

Vedant Fashions

Estimate change 

TP change

Rating change 

Bloomberg	MANYAVAR IN
Equity Shares (m)	243
M.Cap.(INRb)/(USDb)	268.5 / 3.2
52-Week Range (INR)	1488 / 1043
1, 6, 12 Rel. Per (%)	-13/-22/-28
12M Avg Val (INR M)	260

Financials & Valuations Consol (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	13.5	13.8	16.5
EBITDA	6.7	6.7	8.0
Adj. PAT	4.3	4.1	5.3
EBITDA Margin (%)	49.5	48.5	48.6
Adj. EPS (INR)	17.7	17.0	21.7
EPS Gr. (%)	36.2	(3.8)	27.4
BV/Sh. (INR)	55.9	65.8	78.4

Ratios

Net D:E	(0.4)	(0.5)	(0.5)
RoE (%)	34.6	27.1	29.1
RoCE (%)	29.6	24.6	26.2
Payout (%)	50.9	40.0	40.0

Valuations

P/E (x)	62.9	65.3	51.3
EV/EBITDA (x)	40.6	40.5	33.5
EV/Sales (X)	20.1	19.6	16.3
Div. Yield (%)	0.8	0.6	0.8
FCF Yield (%)	1.8	1.7	2.1

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	75.0	75.0	84.9
DII	13.7	14.9	9.7
FII	7.7	6.7	3.4
Others	3.5	3.2	2.0

FII Includes depository receipts

CMP: INR1,106 TP: INR1,200 (+9%)

Neutral

Demand softness persists

- Vedant Fashions' PAT/EBITDA growth remained soft at 5%/8% YoY (10%/8% miss) as subdued revenue growth persisted despite the festive period. Revenue growth of 7% YoY was mainly supported by footprint addition; same store sales declined 2.1% YoY in 3QFY24.
- Given the weak outlook and soft management commentary, we have cut revenue/PAT by 5%/3% for 25, factoring in revenue/PAT CAGR of 10%/11% over FY23-25, mainly driven by footprint expansion. The stock is trading at valuations of ~51x P/E on FY25E after the recent correction. However, concerns around demand revival would remain a key monitorable for any re-rating. We reiterate our Neutral stance on the stock with a TP of INR1,200, valuing it at 45x P/E on FY26.

EBITDA/PAT up 8%/5% (miss), dragged by soft revenue growth

- Consolidated revenue grew 7% YoY to INR4.7b (6% miss) in 3QFY24, mainly led by footprint additions.
- Sales to customers reported a growth of 11% YoY and stood at INR6,504m.
- The reported SSSG for 3QFY24 declined 2.1%, given that the month of Oct'23 was adversely impacted by "Shraddh".
- Gross profit grew 5% YoY to INR3.4b (8% miss), with gross margin at 71.7% (vs. 73.3% estimated). Gross margin (including Job Work) remained flat YoY at 67.8%.
- Employee costs declined 10% YoY to INR138m, while other expenses remained flat YoY at INR842m (~10% below our estimates each).
- As a result, EBITDA grew 8% YoY to INR2.4b (8% miss), dragged by lower revenue and GM, offset by robust control measures implemented. The EBITDA margin expanded YoY and stood at 51%.
- Depreciation/Finance costs grew 37%/50% YoY, while 'other income' increased 55% YoY.
- Consequently, PAT rose 5% YoY to INR1.6b (10% miss) during the quarter.
- For 9MFY24, revenue reported a marginal decline of 1% to INR10b, while EBITDA declined 4% YoY to INR4.8b. PAT declined 7% YoY and stood at INR3b.
- SSSG for 9MFY24 declined 12.7% as the period saw significantly reduced number of wedding dates, general slowdown adversely impacting consumer sentiments, and a higher base effect of the last year.

Highlights from the management commentary

- Sales was adversely affected by weaker performance in Oct'23 and from the latter half of Dec'23 (mainly in Tier 2 and below cities); however, festive sales grew 30.7% on a YoY basis.
- Early trends from Jan'24 suggest continued softness in demand; however, improved demand traction is expected in 4QFY24, primarily driven by the increased prevalence of wedding dates during the period.
- Within emerging brands, the company will look to open another 2-3 stores for Twamev in addition to the flagship store for Mohey.
- The company is now looking to enter the South Indian market by introducing a new format and re-calibrating merchandising strategies to align with the specific demands within the region.

