

23 September 2024

India | Equity Research | Company Update

Vedant Fashions Limited

Branded Apparel

Primary Research: Mohey EBO visit [Bengaluru]

We visited Mohey EBO in Jayanagar, Bangalore to get first-hand insights on Vedant Fashion's (VEDANT) ability to unlock value in women's wedding and celebration wear market opportunity (which is ~5x higher than men's wedding and celebration wear market in value terms). Highlights: (1) Scale-up over the last six months has been healthy, (2) competing strongly at mid-premium price point (ASP of INR 15k to INR 120k in lehenga), (3) specialist brand image retailer; it was the only retailer with bride-only outlet vs competition (offering bride and groom wear together) in the same locality. With the onset of macro tailwinds in rest of FY25 (number of wedding days), the business is poised for an acceleration (in our view). **BUY**.

EBO store details

It is a 7,500 sq. ft. store with three floors: ground floor for skirts and tops, first floor for sarees, gowns, churidar and kids wear, second floor for bridesmaid, and third floor for bride. It was inaugurated in Mar'24.

Key statistics: ASP, retail, SKUs

Average selling price: Lehnga (for bride – on third floor) - INR 15k to INR 120k, for bridesmaid (on second floor) - INR 8k to INR 35k, gowns - INR 5k to INR 15k, sarees - INR 1.2k to INR 55k. Revenue contribution from bride and bridesmaid stood at ~40% while that from sarees stood at ~30%. Inventory replenishment is every week, similar to Manyavar. It retailed ~2,200 SKUs in the store.

Key competitors nearby: Kalki, Ethnix, Tasva

In the same lane where Mohey was located, there were three Manyavar and Mohey stores, one Kalki store (bride and groom, 8k sq. ft. – it was opened 18 months back), one Ethnix store (8k sq. ft.), one Tasva store (>8k sq. ft.), and one Avantra store (of Reliance).

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	13,260	13,675	15,368	18,783
EBITDA	6,578	6,581	7,438	9,271
EBITDA Margin (%)	49.6	48.1	48.4	49.4
Net Profit	4,229	4,142	4,831	5,950
EPS (INR)	17.4	17.1	19.9	24.5
EPS % Chg YoY	37.1	(2.1)	16.6	23.1
P/E (x)	77.8	79.5	68.1	55.3
EV/EBITDA (x)	50.0	50.0	44.2	35.4
RoCE (%)	33.7	26.4	26.6	28.1
RoE (%)	34.1	27.7	27.9	29.0

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Market Data

Market Cap (INR)	329bn
Market Cap (USD)	3,942mn
Bloomberg Code	MANYAVAR IN IN
Reuters Code	
52-week Range (INR)	1,488 /886
Free Float (%)	25.0
ADTV-3M (mn) (USD)	2.4

Price Performance (%)	3m	6m	12m
Absolute	21.1	45.3	1.0
Relative to Sensex	11.1	28.7	(27.6)

Previous Reports

30-07-2024: [Q1FY25 results review](#)16-04-2024: [Company Update](#)

Differentiation vs. competition

We could see sharp product design differentiation vs competition (optically – we are not experts in this area) while it aimed to capture the belly of the market (mid-premium segment) w.r.t price points. Free alteration and extended customer support were marketed as one of the key differentiating factors vs competition in the local market. Large-size bride-only store did create impression of it being a specialist retailer (vs competition offering both bride and groom wear together under one roof). Read our earlier report where we have argued why this is a superior strategy in category creation – ([LINK](#)).

Excerpts from our previous report:

Why scaling up in Mohey has been relatively subdued?

It has been seven years (including years impacted by covid) now since Mohey was launched in 2015-16. However, scaling up of this franchise has been relatively subdued (vs Manyavar).

We believe women wear is relatively a more challenging segment as it demands more variety and harder salesman ship. Hence, we believe category creation in this segment would require significant differentiation in brand perception (of being a specialist), product and customer services.

Hence, in our opinion, Vedant Fashions should scale up EBOs of Mohey separately (vs selling in Manyavar stores) and hence, drive the differentiation in product/customer-perception (of specialist brand).

Store photos – Mohey, Bengaluru



Source: Company, I-Sec research



Source: Company, I-Sec research



Source: Company, I-Sec research



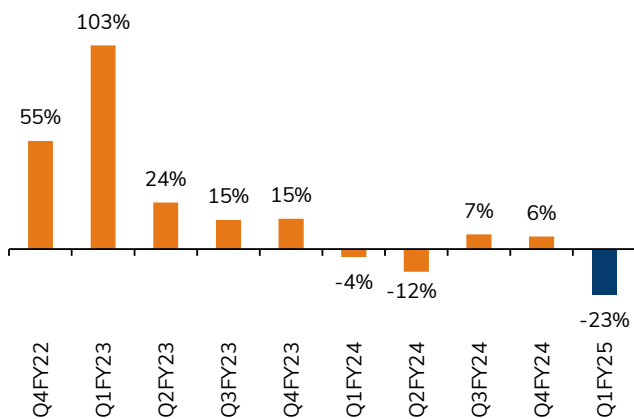
Source: Company, I-Sec research

Valuation and risks

Our earnings estimates are unchanged; modelling revenue/EBITDA/PAT CAGRs of 17%/19%/20%, over FY24-FY26E. Maintain **BUY** with a DCF-based revised target price of INR 1,600 (was INR 1,300 earlier).

