

CMP	: INR 1,297
Reco	: BUY ↔
Target	: INR 1,517 ↑
Target Price Change	: 11%
Target 1HFY26 EV/EBITDA (x)	: 35
EBITDA Change FY24/ 25	: -1%/-1%

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Market data	
Sensex	: 63,591
Sector	: Retailing
Market Cap (INR bn)	: 315.4
Market Cap (USD bn)	: 3.787
O/S Shares (mn)	: 242.8
52-wk HI/LO (INR)	: 1461/1058
Avg. Daily Vol ('000)	: 172
Bloomberg	: MANYAVAR IN

Source: Bloomberg

	FY24e	FY25e	FY26e
EPS (INR)	20.4	24.4	28.8
P/E (x)	63.6	53.2	45.0
P/BV (x)	17.7	14.0	11.1
EV/EBITDA (x)	39.3	32.8	27.5
Dividend Yield (%)	-	-	-

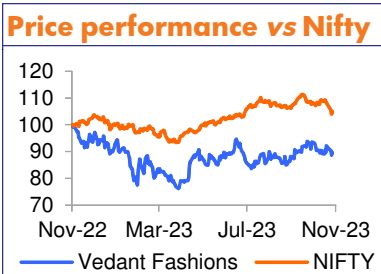
Source: Bloomberg

Returns (%)				
	1m	3m	6m	12m
Absolute	(3)	0	2	(10)
Relative	0	4	(1)	(14)

Source: Bloomberg

Shareholding pattern	
Promoters	: 75%
Public	: 25%
Others	: 0%

Source: Bloomberg



Source: Bloomberg Indexed to 100

2QFY24 RESULT REVIEW

# Vedant Fashions

## Looking forward to a buoyant festive and wedding season

Vedant Fashion’s (VFL) performance was in line with our expectations. Revenue declined 12%, primarily on account of the significantly lower number of wedding dates during the quarter. Margin contraction was on account of the negative operating leverage. The company continued with its store expansion momentum by adding seven new stores during the quarter, taking its total store count to 669. Management remains optimistic about clocking mid to high single-digit SSSG (%) along with 16% sq. ft. addition. Though 1HFY24 has significantly lower wedding dates nationally, management remains positive and hopeful with the overall business outlook for the year, which will be majorly driven by 2HFY24. We note that 2HFY24 has 30%–40% higher wedding dates than in 1HFY24, which would drive overall demand. We expect revenue/ EBITDA/ PAT to grow at 17%/ 17%/ 18% CAGR over FY24–26E. We have marginally tweaked our EBITDA estimates. We introduce and roll forward to 1HFY26, arriving at a revised target price of INR 1,517 (valuing at 35x 1HFY26 EV/EBITDA). We maintain BUY recommendation on the stock.

### Lower wedding dates impact performance

In 2QFY24, revenue declined 12% YoY to INR 2.2 bn. Customer sales declined 8% YoY to INR 2.4 mn with an LTL decline of 18% YoY. The decline was primarily on account of the significantly lower number of wedding dates during the quarter. On a four-year CAGR basis, customer sales/ revenue have grown at 12%/ 14% respectively. Revenue per sq. ft. has declined 27% YoY to INR 1,383 in 2QFY24.

### Margins impacted due to negative operating leverage

Gross margin contracted 325 bps YoY to 73.6%. Employee expenses grew 8% YoY to INR 146 mn, while other expenses declined 13% YoY to INR 530 mn. Consequently, EBITDA declined 20% YoY to INR 927 mn with an EBITDA margin contraction of 419 bps YoY to 42.6%. Depreciation and interest costs grew 28% and 38% YoY to INR 318 mn and INR 107 mn respectively. Other income grew 52% YoY to INR 148 mn. Accordingly, recurring PAT declined 29% YoY to INR 490 mn with a margin contraction of 547 bps YoY to 22.5%.

### Aggressive store expansion continued during the quarter

VFL expanded its retail presence by adding seven new EBOs, taking the total store count to 669 with ~1.59 mn sq. ft. of retail area. Management remains confident of adding 16% new sq. ft. of retail space going ahead. Additionally, the company added four exclusive Twamev EBOs cumulatively in 1HFY24 and two smaller-sized mall-based Mohey stores.

