

Vedant Fashions

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	MANYAVAR IN
Equity Shares (m)	243
M.Cap.(INRb)/(USD\$)	231.6 / 2.8
52-Week Range (INR)	1488 / 886
1, 6, 12 Rel. Per (%)	2/-44/-50
12M Avg Val (INR M)	312

Financials & Valuations Consol (INR b)

Y/E March	FY24	FY25E	FY25E
Sales	13.7	15.9	19.0
EBITDA	6.6	7.9	9.6
Adj. PAT	4.1	5.0	6.1
EBITDA Margin (%)	48.1	49.3	50.2
Adj. EPS (INR)	17.1	20.5	25.2
EPS Gr. (%)	(3.5)	20.1	23.2
BV/Sh. (INR)	64.0	75.9	90.6

Ratios

Net D:E	(0.4)	(0.5)	(0.5)
RoE (%)	27.6	28.4	27.0
RoCE (%)	23.9	24.4	26.2
Payout (%)	49.8	40.0	40.0

Valuations

P/E (x)	55.5	46.2	37.5
EV/EBITDA (x)	35.6	29.5	23.9
EV/Sales (X)	17.1	14.5	12.0
Div. Yield (%)	0.9	0.9	1.1

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	75.0	75.0	84.9
DII	12.6	13.7	9.9
FII	8.1	7.7	3.4
Others	4.3	3.5	1.8

FII Includes depository receipts

CMP: INR954 TP: INR1,010 (+6%) Neutral

Weak demand environment persists

- Vedant Fashions (Manyavar)'s EBITDA growth continued to remain muted at 4% YoY (in line) due to soft revenue growth of 6% YoY and operating deleverage. Footprint additions, however, were robust at 16% YoY, and we expect the same to continue.
- We broadly maintain our estimates given the weak outlook and factor in 18%/22% revenue/PAT CAGR over FY24-26E, mainly led by footprint expansion. The stock has corrected 35% from its 52-week high and is trading at 38x FY26E P/E. Demand revival in 2HFY25 would remain a key monitorable for any re-rating. **Reiterate Neutral with a TP of INR1,010, valuing the stock at 40x FY26E P/E.**

Revenue/EBITDA up 6%/4% YoY (in line)

- Consolidated revenue grew 6% YoY to INR3.6b (in line), mainly driven by 16% area expansion, while SSS declined 3.3% YoY (-10.3% YoY for FY24).
- Sales to customers also grew 6% YoY and stood at INR5.1b.
- Gross profit rose 7% YoY to INR2.6b (in line), while margin expanded 70bp to 72.5% during the quarter.
- Employee costs declined 10% YoY to INR134m, which could be due to the reduction in directors' remunerations, while other expenses jumped 20% YoY to INR747m.
- This led to an EBITDA growth of 4% YoY to INR1.8b (in line) offset by soft SSSG and higher other expenses that resulted in operating deleverage. EBITDA margin contracted 90bp YoY to 48.2% in 4QFY24.
- Consequently, PAT grew 6% YoY to INR1.2b (7% beat), led by a decline in taxes for the quarter.
- **For FY24**, revenue grew 1% YoY, while EBITDA/PAT declined 2%/3% YoY.
- EBITDA declined 2% YoY to INR6.6b, while lease liability payments rose 31% YoY to INR1.5b due to store expansions. This led to a decline in OCF/FCF by 7% YoY to INR3.4b. The company paid a dividend of INR2.2b, and the net cash increased by INR1.8b to INR9.8b.
- The Board announced a dividend of INR8.5/share (vs. INR9/share in FY23).

