%	24%	25%		29%	21%	21%		29%	17%	17%
EBITDA	4,959	6,626	8,397	10,643	4,959	6,617	7,990	9,687	4,959	6,596	7,609	8,832
YoY growth (%)		34%	27%	27%		33%	21%	21%		33%	15%	16%
Adjusted PAT	3,149	4,217	5,475	7,085	3,149	4,169	5,077	6,249	3,149	4,194	4,886	5,730
YoY growth (%)		34%	30%	29%		32%	22%	23%		33%	17%	17%
Margin (%)	30%	31%	33%	34%	30%	31%	31%	32%	30%	31%	31%	31%
Sales/Sq ft	8,674	9,215	9,952	10,818	8,674	9,215	9,676	10,159	8,674	9,172	9,355	9,543
EPS (INR)	13	17	23	29	13	17	21	26	13	17	20	24
Multiple (x)				60				55				40
TP (INR/share)				1,750				1,400				945
CMP (INR/share)				1,103				1,103				1,103
Return (%)				59%				27%				-14%

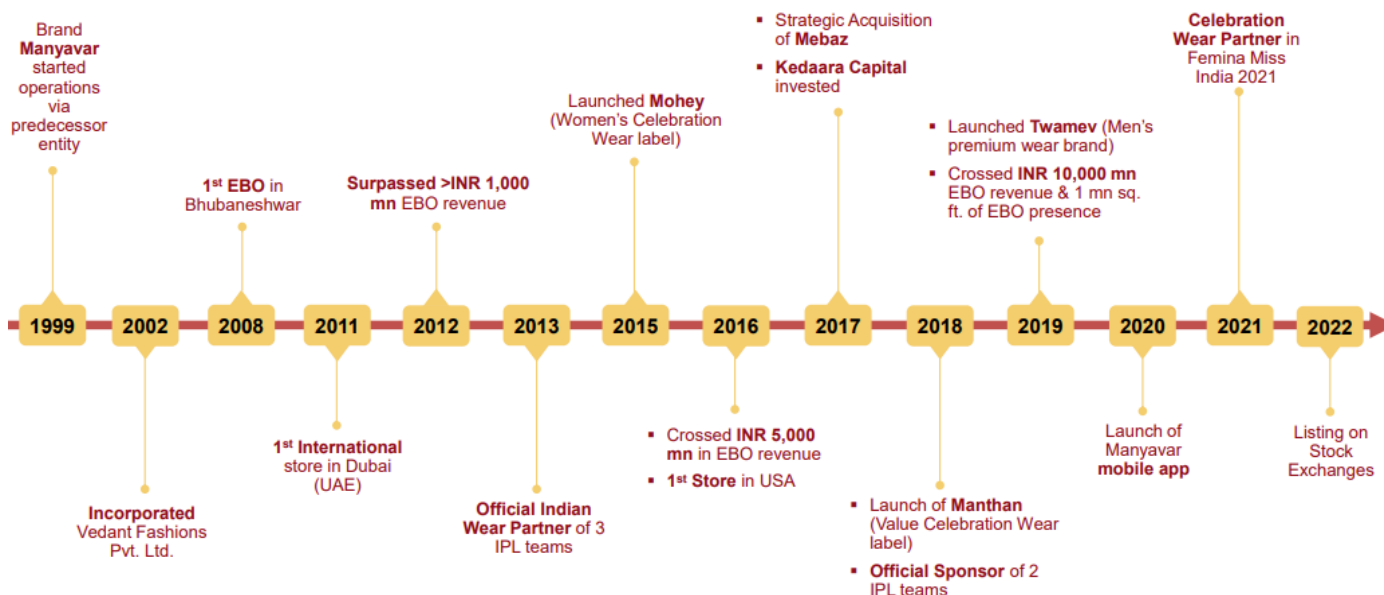
Source: MOFSL

Company overview

- Incorporated in 2002 in Kolkata, West Bengal, VFL caters to the Indian celebration wear market with a diverse portfolio of brands.
- The company focuses on enhancing its leadership position within the organized Indian wedding and celebration wear market through its various brands including its flagship brand Manyavar, Twamev and Manthan within men's wear and Mohey in the women's Indian wedding and celebration wear market.
- The company has a pan-India presence with a retail footprint of 1.4m sq. ft. covering over 240 cities and 640 stores (including international locations such as the US, Canada and the UAE). It was the largest company in India in the men's Indian wedding and celebration wear segment in terms of revenue, operating profit and profit after tax as of FY20 (source: CRISIL report).
- In Feb'22, the company came out with a public issue of INR31.5b, which was entirely an offer for sale (OFS) by promoters and investors.
- Apart from promoters, PE funds like Rhine Holdings and Kedaara AIF offered their holdings in the IPO.
- The IPO shares were allotted at the price of INR866 per share.

Exhibit 45: VFL's journey over the years

Evolution Over the Years



Source: MOFSL, Company

Management overview



Mr. Ravi Modi - Chairman and Managing Director

Mr. Ravi Modi, a promoter of the company, has over two decades of experience in the garment industry. He completed his studies in commerce from St. Xavier's College, Calcutta University. He oversees the design and marketing functions of the company. He was recognized by Forbes India in Aug'17 as one of the 13 business leaders who have built big businesses without relying on external investors – *"Bootstrapped Bosses"*.



Mrs. Shilpi Modi - Whole-time Director

