

Market leader in men's Indian wedding wear....

About the Company: The company is a category leader in the branded Indian wedding and celebration market under the brand 'Manyavar'. It has a differentiated business model combining strengths of retailing with branded consumer play.

- Widespread distribution network consisting of 535 exclusive branded outlets (90% of revenue) with a footprint of 1.2 million square feet (sq ft)
- Strong operating metrics with one of the industry's highest PAT margin of ~26% (FY20) and capital efficient business model with RoCE of ~32% as on FY20. Revenue per store was at ₹ 2.4 crore as on FY20

Key triggers/Highlights:

- The company is a one-stop-shop destination with a wide spectrum of product offerings for every celebratory occasions. Apart from flagship brand *Manyavar* (which caters to mid-premium price point), it is further enhancing its leadership in premium and value segment of men's Indian wedding wear through its other brands '*Twamev*' and '*Manthan*'. It is also focusing on expanding presence in women's wear through its brand *Mohey*
- The company generates healthy gross margins (~72%+) with no end of season sale or discounts offered on MRP. The Indian wedding and celebration market is relatively less price-sensitive compared to casual wear
- It follows an asset light business model with production outsourced on a job work basis. It operates a fully integrated supply chain with high-end quality control standards in the procurement of fabric and other essential components. Also, EBOs are predominantly franchise owned, enabling the company to be asset light and achieve healthy return ratios
- The Indian wedding and celebration wear market is pegged at ~ ₹ 1020 billion (15-20% branded penetration) while the branded space is expected to grow at a CAGR of 18-20% by FY25

What should investors do? VFL has registered 15% revenue and 31% PAT CAGR in FY17-20. With the company's strong brand franchise, it looks to tap the large and growing Indian wedding and celebration wear market driven by increased spending. At the upper end of the price band, it is valued at 22.5x, 36.3x EV/sales for FY20, FY21, respectively, and 89x, 158x P/E for FY20, FY21, respectively.

- We assign an **UNRATED** rating to the IPO

Key risk & concerns

- High dependence on wedding and celebration wear
- Inability to maintain and scale up brands
- Dependence on third party for manufacturing the products



IPO Details

Issue Details

Issue Opens	February 04, 2022
Issue Closes	February 08, 2022
Issue Size	~ ₹ 3150 crore
Issue Type	Offer for sale
Price Band	₹ 824 - ₹ 866
No of shares	~ 3.6 crore
Market Lot	17 shares
Face Value	1.0
QIB (%)	50.0
Non-Institutional (%)	15.0
Retail (%)	35.0

Shareholding pattern (%)

	Pre-offer	Post-offer
Promoter	92.4	84.9
Public	7.6	15.1

Objects of the issue

Objects of the issue

Company expects that the proposed listing of its Equity Shares will enhance visibility and brand image. IPO is purely OFS and hence company will not receive any proceeds from the offer

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Key Financial Summary

₹ crore	FY19	FY20	FY21	H1FY22
Net Sales	800.7	915.5	564.8	359.8
EBITDA	335.9	393.8	243.1	160.4
PAT	176.5	236.6	132.7	98.5
Diluted EPS	7.3	9.7	5.5	4.1
P/E (x)	119.2	88.9	158.6	
EV/EBITDA (x)	61.7	52.4	84.3	
Mcap/Sales (x)	26.3	23.0	37.3	
RoCE (%)	32.9	31.7	19.0	
RoE (%)	20.0	22.2	12.2	

Company Background

Incorporated in 2002, Vedant Fashions (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 FY20. The flagship brand Manyavar brand is a category leader in the branded Indian wedding and celebration wear market having a pan-India presence. The brands comprise a diverse range of attires and accessories, with different ranges of creations for different members of the wedding entourage, besides the personalisation for the bride and the groom. The products include men’s ethnic and celebration wear items such as Indo-western, sherwanis, kurtas, jackets and accessories such as jutti, safa, mala, and women’s ethnic and celebration wear items such as lehengas, sarees, stitched suits, gowns and kurtis.

