



VEDANT FASHIONS — LIMITED —



IPO Note

2nd February, 2022

Vedant Fashions Limited

Issue Opens On
04 Feb, 2022

Issue Closes On
08 Feb, 2022

Price Band (INR)
824 - 866

Issue Size (INR Mn)
31,492

Rating
SUBSCRIBE

Incorporated in 2002, **Vedant Fashions Limited** or “VFL” is headquartered at Kolkata founded by Mr. Ravi Modi. It offers Indian wedding and celebrations wear for men, women and kids. It operates through Omni-channel network of 546 Exclusive Brand Outlets (EBOs), 825 Multi-brand Outlets (MBOs) and 145 Large Format Stores (LFS) and through online platforms. VFL is the largest company in India in the men’s Indian wedding and celebration wear in terms of revenue, EBITDA and PAT for FY20. In addition, the company has developed order placement through its website (www.manyvar.com), mobile application (launched in 2020) and through leading lateral e-commerce platforms. IN FY20, 90% of the revenue of VFL’s customers was generated by franchisee owned EBOs.

In order to further expand its business, VFL has launched the brand ‘Mohey’ in 2015. It has strategically acquired ‘Mebaz’ in FY2018, which has an established presence in Andhra Pradesh. It has again launched the brands ‘Manthan’ (Value celebration wear label) and ‘Twamev’ (Men’s premium wear) in 2018 and 2019, respectively. It has crossed INR 10,000 Mn EBO revenue with 1 Mn square feet of EBO presence in 2019.

OFFER STRUCTURE

Particulars	IPO Details
No. of shares under IPO (#)	3,63,64,838
Price band (INR)	824-866
Post issue MCAP (INR Mn.)	210,174

Source: IPO Prospectus, KRChoksey Research

Indicative Timetable

Offer Closing Date	February 08, 2022
Finalization of Basis of Allotment with Stock Exchange	On or about 11 th Feb 2022
Initiation of Refunds	On or about 14 th Feb 2022
Credit of Equity Shares to Demat accounts	On or about 15 th Feb 2022
Commencement of Trading of Equity shares on NSE	On or about 16 th Feb 2022

Source: IPO Prospectus

Issue	*Shares	INR Mn	%
QIB	1,81,82,419	15,746	50%
HNI	54,54,726	4,724	15%
Retail	1,27,27,693	11,022	35%
Net Offer	3,63,64,838	31,492	100%

Source: KRChoksey Research *at upper price band

Objects of the Offer:

To achieve the benefits of listing the equity shares on Stock Exchanges

To carry out the offer for sale of up to 36,364,838 equity shares by the selling shareholders

Shareholding Pattern	Pre-Issue (%)	*Post-Issue (%)
Promoters	92.4%	85%
Others	7.6%	15%
Total	100.0%	100.0%

Source: KRChoksey Research

*Post Issue at upper price band

Particulars (INR Mn)*	FY19	FY20	FY21	H1FY21	H1FY22
Revenue from operations	8,007	9,155	5,648	717	3,598
EBITDA	3,358	3,938	2,431	39	1,604
EBITDA Margin (%)	41.9%	43%	43%	5.5%	44.6%
PAT	1,764	2,366	1,329	-176	984
EPS (INR)	7.04	9.5	5.4	-0.71	4.01

Source: IPO Prospectus, * Restated Statement

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Vedant Fashions Limited

COMPANY OVERVIEW

Vedant Fashions Ltd incorporated in 2002 by Mr. Ravi Modi is headquartered at Kolkata. It offers one of the largest Indian wedding and celebrations wear for men, women and kids. It is the largest company in India in the men's Indian wedding and celebration wear in terms of revenue, EBITDA and PAT for FY20. It has multi-brand product portfolio catering to all possible occasions which includes 'Manyavar', 'Twamev', 'Manthan', 'Mohey', and 'Mebaz'. Its 'Manyavar' brand is a category leader in the branded market with a pan India presence. It follows Franchisee Owned Company operated (FOCO) model and it has 535 Exclusive Brand Outlets (EBOs) across 212 cities / towns in India and 11 EBOs across overseas (USA-5, UAE-5 and Canada -1).

As on Sep'21, It has spread its business across 212 cities and towns in India with 535 EBOs (1.2 Mn sq. ft. EBO retail space) and internationally in 8 cities of 3 countries with 11 EBOs (23,200 sq. ft. retail store space).

Main brands, product portfolio, market segments and distribution channels

Brand	Year	Product Portfolio	Price Spectrum	Distribution
Manyavar	1999	Men: Kurta, Indo-western, Sherwani, Jacket, Accessories Kids: Kurta set, Jacket set, Indo-western, Accessories	Mid- premium	EBOs, MBOs, LFS, E-commerce
Mohey	2015	Women: Lehenga, Saree, Gown and Accessories	Mid- premium	EBOs & E-commerce
Mebaz	2017	Men: Kurta, Indo-western, Sherwani, Jacket, Suit, Accessories Women: Lehenga, Saree, Suit, Kurti Kids: Lehenga, Gown, Frock, Kurta, Suit, Accessories	Mid- premium to premium	EBOs
Manthan	2018	Men: Kurta	Value	MBOs, LFS, E-commerce
Twamev	2019	Men: Kurta set, Sherwani, Indo-western, Suit, Accessories	Premium	EBOs

Source: Investor Presentation, DRHP, KRChoksey Research

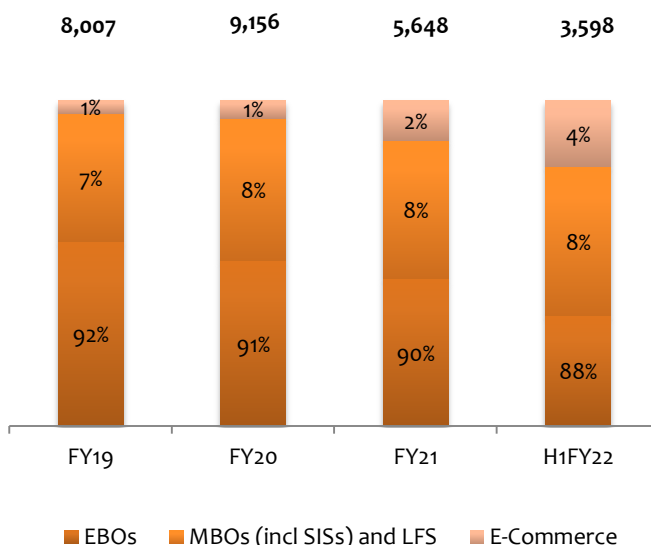
Business model and geographic segmentation