She has been associated with the company since its inception and is responsible for the digital strategy and product lifecycle of the company. She has over two decades of experience in the garment industry. She studied commerce at Allahabad University.



Mr. Rahul Murarka - Chief Financial Officer

He joined the company in Dec'13. He completed his bachelor's degree in commerce from the University of Calcutta and is also a qualified chartered accountant. He has over 16 years of experience in finance, accounting, audits, taxation and regulatory compliance. Prior to joining VFL, he worked at S.R. Batliboi & Co. LLP from Jan'05 to Dec'13.



Mr. Vedant Modi - Chief Marketing Officer

He joined the company in Jun'21. He holds a bachelor's degree in science from University College London, specializing in Information Management for Business.

Financials and valuations

Consolidated - Income Statement								(INR m)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Total Income from Operations	7,593	8,007	9,155	5,648	10,408	13,449	16,240	19,610
Change (%)	24.4	5.5	14.3	-38.3	84.3	29.2	20.8	20.8
Raw Materials	2,431	2,226	2,512	1,463	2,668	3,396	4,092	4,942
Gross Profit	5,161	5,782	6,643	4,185	7,740	10,053	12,147	14,668
Margin (%)	68.0	72.2	72.6	74.1	74.4	74.8	74.8	74.8
Gross Profit (Incl Job Work)	4,596	5,204	5,981	3,770	6,958	9,065	10,954	13,227
Margin (%)	60.5	65.0	65.3	66.8	66.9	67.4	67.5	67.5
Employees Cost	490	472	533	381	575	585	682	804
Other Expenses	2,355	1,951	2,173	1,373	2,206	2,851	3,475	4,177
Total Expenditure	5,276	4,649	5,218	3,218	5,450	6,832	8,250	9,922
% of Sales	69.5	58.1	57.0	57.0	52.4	50.8	50.8	50.6
EBITDA	2,317	3,358	3,938	2,431	4,959	6,617	7,990	9,687
Margin (%)	30.5	41.9	43.0	43.0	47.6	49.2	49.2	49.4
Depreciation	97	643	887	955	944	1,030	1,309	1,507
EBIT	2,220	2,715	3,050	1,475	4,015	5,587	6,681	8,180
Int. and Finance Charges	60	196	256	258	284	334	418	507
Other Income	93	191	324	602	499	374	524	681
PBT bef. EO Exp.	2,252	2,709	3,118	1,819	4,230	5,628	6,787	8,354
EO Items	0	0	0	0	0	0	0	0
PBT after EO Exp.	2,252	2,709	3,118	1,819	4,230	5,628	6,787	8,354
Total Tax	785	945	752	490	1,081	1,459	1,710	2,105
Tax Rate (%)	34.9	34.9	24.1	26.9	25.6	25.9	25.2	25.2
Reported PAT	1,467	1,764	2,366	1,329	3,149	4,169	5,077	6,249
Adjusted PAT	1,467	1,764	2,366	1,329	3,149	4,169	5,077	6,249
Change (%)	31.8	20.2	34.1	-43.8	136.9	32.4	21.8	23.1
Margin (%)	19.3	22.0	25.8	23.5	30.3	31.0	31.3	31.9

