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INDIA | CONSUMER RETAIL |
COVERAGE INITIATION



Vedant Fashions

Redefining retail in ethnic wear



Asset light model

Robust financials

Attractive valuations -
Initiate with TP of INR 930

Vedant Fashions

Redefining retail in ethnic wear

Vedant Fashions Limited (VFL) is the largest player in the wedding and celebration (W&C) wear market with ~35% branded market share in the men's segment in FY24 ([refer exhibit – 11](#)). VFL has achieved industry leading economics led by (i) multi-brand aspirational-yet-value-for-money product portfolio catering to the entire family, (ii) targeted marketing, driving top-of-the-mind brand recall with a multi-channel presence (iii) fully integrated and IT-enabled supply chain and back-end system, and (iv) an asset-light model.

Revenue growth over the last couple of years has been impacted due to (1) Increased competitive intensity, (2) Slowdown in overall discretionary consumption, and (3) High rentals, which have kept the pace of expansion in check (added ~85k sqft in FY25). However, we believe these issues are temporary. Entry of new players has only led to increased acceptance of ethnic wear; near-term slowdown coupled with aggressive network addition by regional players is resulting in higher revenue impact for VFL. But, given ethnic wear is a difficult category, the near-term slowdown will impact small/unorganised players more and may lead to consolidation.

Growth for VFL going ahead will be driven by (1) "Mohey", its women's ethnic wear brand, allowing it to tap a much larger segment, pegged at INR 900bn, ~6x of the men's W&C market ([refer exhibit - 1](#)), (2) Expansion of the premium ethnic wear segment under brand "Twamev" (3) Entry into men's mass ethnic wear segment through "Diwas" (4) Network addition at ~10% of the overall network to accommodate these multiple brands under one roof. The stock currently trades at a sharp discount of 20-50% to the likes of Metro, Titan and D-Mart despite similar return ratios or slightly lower revenue/PAT CAGR. We initiate coverage with BUY rating and a target price of INR 930 based on 45x Mar'27 EPS.

Huge TAM, largely unbranded, which provides large headroom of growth: We estimate that the Indian branded W&C wear market was INR 281bn in FY24, ~23% of the INR 1.2trln W&C wear market. The branded market is expected to see higher growth (~16% CAGR over FY24-28E to INR 510bn) vs. the W&C wear market (~11%) led by shift towards organised players ([refer exhibit -1](#)). VFL is expected to benefit from this shift as (i) it is the market leader in the men's W&C market and has strong brand recall in the category, and (2) it is expanding its portfolio, catering to a wider set of customers; 'Diwas' "Twamev" and 'Mohey' are targeted at unbranded men's mass, premium and women's W&C market.

Strong brand image and robust supply chain key leadership enablers: VFL's brand Manyavar is synonymous with the category, which helps it to up-sell and cross-sell other brands' products and help them scale faster. Over the years, VFL has been able to organise the fragmented vendor and manufacturing ecosystem, which, coupled with its strong supply chain and inventory management system, enables it to keep the manufacturing cost at the lowest. This has enabled it to withstand market volatility in a tough category and retain its leadership.

Industry leading margins led by asset-light model and efficient inventory management: VFL operates on an asset-light model, with all its stores operating on FOFO model and manufacturing being outsourced. This, coupled with a strong discipline on inventory and discount management (zero discounts) helps it to keep cost structure lean. VFL, therefore, is able to operate on highest Gross/EBITDA margin in apparel retailing. Given that franchise partners also make handsome pre-tax RoI of ~16% ([refer exhibit - 7](#)), it is able to retain and increase its franchisees and expand at a robust pace (~10% area addition CAGR over FY19-24).

Rare combination of cash flows and healthy margins: VFL has shown robust performance in revenue, cash flows and return ratios. We expect 12% revenue/EBITDA /PAT (Pre-Ind AS) CAGR over FY25-28E. After an exceptional performance in FY23, margins normalised in FY25 and are expected to gradually improve from here. We expect RoE/RoCE/RoIC of 23%/27%/54% by FY28 and cumulative OCF/FCF of INR 10.2bn/10bn over FY25-28.

| Recommendation and Price Target | |
|---------------------------------|------------------|
| Current Reco. | BUY |
| Current Price Target (12M) | 930 |
| Upside/(Downside) | 26.6% |
| Key Data – MANYAVAR IN | |
| Current Market Price * | INR735 |
| Market cap (bn) * | INR178.4/US\$2.1 |
| Free Float | 21% |
| Shares in issue (mn) | 242.9 |
| Diluted share (mn) | 242.9 |
| 3-mon avg daily val (mn) | INR214.2/US\$2.5 |
| 52-week range | 1,512/706 |
| Sensex/Nifty | 81,721/24,853 |
| INR/US\$ | 85.2 |

| Price Performance | | | |
|-------------------|-------|-------|-------|
| % | 1M | 6M | 12M |
| Absolute | -7.4 | -48.5 | -28.2 |
| Relative* | -10.3 | -49.5 | -33.8 |

*To the BSE Sensex

| Financial Summary | | | | | | (INR mn) | |
|------------------------|--------|--------|--------|--------|--------|----------|--|
| YE March | FY24A | FY25A | FY26E | FY27E | FY28E | | |
| Net Sales | 13,654 | 13,843 | 15,606 | 17,518 | 19,670 | | |
| Sales Growth (%) | 0.9 | 1.4 | 12.7 | 12.3 | 12.3 | | |
| EBITDA | 6,581 | 6,426 | 7,123 | 8,118 | 9,237 | | |
| EBITDA Margin (%) | 48.1 | 46.3 | 45.6 | 46.3 | 46.9 | | |
| Adjusted Net Profit | 4,142 | 3,885 | 4,273 | 4,905 | 5,633 | | |
| Diluted EPS (INR) | 17.1 | 16.0 | 17.6 | 20.2 | 23.2 | | |
| Diluted EPS Growth (%) | -3.5 | -6.2 | 10.0 | 14.8 | 14.8 | | |
| ROIC (%) | 38.0 | 30.5 | 33.1 | 37.1 | 39.5 | | |
| ROE (%) | 27.6 | 22.9 | 22.5 | 22.8 | 23.0 | | |
| P/E (x) | 43.1 | 46.0 | 41.8 | 36.4 | 31.7 | | |
| P/B (x) | 11.1 | 10.0 | 8.8 | 7.8 | 6.8 | | |
| EV/EBITDA (x) | 26.2 | 26.7 | 23.7 | 20.5 | 17.8 | | |
| Dividend Yield (%) | 1.2 | 1.1 | 1.2 | 1.4 | 1.5 | | |

Source: Company data, JM Financial. Note: Valuations as of 23/May/2025

JM Financial Research is also available on: Bloomberg - JMFR <GO>, Thomson Publisher & Reuters, S&P Capital IQ, FactSet & Visible Alpha
You can also access our portal: www.jmflresearch.com
Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Gaurav Jogani
gaurav.jogani@jmfl.com
Tel: (91 22) 66303085

Mehul Desai
mehul.desai@jmfl.com
Tel: (91 22) 66303065

Tanuj Pandia
tanuj.pandia@jmfl.com
Tel: (91 22) 66303051

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Vedant Fashions Limited (VFL) is the largest player in the wedding and celebration (W&C) wear market with ~35% branded market share in the men's segment in FY24. VFL has achieved industry leading economics led by (i) multi-brand aspirational-yet-value-for-money product portfolio catering to the entire family, (ii) targeted marketing, driving top-of-the-mind brand recall with a multi-channel presence (iii) fully integrated and IT-enabled supply chain and back-end system, and (iv) an asset-light model. We expect 12% revenue/EBITDA /PAT (Pre-Ind AS) CAGR over FY25-28E.

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Focus Chart

Exhibit 1. Branded W&C market is expected to see 16% CAGR over FY24-28E led by shift towards organised players

| INR bn | FY15 | FY20 | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | CAGR | | |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|
| | | | | | | | | | FY15-20 | FY20-24 | FY24-28 |
| Total Apparel | 4,000 | 5,647 | 5,919 | 5,991 | 6,446 | 7,103 | 7,734 | 8,379 | 7.1 | 1.5 | 8.7 |
| Ethnic Market | 1,292 | 1,800 | 2,048 | 2,087 | 2,263 | 2,535 | 2,789 | 3,012 | 6.9 | 3.8 | 9.6 |
| Branded | 372 | 515 | 638 | 659 | 726 | 836 | 932 | 1,016 | 6.7 | 6.4 | 11.4 |
| Unbranded | 920 | 1,285 | 1,410 | 1,428 | 1,537 | 1,699 | 1,857 | 1,996 | 6.9 | 2.7 | 8.7 |
| Branded share (%) | 29 | 29 | 31 | 32 | 32 | 33 | 33 | 34 | | | |
| Unbranded share (%) | 71 | 71 | 69 | 68 | 68 | 67 | 67 | 66 | | | |
| Wedding/ Celebration wear | 753 | 1,020 | 1,181 | 1,226 | 1,363 | 1,527 | 1,680 | 1,831 | 6.3 | 4.7 | 10.5 |
| Branded | 103 | 190 | 269 | 281 | 327 | 383 | 445 | 510 | 13.0 | 10.3 | 16.1 |
| Unbranded | 650 | 830 | 913 | 945 | 1,036 | 1,144 | 1,234 | 1,320 | 5.0 | 3.3 | 8.7 |
| Branded share (%) | 14 | 19 | 23 | 23 | 24 | 25 | 27 | 28 | | | |
| Unbranded share (%) | 86 | 81 | 77 | 77 | 76 | 75 | 73 | 72 | | | |
| Wedding/ Celebration wear | 753 | 1,020 | 1,181 | 1,226 | 1,363 | 1,527 | 1,680 | 1,831 | 6.3 | 4.7 | 10.5 |
| Men's | 105 | 141 | 151 | 156 | 173 | 194 | 213 | 232 | 6.0 | 2.6 | 10.5 |
| Women's | 550 | 734 | 868 | 903 | 1,011 | 1,133 | 1,246 | 1,358 | 6.0 | 5.3 | 10.7 |
| Kids | 98 | 145 | 162 | 167 | 179 | 201 | 221 | 241 | 8.2 | 3.7 | 9.5 |
| Branded W&C | 103 | 190 | 269 | 281 | 327 | 383 | 445 | 510 | 13.0 | 10.3 | 16.1 |
| Men's | 19 | 32 | 45 | 47 | 55 | 64 | 75 | 84 | 11.3 | 10.1 | 15.2 |
| Women's | 71 | 132 | 191 | 199 | 233 | 272 | 318 | 367 | 13.1 | 10.7 | 16.6 |
| Kids | 13 | 25 | 32 | 35 | 39 | 47 | 53 | 60 | 14.8 | 8.5 | 14.4 |