Valuation and view

- Manyavar has successfully achieved scale within the growing Men's celebration and occasion wear market. This accomplishment is challenging to replicate.
- While the company has a healthy growth runway through the expansion of Manyavar's footprint and the introduction of Mohey (women's celebration wear) and Twamev (premium celebration wear) in the upcoming quarters, weak consumption remains a concern.
- The stock, owing to a weaker revenue trajectory, witnessed in the past couple of quarters has corrected ~25%, and is now trading at 51x P/E and 33.5x EV/EBITDA on FY25 basis, which we feel is fairly priced, given the observed slowdown in consumption. Recovery within the demand and scaling up of emerging brands would remain a key catalyst for the stock to move going ahead.
- We are building a revenue/PAT CAGR of 10%/11% over FY23-25 on the back of steady footprint addition.
- We ascribe a P/E of 45x on FY26E EPS and arrive at a TP of INR1,200. We reiterate our Neutral stance on the stock.

Quarterly Earning**(INR m)**

Y/E March	FY23				FY24E				FY23	FY24E	FY24 3QE	Est Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Revenue	3,250	2,469	4,414	3,416	3,116	2,183	4,745	3,715	13,549	13,759	5,062	-6.3
YoY Change (%)	103.1	23.5	14.7	15.3	-4.1	-11.6	7.5	8.7	30.2	1.5	14.7	
Total Expenditure	1,619	1,315	2,170	1,737	1,635	1,255	2,324	1,872	6,841	7,086	2,440	-4.8
EBITDA	1,631	1,154	2,245	1,679	1,482	928	2,420	1,843	6,708	6,673	2,622	-7.7
EBITDA margins (%)	50.2	46.7	50.9	49.1	47.5	42.5	51.0	49.6	49.5	48.5	51.8	
Change YoY (%)	135.6	26.6	17.2	16.6	-9.1	-19.6	7.8	9.8	189.6	98.7	16.8	
Depreciation	264	249	251	274	299	325	344	351	1,038	1,319	329	4.8
Interest	78	77	75	84	94	107	112	115	315	428	114	-2.1
Other Income	71	97	100	134	150	151	155	156	402	612	151	2.3
PBT before EO expense	1,359	925	2,019	1,454	1,238	648	2,119	1,532	5,758	5,537	2,331	-9.1
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
Tax	351	235	516	366	319	161	542	388	1,467	1,409	587	-7.7
Rate (%)	25.8	25.4	25.5	25.2	25.7	24.8	25.6	25.3	25.5	25.5	25.2	1.5
Reported PAT	1,009	690	1,504	1,089	919	487	1,577	1,144	4,291	4,128	1,743	-9.5
Adj PAT	1,009	690	1,504	1,089	919	487	1,577	1,144	4,291	4,128	1,743	-9.5
YoY Change (%)	123	30	18	23	-9	-29	5	5	36	-4	16	

E: MOFSL Estimates

Other Highlights

- The company added four (net) new stores, taking the overall store count to 673, covering a total area of 1.64m sq.ft.
- Oct'23 was significantly impacted by the inauspicious Shraddh period; however, during the crucial 60-day period commencing from Navratri, the EBO customer sales experienced an increase of ~30.7% and SSSG stood at ~17.3%, compared to the corresponding 60-day period from the previous year starting from Navratri.
- The Board has approved Scheme of Amalgamation of Manyavar Creations, wholly owned subsidiary of the company, into and with the company.

Exhibit 1: Valuation based on P/E for FY26E

Valuation	FY26E
EPS	27
PE multiple (x)	45
Target Price (INR)	1,200
CMP (INR)	1,111
Upside (%)	8%

Source: MOFSL, Company

Exhibit 2: Quarterly performance (INR m)