Consolidated - Balance Sheet								(INR m)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity Share Capital	250	250	250	248	243	243	243	243
Total Reserves	6,759	8,577	10,410	10,666	10,585	13,540	16,586	20,336
Net Worth	7,009	8,828	10,660	10,914	10,827	13,783	16,829	20,579
Total Loans	127	1,837	2,427	2,104	2,787	3,365	4,119	4,976
Lease Liabilities		1,837	2,427	2,104	2,787	3,365	4,119	4,976
Deferred Tax Liabilities	12	90	81	147	168	168	168	168
Other Liabilities	850	1,046	1,160	1,201	1,335	1,335	1,335	1,335
Capital Employed	7,998	11,801	14,328	14,367	15,118	18,652	22,451	27,058
Gross Block	3,146	4,961	5,972	6,345	7,845	8,763	10,071	11,596
Less: Accum. Deprn.	141	745	1,062	1,912	2,856	3,757	5,066	6,574
Net Fixed Assets	3,006	4,216	4,909	4,432	4,989	5,006	5,005	5,023
Other Non-Current	157	921	836	820	867	867	867	867
Capital WIP	7	25	3	4	1	3	3	3
Total Investments	1,774	2,287	4,397	5,790	5,608	5,608	5,608	5,608
Curr. Assets, Loans & Adv.	4,403	5,737	5,765	5,195	6,219	10,015	14,407	19,713
Inventory	894	909	1,209	1,012	1,430	1,842	2,225	2,686
Account Receivables	3,166	3,327	3,721	3,612	3,967	5,159	6,229	7,522
Cash and Bank Balance	10	1,194	199	71	39	2,285	5,199	8,737
Loans and Advances	333	306	637	500	783	729	755	768
Curr. Liability & Prov.	1,348	1,384	1,588	1,890	2,580	2,860	3,452	4,168
Account Payables	434	581	504	499	730	837	1,009	1,218
Other Current Liabilities	912	801	1,080	1,387	1,845	2,017	2,436	2,941
Provisions	2	2	4	4	4	6	7	8
Net Current Assets	3,055	4,352	4,178	3,305	3,639	7,155	10,956	15,545
Deferred Tax assets	0	0	6	16	13	13	13	13
Appl. of Funds	7,998	11,801	14,328	14,367	15,118	18,652	22,451	27,058

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Basic (INR)								
EPS	5.9	7.0	9.4	5.4	13.0	17.2	20.9	25.7
Cash EPS	6.3	9.6	13.0	9.1	16.3	20.8	25.5	31.0
BV/Share	28.0	35.2	42.6	43.6	43.2	55.0	67.2	82.2
DPS	0.0	0.0	0.0	0.0	5.0	6.9	8.4	10.3
Payout (%)	0.0	0.0	0.0	0.0	38.5	40.0	40.0	40.0
Valuation (x)								
P/E	188.1	156.6	116.7	205.7	85.0	64.2	52.7	42.8
Cash P/E	176.4	114.7	84.9	120.9	67.5	53.1	43.3	35.6
P/BV	39.4	31.3	25.9	25.3	25.5	20.0	16.4	13.4
EV/Sales	36.4	34.6	30.4	48.8	26.0	20.0	16.4	13.5
EV/EBITDA	119.2	82.4	70.7	113.3	54.5	40.6	33.4	27.2
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.5	0.6	0.8	0.9
FCF per share	-3.6	9.1	9.0	10.8	14.9	15.8	22.0	26.7
Return Ratios (%)								
RoE	28.5	22.3	24.3	12.3	29.0	33.9	33.2	33.4
RoCE	28.7	21.3	21.6	11.6	25.2	28.7	28.3	28.5
RoIC	29.2	24.4	25.7	11.8	33.3	40.9	44.6	50.2
Working Capital Ratios								
Fixed Asset Turnover (x)	2.4	1.6	1.5	0.9	1.3	1.5	1.6	1.7
Asset Turnover (x)	0.9	0.7	0.6	0.4	0.7	0.7	0.7	0.7
Inventory (Days)	134	149	176	253	196	198	198	198
Debtor (Days)	152	152	148	233	139	140	140	140
Creditor (Days)	65	95	73	124	100	90	90	90
Leverage Ratio (x)								
Current Ratio	3.3	4.1	3.6	2.7	2.4	3.5	4.2	4.7
Interest Cover Ratio	36.9	13.8	11.9	5.7	14.1	16.7	16.0	16.1
Net Debt/Equity	-0.2	-0.2	-0.2	-0.3	-0.3	-0.3	-0.4	-0.5

