

Issue Details		
Issue Opens	04-02-22	
Issue Closes	08-02-22	
Issue Size (in Rs. Crs)	3149.19	
Issue Size (Shares)	3,63,64,838	
Authorised Shares	30,10,00,000	
Issued, Subscribed and Paid Up Sh. Pre offer	24,26,94,774	
Offer for Sale	3,63,64,838	
Face Value	Rs. 1.00	
Lot Size (Sh)	17	
Price Band	Rs.824 – Rs.866	
Issue Type	Book Building	
Book Value (in Rs.)(H1FY22)	35.45	
BRLMs	Axis Capital, Edelweiss Financial Services, ICICI Securities, IIFL Securities, Kotak Mahindra Capital Co,	
Registrar	Kfin Technologies Pvt. Ltd.	
Listing Venue	BSE/NSE	
Finalization of Allotment	11-Feb -22	
Initiation of refund	14-Feb -22	
Credit to Demat Account	15-Feb -22	
Listing	16-Feb -22	
Issue Structure		
Categories	Allocation	
QIBs	50.00%	
Non-Institutional	15.00%	
Retail Portion	35.00%	
Total	100.00%	
Shareholding Pattern		
Categories	Pre Issue	Post Issue
Promoter & Promoter Group	92.40%	85.00%
Public	7.60	15.00%
Total	100.00%	100.00%
Recommendation		
SUBSCRIBE		

Company Background

Vedant Fashions Ltd. (VFL) is a leader in the branded Indian wedding and celebration wear market with a pan-India presence operating through franchise-owned exclusive brand outlets (EBOs). They have 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 offers a one-stop destination with a wide-spectrum of product offerings for every celebratory occasion and aims to deliver seamless purchase experience through their franchisee-owned exclusive brand stores.

Objects of the Issue

The objects of the offer are to (i) achieve the benefits of listing the equity shares on the stock exchanges; and (ii) carry out the offer for sale by the selling shareholders. Further, VFL expects that the proposed listing will enhance its visibility and brand image as well as provide a public market platform to them.

Key Points

- As of September 2021, the company has an extensive retail network with **~535 EBOs**, including **~58 shop-in-shops** globally –11 overseas EBOs across the United States, Canada and the UAE, having a large Indian diaspora.
- Its overseas store floor area would double in next few years.
- In India, the company's EBO network spans **212 cities** and towns as of September 30, 2021, and covers a retail footprint of **~1.2 million square feet**.
- Its '**Manayavar**' brand is a category leader in the branded Indian wedding and celebration wear market with a pan-India presence.
- The said brand accounts for about **~80% of its revenues** and the management is fairly confident, that its other newer brands will grow stronger in the years to come.
- Its omni-channel presence, through EBOs and online platforms, is designed in such a manner, that products across all their brands are available under one universal platform.
- The success of its franchisee-based model is proven by the fact that as of September 30, 2021, approximately **~73%** of their franchisees have operated their stores for three or more years, and **~65%** of the sales of their customers by their franchisee-owned EBOs are derived from franchisees having two or more stores.
- It is an **asset-light** company with **zero debt** despite its **546 EBOs**. The huge growth potential in the organized celebration market will help it to retain its high growth momentum.
- The company seeks to grow its retail network and product reach by entering new geographies, including Tier II and III towns and cities in India as they believe that these markets offer significant growth opportunities for them. Considering the plethora of positive factors, we believe investor with **long term view can Subscribe to this issue**.

Particulars (Rs. Crs)	H1FY22	H1FY21	FY21	FY20	FY19
Revenue from Operations	359.84	71.70	564.82	915.55	800.74
Other Income	2.74	3.72	60.20	32.43	19.06
Total Expenditure	254.82	130.31	321.75	521.79	527.12
Profit / (Loss) Before Tax	132.47	(21.42)	181.92	311.84	279.74
Prov. for Tax	34.07	(3.77)	49.01	75.20	97.58
Profit / (Loss) After Tax	98.41	(17.65)	132.90	236.64	182.16
Equity	24.24	24.79	24.79	25.05	25.05
EPS (Rs.) (FV Rs.1)	4.01	(0.71)	5.36	9.45	7.28

Source: Company's RHP, Ace Equity, AUM Research

Esteem Brand Positioning-

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: Company's RHP, Ace Equity, AUM Research

Competitive Strengths-
Market leader in the Indian celebration wear market with diverse portfolio of brands-

- VFL's 'Manyavar' brand is a category leader in the branded Indian wedding and celebration wear market with a pan-India presence.
- Their significant product portfolio is curated at a diverse range of price points which enables them to remain aspirational and yet deliver value for money to the Indian consumers.