Source: Vedant Fashion DRHP, JM Financial estimates

Exhibit 2. VFL through its multiple brands caters to the needs of entire family with products straddling across price points

| Brand | Manyavar | Twamev | Manthan | Mohey | Mebaz | Diwas |
|--------------------------|--|--|--------------------|--------------------------------------|---|----------------------|
| Year of launch | 1999* | 2019 | 2018^ | 2015 | 2017# | 2024 |
| Target Group | Men, Boys | Men & Women | Men | Women | Men, Women Kids | Men |
| Price Spectrum | Mid-Premium | Premium | Value | Mid-Premium | Mid Premium to Premium | Value to Mid premium |
| Distribution | EBO, MBO, LFS, E-Comm | EBO's & E-comm | MBO's, LFS, E-comm | EBO's & E-comm | EBO's | MBO's, E-comm |
| Product Portfolio | Men: Kurta, Indo western, Sherwani, jacket, accessories Kids : Kurta set, jacket set, Indo western, accessories | Men: Kurta Set, Sherwani, Indo Western, Suit and Accessories Women: Saree, Lehnga, Skirt top, Gown, Accessories | Kurta | Lehenga, Saree, Gown and Accessories | Men: Kurta, Indo Western, Sherwani, Suit and accessories, Women: Lehenga, Saree, Suit, Kurti, Kids: Lehenga, Gown, Frock, Kurta, Suit, Accessories | Kurta |

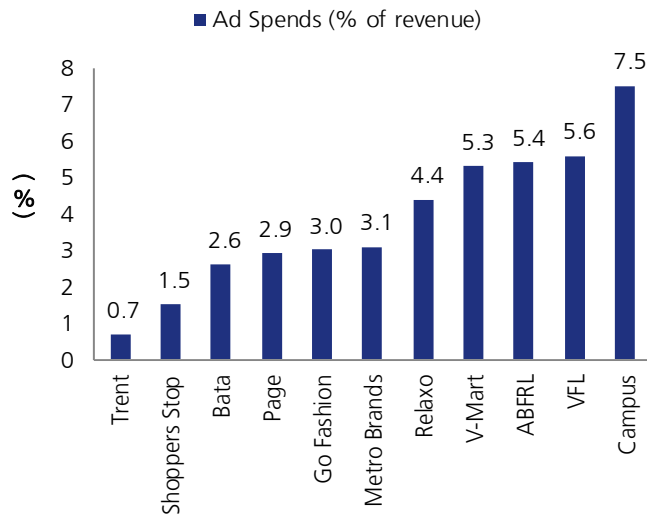
Source: Company, JM Financial; Note: *Brand 'Manyavar' started operations via predecessor entity in 1999; ^ Large scale operations commenced after refreshed launch in 2018; # Brand 'Mebaz' was launched in 2002 but acquired by the company in 2017

Exhibit 3. Mohey and other new brands to drive higher growth over FY25-28E

| Brand wise Sales break up (INR mn) | FY19 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E | CAGR (%) | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------|-------------|
| | | | | | | | | FY19-25 | FY25-28 |
| Manyavar (INR mn) | 9,354 | 14,931 | 13,845 | 13,572 | 15,287 | 16,973 | 18,844 | 6.4 | 11.6 |
| YoY growth (%) | | 21.6 | -7.3 | -2.0 | 12.6 | 11.0 | 11.0 | | |
| % of Total sales | 82.4 | 80.2 | 74.7 | 71.7 | 71.3 | 70.6 | 69.8 | | |
| Mohey (INR mn) | 748 | 1,594 | 2,072 | 2,486 | 2,859 | 3,288 | 3,781 | 22.2 | 15.0 |
| YoY growth (%) | | 50.0 | 30.0 | 20.0 | 15.0 | 15.0 | 15.0 | | |
| % of Total sales | 6.6 | 8.6 | 11.2 | 13.1 | 13.3 | 13.7 | 14.0 | | |
| Other Brands (INR mn) | 1,254 | 2,088 | 2,610 | 2,871 | 3,302 | 3,797 | 4,366 | 14.8 | 15.0 |
| YoY growth (%) | | 50.0 | 25.0 | 10.0 | 15.0 | 15.0 | 15.0 | | |
| % of Total sales | 11.0 | 11.2 | 14.1 | 15.2 | 15.4 | 15.8 | 16.2 | | |
| Total Consumer sales (INR mn) | 11,356 | 18,613 | 18,527 | 18,929 | 21,447 | 24,058 | 26,992 | 8.9 | 12.6 |
| Difference between consumer sales and contract price | 3,411 | 5,147 | 4,859 | 5,205 | 6,005 | 6,736 | 7,558 | | |
| % difference | 30.0 | 27.7 | 26.2 | 27.5 | 28.0 | 28.0 | 28.0 | | |
| Net Contract price (INR mn) | 7,945 | 13,467 | 13,668 | 13,723 | 15,442 | 17,322 | 19,434 | 9.5 | 12.3 |

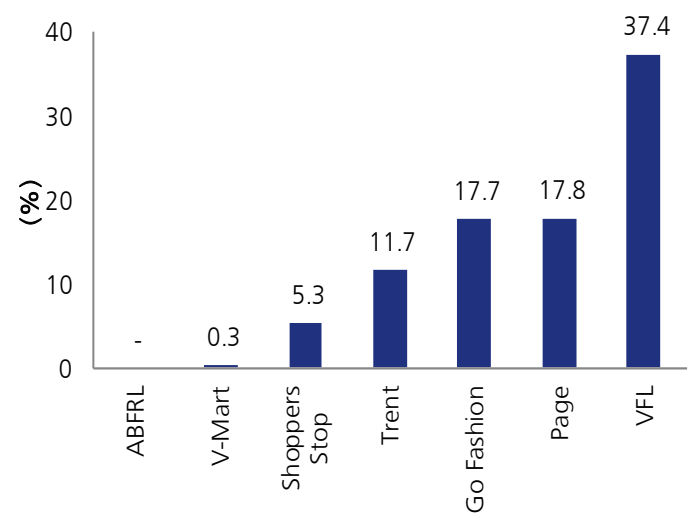
Source: Company, JM Financial

Exhibit 4. VFL's ad spends % is second highest amongst retailers



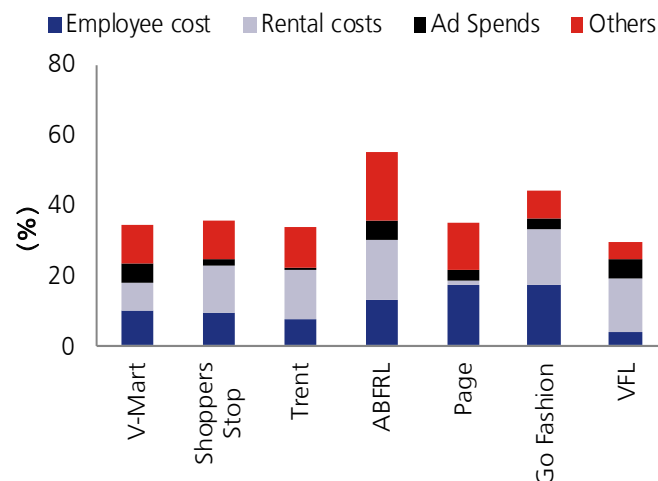
Source: Company, JM Financial

Exhibit 5. Lean cost structure drives highest EBITDA margin



Source: Company, JM Financial

Exhibit 6. Franchise model + lean cost keeps costs under check



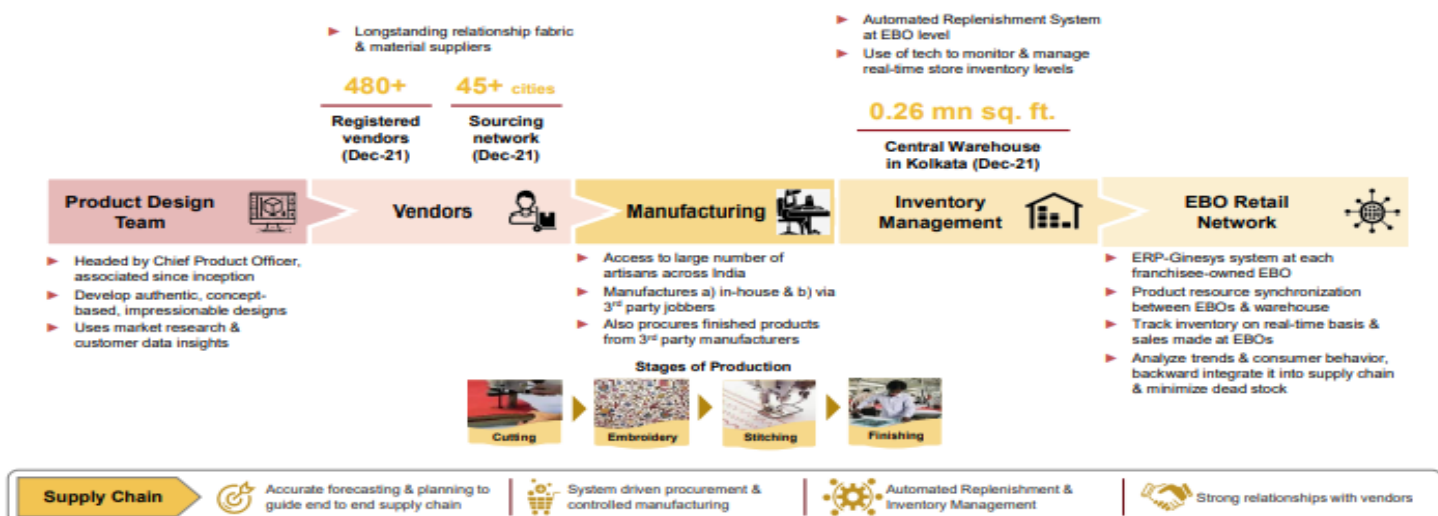
Source: Companies, JM Financial; Note: Figures are as per FY24 financials; Rental cost as per Pre Ind AS 116

