ADD (Maintain)

CMP: INR 672 Target Price: INR 750 (INR 770) ▲ 12%

ICICI Securities

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31 October 2025

India | Equity Research | Results update

Vedant Fashions Limited

Branded Apparel

Clearly a show me story vs. trust me story

Vedant Fashions' Q2FY26 performance was subdued, with revenue decline of 1.8% YoY and margins impacted by a weak mix and higher operating costs. Retail sales grew 4.6% YoY, reflecting the steady franchise-led execution despite muted wedding demand and a lighter festive calendar. Brand activity across Mohey, Twamev and Diwas remained strong, supported by sustained marketing. It added just 3,500 sq. ft space in Q2FY26. With improved wedding demand and festive tailwinds likely in the second half, revenue momentum and margin trajectory are expected to recover. Maintain **ADD** with a DCF-based revised target price of INR 750 (vs. INR 770 previously).

Muted quarter; SSSG moderation and higher costs weigh on performance

Vedant Fashions reported a soft Q2FY26 result, with revenue declining 1.8% YoY to INR 2.6bn, impacted by weak SSSG (-2%) and delayed festive demand. Retail sales (sales of customers) grew 4.6% YoY, aided by continued franchise expansion and brand activation across Mohey and Twamev. The company added ~3.5k sq.ft. of retail area during the quarter, taking the total footprint to 1.79mn sq.ft. across 671 stores (including 16 overseas). The quarter remained subdued on a high base and softer wedding calendar.

Brand activity sustains; omni-channel and premium formats steady

Mohey's "Rang Do" campaign and Twamev's "Twilight Gala" event continued to drive engagements across digital and in-store touchpoints. Regional brand Mebaz maintained steady traction in South India, while Diwas gained visibility in value festive wear. Online and omni-channel platforms remained integral to brand visibility, supported by consistent pricing and strong franchise participation (~90% of network). Management reiterated focus on cross-brand synergies and scaling women's and premium categories.

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	13,865	15,145	16,878	19,719
EBITDA	6,426	6,778	7,715	9,217
EBITDA Margin (%)	46.3	44.8	45.7	46.7
Net Profit	3,885	4,064	4,587	5,589
EPS (INR)	16.0	16.7	18.9	23.0
EPS % Chg YoY	(6.3)	4.6	12.9	21.8
P/E (x)	42.0	40.2	35.6	29.2
EV/EBITDA (x)	25.3	23.6	20.3	16.6
RoCE (%)	21.6	19.9	19.9	20.9
RoE (%)	22.9	21.1	20.5	21.3

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Market Data

Market Cap (INR)	163bn
Market Cap (USD)	1,840mn
Bloomberg Code	MANYAVAR IN IN
Reuters Code	VEDN.BO
52-week Range (INR)	1,512 /668
Free Float (%)	25.0
ADTV-3M (mn) (USD)	1.7

Price Performance (%)	3m	6m	12m
Absolute	(14.9)	(14.1)	(50.0)
Relative to Sensex	(18.5)	(19.3)	(55.6)

ESG Score	2023	2024	Change
ESG score	69.8	67.4	2.4
Environment	46.3	45.0	1.3
Social	67.8	66.4	1.4
Governance	82.1	84.3	-2.2

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	(1.2)	(1.1)
EBITDA	(2.4)	(1.8)
EPS	(0.9)	(1.9)

Previous Reports

31-07-2025: Q1FY26 results review

24-12-2024: Company update

Margin pressure visible; profitability moderates

Gross margin contracted 377bps YoY to 71.6%, primarily due to a weak mix and higher input costs. Operating expenses grew on account of elevated A&P spends and store expansion, leading to a 9.2% YoY decline in EBITDA to INR 1.1bn, with margin at 42.1% (-343bps YoY). PAT declined 16.2% YoY to INR 561mn. Sequentially, revenue declined 6.4% and EBITDA margin compressed 79bps due to seasonality. Despite near-term softness, VFL remains debt-free, cash-generative, and continues to invest in brand visibility and network expansion ahead of the festive season.

