



Vedant Fashions Ltd

Simply no competition



Kyon ki bhaiya, sabse bada rupaiya.

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NOT RATED

Simply no competition

Incorporated in 2002, Vedant Fashions Ltd. (VFL) is the only pan India franchisee in the Indian wedding and celebration wear segment in a market having regional players. It offers a one-stop destination with a wide-spectrum of product offerings for every celebratory occasion through its 5 brands – i) Manyavar, ii) Mohey, iii) Mebaz, iv) Manthan, and v) Twamev. As of H1FY22, ~88% of its sales was generated from franchisee owned EBOs and the rest by MBOs, large format stores (LFS) and online platforms. The company has a retail footprint of 1.2 msf covering 535 EBOs in India and 11 EBOs across USA, Canada and UAE.

India is a land of festivals that celebrates weddings in glorious ways. VFL benefits from the 3-5 days wedding culture in the country (estimated to have ~1 crore weddings every year) giving it the scope to sell multiple products to a single customer. The shift towards ready-made wear due to quick and enhanced product experience while compared to tailor-made also provides a huge scope for growth.

By owning multiple brands across the value chain, VFL is able to scale up its emerging brands through increased cross-selling and up-selling initiatives. In addition to expanding its footprint within and outside India, the company also plans to adopt a strategic approach towards potential acquisitions with the goal to increase customer base, market share and/or product offerings.

Over FY21-24, we expect VFL to grow its revenues at a robust CAGR of 40.6% to INR 1,569 cr driven by 37.1% CAGR in Manyavar, 26.8% in Mohey and 76.1% in the other brands. EBITDA/PAT are expected to grow at 42.2% / 50.5% to INR 698 cr/ 453 cr respectively by FY24. EBITDA / PAT margins too are set to expand to 44.5% (+150bps) /28.9% (+530 bps) respectively by FY24.

VFL will trade at 46.4X FY24 P/E at the issue price upper band of INR 866/share. Post the INR 3,149 cr public offering, the promoter's holding will stand reduced to 77.4%.

Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	Net Profit	EBITDA (%)	Net Profit (%)	EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	P/E (X)	P/BV (X)	EV/EBITDA (X)
FY20	916	394	237	43.0	25.8	9.8	43.9	22.2	44.1	88.8	19.7	52.4
FY21	565	148	133	26.1	23.5	5.5	45.0	12.2	17.1	158.1	19.3	85.5
FY22E	795	352	216	44.3	27.2	8.9	65.1	13.7	21.9	97.2	13.3	58.5
FY23E	1,125	500	314	44.4	28.0	13.0	76.4	17.0	30.3	66.8	11.3	41.0
FY24E	1,569	698	453	44.5	28.9	18.7	92.1	20.3	40.3	46.4	9.4	29.0

Industry	Clothing
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Issue Details

Listing	BSE & NSE
Open Date	4 th Feb 2022
Close Date	8 th Feb 2022
Price Band	INR 824-866
Face Value	INR 1
Market Lot	17 shares
Minimum Lot	1 Lot

Issue Structure

Offer for Sale	100%
Fresh Issue	0%
Issue Size (Amount)	INR 3,149 cr
Issue Size (Shares)	3,63,64,838
QIB Share (%)	≤ 50%
Non-Inst Share (%)	≥ 15%
Retail Share (%)	≥ 35%
Pre issue sh (nos)	24,26,94,774
Post issue sh (nos)	24,26,94,774
Post issue M Cap	INR 21,017 cr

Shareholding (%)	Pre (%)	Post (%)
Promoter	92.4	77.4
Public	7.6	22.6
TOTAL	100.0	100.0

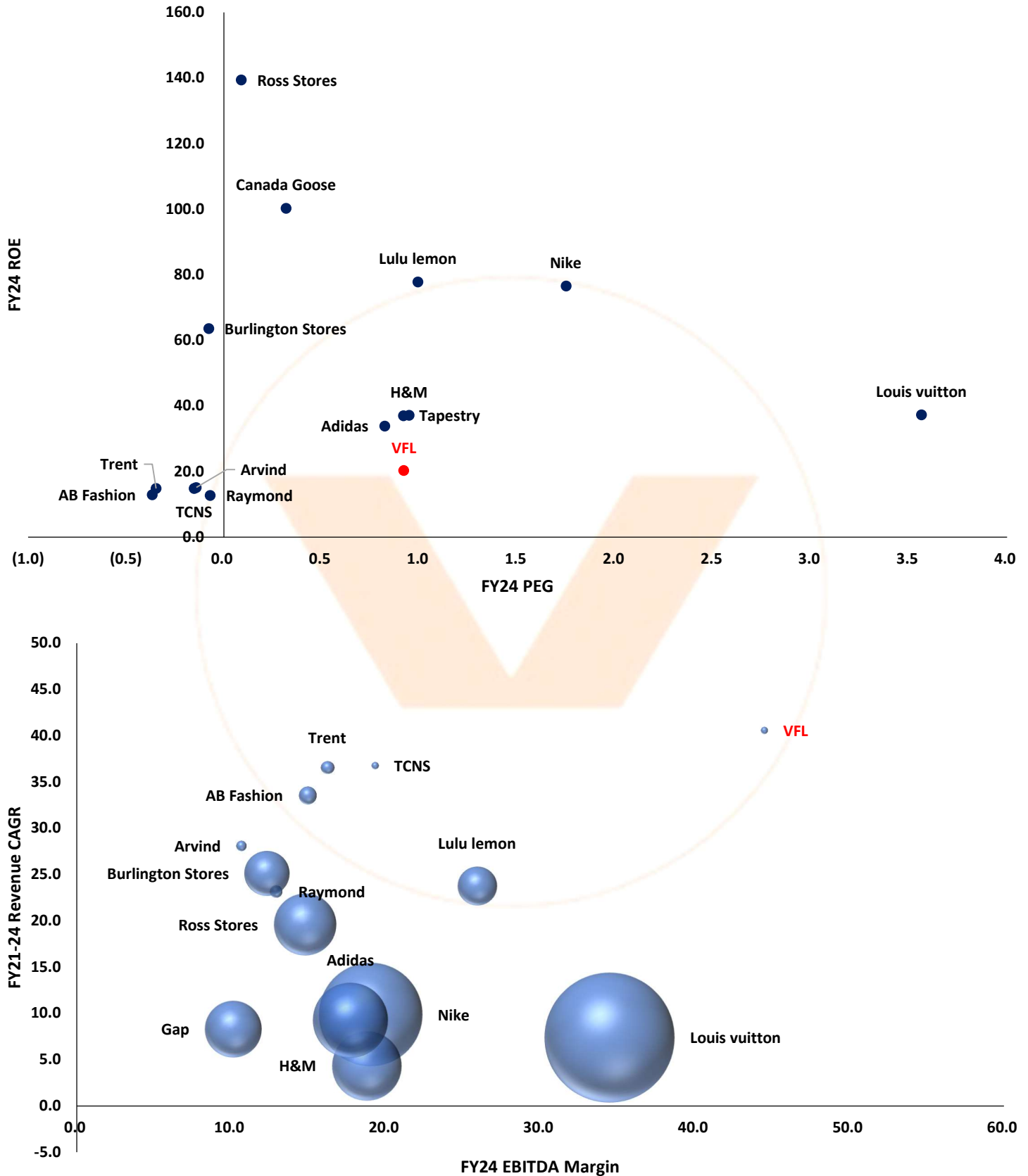
Valuation and Comparable Metric of Global Peers