Highlights from the management commentary

- **Expect recovery in 2HFY25:** FY24 was a one-off year, which was severely impacted by significantly lower weddings, muted consumer sentiments, and the higher base effect of last year. Expect recovery from 2QFY25.
- **Unorganized players also struggled:** The top 30 companies and stores of unorganized players also reported weakness in FY24. Hence, management does not expect the unorganized players to gain market share.
- **Focusing on large-sized stores:** The company is consolidating the smaller stores and moving into larger store formats. It has added new stores with 3,500 sqft of size.
- **Higher mix of lease rentals:** The company is paying rent for around 67% of the total stores in FY24 vs. 65% in FY23. In FY24, 80% of the total area additions were on lease.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Valuation and view

- Manyavar has successfully achieved scale within the growing men's celebration and occasion wear market, which is difficult to replicate.
- While the company has a healthy runway for growth with footprint expansion in Manyavar, coupled with expansion in Mohey (women's celebration wear) and Twamev (premium celebration wear), weak consumption remains a concern in the next few quarters.
- The stock has corrected 35% from its 52-week high owing to a weaker revenue trajectory and is trading at 38x FY26E P/E. We believe the stock is fairly priced given the slowdown in consumption. Demand recovery and scaling up of emerging brands would remain the key catalysts for the stock.
- We broadly maintain our estimates given the weak outlook and factor in 18%/22% revenue/PAT CAGR over FY24-26E, mainly led by footprint expansion.
- **Reiterate Neutral with a TP of INR1,010, valuing the stock at 40x FY26E P/E.**

Quarterly Earnings Snapshot**(INR m)**

Y/E March	FY23				FY24				FY23	FY24	FY24	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE Var (%)	
Revenue	3,250	2,469	4,414	3,416	3,116	2,183	4,745	3,632	13,549	13,675	3,561	2.0
YoY Change (%)	103.1	23.5	14.7	15.3	-4.1	-11.6	7.5	6.3	30.2	0.9	4.2	
Total Expenditure	1,619	1,315	2,170	1,737	1,635	1,255	2,324	1,881	6,841	7,094	1,806	4.1
EBITDA	1,631	1,154	2,245	1,679	1,482	928	2,420	1,751	6,708	6,581	1,754	-0.2
EBITDA margins (%)	50.2	46.7	50.9	49.1	47.5	42.5	51.0	48.2	49.5	48.1	49.3	
Change YoY (%)	135.6	26.6	17.2	16.6	-9.1	-19.6	7.8	4.3	189.6	96.0	4.5	
Depreciation	264	249	251	274	299	325	344	381	1,038	1,349	351	8.3
Interest	78	77	75	84	94	107	112	132	315	445	114	15.8
Other Income	71	97	100	134	150	151	155	241	402	697	156	54.5
PBT before EO expense	1,359	925	2,019	1,454	1,238	648	2,119	1,479	5,758	5,484	1,445	2.4
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
Tax	351	235	516	366	319	161	542	321	1,467	1,342	366	-12.2
Rate (%)	25.8	25.4	25.5	25.2	25.7	24.8	25.6	21.7	25.5	24.5	25.3	-14.2
Reported PAT	1,009	690	1,504	1,089	919	487	1,577	1,158	4,291	4,142	1,079	7.3
Adj PAT	1,009	690	1,504	1,089	919	487	1,577	1,158	4,291	4,142	1,079	7.3
YoY Change (%)	123	30	18	23	-9	-29	5	6	36	-3	-1	

E: MOFSL Estimates

Exhibit 1: Valuation based on P/E for FY26E

Valuation	FY26E
EPS	25
PE multiple (x)	40
Target Price (INR)	1,010
CMP (INR)	947
Upside (%)	7%

Source: MOFSL, Company

Exhibit 2: Quarterly performance (INR m)