Exhibit 7. VFL's franchisee typically makes 16% post-tax RoIC

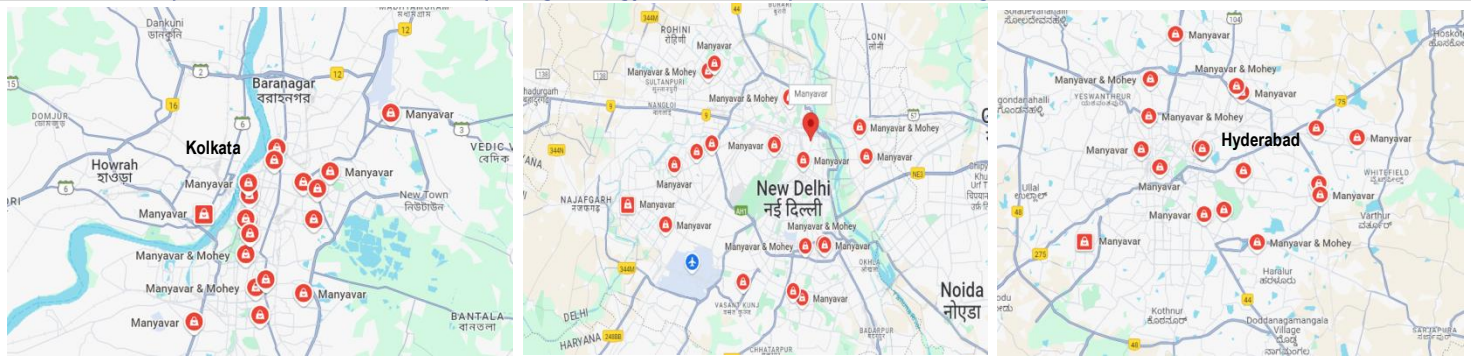
| Franchisee (2,500) sq.ft store | | INR mn |
|-----------------------------------|--|--------|
| Sales per sq.ft INR 10,500 | | 26.3 |
| Franchisee margin @ 29.5% | | 7.7 |
| Less: | | |
| Manpower (8 people*15K/pp) | | -1.4 |
| Electricity (30k p.m) | | -0.4 |
| Rent (11% of sales) | | -2.9 |
| Other overheads (2% of sales) | | -0.5 |
| EBITDA | | 2.5 |
| EBITDA margin (%) on sales | | 9.6 |
| Depreciation (10% of store capex) | | -0.6 |
| EBIT | | 1.9 |
| Capital employed by Franchisee | | |
| Store Capex (2500/sq.ft) | | 6.3 |
| Deposit to VFL (1000/sq.ft) | | 2.5 |
| Total Capital employed | | 8.8 |
| RoIC (%) Post tax | | 16% |

Source: Company, JM Financial

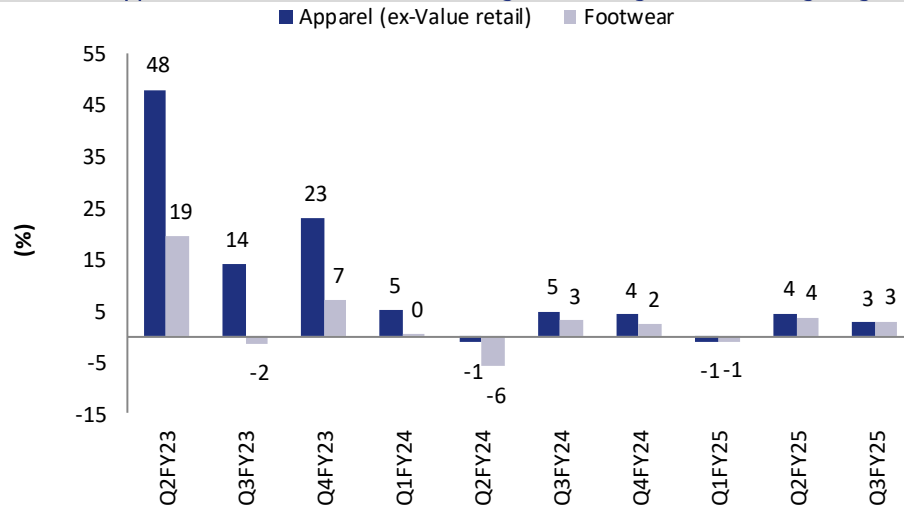
Exhibit 8. VFL has managed to organise the vendor ecosystem and fragmented manufacturing process



Source: Company, JM Financial

Exhibit 9. VFL implements cluster-based store opening strategy to realise full potential of existing markets


Source: Company, Google Maps; Note: The three photos depicts markets of Kolkata, Delhi and Hyderabad in sequence

Exhibit 10. Apparel (ex-value retail) and footwear growth in negative to low single digit


Source: Company, JM Financial

Exhibit 11. Market share for VFL expected to reduce over FY25-28 led by increasing competition in men's W&C wear category

| INR bn | FY20 | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Men's Ethnic Market | 189 | 215 | 219 | 239 | 267 | 294 | 318 |
| Men's W&C Market | 141 | 151 | 156 | 173 | 194 | 213 | 232 |
| Branded Men's W&C Market | 32 | 45 | 47 | 55 | 64 | 75 | 84 |
| Branded Share (%) | 23 | 30 | 31 | 32 | 33 | 35 | 36 |
| Revenue (INR bn) | | | | | | | |
| Manyavar (VFL) | 11.8 | 17.0 | 16.5 | 16.4 | 18.6 | 20.8 | 23.2 |
| Tasva (ABFRL) | | 0.5 | 1.0 | 1.3 | 1.6 | 1.9 | 2.1 |
| Japoyre, S&N, etc. (ABFRL) | | 2.8 | 4.0 | 5.2 | 6.3 | 7.5 | 8.6 |
| Ethnix | 0.6 | 0.9 | 1.2 | 1.4 | 1.7 | 2.0 | 2.3 |
| JCPL | 0.4 | 0.3 | 0.3 | 0.4 | 0.4 | 0.5 | 0.6 |
| Jade Blue | 2.0 | 2.8 | 2.9 | 3.4 | 3.9 | 4.4 | 5.0 |
| Others | 17.6 | 21.0 | 21.6 | 27.2 | 31.4 | 37.5 | 41.7 |
| Market Share (%) | | | | | | | |
| Manyavar (VFL) | 36.3 | 37.5 | 34.6 | 29.7 | 29.1 | 27.9 | 27.8 |
| Tasva (ABFRL) | - | 1.0 | 2.2 | 2.4 | 2.5 | 2.5 | 2.5 |
| Japoyre, S&N, etc. (ABFRL) | - | 6.3 | 8.4 | 9.3 | 9.9 | 10.1 | 10.3 |
| Ethnix | 1.8 | 2.1 | 2.5 | 2.6 | 2.7 | 2.7 | 2.8 |
| JCPL | 1.2 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| Jade Blue | 6.3 | 6.2 | 6.1 | 6.1 | 6.0 | 5.9 | 6.0 |
| Others | 54.4 | 46.2 | 45.5 | 49.2 | 49.2 | 50.3 | 49.9 |

Source: Company, JM Financial

Investment thesis

Huge TAM provides headroom for growth

The Indian wedding and celebration (W&C) wear market was valued at ~INR 1.2trln (as per our estimates) in FY24, constituting ~59% of the overall ethnic market. The W&C wear market is expected to grow at ~11% CAGR over FY24-28E and its share in the overall market is expected to increase by ~200bps over FY24-28E. This will be led by (1) greater spending on wedding apparel, and (2) increase in the number of celebration days in a wedding. The share of branded players in the segment is expected to be low at ~23% in FY24 and is expected to grow at a higher CAGR of ~16% (share to increase by ~500bps over FY24-28E to ~28%) led by (1) better customer experience, (2) improved product mix and quality, (3) better pricing, (4) improved brand strength and (5) expansion beyond tier-II cities.

Diversified portfolio helps to cover a larger market

Manyavar is the category leader in the branded Indian men's W&C wear market worth INR 156bn in FY24, and it accounted for ~35% share of the branded market. Apart from Manyavar, VFL launched other brands to cater to the demand of the entire family and tap the premium to mass-end of the market. It launched Twamev to cater to premium customers (both men and women) and launched Diwas to cater to the mass-end market, which is largely untapped by the current portfolio brands. It launched the brand Mohey, which caters to the women's market (INR 903bn in FY24), which is ~6x the size of the men's wear market. We believe that proper marketing and supply chain execution in Diwas and Mohey brands can be a game changer for the company, considering the immense untapped TAM for both men's mass W&C wear market and women's W&C wear market.

Investment in IT infrastructure and improved branding gives VFL an edge

Indian W&C wear had been a non-focus segment for most apparel retailers earlier due to (1) fragmented vendor ecosystem, (2) challenges in organising at scale, and (3) higher focus on other apparel segments like western, formals and casual ethnics. VFL created a strong supply chain backed by IT-enabled infrastructure and top-of-the-mind brand recall for its brands (especially Manyavar) through high ad spends, which helped it capture the market in the W&C wear category.

Operates on asset-light model and generates highest EBITDA margin

VFL operates on an asset-light model, with all its stores operating on FOFO model and manufacturing being outsourced. This coupled with a strong discipline on inventory and discount management (zero discounts) helps it to keep cost structure lean that led to the highest EBITDA margin (pre-AS 116) of 34-37% among apparel retailers in FY24-25.

