




Vedant Fashions

Estimate change 
TP change 
Rating change 

Bloomberg	MANYAVAR IN
Equity Shares (m)	243
M.Cap.(INRb)/(USDb)	326.7 / 3.9
52-Week Range (INR)	1488 / 886
1, 6, 12 Rel. Per (%)	5/33/-23
12M Avg Val (INR M)	315

Financials & Valuations Consol (INR b)

Y/E March	FY24	FY25E	FY25E
Sales	13.7	14.7	17.3
EBITDA	6.6	7.3	8.7
Adj. PAT	4.1	4.5	5.5
EBITDA Margin (%)	48.1	49.3	50.2
Adj. EPS (INR)	17.1	18.4	22.8
EPS Gr. (%)	(3.5)	7.7	24.0
BV/Sh. (INR)	64.0	72.9	83.9

Ratios

Net D:E	(0.4)	(0.5)	(0.5)
RoE (%)	27.6	26.0	26.3
RoCE (%)	23.9	22.4	24.4
Payout (%)	49.8	50.0	50.0

Valuations

P/E (x)	78.8	73.2	59.0
EV/EBITDA (x)	50.3	45.3	37.5
EV/Sales (X)	24.2	22.3	18.8
Div. Yield (%)	0.6	0.7	0.8

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	75.0	75.0	75.0
DII	11.6	11.9	14.9
FII	9.5	9.0	6.7
Others	3.9	4.1	3.5

FII Includes depository receipts

CMP: INR1,345 TP: INR1,500 (+12%) Neutral

Outperformance driven by strong SSSG

- Vedant Fashions (VFL) delivered good quarter with revenue/PAT rising 23%/37% YoY (10%/21% beat) driven by strong SSS growth of 17% YoY, lower base (-12% YoY in 2QFY24), and a favorable shift in festive dates.
- Our estimates are broadly unchanged. We build in FY24-27E CAGR of 15%/17%/19% in revenue/EBITDA/PAT, mainly driven by footprint expansion and single-digit SSSG.
- Demand revival in 2HFY25 on account of the festive season and higher wedding dates remains a key trigger for re-rating. **Reiterate Neutral with a TP of INR1,500, valuing the stock at 55x Dec'26E P/E.**

Revenue/PAT decline 23%/37% YoY (10%/21% miss)

- Customer sales grew ~24% YoY to INR3.3b, driven by healthy ~17% SSSG.
- Consolidated **revenue grew 23% YoY to INR2.7b (10% beat)**, driven by: 1) a lower base (revenue -12% YoY in 2QFY24), 2) 17% SSS growth in customer sales and 7% YoY area addition, and 3) a shift in festival dates.
- VFL closed 12 stores sequentially. The closures led to a reduction in Manyavar's presence in 7 Indian and 1 international cities. The total store count stood at 650, with ~1.7m sq.ft store area.
- Gross profit increased 26% YoY to INR2b (12% beat) as margin expanded 180bp YoY to 75.4%.
- Employee costs were largely flat YoY, while other expenses grew 23% YoY (7% ahead). The growth in other expenses could be due to the launch of the new brand "Diwas by Manyavar".
- EBITDA increased 31% YoY to INR1.2b (17% beat), driven by revenue growth and GM expansion.
- EBITDA margin expanded 300bp YoY to 45.5% (280bp beat).
- Depreciation/finance costs grew 15%/28% YoY and other income increased 27% YoY during the quarter.
- Consequently, PAT grew 37% YoY to INR669m (21% beat).
- For 1HFY25, VFL's revenue/EBITDA/PAT declined 4%/3%/8% YoY. The implied revenue/EBITDA/PAT growth for 2H is 15%/18%/16% on our estimates.
- FCF outflow of INR56m in 1HFY25 (vs. +INR310m in 1HFY24). The cash outflow was due to: 1) a decline in EBITDA and b) the amount blocked in WC (inventory stocking ahead of the festive season).
- WC days increased YoY to 243 (vs. 215 days YoY).

Highlights from the management commentary

- Demand trends:** In Q2, the business returned to normalcy. Q3 saw a decent start with Diwali being couple of weeks earlier (vs. last year). Management remains upbeat on 2H growth on account of higher and spread-out wedding dates starting Nov'24.

