



Equity | India
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VEDANT FASHIONS LTD. IPO - NOTE

ISSUE HIGHLIGHTS

Issue Size	Rs. 3149.19 Crores
Price Band	Rs.824 – Rs.866
Bid size (in no of shares)	17
Issue open date	04/02/2022
Issue close date	08/02/2022
Face Value	Re. 1.00
RATING	NOT RATED






Vedant Fashions the largest company in India in the men's Indian wedding and celebration wear segment in terms of revenue, OPBDIT and profit after tax for the Financial Year 2020. According to CRISIL, its 'Manyavar' brand is a category leader in the branded Indian wedding and celebration wear market with a pan-India presence, as of Financial Year 2020. The company's brands include (i) Manyavar, (ii) Mohey, (iii) Mebaz, (iv) Manthan, and (v) Twamev. Vedant Fashions was the largest in India in the men's Indian wedding and celebration wear segment in terms of revenue, OPBDIT, and profit after tax for the Financial Year 2020. It 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. Headquartered in Kolkata, it is led by its founder, Chairman and Managing Director, Mr. Ravi Modi, a first generation entrepreneur who has proven his flair for the art of brand building and retailing with the success of its brands.

BUSINESS OVERVIEW

- Company focuses on spreading India's vibrant culture, traditions and heritage through its aspirational yet value for money brands at a diverse range of price points. It offer a one-stop destination with a wide spectrum of product offerings for every celebratory occasion and aim to deliver an aristocratic yet seamless purchase experience to its customers through aesthetic franchisee-owned exclusive brand stores.
- It is focusing on further enhancing its leadership position in the organized Indian wedding and celebration wear market and establishing its dominance in the premium and value segments of the men's Indian wedding and celebration wear market through its brands, Twamev and Manthan, respectively, and in the women's Indian wedding and celebration wear market through its brand, Mohey, launched in 2015.
- Through its diverse portfolio of leading and differentiated brands, including its acquisition of Mebaz in financial year 2018, a regional legacy brand catering to the entire family with a rich heritage and established presence in the states of Andhra Pradesh and Telangana, it 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 its Indian consumers.
- In Financial Years 2019, 2020 and 2021 and the six months ended September 30, 2021, 92.20%, 91.14%, 90.14% and 88.09% of the Sales of its Customers, respectively, was generated by franchise-owned exclusive brand outlets with the remaining by multi-brand outlets ("MBOs"), large format stores ("LFSs") and online platforms, including its website (www.manyavar.com) and mobile application.
- Its portfolio of products includes a diverse range of attires and accessories, each conceptualized by its designers who have experience in serving the distinct regional preferences of the Indian customer.
- Its products are manufactured by artisans having an abundance of expertise in the Indian wedding and celebration wear market, supplemented by its own ingrained knowledge of the demands of Indian festivals and weddings.
- Its wedding portfolio also includes different ranges of creations for different members of the wedding entourage, besides unique personalization for the bride and the groom. Over the years, it has built longstanding relationships with vendors and artisans, which have been critical towards it being able to command a dominant position in a market that was conventionally an unorganized market.

(Source: RHP)

- Product Portfolio

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

- It is asset-light in respect of its plant, property and equipment which enable it to achieve a high return on capital employed, primarily due to the nature of its sourcing and manufacturing operations, with a substantial majority of its sales being generated through its franchisee-owned EBOs.
- The success of itsr franchisee-based model is proven by the fact that as of September 30, 2021, approximately 73% of its franchisees have operated its stores for three or more years, and 65% of the Sales of its Customers by its franchisee-owned EBOs is derived from franchisees having two or more stores.
- As of September 30, 2021, it has a retail footprint of 1.2 million square feet covering 535 EBOs (including 58 shop-in-shops) spanning across 212 cities and towns in India, and 11 EBOs overseas across the United States, Canada and the UAE, which are countries with a large Indian diaspora.
- In the six months ended September 30, 2021, 44.76% of the Sales of its Customers was generated by its franchisee-owned EBOs from Tier I cities, 38.64% from Tier II cities and 13% from Tier III cities. The remaining 3.59% of its franchisee-owned EBO revenues were generated from international markets.
- For Financial Years 2019, 2020 and 2021 and the six months ended September 30, 2020 and 2021, its revenue from operations was Rs. 800.74 crore, Rs. 915.54 crore, Rs. 564.81 crore, Rs. 71.70 crore and Rs. 359.84 crore, respectively.
- Similarly, its profit / (loss) for the year for Financial Years 2019, 2020 and 2021 and the six months ended September 30, 2020 and 2021 was Rs. 176.42 crore, Rs. 236.63 crore and Rs. 132.90 crore, Rs. (17.64) crore and Rs. 98.40 crore, respectively.
- ROCE for Financial Years 2019, 2020 and 2021 and the six months ended September 30, 2020 and 2021 was 48.24%, 47.80% and 34.07%, (2.76)% and 22.16% respectively.