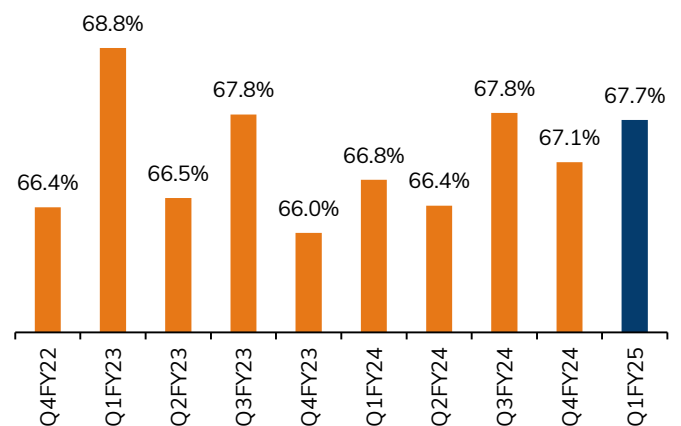
Key downside risks: 1) Slower-than-expected pick-up in discretionary consumption. 2) rise in competition from organized retailers.

Exhibit 1: Revenue growth (%)



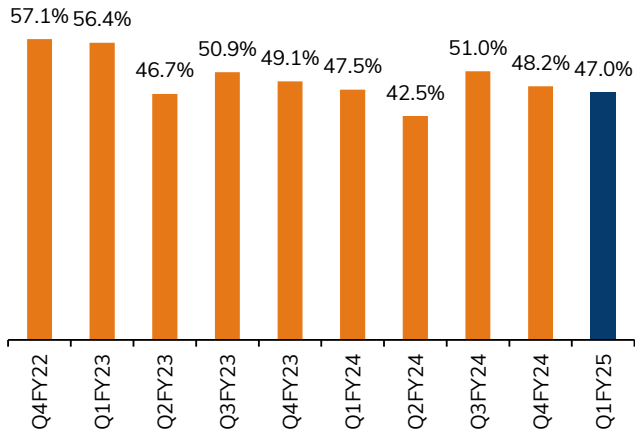
Source: Company data, I-Sec research

Exhibit 2: Gross margin (%)



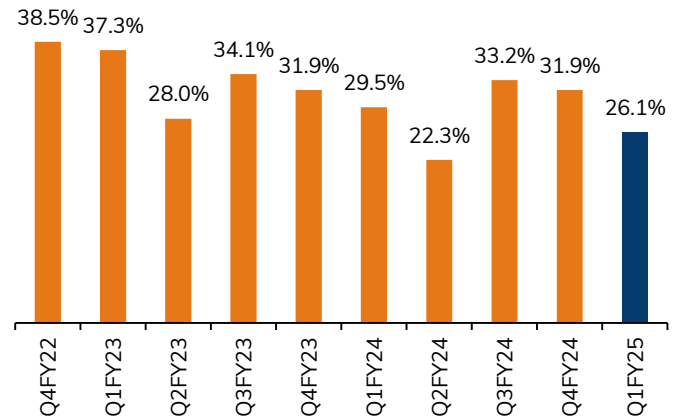
Source: Company data, I-Sec research

Exhibit 3: EBITDA margin (%)



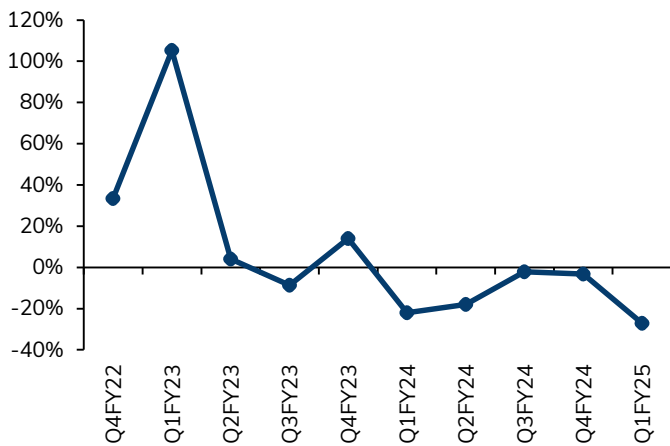
Source: Company data, I-Sec research

Exhibit 4: Net profit margin (%)



Source: Company data, I-Sec research

Exhibit 5: SSSG (%)



Source: Company data, I-Sec research

Exhibit 6: Cities and EBOs presence



Source: Company data, I-Sec research

Exhibit 7: Shareholding pattern

%	Dec'23	Mar'24	Jun'24
Promoters	75.0	75.0	75.0
Institutional investors	21.5	20.8	20.8
MFs and others	10.3	9.4	9.0
FIs/Banks, Insurance	2.6	2.5	2.3
FIIIs	8.6	8.9	9.5
Others	3.6	4.2	4.2