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

- **Store expansion:** The management indicated that store expansions are likely to be higher in 2H, with some spillover anticipated into FY26. Some store openings in Q2 were postponed to the first week of Q3 (because of the Shradh period). The company usually closes 2-2.5% of its retail area every year. However, this year, the closure is expected to be higher at ~4-5%(a major clean up like this happens once in 4-5 years).
- **Diwas:** VFL has launched a festive and celebration wear brand called Diwas. It is a digital-first brand available on online marketplaces, VFL's D2C website, and the distributor network. The price point for Diwas is at INR1-2k (vs INR2-6k for Manyavar) and management does not expect any cannibalization on Manyavar sales, given the difference in channels and target consumption (festive vs. wedding).

Valuation and view

- Manyavar has successfully achieved scale within the growing men's celebration and occasion wear market, which is difficult to replicate.
- VFL has a long runway for growth with footprint expansion in Manyavar. Further, the ramp-up of Mohey (women's celebration wear) and Twamev (premium celebration wear), coupled with the company's foray into newer categories (Diwas by Manyavar, fragrances, etc.), provides additional growth triggers. However, sustained demand revival remains the key near-term trigger for a re-rating.
- Our estimates are broadly unchanged. We build in FY24-27E CAGR of 15%/17%/19% in revenue/EBITDA/PAT, mainly driven by footprint expansion and single-digit SSSG.
- Demand revival in 2HFY25 on account of the festive season and higher wedding dates remains a key trigger for any re-rating. **Reiterate Neutral with a TP of INR1,500, valuing the stock at 55x Dec'26E P/E** (vs. 65x average LT 1-year forward P/E).

Quarterly Earnings Snapshot

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			2QE	Var (%)
Revenue	3,116	2,183	4,745	3,632	2,398	2,679	5,414	4,216	13,675	14,708	2,442	9.7
YoY Change (%)	-4.1	-11.6	7.5	6.3	-23.0	22.7	14.1	16.1	0.9	7.6	11.9	
Total Expenditure	1,635	1,255	2,324	1,881	1,271	1,460	2,572	2,154	7,094	7,457	1,399	4.3
EBITDA	1,482	928	2,420	1,751	1,127	1,220	2,843	2,062	6,581	7,251	1,043	17.0
EBITDA margins (%)	47.5	42.5	51.0	48.2	47.0	45.5	52.5	48.9	48.1	49.3	42.7	
Change YoY (%)	-9.1	-19.6	7.8	4.3	-23.9	31.4	17.4	17.7	96.0	84.2	12.3	
Depreciation	299	325	344	381	372	373	384	489	1,349	1,618	390	-4.5
Interest	94	107	112	132	139	137	139	141	445	557	141	-2.5
Other Income	150	151	155	241	215	192	221	257	697	885	226	-15.0
PBT before EO expense	1,238	648	2,119	1,479	831	902	2,540	1,688	5,484	5,961	738	22.3
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
Tax	319	161	542	321	206	233	639	424	1,342	1,502	186	25.4
Rate (%)	25.7	24.8	25.6	21.7	24.8	25.8	25.2	25.1	24.5	25.2	25.2	2.6
Reported PAT	919	487	1,577	1,158	625	669	1,901	1,264	4,142	4,459	552	21.2
Adj PAT	919	487	1,577	1,158	625	669	1,901	1,264	4,142	4,459	552	21.2
YoY Change (%)	-9	-29	5	6	-32	37	21	9	-3	8	13	

E: MOFSL Estimates

Exhibit 1: Valuation based on P/E for FY26E

Valuation	FY26E
EPS	27
PE multiple (x)	55
Target Price (INR)	1,500
CMP (INR)	1,345
Upside (%)	12%

Source: MOFSL, Company

Exhibit 2: Quarterly performance (INR m)