VFL follows franchisee owned company operated model with 546 EBOs (including 58 shop-in-shops: SISs) globally, including 11 EBOs from USA, UAE and Canada. Company's revenue growth backed by its growth in retail channels. It sells its products through i) EBOs, ii) MBOs, iii) LFSs and iv) online platforms, including website and mobile applications. As on Sep'21, it had 535 EBOs (incl. 58 SIS), 825 MBOs (incl. SISs) and 145 LFSs.

Online Platforms

VFL has dedicated in-house online sales team which monitors Manyavar website, mobile app and leading e-commerce partners (Amazon, Myntra, Ajio, etc.). The brands such as Manyavar, Mohey and Manthan are being sold on online platforms. Revenue from online platforms is growing at faster pace from INR 89 Mn in FY19 to INR 187 Mn in FY21. In H1FY22, it stood at INR 174 Mn.

Sales (INR Mn) - by Retail Channel



Source: Investor Presentation, DRHP, KRChoksey Research

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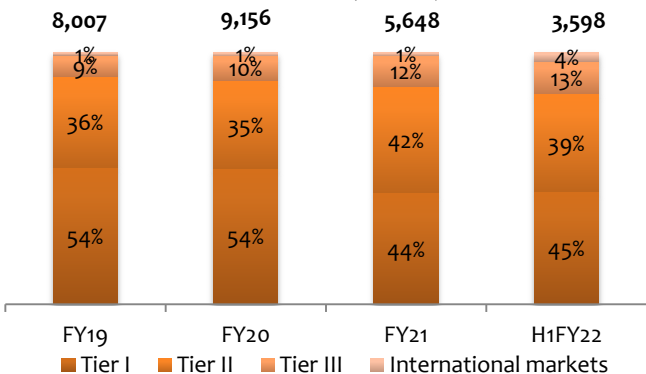
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Pan India presence

VFL has wide pan India presence along with international markets as on Sep'21. Geographically, contribution to overall revenue from tier II, tier III and international markets have grown over the years.

Contribution to sales of customers generated by EBOs – Sales (INR Mn)

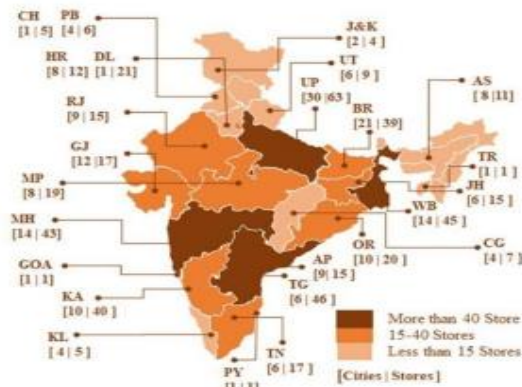


Source: Investor Presentation, DRHP, KRChoksey Research

India Presence (as of Sept-21)

535
EBOs¹

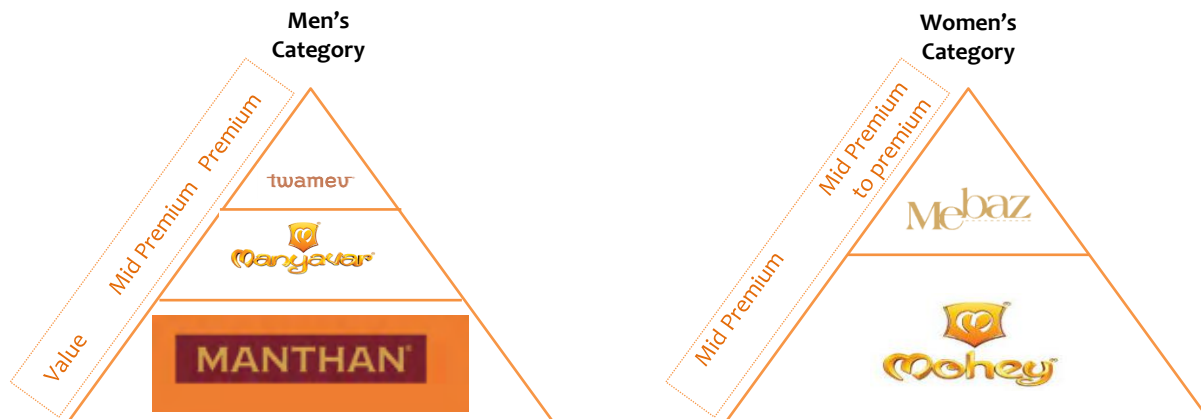
212
Cities & towns



International Presence (as of Sept-21)



VFL has built a hybrid model of both 'home grown' and acquired brands which caters to different price segments (i.e. value, mid-premium and premium price points).