### Investment Summary

We expect healthy revenue/ EBITDA/ PAT CAGR of 17%/ 17%/ 18% over FY24–26E respectively with steady return ratios and FCF generation. Management remains optimistic about clocking mid to high single-digit SSSG (%) along with 16% sq. ft. space addition. We have marginally tweaked our EBITDA estimates. We introduce and roll forward to 1HFY26, arriving at a revised target price of INR 1,517 (valuing at 35x 1HFY26 EV/EBITDA). We maintain BUY recommendation on the stock.

### Quarterly and Half yearly Performance

Particulars	2QFY24	2QFY23	Chg (%)	1QFY24	Chg (%)	1HFY24	1HFY23	Chg (%)
<b>Sales</b>	<b>2,179</b>	<b>2,469</b>	<b>-11.8</b>	<b>3,416</b>	<b>-36.2</b>	<b>5,291</b>	<b>5,719</b>	<b>-7.5</b>
Cost of Material Consumed	575	572	0.6	964	-40.3	1,447	1,382	4.7
% of sales	26.4	23.2	325 bps	28.2	-182 bps	27.3	24.2	318 bps
<b>Gross Profit</b>	<b>1,603.4</b>	<b>1,897.4</b>	<b>-15.5</b>	<b>2,452.0</b>	<b>-34.6</b>	<b>3,843.9</b>	<b>4,337.0</b>	<b>-11.4</b>
<b>Margin %</b>	<b>73.6</b>	<b>76.8</b>	<b>-325 bps</b>	<b>71.8</b>	<b>182 bps</b>	<b>72.7</b>	<b>75.8</b>	<b>-318 bps</b>
Employee cost	146	135	7.9	148	-1.6	296	265	11.4
% of sales	6.7	5.5	122 bps	4.3	236 bps	5.6	4.6	95 bps
Other expenses	530	608	-12.8	625	-15.1	1,139	1,287	-11.5
% of sales	24.3	24.6	-28 bps	18.3	605 bps	21.5	22.5	-97 bps
<b>Total Exp</b>	<b>1251</b>	<b>1315</b>	<b>-4.8</b>	<b>1737</b>	<b>-28.0</b>	<b>2882</b>	<b>2934</b>	<b>-1.8</b>
<b>EBIDTA</b>	<b>927</b>	<b>1,154</b>	<b>-19.7</b>	<b>1,679</b>	<b>-44.8</b>	<b>2,409</b>	<b>2,785</b>	<b>-13.5</b>
Margin %	42.6	46.7	-419 bps	49.1	-658 bps	45.5	48.7	-317 bps
Other income	148	97	52.3	134	10.1	295	168	75.2
Depreciation	318	249	27.8	274	15.9	611	513	19.1
Interest expenses	107	77	38.1	84	26.5	201	156	28.9
<b>Profit Before Tax</b>	<b>650</b>	<b>925</b>	<b>-29.7</b>	<b>1,454</b>	<b>-55.3</b>	<b>1,892</b>	<b>2,284</b>	<b>-17.2</b>
<b>PBT after exceptional</b>	<b>650</b>	<b>925</b>	<b>-29.7</b>	<b>1,454</b>	<b>-55.3</b>	<b>1,892</b>	<b>2,284</b>	<b>-17.2</b>
Tax	160	235	-31.7	366	-56.2	479	586	-18.2
Tax Rate %	24.7	25.4	-73 bps	25.2	-48 bps	25.3	25.6	-32 bps
<b>Reported Net Profit</b>	<b>490</b>	<b>690</b>	<b>-29.0</b>	<b>1,089</b>	<b>-55.0</b>	<b>1,413</b>	<b>1,699</b>	<b>-16.8</b>
<b>Adjusted Net Profit</b>	<b>490</b>	<b>690</b>	<b>-29.0</b>	<b>1,089</b>	<b>-55.0</b>	<b>1,413</b>	<b>1,699</b>	<b>-16.8</b>

