

Company Overview

Incorporated in 2002, in West Bengal, Vedant Fashions Ltd (VFL), with its brand 'Manyavar' is a category leader in the branded Indian wedding and celebration wear market with a pan- India presence. The company has established a multi-channel network and introduced brands by identifying gaps in the under-served and high-growth Indian wedding and celebration wear category. VFL is the largest company in India in the men's Indian wedding and celebration wear segment in terms of revenue, EBITDA and PAT for the FY20. VFL offers a wide spectrum of products for every celebratory occasion. VFL has their dominance in the premium and value segments of the men's Indian wedding and celebration wear market through their brands, Twamev and Manthan, respectively, and in the women's Indian wedding and celebration wear market through their brand, Mohey.

Objects of the issue

The IPO aims to utilize the net proceed for the following objectives;

- ⇒ To carry out an offer for sale by selling shareholders.
- ⇒ To realize the listing benefits of equity shares on the stock exchange.

Investment Rationale

Market leader in Indian celebration wear market, benefiting from an increase in consumer spending

Their brands comprise a diverse range of attires and accessories for various members of the wedding entourage, besides the personalization for the bride and the groom. According to CRISIL, their "Manyavar" brand is a category leader in the branded Indian wedding and celebration wear market with a pan-India presence, as of FY20. "Twamev" is their premium brand in men's Indian wedding and celebration wear, and "Manthan" is their value brand in the same segment. VFL also caters to women's segment with "Mohey" and they have an upcoming brand, "Mehbaz". According to CRISIL, the Indian wedding and celebration wear market is relatively less price-sensitive as compared to casual wear. The branded market is expected to grow at 18%-20% between the FY20-25, primarily due to an increase in the availability of branded Indian wedding and celebration wear, as well as several regional brands offering merchandise of consistent quality with attractive and contemporary designs, uniform pricing and enhanced customer experiences. These are positives for VSL as it has a diverse portfolio and a solid brand image.

Differentiated business model backed by a technology-based strong supply chain

VFL is asset-light in respect of their plant, property and equipment with EBOs (exclusive brand outlets) predominantly operated by their franchisees on a pan-India basis. As of Sept30, 2021, over 88% of their customers sales were generated by the EBOs, with over 7.4% by MBOs (multi brand outlets) and shop-in-shops, over 0.9% by LFS (large format stores) and over 3.7% by online channels. They have also expanded their presence overseas with 11 stores across the United States, Canada and UAE, as of Sept30, 2021. VFL's business model is driven by the strength of their omnichannel network, system-driven technology infrastructure, their established systems and processes and their longstanding relationships with their vendors. The entire supply chain and inventory management process is system-driven and algorithmically managed with every stage in their supply and distribution chain-driven through data analysis and automation.

Valuation and Outlook

The Indian celebration wear market was hit hard in the pandemic. VFL's margin profile remained strong, with EBITDA margins at 48.9% and Net Profit margin at 25.32% as of Sept 30, 2021. Going ahead, they plan to expand their footprint, enhance their brand appeal and scale-up through cross-selling and up-selling initiatives. However, VFL caters to a very niche segment (Indian wedding and celebration wear), which puts their business at considerable risk. Any change in consumer spending on weddings and festivals can directly impact the financials and future profitability of the company. On the upper end of the price band, the issue is valued at a PE of 108x (based on FY22 annualized earnings), which we believe is aggressively priced. Hence, we recommend an "AVOID" rating on this issue.

Issue Details

Offer Period	4 th Feb - 8 th Feb 2022
Price Band	INR.824 to INR.866
Bid Lot	17
Listing	BSE&NSE
Issue Size (no. of shares in mn)	36.36
Issue Size (INR. in bn)	31.49
Face Value	INR. 1

Issue Structure

QIB	50 %
NIB	15 %
Retail	35 %
BRLM	Edelweiss Financial ,ICICI Securities, IIFL Securities, Kotak Mahindra Capital and Axis Capital
Registrar	KFin Technologies Pvt Ltd.