Consol P&L (INR m)	2QFY24	1QFY25	2QFY25	YoY%	QoQ%	2QFY25E	v/s Est (%)
Total Revenue	2,183	2,398	2,679	23	12	2,442	10
Raw Material cost	575	629	659	14	5	637	3
Gross Profit	1,608	1,769	2,021	26	14	1,804	12
Gross margin (%)	73.6	73.8	75.4	177.8	165.3	73.9	151.8
Employee Costs	146	146	145	-1	-1	151	-4
Other expenses	533	496	656	23	32	610	7
EBITDA	928	1,127	1,220	31	8	1,043	17
EBITDA margin (%)	42.5	47.0	45.5	301.4	-146.5	42.7	282.8
Depreciation and amortization	325	372	373	15	0	390	-4
EBIT	603	755	847	40	12	652	30
<i>EBIT margin (%)</i>	<i>27.6</i>	<i>31.5</i>	<i>31.6</i>	<i>NM</i>	<i>NM</i>	<i>26.7</i>	<i>489.9</i>
Finance Costs	107	139	137	28	-1	141	-3
Other income	151	215	192	27	-10	226	-15
Exceptional item	0	0	0	<i>NM</i>	<i>NM</i>	0	NM
Profit before Tax	648	831	902	39	9	738	22
Tax	161	206	233	45	13	186	25
<i>Tax rate (%)</i>	<i>24.8</i>	<i>24.8</i>	<i>25.8</i>	<i>4.3</i>	<i>4.3</i>	<i>25.2</i>	<i>2.6</i>
Profit after Tax	487	625	669	37	7	552	21
Adj Profit after Tax	487	625	669	37	7	552	21

	2QFY24	1QFY25	2QFY25	YoY%	QoQ%	2QFY25E	v/s Est (%)
Total stores	669	662	650	-3	-2	667	-3
Net store adds	7	-14	-12	<i>NM</i>	<i>NM</i>	5	<i>NM</i>

Source: MOFSL, Company

Exhibit 3: Our estimate change summary

	FY25E	FY26E	FY27E
Revenue (INR m)			
Old	14,822	17,727	
Actual/New	14,708	17,311	20,721
<i>Change (%)</i>	<i>-0.8</i>	<i>-2.3</i>	
EBITDA (INR m)			
Old	7,300	8,828	
Actual/New	7,251	8,690	10,558
<i>Change (%)</i>	<i>-0.7</i>	<i>-1.6</i>	
EBITDA margin (%)			
Old	49.3	49.8	
Actual/New	49.3	50.2	51.0
<i>Change (bp)</i>	<i>5</i>	<i>40</i>	
Net Profit (INR m)			
Old	4,499	5,520	
Actual/New	4,459	5,530	6,987
<i>Change (%)</i>	<i>-0.9</i>	<i>0.2</i>	
EPS (INR)			
Old	18.5	22.7	
Actual/New	18.4	22.8	28.8
<i>Change (%)</i>	<i>-0.9</i>	<i>0.2</i>	