Source: Company, Antique

### Half-yearly balance sheet

Balance Sheet	Sept'23	Sept'22
Share Capital	243	243
Reserves & Surplus	12,994	11,103
<b>Networth</b>	<b>13,237</b>	<b>11,345</b>
Lease Liability	3,647	2,489
Net deferred Tax liabilities	241	170
<b>Capital Employed</b>	<b>17,126</b>	<b>14,005</b>
<b>Net Fixed Assets</b>	<b>5,905</b>	<b>4,785</b>
Investments	6,376	4,968
<b>Current Assets, Loans &amp; Advances</b>		
Inventory	1,529	1,831
Debtors	5,366	4,372
Cash & Bank balance	72	238
Loans & advances and others	1,786	1,967
<b>Current Liabilities &amp; Provisions</b>		
Liabilities	3,866	4,123
Provisions	41	35
<b>Net Current Assets</b>	<b>4,845</b>	<b>4,251</b>
<b>Application of Funds</b>	<b>17,126</b>	<b>14,005</b>

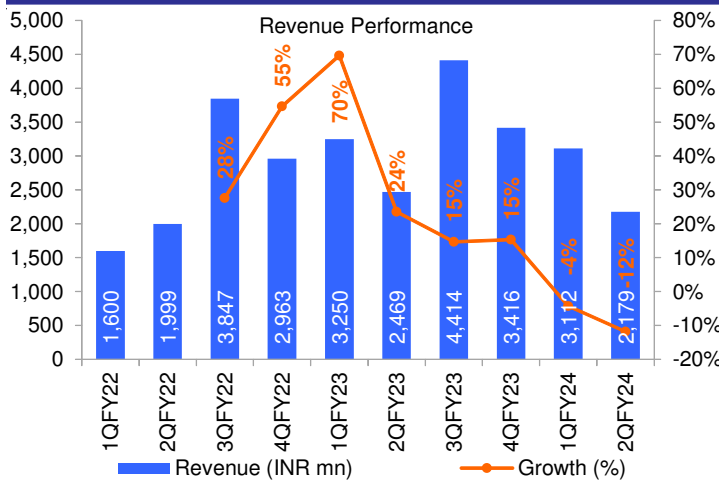
Source: Company, Antique

## Conference Call highlights

- Four Twamev stores opened in 1HFY24. The company has signed 4–5 more EBOs, which will be opened in the coming quarters. The intention is to study these stores and then scale up.
- July continued to remain weak.
- With the onset of Navratri, the company continues to witness positive trends vs. the last year.
- 1QFY24 benefited from the opening up of the economy and higher wedding and festive dates. Accordingly, 2QFY24 can't be a comparable quarter.
- Typically, a normalized 1H accounts for 35%–36% of sales. In a good year, it accounts for 38% of sales and in a bad year it accounts for around 35% of sales. Last year was a one-off with 42% sales from 1H.
- 3Q has 12 wedding dates and 4Q has 29 wedding dates. Typically, consumers prefer weddings in the third quarter.
- During the quarter, the company upgraded and renovated around 100,000 sq. ft.
- SSSG over FY20 (excluding the stores under renovation) has been 21.3%.
- Receivable days were higher due to new store openings, while inventory levels were lower due to a shift in weddings to November from October.
- Online share is around 3%.
- Non-groom segment grew faster than the groom segment.
- Dead stock is generally in the range of 3%–4% with Mohey's dead stock being higher than the company's average.
- Top 50 franchisee partners account for 80% of sales.
- Store closures are typically in the range of 1%–2%.
- The company has anticipated the men to women ratio to be 55:45. However, women's wear received a good response and the ratio is around 50:50.
- Men's wear is expected to pick up in 2H as typically men shop closer to the season.
- Groom's wear typically accounts for 45%–50% of sales due to higher bill value while the number of bills are lower than non-groom's wear.
- ASP of Mohey lehengas is typically around INR 22–23k. Twamev's lehengas are typically 3–4x. Twamev's lehengas start at INR 50k and can go up to INR 200,000. The major focus is on lehengas costing INR 70–80k.
- Increasing the company has been focusing on non-groom wear to streamline 1H revenue.