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
OP/(Loss) before Tax	2,252	2,709	3,118	1,819	4,230	5,628	6,787	8,354
Depreciation	97	643	887	955	944	1,030	1,309	1,507
Interest & Finance Charges	60	196	256	258	284	334	418	507
Direct Taxes Paid	-718	-954	-750	-345	-1,090	-1,459	-1,710	-2,105
(Inc)/Dec in WC	-1,051	-67	-804	399	-450	-1,269	-887	-1,051
CF from Operations	640	2,528	2,707	3,087	3,918	4,263	5,917	7,212
Others	-79	-179	-273	-561	-408	-374	-524	-681
CF from Operating incl EO	561	2,348	2,434	2,526	3,510	3,889	5,393	6,531
(Inc)/Dec in FA	-1,465	-73	-184	151	109	-52	-50	-50
Free Cash Flow	-904	2,276	2,250	2,677	3,619	3,837	5,343	6,481
(Pur)/Sale of Investments	-1,363	-463	-1,445	-1,424	37	0	0	0
Others	22	-1,093	672	389	418	374	524	681
CF from Investments	-2,807	-1,629	-957	-884	565	323	474	631
Issue of Shares	2,250	0	0	-1,084	47	0	0	0
Inc/(Dec) in Debt	38	-127	0	0	0	0	0	0
Interest Paid	-45	-155	-211	-207	-223	-334	-418	-507
Repayment of loan	0	0	-604	0	0	0	0	0
Others	0	-428	-595	-373	-3,928	-1,632	-2,536	-3,117
CF from Fin. Activity	2,243	-710	-1,410	-1,665	-4,105	-1,965	-2,954	-3,624
Inc/Dec of Cash	-2	10	67	-23	-30	2,246	2,914	3,538
Opening Balance	10	12	21	89	66	36	2,282	5,196
Closing Balance	7	21	89	66	36	2,282	5,196	8,734
Other Bank Balance	2	1,173	110	5	3	3	3	3
Net Closing Balance	10	1,194	199	71	39	2,285	5,199	8,737

REPORT GALLERY

RECENT INITIATING COVERAGE REPORTS

Initiating Coverage | Sector: Real Estate
Phoenix Mills



Riding the consumption wave

Prakash Sheela - Research Analyst (Prakash.Sheela@motilaloswal.com)
Sandeep Shrivastava - Research Analyst (Sandeep.Shrivastava@motilaloswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.
Motilal Oswal research is available on www.motilaloswal.com/institutional-equities, Bloomberg, Thomson Reuters, Factset and I&P Capital.

February 2022
Initiating Coverage | Sector: Auto components
Craftsman Automation



Engineering DNA crafts new opportunities

Sheesh Saxena - Research Analyst (Sheesh.Saxena@motilaloswal.com)
Research Analyst: Anshul Doshi (Anshul.Doshi@motilaloswal.com) | Anshul Sonar (Anshul.Sonar@motilaloswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.
Motilal Oswal research is available on www.motilaloswal.com/institutional-equities, Bloomberg, Thomson Reuters, Factset and I&P Capital.

Initiating Coverage | Sector: NBFC
Poonawalla Fincorp



WINDS OF CHANGE, GIVING WINGS TO FLY!

Aditya Thorwad - Research Analyst (Aditya.Thorwad@motilaloswal.com)
Research Analyst: Nitin Agarwal (Nitin.Agarwal@motilaloswal.com) | Parth Bhambhani Desai (Parth.BhambhaniDesai@motilaloswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.
Motilal Oswal research is available on www.motilaloswal.com/institutional-equities, Bloomberg, Thomson Reuters, Factset and I&P Capital.

