

February 02, 2022

Vedant Fashions Ltd

Vedant Fashions Limited (VFL) was incorporated on May 24, 2002. VFL caters to the Indian celebration wear market with a diverse portfolio of brands. The company offers a one-stop destination with a wide-spectrum of product offerings for every celebratory occasion to its customers. The company's brands include Manyavar, Mohey, Mebaz, Manthan, and Twamev. Vedant Fashions was the largest in India in the men's Indian wedding and celebration wear segment in terms of revenue and profit after tax for the Financial Year 2020. The company operates its business through franchise-owned exclusive brand outlets (EBOs), with the remaining by multi-brand outlets (MBOs), large format stores (LFSs), and online platforms, including its website (www.manyavar.com) and mobile application. As of September 30, 2021, the company had a retail footprint of 1.2 Mn sq. ft covering 535 EBOs (including 58 shop-in-shops) spanning 212 cities and towns in India, and 11 EBOs overseas across the United States, Canada, and the UAE.

Positives: (1) VFL is market leader in Indian celebration wear (2) Diverse portfolio of brands catering to the aspirations of the entire family (3) Unique business model combining asset-light brand play along with seamless purchase experience (4) Strong multi-channel network with wide pan-India reach and presence in international markets (5) Fully integrated technology-based supply Chain network (6) Experienced & professional leadership team.

Investment concerns: Slowdown in economy and increase in competition could impact the profitability of the company.

Outlook & Valuation: In terms of valuations, the post-issue TTM P/E works out to 84.4x (at the upper end of the issue price band), which is high considering VFL's historical top-line CAGR of ~10% over FY18-20. However, VFL has high operating margin, asset light business, strong brands and wide range of products but we believe that these positives are captured in the valuations commanded by the company. **Thus, we have a NEUTRAL rating on the issue.**

Key Financials

Y/E March (₹ cr)	FY2019	FY2020	FY2021	1HFY21	1HFY22
Net Sales	801	916	565	72	360
% chg		14.3	(38.3)	-	401.8
Net Profit	176	237	133	(17.7)	98
% chg		34.1	(43.8)	-	(657.6)
OPM (%)	41.9	43.0	43.0	5.5	44.6
EPS (₹)	7.1	9.5	5.4	-	-
P/E (x)	121.7	90.7	161.5	-	-
P/BV (x)	24.2	20.1	19.7	-	-
RoE (%)	19.9	22.2	12.2	-	-
RoCE (%)	30.6	22.1	10.7	-	-
EV/Sales (x)	26.4	23.3	37.6	-	-
EV/EBITDA (x)	63.0	54.3	87.3	-	-

Angel Research; Note: Valuation ratios based on post-issue shares and at ₹866 per share.

NEUTRAL

Issue Open: Feb 04, 2022

Issue Close: Feb 08, 2022

Issue Details

Face Value: ₹1

Present Eq. Paid up Capital: ₹24.2cr

Post Eq. Paid up Capital: ₹24.2cr

Issue size (amount): ₹3,149cr

Price Band: ₹824-866

Lot Size: 17 shares

Post-issue mkt.cap: ₹19,998* – 21,017cr**

Promoter holding Pre-Issue: 92.4%

Promoter holding Post-Issue: 84.9%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	50%
Non-Institutional	15%
Retail	35%

Post Issue Shareholding Pattern

Promoters	84.9%
Public	15.1%

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Company background

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The company's brands include (i) Manyavar, (ii) Mohey, (iii) Mebaz, (iv) Manthan, and (v) Twamev. Vedant Fashions was the largest in India in the men's Indian wedding and celebration wear segment in terms of revenue, OPBDIT, and profit after tax for the Financial Year 2020.

The company operates its business through franchise-owned exclusive brand outlets (EBOs), with the remaining by multi-brand outlets (MBOs), large format stores (LFSs), and online platforms, including its website (www.manyavar.com) and mobile application.

As of September 30, 2021, the company had a retail footprint of 1.2 Mn sq. ft covering 535 EBOs (including 58 shop-in-shops) spanning 212 cities and towns in India, and 11 EBOs overseas across the United States, Canada, and the UAE.

Issue details

VFL is raising ₹3,149cr through offer for sale (by shareholder selling share) in the price band of ₹824-866.