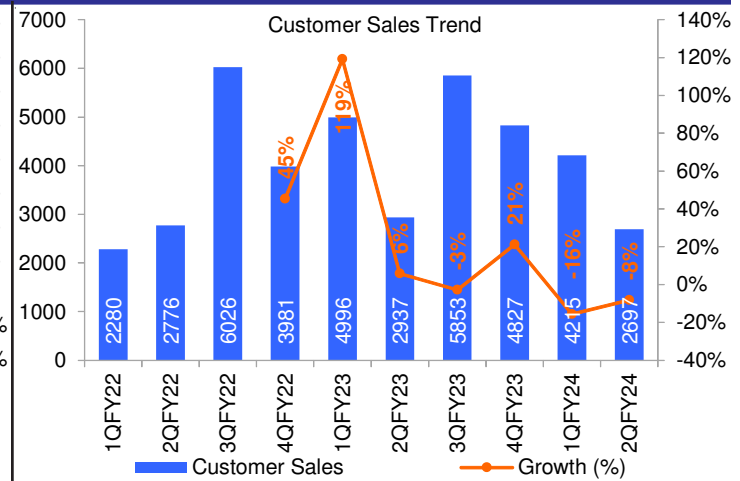
Key charts

Quarterly revenue and growth



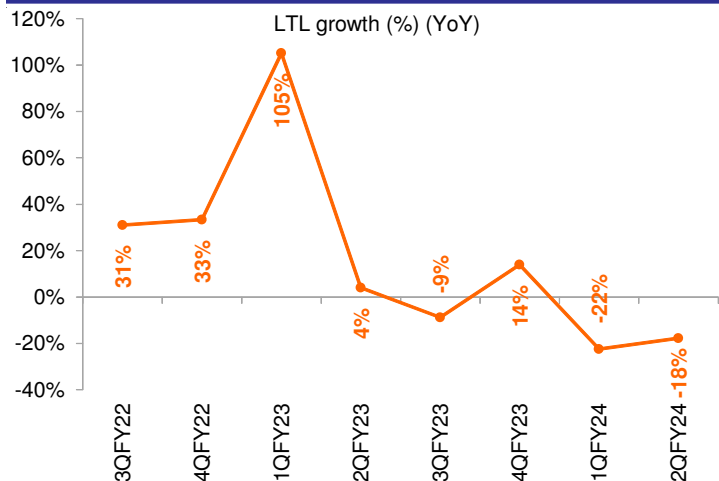
Source: Company, Antique

Quarterly customer sales and growth



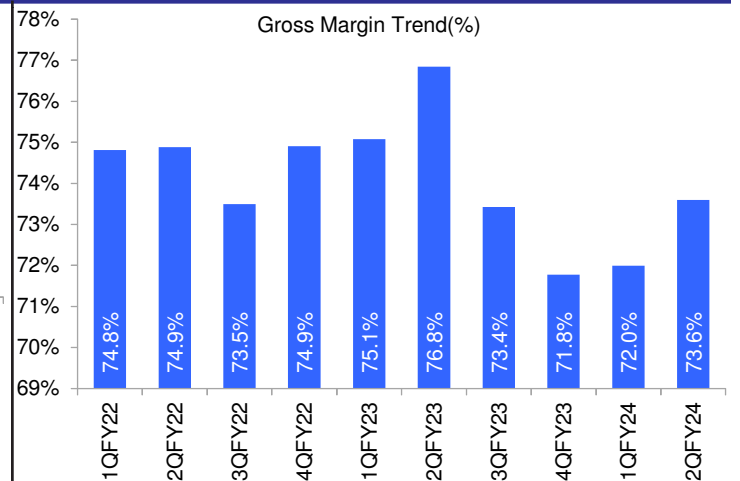
Source: Company, Antique

Quarterly LTL growth (%)