Consol P&L (INR m)	4QFY23	3QFY24	4QFY24	YoY%	QoQ%	4QFY24E	v/s Est (%)
Total Revenue	3,416	4,745	3,632	6	-23	3,561	2
Raw Material cost	964	1,344	1,000	4	-26	1,031	-3
Gross Profit	2,452	3,400	2,632	7	-23	2,530	4
Gross margin (%)	71.8	71.7	72.5	69.0	80.2	71.1	141.1
Employee Costs	148	138	134	-10	-3	137	-3
Other expenses	625	842	747	20	-11	638	17
EBITDA	1,679	2,420	1,751	4	-28	1,754	0
EBITDA margin (%)	49.1	51.0	48.2	-93.2	-280.3	49.3	-106.3
Depreciation and amortization	274	344	381	39	11	351	8
EBIT	1,405	2,076	1,370	-2	-34	1,403	-2
<i>EBIT margin (%)</i>	<i>41.1</i>	<i>43.8</i>	<i>37.7</i>	<i>NM</i>	<i>NM</i>	<i>39.4</i>	<i>-167.3</i>
Finance Costs	84	112	132	57	18	114	16
Other income	134	155	241	79	56	156	55
Exceptional item	0	0	0	NM	NM	0	NM
Profit before Tax	1,454	2,119	1,479	2	-30	1,445	2
Tax	366	542	321	-12	-41	366	-12
<i>Tax rate (%)</i>	<i>25.2</i>	<i>25.6</i>	<i>21.7</i>	<i>-13.7</i>	<i>-15.1</i>	<i>25.3</i>	<i>-14.2</i>
Profit after Tax	1,089	1,577	1,158	6	-27	1,079	7
Adj Profit after Tax	1,089	1,577	1,158	6	-27	1,079	7
	4QFY23	3QFY24	4QFY24	YoY%	QoQ%	4QFY24E	v/s Est (%)
Total stores	649	673	676	4	0	694	-3
Net store adds	9	4	3	NM	NM	21	-86

Source: MOFSL, Company

Exhibit 3: Our estimate change summary

	FY25E	FY26E
Revenue (INR m)		
Old	16,271	19,460
Actual/New	15,925	19,047
<i>Change (%)</i>	<i>-2.1</i>	<i>-2.1</i>
EBITDA (INR m)		
Old	8,021	9,672
Actual/New	7,851	9,561
<i>Change (%)</i>	<i>-2.1</i>	<i>-1.1</i>
EBITDA margin (%)		
Old	49.3	49.7
Actual/New	49.3	50.2
<i>Change (bp)</i>	<i>0</i>	<i>50</i>
Net Profit (INR m)		
Old	5,152	6,328
Actual/New	4,975	6,128
<i>Change (%)</i>	<i>-3.4</i>	<i>-3.2</i>
EPS (INR)		
Old	21.2	26.1
Actual/New	20.5	25.2
<i>Change (%)</i>	<i>-3.4</i>	<i>-3.2</i>

Source: MOFSL, Company

Highlights from the management interaction

Key highlights

- **Expect recovery in 2HFY25:** FY24 was a one-off year, which was severely impacted by significantly lower weddings, muted consumer sentiments, and the higher base effect of last year. Expect recovery from 2QFY25.
- **Unorganized players also struggled:** The top 30 companies and stores of unorganized players also reported weakness in FY24. Hence, management does not expect the unorganized players to gain market share.
- **Focusing on large-sized stores:** It is consolidating the smaller stores and moving into larger store formats. It has added new stores with 3,500 sqft of size.
- **Higher mix of lease rentals:** The company is paying rent for around 67% of the total stores in FY24 vs. 65% in FY23. In FY24, 80% of the total area additions were on lease.

Detailed notes

Current environment

- FY24 was a one-off year, which was severely impacted by significantly lower weddings, muted consumer sentiments, and the higher base effect of last year. Expect recovery post-2QFY25.
- T1 and T2 cities continue to outperform T3.
- The top 30 companies and stores of unorganized players also reported weakness in FY24. Hence, management does not expect the unorganized players to gain market share.
- With organized competition, such as Raymond and Tasva, players have entered into Tier 1/2 cities, while the company is facing challenges in Tier 3 cities.

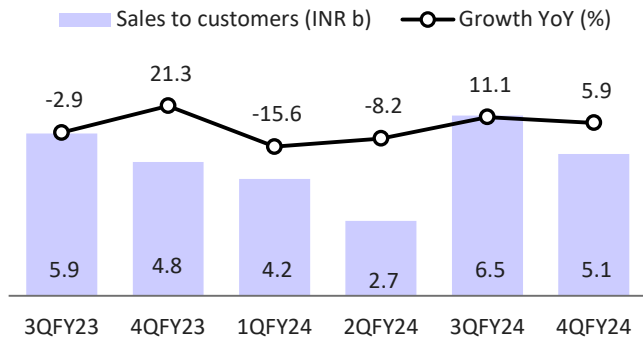
Financials

- Debtor days increased to 150 from 120 days in the last year, due to area additions; the revenue has not grown to that extent. However, overall WC days remained stable.
- The company spent 5.6% towards ad in FY24.