	3QFY23	2QFY24	3QFY24	YoY%	QoQ%	3QFY24E	v/s Est (%)
Total Revenue	4,414	2,183	4,745	7	117	5,062	-6
Raw Material cost	1,173	575	1,344	15	134	1,352	-1
Gross Profit	3,241	1,608	3,400	5	112	3,711	-8
Gross margin (%)	73.4	73.6	71.7	-175.8	-197.7	73.3	-163.7
Employee Costs	153	146	138	-10	-6	152	-9
Other expenses	843	533	842	0	58	937	-10
EBITDA	2,245	928	2,420	8	161	2,622	-8
EBITDA margin (%)	50.9	42.5	51.0	16.3	850.2	51.8	-78.5
Depreciation and amortization	251	325	344	37	6	329	5
EBIT	1,994	603	2,076	4	244	2,294	-9
EBIT margin (%)	45.2	27.6	43.8	NM	NM	45.3	-154.9
Finance Costs	75	107	112	50	5	114	-2
Other income	100	151	155	55	2	151	2
Exceptional item	0	0	0	NM	NM	0	NM
Profit before Tax	2,019	648	2,119	5	227	2,331	-9
Tax	516	161	542	5	238	587	-8
Tax rate (%)	25.5	24.8	25.6	0.1	3.2	25.2	1.5
Profit after Tax	1,504	487	1,577	5	224	1,743	-10
Adj Profit after Tax	1,504	487	1,577	5	224	1,743	-10

Source: MOFSL, Company

Exhibit 3: Estimate change summary

	FY24E	FY25E
Revenue (INR m)		
Old	14,444	17,345
Actual/New	13,759	16,456
Change (%)	-4.7	-5.1
EBITDA (INR m)		
Old	7,092	8,499
Actual/New	6,673	7,997
Change (%)	-5.9	-5.9
EBITDA margin (%)		
Old	49.1	49.0
Actual/New	48.5	48.6
Change (bp)	-60	-40
Net Profit (INR m)		
Old	4,418	5,435
Actual/New	4,128	5,259
Change (%)	-6.6	-3.2
EPS (INR)		
Old	18.2	22.4
Actual/New	17.0	21.7
Change (%)	-6.6	-3.2

Source: MOFSL, Company

Highlights from Management Call

Key Highlights

- Sales was adversely affected by weaker performance in Oct'23 and from the latter half of Dec'23 (mainly in Tier 2 and below cities); however, festive sales grew 30.7% on a YoY basis.
- Early trends from Jan'24 suggest continued softness in demand; however, improved demand traction is expected in 4QFY24, primarily driven by the increased prevalence of wedding dates during the period.
- Within emerging brands, the company will look to open another 2-3 stores for Twamev in addition to the flagship store for Mohey.
- The company is now looking to enter the South Indian market by introducing a new format and re-calibrating merchandising strategies to align with the specific demands within the region.

Detailed notes

Financial performance:

- The company witnessed an 11.1% YoY growth in sales to customers for 3QFY24, with the month of October being significantly impacted by the "Shraadh" period and weaker demand from December 16, 2023.
- However, EBO sales reported a 30.7% YoY growth during the 60-day period commencing from Navratri, led by strong Diwali sales.
- General economic slowdown (majorly in Tier 2 and below cities), reduced number of wedding dates nationally and a higher base adversely impacted the performance of 9MFY24 on a YoY basis.
- Early trends from Jan'24 suggest a softening in demand; however improved demand traction is expected in 4QFY24, attributed to the increased prevalence of wedding dates during the period.
- Gross margin contraction for 9MFY24 was mainly on account of change in product mix. The company does not foresee any major concerns around the margin profile in the long run.
- The wedding dates for 1HFY25 appear to be weak, but an improvement is anticipated in 2HFY25, with the overall number of dates in FY25 being higher by 2-3 days.
- Employee costs decline YoY and it is mainly due to the decline in director remuneration in Jul'23.

Capex and Store addition:

- The company continues to maintain its FY25 footprint addition guidance to remain in the range of 15-16% with no changes seen in franchise inquiries.
- The company has replaced old smaller stores (<1,000 sq. ft.) with new bigger stores (>3,000 sq.ft.) over the last one year. It has further identified another 20 stores, which could be replaced/churned, depending on the demand within the region.

Emerging brands:**Twamev:**

- The newly opened stores in the segment are receiving healthy response, and in the short term, the focus will be on growth in the top 10-15 markets in India.
- The company has signed agreements for an additional two to three stores, in addition to the four stores that have already been opened. The average store size for the segment is expected to range around 6,000-6,500 sq. ft.
- The overall increase in ASP at the company level was mainly account of higher availability of Twamev products.