Growth aided by gradual expansion

VFL had a retail footprint of 678 EBOs in India (1.79mn sqft, including 140 SIS) across 256 cities and towns and 16 EBOs overseas in the US, UAE, UK and Canada as of Mar'25. EBOs accounted for ~88% of overall sales for VFL in FY25. We expect EBOs to continue to contribute the highest share of overall sales, given wedding-related purchases are high-ticket transactions and may require some minor fitting-related customisation. We see a lot of scope for store additions by VFL as it can either enter into new cities or expand into newer markets within the same cities or open larger or more stores within the same markets. We expect VFL to see area addition of ~10% CAGR over FY25-28E.

Increasing competition – near-term pain but long-term gain

Competition in the Indian W&C wear segment has increased with the entry of several organised/regional apparel players, who are expanding their network aggressively in the ethnic wear segment. We believe that increased penetration of ethnic wear in shopping malls, high streets, etc. will lead into increased acceptance of ethnic wear. This might result in demand creation for kurtas into the casual wear segment, where its presence is negligible currently. In the near term, this might lead to market share loss for VFL as the network expansion by competition has quadrupled over the last couple of years, but this will eventually result in expansion of TAM of the company. Also, given the difficulty in scaling up the ethnic wear category, we believe the near-term slowdown could have a higher impact on regional/newer players, which might lead to consolidation in the industry over the next few years.

Rare combination of cash flows and healthy margins

VFL's financial performance has been steady and has generated strong cash flows in the past. Over FY25-28E, we expect VFL to post 12% revenue CAGR led by 10% CAGR in sqft addition and 3% CAGR in sales/sqft. Revenue per sqft increased at 3% CAGR over FY20-23 led by a spike in demand. High revenue per sqft resulted in better operating leverage, which, in turn, led to an all-time high Pre Ind-AS EBITDA margin for the company (~41% in FY23). Demand normalised and competition increased in FY24-25, resulting a decline in revenue per sqft (~12% CAGR over FY23-25; ~INR 9.6k in FY25) and contraction of EBITDA margin (~34% in FY25). We expect ~20bps margin contraction over FY25-28E to 33.7% by FY28 owing to heightened competition. Return ratios may dilute but are expected to still remain robust with RoE/RoCE/RoIC of 23/27/54% by FY28. We expect the cash conversion cycle to remain elevated at ~166 days due to higher debtor days; however, OCF/FCFF generation is likely to remain robust. We expect cumulative OCF/FCFF generation of INR 10.2bn/10bn and OCF/EBITDA conversion of ~58% over FY25-28.

Valuation

We initiate on Vedant Fashion with BUY rating and target price of INR 930, valuing the company at ~45x EPS (pre Ind AS 116) Mar-27, this is ~20-30% discount to our valuation multiples for the likes of Metro, Titan and Avenue Supermarts. At the CMP, VFL is trading at ~35x FY27 EPS and offers ~27% upside from the current levels.

VFL's robust business model allows it to generate strong EBITDA/PAT margins of ~35% and ~30%, with an average OCF/EBITDA and FCFF/PAT conversion of ~65% and ~80% during FY19-24 and revenue/PAT CAGR of ~11%/17% over this period. VFL is now trading at sharp discount of 20-50% to the like of Metro, Titan and Avenue Supermarts despite exhibiting similar kind of return ratios or slightly lower revenue/PAT growth over FY25-28.

We expect revenue/EBITDA/PAT (Pre Ind AS 116) CAGR of 12% over FY25-28E led by 10% area CAGR and 3% sales per sq ft CAGR. We expect the company to generate robust RoE/RoCE/RoIC of 23%/27%/52% by FY28.

Gradual pickup in the revenue growth is a factor of increasing competition in the W&C wear space and slowdown in the operating environment which we believe is temporary. We believe that revival in the performance of the company and increase of revenue CAGR to ~15% or more and along with higher EBITDA and PAT CAGR will lead to further re-rating in the valuation multiples in line with its historical multiples.

Exhibit 12. VFL trades at a discount of 20-50% on P/E basis vs. other consumer retail players

| | | Mcap | CMP | TP | Upside | JM EPS (INR) | | | CAGR (FY25-28) | | |
|-----------------------|--------|----------|-------|-------|--------|--------------|-------|-------|----------------|--------|-------|
| Sector/ Co | Rating | (USD bn) | (INR) | (INR) | (%) | FY25E | FY26E | FY27E | Revenue | EBITDA | EPS |
| Retail | | | | | | | | | | | |
| Titan Inds | BUY | 36.1 | 3,579 | 3,725 | 4 | 37 | 52 | 65 | 15% | 24% | 28% |
| Avenue Supermarts | HOLD | 30.6 | 4,140 | 3,880 | -6 | 44 | 50 | 58 | 17% | 17% | 16% |
| Metro Brands Ltd | BUY | 3.7 | 1,210 | 1,400 | 16 | 15 | 20 | 24 | 19% | 27% | 27% |
| Vedant Fashions | BUY | 2.0 | 734 | 930 | 27 | 16 | 18 | 21 | 12% | 12% | 12% |
| Campus Activewear | BUY | 1.0 | 275 | 340 | 24 | 4 | 5 | 7 | 10% | 24% | 28% |
| Bata India | HOLD | 1.9 | 1,275 | 1,400 | 10 | 19 | 25 | 33 | 10% | 27% | 30% |
| ABFRL | HOLD | 1.2 | 89 | 289 | 227 | 1 | 3 | 4 | 10% | 31% | 95% |
| Go Fashion | BUY | 0.5 | 853 | 1,000 | 17 | 20 | 23 | 26 | 8% | 11% | 14% |
| Style Baazar | BUY | 0.2 | 263 | 400 | 52 | 5 | 9 | 14 | 25% | 36% | 54% |
| Restaurant Brands | HOLD | 0.6 | 84 | 86 | 3 | -0 | 0 | 0 | 11% | 29% | -215% |
| Westlife Food | BUY | 1.2 | 686 | 800 | 17 | 4 | 8 | 14 | 16% | 40% | 77% |
| Devyani International | BUY | 2.5 | 180 | 195 | 8 | 1 | 2 | 3 | 19% | 28% | 45% |
| Sapphire Foods India | BUY | 1.2 | 319 | 365 | 15 | 2 | 3 | 4 | 16% | 28% | 51% |

Source: Company, JM Financial, Bloomberg

| Sector/ Co | PE (x) | | | EV/EBITDA (x) | | | RoCE (%) | | |
|-----------------------|--------|-------|-------|---------------|-------|-------|----------|-------|-------|
| | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E |
| Retail | | | | | | | | | |
| Titan Inds | 96 | 68 | 55 | 63 | 46 | 38 | 23 | 29 | 33 |
| Avenue Supermarts | 94 | 83 | 71 | 63 | 55 | 47 | 18 | 18 | 18 |
| Metro Brands Ltd | 82 | 61 | 49 | 63 | 48 | 38 | 22 | 26 | 28 |
| Vedant Fashions | 45 | 40 | 36 | 36 | 33 | 28 | 27 | 27 | 27 |
| Campus Activewear | 69 | 51 | 41 | 41 | 32 | 26 | 16 | 19 | 20 |
| Bata India | 68 | 51 | 39 | 46 | 35 | 27 | 16 | 20 | 25 |
| ABFRL | 128 | 35 | 24 | 15 | 10 | 8 | 1 | 4 | 5 |
| Go Fashion | 43 | 38 | 32 | 30 | 26 | 23 | 14 | 13 | 13 |
| Style Baazar | 49 | 28 | 19 | 22 | 15 | 11 | 10 | 13 | 19 |
| Restaurant Brands | NM | NM | NM | 45 | 34 | 26 | -0 | -0 | -0 |
| Westlife Food | 193 | 86 | 51 | 53 | 38 | 26 | 6 | 12 | 20 |
| Devyani International | 139 | 78 | 59 | 43 | 31 | 25 | 6 | 11 | 15 |
| Sapphire Foods India | 184 | 119 | 72 | 38 | 31 | 22 | 3 | 4 | 7 |

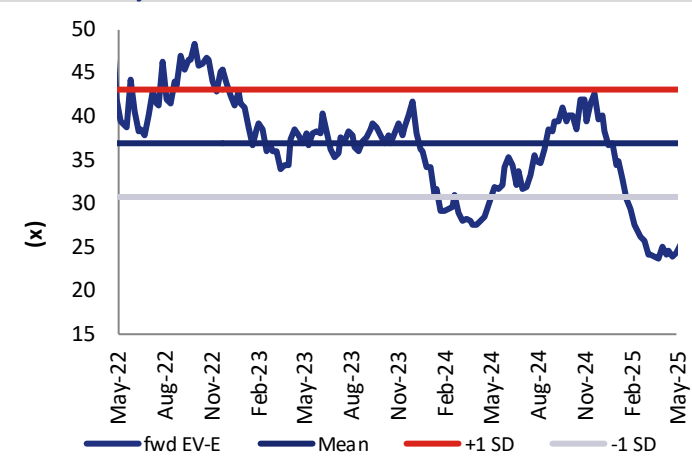
Source: Company, JM Financial; Note: EBITDA is Pre IND AS – 116

Exhibit 13. 1 year forward P/E



Source: Bloomberg

Exhibit 14. 1 year forward EV/EBITDA



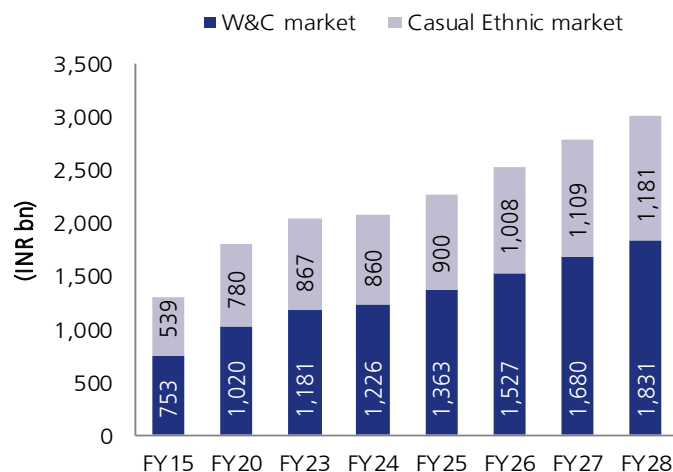
Source: Bloomberg

Huge TAM provides headroom for growth

The Indian wedding and celebration (W&C) wear market was valued at ~INR 1.2trln (as per our estimates) in FY24; this constitutes ~59% of the overall ethnic market. The W&C wear market is expected to grow at ~11% CAGR over FY24-28E and its share in the overall market is expected to increase by ~200bps over FY24-28E. This will be led by (1) increased spending on wedding apparel, and (2) rise in the number of celebration days in a wedding. The share of branded players in the segment was low in FY24 at an estimated 23%, and it is expected to grow at a higher CAGR of ~16% (share to increase by ~500bps over FY24-28E to ~28%) led by (1) better customer experience, (2) improved product mix and quality, (3) better pricing, (4) improved brand strength and (5) expansion beyond tier-II cities.