Exhibit 1: Pre and post IPO shareholding pattern

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter	224,249,848	92.4%	206,067,429	84.9%
Public	18,444,926	7.6%	36,627,345	15.1%
Total	242,694,774	100.0%	242,694,774	100.0%

Source: Source: RHP, Note: Calculated on upper price band

Objectives of the Offer

- To achieve the benefits of listing the equity shares on the stock exchanges; and
- To carry out the Offer for Sale of up to 36,364,838 equity shares by the selling shareholders.

Consolidated Profit & Loss Statement

Y/E March (` cr)	FY2019	FY2020	FY2021
Net Sales	801	916	565
% chg		14.3	(38.3)
Total Expenditure	465	522	322
Raw Material	223	251	146
Personnel	47	53	38
Others Expenses	195	217	137
EBITDA	336	394	243
% chg		17.3	(38.3)
(% of Net Sales)	41.9	43.0	43.0
Depreciation & Amortisation	64	89	96
EBIT	272	305	148
% chg		12.3	(51.6)
(% of Net Sales)	33.9	33.3	26.1
Interest & other Charges	20	26	26
Other Income	19	32	60
(% of PBT)	7.0	10.4	33.1
Recurring PBT	271	312	182
% chg		15.1	(41.7)
Tax	95	75	49
(% of PBT)	34.9	24.1	26.9
PAT before P/L Asso.Co.	176	237	133
Share in profit of Associates	-	-	-
PAT after P/L Asso.Co.	176	237	133
Basic EPS (` cr)	7.1	9.5	5.4
% chg		34.1	(43.8)

Source: Company, Angel Research

Consolidated Balance Sheet

Y/E March (` cr)	FY2019	FY2020	FY2021
SOURCES OF FUNDS			
Equity Share Capital	25	25	25
Reserves& Surplus	863	1,041	1,067
Shareholders Funds	889	1,066	1,091
Total Loans	-	316	292
Deferred Tax Liability	29	84	79
Total Liabilities	917	1,467	1,463
APPLICATION OF FUNDS			
Net Block	253	507	459
Capital Work-in-Progress	2	0	0
Investments	194	401	536
Current Assets	696	683	629
Inventories	91	121	101
Sundry Debtors	333	372	361
Cash	119	20	7
Loans & Advances	33	64	50
Other Assets	120	107	110
Current liabilities	245	201	227
Net Current Assets	451	482	402
Deferred Tax Asset	16	77	66
Total Assets	917	1,467	1,463

Source: Company, Angel Research

Consolidated Cash Flow Statement

Y/E March (₹ cr)	FY2019	FY2020	FY2021
Profit before tax	280	312	182
Depreciation	9	89	96
Change in Working Capital	(3)	(80)	40
Interest / Dividend (Net)	(1)	10	12
Direct taxes paid	(95)	(75)	(34)
Others	(13)	(11)	(42)
Cash Flow from Operations	177	243	253
(Inc.)/ Dec. in Fixed Assets	(7)	(18)	15
(Inc.)/ Dec. in Investments	(156)	(77)	(103)
Cash Flow from Investing	(163)	(96)	(88)
Issue of Equity	0	0	0
Inc./(Dec.) in loans	(0)	(59)	(37)
Dividend Paid (Incl. Tax)	0	(60)	0
Interest / Dividend (Net)	(13)	(21)	(129)
Cash Flow from Financing	(13)	(141)	(166)
Inc./(Dec.) in Cash	1	7	(2)
Opening Cash balances	1	2	9
Closing Cash balances	2	9	7

Source: Company, Angel Research

Key Ratios

Y/E March	FY2019	FY2020	FY2021
Valuation Ratio (x)			
P/E (on FDEPS)	121.7	90.7	161.5
P/CEPS	89.2	66.0	94.0
P/BV	24.2	20.1	19.7
EV/Sales	26.4	23.3	37.6
EV/EBITDA	63.0	54.3	87.3
EV / Total Assets	23.1	14.6	14.5
Per Share Data (₹)			
EPS (Basic)	7.1	9.6	5.4
EPS (fully diluted)	7.1	9.5	5.4
Cash EPS	9.7	13.1	9.2
Book Value	35.8	43.0	44.0
Returns (%)			
ROCE	30.6	22.1	10.7
Angel ROIC (Pre-tax)	47.2	31.7	17.5
ROE	19.9	22.2	12.2
Turnover ratios (x)			
Asset Turnover (Net Block)	3.2	1.8	1.2
Inventory / Sales (days)	41	48	65
Receivables (days)	152	148	233
Payables (days)	28	21	32
Working capital cycle (ex-cash) (days)	166	176	267

Source: Company, Angel Research

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