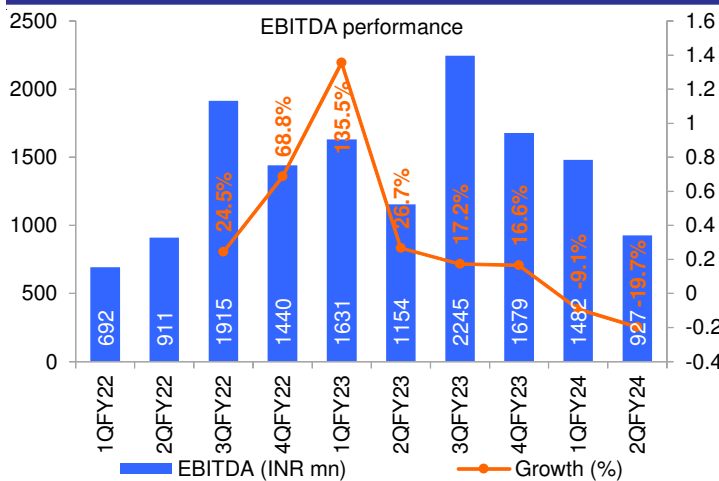
Source: Company, Antique

Quarterly gross margin (%)



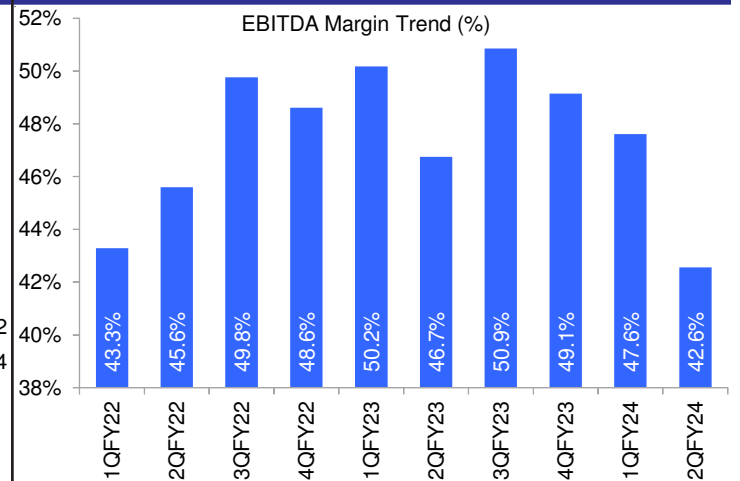
Source: Company, Antique

Quarterly EBITDA and growth (%)