STRENGTHS

- Market leader in the Indian celebration wear market with a diverse portfolio of brands catering to the aspirations of the entire family;
- Large and growing Indian wedding and celebration wear market driven by an increased spending on such wear;
- Differentiated business model combining the strengths of retailing with branded consumer play;
- Omni-channel network with the seamless integration of its online and offline channels;
- Technology-based strong supply chain and inventory replenishment systems driven by system wide data analytics, strong processes and longstanding vendor relationships; and
- Experienced and professional founder-led leadership team.

OBJECTS OF THE ISSUE

The Offer for Sale - Company will not receive any proceeds (aggregating up to Rs. 3149.19 crore) from the Offer for Sale. The Selling Shareholders will be entitled to their respective portion of the proceeds of the Offer for Sale.

- Carry out the offer for sale by the Selling Shareholders; and
- To realise the benefits of listing of the Equity Shares on the Stock Exchanges, enhancement of Company's brand name.

RISKS

- Company's 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 its business.
- Its business prospects depend on the strength of key brands, and any failure to maintain or grow sales of its products could adversely affect its business.
- If any new products or brands that it launches are not as successful as it anticipates, its business, results of operations and financial condition may be adversely affected.
- Its operations could be adversely affected by labour shortages, strikes, work stoppages or increased wage demands by its employees.
- Company's inability to successfully implement its business plan and strategies for retail and franchise expansion and growth could adversely affect its business, financial condition, results of operations and cash flows.

PROFIT & LOSS A/C (CONSOLIDATED)

(IN RS. CRS.)

	FY 2019	FY 2020	FY 2021	6M FY 2020	6M FY 2021
Income:					
Revenue from operations	800.74	915.55	564.82	71.71	359.84
Other income	19.06	32.43	60.20	37.19	27.45
Total income	819.80	947.98	625.02	108.89	387.29
Expenses:					
Cost of materials used					
Raw materials	74.21	92.86	55.49	12.25	41.97
Accessories & packing materials	12.02	14.64	10.08	2.88	6.71
Purchases of stock-in-trade	136.74	168.24	70.76	7.05	58.21
Changes in inventories	-0.38	-24.52	10.00	-14.09	-16.39
Employee benefits expense	47.21	53.30	38.11	17.13	23.03
Finance costs	19.63	25.61	25.82	13.42	12.24
Depreciation and amortisation expense	64.30	88.73	95.53	49.10	43.12
Other expenses	195.13	217.28	137.31	42.58	85.93
Total expenses	548.86	636.14	443.10	130.31	254.82
Profit/(loss) before tax	270.94	311.84	181.92	-21.42	132.47
Tax expense/(credit):					
Current tax	86.57	79.65	43.33	0.00	32.03
Deferred tax charge/(credit)	7.94	-4.45	5.68	-3.77	2.04
Profit/(loss) for the period/year	176.43	236.64	132.90	-17.65	98.41

BALANCE SHEET**(IN RS. CRS.)**

Particulars	FY 2019	FY 2020	FY 2021	6M FY 2020	6M FY 2021
ASSETS					
Non-current assets					
Property, plant and equipment	73.66	81.74	79.48	78.00	76.38
Right of use assets	196.33	246.02	203.47	221.23	220.91
Other intangible assets	169.76	179.11	176.36	177.56	175.60
Financial assets					
Investments	25.18	46.04	79.98	46.86	55.96
Others	34.31	38.69	43.39	38.90	45.53
Other assets	76.41	68.48	67.85	85.05	75.65
Total non-current assets	575.64	660.07	650.52	647.60	650.03
Current assets					
Inventories	90.95	120.86	101.24	123.93	123.70
Investments	169.23	354.94	455.59	246.26	200.49
Trade receivables	0.00	0.00	0.00	342.12	401.13
Cash and cash equivalents	2.14	8.87	6.61	5.35	4.30
Bank Balances	117.25	11.04	0.50	10.79	0.49
Other assets	30.55	63.72	49.95	58.19	65.37
Total Current assets	742.87	931.48	975.13	786.63	795.78
Total Assets	1318.51	1591.55	1625.65	1434.23	1445.50
EQUITY AND LIABILITIES					
Equity					
Equity share capital	25.05	25.05	24.79	24.79	24.24
Other equity	857.72	1040.97	1066.62	915.86	835.11
Total Equity	882.77	1066.01	1091.41	940.65	859.35
Liabilities					
Non-current Liabilities	194.81	245.68	224.04	230.11	238.54
Deferred tax liabilities (net)	9.02	8.07	14.73	5.45	16.58
Other non-current liabilities	39.43	39.95	35.75	36.63	35.80
Total Non-current Liabilities	243.26	293.70	274.53	272.19	290.92
Current Liabilities					
Other current liabilities	192.23	226.78	255.25	216.33	292.62
Provisions	0.25	0.38	0.38	0.37	0.42
Current tax liabilities (net)	0.00	4.68	4.09	4.68	2.20
Total current liabilities	192.48	231.84	259.72	221.38	295.23
Total liabilities	435.74	525.54	534.24	493.58	586.15
Total equity and liabilities	1318.51	1591.55	1625.65	1434.23	1445.50

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