Valuation and risks

We cut our earnings estimates by ~1%/2% for FY26-27E, modelling in revenue/EBITDA/PAT CAGR of 12%/13%/13%, over FY25-28E. Maintain **ADD** with a DCF-based revised target price of INR 750 (vs. INR 770 previously).

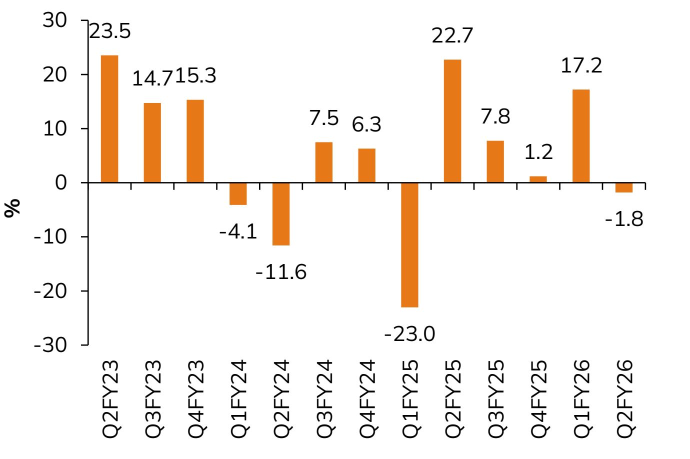
Key downside risks: 1) Slower-than-expected pick-up in discretionary consumption. 2) rise in competition from organised retailers.

Exhibit 1: Q2FY26 result review

INR mn	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)
Total Sales	**2,632**	**2,679**	**-1.8**	**2,812**	**-6.4**	**5,443**	**4,797**	**13.5**
COGS	746	659	13.3	777	-3.9	1,523	1,258	21.0
Gross Profit	1,885	2,021	-6.7	2,035	-7.4	3,920	3,539	10.8
Staff cost	165	145	14.0	156	5.9	321	292	9.8
Other Expenses	613	656	-6.7	673	-9.1	1,286	992	29.6
EBITDA	**1,108**	**1,220**	**-9.2**	**1,206**	**-8.1**	**2,314**	**2,255**	**2.6**
Depreciation	417	373	11.8	398	4.8	815	744	9.6
Interest	150	137	9.3	141	6.1	291	278	4.6
Other income	199	192	3.5	258	-22.9	457	429	6.6
PBT	**740**	**902**	**-18.0**	**925**	**-20.0**	**1,665**	**1,662**	**0.2**
Tax	180	233	-23.0	222	-19.3	402	411	-2.3
Recurring profit	**561**	**669**	**-16.2**	**703**	**-20.2**	**1,263**	**1,251**	**1.0**
% of Net sales								
Gross margin	71.6	75.4	-377 bps	72.4	-73 bps	72.0	73.8	-175 bps
Staff cost	6.3	5.4	87 bps	5.5	73 bps	5.9	6.1	-20 bps
Other Expenses	23.3	24.5	-121 bps	24.0	-67 bps	23.6	20.7	295 bps
EBITDA Margin	42.1	45.5	-343 bps	42.9	-79 bps	42.5	47.0	-450 bps
effective tax rate (% of PBT)	24.3	25.8	-157 bps	24.1	22 bps	24.1	24.8	-61 bps
PAT margin	21.3	25.0	-367 bps	25.0	-369 bps	23.2	26.1	-287 bps