Source: MOFSL, Company

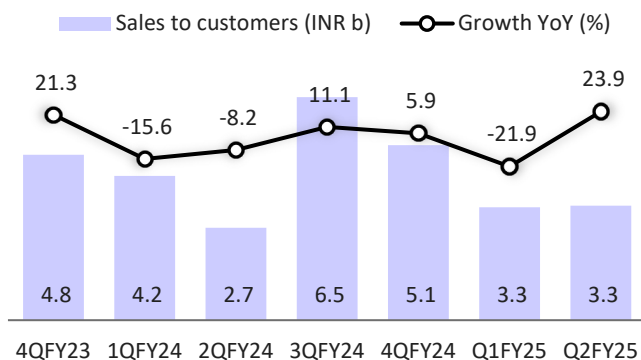


Highlights from the management interaction

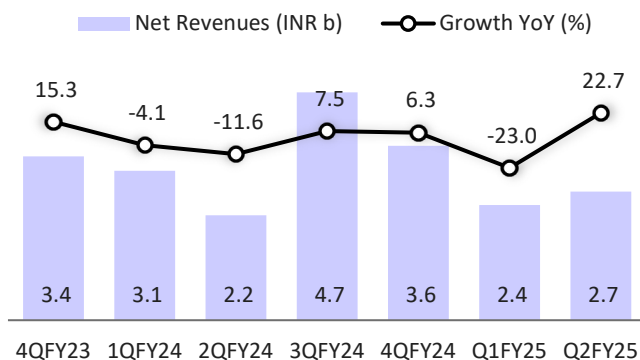
Detailed notes

- **Demand trends:** In Q2, the business returned to normalcy. Q3 saw a decent start with Diwali being couple of weeks earlier (vs last year). Management remains upbeat on 2H growth on account of higher and spread-out wedding dates starting Nov'24.
- **Store expansion:** The management indicated that store expansions are likely to be higher in 2H, with some spillover anticipated into FY26. Some store openings in Q2 were postponed to the first week of Q3 (because of the Shradh period). The company usually closes 2-2.5% of its retail area every year. However, this year, the closure is expected to be higher at ~4-5% (a major clean up like this happens once in 4-5 years). A few counters that were closed in 1H belonged to Stores in Stores (SIS) that were on experimental model. Further, real estate prices had shot up last year and are now starting to normalize, which is likely to lead to the ramp-up of store opening.
- **Diwas:** VFL has launched a festive and celebration wear brand called Diwas. It is a digital-first brand available on online marketplaces, VFL's D2C website, and the distributor network. The price point for Diwas is at INR1-2k (vs INR2-6k for Manyavar) and management does not expect any cannibalization on Manyavar sales, given the difference in channels and target consumption (festive vs. wedding).
- **Marketing:** The company has onboarded Janhvi Kapoor as its brand ambassador in Mohey and is running the Jab Aap Taiyaar Hum Taiyaar campaign. A&P spends were calibrated in 1H for lower demand. Management expects H2 to see aggressive spends on marketing, but within the normal range for FY25.
- **Mohey:** YTD Mohey SSSG was better than the company's average; however, the overall impact of Mohey on the company level SSSG is still small. VFL has six EBOs for Twamev, one flagship store for Mohey, and eight mall stores for Mohey that are smaller in size.
- **Foray into adjacencies:** VFL has launched a fragrance brand called Essence by Manyavar in its top 50+ stores, which has seen good traction in the first week itself. It expects to ramp up this offering to most Manyavar stores.
- **Other highlights:**
 - Cash conversion (OCF to PAT) stood at 74% on a trailing twelve-month basis.
 - The WC capital days as per the company stood at 110 days; the increase in inventories in 1H can be attributed to the higher stocking for the upcoming festive and wedding seasons.