Apart from flagship brand Manyavar (which caters to mid-premium price point), it is further enhancing its leadership in premium and value segment of men’s Indian wedding wear through its other brands ‘Twamev’ and ‘Manthan’. It is also focusing on expanding its presence in women’s wear through its brand Mohey. Through its diversified portfolio of leading and differentiated brands, including acquisition of Mebaz in FY18 (established player in southern region), VFL is able to better cater to the needs of its customers and the aspirations of the entire family yet remain value for money and service the varying financial budgets of Indian consumers.

Presence across price points

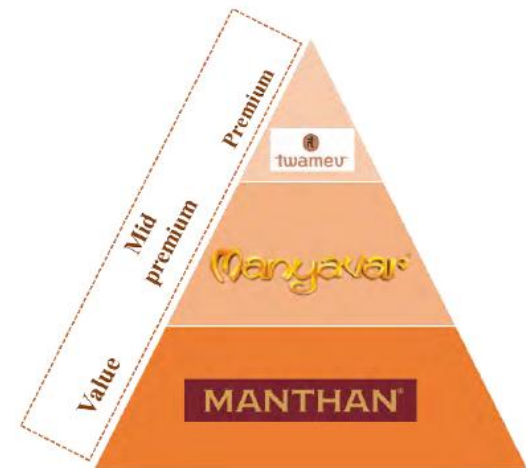
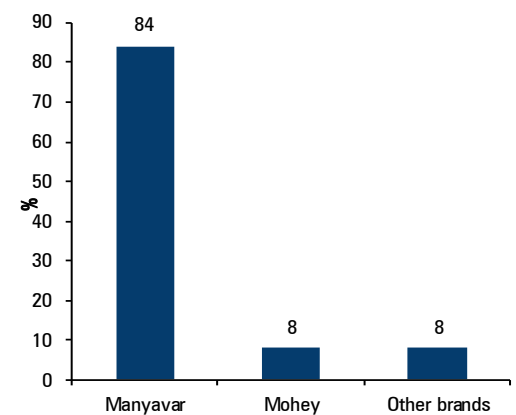


Exhibit 1: Brands catering to various price points and segment

Brand	Year	Brand Positioning	Price Spectrum	Distribution Channel
	1999	Men’s and boys’ flagship brand	Mid-premium	EBOs, MBOs, LFS, e-commerce
	2015	Women’s flagship brand	Mid-premium	EBOs and e-commerce
	2017	Men’s, women’s and kids’ brands for the South Indian market	Mid-premium to premium	EBOs
	2018	Men’s value brand	Value	MBOs, LFS, e-commerce
	2019	Men’s premium brand	Premium	EBOs