Brand	Key Attributes
Manyavar	<ul style="list-style-type: none"> Category leader in branded Indian wedding & celebration wear market with a pan-India presence Other brands in the category only 1/7th the size of Manyavar No end of season sales or discounts for Manyavar brand
Twamev	<ul style="list-style-type: none"> Upscale consumer experience Cross-sell premium offering to Manyavar customers Priced between Manyavar & luxury boutique brands
Manthan	<ul style="list-style-type: none"> Large blend of product designs at value prices Aims to cater to sizable number of mid-market weddings & other celebrations
Mohey	<ul style="list-style-type: none"> Largest brand by number of stores, with pan-India presence focusing women's Indian wedding & celebration wear Benefit from Manyavar's leadership position & pan-India EBO footprint Celebrity brand ambassador & campaigns like "Dulhan wali feeling"
Mebaz	<ul style="list-style-type: none"> South India focused regional brand; strong presence in AP & Telangana One-stop shop for ethnic celebration need of entire family Rich heritage brand with strong legacy

Source: Investor Presentation, DRHP, KRChoksey Research

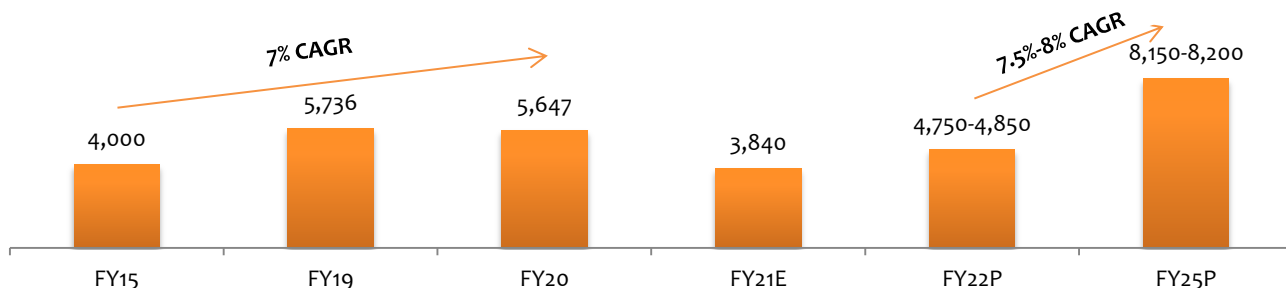
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Industry Overview

Domestic Apparel Retail Market

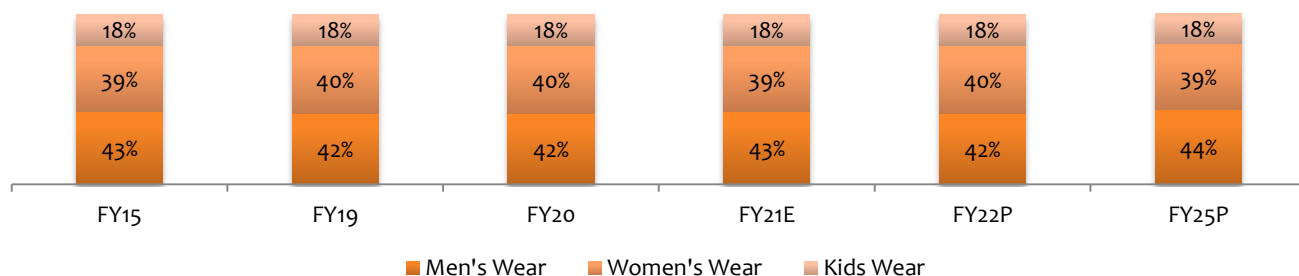
The ready-made garment (RMG) retail market size is estimated to have grown at a CAGR of ~9% to INR 5.7Tn between FY2015 and FY2019. However, slowdown in consumption pattern during FY20 had a small impact on FY20 revenues, while pandemic led de-growth in demand had obstructed FY21 revenue growth. Second COVID wave continued to impact Q1FY22 revenue, but revenue is expected to grow from Q2FY22. The domestic market size is expected to grow at ~18%-20% between FY22-FY25 to reach at INR 8.1Tn to INR 8.2Tn. Of which, men's wear segment expected to be the fastest growing over FY22-FY25 at 20%-22% rate of growth.

Domestic Apparel Market Size (INR Bn)



Source: DRHP, KRChoksey Research

Segment wise share

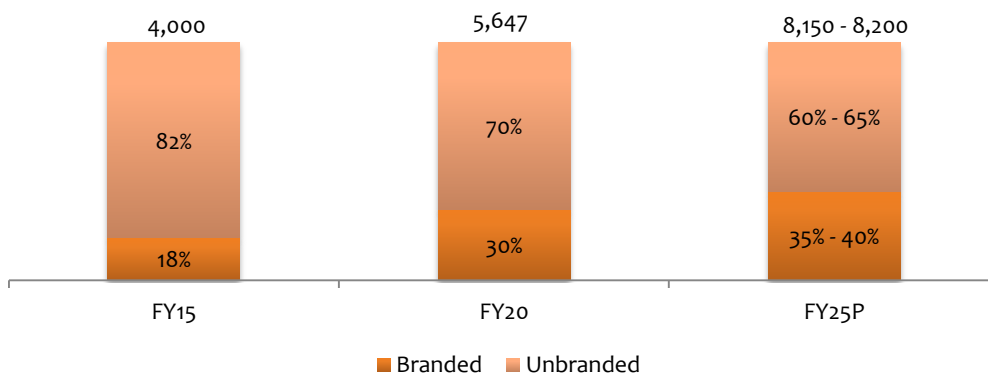


Source: DRHP, KRChoksey Research

Domestic Apparel Market – Branded / Unbranded

Domestic apparel market is largely dominated by unorganized market. However, branded market penetration is expected to grow in the long term.

Apparel Retail Market Size (INR Bn)



Source: DRHP, KRChoksey Research

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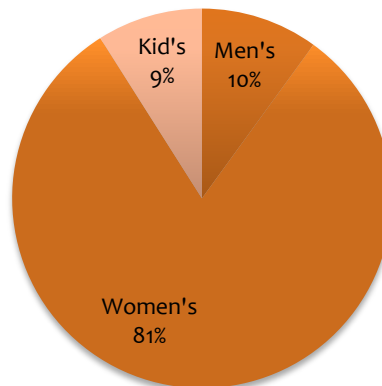
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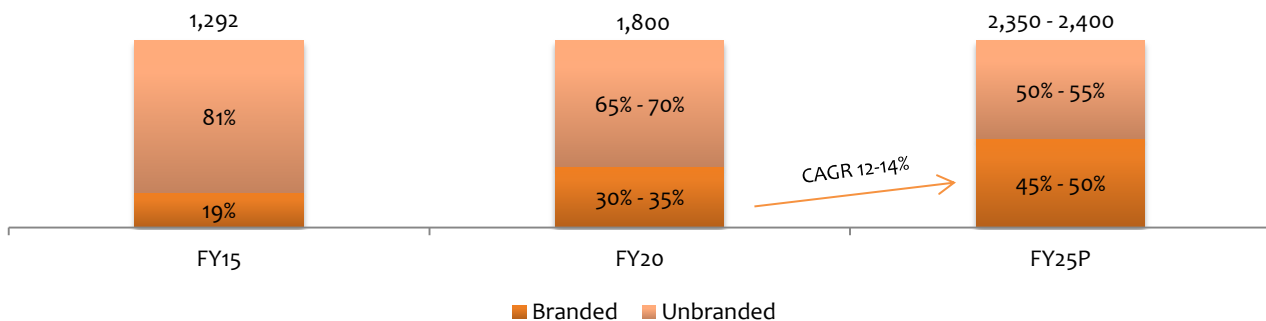
Ethnic Wear Market