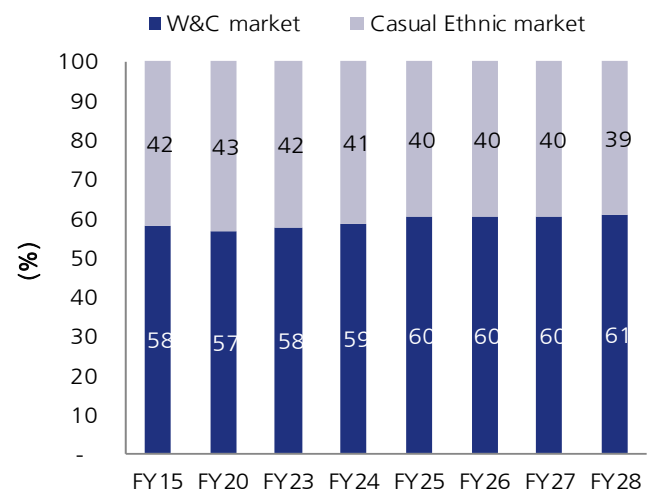
VFL's top-of-the-mind brand recall for consumers makes it a leader in the W&C men's wear market, garnering ~35% market share of the INR 47bn branded men's market (W&C men's wear market - INR 156bn). The company's strong brand image will help it to expand its market share in the large unorganised Indian W&C wear market. It wants to maintain its leadership position within the men's W&C wear segment through Twamev, Manthan and Diwas, which will help it to address the premium and value-end of the men's W&C wear market. It has only ~0.2% share in the women's W&C wear market (INR 903bn), which is ~6x of the men's wear market; VFL is targeting this market via Mohey and Twamev. Mebaz is a one-stop shop heritage brand with a strong legacy and presence in Andhra Pradesh and Telangana.

Exhibit 15. W&C market may grow at 11% CAGR over FY24-28E



Source: Vedant Fashion DRHP, JM Financial estimates

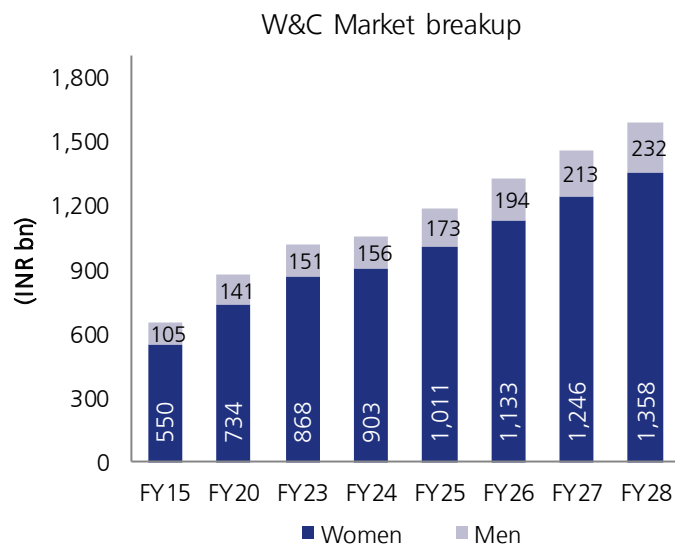
Exhibit 16. W&C market share could go up ~200bps over FY24-28E



Source: Vedant Fashion DRHP, JM Financial estimates

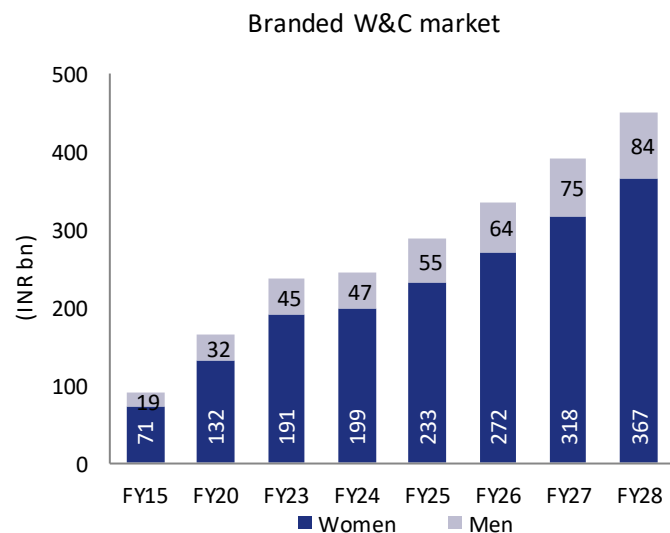
Within the W&C market, we expect the women's/men's W&C market to see ~11/10% CAGR and the branded women's/men's W&C market to see a higher CAGR of ~17/15% over FY24-28E.

Exhibit 17. Women's/Men's W&C market to see 11/10% CAGR over FY24-28E



Source: Vedant Fashion DRHP, JM Financial estimates

Exhibit 18. Women's/Men's Branded share in W&C market to see 17/15% CAGR over FY24-28E



Source: Vedant Fashion DRHP, JM Financial estimates

Ethnic wear industry accounts for ~34% of overall apparel segment

As per our estimates, the size of the ethnic wear industry was INR 2.1trln in FY24 and is expected to post a CAGR of ~10% over FY24-28 to reach INR 3trln by FY28. It is the largest segment in the Indian fashion apparel market, accounting for about 34% of the overall apparel fashion in the country where a majority of the market remains unbranded/unorganised. While the overall ethnic wear market registered a CAGR of ~4% over FY20-24, the branded ethnic market grew at a faster pace of ~6% driven by (1) improved customer experience, (2) better merchandise mix, (3) standardised pricing, (4) customer association with brands, and (5) emergence of new players in the segment. We expect branded players to sustain their growth momentum and grow at a CAGR of ~11% over FY24-28E.

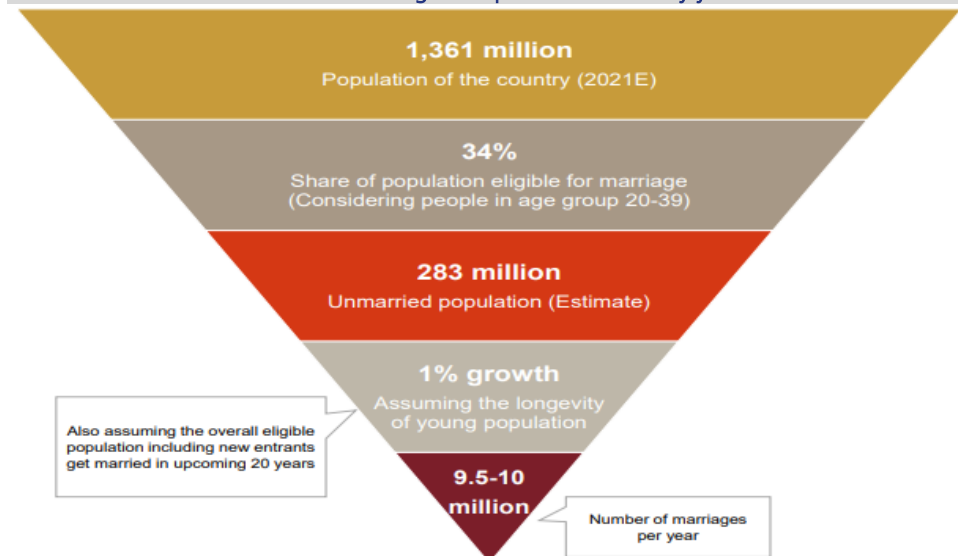
Exhibit 19. Branded W&C market is expected to see 16% CAGR over FY24-28E