Figures as mentioned

Company Name	Mkt Cap	Price	PEG 2021-24	P/E (X)				EV/EBITDA (X)				P/BV (X)				RoE (%)				RoC (%)				Sales				EBITDA Margin (%)				Net Margin (%)			
				2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
Domestic Peers (Fig in INR Cr)																																			
VFL	21,017	866	0.9	158.1	97.2	66.8	46.4	85.5	58.5	41.0	29.0	19.3	13.3	11.3	9.4	12.2	13.7	17.0	20.3	17.1	21.9	30.3	40.3	565	795	1,125	1,569	43.0	44.3	44.4	44.5	23.5	27.2	28.0	28.9
TCNS	4,607	748	-0.2	(81.7)	158.2	45.0	35.3	1,947.0	37.5	18.4	15.4	7.5	7.5	6.3	5.2	(9.2)	4.7	14.0	14.8	(11.8)	4.2	20.0	20.2	636	964	1,392	1,626	0.4	13.1	18.6	19.3	(8.9)	3.0	7.4	8.0
AB Fashion	28,862	309	-0.4	(42.9)	(185.5)	119.3	68.0	97.9	30.1	18.8	15.1	10.9	10.9	9.8	8.8	(25.4)	(5.9)	8.3	13.0	(7.2)	2.4	22.2	38.0	5,249	7,783	10,661	12,507	6.2	12.7	14.5	14.9	(12.8)	(2.0)	2.3	3.4
Trent	38,997	1,097	-0.3	(266.8)	273.7	122.6	85.3	238.0	66.5	44.1	35.2	16.9	15.8	14.0	12.7	(6.3)	5.8	11.4	14.8	(2.0)	13.6	23.8	49.1	2,593	4,067	5,537	6,602	6.6	14.6	16.0	16.2	(5.6)	3.5	5.7	6.9
Arvind	4,188	319	-0.1	(7.2)	(48.7)	44.3	23.6	342.1	-	-	-	8.0	4.3	4.0	3.6	-	(8.9)	9.0	15.2	(14.0)	-	-	-	2,124	2,879	3,854	4,465	0.8	9.2	9.7	10.7	(27.3)	(3.0)	2.5	4.0
Raymond	5,153	768	-0.1	(17.3)	52.5	24.4	14.4	(101.5)	-	-	-	2.5	2.3	2.1	1.8	(14.2)	4.4	8.7	12.7	(10.4)	-	-	-	3,446	5,155	6,154	6,441	(1.9)	10.9	11.9	12.9	(8.6)	1.9	3.4	5.5
Monet Carlo	1,344	648.5	-	20.3	17.4	16.3	-	10.8	-	-	-	2.2	2.0	1.9	-	11.0	11.8	11.6	-	19.1	-	-	-	622	653	705	-	18.6	15.0	18.0	-	10.7	11.8	11.7	-
Global Peers (Fig in USD mn)																																			
Louis vuitton	4,16,080	824	3.6	29.2	28.6	26.0	24.0	15.1	15.7	14.0	12.5	7.7	6.8	6.0	5.2	26.5	23.9	22.9	21.6	25.0	31.2	33.9	37.3	75,951	80,895	87,646	94,078	38.8	33.5	34.0	34.5	18.7	18.0	18.2	18.4
Nike	2,35,154	149	1.7	41.1	39.4	31.0	26.8	28.4	30.0	23.5	20.4	18.4	16.7	15.2	12.2	44.8	42.3	48.9	45.5	57.2	75.4	81.5	76.6	44,538	47,175	53,577	59,054	18.6	16.3	18.3	19.0	12.9	12.7	14.2	14.9
H&M	31,921	19	0.9	24.7	19.3	17.1	15.6	8.2	7.1	6.7	6.5	4.8	4.7	4.5	4.5	19.5	24.6	26.3	29.1	16.3	28.7	32.1	37.2	23,368	24,383	25,461	26,551	18.9	19.0	19.1	18.8	5.5	6.8	7.3	7.7
Prada	15,865	6	0.7	57.1	38.4	29.7	24.4	13.3	11.9	10.3	8.8	4.7	4.4	4.0	3.9	8.2	11.4	13.6	16.0	13.4	15.2	19.2	25.5	3,707	4,218	4,672	5,011	32.5	33.0	33.8	35.2	7.5	9.8	11.4	13.0
Gap	6,602	18	-0.0	(9.9)	13.4	9.4	7.2	17.4	5.1	4.4	3.9	2.5	2.6	2.1	1.7	(25.5)	19.0	22.0	24.1	(10.9)	29.4	30.5	31.3	13,800	16,681	16,960	17,528	5.0	8.1	9.1	10.1	(4.8)	3.0	4.1	5.3
Lulu lemon	45,148	349	1.0	76.7	45.2	38.8	32.6	37.4	27.6	23.3	19.8	17.8	15.3	12.0	9.7	23.2	33.8	31.0	29.7	37.5	80.8	78.8	77.9	4,402	6,261	7,226	8,343	27.2	25.3	25.8	25.9	13.4	15.9	16.1	16.6
Adidas	53,031	276	0.8	33.1	25.8	21.3	18.2	14.9	12.5	10.8	9.8	6.4	5.9	5.3	4.8	19.4	22.8	25.1	26.4	27.2	33.4	37.5	33.9	23,816	26,196	28,528	31,053	15.0	16.1	16.9	17.7	6.7	7.9	8.7	9.4
Ross Stores	34,390	97	0.1	402.8	20.3	18.3	16.8	28.9	11.6	10.4	9.7	10.5	8.5	7.1	6.3	2.6	41.8	38.5	37.5	4.5	206.0	162.3	139.4	12,532	18,856	20,138	21,444	9.8	14.4	14.8	14.8	0.7	9.0	9.3	9.5
Zalando	20,537	78	1.0	69.9	64.1	47.3	31.5	24.7	22.7	17.7	16.4	7.5	6.5	5.7	5.0	10.7	10.2	12.1	15.9	55.4	35.5	39.1	14.3	11,562	13,616	16,121	18,735	6.6	6.1	6.5	7.5	2.5	2.4	2.7	3.5
Burlington Stores	15,427	231	-0.1	(71.3)	24.9	24.1	19.6	59.0	14.1	12.9	11.1	33.0	17.9	12.5	9.6	(46.3)	71.8	52.1	49.0	(9.1)	80.9	103.6	63.7	5,764	9,499	10,176	11,290	5.5	11.7	11.5	12.3	(3.8)	6.5	6.3	7.0
Tapestry	10,761	39	0.9	12.9	11.1	10.2	9.6	8.0	7.1	6.3	5.7	3.4	3.3	2.8	2.2	26.0	30.2	27.2	23.1	20.9	40.9	42.1	37.1	5,746	6,584	6,868	7,098	26.4	22.8	23.2	23.9	14.5	14.8	15.3	15.8
Canada Goose	3,364	32	0.3	63.3	29.2	21.2	17.3	22.8	14.4	10.7	8.4	5.2	8.7	6.1	6.0	8.2	29.7	28.8	34.7	11.6	38.2	48.0	100.3	684	906	1,062	1,202	22.3	26.1	28.9	30.5	7.8	12.7	15.0	16.2

Source: Ventura Research & Bloomberg

Vedant Fashions is available at significant discount to peers



Source: Ventura Research, ACE Equity & Bloomberg

Understanding the business

VFL is the only pan India franchisee in the Indian wedding and celebration wear segment in a market having regional players. The 'Manyavar' brand is a category leader in the branded Indian wedding and celebration wear market with a pan-India presence, as of FY20. The company offers a one-stop destination with a wide-spectrum of product offerings for every celebratory occasion.

Product Portfolio



Source: Company RHP

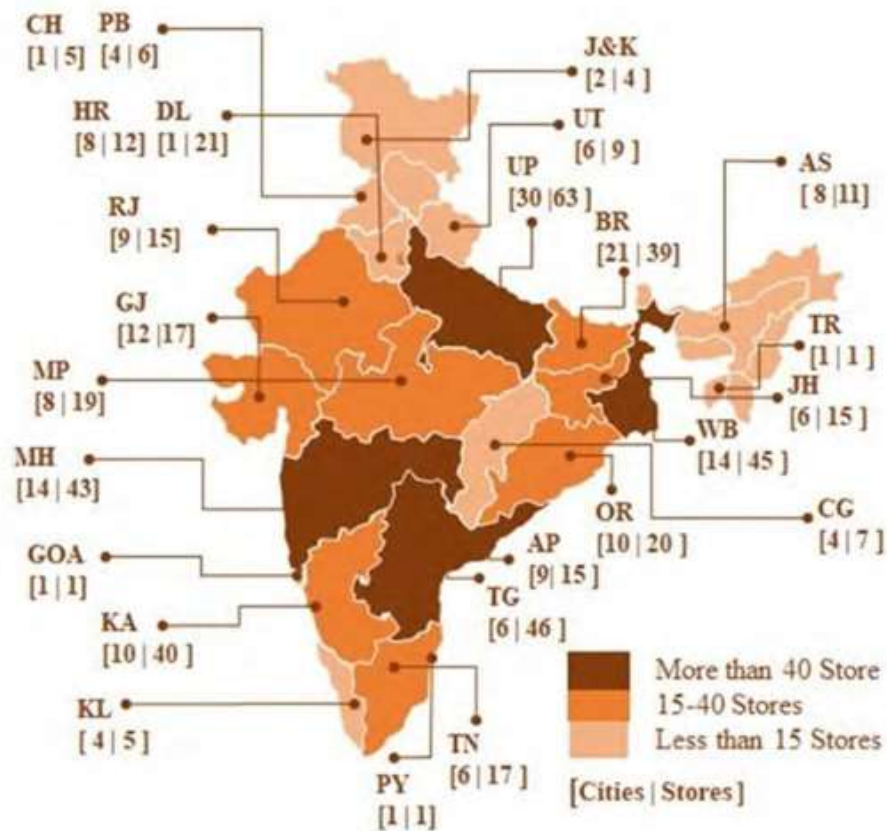
It is focused on further enhancing its leadership position in the organized Indian wedding and celebration wear market and establishing its dominance in the premium and value segments of the men's Indian wedding and celebration wear market through its brands, Twamev and Manthan, respectively, and in the women's Indian wedding and celebration wear market through its brand, Mohey, launched in 2015. Through its diverse portfolio of leading and differentiated brands, including its acquisition of Mebaz in FY18, a regional legacy brand catering to the entire family with a rich heritage and established presence in the states of Andhra Pradesh and Telangana, it is able to better cater to the needs of its customers and the aspirations of the entire family yet remain value for money.

Brand Portfolio				
Brand	Year	Brand Positioning	Price Spectrum	Distribution Channel
Manyavar	1999	Men's and boys' flagship brand	Mid-premium	EBOs, MBOs, LFS, e-commerce
Mohey	2015	Women's flagship brand	Mid-premium	EBOs and e-commerce
Mebaz	2017	Men's, women's and kids' brands for the South Indian market	Mid-premium to premium	EBOs
Manthan	2018	Men's value brand	Value	MBOs, LFS, e-commerce
Twamev	2019	Men's premium brand	Premium	EBOs

Source: Company Reports

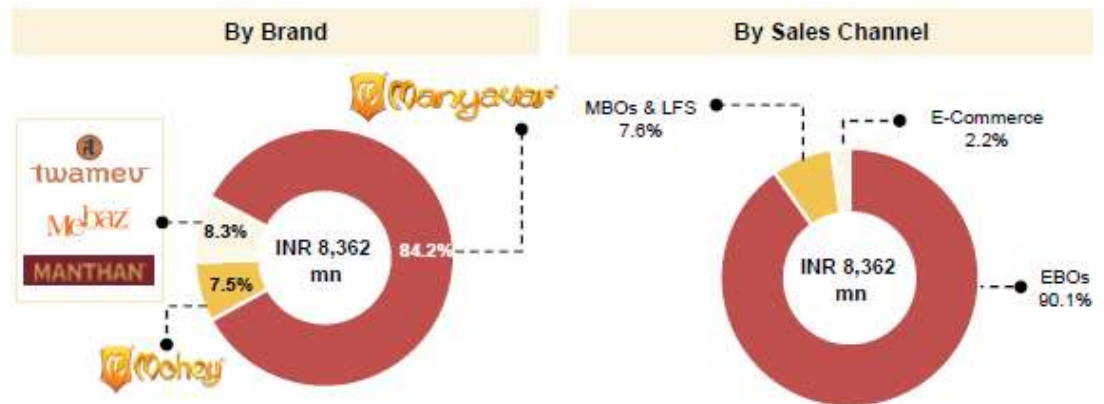
As of Sept 30, '21, it had a retail footprint of 1.2 msf covering 535 EBOs (including 58 shop-in-shops) spanning across 212 cities and towns in India, and 11 EBOs overseas across the United States, Canada and the UAE.