Ethnic wear market accounted for ~32% of the apparel market as of FY20. In this, women's wear is the largest segment, as it has found acceptance in daily wear and office wear categories, besides Indian wear and celebration wear category. Branded market penetration is expected to grow in the long term. Ethnic wear market branded penetration to grow at 12-14% in the long term

**Ethnic Wear:
Market Segmentation**



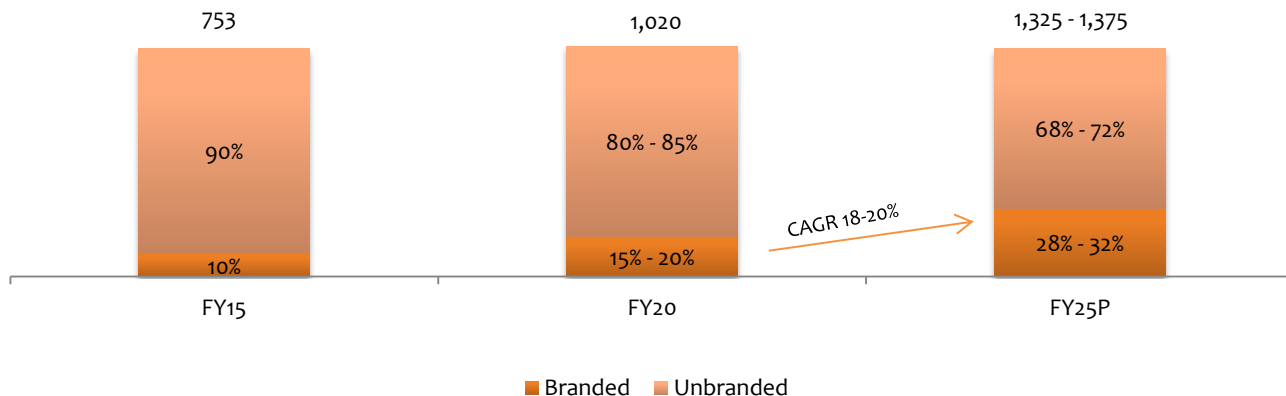
Ethnic wear market to grow at 5.5% - 6% CAGR between FY20-25P (INR Bn)



Source: DRHP, KRChoksey Research

Indian wedding and celebration wear market accounted for ~18% of the apparel market as of FY20. It is expected to grow at a 15% to 17% CAGR over FY22 – FY25 on account of higher spending per consumer and the increasing trend of multi day wedding functions in India. The market is not only driven by bride and groom but also with their immediate family members and close friends.

Indian wedding and celebration wear market to grow at 5.5% - 6% CAGR between FY20-25P (INR Bn)



Source: DRHP, KRChoksey Research

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Branded players in Indian wedding and celebration wear

In women’s segment, there is limited presence of branded players. While in men’s segment, contribution of celebration apparel is higher than casual men’s wear, as Indian men spend more on Indian wedding and celebration wear than casual ethnic wear. The organised market has been growing rapidly, with ‘VFL’ brand ‘Manyavar’ is leading the market. Raymond has entered the ethnic wear category via ‘Ethnix’, a brand which is still at nascent stage compared with Manyavar.

Key brands predominant in Indian wedding and celebration wear* and their offerings across segments



Note: The list is not exhaustive and is only representative in nature.

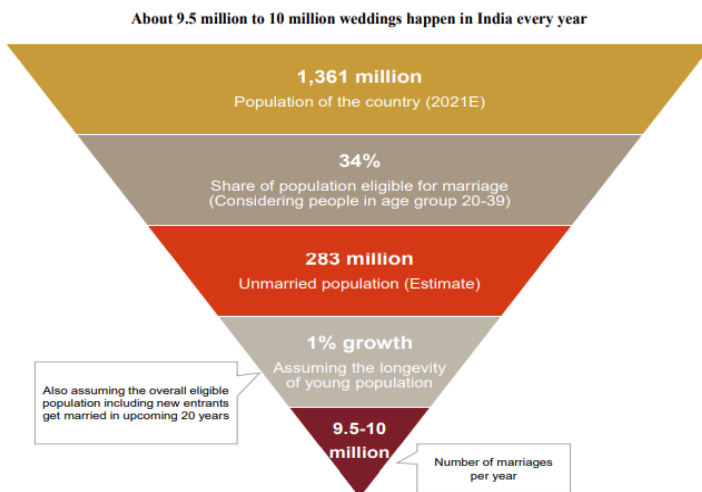
* The term "predominant in Indian wedding and celebration wear" means brands with more than 50% revenue from Indian wedding and celebration wear

Source: CRISIL Research

Source: DRHP, KRChoksey Research

Huge domestic market with 9.5 Mn to 10 Mn weddings per year with multi day and multi event wedding celebrations

India has a large youth population with around 32% of population in the 20-39 year old demographic, as per 2011 census. It is projected to have risen to ~34% during 2021.