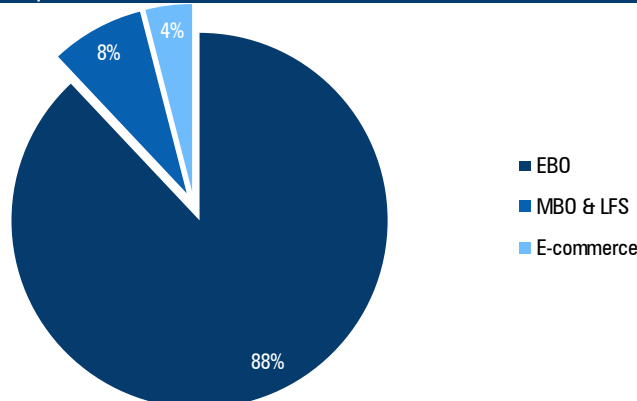
Source: RHP, ICICI Direct Research

Manyavar contributes largest chunk to revenues



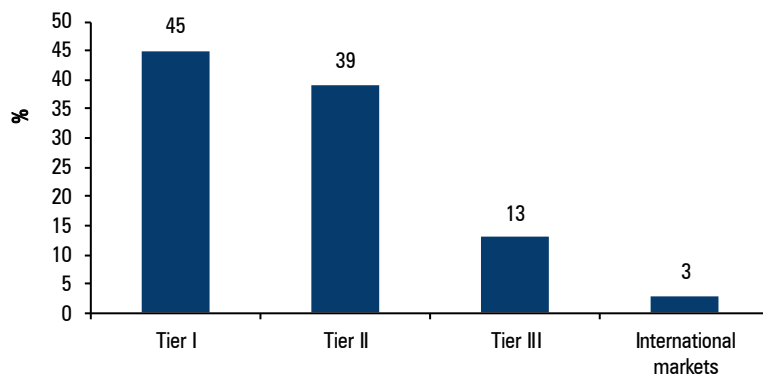
VFL operates a multi-channel distribution network across India and sells products through EBOs (535 stores), MBOs, LFS and the online channel. The company also sells products in overseas markets through EBOs and online platforms. VFL significantly expanded its footprint over the last five years with an overall EBO retail space of ~1.2 million square feet in 212 cities in India and eight cities internationally, as on FY20 compared to a retail space of ~0.5 mn sq ft as on FY16. EBO network is integral to the business operations. Sales from EBO channels constituted the largest portion of revenues. A majority of VFL’s EBOs are owned and operated by franchisees.

Exhibit 2: Revenue break-up channel wise



Source: RHP, ICICI Direct Research

Exhibit 3: Exclusive store presence across metro and non-metro cities



Source: RHP, ICICI Direct Research

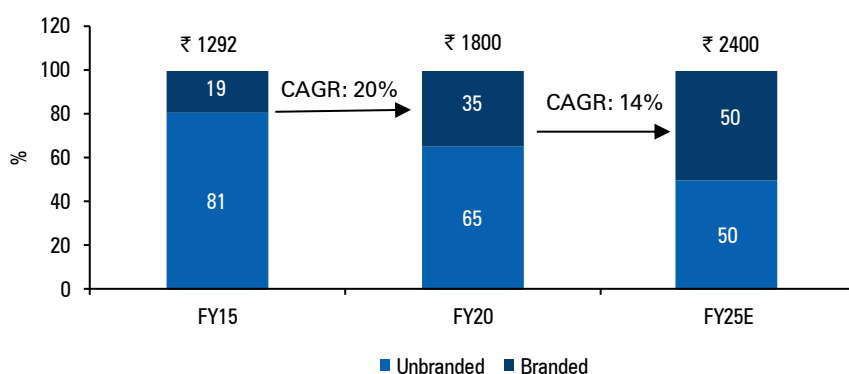
The company's business model is driven by the strength of its system-driven technology infrastructure, its established systems, processes and longstanding relationships with vendors. The company operates a fully integrated supply chain with high-end quality control standards in the procurement of fabric, an essential component used for manufacturing its products. Manufacturing process includes the stages of cutting, embroidery, stitching and finishing. While it carries out some production processes in-house at its factory, a large portion of manufacturing is also carried out by jobbers (also representing third party manufacturers), with whom VFL has longstanding relationships. The company retains control over entire supply chain by ensuring that various stages of production, including design conceptualisation and finalisation, procurement of fabric, allocation of work, quality control and testing, and review of allocation of job are internally managed. It has a central warehouse at Kolkata (~0.26 mn sq ft), which houses all its finished products (including finished products procured directly from third party manufacturers). It has a system-driven distribution, replenishment of inventory and manages the product portfolio through data-driven forecasting of evolving fashion trends across India.

Industry Overview

Ethnic wear in India accounted for about 32% of the overall apparel retail market in India as of FY20. Women’s ethnic wear is the largest segment of the overall market as it has found acceptance in both daily wear and office-wear categories, apart from the Indian wedding and celebration wear category. It includes lehengas, kurtis, sarees and salwar kameez. Men’s ethnic wear is the second-largest category and has a share of ~10% of the overall ethnic market. It is dominated by the Indian wedding and celebration wear market and includes sherwanis, kurta jacket sets, kurta pajama, Indo-western apparel, etc. Acceptance of ethnic wear during festivals and wedding functions is leading to overall growth of the men’s ethnic-wear market.