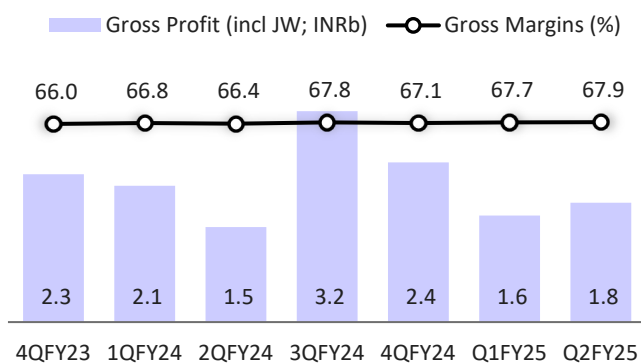
Story in charts

Exhibit 4: Sales to customers increased 24% YoY


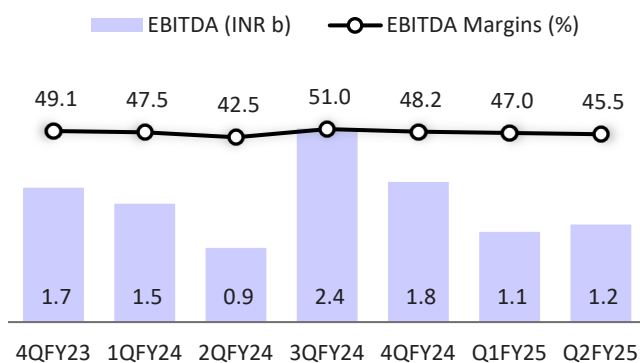
Source: MOFSL, Company

Exhibit 5: Net revenue increased 23% YoY


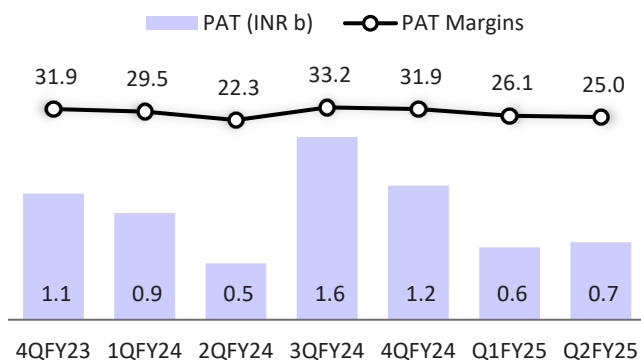
Source: MOFSL, Company

Exhibit 6: Gross margin (Including job work) up 150bp YoY


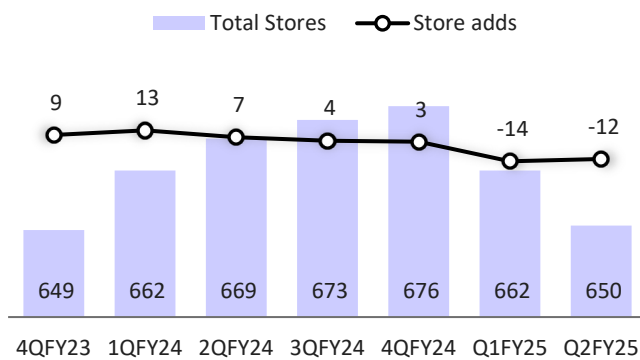
Source: MOFSL, Company

Exhibit 7: EBITDA margin expanded 300bp YoY


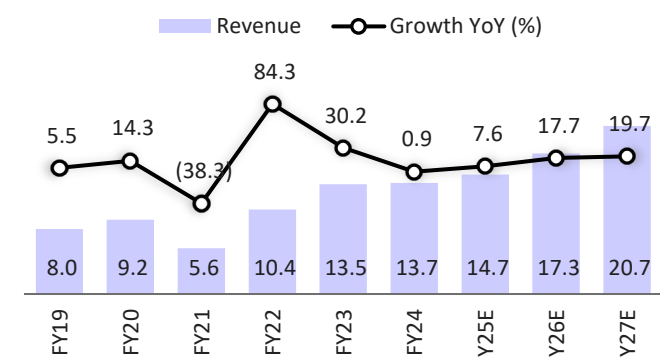
Source: MOFSL, Company

Exhibit 8: PAT increased 37% YoY


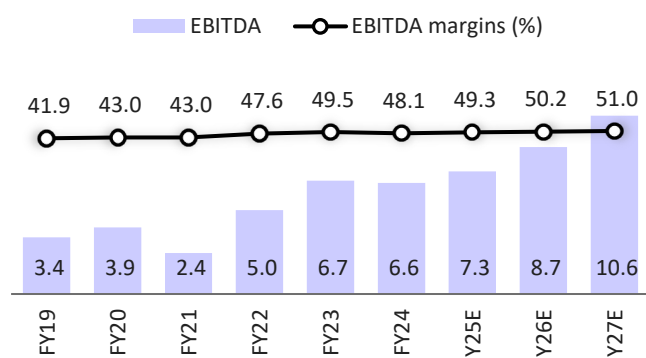
Source: MOFSL, Company

Exhibit 9: Store closure during Q2FY25 at 12 stores


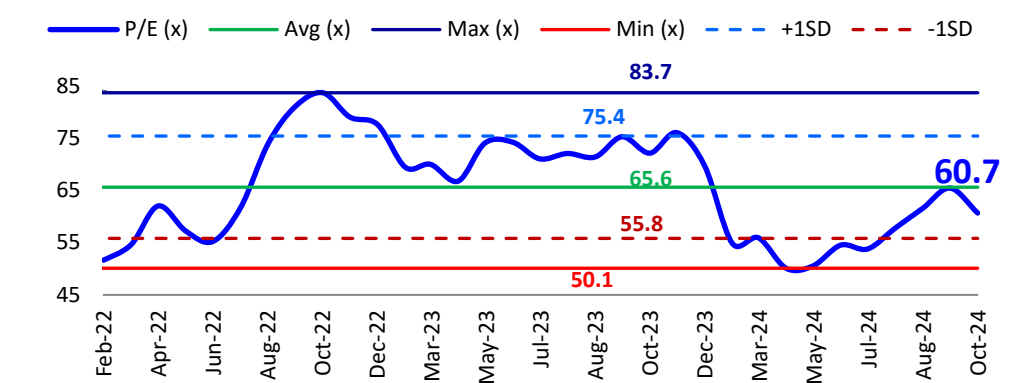
Source: MOFSL, Company

Exhibit 10: Expect revenue CAGR of 15% over FY24-27

Source: MOFSL, Company

Exhibit 11: Expect 17% EBITDA CAGR over FY24-27

Source: MOFSL, Company

Exhibit 12: VFL trades at ~8% below its LT 1-yr forward PE

Source: Bloomberg, Company, MOFSL

Financials and valuations

Consolidated - Income Statement						(INR m)		
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	9,155	5,648	10,408	13,549	13,675	14,708	17,311	20,721
Change (%)	14.3	-38.3	84.3	30.2	0.9	7.6	17.7	19.7
Raw Materials	2,512	1,463	2,668	3,519	3,792	3,898	4,553	5,388
Gross Profit	6,643	4,185	7,740	10,030	9,883	10,810	12,758	15,334
Margin (%)	72.6	74.1	74.4	74.0	72.3	73.5	73.7	74.0
Gross Profit (Incl Job Work)	5,981	3,770	6,958	9,127	9,186	10,075	11,910	14,340
Margin (%)	65.3	66.8	66.9	67.4	67.2	68.5	68.8	69.2
Employees Cost	533	381	575	566	568	618	692	787
Other Expenses	2,173	1,373	2,206	2,755	2,735	2,942	3,376	3,989
Total Expenditure	5,218	3,218	5,450	6,841	7,094	7,457	8,621	10,164
% of Sales	57.0	57.0	52.4	50.5	51.9	50.7	49.8	49.1
EBITDA	3,938	2,431	4,959	6,708	6,581	7,251	8,690	10,558
Margin (%)	43.0	43.0	47.6	49.5	48.1	49.3	50.2	51.0
Depreciation	887	955	944	1,038	1,349	1,618	1,808	1,984
EBIT	3,050	1,475	4,015	5,671	5,232	5,633	6,882	8,573
Int. and Finance Charges	256	258	284	315	445	557	595	615
Other Income	324	602	499	402	697	885	1,106	1,383
PBT bef. EO Exp.	3,118	1,819	4,230	5,758	5,484	5,961	7,393	9,340