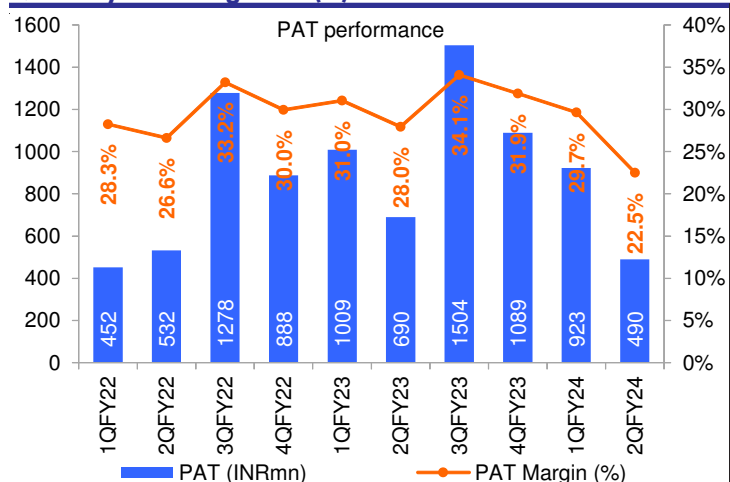
Source: Company, Antique

Quarterly EBITDA margin



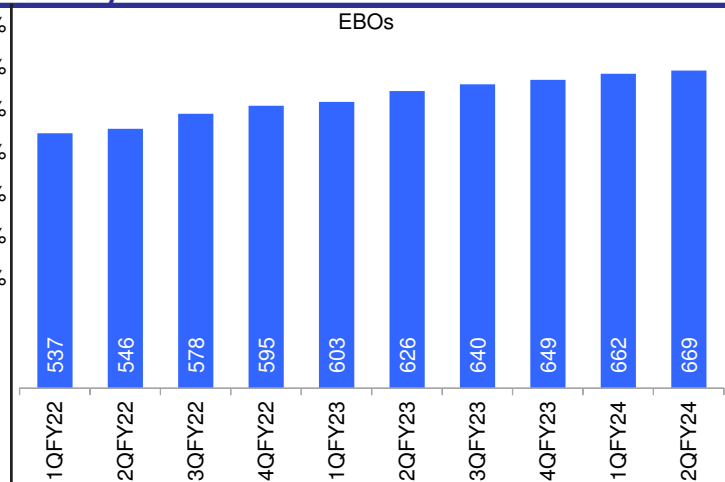
Source: Company, Antique

### Quarterly PAT and growth (%)



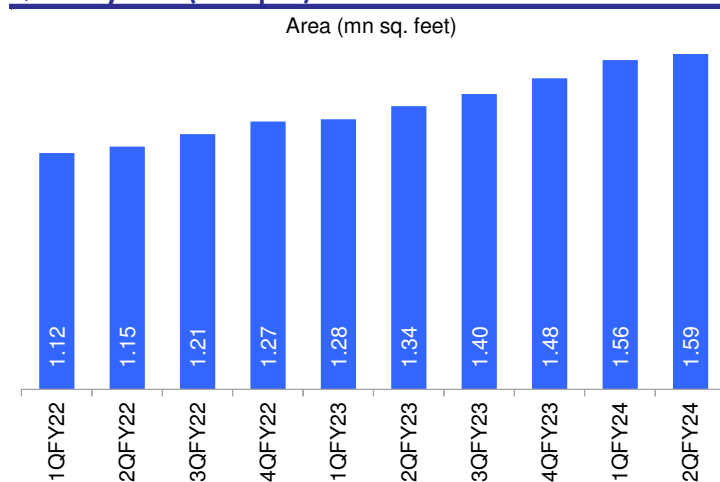
Source: Company, Antique

### Quarterly EBO



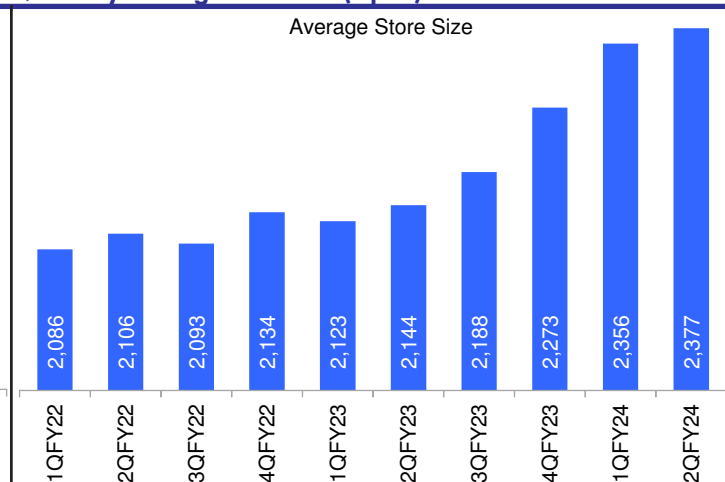
Source: Company, Antique

### Quarterly area (mn sq. ft.)



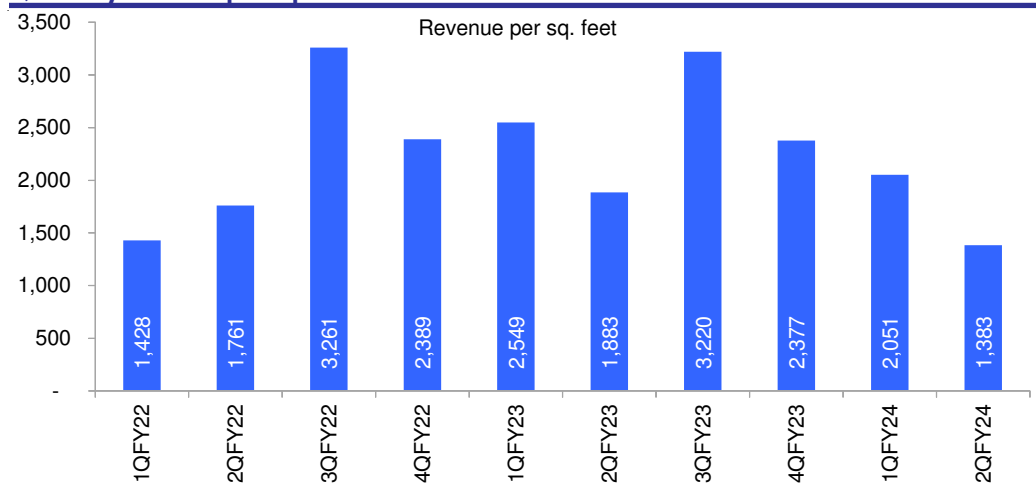
Source: Company, Antique

### Quarterly average store size (sq. ft.)



Source: Company, Antique

### Quarterly revenue per sq. ft.



Source: Company, Antique

### Change in estimates table

	Old		New		Change	
	FY24	FY25	FY24	FY25	FY24	FY25
Revenue	15,773	18,573	15,647	18,352	-1%	-1%
EBITDA	7,812	9,253	7,756	9,189	-1%	-1%
PAT	4,966	5,965	4,953	5,912	0%	-1%

Source: Company, Antique

## Financials

### Profit and loss account (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
<b>Net Revenue</b>	<b>10,408</b>	<b>13,549</b>	<b>15,647</b>	<b>18,352</b>	<b>21,502</b>
Op. Expenses	5,450	6,841	7,891	9,162	10,720
<b>EBITDA</b>	<b>4,959</b>	<b>6,708</b>	<b>7,756</b>	<b>9,189</b>	<b>10,782</b>
Depreciation	944	1,038	1,223	1,346	1,469
<b>EBIT</b>	<b>4,015</b>	<b>5,671</b>	<b>6,533</b>	<b>7,844</b>	<b>9,313</b>
Other income	499	402	539	566	595
Interest Exp.	284	315	426	476	527
<b>Reported PBT</b>	<b>4,230</b>	<b>5,758</b>	<b>6,646</b>	<b>7,934</b>	<b>9,380</b>
Tax	1,081	1,467	1,693	2,022	2,390
<b>Reported PAT</b>	<b>3,149</b>	<b>4,291</b>	<b>4,953</b>	<b>5,912</b>	<b>6,990</b>
<b>Net Profit</b>	<b>3,149</b>	<b>4,291</b>	<b>4,952</b>	<b>5,912</b>	<b>6,990</b>
<b>Adjusted PAT</b>	<b>3,149</b>	<b>4,291</b>	<b>4,952</b>	<b>5,912</b>	<b>6,990</b>