A large portion of ethnic wear remains unbranded with the branded segment accounting for 30-35% of the overall ethnic-wear retail market. However, the branded segment is growing faster than the unbranded segment due to a superior customer experience, a better merchandise mix, standardised pricing, brand strength and further expansion of players beyond tier-II cities. It is likely to grow at a CAGR of 12-14% between FY20 and FY25 owing to the increasing presence of brands such as Manyavar, Fab India, BIBA and rising disposable incomes.

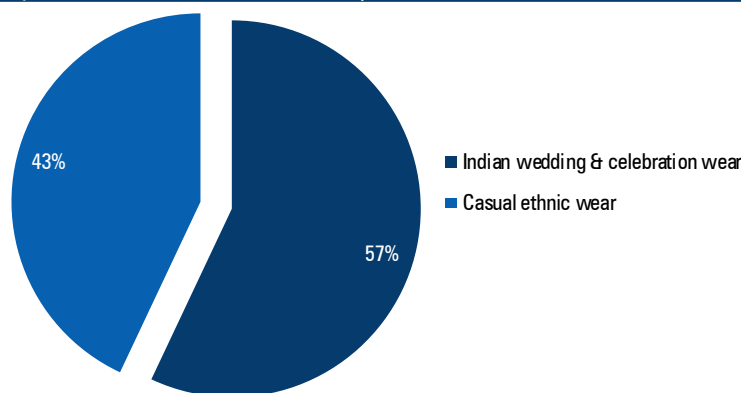
Exhibit 4: Branded, unbranded share of ethnic wear and market size (₹ billion)



Source: RHP, ICICI Direct Research

Ethnic apparels can be further segmented into casual ethnic wear and Indian wedding and celebration wear. Casual ethnic wear consists of apparel typically seen as regular wear while Indian wedding and celebration wear is typically worn during a wedding, festival or a family function. **Indian wedding and celebration wear forms a large portion of the overall ethnic market as of FY20.**

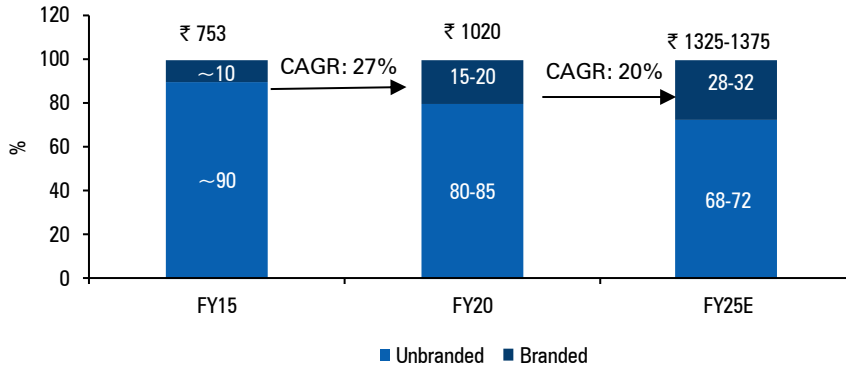
Exhibit 5: Break-up of Indian ethnic wear industry