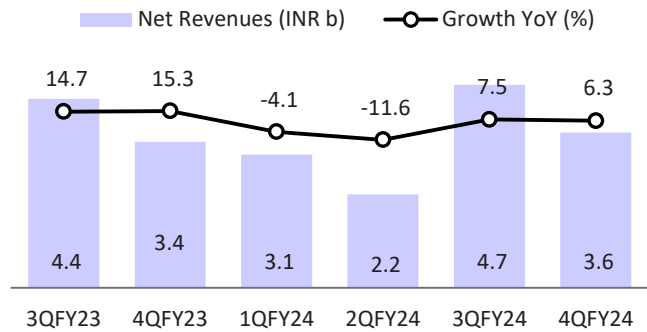
New store additions

- The company is consolidating the smaller stores and moving into larger store formats. It has added new stores with 3,500 sqft of size.
- Newer stores require two years to mature and since FY24 was a weak year, they might require more than two years to mature.
- Manyavar bears the rent of a flagship store.
- The company is paying rent for around 67% of the total stores in FY24 vs. 65% in FY23. In FY24, 80% of the total area additions were on lease.
- Twamev is a premium brand, but it is taking more time to mature than Manyavar.

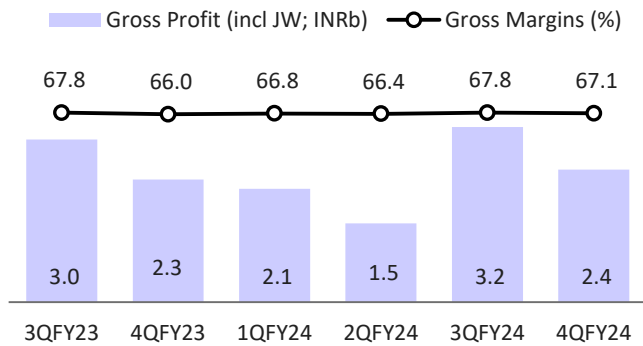
Story in charts

Exhibit 4: Sales to customers grew 6% YoY


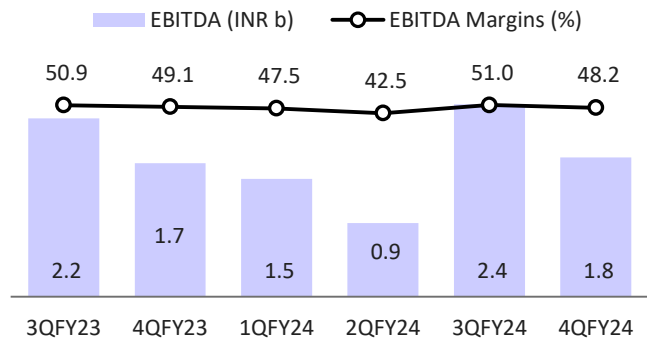
Source: MOFSL, Company

Exhibit 5: Net revenue grew 6% YoY, in line with gross sales


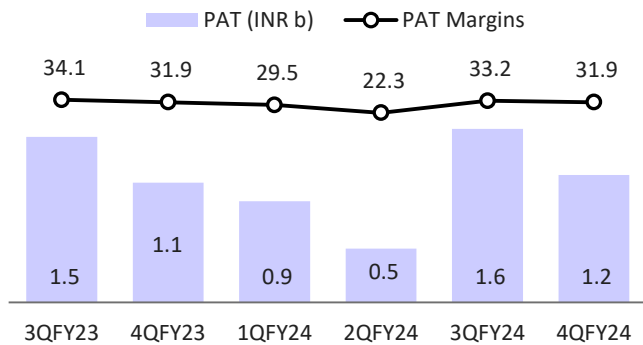
Source: MOFSL, Company

Exhibit 6: Gross margin (incl. job work) up 110bp YoY


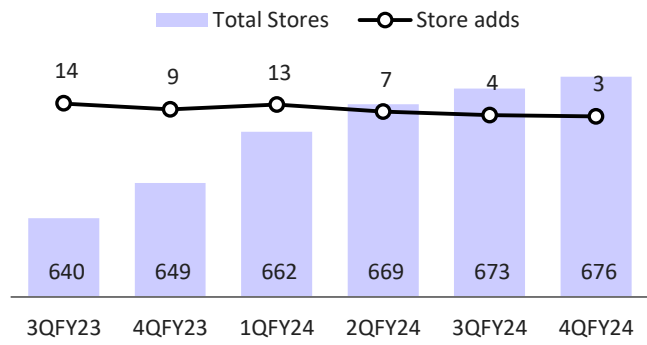
Source: MOFSL, Company

Exhibit 7: EBITDA margin contracted 90bp YoY


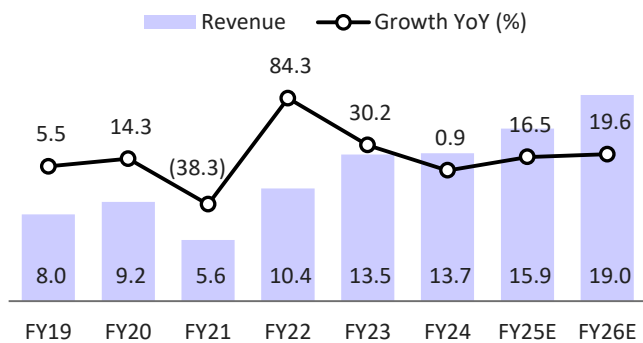
Source: MOFSL, Company

Exhibit 8: PAT grew 6% YoY due to a decline in taxes


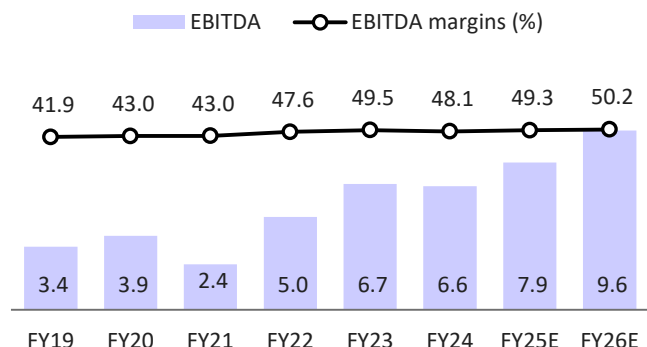
Source: MOFSL, Company

Exhibit 9: Added three stores in 4QFY24


Source: MOFSL, Company

Exhibit 10: Expect revenue CAGR of 18% over FY24-26


Source: MOFSL, Company

Exhibit 11: Expect 21% EBITDA CAGR over FY24-26


Source: MOFSL, Company

Financials and valuations