EO Items	0	0	0	0	0	0	0	0
PBT after EO Exp.	3,118	1,819	4,230	5,758	5,484	5,961	7,393	9,340
Total Tax	752	490	1,081	1,467	1,342	1,502	1,863	2,354
Tax Rate (%)	24.1	26.9	25.6	25.5	24.5	25.2	25.2	25.2
Reported PAT	2,366	1,329	3,149	4,291	4,142	4,459	5,530	6,987
Adjusted PAT	2,366	1,329	3,149	4,291	4,142	4,459	5,530	6,987
Change (%)	34.1	-43.8	136.9	36.3	-3.5	7.7	24.0	26.3
Margin (%)	25.8	23.5	30.3	31.7	30.3	30.3	31.9	33.7

Consolidated - Balance Sheet						(INR m)		
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	250	248	243	243	243	243	243	243
Total Reserves	10,410	10,666	10,585	13,756	15,776	18,006	20,771	24,264
Net Worth	10,660	10,914	10,827	13,999	16,019	18,248	21,013	24,507
Total Loans	2,427	2,104	2,787	2,934	4,444	4,821	4,885	5,058
Lease Liabilities	2,427	2,104	2,787	2,934	4,444	4,821	4,885	5,058
Deferred Tax Liabilities	81	147	168	197	219	219	219	219
Other Liabilities	1,160	1,201	1,335	1,539	1,855	1,855	1,855	1,855
Capital Employed	14,328	14,367	15,118	18,669	22,537	25,143	27,973	31,639
Gross Block	5,972	6,345	7,845	8,620	11,089	12,876	14,415	16,114
Less: Accum. Deprn.	1,062	1,912	2,856	3,573	4,612	6,230	8,038	10,022
Net Fixed Assets	4,909	4,432	4,989	5,047	6,477	6,646	6,377	6,092
Other Non-Current	836	820	867	882	320	320	320	320
Capital WIP	3	4	1	22	1	1	1	1
Total Investments	4,397	5,790	5,608	8,501	10,410	10,410	10,410	10,410
Curr. Assets, Loans&Adv.	5,765	5,195	6,219	7,201	7,875	10,887	14,530	19,191
Inventory	1,209	1,012	1,430	1,736	1,386	1,491	1,754	2,100
Account Receivables	3,721	3,612	3,967	4,734	5,645	5,641	6,640	7,948
Cash and Bank Balance	199	71	39	100	217	3,167	5,444	8,314
Loans and Advances	637	500	783	630	627	588	692	829
Curr. Liability & Prov.	1,588	1,890	2,580	2,991	2,550	3,126	3,671	4,379
Account Payables	504	499	730	859	891	916	1,070	1,266
Other Current Liabilities	1,080	1,387	1,845	2,130	1,656	2,206	2,597	3,108
Provisions	4	4	4	2	3	4	4	5
Net Current Assets	4,178	3,305	3,639	4,210	5,325	7,761	10,860	14,811
Deferred Tax assets	6	16	13	7	4	4	4	4
Appl. of Funds	14,328	14,367	15,118	18,669	22,537	25,143	27,973	31,639