Source: RHP, ICICI Direct Research

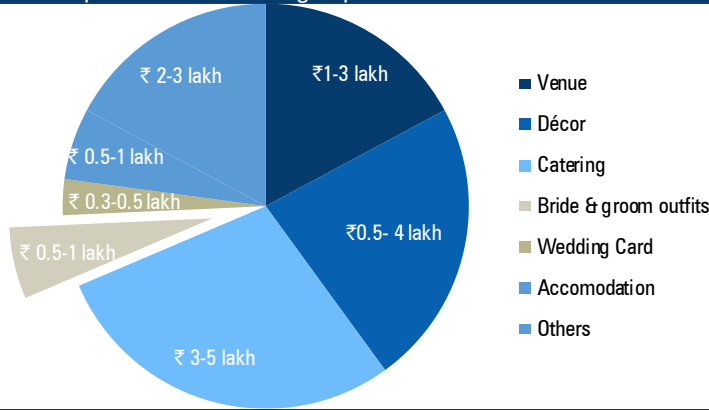
Branded Indian wedding and celebration wear grew 27-29% from FY15-20. Its share in the overall Indian wedding and celebration wear market increased to 15-20% in FY20, evenly supported by men’s and women’s segments. New players have also entered the market. Titan launched ‘Taneira,’ an ethnic wear brand offering sarees and ready-to-wear blouses. ABFRL acquired 51% of Sabyasachi Couture, formed a strategic partnership with ‘Tarun Tahiliani’ brand through acquisition of a 33.5% stake and entered menswear through its e-commerce brand ‘Jaypore’. Existing players such as VFL have also been expanding their presence by launching new brands. For instance, ‘Mohey’, VFL’s new brand, enables VFL to create offerings across various price points.

Exhibit 6: Indian wedding, celebration wear market size (₹ billion)



Source: RHP, ICICI Direct Research

Exhibit 7: Rough break-up of overall wedding expenditure



Source: RHP, ICICI Direct Research

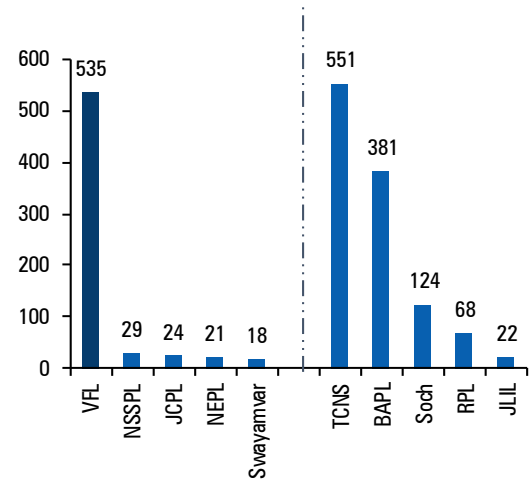
- CRISIL Research estimates an astounding 9.5 million to 10 million weddings to happen in India per year
- A wedding ceremony is a key driver for Indian wedding and celebration wear. Hence, the demand for Indian wedding and celebration wear is expected to remain robust over the next decade
- Average expenditure on weddings in urban India ranges from ₹ 10-20 lakh for a single-day function

Exhibit 8: Comparative analysis of players in Indian ethnic wear space

Company name	Category present in	Celebration wear brands by the company	Primary focus *
Vedant Fashions Ltd	Men, women and kids	Mangyatan, Maney, MANTHAN, twamev, Me-laz	
TCNS Clothing Co Ltd	Women	W, aurelia, WISHFUL	
Swayamvar	Men	SWAYAMVAR	
Soch Apparels Pvt Ltd	Women	soch	
Ritika Pvt Ltd	Women	RITU KUMAR	
Neeru Ensembles Pvt Ltd	Women, men and kids	NEERU'S	
Nalli Silk Sarees Pvt Ltd	Women and men	Nalli	
Jahanpanah Clothing Pvt Ltd	Men	Jahanpanah	
Jadeblue Lifestyle India Ltd	Men	JADE BLUE	
BIBA Apparels Pvt Ltd	Women	BIBA, Raugrji	

Source: RHP, ICICI Direct Research. Maroon colour in the pie chart denotes share of "Indian wedding and celebration wear" and grey colour denotes "others".