Source: CRISIL Research

Source: DRHP, KRChoksey Research

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INVESTMENT RATIONALE

Attractive marketing initiatives of creating connections through emotions: Indian wedding and celebration wear market is huge and largely influenced by emotional and social values of traditional Indian Society. This Indian wedding and celebration wear apparel retail market is expected to grow at 15% - 17% CAGR over FY22 to FY25 to reach the market size of INR 1,325 to 1,375 Bn. The market is driven by weddings, family functions and festivals on account of higher discretionary spending per customer and increasing trend of multi-day wedding functions in India.

Accordingly, VFL has brought distinctive marketing strategies with advertisements over emotional theme based campaigns to enhance customer engagement. Also, it continues to enrich its brand image with the help of celebrity endorsements. VFL's Diwali campaign of 2019 "Diwali Wali Feeling" was centered around celebrating religious festivals in traditional attire. Its other campaigns related to wedding such as "Shaadi Grand Hogi" (2020), "#Groom Squad", "Dulhan Wali Feeling", "Shaadi Ka Kharcha Adha Adha" and "Apno Wali Shaadi" were aimed at creating the narrative of deep emotions and happiness on grand occasions representing various feelings and underlining the importance of rooted Indian culture and traditions which are incomplete without ethnic wear.

Market Leader in Indian Celebration wear: It is largest market player in the men's segment in terms FY20 financials (Revenue, EBITDA and PAT) where its 'Manyavar' brand is a category leader with pan India presence. Further, it aims to enhance its leadership position in the men's premium and value segments through its brands, 'Twamev' and 'Manthan', and in the women's market through its brand 'Mohey', launched in 2015. Its strategic acquisition with 'Mebaz', a one stop shop heritage brand helped in bringing further diversification in its product portfolio.

Company's diversified product portfolio aims at achieving its goal of catering to aspirations of the entire family. The main growth drivers are company's designers and artisans who are expertise to serve the consumers' demand for regional diverse tastes and preferences.

'Manyavar' largest market player in terms of FY20 revenue

FY20 Revenue (INR Mn)	>7,000	>3,000 to <=7,000	>1,000 to <= 3,000	<=1,000
Women's Brands	-	Nalli	Neeru's, Sabyasachi, Anita Dongre, Ritu Kumar	Mohey, Mebaz, Taneira, Shantanu and Nikhil, Meena Bazaar
Men's Brands	Manyavar	-	-	Twamev, Mebaz, Manthan, Swayamvar, Jahanpunah, Ethnix

Source: Investor Presentation, DRHP, KRChoksey Research

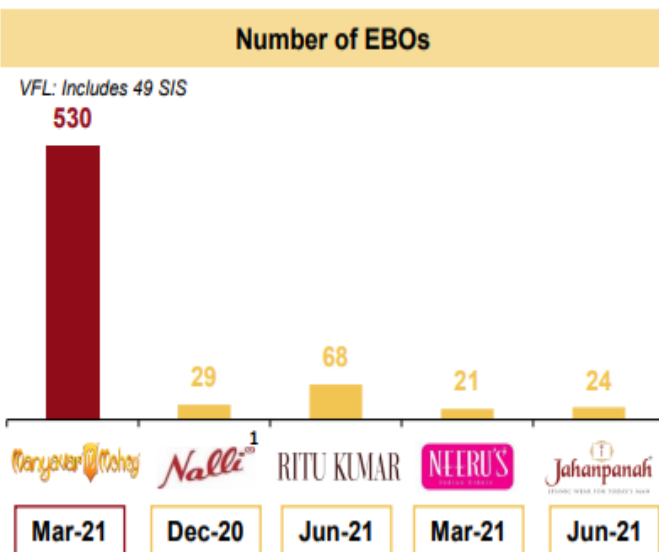
Brand positioning in the market

Indian Wedding & Celebration Wear Brands		
Company	Category	Primary Focus*
Manyavar	Men, Women & Kids	
Nalli	Women & Men	
RITU KUMAR	Women	
NEERU'S	Men, Women & Kids	
Jahanpanah	Men	

* Maroon color is share of Indian wedding & celebration wear & grey is others

Source: Investor Presentation, DRHP, KRChoksey Research

Market Presence in terms of number of EBOs



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Asset light business model: As on Sep’21, VFL has 300+ franchisee partners of which ~73% of operated stores for more than 3 years. Total EBO retail space (including 58 shop in shops) stood at 1.2 Mn sq. ft. while 65% of sales of customers was from franchisee owned EBOs from franchisees having two or more stores as on Sep’21. Company’s most of manufacturing operations and stores are operated by third parties which enables them to generate higher return on capital employed (ROCE).

Support to franchisees:

- i) Identifying locations for new stores: VFL explores new locations with small franchisee stores to understand the potential market opportunity. Successful store operations lead to further replacement / expansion in the similar towns / cities based on the consumer demand patterns.
- ii) Store design and development: Franchisee are required to meet store designs (including interiors and fittings) specified by VFL. For which they provide all necessary technical assistance.
- iii) Branding: It provides all necessary support for branding processes.
- iv) Inventory and supply chain management: VFL has adopted an Enterprise Resource Planning (ERP- Ginesys) system since the launch of its first EBO in 2008. It is installed at each EBO, the system integrates its front end and back end operations and ensures product resource synchronization between EBOs and its warehouse. Also, it has been able to track the inventory at each of its franchisee owned EBOs on a real time basis.
- v) Training programs: It conducts detailed training programmes for its staff and franchisees through in-person meetings and short videos. It has designed incentives for sales persons and store managers for up-selling and cross-selling our products.

Omni Channel Network: VFL operates Omni channel network supported by integrated online and offline channels.

Benefits of Omni channel presence:

- Uniform pricing across channels in India
- Inter-EBO communication system
- Integrated inventory system for online channels
- Door step delivery
- QR-code enabled catalogue at many stores to chose products
- Enabled up-sell and cross-sell of products

Investment in technology strengthened supply chain network: Product design team is headed by Chief Product Officer who is associated with the company since inception. It develops authentic and concept based designs. It uses market research and customer data insights. VFL operates a fully integrated supply chain which manages operations from procurement of fabric till product delivery or distribution based on the system. It has over 458 vendors across 43 cities registered on its vendor portal for sourcing fabrics and other material including finished goods.