Geographic Distribution of EBO Retail Network across India



Source: Company RHP

Sales Break-Up



Source: Company Reports

Financial Analysis and Projections

FY21 was an exceptionally bad year for the Indian celebration wear market due to Covid-19. Over the period FY19-21, VFL reported a revenue decline of 16.0% CAGR to INR 565 cr in FY21 impacted by

- 15.1% CAGR decline in Manyavar (84.2% of FY21 revenue) to INR 475.6 cr,
- 10.5% CAGR decline in Mohey (7.5% of FY21 revenue) to INR 42.2 cr, and
- 27.0% CAGR decline in other brands (8.3% of FY21 revenue) to INR 47.1 cr.

EBITDA/PAT fell at a CAGR of 5.7%/14.6% to INR 243 cr/INR 133 cr respectively. EBITDA margin however, expanded by 890 bps to 44.6% due to lower operating expenses. PAT margin expanded by 80bps to 23.5%. Return ratio ROE, ROCE and ROIC fell by 830bps/1000bps/ 2280 bps to 12.2%/8.1%/17.1% respectively.

Over the period FY21-24E, we expect VFL revenue to grow at 40.6% to INR 1,569 cr driven by

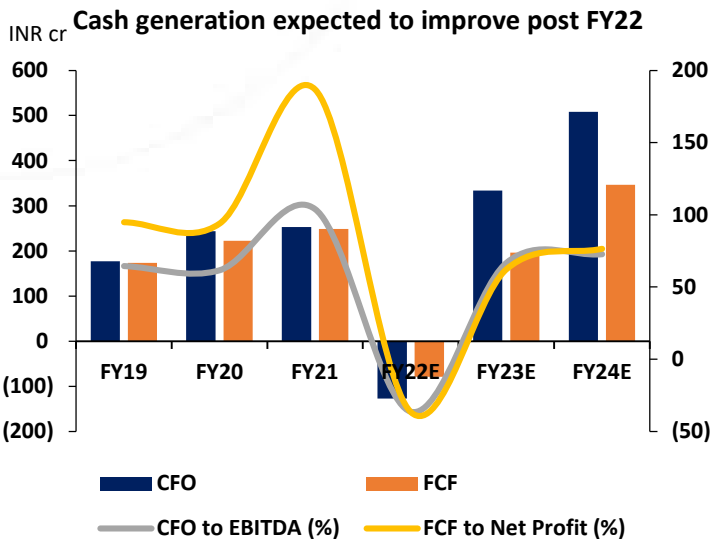
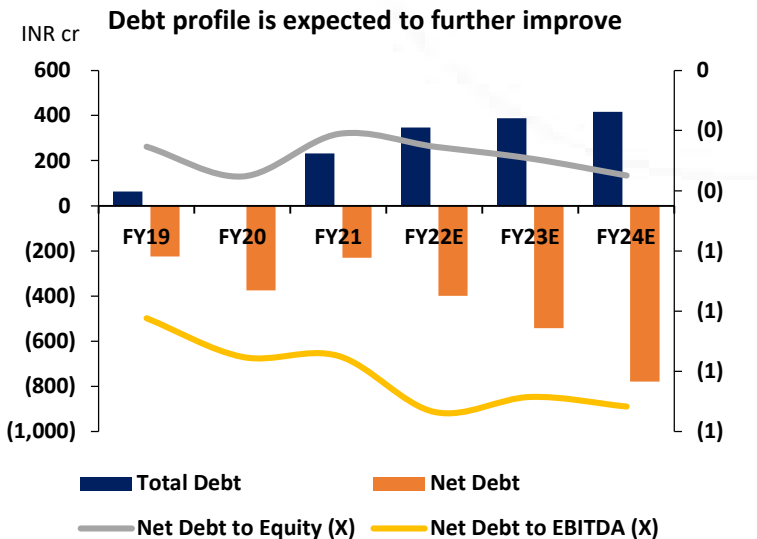
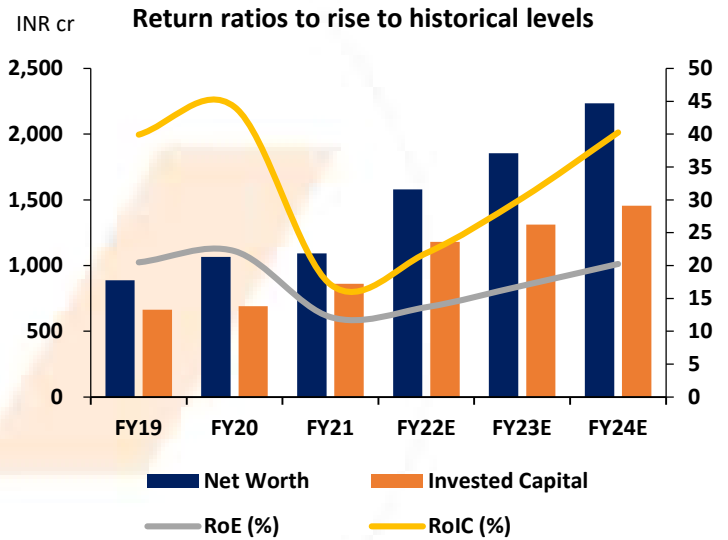
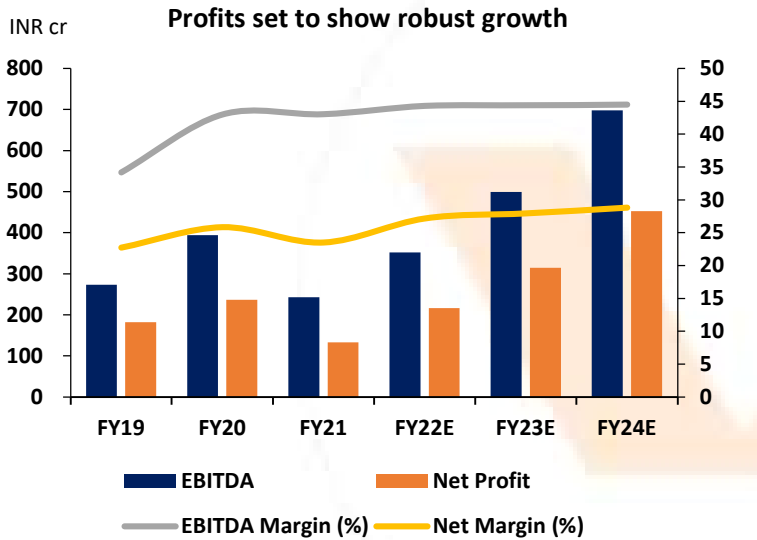
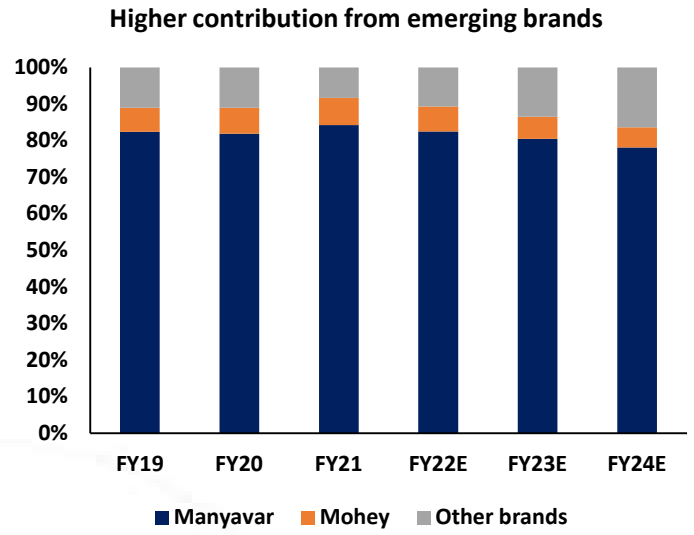
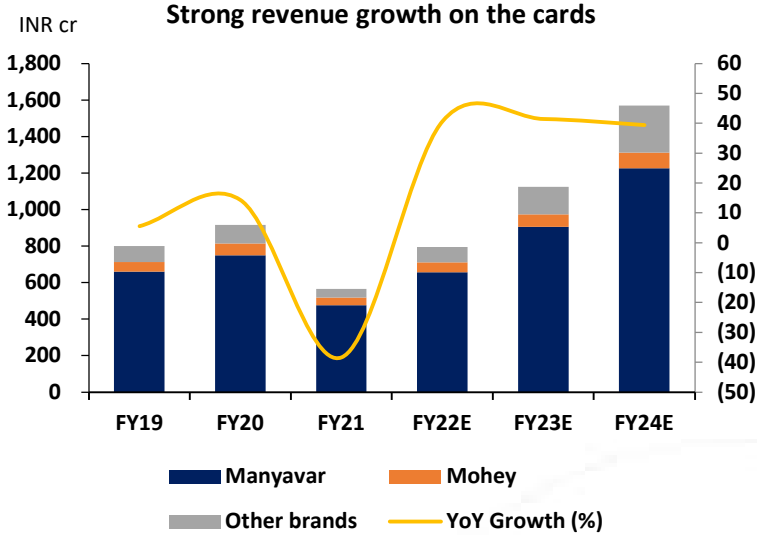
- 37.1% CAGR in Manyavar (78.1% of FY21 revenue) to INR 1,226 cr,
- 26.8% CAGR in Mohey (5.5% of FY21 revenue) to INR 86 cr, and
- 76.1% CAGR in other brands (16.4% of FY21 revenue) to INR 257 cr.