Mohey:

- The delay in the opening of the flagship store was mainly on account of several external factors. However, the company expects the store to go live in the coming quarter.
- The company continues to monitor the three pilot stores opened and will look to add various stores in the coming period.

Other:

- Opportunity within the South:
 - a. The company is increasing its focus on the Southern Region, given the strong opportunity and will continue to work on improving the merchandising, which is expected to re-inforce the brand visibility.
 - b. The company has further announced entry into the South Indian market with “Vivaham” collection during the quarter with brand ambassadors such as Ram Charan.
 - c. The company has taken multiple changes within the product portfolio for the southern region, which includes inclusion of sarees within the Mohey segment.
- Cash conversion ratio for the company stood at 85% for the period of TTM Dec’23.
- The company stated that the non-groom segment has helped improve footfalls for the existing stores in the last one to two years.
- The company’s strategic focus for the next 5-10 years would remain concentrated around apparels.
- The company will continue to invest in newer segments and Project Manthan in addition to the dividend being paid to utilize the cash in the balance sheet.
- Despite increased competition and the opening of a higher number of stores by competitors, the company has not observed any significant impact on store performance in Tier 2 and below cities.

Story in charts

Exhibit 4: Sales to customers grew 11% YoY

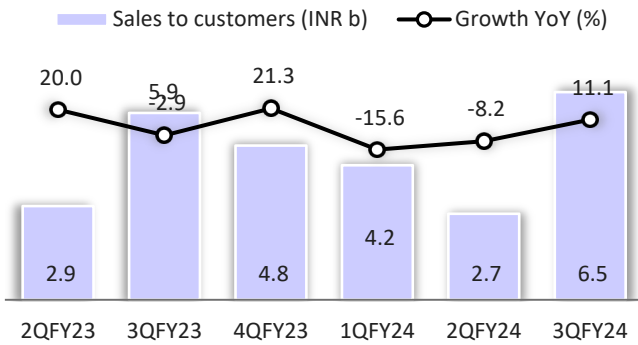


Exhibit 5: Net revenues reported a growth of 7.5% YoY

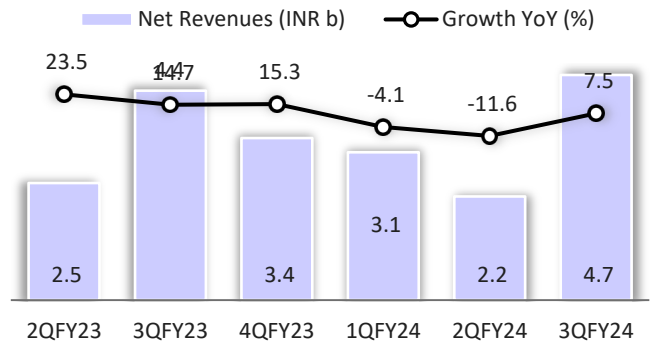


Exhibit 6: Gross margins (Incl Job work) remained flat YoY (Gross Profit in INR b)