Consolidated - Income Statement							(INR m)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Income from Operations	8,007	9,155	5,648	10,408	13,549	13,675	15,925	19,047
Change (%)	5.5	14.3	-38.3	84.3	30.2	0.9	16.5	19.6
Raw Materials	2,226	2,512	1,463	2,668	3,519	3,792	4,379	5,162
Gross Profit	5,782	6,643	4,185	7,740	10,030	9,883	11,546	13,885
Margin (%)	72.2	72.6	74.1	74.4	74.0	72.3	72.5	72.9
Gross Profit (Incl Job Work)	5,204	5,981	3,770	6,958	9,127	9,186	10,750	12,952
Margin (%)	65.0	65.3	66.8	66.9	67.4	67.2	67.5	68.0
Employees Cost	472	533	381	575	566	568	669	800
Other Expenses	1,951	2,173	1,373	2,206	2,755	2,735	3,026	3,524
Total Expenditure	4,649	5,218	3,218	5,450	6,841	7,094	8,074	9,485
% of Sales	58.1	57.0	57.0	52.4	50.5	51.9	50.7	49.8
EBITDA	3,358	3,938	2,431	4,959	6,708	6,581	7,851	9,561
Margin (%)	41.9	43.0	43.0	47.6	49.5	48.1	49.3	50.2
Depreciation	643	887	955	944	1,038	1,349	1,608	1,936
EBIT	2,715	3,050	1,475	4,015	5,671	5,232	6,243	7,626
Int. and Finance Charges	196	256	258	284	315	445	637	949
Other Income	191	324	602	499	402	697	1,045	1,515
PBT bef. EO Exp.	2,709	3,118	1,819	4,230	5,758	5,484	6,651	8,192
EO Items	0	0	0	0	0	0	0	0
PBT after EO Exp.	2,709	3,118	1,819	4,230	5,758	5,484	6,651	8,192
Total Tax	945	752	490	1,081	1,467	1,342	1,676	2,064
Tax Rate (%)	34.9	24.1	26.9	25.6	25.5	24.5	25.2	25.2
Reported PAT	1,764	2,366	1,329	3,149	4,291	4,142	4,975	6,128
Adjusted PAT	1,764	2,366	1,329	3,149	4,291	4,142	4,975	6,128
Change (%)	20.2	34.1	-43.8	136.9	36.3	-3.5	20.1	NA
Margin (%)	22.0	25.8	23.5	30.3	31.7	30.3	31.2	32.2