Manufacturing Process



VFL has some in-house production processes at factory and a large portion of manufacturing is carried out by jobbers. These jobbers are assigned independent production orders through jobber portal. Post the completion of assigned task, the jobber is responsible to complete the next stage of manufacturing or handing over the final product at a designated factory, as the case may be. Additionally, it also procures finished products from third party manufacturers. VFL has access to large number of artisans across India.

It has a central warehouse at Kolkata, West Bengal that measures ~0.26 Mn sq. ft. as on Sep’21. All inventory management processes are operated through warehouse with a system driven processes with strong analytical capabilities. It also helps in monitoring real time store inventory levels. It includes system-driven distribution, replenishment of inventory and product portfolio management through data driven forecasting of evolving fashion trends across India.

Supply Chain Network



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Investment in retail expansion (Domestic and International):

VFL has an expansion plan where it aims to foray into new geographies while deepening its presence into existing geographies through new cities / towns. It also focuses on existing markets to expand across existing cities based on the potential demand.

Expansion strategies across brands:

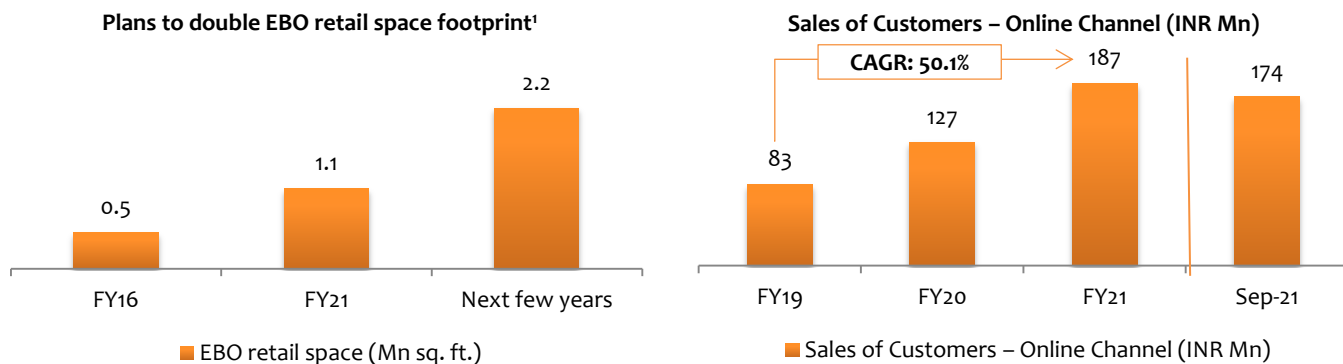
<ul style="list-style-type: none"> • Expand into new cities and increase retail area in existing cities • Increase volumes via MBOs, LFS, & online channel • Expand into international markets 	<ul style="list-style-type: none"> • Expand along with 'Manyavar' • Exclusive Mohey standalone stores 	<ul style="list-style-type: none"> • Increase volumes via MBOs, LFS, wholesale & online channels 	<ul style="list-style-type: none"> • Up-selling at 'Manyavar' stores

Source: Investor Presentation, DRHP, KRChoksey Research

Efforts to improve the reach across online and offline channels

While online channels enables customers to browse through VFL's product catalogues online and decide on designs. Omni channel facilitates customers to have flexibility to access products through offline and online channels.

Expansion strategies across brands:



Source: Investor Presentation, DRHP, KRChoksey Research

VFL has gained brand recognition and has a further potential growth to expand

VFL has put technology at the forefront where independent brand strategy enabled with assessment of customer demand, international and local trends with evolving customer preferences. Overall women's Indian wedding and celebration wear market stood at INR 735 Bn in FY20 which is expected to grow at 5.3% to 6.4% over FY20-25E. Of which, branded market (15-20% of overall market) is expected to grow at 17% to 20% over the same period. VFL has a set a target to establish a leadership position in women's Indian wedding and celebration wear market like 'Manyavar' and to make a presence into high demand product market. 'Mohey' brand has various strategies to achieve this milestone. **Cross selling with 'Manyavar' under the co-ordinated Jodi theme (MAN-MOH).** It is expected to expand its footprint with 'Manyavar' EBOs and also establish its standalone 'Mohey' stores. The brand is expected to enhance its product mix with inclusion of accessories. Brand strengthening is planned through event sponsorships and celebrity advertisements to attract youth.

Overall men's Indian wedding and celebration wear stood at INR 133 Bn which is expected to grow at 5% to 6.2% over FY20-25E. Of which, branded market (20-25% of overall market) is expected to grow at 18% to 22% over the same period. **VFL aims at further penetration of 'Twamev' (premium brand) through up-selling at existing 'Manyavar' stores which is expected to upscale Manyavar's customer base to premium offering.** 'Twamev' brand will establish its presence through these stores by making available attractive product mix. It will have its independent marketing initiatives. **'Manthan' (value segment) aims at catering to ~5 Mn weddings per year. It is expected to increase its presence through MBOs and LFS channels. It will target new customers with attractive pricing strategies. The brand strategy will focus on sales via online channels.**