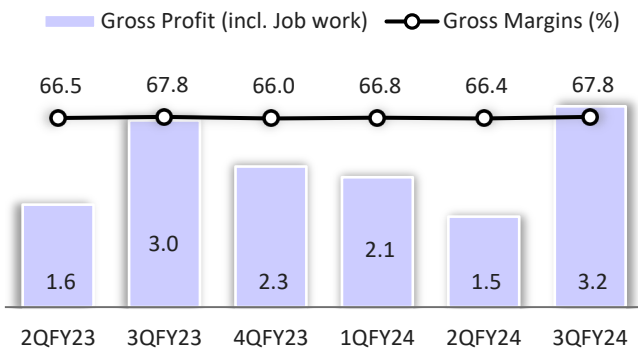


Exhibit 7: EBITDA margins remained fairly flattish YoY

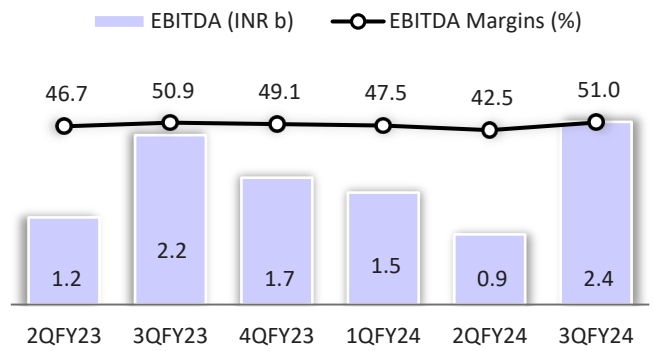


Exhibit 8: PAT grew 5% YoY to INR1.6b

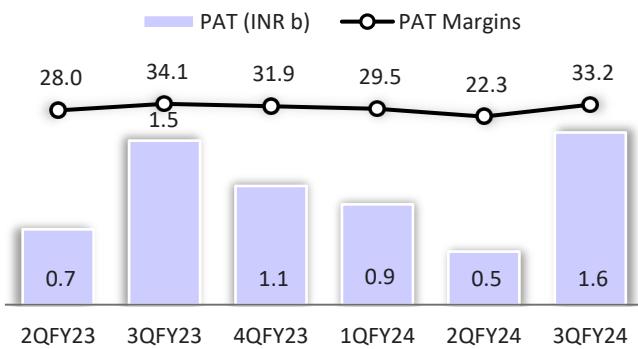


Exhibit 9: Added four stores in 3QFY24

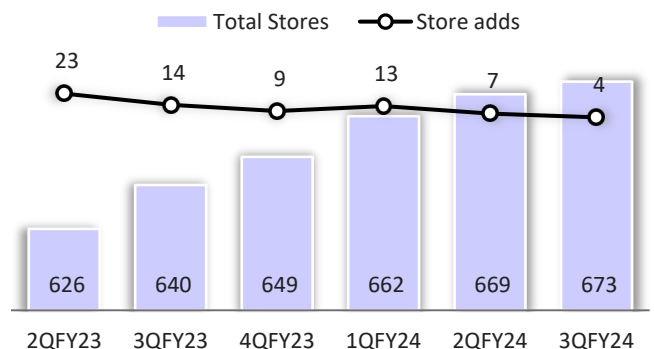


Exhibit 10: Expect revenue CAGR of 10% over FY23-25

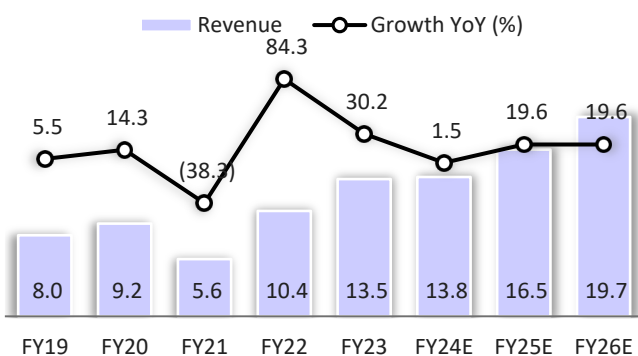
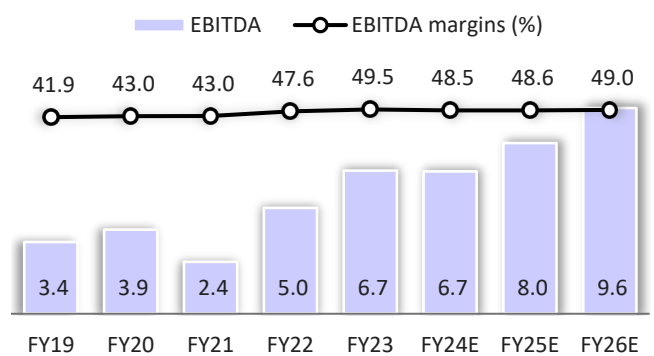