Consolidated - Balance Sheet							(INR m)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	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	15,776	18,761	22,438
Net Worth	8,828	10,660	10,914	10,827	13,999	16,019	19,004	22,680
Total Loans	1,837	2,427	2,104	2,787	2,934	4,444	5,140	5,400
Lease Liabilities	1,837	2,427	2,104	2,787	2,934	4,444	5,140	5,400
Deferred Tax Liabilities	90	81	147	168	197	219	219	219
Other Liabilities	1,046	1,160	1,201	1,335	1,539	1,855	1,855	1,855
Capital Employed	11,801	14,328	14,367	15,118	18,669	22,537	26,218	30,154
Gross Block	4,961	5,972	6,345	7,845	8,941	11,719	13,515	15,612
Less: Accum. Deprn.	745	1,062	1,912	2,856	3,894	5,242	6,530	8,466
Net Fixed Assets	4,216	4,909	4,432	4,989	5,047	6,477	6,985	7,146
Other Non-Current	921	836	820	867	882	320	320	320
Capital WIP	25	3	4	1	22	1	1	1
Total Investments	2,287	4,397	5,790	5,608	8,501	10,410	10,410	10,410
Curr. Assets, Loans&Adv.	5,737	5,765	5,195	6,219	7,201	7,875	11,920	16,347
Inventory	909	1,209	1,012	1,430	1,736	1,386	1,614	1,930
Account Receivables	3,327	3,721	3,612	3,967	4,734	5,645	6,108	7,306
Cash and Bank Balance	1,194	199	71	39	100	217	3,560	6,350
Loans and Advances	306	637	500	783	630	627	637	762
Curr. Liability & Prov.	1,384	1,588	1,890	2,580	2,991	2,550	3,422	4,075
Account Payables	581	504	499	730	859	891	1,029	1,213
Other Current Liabilities	801	1,080	1,387	1,845	2,130	1,656	2,389	2,857
Provisions	2	4	4	4	2	3	4	5
Net Current Assets	4,352	4,178	3,305	3,639	4,210	5,325	8,498	12,273
Deferred Tax assets	0	6	16	13	7	4	4	4
Appl. of Funds	11,801	14,328	14,367	15,118	18,669	22,537	26,218	30,154