Particulars Pre Issue % Post Issue %

Promoter	92.4%	84.91%
Public	7.6%	15.09%
Total	100%	100%

(Assuming issue subscribed at higher band)

Research Team - 022-61596407



Income Statement (In mn)

Particulars	FY19	FY20	FY21	H1FY22
Revenue				
Revenue from operations	8,007	9,155	5,648	3,598
Total Revenue	8,007	9,155	5,648	3,598
Expenses				
Cost of materials consumed	862	1,075	656	487
Purchased of traded goods	1,367	1,682	708	582
Changes in inventories of finished goods and by products	(4)	(245)	100	(164)
Employee benefit expenses	472	533	381	230
Other expenses	1,951	2,173	1,373	859
Total Operating Expenses	4,649	5,218	3,218	1,995
EBITDA	3,358	3,938	2,431	1,604
Depreciation and amortization expense	643	887	955	431
Other income	191	324	602	274
EBIT	2,906	3,374	2,078	1,447
Finance Costs	196	256	258	122
Profit before tax	2,709	3,118	1,819	1,325
Current tax	866	797	433	320
Deferred tax charge/ (charge)	79	(44)	57	20
Total Tax	945	752	490	341
PAT	1,764	2,366	1,329	984
Diluted EPS	7.0	9.5	5.4	4.0

Source: RHP, BP Equities Research

Cash Flow Statement (In mn)

Particulars	FY19	FY20	FY21	H1FY22
Cash Flow from operating activities	2,348	2,434	2,526	607
Cash flow from investing activities	(1,629)	(957)	(884)	2,986
Cash flow from financing activities	(710)	(1,410)	(1,665)	(3,616)
Net increase/(decrease) in cash and cash equivalents	10	67	(23)	(23)
Cash and cash equivalents at the beginning of the period	12	21	89	66
Cash and cash equivalents at the end of the period	21	89	66	43

Source: RHP, BP Equities Research



Balance Sheet (In mn)

Particulars	FY19	FY20	FY21	H1FY22
Liabilities				
Share capital	250	250	248	242
Other equity	8,577	10,410	10,666	8,351
Net worth	8,828	10,660	10,914	8,594
Lease liabilities	1,297	1,697	1,397	1,539
Deposits	634	737	818	816
Provisions	17	23	26	31
Deferred tax liabilities (net)	90	81	147	166
Other non- current liabilities	394	400	357	358
Total Non current liabilities	2,433	2,937	2,745	2,909
Borrowings	0	-	-	-
Lease liabilities	540	731	707	829
Trade payables	581	504	499	614
Other financial liabilities	74	92	107	203
Other current liabilities	726	940	1,239	1,281
Provisions	2	4	4	4
Liabilities for current tax (net)	-	47	41	22
Total Current liabilities	1,925	2,318	2,597	2,952
Total Liabilities	13,185	15,916	16,257	14,455
Assets				
Property, plant & equipment	737	817	795	764
Right-of-use asset	1,963	2,460	2,035	2,209
Capital work in progress	14	-	2	7
Goodwill	157	157	157	157
Other intangible assets	1,516	1,631	1,603	1,591
Intangible assets under development	11	3	1	1
Financial assets				
(i) Investments	252	460	800	560
(ii) Other financial assets	343	387	434	455
Deferred tax assets (net)	0	6	16	14
Other assets	629	629	622	621
Non current tax assets	134	50	41	122
Total Non Current Assets	5,757	6,601	6,505	6,500
Inventories	909	1,209	1,012	1,237
Investments	1,692	3,549	4,556	2,005
Trade receivables	3,327	3,721	3,612	4,011
Cash and cash equivalents	21	89	66	43
Bank balances other than above	1,173	110	5	5
Other financial assets	17	131	163	235
Others current assets	288	421	336	419
Current tax assets		85	0	
Total Current Assets	7,429	9,315	9,751	7,955
Net Current Assets	5,504	6,996	7,154	5,002
Total Assets	13,185	15,916	16,257	14,455

Source: RHP, BP Equities Research

Key Risks

- ⇒ The COVID-19 pandemic or any future pandemics or widespread public health emergencies could adversely affect their business, results of operations, financial conditions and cash flows.
- ⇒ Their 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 their business.
- ⇒ The business prospects depend on the strength of their key brands and any failure to grow or maintain the sales of their products could adversely affect their business.

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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