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Outlook and Valuation

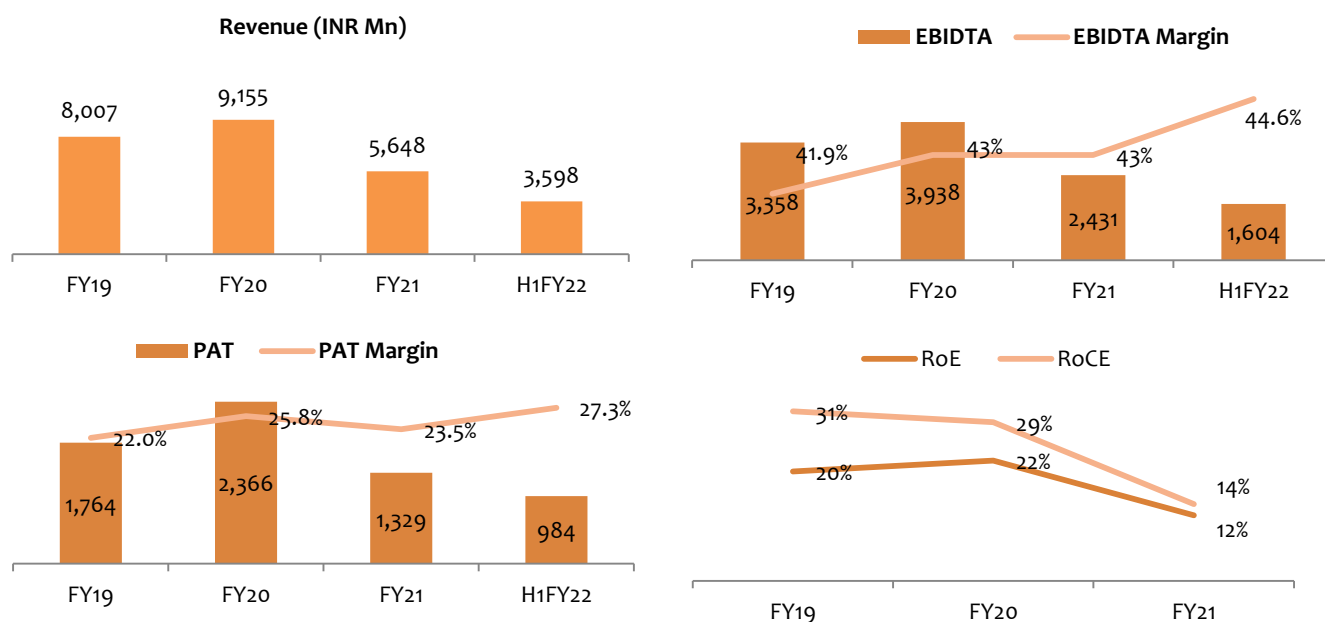
Peer Comparison: Vedant Fashion Limited is a category leader in the branded Indian wedding and celebration wear market with a pan-India presence through its key brands 'Manyavar' (84.2% of revenue) and 'Mohey' (7.5% of revenue). The growth potential in the industry is immense as the branded Indian wedding and celebration market is expected to grow at 18-20% from FY20-FY25E and VFL with its pan India presence and strong reach across channels will help the company grow at faster rate and gain market share.

VFL is not directly comparable with listed companies in this space as VFL is catering to Indian wedding and celebration market and is market leader while other listed players have presence across value segment.

Company Name	CMP (INR)	Mkt Cap (INR Mn)	Revenue	EBIDTA	EBIDTA Margin	PAT	PE (X)	EV/EBIDTA (X)
Aditya Birla Fashion & Retail Ltd	305	2,86,207	52,416	5,865	14%	-6725	NA	33.2
TCNS Clothing Co. Ltd	738	45,444	6,355	95	17%	-564	NA	356.4
VIP Clothing Limited	601	85,033	1,428	26	-9%	-10	NA	75.9
Zodiac Clothing Company Ltd	114	2,837	960	-246	3%	-294	NA	NA
S.P. Apparels Ltd	475	12,210	6,317	846	6%	432	17.81	6.4
Vedant Fashion Ltd	866	2,10,174	5,648	2,817	43%	1,329	161.57	88.3

Source: DRHP, KRChoksey Research; Note: Figures are based on FY21.

Financial Analysis: VFL's revenue has grown at a CAGR of 15% over FY17-FY20. The revenue declined by ~38% to INR 5,648 Mn in FY21 inline with industry largely due to covid-19 related lockdown. The company's EBIDTA grew at a CAGR of 32% over FY17-FY20. VFL's EBIDTA margin has improved to 44.6% in H1FY22 from 41.9% in FY19. The company's PAT grew at a CAGR of 31% over FY17-FY20 and PAT margin improved from 22% in FY19 to 27.3% in H1FY22.



Source: DRHP, KRChoksey Research

Valuation: We like VFL's focus on growth by doubling its footprint in both domestic as well as international market in near term. In India, the company plans to enter new cities, open more stores in existing cities and further penetrate more in existing markets. In International market, company has roadmap to enter new countries with Indian diaspora and penetrate more in the existing countries. VFL will continue to grow the three new existing brands in its portfolio while it will continue to scout for inorganic growth opportunities.

The company's strength lies on four key pillars that it has built over last 20 years which act as entry barriers 1) Supply chain and Vendor management 2) Inventory management 3) Understanding customer preference and 4) Robust distribution model. VFL has strong balance sheet with no debt and it has asset light model. Considering these positives, we recommend to "subscribe for long term gains".

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Vedant Fashions Limited

Board of Directors and Management

Ravi Modi, Chairman and Managing Director: He studied commerce from St. Xavier's College, Calcutta University. He has been associated with the company since its inception. He has more than two decades of experience in the garment industry. He monitors design and marketing functions of the company. His work has been appreciated with various awards and recognition throughout the course of this journey.

Shilpi Modi, Whole-Time Director: She studied commerce from Allahabad University. She has been associated with the company since its inception. She has more than two decades of experience in the garment industry. She handles the digital strategy and product lifecycle of the company together with senior management.

Sunish Sharma, Nominee Director: He holds a bachelor's degree of commerce from the University of Delhi and a post graduate diploma in computer aided management from IIM, Calcutta, where he was awarded with Dr. Jogendra Kumar Chowdhury Gold Medal. He is a qualified cost accountant. He has previously worked with McKinsey & Co. (for 6 years, last position held as Engineer Manager) and General Atlantic Partners Private Limited (for 8 years, last position held as Managing Director). He is Co-CEO and Managing Director of Kedaara Capital. He is the co-founder of Ashoka University. He also serves as a director on the board of directors of Spandana Sphoorty Financial Limited.