EBITDA/PAT are expected to grow 42.2%/50.5% to INR 698 cr/ INR 453 cr. This is aided by the fact that the company has never offered any discounts on its products and does not plan to offer discounts in the future as well. EBITDA and PAT margins are forecasted to improve by 150 bps/ 530bps to 44.5%/28.9% respectively by FY24. Return ratios, ROE, ROCE and ROIC are expected to improve by 810 bps/840 bps/2310 bps to 20.3%/16.5%/40.3% respectively.

VFL's Financial Summary

Fig in INR Cr (unless specified)	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
Revenue from operations	599.4	758.1	800.7	915.6	564.8	795.0	1,125.0	1,569.0	2,135.0	2,829.0	3,636.0	4,574.0	5,628.0	6,772.0	8,080.0
YoY Growth (%)	18.9	26.5	5.6	14.3	(38.3)	40.8	41.5	39.5	36.1	32.5	28.5	25.8	23.0	20.3	19.3
Employee Cost	34.8	49.0	47.2	53.3	38.1	51.7	73.1	102.0	138.8	183.9	234.5	295.0	360.2	433.4	513.1
Employee Cost to Sales (%)	5.8	6.5	5.9	5.8	6.7	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.4	6.4	6.4
Other Expenses	257.5	246.5	269.3	217.3	137.3	190.4	268.9	374.2	508.1	671.9	861.7	1,081.8	1,328.2	1,594.8	1,898.8
Other Expenses to Sales (%)	43.0	32.5	33.6	23.7	24.3	24.0	23.9	23.9	23.8	23.8	23.7	23.7	23.6	23.6	23.5
Cost to income ratio (%)	48.8	39.0	39.5	29.6	31.1	30.5	30.4	30.4	30.3	30.3	30.2	30.1	30.0	30.0	29.9
EBITDA	173.5	231.7	273.6	393.8	243.1	352.2	499.5	698.2	952.2	1,264.6	1,630.7	2,056.0	2,538.2	3,060.9	3,664.3
EBITDA Margin (%)	28.9	30.6	34.2	43.0	43.0	44.3	44.4	44.5	44.6	44.7	44.9	45.0	45.1	45.2	45.4
Net Profit	106.0	147.9	182.2	236.6	132.9	216.3	314.5	452.8	637.8	863.7	1,131.7	1,449.8	1,813.8	2,214.3	2,681.8
Net Margin (%)	17.7	19.5	22.8	25.8	23.5	27.2	28.0	28.9	29.9	30.5	31.1	31.7	32.2	32.7	33.2
Adjusted EPS	4.4	6.1	7.5	9.8	5.5	8.9	13.0	18.7	26.3	35.6	46.6	59.7	74.7	91.2	110.5
P/E (X)	198.2	142.1	115.4	88.8	158.1	97.2	66.8	46.4	33.0	24.3	18.6	14.5	11.6	9.5	7.8
Adjusted BVPS	13.6	29.0	36.6	43.9	45.0	65.1	76.4	92.1	113.4	141.1	176.1	220.9	276.9	342.6	418.9
P/BV (X)	63.8	29.8	23.7	19.7	19.3	13.3	11.3	9.4	7.6	6.1	4.9	3.9	3.1	2.5	2.1
Enterprise Value	21,069.6	20,936.7	20,792.2	20,642.5	20,786.8	20,617.7	20,475.5	20,237.9	20,130.7	20,025.1	19,717.7	19,312.3	18,770.8	18,100.7	17,336.5
EV/EBITDA (X)	121.4	90.4	76.0	52.4	85.5	58.5	41.0	29.0	21.1	15.8	12.1	9.4	7.4	5.9	4.7
Net Worth	329.3	705.0	888.5	1,066.0	1,091.4	1,580.6	1,854.1	2,234.5	2,751.1	3,424.8	4,273.6	5,360.9	6,721.3	8,315.6	10,166.0
Return on Equity (%)	32.2	21.0	20.5	22.2	12.2	13.7	17.0	20.3	23.2	25.2	26.5	27.0	27.0	26.6	26.4
Capital Employed	382.7	767.5	951.9	1,066.0	1,323.6	1,927.0	2,241.4	2,651.0	3,214.4	3,899.1	4,778.0	5,995.5	7,502.1	9,255.1	11,287.0
Return on Capital Employed (%)	28.1	18.9	18.1	21.7	8.1	10.0	13.3	16.5	19.2	21.6	23.2	23.7	23.6	23.3	23.1
Invested Capital	381.5	624.3	663.3	691.2	860.9	1,180.9	1,312.3	1,455.0	1,864.5	2,432.6	2,974.0	3,655.9	4,474.7	5,398.9	6,485.2
Return on Invested Capital (%)	43.5	35.6	40.0	44.1	17.1	21.9	30.3	40.3	44.3	46.2	49.8	51.9	53.0	53.4	53.7
Cash Flow from Operations	36.8	52.4	176.7	243.5	252.6	(127.4)	334.0	508.1	480.1	641.4	853.0	1,092.9	1,403.1	1,776.7	2,161.7
Cash Flow from Investing	(21.5)	(279.4)	(162.9)	(95.7)	(88.4)	(173.7)	(194.7)	(257.7)	(296.6)	(427.0)	(409.8)	(557.7)	(672.7)	(688.5)	(809.0)
Cash Flow from Financing	(15.7)	223.6	(12.9)	(141.0)	(166.5)	362.5	(34.8)	(83.4)	(118.5)	(225.8)	(301.8)	(289.3)	(378.0)	(547.3)	(752.9)
Net Cash Flow	(0.4)	(3.5)	1.0	6.7	(2.3)	61.4	104.4	166.9	65.1	(11.4)	141.4	245.9	352.3	540.9	599.8
Free Cash Flow	2.3	(102.6)	173.1	222.6	248.3	(79.0)	196.5	346.6	263.5	366.1	625.3	823.5	1,057.3	1,340.5	1,645.5
FCF to Revenue (%)	0.4	(13.5)	21.6	24.3	44.0	(9.9)	17.5	22.1	12.3	12.9	17.2	18.0	18.8	19.8	20.4
FCF to EBITDA (%)	1.3	(44.3)	63.3	56.5	102.2	(22.4)	39.3	49.6	27.7	29.0	38.3	40.1	41.7	43.8	44.9
FCF to Net Profit (%)	2.2	(69.3)	95.0	94.1	186.8	(36.5)	62.5	76.5	41.3	42.4	55.3	56.8	58.3	60.5	61.4
FCF to Net Worth (%)	0.7	(14.5)	19.5	20.9	22.8	(5.0)	10.6	15.5	9.6	10.7	14.6	15.4	15.7	16.1	16.2
Total Debt	53.5	62.5	63.4	0.0	232.1	346.4	387.3	416.5	463.3	474.3	504.4	634.6	780.8	939.5	1,121.0
Net Debt	52.2	(80.7)	(225.2)	(374.8)	(230.6)	(399.7)	(541.9)	(779.5)	(886.7)	(992.2)	(1,299.6)	(1,705.0)	(2,246.6)	(2,916.7)	(3,680.9)
Net Debt to Equity (X)	0.2	(0.1)	(0.3)	(0.4)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)
Net Debt to EBITDA (X)	0.3	(0.3)	(0.8)	(1.0)	(0.9)	(1.1)	(1.1)	(1.1)	(0.9)	(0.8)	(0.8)	(0.8)	(0.9)	(1.0)	(1.0)
Interest Coverage Ratio (X)	32.8	36.8	60.9	11.9	5.7	10.5	11.4	14.6	18.8	24.0	30.3	33.3	33.5	33.5	33.8

Source: Company Report



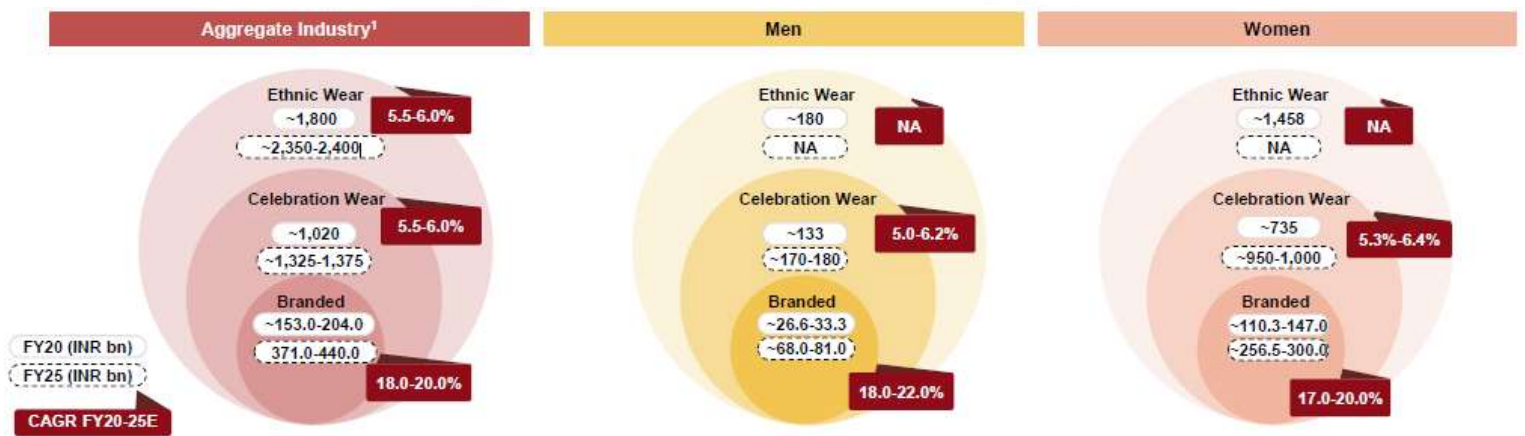
Source: Company Reports and Ventura Research

Key Growth Drivers

Large and growing Indian wedding and celebration wear market

The aggregate ethnic wear industry has a market size of INR 1,800 bn and is expected to grow at a CAGR of 5.5%-6.0% to INR 2,350 bn – INR 2,400 bn by FY25. Under this, the celebration market has a market size of INR 1,020 bn and is expected to grow at a CAGR of 5.5%-6.0% to INR 1,325 bn – INR 1,375 bn by FY25. The branded celebration wear market is forecasted to grow at a CAGR of 18.0% -20.0% from INR 153 bn – INR 204 bn to INR 371 bn – INR 440 bn.