<b>Adjusted EPS (INR)</b>	<b>13.0</b>	<b>17.7</b>	<b>20.4</b>	<b>24.4</b>	<b>28.8</b>

### Balance sheet (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Share Capital	242	242	242	242	242
Reserves & Surplus	10,585	13,756	17,495	22,194	27,971
<b>Networth</b>	<b>10,827</b>	<b>13,998</b>	<b>17,737</b>	<b>22,436</b>	<b>28,213</b>
Net deferred Tax liabilities	155	190	190	190	190
Lease Liabilities	2,787	2,934	2,934	2,934	2,934
<b>Capital Employed</b>	<b>13,769</b>	<b>17,122</b>	<b>20,861</b>	<b>25,560</b>	<b>31,337</b>
Gross Fixed Assets	7,845	8,941	9,941	10,941	11,941
Accumulated Depreciation	2,856	3,894	5,117	6,462	7,931
Capital work in progress	1	22	22	22	22
<b>Net Fixed Assets</b>	<b>4,990</b>	<b>5,069</b>	<b>4,846</b>	<b>4,501</b>	<b>4,032</b>
Goodwill	157	157	157	157	157
Investments	5,124	7,871	7,871	7,871	7,871
Non Current Investments	1,003	1,694	1,694	1,694	1,694
Current Investments	4,121	6,177	6,177	6,177	6,177
<b>Current Assets, Loans &amp; Adv.</b>	<b>7,400</b>	<b>8,555</b>	<b>12,649</b>	<b>17,865</b>	<b>24,311</b>
Inventory	1,430	1,736	2,005	2,352	2,756
Debtors	3,967	4,734	5,467	6,412	7,513
Cash & Bank balance	39	100	3,192	7,117	12,057
Loans & advances and others	1,964	1,984	1,984	1,984	1,984
<b>Current Liabilities &amp; Provisions</b>	<b>3,915</b>	<b>4,530</b>	<b>4,663</b>	<b>4,835</b>	<b>5,034</b>
Liabilities	3,881	4,493	4,626	4,797	4,997
Provisions	34	38	38	38	38
<b>Net Current Assets</b>	<b>3,485</b>	<b>4,025</b>	<b>7,986</b>	<b>13,031</b>	<b>19,276</b>
Miscellaneous expenses	13	-	-	-	-
<b>Application of Funds</b>	<b>13,769</b>	<b>17,123</b>	<b>20,861</b>	<b>25,560</b>	<b>31,337</b>