EBOs of key players in ethnic wear market in India



Key Strategies

Expansion of footprint within and outside India

The company intends to focus its expansion effects in markets where it determines there is an increasing demand for products, and where it can leverage its existing presence to expand market share. Through cluster-based expansion strategy, the company has identified several cities and towns in both existing geographies where it has a presence and new geographies where it plans to establish its first EBOs. In FY16-21, the company has increased EBO retail space footprint from ~0.50 million square feet to over 1.1 million square feet, and aims to double its national footprint over the next few years. Furthermore, it intends to continue to increase sales through its website (www.manyavar.com), mobile application and leading lateral e-commerce portals. The company has developed independent growth strategies for each of its brands and intends to expand the footprint of Mohey brand (along with Manyavar brand) by establishing exclusive Mohey brand stores in clusters where it has an established dominant position, increasing the presence of its Twamev brand products through cross-selling at Manyavar stores, and increasing the penetration of Manthan and Manyavar brands by increasing sales volumes through the wholesale channel, MBOs, LFSs and online channel.

Scaling up emerging brands through increased up-selling, cross-selling initiatives

By owning multiple brands catering to the Indian wedding and celebration wear market and operating each within the same omni-channel network, VFL is able to significantly up-sell and cross-sell products through its existing retail channels. As it maintains strong operational synergies within the EBO network, it is able to leverage the strong brand recall and established presence of Manyavar brand to introduce customers to its emerging brands such as Twamev and Mohey. As a result, the company is able to up-sell Twamev brand products to Manyavar customers who may be looking for a premium offering, or cross-sell Mohey brand products at Manyavar stores, thereby achieving an increase in order value and the number of items a customer may buy. Moreover, through Manyavar and Mohey brands, it has recently introduced 'Man-Moh' range, a coordinated jodi collection for the bride and the groom. The company will continue to expand its target audience by introducing additional product ranges. It plans to increase focus on growing its existing product ranges, such as the kids' wear ranges of Manyavar, Mebaz and Mohey brands. It also aims to launch additional products such as accessories for Mohey range and widen audience for Manthan brand through its omni-channel network with attractive pricing initiatives and an increasing blend of product designs at low prices

Disciplined approach towards acquisitions

In addition to strengthening and expanding the reach of existing brands, it aims to acquire other brands opportunistically. The company adopts a strategic approach towards potential acquisitions with the goal to increase customer base, market share and/or product offering as seen from its acquisition of 'Mebaz' in FY18, a one-stop heritage brand catering to the entire family with established presence in Andhra Pradesh and Telangana. Through acquisitions, VFL aims to leverage its existing strong cash position towards the synergic opportunities and seamlessly integrating the acquired brand with the ecosystem of its existing brands, thereby facilitating an increase in profitability margins and achieving economies of scale.

Enhancement of brand appeal through targeted marketing initiatives

Through focused marketing campaigns, the company aims to establish a bond with its customers at an emotional level, and project an underlying core message with shared values through distinctive marketing, advertising and customer engagement initiatives. It intends to continue to enhance the brand recall of products through the expansion of footprint as well as use of targeted marketing initiatives including digital marketing campaigns, television advertisements, brand ambassador content and outdoor advertising. The company generally spends ~8-10% of revenues on advertisement and sales promotion.

Key Risk

High dependence on wedding and celebration wear

The company's business is currently highly concentrated on the Indian wedding and celebration wear. Demand for Indian wedding and celebration wear is dependent on the frequency and volume of weddings, festivals and other celebrations. VFL is affected by seasonal variations, which may cause its revenues to vary between different quarters in a financial year. Seasonal variations include the peak wedding season in India as well as other celebrations and festival events. Also, over the longer term, consumer attitudes towards Indian wedding and celebration wear may change. Probability of younger generations of people in India becoming less likely to purchase and wear Indian wedding and celebration wear, or host the types of weddings and other functions at which such celebration wear is worn can lead to reduced demand for the company's products.