October 2022
Initiating Coverage | Sector: Real Estate
Mahindra Lifespace Developers



Turning the tide with renewed vigor

Prakash Sheela - Research Analyst (Prakash.Sheela@motilaloswal.com)
Sandeep Shrivastava - Research Analyst (Sandeep.Shrivastava@motilaloswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.
Motilal Oswal research is available on www.motilaloswal.com/institutional-equities, Bloomberg, Thomson Reuters, Factset and I&P Capital.

October 2022
Initiating Coverage | Sector: Financials
IDFC First Bank




A better tomorrow!

Nitin Agarwal - Research Analyst (Nitin.Agarwal@motilaloswal.com)
Research Analyst: Vignesh Kumar (Vignesh.Kumar@motilaloswal.com) | Divyanshu Agarwal (Divyanshu.Agarwal@motilaloswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.
Motilal Oswal research is available on www.motilaloswal.com/institutional-equities, Bloomberg, Thomson Reuters, Factset and I&P Capital.

12 September 2022
Initiating Coverage | Sector: NBFC
Computer Age Management Services



Prepared to succeed in conjunct opportunities

Prakash Sheela - Research Analyst (Prakash.Sheela@motilaloswal.com)
Nitin Agarwal - Research Analyst (Nitin.Agarwal@motilaloswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.
Motilal Oswal research is available on www.motilaloswal.com/institutional-equities, Bloomberg, Thomson Reuters, Factset and I&P Capital.

September 2022
Initiating Coverage | Sector: NBFC
Home First Finance



A CreditTable trailblazer - the FIRST among equals

Aditya Thorwad - Research Analyst (Aditya.Thorwad@motilaloswal.com)
Research Analyst: Nitin Agarwal (Nitin.Agarwal@motilaloswal.com) | Parth Bhambhani Desai (Parth.BhambhaniDesai@motilaloswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.
Motilal Oswal research is available on www.motilaloswal.com/institutional-equities, Bloomberg, Thomson Reuters, Factset and I&P Capital.

7 July 2022
Initiating Coverage | Sector: Insurance
ICICI Lombard

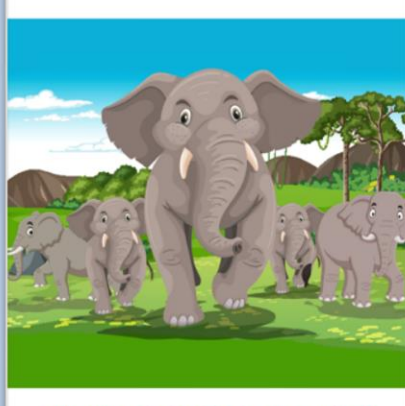


Successfully weathering the storm

Prakash Sheela - Research Analyst (Prakash.Sheela@motilaloswal.com)
Research Analyst: Nitin Agarwal (Nitin.Agarwal@motilaloswal.com) | Lijandra Kishor (Lijandra.Kishor@motilaloswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.
Motilal Oswal research is available on www.motilaloswal.com/institutional-equities, Bloomberg, Thomson Reuters, Factset and I&P Capital.

4 July 2022
Initiating Coverage | Sector: Insurance
Life Insurance Corporation



An insurance goliath crafting its own growth path

Nitin Agarwal - Research Analyst (Nitin.Agarwal@motilaloswal.com)
Sandeep Shrivastava - Research Analyst (Sandeep.Shrivastava@motilaloswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.
Motilal Oswal research is available on www.motilaloswal.com/institutional-equities, Bloomberg, Thomson Reuters, Factset and I&P Capital.

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg. No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement. The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co. Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

Specific Disclosures

- 1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance.
- received compensation/other benefits from the subject company in the past 12 months
- any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.
- Served subject company as its clients during twelve months preceding the date of distribution of the research report.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022-3980 4263; www.motilaloswal.com.

Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL: IN-DP-16-2015; NSDL: IN-DP-NSDL-152-2000; Research Analyst: INH000000412 . AMFI: ARN : 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products. Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.