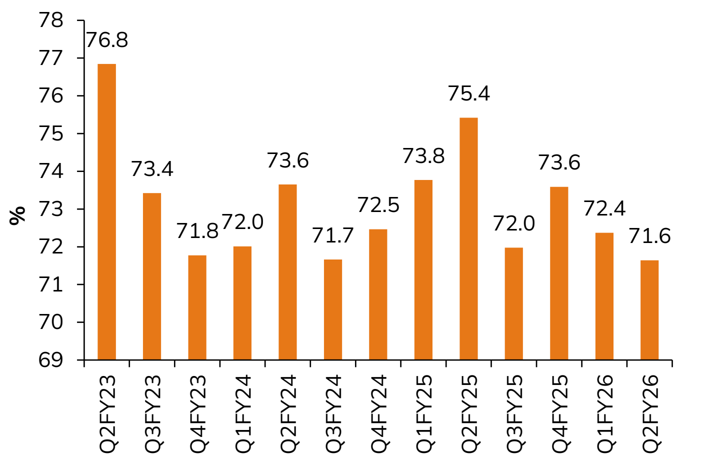
Source: Company data, I-Sec research

Exhibit 2: Revenue growth (%)



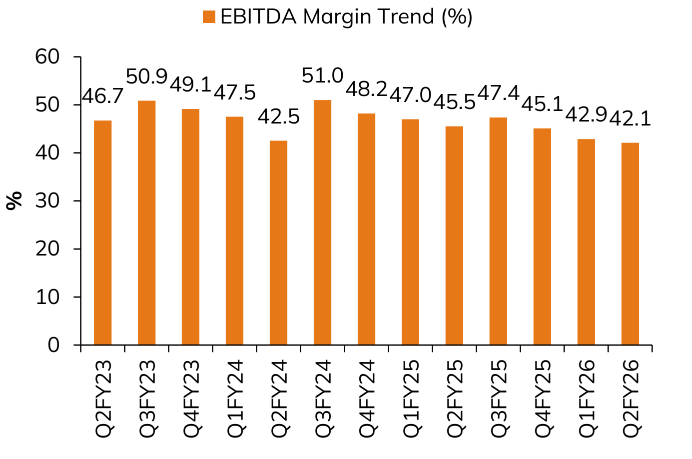
Source: Company data, I-Sec research

Exhibit 3: Gross margin (%)



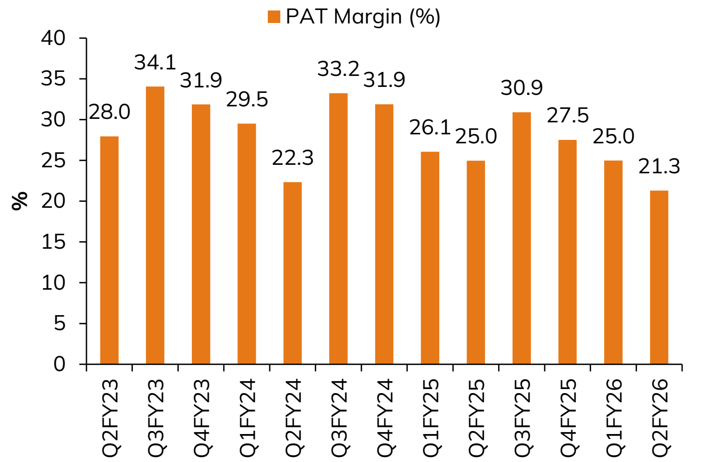
Source: Company data, I-Sec research

Exhibit 4: EBITDA margin (%)



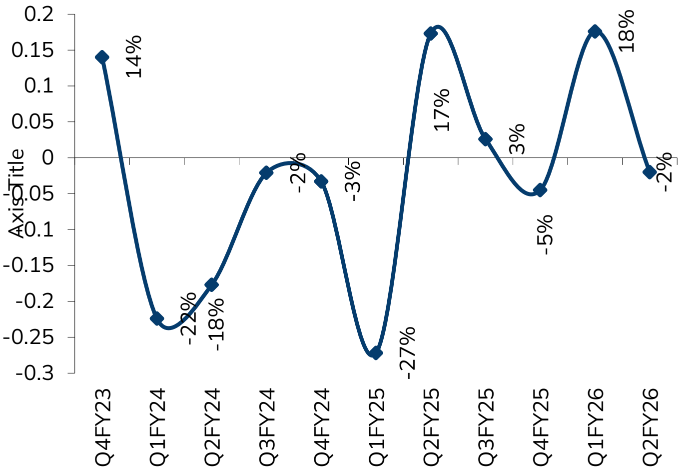
Source: Company data, I-Sec research

Exhibit 5: Net profit margin (%)