Indian Ethnic Wear & Celebration Wear Market



Source: Company Reports

This opportunity is driven by increased spending on celebration wear owing to

- Huge domestic market of weddings per year (9.5-10 million marriages per year)
- Multi-day & multi-event wedding celebrations
- Trend to wear apt Indian Wedding & Celebration wear for events
- Increasing association with brands in celebration ethnic apparel
- Shift from tailored to ready-to-wear celebration ethnic apparel
- Increased penetration of branded players in Tier 2/3 markets

Manyavar being the market leader in the Indian celebration wear market with a diverse portfolio of brands catering to the aspirations of the entire family is well positioned to take advantage of this market opportunity.

Market leader in Indian celebration wear –

According to CRISIL, the ‘Manyavar’ brand is a category leader in the branded Indian wedding and celebration wear market with a pan-India presence, as of FY20.

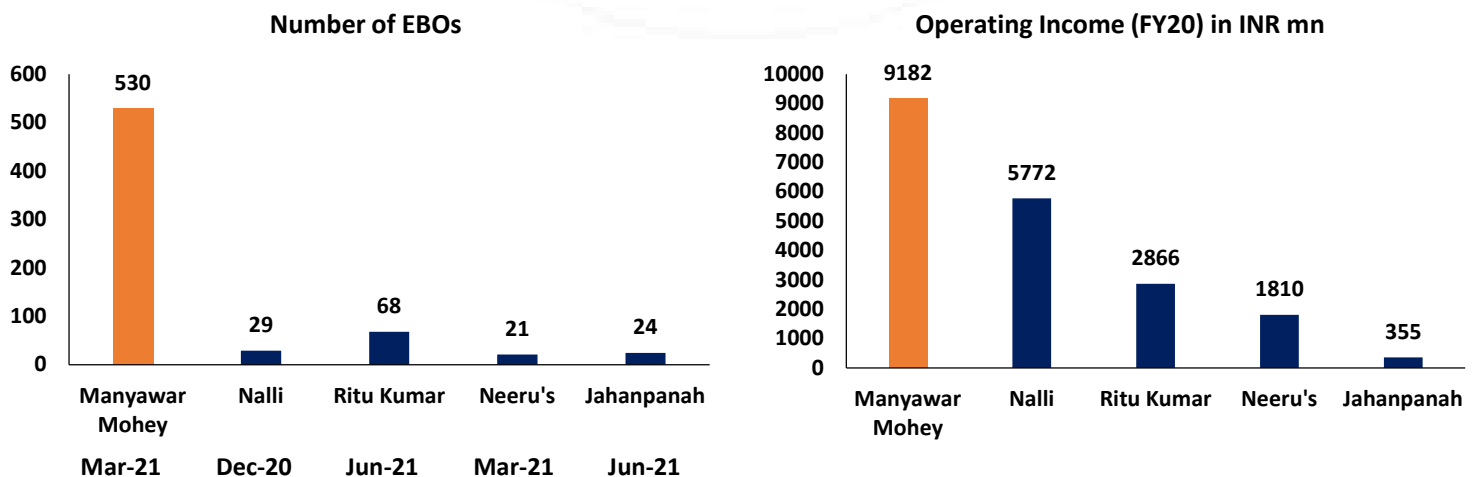
Key Brands Predominant in Indian Wedding & Celebration Wear

FY20 Revenue (INR mn)	Women's Brands	Men's Brands
>7,000	-	Manyavar
> 3,000 to <= 7,000	Nalli	-
> 1,000 to <= 3,000	NEERU'S, Sabyasachi, ANITA DONGRE, RITU KUMAR	-
<=1,000	Mohey, Mebaz, TANEIRA, SHANTANI & NIKHIL, MEZN	twamev, MANTHAN, SWAYAMVAR, Jahanpanah, ethnix

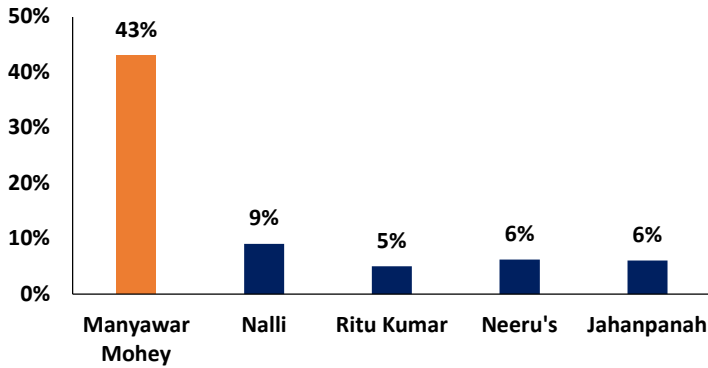
Source: Company Reports; Note: Predominant in Indian wedding & celebration wear - brands with >50% revenue from Indian wedding & celebration wear

The company’s product portfolio, curated at a diverse range of price points, enables it to remain aspirational and yet value for money to the Indian consumers. It is the largest company in India in the men’s Indian wedding and celebration wear segment in terms of revenue, OPBDIT and PAT for FY20.

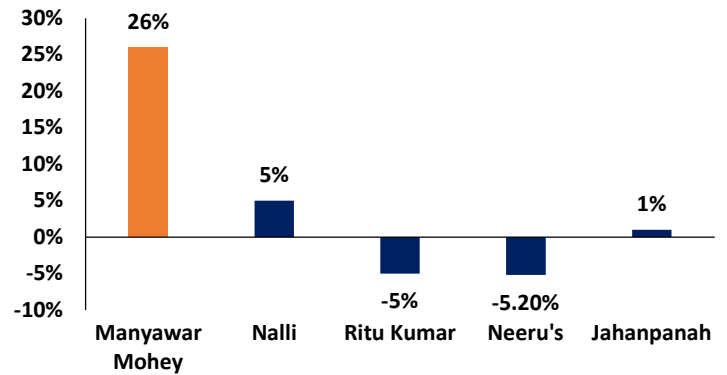
VFL’s Leadership Position



Operating Margin (FY20)



Net Profit Margin (FY20)



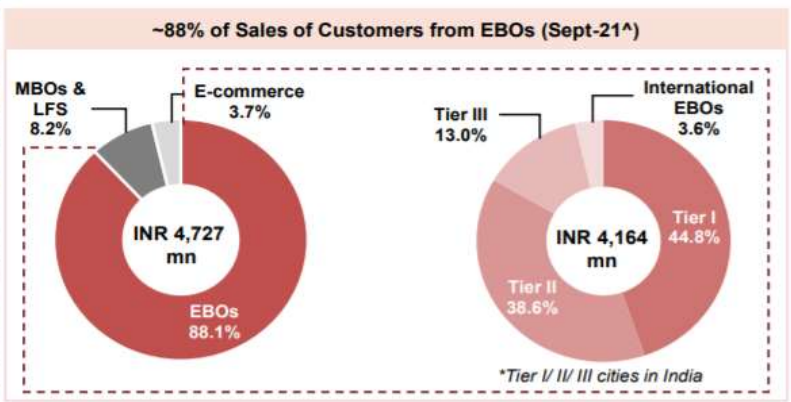
Source: Company Report and CRISIL Research

Unique business model combining asset-light brand play along with seamless purchase experience –

VFL has a differentiated model combining the strengths of retailing with branded consumer play

- i) Asset-light EBO distribution model – VFL is asset-light in respect of its plant, property and equipment with EBOs which are predominantly operated by its franchisees on a pan-India basis. In the six months ended September 30, 2021, over 88.09% of the sales of its customers was generated by EBOs, with over 7.35% by MBOs and shop-in-shops, over 0.88% by LFS and over 3.68% by online channels.