Large and growing Indian wedding and celebration wear market driven by an increased spending-

- The Indian wedding and celebration wear market is large and continues to consistently grow, driven by over ~9.5 million to ~10 million weddings taking place each year, and the average expenditure on weddings in urban India ranges between ₹ 1 million to ₹ 2 million for a single-day function.
- There has also been a significant increase in consumer-spending on Indian wedding and celebration wear at large.

Differentiated business model combining the strengths of retailing with branded consumer play-

- VFL aims to deliver a uniform country-wide experience to its customers through a combination of their strong retailing proposition supported by their omni-channel network and the strength of their brands.
- Its retail strategy is primarily focused on delivering a consumer-centric experience with an endeavor to launch on-trend designs.
- It is an asset-light entity with its EBOs predominantly operated by their franchisees on a pan-India basis.
- The company has developed a strong brand identity through effective brand advertising with distinct targeted marketing campaigns through a variety of media such as digital and social media.

Omni-channel network with the seamless integration of offline and online channels-

- The company operates an omni-channel network and engages with its customers through an integrated platform serviced by their online and offline channels.
- This enables them to deliver a deeper connect with their customers and deliver a superior customer experience.
- The seamless integration between offline and online channels also ensures that their products are available to customers through their preferred mode of retail.
- As of September 2021, the company has an extensive retail network with ~535 EBOs, including ~58 shop-in-shops globally -11 overseas EBOs across the United States, Canada and the UAE, having a large Indian diaspora.
- In India, the company's EBO network spans 212 cities and towns as of September 30, 2021, and covers a retail footprint of ~1.2 million square feet.

Technology-based strong supply chain and inventory replenishment systems driven by system-wide data analytics, strong processes and longstanding vendor relationships-

- VFL's entire supply chain and inventory management process is system-driven and algorithmically managed with every stage scanning through rigorous data analysis and automation, including the warehouse inventory management and store replenishment.
- Its algorithm-based inventory management system provides them with a real-time view of store inventory and the ability to effectively monitor and manage inventory levels at EBOs, thereby minimizing the dead stock.
- Its established systems and processes helps in serving longstanding relationships with their vendors.

Strategies-

Expansion of footprint within and outside India-

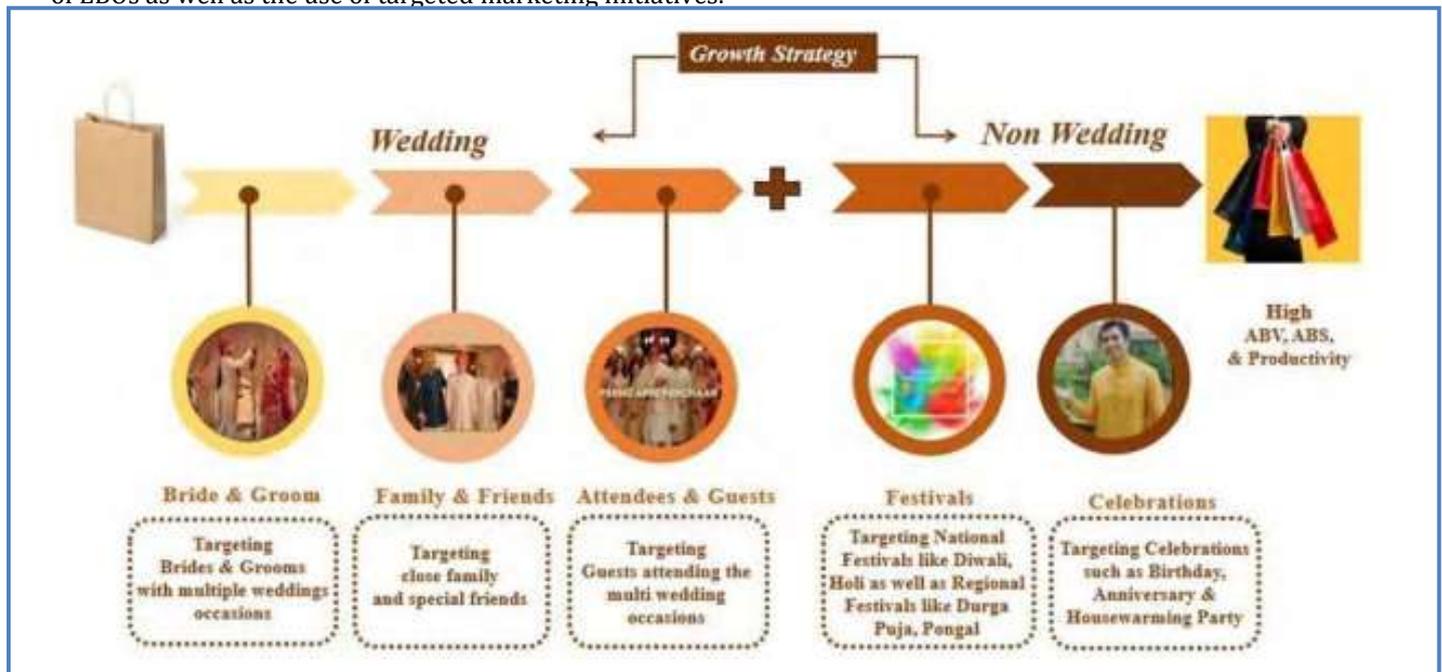
- The company intends focusing on expansion effects in markets where it determines that there is an increasing demand for its products and where it can leverage its existing presence to expand their market share.
- The company also intends to further expand the footprint of '**Manyavar**' brand by continuing to open new EBOs in new areas, cities and markets, and expand their international presence in markets with a large Indian diaspora, strong-rooted Indian traditions and high spending power such as the United States, Canada, United Kingdom, the Middle East, South East Asia and Australia.