| INR bn | FY15 | FY20 | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | CAGR | | |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|
| | | | | | | | | | FY15-20 | FY20-24 | FY24-28 |
| Total Apparel | 4,000 | 5,647 | 5,919 | 5,991 | 6,446 | 7,103 | 7,734 | 8,379 | 7.1 | 1.9 | 8.7 |
| Ethnic Market | 1,292 | 1,800 | 2,048 | 2,087 | 2,263 | 2,535 | 2,789 | 3,012 | 6.9 | 3.7 | 9.6 |
| Branded | 372 | 515 | 638 | 659 | 726 | 836 | 932 | 1,016 | 6.7 | 6.3 | 11.4 |
| Unbranded | 920 | 1,285 | 1,410 | 1,428 | 1,537 | 1,699 | 1,857 | 1,996 | 6.9 | 2.6 | 8.7 |
| Branded share (%) | 29 | 29 | 31 | 32 | 32 | 33 | 33 | 34 | | | |
| Unbranded share (%) | 71 | 71 | 69 | 68 | 68 | 67 | 67 | 66 | | | |
| Wedding/ Celebration wear | 753 | 1,020 | 1,181 | 1,226 | 1,363 | 1,527 | 1,680 | 1,831 | 6.3 | 4.7 | 10.5 |
| Branded | 103 | 190 | 269 | 281 | 327 | 383 | 445 | 510 | 13.0 | 10.3 | 16.1 |
| Unbranded | 650 | 830 | 913 | 945 | 1,036 | 1,144 | 1,234 | 1,320 | 5.0 | 3.3 | 8.7 |
| Branded share (%) | 14 | 19 | 23 | 23 | 24 | 25 | 27 | 28 | | | |
| Unbranded share (%) | 86 | 81 | 77 | 77 | 76 | 75 | 73 | 72 | | | |
| Wedding/ Celebration wear | 753 | 1,020 | 1,181 | 1,226 | 1,363 | 1,527 | 1,680 | 1,831 | 6.3 | 4.7 | 10.5 |
| Men's | 105 | 141 | 151 | 156 | 173 | 194 | 213 | 232 | 6.0 | 2.6 | 10.5 |
| Women's | 550 | 734 | 868 | 903 | 1,011 | 1,133 | 1,246 | 1,358 | 6.0 | 5.3 | 10.7 |
| Kids | 98 | 145 | 162 | 167 | 179 | 201 | 221 | 241 | 8.2 | 3.7 | 9.5 |
| Branded W&C | 103 | 190 | 269 | 281 | 327 | 383 | 445 | 510 | 13.0 | 10.3 | 16.1 |
| Men's | 19 | 32 | 45 | 47 | 55 | 64 | 75 | 84 | 11.3 | 10.1 | 15.2 |
| Women's | 71 | 132 | 191 | 199 | 233 | 272 | 318 | 367 | 13.1 | 10.7 | 16.6 |
| Kids | 13 | 25 | 32 | 35 | 39 | 47 | 53 | 60 | 14.8 | 8.5 | 14.4 |

Source: Vedant Fashion DRHP, JM Financial estimates

Sizing the Indian W&C wear market

As per our estimates, the Indian W&C wear market posted a CAGR of ~5% over FY20-24, whereas the branded W&C wear market grew at a CAGR of 10% during the same period to INR 280bn. The branded segment is set to post a CAGR of ~16% over FY24-28E and account for ~28% of the Indian W&C wear market in FY28 (23% in FY24). India has a large young population and, as per CRISIL Research, the population within the age group of 20-39 years old demographic would have risen to ~34% of population during 2021.

Exhibit 20. About 9.5mn-10mn weddings take place in India every year

Source: CRISIL Research, JM Financial

India also has an estimated unmarried population of 283mn people. Assuming the longevity of the youth population (younger than 20 years old) in India to be eligible for marriage in another 15 years along with the population in the 20–39-year-old demographic, CRISIL Research estimates that 9.5mn to 10mn weddings would happen in India per year. As per our estimates, the size of the Indian W&C wear market was ~INR 1.2trln in FY24.

Indian wedding wear market alone could be worth INR 1.2trln

We estimate the size of the wedding day wear market to be ~INR 1.2trln. As per our interactions with various industry experts, there are 3mn-3.5mn weddings in a year in the mid premium segment, which constitutes 30-35% of the overall weddings (~50% in terms value).

Considering close family members of both bride and groom, we assume at least 20 people adorn Indian ethnic wear on the wedding day. We estimate average spend of INR 10,000/per person on the outfit, considering the outfit cost for the bride and the groom generally tends to be between INR 50,000 and INR 1,00,000; the average spend per marriage comes to ~INR 0.2mn. We accordingly arrive at a market size of INR 600bn-700bn for the mid premium segment alone. Besides, there is additional expenditure for the various events that happen over multiple days during the wedding.

Exhibit 21. Market size of the wedding day wear market could be ~INR 1.2trln

| Segment | Income group (INR mn) | No of weddings (A) (mn) | Spending on apparel/wedding (B) (INR mn) | TAM (A*B) (INR bn) |
|---------------|-----------------------|-------------------------|--|--------------------|
| Super premium | >25 | 0.05 | 1.20 | 60 |
| Premium | 5-25 | 0.45 | 0.35 | 160 |
| Mid Premium | 0.5 - 5 | 3-3.5 | 0.20 | 600-700 |
| Mass | <0.5 | 5.5-6 | 0.07 | 390-420 |
| Total | | 9-10 | | 1,200-1,350 |

Source: JM Financial estimates, Industry data

Exhibit 22. Trend to wear Indian celebration attire for festivals provides further opportunity

| Festivals | Typical no. of days celebrated over | Typically celebrated in | |
|-------------------------|-------------------------------------|-------------------------|------------|
| | | Month | FY quarter |
| Lohri | 2 | January | Q4 |
| Makar Sankranti | 2 | January | Q4 |
| Pongal | 1 | January | Q4 |
| Republic Day | 1 | January | Q4 |
| Vasant Panchami | 1 | February | Q4 |
| Maha Shivratri | 2 | February | Q4 |
| Holi | 2 | March | Q1 |
| Mahavir Jayanti | 1 | April | Q1 |
| Rama Navami | 1 | April | Q1 |
| Easter | 1 | April | Q1 |
| Gudi Padwa | 1 | April | Q1 |
| Akshay Trititya | 1 | April-May | Q1 |
| Eid-al-Fitr | 2-3 | April-May | Q1 |
| Eid-al-Adha | 3 | July-August | Q2 |
| Independence Day | 1 | August | Q2 |
| Janmastami | 1 | August | Q2 |
| Pateti / Parsi New Year | 1 | August | Q2 |
| Onam | 1 | August | Q2 |
| Raksha Bandhan | 1 | August-September | Q2 |
| Ganesh Chaturthi | 10-11 | August-September | Q2 |
| Navaratri | 9 | October-November | Q3 |
| Durga Puja | 5-6 | October-November | Q3 |
| Dussehra | 1 | October-November | Q3 |
| Eid-Milad-un-Nabi | 2 | October-November | Q3 |
| Diwali | 4-5 | October-November | Q3 |
| Christmas | 1 | December | Q3 |

Source: CRISIL Research; Note: The above list is not exhaustive, and corresponding months may vary

Cultural diversity is an important trait of customers in India, which leads to celebration of several festivals throughout the year across the country. There are also festivals in India being celebrated over a span of few days, such as Diwali, Ganesh Chaturthi, Navratri, Durga Puja and Eid, among others.

Diversified portfolio helps to cover a larger market

Manyavar is the category leader in the branded Indian men's W&C wear market (INR 156bn in FY24) with ~35% share. Apart from Manyavar, VFL launched other brands to cater to the demand of the entire family and tap the premium to mass end of the market. It launched Twamev to cater to premium customers (both men and women) and Diwas to cater to the mass-end market, which was largely untapped by the current portfolio brands. It launched the brand Mohey, which caters to the women's W&C market (INR 903bn in FY24), which is ~6x the size of the men's W&C wear market. We believe that proper marketing and supply chain execution in Diwas and Mohey brand can be a game changer for the company, considering the immense untapped TAM for both men's mass W&C wear market and women's W&C wear market.

Exhibit 23. VFL portfolio of brands caters to the needs of the entire family

| Brand | Manyavar | Twamev | Manthan | Mohey | Mebaz | Diwas |
|-------------------|--|--|--------------------|--------------------------------------|---|----------------------|
| Year of launch | 1999* | 2019 | 2018^ | 2015 | 2017# | 2024 |
| Target Group | Men, Boys | Men & Women | Men | Women | Men, Women Kids | Men |
| Price Spectrum | Mid-Premium | Premium | Value | Mid-Premium | Mid Premium to Premium | Value to Mid premium |
| Distribution | EBO, MBO, LFS, E-Comm | EBO's & E-comm | MBO's, LFS, E-comm | EBO's & E-comm | EBO's | MBO's, E-comm |
| Product Portfolio | Men: Kurta, Indo western, Sherwani, jacket, accessories Kids : Kurta set, jacket set, Indo western, accessories | Men: Kurta Set, Sherwani, Indo Western, Suit and Accessories Women: Saree, Lehnga, Skirt top, Gown, Accessories | Kurta | Lehenga, Saree, Gown and Accessories | Men: Kurta, Indo Western, Sherwani, Suit and accessories, Women: Lehenga, Saree, Suit, Kurti, Kids:Lehenga, Gown, Frock, Kurta, Suit, Accessories | Kurta |

Source: Company, JM Financial; Note: *Brand 'Manyavar' started operations via predecessor entity in 1999; ^ Large scale operations commenced after refreshed launch in 2018; # Brand 'Mebaz' was launched in 2002 but acquired by the company in 2017

Manyavar – the leading VFL brand

VFL's Manyavar brand operates in the mid-premium segment catering to the men's and boy's segment. Manyavar's positioning as an aspirational, yet affordable brand has helped VFL to be a market leader in the Indian W&C wear market.

Exhibit 24. Manyavar products are priced between INR 999 and INR 39,999

| INR | Manyavar | |
|-----------------|----------|--------|
| | Min | Max |
| Kurta | 999 | 5,999 |
| Kurta Set | 1,499 | 7,999 |
| Kurta Bundi Set | 4,999 | 14,999 |
| Bandhgalas | 9,999 | 11,999 |
| Sherwani | 11,999 | 39,999 |

Source: Company website

Exhibit 25. Men's ethnic wear collection under the leading brand Manyavar



Source: Company, JM Financial

Twamev – play on the premium segment

The Manyavar brand caters to customers in the INR 0.5mn-to-INR 5mn income group. There are lot of customers at the higher end of this range seeking more premium offerings. VFL launched its brand Twamev in 2019 with a premium positioning and priced the products between Manyavar and other luxury boutique brands. Twamev has products starting at INR 6,999 and extending up to INR 99,999. This brand helps Manyavar to cater to ~0.5mn weddings every year, as well as to customers seeking more premium offerings. We expect contribution from brand Twamev to increase led by (1) opening of 6-8 standalone stores for Twamev and (2) expansion of the brand within the existing Manyavar EBO network, (3) independent marketing initiatives and (4) learning's from retailing the brand through Manyavar stores and creating a comprehensive merchandise mix.