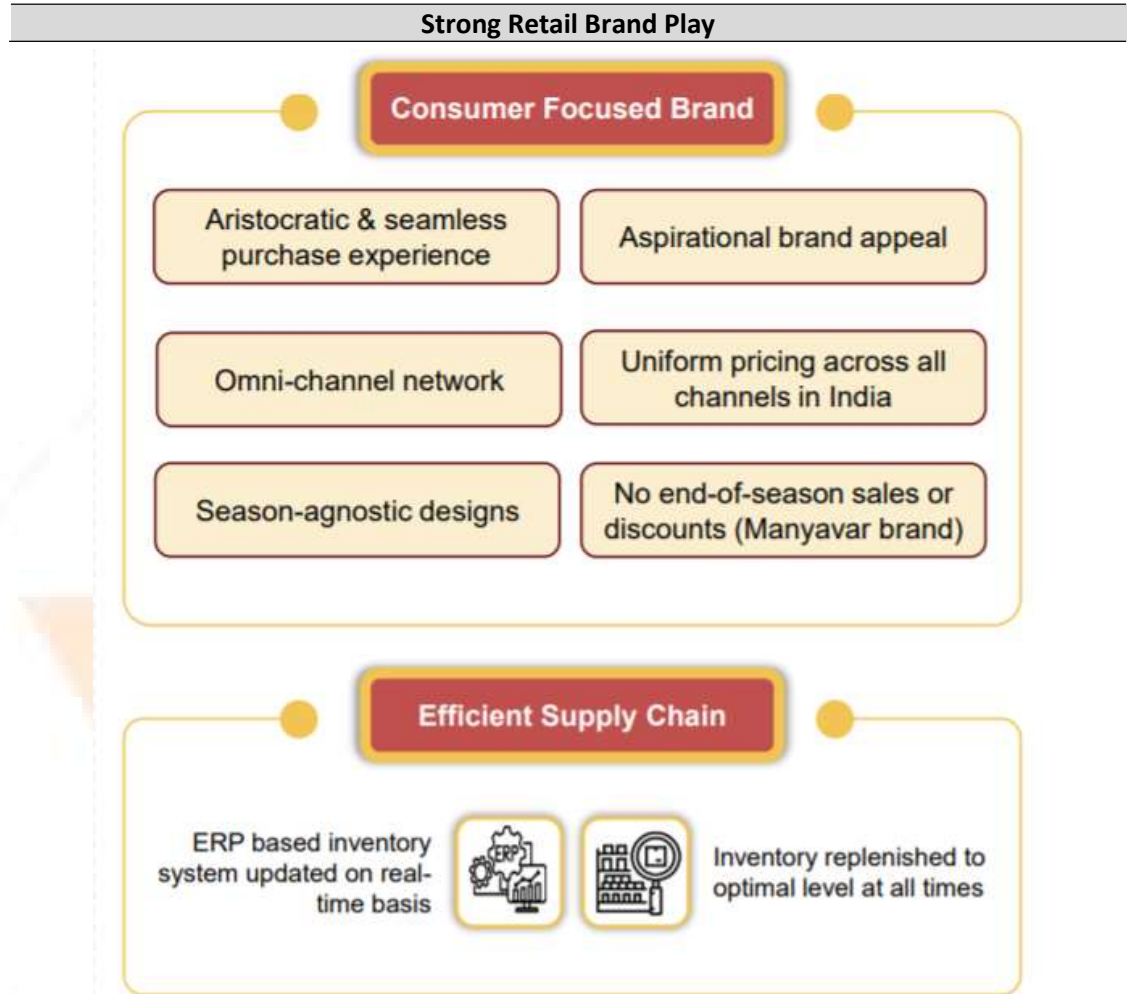
~88% of Sales of Customers from EBOs (Sept-21)



Source: Company Report

- ii) Strong retail brand play – The company’s retail strategy is primarily focused on delivering a consumer-centric experience and it endeavours to launch on-trend designs throughout the year. As sales are primarily channeled through EBOs, it is able to collect secondary sales data and utilize it to analyze consumer buying behaviour. This helps the company develop a better understanding of evolving consumer preferences in the various micro-markets in which it operates and drive the supply

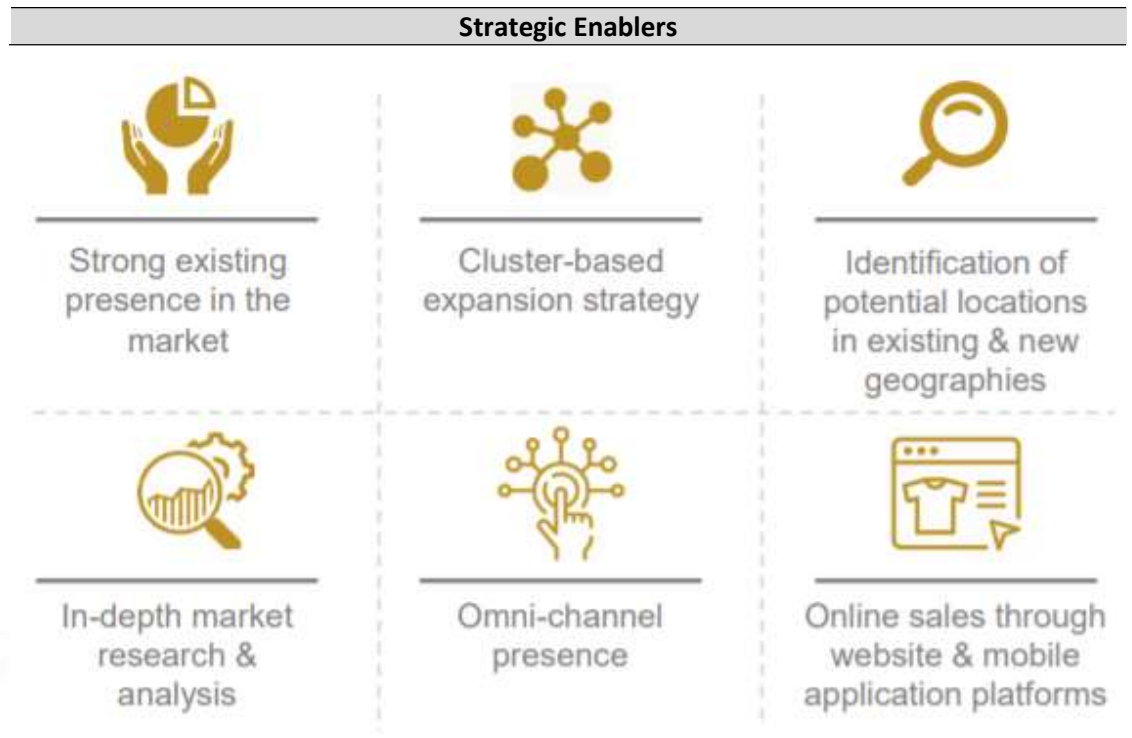
chain and merchandise mix in an efficient manner. Moreover, its inventory system is ERP-based and updated on a real time basis which enables it to ensure that the inventory is replenished to an optimal level at all times.



Source: Company Report

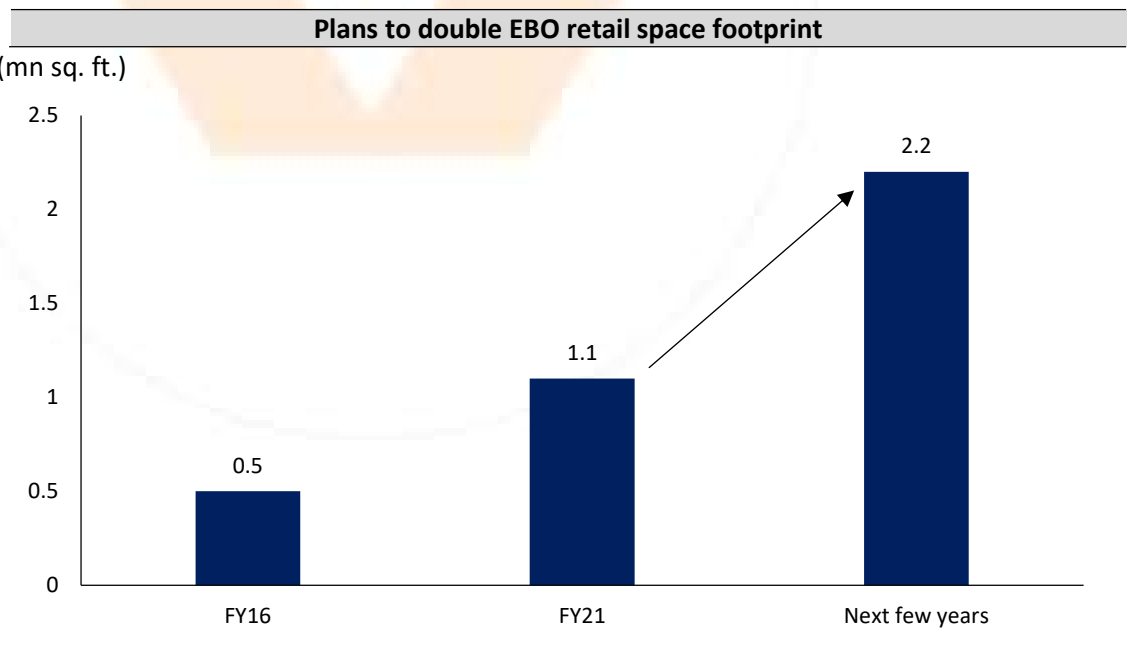
Retail expansion within and outside India –

VFL intends to focus its expansion effects in markets where there is an increasing demand for its products, and where it can leverage its existing presence to expand market share. Through the cluster-based expansion strategy, it has identified several cities and towns in both existing geographies where it has a presence and new geographies where it plans to establish its first EBOs.



Source: Company Reports

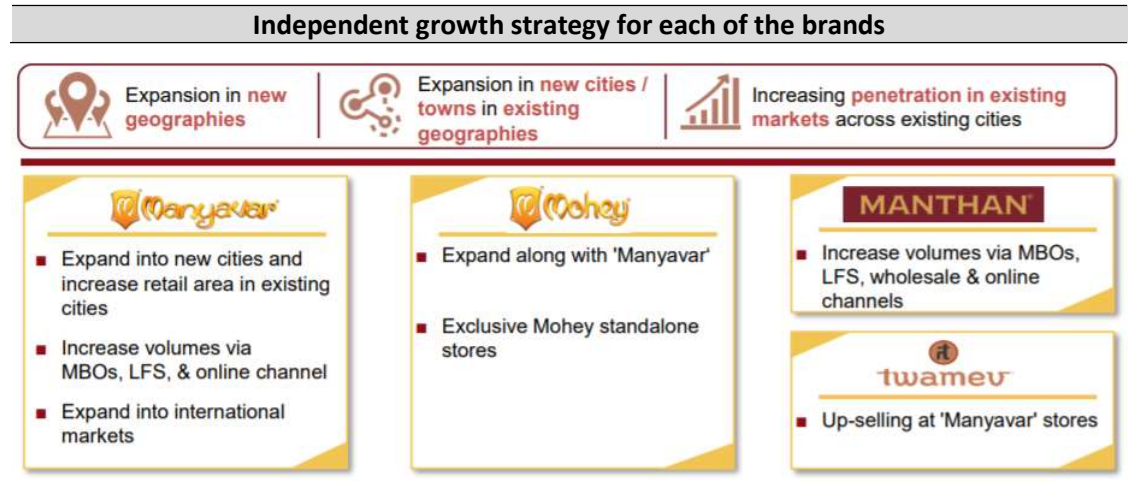
Between FY16-21, it has increased its EBO retail space footprint from approximately 0.50 msf to over 1.1 msf, and aims to double its national footprint over the next few years.