Inability to maintain, scale up brands

The company has three distinctive brands in the men's ethnic and celebration wear market, Manyavar, Twamev and Manthan, along with a women's ethnic and celebration wear brand, Mohey. VFL also has a regional heritage brand catering to the entire family, namely 'Mebaz'. The brand names, images and recognition are key factors in customers' decision making of purchasing ethnic and celebration wear, and, thus, are critical to maintaining and expanding the company's customer base. The company has leveraged the strength and image of its brands to grow and scale up its operations. By owning multiple brands catering to the Indian wedding and celebration wear market and operating each brand within the same omni-channel network, VFL is able to up-sell and cross-sell its products through its existing retail channels. However, inability of the company to successfully maintain or enhance the recognition and reputation of any of its brands may adversely affect its business and competitiveness. Additionally, VFL relies on the strong brand recall and established presence of its flagship brand Manyavar (84% of total revenues) to introduce its customers to the company's emerging brands such as Twamev and Mohey. Though the company's other brands have experienced growth, however if the brand image, reputation of Manyavar brand weakens, or Manyavar brand experiences reduced sales for any reason, then the company's business and results of operations may be adversely affected.

Dependence on third party for manufacturing products

The company engages third-party manufacturers ("jobbers") to manufacture large portion of the company's attires and accessories. These jobbers perform the different stages of the manufacturing and finishing process and the final products are sold by the company under its brands. VFL relies on its jobbers and vendors to provide it with an uninterrupted supply of its products. However, the jobbers may not do so in a timely manner. While the company has long-term relationships with certain major jobbers and many of its jobbers only work with the company, they may decide not to accept its future orders on similar terms, or refrain from altogether accepting orders. VFL may face the risk of its competitors offering its jobbers better terms, which may cause them to cater to competitors alongside, or resort to stop supplying the products to the company. They may discontinue their work at short notice and the company's production process may be stalled or hindered due to this. Inability to manage the jobbers effectively may hinder VFL's ability to execute its growth strategy.

Geographical concentration of manufacturing, warehouse operations

The company's warehouse, factory and a majority of its jobbers are mainly based in a single geographical region in and around Kolkata, West Bengal, India. VFL is dependent on the jobbers for a significant portion of the manufacturing processes of its products. The company's warehouse acts as a facility for storage and onward delivery of its merchandise across the country. The geographical concentration of the warehouse, factory and its jobbers renders VFL's operations more susceptible to regional risks and any adverse changes and events occurring in or around the region. Potential losses arising from any such events may adversely affect the company's business, financial condition and results of operations.

Financial summary

Exhibit 9: Profit and loss statement					₹ crore
(Year-end March)	FY19	FY20	FY21	H1FY22	
Net Sales	800.7	915.5	564.8	359.8	
Growth (%)		14.3	(38.3)		
Total Raw Material Cost	222.5	251.2	146.3	90.5	
Gross Margins (%)	72.2	72.6	74.1	74.9	
Employee Expenses	47.2	53.3	38.1	23.0	
% to sales	5.9	5.8	6.7	6.4	
Other Expenses	195.1	217.3	137.3	85.9	
% to sales	24.4	23.7	24.3	23.9	
Total Operating Expenditure	464.9	521.8	321.8	199.4	
EBITDA	335.9	393.8	243.1	160.4	
EBITDA Margin	41.9	43.0	43.0	44.6	
Interest	19.6	25.6	25.8	12.2	
Depreciation	64.3	88.7	95.5	43.1	
Other Income	19.1	32.4	60.0	27.4	
Exceptional Expense	-	-	-	-	
PBT	271.0	311.9	181.7	132.5	
Total Tax	94.5	75.3	49.0	34.0	
Profit After Tax	176.5	236.6	132.7	98.5	