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)								
EPS	9.4	5.4	13.0	17.7	17.1	18.4	22.8	28.8
Cash EPS	13.0	9.1	16.3	21.3	21.9	24.3	29.3	35.8
BV/Share	42.6	43.6	43.2	55.9	64.0	72.9	83.9	97.8
DPS	0.0	0.0	5.0	9.0	8.5	9.2	11.4	0.0
Payout (%)	0.0	0.0	38.5	50.9	49.8	50.0	50.0	0.0
Valuation (x)								
P/E	142.4	250.8	103.7	76.1	78.8	73.2	59.0	46.7
Cash P/E	103.5	147.5	82.3	63.2	61.4	55.4	45.9	37.6
P/BV	31.6	30.9	31.1	24.1	21.0	18.5	16.0	13.7
EV/Sales	37.0	59.4	31.6	24.3	24.2	22.3	18.8	15.6
EV/EBITDA	86.1	138.0	66.4	49.1	50.3	45.3	37.5	30.6
Dividend Yield (%)	0.0	0.0	0.4	0.7	0.6	0.7	0.8	0.0
FCF per share	9.0	10.8	14.9	19.6	20.0	25.6	24.5	29.1
Return Ratios (%)								
RoE	24.3	12.3	29.0	34.6	27.6	26.0	26.3	28.5
RoCE	21.6	11.6	25.2	29.6	23.9	22.4	24.4	26.9
RoIC	25.7	11.8	33.3	43.3	36.0	35.9	43.5	51.2
Working Capital Ratios								
Fixed Asset Turnover (x)	1.5	0.9	1.3	1.6	1.2	1.1	1.2	1.3
Asset Turnover (x)	0.6	0.4	0.7	0.7	0.6	0.6	0.6	0.7
Inventory (Days)	176	253	196	180	133	140	141	142
Debtor (Days)	148	233	139	128	151	140	140	140
Creditor (Days)	73	124	100	89	86	86	86	86
Leverage Ratio (x)								
Current Ratio	3.6	2.7	2.4	2.4	3.1	3.5	4.0	4.4
Interest Cover Ratio	11.9	5.7	14.1	18.0	11.8	10.1	11.6	13.9
Net Debt/Equity	-0.2	-0.3	-0.3	-0.4	-0.4	-0.5	-0.5	-0.6

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	3,118	1,819	4,230	5,758	5,484	5,961	7,393	9,340
Depreciation	887	955	944	1,038	1,349	1,618	1,808	1,984
Interest & Finance Charges	256	258	284	315	454	557	595	615
Direct Taxes Paid	-750	-345	-1,090	-1,472	-1,301	-1,502	-1,863	-2,354
(Inc)/Dec in WC	-804	399	-450	-569	-498	513	-821	-1,082
CF from Operations	2,707	3,087	3,918	5,070	5,488	7,146	7,112	8,505
Others	-273	-561	-408	-372	-657	-885	-1,106	-1,383
CF from Operating incl EO	2,434	2,526	3,510	4,698	4,831	6,262	6,006	7,122
(Inc)/Dec in FA	-184	151	109	57	13	-50	-50	-50
Free Cash Flow	2,250	2,677	3,619	4,755	4,844	6,212	5,956	7,072
(Pur)/Sale of Investments	-1,445	-1,424	37	-2,492	-1,149	0	0	0
Others	672	389	418	116	41	885	1,106	1,383
CF from Investments	-957	-884	565	-2,319	-1,096	835	1,056	1,333
Issue of Shares	0	-1,084	47	15	31	0	0	0
Inc/(Dec) in Debt	0	0	0	0	0	0	0	0
Interest Paid	-211	-207	-223	-241	-337	-557	-595	-615
Repayment of loan	-604	0	0	0	0	-1	0	0
Others	-595	-373	-3,928	-2,091	-3,310	-3,589	-4,190	-4,969
CF from Fin. Activity	-1,410	-1,665	-4,105	-2,317	-3,616	-4,147	-4,785	-5,585
Inc/Dec of Cash	67	-23	-30	62	119	2,949	2,277	2,870
Opening Balance	21	89	66	36	98	217	3,167	5,444
Closing Balance	89	66	36	98	217	3,167	5,444	8,314
Other Bank Balance	110	5	3	3	0	0	0	0
Net Closing Balance	199	71	39	100	217	3,167	5,444	8,314

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