Financials and valuations

Ratios								
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	7.0	9.4	5.4	13.0	17.7	17.1	20.5	25.2
Cash EPS	9.6	13.0	9.1	16.3	21.3	21.9	26.3	32.2
BV/Share	35.2	42.6	43.6	43.2	55.9	64.0	75.9	90.6
DPS	0.0	0.0	0.0	5.0	9.0	8.5	8.2	10.1
Payout (%)	0.0	0.0	0.0	38.5	50.9	49.8	40.0	40.0
Valuation (x)								
P/E	134.4	100.2	176.6	73.0	53.6	55.5	46.2	37.5
Cash P/E	98.5	72.9	103.8	58.0	44.5	43.2	36.0	29.4
P/BV	26.9	22.2	21.7	21.9	16.9	14.8	12.5	10.5
EV/Sales	29.7	26.1	41.9	22.3	17.2	17.1	14.5	12.0
EV/EBITDA	70.8	60.8	97.4	46.9	34.7	35.6	29.5	23.9
Dividend Yield (%)	0.0	0.0	0.0	0.5	1.0	0.9	0.9	1.1
FCF per share	9.1	9.0	10.8	14.9	19.6	20.0	25.9	26.6
Return Ratios (%)								
RoE	22.3	24.3	12.3	29.0	34.6	27.6	28.4	27.0
RoCE	21.3	21.6	11.6	25.2	29.6	23.9	24.4	26.2
RoIC	24.4	25.7	11.8	33.3	43.3	36.0	38.7	44.5
Working Capital Ratios								
Fixed Asset Turnover (x)	1.6	1.5	0.9	1.3	1.5	1.2	1.2	1.2
Asset Turnover (x)	0.7	0.6	0.4	0.7	0.7	0.6	0.6	0.6
Inventory (Days)	149	176	253	196	180	133	135	137
Debtor (Days)	152	148	233	139	128	151	140	140
Creditor (Days)	95	73	124	100	89	86	86	86
Leverage Ratio (x)								
Current Ratio	4.1	3.6	2.7	2.4	2.4	3.1	3.5	4.0
Interest Cover Ratio	13.8	11.9	5.7	14.1	18.0	11.8	9.8	8.0
Net Debt/Equity	-0.2	-0.2	-0.3	-0.3	-0.4	-0.4	-0.5	-0.5
	206	251						
Consolidated - Cash Flow Statement								
							(INR m)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	2,709	3,118	1,819	4,230	5,758	5,484	6,651	8,192
Depreciation	643	887	955	944	1,038	1,349	1,608	1,936
Interest & Finance Charges	196	256	258	284	315	454	637	949
Direct Taxes Paid	-954	-750	-345	-1,090	-1,472	-1,301	-1,676	-2,064
(Inc)/Dec in WC	-67	-804	399	-450	-569	-498	170	-986
CF from Operations	2,528	2,707	3,087	3,918	5,070	5,488	7,390	8,027
Others	-179	-273	-561	-408	-372	-657	-1,045	-1,515
CF from Operating incl EO	2,348	2,434	2,526	3,510	4,698	4,831	6,345	6,511
(Inc)/Dec in FA	-73	-184	151	109	57	13	-50	-50
Free Cash Flow	2,276	2,250	2,677	3,619	4,755	4,844	6,295	6,461
(Pur)/Sale of Investments	-463	-1,445	-1,424	37	-2,492	-1,149	0	0
Others	-1,093	672	389	418	116	41	1,045	1,515
CF from Investments	-1,629	-957	-884	565	-2,319	-1,096	995	1,465
Issue of Shares	0	0	-1,084	47	15	31	0	0
Inc/(Dec) in Debt	-127	0	0	0	0	0	0	0
Interest Paid	-155	-211	-207	-223	-241	-337	-637	-949
Repayment of loan	0	-604	0	0	0	0	353	0
Others	-428	-595	-373	-3,928	-2,091	-3,310	-3,713	-4,239
CF from Fin. Activity	-710	-1,410	-1,665	-4,105	-2,317	-3,616	-3,997	-5,187
Inc/Dec of Cash	10	67	-23	-30	62	119	3,343	2,789
Opening Balance	12	21	89	66	36	98	217	3,560
Closing Balance	21	89	66	36	98	217	3,560	6,350
Other Bank Balance	1,173	110	5	3	3	0	0	0
Net Closing Balance	1,194	199	71	39	100	217	3,560	6,350

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NOTES

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BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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