Exhibit 26. Twamev – entry level products start from INR 6,999

| INR | Twamev | |
|--------------|--------|--------|
| | Min | Max |
| Kurta Set | 6,999 | 14,999 |
| Kurta Jacket | 6,999 | 14,999 |
| Indo Western | 29,999 | 39,999 |
| Sherwani | 29,999 | 99,999 |

Source: Company website

Exhibit 27. Twamev - men and women premium collection



Source: Company, JM Financial

Diwas – serving the mass segment

The company recently launched its brand 'Diwas', which offers kurtas and lowers in a price range lower vs. its other brands to tap the untapped mass segment. As per our estimate, the mass segment constitutes a large part of the ~INR 1.2trln Indian W&C wear market, and organised players have hardly any presence in the segment. We believe proper marketing and supply chain execution in this brand can be a game changer for the company, considering the immense untapped TAM.

Exhibit 28. Diwas products are priced between INR 799 and INR 2,299

| Category | Diwas | |
|----------|-------|-------|
| | Min | Max |
| Kurta | 799 | 2,299 |
| Lower | 399 | 599 |

Source: Company, JM Financial

Exhibit 29. Kurta collection under Diwas brand



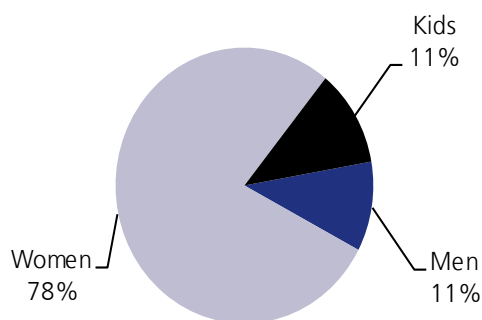
Source: Company, JM Financial

Opportunity in women's wear is immense

Women's W&C wear market is ~6x of the men's W&C market, providing ample opportunity for growth. VFL has entered into the women's W&C wear category with the launch of the brand Mohey and tapped the ~INR 1trln women's W&C market (FY25).

Exhibit 30. Women's wear constitutes 78% of the ethnic wear...

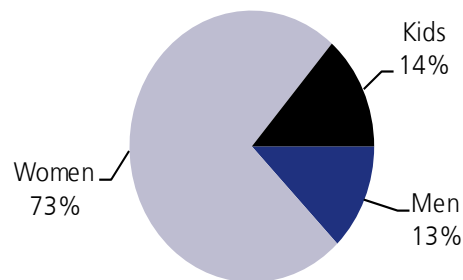
INR 2.1 trn Ethnic wear



Source: Vedant Fashion DRHP, JM Financial estimates

Exhibit 31. ...and 73% of the wedding and celebration wear market

INR 1.2 trn Wedding and Celebration wear



Source: Vedant Fashion DRHP, JM Financial estimates

It launched the brand in 2016 with a mid-premium positioning. After various experimentations in the product category, the company found that lehengas are the main element or the brand that constitutes a major portion of sales, while sarees and others account for the rest. The Mohey brand targets Indian women who are pressed for time and looking for value-for-money products. We estimate ASP at INR 20,000 for lehengas and INR 5,000 for sarees.

Huge unbranded market (~78% in FY24) of the women's Indian wedding and celebration wear provides growth opportunity for branded players.

Exhibit 32. Mohey - sarees and lehengas start at INR 1,199 and INR 14,999 respectively

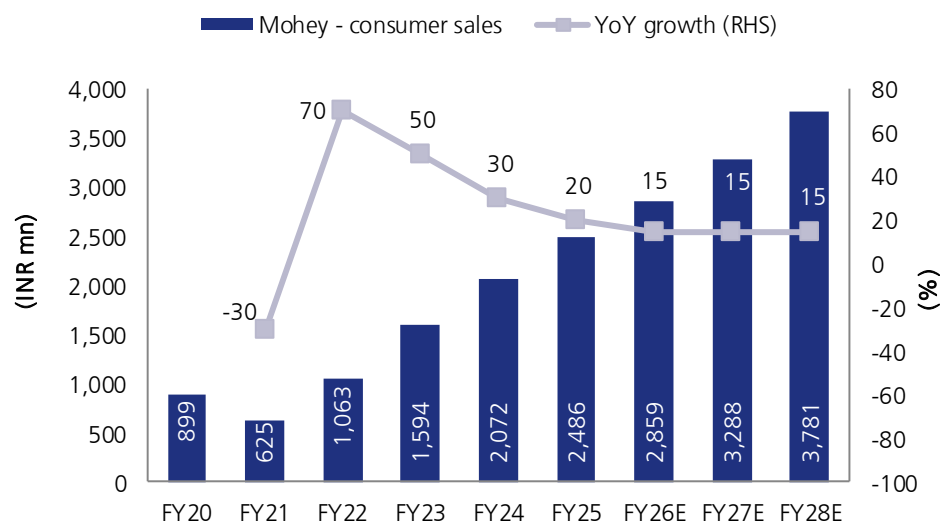
| INR | Mohey | |
|---------|--------|--------|
| | Min | Max |
| Saree | 1,199 | 16,999 |
| Kurti | 999 | 16,999 |
| Lehngas | 14,999 | 44,999 |
| Gown | 3,999 | 19,999 |

Source: Company website

As per our estimate, Mohey currently contributes ~13% of the consumer sales. The brand's performance has been superior vs. other VFL brands considering the unorganised TAM in the women's W&C wear market and higher realisation per unit, which results in better leverage. The company is largely retailing Mohey products via Manyavar stores, which helps in (1) cross-selling and up-selling products, (2) exposing Mohey to the large consumer base of the Manyavar brand, and (3) creating a similar premium positioning for Mohey in the mind of consumers. The company had earlier launched a smaller set of EBOs of Mohey across a few geographies, and finally launched the first flagship Mohey EBO in Bengaluru in 4QFY24.

We believe that success of the Mohey EBO concept will be critical for determining VFL's growth trajectory in the future, given that the women's category offers a much larger TAM vs. men's (women's W&C market is ~6x of men's, FY24). Success in this format would mean a much larger scale of business for VFL vs. what it can achieve in the men's W&C wear segment.

Exhibit 33. Mohey consumer sales expected to see ~15% CAGR over FY25-28E



Source: Company, JM Financial estimates

Exhibit 34. Mohey – collection of women ethnic wear

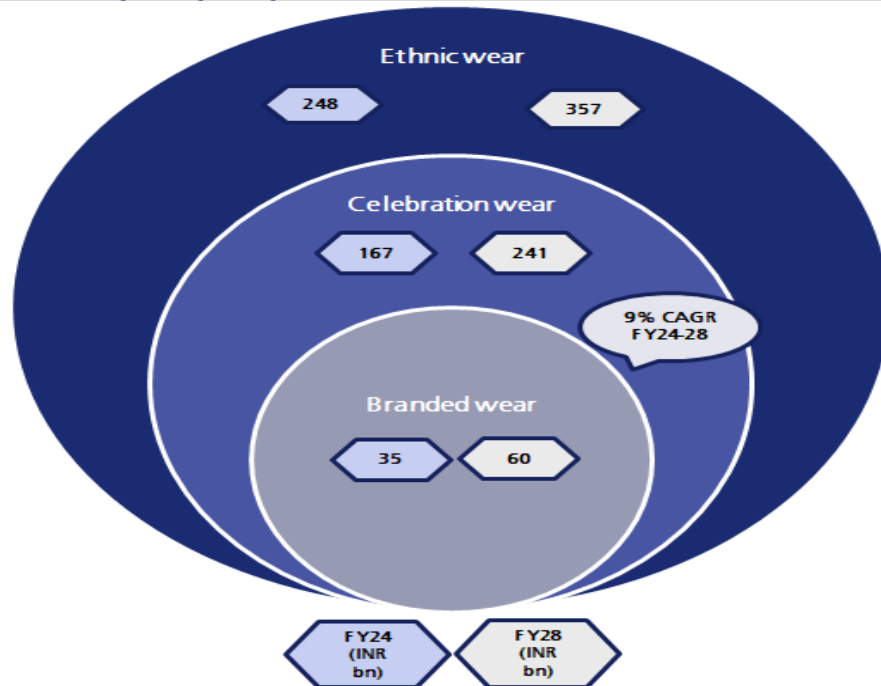


Source: Company, JM Financial

Kids wear – small but emerging segment

As per our estimates, kids ethnic wear accounted for ~INR 257bn (~11%) of the overall ethnic market worth INR 2.3trln in FY25. The kids W&C wear market is expected to see a CAGR of ~10% over FY24-28 to INR 357bn by FY28. VFL caters to the kids segment through its brands Manyavar and Mebaz and offers kurta set, jacket set, Indo-westerns and accessories. The company is looking to grow the kids category by product-range expansion and introduction of a kids range in Mohey.