Exhibit 11: Expect 9% EBITDA CAGR over FY23-25



Source: MOFSL, Company

Source: MOFSL, Company

Financials and valuations

Consolidated - Income Statement								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Income from Operations	8,007	9,155	5,648	10,408	13,549	13,759	16,456	19,681
Change (%)	5.5	14.3	-38.3	84.3	30.2	1.5	19.6	19.6
Raw Materials	2,226	2,512	1,463	2,668	3,519	3,852	4,525	5,334
Gross Profit	5,782	6,643	4,185	7,740	10,030	9,906	11,930	14,347
Margin (%)	72.2	72.6	74.1	74.4	74.0	72.0	72.5	72.9
Gross Profit (Incl Job Work)	5,204	5,981	3,770	6,958	9,127	9,177	11,058	13,304
Margin (%)	65.0	65.3	66.8	66.9	67.4	66.7	67.2	67.6
Employees Cost	472	533	381	575	566	578	642	768
Other Expenses	1,951	2,173	1,373	2,206	2,755	2,655	3,291	3,936
Total Expenditure	4,649	5,218	3,218	5,450	6,841	7,086	8,458	10,037
% of Sales	58.1	57.0	57.0	52.4	50.5	51.5	51.4	51.0
EBITDA	3,358	3,938	2,431	4,959	6,708	6,673	7,997	9,644
Margin (%)	41.9	43.0	43.0	47.6	49.5	48.5	48.6	49.0
Depreciation	643	887	955	944	1,038	1,319	1,406	1,637
EBIT	2,715	3,050	1,475	4,015	5,671	5,354	6,592	8,007
Int. and Finance Charges	196	256	258	284	315	428	356	436
Other Income	191	324	602	499	402	612	795	1,034
PBT bef. EO Exp.	2,709	3,118	1,819	4,230	5,758	5,537	7,031	8,605
EO Items	0	0	0	0	0	0	0	0
PBT after EO Exp.	2,709	3,118	1,819	4,230	5,758	5,537	7,031	8,605
Total Tax	945	752	490	1,081	1,467	1,409	1,772	2,168
Tax Rate (%)	34.9	24.1	26.9	25.6	25.5	25.5	25.2	25.2
Reported PAT	1,764	2,366	1,329	3,149	4,291	4,128	5,259	6,436
Adjusted PAT	1,764	2,366	1,329	3,149	4,291	4,128	5,259	6,436
Change (%)	20.2	34.1	-43.8	136.9	36.3	-3.8	27.4	NA
Margin (%)	22.0	25.8	23.5	30.3	31.7	30.0	32.0	32.7

Consolidated - Balance Sheet								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	250	250	248	243	243	243	243	243
Total Reserves	8,577	10,410	10,666	10,585	13,756	16,233	19,388	23,250
Net Worth	8,828	10,660	10,914	10,827	13,999	16,476	19,631	23,493
Total Loans	1,837	2,427	2,104	2,787	2,934	2,703	3,338	4,031
Lease Liabilities	1,837	2,427	2,104	2,787	2,934	2,703	3,338	4,031
Deferred Tax Liabilities	90	81	147	168	197	197	197	197
Other Liabilities	1,046	1,160	1,201	1,335	1,539	1,539	1,539	1,539
Capital Employed	11,801	14,328	14,367	15,118	18,669	20,915	24,706	29,260
Gross Block	4,961	5,972	6,345	7,845	8,941	9,291	10,815	12,593
Less: Accum. Deprn.	745	1,062	1,912	2,856	3,894	4,893	6,298	7,936
Net Fixed Assets	4,216	4,909	4,432	4,989	5,047	4,399	4,516	4,658
Other Non-Current	921	836	820	867	882	882	882	882
Capital WIP	25	3	4	1	22	3	3	3
Total Investments	2,287	4,397	5,790	5,608	8,501	8,501	8,501	8,501
Curr. Assets, Loans&Adv.	5,737	5,765	5,195	6,219	7,201	10,131	14,373	19,468
Inventory	909	1,209	1,012	1,430	1,736	1,885	2,254	2,696
Account Receivables	3,327	3,721	3,612	3,967	4,734	5,277	6,312	7,549
Cash and Bank Balance	1,194	199	71	39	100	2,329	5,162	8,452
Loans and Advances	306	637	500	783	630	640	645	771
Curr. Liability & Prov.	1,384	1,588	1,890	2,580	2,991	3,006	3,576	4,257
Account Payables	581	504	499	730	859	940	1,104	1,302
Other Current Liabilities	801	1,080	1,387	1,845	2,130	2,064	2,468	2,952
Provisions	2	4	4	4	2	3	3	4
Net Current Assets	4,352	4,178	3,305	3,639	4,210	7,124	10,797	15,210
Deferred Tax assets	0	6	16	13	7	7	7	7
Appl. of Funds	11,801	14,328	14,367	15,118	18,669	20,915	24,706	29,260