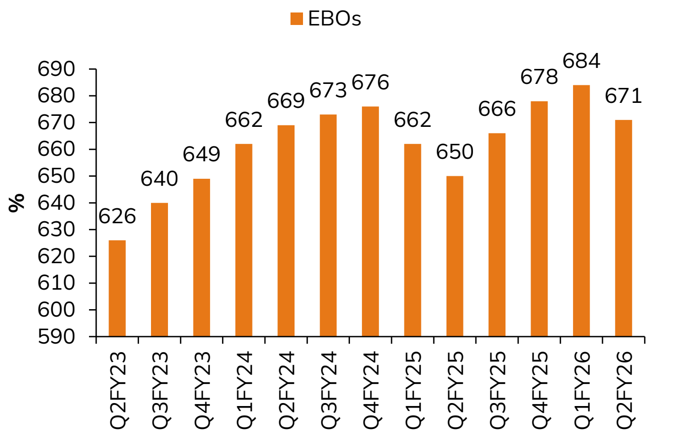
Source: Company data, I-Sec research

Exhibit 6: SSSG (%)



Source: Company data, I-Sec research

Exhibit 7: EBOs presence



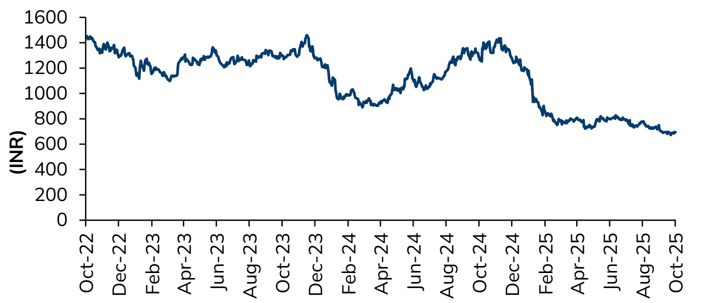
Source: Company data, I-Sec research

Exhibit 8: Shareholding pattern

%	Mar'25	Jun'25	Sep'25
Promoters	75.0	75.0	75.0
Institutional investors	20.7	21.0	20.7
MFs and other	8.3	8.8	8.8
Banks/ FIs	1.3	1.1	1.1
Insurance Cos.	1.1	1.2	1.0
FIIs	10.1	9.9	9.8
Others	4.3	4.1	4.4

Source: Bloomberg, I-Sec research

Exhibit 9: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 10: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	**13,865**	**15,145**	**16,878**	**19,719**
Operating Expenses	7,439	8,367	9,164	10,502
EBITDA	**6,426**	**6,778**	**7,715**	**9,217**
EBITDA Margin (%)	46.3	44.8	45.7	46.7
Depreciation & Amortization	1,531	1,644	1,757	1,871
EBIT	4,895	5,134	5,957	7,346
Interest expenditure	552	611	789	868
Other Non-operating Income	852	911	966	995
Recurring PBT	**5,195**	**5,434**	**6,134**	**7,474**
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	1,310	1,371	1,547	1,885
PAT	3,885	4,064	4,587	5,589
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	**3,885**	**4,064**	**4,587**	**5,589**
Net Income (Adjusted)	**3,885**	**4,064**	**4,587**	**5,589**