Manish Mahendra Choksi, Independent Director: He holds a bachelor's degree in chemical engineering from Houston university and a masters' of business administration from University of Houston, USA. He has been associated with Asian Paints Limited since 1992 where he has held various positions across functional departments and currently, a non-executive director (vice-chairman) on the board. He is also a member of the board of directors of Unotech Software Private Limited and Germinait Solutions Private Limited; and an independent director on the board of MSL Driveline Systems Limited. He is also a member of the global advisory board of Chiratae Ventures (formerly known as IDG Ventures India), a technology focused venture capital firm.

Abanti Mitra, Independent Director: She holds a post graduate diploma in rural management from the Institute of rural management, Anand. She has 21 years of experience across various roles. Currently, she is a director in Positron Consulting Services Pvt Ltd. She has prior experience as a manager at ICICI Bank Ltd and as a management executive at Micro Credit Ratings International Ltd. She is also an independent director on the board of Spandana Spoothy Financial Ltd and Criss Financial Ltd.

Tarun Puri, Independent Director: He holds a bachelor's degree in mechanical engineering Birla Institute of Technology and Science, Rajasthan and a post graduate diploma in management from Indian Institute of Management, Calcutta. He has worked with the Unilever group of companies and Nike, Inc. His last position was Vice President, Global sales Lead (Women's) Category Sales at Nike, Inc and has been associated with Nike since 2007, including being the Managing Director for Nike India Private Limited. Prior to that, Tarun was in Unilever Thai Trading Limited where his role was Regional Vice President, Hair X Brand, South Asia & South East Asia, based out of Thailand.

Rahul Murarka, Chief financial Officer: He holds bachelor's degree in commerce from University of Calcutta and a qualified chartered accountant. He has been associated with the company since 2013 and has overall 16 years of experience in finance, accounting, audits, taxation and regulatory compliances.

Navin Pareek, Company Secretary and Compliance Officer: He holds bachelor's degree in commerce from University of Calcutta and is a fellow member of the Institute of Company Secretaries of India. He is pursuing the final level of chartered accountancy. He has been associated with the company since 2012 and has over 10 years experience in legal, compliance, finance, direct taxation and secretarial functions.

Key Risks

Highly concentrated business on Indian wedding and celebration wear: The company's business of Indian wedding and celebration wear is highly characterized by rapidly-changing customer preferences. Further, it is highly concentrated on a single discretionary product category. The segment is highly dependent on the frequency and volume of weddings, festivals and other celebrations which has seasonal variations. In the long term, change in consumer attitude towards the segment may impact demand patterns.

Company's business depends on the key brands performance: Company's inability to maintain or enhance brand recognition and reputation may adversely affect business and competitiveness.

Major role of franchisee model of retailing: Company's major portion of sales comes from franchisee owned Exclusive Brand Outlets (EBOs).

Major dependence on third party for production and finished products: VFL relies on outsourcing a significant proportion of production processes and activities to third parties. Any inability to obtain sufficient quantities of attires and accessories of the requisite quality in a timely manner or any kind of disruptions in third party operations and performance can adversely affect the business operations and financial condition.

Failing to stay update with market trends might impact the business: Company has a major role to play in its product designs while updating their apparel designs at regular intervals and maintain consumer interests. Indian wedding and celebrations wear are not seasonal and has consistently evolving design trends that VFL need to stay updated with to avoid customer dissatisfaction that could lead to unsold inventory.

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Vedant Fashions Limited

Balance Sheet

INR Mn	FY19	FY20	FY21
Share capital	250	250	248
Reserves and surplus	8,828	10,660	10,914
Shareholders' funds	8,828	10,660	10,914
Long-term borrowings	0	0	0
Short term borrowings	0.0	0.0	0.0
Total debt	0	0	0
Other Financial liabilities	1931	2433	2214
Long-term provisions/ Other Liabilities	107	104	173
SOURCES OF FUNDS	11,260	13,597	13,659
PPE	737	817	795
Other Intangible Assets	1516	1631	1603
Capital WIP	14	0	2
Goodwill	157	157	157
Other financial assets	343	387	434
Non-current assets	5756	6601	6505
Inventories	909	1209	1012
Trade receivables	3327	3721	3612
Cash and Bank Balance	1,194	199	71
Other current & financial assets	17	217	163
Current assets	7,429	9,315	9,751
less: current liabilities and provisions	1,925	2,318	2,597
Trade payables	581	504	499
Other current liabilities	726	940	1239
Other financial & current tax liabilities	615	823	814
Short-term provisions	2	4	4
Net current assets	5,504	6,996	7,154
APPLICATION OF FUNDS	11,260	13,597	13,659

Source: DRHP, KRChoksey Research

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Vedant Fashions Limited

Income Statement

Particulars (INR Mn)	FY19	FY20	FY21
Revenues	8,007	9,155	5,648
COGS	2226	2512	1463
Gross profit	5,782	6,643	4,185
Employee cost	472	533	381
Other expenses	1951	2173	1373
EBITDA	3358	3938	2431
EBITDA Margin	42%	43%	43%
Depreciation & amortization	643	887	955
EBIT	2715	3050	1475
Interest expense	196	256	258
Other income	191	324	602
PBT	2709	3118	1819
Tax	945	752	490
Share of Profit/(Loss) of Associates/Minority	0	0	0
Net profit	1764	2366	1329
EPS (INR)	7.04	9.45	5.36
No. of Shares (Mn) - Diluted	250	250	248

Cash Flow Statement

Particulars (INR Mn)	FY19	FY20	FY21
Net Cash Generated From Operations	3303	3179	2871
Net Cash Flow from/(used in) Investing Activities	-7009	-9297	-7494
Net Cash Flow from Financing Activities	-710	-1410	-1665
Net Inc/Dec in cash equivalents	10	61	-23
Opening Balance	12	21	83
Closing Balance Cash and Cash Equivalents	21	83	60

Ratio Analysis

Key Ratio	FY19	FY20	FY21
EBITDA Margin (%)	42%	43%	43%
RoE (%)	20%	22%	12%
RoCE (%)	31%	29%	14%
EV/EBITDA	64.2	55.0	88.3
EV/Sales	26.9	23.7	38.0
EPS (INR)	7.04	9.45	5.36

Source: DRHP, KRChoksey Research

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Vedant Fashions Limited

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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