Source: Company Reports & Ventura Research

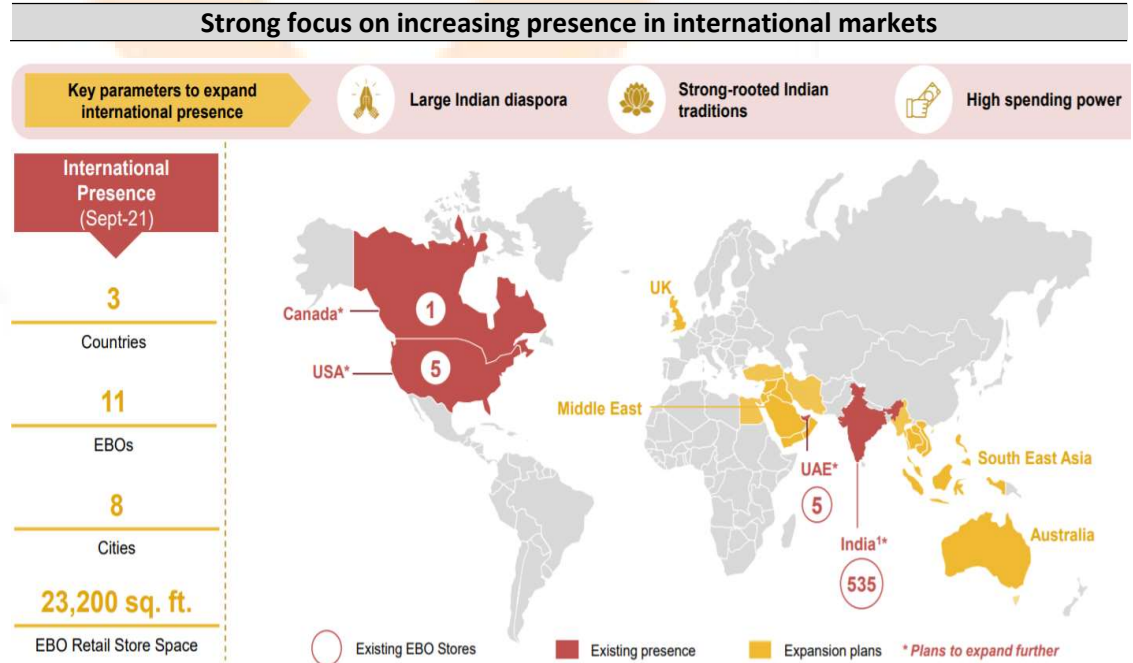
The company has developed independent growth strategies for each of its brands, and intends to expand the footprint of the Mohey brand (along with the Manyavar brand) by establishing exclusive Mohey brand stores in clusters where it has an established dominant position, increasing the presence of Twamev brand products through cross-selling at Manyavar stores,

and increasing the penetration of Manthan and Manyavar brands by increasing sales volumes through the wholesale channel, MBOs, LFSs and online channel.



Source: Company Reports

It also intends to further expand the footprint of the Manyavar brand by continuing to open new EBOs in new areas, cities and markets, and expand its international presence in markets with a large Indian diaspora, strong-rooted Indian traditions and high spending power such as the United States, Canada, United Kingdom, the Middle East, South East Asia and Australia.



Source: Company Reports

Up-selling and Cross-selling Initiatives –

By owning multiple brands catering to the Indian wedding and celebration wear market and operating each within the same omni-channel network, the company is able to significantly

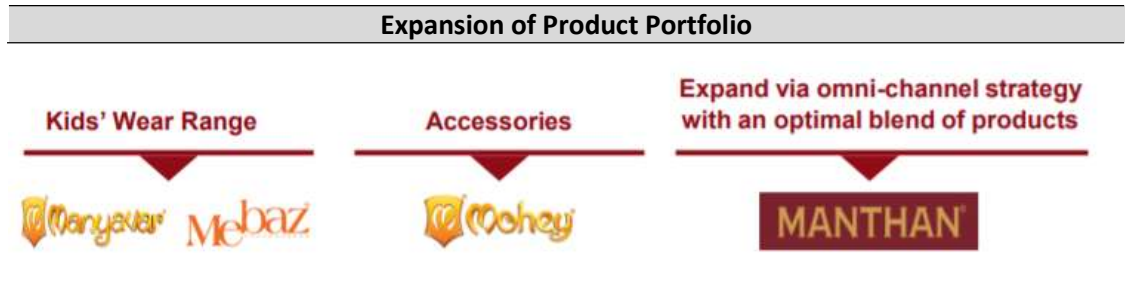
up-sell and cross-sell its products through the existing retail channels. Maintaining strong operational synergies within its EBO network enables it to leverage the strong brand recall and established presence of the Manyavar brand to introduce customers to its emerging brands such as Twamev and Mohey.

As a result, it is able to up-sell the Twamev brand products to its Manyavar customers who may be looking for a premium offering, or cross-sell its Mohey brand products at the Manyavar stores, thereby achieving an increase in order value and the number of items a customer may buy. Moreover, through the Manyavar and Mohey brands, it has recently introduced the 'Man-Moh' range, a coordinated jodi collection for the bride and the groom.



Source: Company Reports

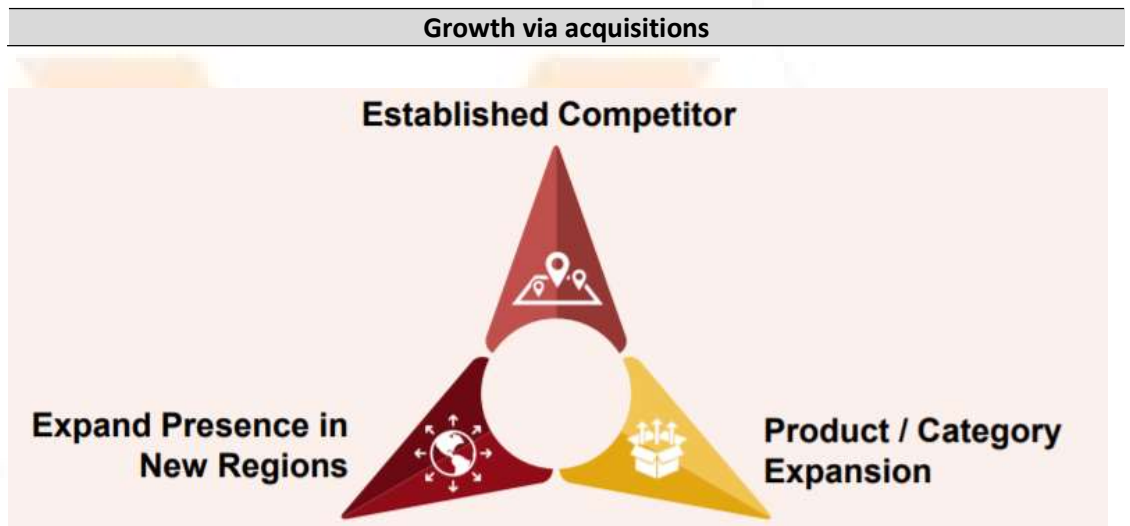
The company aims to deepen its connection with customers by way of extending buying opportunities to not only include the wedding ceremony but also other celebrations like engagement ceremony, haldi, mehndi, sangeet, wedding reception, and other celebratory occasions, such as pan-India and regional religious festivals. It also plans to continue to expand its audience by introducing additional product ranges and growing existing product ranges, such as the kids' wear ranges of Manyavar, Mebaz and Mohey brands. It also aims to launch additional products such as accessories for the Mohey range and widen its audience for the Manthan brand.



Source: Company Reports

Disciplined Approach towards Acquisitions –

In addition to strengthening and expanding the reach of VFL’s existing brands, it aims to acquire other brands opportunistically. Through its acquisitions, it plans to leverage its existing strong cash position towards the synergic opportunities and seamlessly integrate the acquired brand with the ecosystem of the existing brands, thereby facilitating an increase in profitability margins and achieving economies of scale.



Source: Company Reports

The primary focus while reviewing potential acquisition opportunities will be to consolidate its leadership position, expand its presence in regions where it does not have a significant presence, supplement the ability to leverage its existing manufacturing and supply chain to drive future expansions and further enhance and optimize its omni-channel network through the acquisition of a relatively established competitor in the ethnic and celebration wear market. The company is also examining the possibility of integrating existing brands with the potential target brand. It is focusing on opportunities in adjacent product categories within the Indian wedding and celebration wear market such as kids apparels and accessories, and on brands not competing with one of its existing brands, so as to facilitate an easier integration and better synergies with the target.