Scaling up of emerging brands through increased up-selling and 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, the company is able to significantly **up-sell** and **cross-sell** their products through their existing retail channels.
- As they maintain strong operational synergies within their EBO network, they are able to leverage the **strong brand recall** and established presence of their '**Manyavar**' brand to introduce their customers to emerging brands such as '**Twamev**' and '**Mohey**'.
- As a result, they are able to **up-sell** their '**Twamev**' brand products to their '**Manyavar**' customers who may be looking for a premium offering, or cross-sell its '**Mohey**' brand products at '**Manyavar**' stores, thereby achieving an increase in order value and the number of items a customer may buy.

Enhancement of brand appeal through targeted marketing initiatives-

- The company intends to continuously enhance the brand recall of their products through the expansion of its footprint of EBOs as well as the use of targeted marketing initiatives.



Source: Company's RHP, Ace Equity, AUM Research

Significant potential and space for growth of its emerging brands-

- VFL assesses consumer demand, international and local fashion trends and evolving consumer preferences to supplement its product mix. As a result, they have independent growth strategies for their brands-
 - ✓ It aims to establish a leading position in the women's wedding market considering the size of the market and the lack of a nation-wide brand in the mid-premium and premium market.
 - ✓ It aims to up-scale its existing '**Manyavar**' customer base brand to a premium offering.
 - ✓ As a value-brand, they aim to increase their footprint with a targeted presence through MBOs and large format stores (LFSs) channels.

Disciplined approach towards acquisitions-

The company has a strategic approach towards potential acquisitions with the goal to increase customer base, market share and product offering.

Financials

Financial Highlights- Consolidated (Values in Rs. Crore)			
Description	FY21	FY20	FY19
Inc / Exp Performance			
Gross Sales	564.82	915.55	800.74
Total Income	625.02	947.98	819.80
Total Expenditure	321.75	521.79	527.12
PBIDT	303.27	426.18	292.68
PBIT	207.74	337.45	284.09
PBT	181.92	311.84	279.74
PAT	132.90	236.64	182.16
Equity Paid Up			
Equity Paid Up	24.79	25.05	25.05
Reserves and Surplus	1066.62	1040.97	863.46
Net Worth	1091.41	1066.01	888.51
Total Debt (Long Term plus short Term)	0.00	0.00	63.43
Capital Employed	1091.41	1066.01	951.93
Gross Block			
Gross Block	650.17	612.86	273.64
Investments	503.07	351.18	194.41
Cash and Bank balance	39.61	69.70	119.39
Net Current Assets (Including Current Investments)	715.41	699.64	617.87
Total Current Liabilities	259.72	231.84	140.64
Total Assets	1624.09	1590.95	1145.77
Cash Flow from Operations			
Cash Flow from Operations	252.62	243.45	176.71
Cash Flow from Investing activities	-88.42	-95.74	-162.89
Cash Flow from Finance activities	-166.46	-140.98	-12.86
Free Cash flow	255.88	216.50	178.10
Debt to Equity(x)			
Debt to Equity(x)	0.00	0.00	0.07
Current Ratio(x)			
Current Ratio(x)	3.75	4.02	5.39
ROCE (%)			
ROCE (%)	19.26	33.44	33.04
RONW (%)			
RONW (%)	12.32	24.21	22.86
PBIDTM (%)			
PBIDTM (%)	53.69	46.55	36.55
PATM (%)			
PATM (%)	23.53	25.85	22.75

Source: Company's RHP, Ace Equity, AUM Research

Aum Capital RESEARCH DESK

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