### Per share data

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
No. of shares (mn)	242	242	242	242	242
Diluted no. of shares (mn)	242	242	242	242	242
BVPS (INR)	44.7	57.7	73.2	92.5	116.4
CEPS (INR)	2.8	2.8	2.8	2.8	2.8

Source: Company, Antique

### Cash flow statement (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
<b>PBT</b>	<b>4,230</b>	<b>5,758</b>	<b>6,646</b>	<b>7,934</b>	<b>9,380</b>
Depreciation & amortization	944	1,038	1,223	1,346	1,469
Interest expense	284	314	426	476	527
(Inc)/Dec in working capital	(450)	(569)	(869)	(1,120)	(1,305)
Tax paid	(1,090)	(1,472)	(1,693)	(2,022)	(2,390)
Less: Interest/Div. Income Recd.	(80)	(89)	-	-	-
Other operating Cash Flow	(328)	(283)	-	-	-
<b>CF from operating activities</b>	<b>3,510</b>	<b>4,698</b>	<b>5,733</b>	<b>6,614</b>	<b>7,681</b>
Capital expenditure	109	57	(1,000)	(1,000)	(1,000)
Inc/(Dec) in investments	363	(2,492)	-	-	-
Add: Interest/Div. Income Recd.	92	116	-	-	-
<b>CF from investing activities</b>	<b>565</b>	<b>(2,319)</b>	<b>(1,000)</b>	<b>(1,000)</b>	<b>(1,000)</b>
Inc/(Dec) in share capital	(3,313)	-	-	-	-
Others	(789)	(2,317)	(1,639)	(1,689)	(1,741)
<b>CF from financing activities</b>	<b>(4,102)</b>	<b>(2,317)</b>	<b>(1,639)</b>	<b>(1,689)</b>	<b>(1,741)</b>
<b>Net cash flow</b>	<b>(27)</b>	<b>61</b>	<b>3,093</b>	<b>3,924</b>	<b>4,940</b>
Opening balance	66	38	99	3,192	7,117
<b>Closing balance</b>	<b>39</b>	<b>99</b>	<b>3,192</b>	<b>7,117</b>	<b>12,057</b>

### Growth indicators (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Revenue	84.3	30.2	15.5	17.3	17.2
EBITDA	104.0	35.3	15.6	18.5	17.3
Adj PAT	137.0	36.3	15.4	19.4	18.2
Adj EPS	142.1	36.3	15.4	19.4	18.2

### Valuation (x)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
P/E (x)	100.0	73.4	63.6	53.2	45.0
P/BV (x)	29.0	22.5	17.7	14.0	11.1
EV/EBITDA (x)	62.6	45.9	39.3	32.8	27.5
EV/Sales (x)	29.8	22.7	19.5	16.4	13.8
Dividend Yield (%)	-	-	-	-	-

### Financial ratios

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
RoE (%)	29.0	34.6	31.2	29.4	27.6
RoCE (%)	41.1	42.8	39.4	37.2	34.9
Asset/T.O (x)	1.2	1.5	1.2	1.0	0.9
Net Debt/Equity (x)	(0.4)	(0.4)	(0.5)	(0.6)	(0.6)
EBIT/Interest (x)	15.9	19.3	16.6	17.7	18.8

### Margins (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
EBITDA Margin (%)	47.6	49.5	49.6	50.1	50.1
EBIT Margin (%)	38.6	41.9	41.8	42.7	43.3
PAT Margin (%)	28.9	30.8	30.6	31.3	31.6

Source: Company Antique

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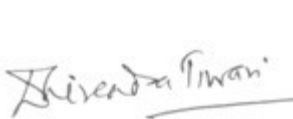
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