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)								
EPS	7.0	9.4	5.4	13.0	17.7	17.0	21.7	26.5
Cash EPS	9.6	13.0	9.1	16.3	21.3	21.7	26.6	32.2
BV/Share	35.2	42.6	43.6	43.2	55.9	65.8	78.4	93.8
DPS	0.0	0.0	0.0	5.0	9.0	6.8	8.7	10.6
Payout (%)	0.0	0.0	0.0	38.5	50.9	40.0	40.0	40.0
Valuation (x)								
P/E	157.7	117.6	207.2	85.6	62.9	65.3	51.3	41.9
Cash P/E	115.6	85.5	121.8	68.0	52.2	51.1	41.8	34.5
P/BV	31.5	26.1	25.5	25.7	19.9	16.9	14.2	11.8
EV/Sales	34.8	30.6	49.1	26.2	20.1	19.6	16.3	13.5
EV/EBITDA	83.1	71.2	114.1	54.9	40.6	40.5	33.5	27.5
Dividend Yield (%)	0.0	0.0	0.0	0.5	0.8	0.6	0.8	1.0
FCF per share	9.1	9.0	10.8	14.9	19.6	18.7	22.0	26.0
Return Ratios (%)								
RoE	22.3	24.3	12.3	29.0	34.6	27.1	29.1	27.4
RoCE	21.3	21.6	11.6	25.2	29.6	24.6	26.2	26.8
RoIC	24.4	25.7	11.8	33.3	43.3	39.7	46.7	51.3
Working Capital Ratios								
Fixed Asset Turnover (x)	1.6	1.5	0.9	1.3	1.5	1.5	1.5	1.6
Asset Turnover (x)	0.7	0.6	0.4	0.7	0.7	0.7	0.7	0.7
Inventory (Days)	149	176	253	196	180	179	182	185
Debtor (Days)	152	148	233	139	128	140	140	140
Creditor (Days)	95	73	124	100	89	89	89	89
Leverage Ratio (x)								
Current Ratio	4.1	3.6	2.7	2.4	2.4	3.4	4.0	4.6
Interest Cover Ratio	13.8	11.9	5.7	14.1	18.0	12.5	18.5	18.4
Net Debt/Equity	-0.2	-0.2	-0.3	-0.3	-0.4	-0.5	-0.5	-0.5

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	2,709	3,118	1,819	4,230	5,758	5,537	7,031	8,605
Depreciation	643	887	955	944	1,038	1,319	1,406	1,637
Interest & Finance Charges	196	256	258	284	315	428	356	436
Direct Taxes Paid	-954	-750	-345	-1,090	-1,472	-1,409	-1,772	-2,168
(Inc)/Dec in WC	-67	-804	399	-450	-569	-686	-840	-1,124
CF from Operations	2,528	2,707	3,087	3,918	5,070	5,190	6,181	7,385
Others	-179	-273	-561	-408	-372	-612	-795	-1,034
CF from Operating incl EO	2,348	2,434	2,526	3,510	4,698	4,578	5,386	6,352
(Inc)/Dec in FA	-73	-184	151	109	57	-50	-50	-50
Free Cash Flow	2,276	2,250	2,677	3,619	4,755	4,528	5,336	6,302
(Pur)/Sale of Investments	-463	-1,445	-1,424	37	-2,492	0	0	0
Others	-1,093	672	389	418	116	612	795	1,034
CF from Investments	-1,629	-957	-884	565	-2,319	562	745	984
Issue of Shares	0	0	-1,084	47	15	0	0	0
Inc/(Dec) in Debt	-127	0	0	0	0	0	0	0
Interest Paid	-155	-211	-207	-223	-241	-428	-356	-436
Repayment of loan	0	-604	0	0	0	0	0	0
Others	-428	-595	-373	-3,928	-2,091	-2,483	-2,942	-3,610
CF from Fin. Activity	-710	-1,410	-1,665	-4,105	-2,317	-2,912	-3,298	-4,046
Inc/Dec of Cash	10	67	-23	-30	62	2,228	2,833	3,290
Opening Balance	12	21	89	66	36	98	2,326	5,159
Closing Balance	21	89	66	36	98	2,326	5,159	8,449
Other Bank Balance	1,173	110	5	3	3	3	3	3
Net Closing Balance	1,194	199	71	39	100	2,329	5,162	8,452

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NOTES

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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

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