Source: Bloomberg, I-Sec research

Exhibit 8: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 9: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	13,260	13,675	15,368	18,783
Operating Expenses	6,682	7,094	7,930	9,512
EBITDA	6,578	6,581	7,438	9,271
EBITDA Margin (%)	49.6	48.1	48.4	49.4
Depreciation & Amortization	975	1,349	1,306	1,591
EBIT	5,603	5,232	6,132	7,680
Interest expenditure	304	445	456	552
Other Non-operating Income	370	697	766	805
Recurring PBT	5,670	5,484	6,442	7,933
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	1,441	1,342	1,610	1,983
PAT	4,229	4,142	4,831	5,950
Less: Minority Interest	-	-	-	-
Extraordinary (Net)	-	-	-	-
Net Income (Reported)	4,229	4,142	4,831	5,950
Net Income (Adjusted)	4,229	4,142	4,831	5,950

Source Company data, I-Sec research

Exhibit 10: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	7,143	7,839	7,043	8,470
of which cash & cash eqv.	82	216	490	593
Total Current Liabilities & Provisions	3,962	3,711	3,797	4,010
Net Current Assets	3,181	4,129	3,247	4,460
Investments	7,927	9,577	12,077	14,077
Net Fixed Assets	5,018	6,473	7,380	8,436
ROU Assets	-	-	-	-
Capital Work-in-Progress	20	-	-	-
Total Intangible Assets	159	158	158	158
Other assets	1,342	979	103	103
Deferred Tax assets	-	-	-	-
Total Assets	17,646	21,315	22,965	27,234
Liabilities				
Borrowings	-	-	-	-
Deferred Tax Liability	198	220	220	220
provisions	35	46	46	46
other Liabilities	3,462	5,076	4,079	4,583
Equity Share Capital	13,950	15,974	18,621	22,385
Reserves & Surplus	-	-	-	-
Total Net Worth	13,950	15,974	18,621	22,385
Minority Interest	-	-	-	-
Total Liabilities	17,646	21,315	22,965	27,234

Source Company data, I-Sec research

Exhibit 11: Quarterly trend

(INR mn, year ending March)

	Sep-23	Dec-23	Mar-24	Jun-24
Net Sales	2,183	4,745	3,632	2,398
% growth (YOY)	-11.6	7.5	6.3	-23.0
EBITDA	928	2,420	1,571	1,127
Margin %	42.5	51.0	48.2	47.0
Other Income	151	155	241	215
Adjusted Net Profit	487	1,577	1,158	625

Source: Company data, I-Sec research

Exhibit 12: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	5,670	5,484	6,442	7,933
Working Capital Changes	809	(475)	1,159	(1,109)
Capital Commitments	(46)	(40)	(123)	(154)
Free Cashflow	4,545	4,742	7,631	6,830
Other investing cashflow	(2,233)	(998)	(4,154)	(2,000)
Cashflow from Investing Activities	(2,279)	(1,038)	(4,277)	(2,154)
Issue of Share Capital	15	31	0	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	-	-	-	-
Others	(1,065)	(1,453)	(977)	(2,542)
Cash flow from Financing Activities	(2,264)	(3,607)	(3,162)	(4,727)
Chg. in Cash & Bank balance	48	137	315	103
Closing cash & balance	38	175	490	593

Source Company data, I-Sec research

Exhibit 13: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	17.4	17.1	19.9	24.5
Adjusted EPS (Diluted)	17.4	17.1	19.9	24.5
Cash EPS	21.4	22.6	25.3	31.1
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	57.5	65.8	76.7	92.2
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	31.4	3.1	12.4	22.2
EBITDA	36.9	0.0	13.0	24.6
EPS (INR)	37.1	(2.1)	16.6	23.1
Valuation Ratios (x)				
P/E	77.8	79.5	68.1	55.3
P/CEPS	63.2	59.9	53.6	43.6
P/BV	23.6	20.6	17.7	14.7
EV / EBITDA	50.0	50.0	44.2	35.4
P / Sales	24.8	24.1	21.4	17.5
Dividend Yield (%)	-	-	-	-
Operating Ratios				
Gross Profit Margins (%)	66.8	67.2	67.5	68.0
EBITDA Margins (%)	49.6	48.1	48.4	49.4
Effective Tax Rate (%)	25.4	24.5	25.0	25.0
Net Profit Margins (%)	31.9	30.3	31.4	31.7
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	0.0	0.0	0.0	0.0
Net Debt / EBITDA (x)	0.0	0.0	(0.1)	(0.1)
Fixed Asset Turnover (x)	2.7	2.4	2.2	2.4
Inventory Turnover Days	54	38	44	46
Receivables Days	148	153	106	110
Payables Days	26	24	24	25
Profitability Ratios				
RoCE (%)	33.7	26.4	26.6	28.1
RoE (%)	34.1	27.7	27.9	29.0
RoIC (%)	35.9	29.9	29.9	31.0

Source Company data, I-Sec research

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