Source: RHP, ICICI Direct Research

Exhibit 10: Cash flow statement					₹ crore
(Year-end March)	FY19	FY20	FY21	H1FY22	
Profit Before Tax	271.0	311.9	181.7	132.5	
Add: Depreciation	64.3	88.7	95.5	43.1	
Add: Finance Cost	19.6	25.6	25.8	12.2	
Others	-18.6	-27.3	-56.0	-21.4	
Net (Increase)/decrease in WC	-6.6	-80.4	40.0	-63.8	
Tax paid	-95.4	-75.0	-34.5	-42.0	
CF from operating activities	234.2	243.4	252.6	60.7	
(Inc)/dec in Fixed Assets	-7.3	-18.4	15.1	6.7	
Others	-155.0	-77.3	-103.5	291.9	
CF from investing activities	-162.3	-95.7	-88.4	298.6	
Inc / (Dec) in Equity/preference share	0.0	0.0	-108.4	-331.3	
Inc / (Dec) in Loan	-12.7	0.0	0.0	0.0	
Dividend Paid	0.0	-60.4	0.0	0.0	
Others	-58.3	-80.6	-58.1	-30.3	
CF from financing activities	-71.0	-141.0	-166.5	-361.6	
Net Cash flow	1.0	6.7	-2.3	-2.3	
Opening Cash	1.2	2.1	8.9	6.6	
Closing Cash	2.14	8.87	6.59	4.31	

Source: RHP, ICICI Direct Research

Exhibit 11: Balance sheet					₹ crore
(Year-end March)	FY19	FY20	FY21	H1FY22	
Equity Capital	25.0	25.0	24.8	24.2	
Reserve and Surplus	857.7	1,041.0	1,066.6	835.1	
Total Shareholders funds	882.8	1,066.0	1,091.4	859.3	
Minority interest	-	-	-	-	
Total Debt	0.0	-	-	-	
Non Current Liabilities	295.6	364.6	342.6	370.8	
Source of Funds	1,178.3	1,430.6	1,434.0	1,230.1	
Net Fixed Assets	73.7	81.7	79.5	76.4	
Capital WIP	1.4	-	0.2	0.7	
Intangible assets	168.4	179.1	176.1	174.9	
Right of use assets	196.3	246.0	203.5	220.9	
Investments & bank balance	311.7	412.0	536.1	257.0	
Inventory	90.9	120.9	101.2	123.7	
Cash	2.1	8.9	6.6	4.3	
Debtors	332.7	372.1	361.2	401.1	
Loans & Advances & Other CA	30.6	63.7	49.9	65.4	
Total Current Assets	456.4	565.5	519.0	594.5	
Creditors	58.1	50.4	49.9	61.4	
Provisions & Other CL	82.1	110.7	131.0	154.1	
Total Current Liabilities	140.2	161.1	180.9	215.5	
Net Current Assets	316.2	404.4	338.1	379.0	
LT L&A, Other Assets	110.7	107.3	100.5	121.3	
Other Assets	-	-	-	-	
Application of Funds	1,178.3	1,430.6	1,434.0	1,230.1	

Source: RHP, ICICI Direct Research

Exhibit 12: Key ratios					₹ crore
(Year-end March)	FY19	FY20	FY21	H1FY22	
Per share data (₹)					
Diluted EPS	7.3	9.7	5.5	4.1	
Cash EPS	9.9	13.4	9.4	5.8	
BV	36.3	43.9	44.9	35.4	
Cash Per Share	12.9	17.3	22.3	10.8	
Operating Ratios (%)					
EBITDA margins	41.9	43.0	43.0	44.6	
PBT margins	33.8	34.1	32.2	36.8	
Net Profit margins	22.0	25.8	23.5	27.4	
Inventory days	41.5	48.2	65.4		
Debtor days	151.7	148.3	233.4		
Creditor days	26.5	20.1	32.2		
Return Ratios (%)					
RoE	20.0	22.2	12.2		
RoCE	32.9	31.7	19.0		
Valuation Ratios (x)					
P/E	119.2	88.9	158.6		
EV / EBITDA	61.7	52.4	84.3		
EV / Sales	25.9	22.5	36.3		
Market Cap / Revenues	26.3	23.0	37.3		
Price to Book Value	23.8	19.7	19.3		
Solvency Ratios					
Debt / Equity	0.0	0.0	0.0		
Debt/EBITDA	0.0	0.0	0.0		
Current Ratio	3.3	3.5	2.9		
Quick Ratio	2.6	2.8	2.3		

Source: RHP, ICICI Direct Research

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