Source Company data, I-Sec research

Exhibit 11: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	17,165	20,753	25,011	30,465
of which cash & cash eqv.	172	3,002	6,234	10,007
Total Current Liabilities & Provisions	4,511	4,606	4,734	4,944
Net Current Assets	**12,654**	**16,147**	**20,277**	**25,522**
Investments	3,421	3,421	3,421	3,421
Net Fixed Assets	6,722	6,078	5,321	4,450
ROU Assets	-	-	-	-
Capital Work-in-Progress	-	-	-	-
Total Intangible Assets	157	157	157	157
Other assets	-	-	-	-
Deferred Tax assets	-	-	-	-
Total Assets	**22,954**	**25,803**	**29,176**	**33,549**
Liabilities				
Borrowings	**-**	**-**	**-**	**-**
Deferred Tax Liability	**262**	**262**	**262**	**262**
provisions	-	-	-	-
other Liabilities	-	-	-	-
Equity Share Capital	243	243	243	243
Reserves & Surplus	17,620	20,469	23,841	28,215
Total Net Worth	**17,863**	**20,712**	**24,084**	**28,458**
Minority Interest	-	-	-	-
Total Liabilities	**22,954**	**25,803**	**29,176**	**33,549**

Source Company data, I-Sec research

Exhibit 12: Quarterly trend

(INR mn, year ending March)

	Dec 24	Mar 25	Jun 25	Sep 25
Net Sales	5,113	3,674	2,812	2,632
% growth (YOY)	0.2	0.1	0.0	0.2
EBITDA	2,422	1,657	1,206	1,108
Margin %	47.4	45.1	42.9	42.1
Other Income	224	221	258	199
Extraordinaries				
Adjusted Net Profit	1,580	1,011	703	561

Source Company data, I-Sec research

Exhibit 13: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Operating Cashflow	**6,457**	**7,689**	**8,680**	**10,212**
Working Capital Changes	(1,315)	(663)	(898)	(1,471)
Capital Commitments	(7)	(1,000)	(1,000)	(1,000)
Free Cashflow	**3,879**	**4,655**	**5,236**	**5,856**
Other investing cashflow	**(152)**	**-**	**-**	**-**
Cashflow from Investing Activities	(159)	(1,000)	(1,000)	(1,000)
Issue of Share Capital	23	-	-	-
Interest Cost	(1)	(611)	(789)	(868)
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	(2,065)	(1,215)	(1,215)	(1,215)
Others	-	-	-	-
Cash flow from Financing Activities	(3,772)	(1,826)	(2,004)	(2,082)
Chg. in Cash & Bank balance	**(45)**	**2,830**	**3,232**	**3,773**
Closing cash & balance	172	3,002	6,234	10,007

Source Company data, I-Sec research

Exhibit 14: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	16.0	16.7	18.9	23.0
Adjusted EPS (Diluted)	16.0	16.7	18.9	23.0
Cash EPS	22.3	23.5	26.1	30.7
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	73.5	85.3	99.1	117.1
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	1.4	9.2	11.4	16.8
EBITDA	(2.4)	5.5	13.8	19.5
EPS (INR)	(6.3)	4.6	12.9	21.8
Valuation Ratios (x)				
P/E	42.0	40.2	35.6	29.2
P/CEPS	30.1	28.6	25.7	21.9
P/BV	9.1	7.9	6.8	5.7
EV / EBITDA	25.3	23.6	20.3	16.6
P / Sales	12.3	11.2	10.1	8.6
Dividend Yield (%)	-	-	-	-
Operating Ratios				
Gross Profit Margins (%)	73.4	72.1	73.0	73.2
EBITDA Margins (%)	46.3	44.8	45.7	46.7
Effective Tax Rate (%)	25.2	25.2	25.2	25.2
Net Profit Margins (%)	28.0	26.8	27.2	28.3
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	(0.4)	(0.5)	(0.6)	(0.6)
Net Debt / EBITDA (x)	(1.1)	(1.5)	(1.7)	(1.9)
Fixed Asset Turnover (x)	1.1	1.1	1.1	1.2
Inventory Turnover Days	54	56	56	57
Receivables Days	164	170	172	175
Payables Days	27	28	28	29
Profitability Ratios				
RoCE (%)	21.6	19.9	19.9	20.9
RoE (%)	22.9	21.1	20.5	21.3
RoIC (%)	54.7	53.4	61.3	71.9

Source Company data, I-Sec research

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