VFL's Management Team

KMP	Designation	Description
Ravi Modi	Chairman & Managing Director	He has studied commerce from St. Xavier's College, Calcutta University and been associated with the company since its inception. He has more than two decades of experience in the garment industry. He oversees the design and marketing functions of the company.
Shilpi Modi	Whole Time Director	She has studied commerce from Allahabad University and been associated with the company since inception. She has more than two decades of experience in the garment industry. She handles the digital strategy and product lifecycle of the company
Rahul Murarka	CFO	He joined the company in 2013 and has completed his B-Com (honours) degree from the University of Calcutta. He is also a qualified chartered accountant with over 16 years of experience in finance, accounting, audits, taxation and regulatory compliances.
Amar Sethia	Chief Product Officer	He has been associated with the company since 2002 and is engaged in product designing and in developing the product vision, strategy, analytics and metrics. He completed his schooling and attended college in Kolkata, West Bengal.
Siddhartha Saraf	Chief - Strategy & Investments	He joined the Company in 2020 and leads the business strategy and investment functions of the company. He is a Certified Financial Analyst registered with the CFA Institute, USA and a Financial Risk Manager enrolled with the Global Association of Risk Professionals, USA.
Ajay Modi	Chief Supply Chain Officer	He joined the company in 2008 and oversees the entire supply chain process including replenishment and inventory management. He has passed his bachelor's degree in business management from the Bangalore University.
S. Arif Raza	Chief of Retail Business Development and Projects	He joined the company in 2018 and holds a BA degree from University of Delhi. He has completed his MBA (marketing) from S.P. Jain Center of Management. He has also completed the retail next practice, executive program from XLRI. He has over 10 years of experience in retail business development and management.

Source: Company Reports

Issue Structure and Offer Details

The proposed issue size of VFL's IPO is INR 3,149.19 cr, out of which the entire amount is an OFS. The price band for the issue is in the range of INR 824-866 and the bid lot is 17 shares and multiples thereof.

Issue Structure		
Category	No. of shares offered	% of Issue
QIB	1,81,82,419	Not more than 50%
Non Institutional Bidders	54,54,726	Not less than 15%
Retail	1,27,27,693	Not less than 35%
Total	3,63,64,838	100%

** Number of shares based on higher price band of INR 866*

Source: Company Reports

Selling Shareholders in the OFS	
Selling Shareholders	Number of shares offered (upto)
Rhine	1,74,59,392
Kedaara AIF	7,23,014
Ravi Modi Family Trust	1,81,82,432
Total	3,63,64,838

Source: Company RHP

Shareholding Pattern		
Category	Pre Issue	Post Issue
Promoters	92.40%	77.42%
Public	7.60%	22.58%
Total	100.00%	100.00%

Source: Company RHP

Risks and Concerns

1. The COVID-19 pandemic or any future pandemic or widespread public health emergency could adversely affect the business, results of operations, financial condition and cash flows.
2. The business is highly concentrated on Indian wedding and celebration wear and vulnerable to variations in demand, as well as changes in consumer preferences which could have an adverse effect on the financials and our forecasts.
3. The business prospects depend on the strength of its key brand - Manyavar, and any failure to maintain or grow sales of its products could adversely affect the business.

Financial Analysis & Projections

Fig in INR Cr (unless specified)	FY20	FY21	FY22E	FY23E	FY24E	Fig in INR Cr (unless specified)	FY20	FY21	FY22E	FY23E	FY24E
Income Statement						Per share data & Yields					
Revenue	915.6	564.8	795.0	1,125.0	1,569.0	Adjusted EPS (INR)	9.8	5.5	8.9	13.0	18.7
YoY Growth (%)	14.3	(38.3)	40.8	41.5	39.5	Adjusted Cash EPS (INR)	13.4	9.4	12.8	17.1	23.3
Raw Material Cost	251.2	146.3	200.7	283.5	394.6	Adjusted BVPS (INR)	43.9	45.0	65.1	76.4	92.1
RM Cost to Sales (%)	27.4	25.9	25.3	25.2	25.2	Adjusted CFO per share (INR)	10.0	10.4	(5.3)	13.8	20.9
Employee Cost	53.3	38.1	51.7	73.1	102.0	CFO Yield (%)	1.2	1.2	(0.6)	1.6	2.4
Employee Cost to Sales (%)	5.8	6.7	6.5	6.5	6.5	Adjusted FCF per share (INR)	9.2	10.2	(3.3)	8.1	14.3
Other Expenses	217.3	137.3	190.4	268.9	374.2	FCF Yield (%)	1.1	1.2	(0.4)	0.9	1.6
Other Exp to Sales (%)	23.7	24.3	24.0	23.9	23.9	Dividend Payout (%)	0.0	0.0	10.0	13.0	16.0
EBITDA	393.8	243.1	352.2	499.5	698.2	Solvency Ratio (X)					
Margin (%)	43.0	43.0	44.3	44.4	44.5	Total Debt to Equity	0.0	0.2	0.2	0.2	0.2
YoY Growth (%)	43.9	(38.3)	44.9	41.8	39.8	Net Debt to Equity	(0.4)	(0.2)	(0.3)	(0.3)	(0.3)
Depreciation & Amortization	88.7	95.5	93.5	101.6	112.3	Net Debt to EBITDA	(1.0)	(0.9)	(1.1)	(1.1)	(1.1)
EBIT	305.0	147.5	258.7	397.9	585.9	Return Ratios (%)					
Margin (%)	33.3	26.1	32.5	35.4	37.3	Return on Equity	22.2	12.2	13.7	17.0	20.3
YoY Growth (%)	15.1	(51.6)	75.4	53.8	47.3	Return on Capital Employed	21.7	8.1	10.0	13.3	16.5
Other Income	32.4	60.2	56.2	57.2	59.4	Return on Invested Capital	44.1	17.1	21.9	30.3	40.3
Finance Cost	25.6	25.8	24.6	34.9	40.2	Working Capital Ratios					
Interest Coverage (X)	11.9	5.7	10.5	11.4	14.6	Payable Days (Nos)	20	32	32	29	27
Exceptional Item	0.0	0.0	0.0	0.0	0.0	Inventory Days (Nos)	48	65	80	65	50
PBT	311.8	181.9	290.3	420.2	605.1	Receivable Days (Nos)	148	233	250	200	155
Margin (%)	34.1	32.2	36.5	37.4	38.6	Net Working Capital Days (Nos)	176	267	298	236	178
YoY Growth (%)	11.5	(41.7)	59.6	44.7	44.0	Net Working Capital to Sales (%)	48.3	73.0	81.6	64.7	48.8
Tax Expense	75.2	49.0	74.0	105.8	152.3	Valuation (X)					
Tax Rate (%)	24.1	26.9	25.5	25.2	25.2	P/E	88.8	158.1	97.2	66.8	46.4
PAT	236.6	132.9	216.3	314.5	452.8	P/BV	19.7	19.3	13.3	11.3	9.4
Margin (%)	25.8	23.5	27.2	28.0	28.9	EV/EBITDA	52.4	85.5	58.5	41.0	29.0
YoY Growth (%)	29.9	(43.8)	62.8	45.4	44.0	EV/Sales	22.5	36.8	25.9	18.2	12.9
Min Int/Sh of Assoc	0.0	0.0	0.0	0.0	0.0	Cash Flow Statement					
Net Profit	236.6	132.9	216.3	314.5	452.8	PBT	311.8	181.9	290.3	420.2	605.1
Margin (%)	25.8	23.5	27.2	28.0	28.9	Adjustments	85.9	89.8	(107.2)	97.9	93.0
YoY Growth (%)	29.9	(43.8)	62.8	45.4	44.0	Change in Working Capital	(79.1)	29.9	(236.5)	(78.3)	(37.8)
Shareholders Fund	1,066.0	1,091.4	1,580.6	1,854.1	2,234.5	Less: Tax Paid	(75.2)	(49.0)	(74.0)	(105.8)	(152.3)
Lease Liabilities	0.0	153.9	216.6	249.1	286.5	Cash Flow from Operations	243.5	252.6	(127.4)	334.0	508.1
Deferred Tax Assets / Liabilities	7.5	13.2	12.5	12.5	12.5	Net Capital Expenditure	(18.4)	15.1	(128.7)	(124.6)	(166.4)
Other Long Term Liabilities	283.3	195.8	49.0	69.3	96.6	Change in Investments	(77.3)	(103.5)	(45.0)	(70.1)	(91.3)
Long Term Trade Payables	0.0	0.0	0.0	0.0	0.0	Cash Flow from Investing	(95.7)	(88.4)	(173.7)	(194.7)	(257.7)
Long Term Provisions	2.3	2.6	3.5	5.0	7.0	Change in Borrowings	(115.4)	(32.2)	114.3	40.9	29.2
Total Liabilities	1,359.1	1,456.9	1,862.2	2,190.0	2,637.0	Less: Finance Cost	(25.6)	(25.8)	(24.6)	(34.9)	(40.2)
Net Block	506.6	458.9	494.2	517.1	571.2	Proceeds from Equity	0.0	0.0	294.5	0.0	0.0
Capital Work in Progress	0.0	0.2	0.0	0.0	0.0	Buyback of Shares	0.0	(108.4)	0.0	0.0	0.0
Intangible assets under developer	0.3	0.1	0.0	0.0	0.0	Dividend Paid	0.0	0.0	(21.6)	(40.9)	(72.5)
Non Current Investments	46.0	80.0	120.0	144.0	172.8	Cash flow from Financing	(141.0)	(166.5)	362.5	(34.8)	(83.4)
Long Term Loans & Advances	106.5	107.8	150.9	203.7	284.1	Net Cash Flow	6.7	(2.3)	61.4	104.4	166.9
Other Non Current Assets	0.1	0.1	0.2	0.2	0.3	Forex Effect	0.0	0.0	0.0	0.0	0.0
Net Current Assets	699.6	809.7	1,097.0	1,325.0	1,608.7	Opening Balance of Cash	2.1	8.9	6.6	68.0	172.4
Total Assets	1,359.1	1,456.9	1,862.2	2,190.0	2,637.0	Closing Balance of Cash	8.9	6.6	68.0	172.4	339.4

Source: Company RHP and Ventura Research

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