Exhibit 35. Large and growing kids celebration wear market



Source: Vedant Fashion DRHP, JM Financial estimates

Exhibit 36. Mohey and other new brands to drive higher growth over FY25-28E

| Brand wise Sales break up (INR mn) | FY19 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E | CAGR (%) | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------|-------------|
| | | | | | | | | FY19-25 | FY25-28 |
| Manyavar (INR mn) | 9,354 | 14,931 | 13,845 | 13,572 | 15,287 | 16,973 | 18,844 | 6.4 | 11.6 |
| YoY growth (%) | | 21.6 | -7.3 | -2.0 | 12.6 | 11.0 | 11.0 | | |
| % of Total sales | 82.4 | 80.2 | 74.7 | 71.7 | 71.3 | 70.6 | 69.8 | | |
| Mohey (INR mn) | 748 | 1,594 | 2,072 | 2,486 | 2,859 | 3,288 | 3,781 | 22.2 | 15.0 |
| YoY growth (%) | | 50.0 | 30.0 | 20.0 | 15.0 | 15.0 | 15.0 | | |
| % of Total sales | 6.6 | 8.6 | 11.2 | 13.1 | 13.3 | 13.7 | 14.0 | | |
| Other Brands (INR mn) | 1,254 | 2,088 | 2,610 | 2,871 | 3,302 | 3,797 | 4,366 | 14.8 | 15.0 |
| YoY growth (%) | | 50.0 | 25.0 | 10.0 | 15.0 | 15.0 | 15.0 | | |
| % of Total sales | 11.0 | 11.2 | 14.1 | 15.2 | 15.4 | 15.8 | 16.2 | | |
| Total Consumer sales (INR mn) | 11,356 | 18,613 | 18,527 | 18,929 | 21,447 | 24,058 | 26,992 | 8.9 | 12.6 |
| Difference between consumer sales and contract price | 3,411 | 5,147 | 4,859 | 5,205 | 6,005 | 6,736 | 7,558 | | |
| % difference | 30.0 | 27.7 | 26.2 | 27.5 | 28.0 | 28.0 | 28.0 | | |
| Net Contract price (INR mn) | 7,945 | 13,467 | 13,668 | 13,723 | 15,442 | 17,322 | 19,434 | 9.5 | 12.3 |

Source: Company, JM Financial

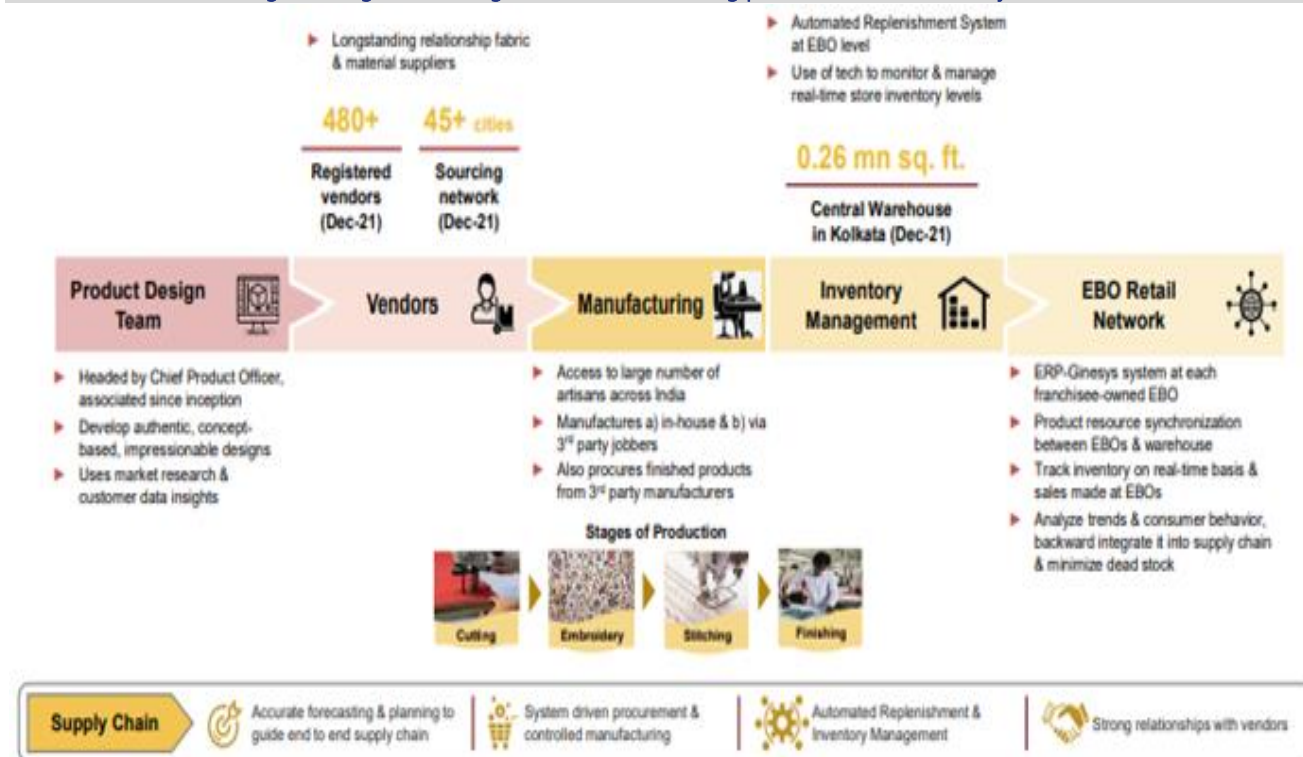
Investment in IT infrastructure and improved branding gave VFL the edge

Indian W&C wear had been a non-focus segment for most apparel retailers earlier due to (1) fragmented vendor ecosystem, (2) challenges in organising at scale, and (3) higher focus on other apparel segments like western, formals and casual ethnics. VFL created a strong supply chain backed by IT-enabled infrastructure and top-of-the-mind brand recall for its brands (especially Manyavar) through high ad spends that helped it capture the market in the W&C wear category.

Strong procurement infrastructure along with efficient IT-enabled backend

VFL has to efficiently manage its inventory at the store level as it operates on the 'Made to fit' model vs. 'Make to stitch'. To minimise stock outage or accumulation of dead stock, it has to accurately forecast and plan to ensure proper end-to-end supply chain. VFL's entire procurement system is tech driven and involves minimal human intervention. ERP-Ginesys at each EBO enables auto replenishment, monitoring, and management of store level inventory. It has also adopted business analytics tools and modules for intra store communication helping to gather important data, analyse emerging trends and consumer behaviour, backward integrate into its supply chain, point of sales order management and minimise dead stock to avoid discounting.

Exhibit 37. VFL has managed to organise its fragmented manufacturing process and vendor ecosystem



Source: Company, JM Financial

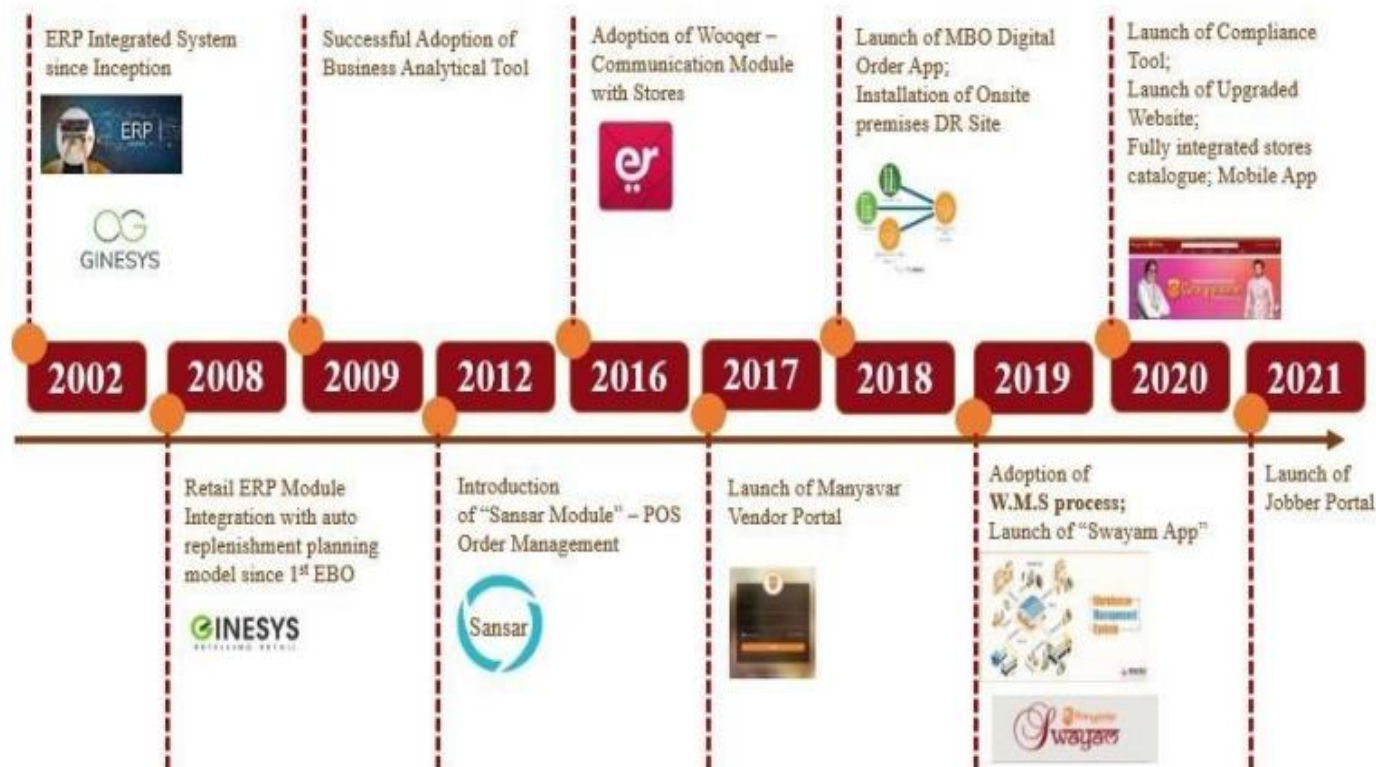
Designing

- VFL's design and embroidery team is headed by its chief product officer Amar Sethia, who has been associated with the company since commencement of its operations.
- VFL follows a 52-week design model, wherein it introduces one new design per week in order to offer new and varied products to its customers. Product development process includes data analysis, research, trend forecasting, story development, design sketching, styling, sample development and presentations to its management team for review and inputs.

Vendor supply chain and procurement

- VFL has outsourced the manufacturing process but retains complete control over designing, procurement of fabric, allocation of work, quality control, etc.
- Procurement, manufacturing, supply chain and distribution processes are based upon data analytics and is completely system driven and algorithmically managed.
- VFL has been able to organise the fragmented and unorganised vendor network. The company has, over the years, developed the vendor and the jobber network, which enables it to produce more than 4mn pieces a year. Our interactions with industry experts suggest that there is no single manufacturing unit outside that can produce even more than 0.1mn units per year.

Exhibit 38. Focused on building strong and automated process



Source: Company, JM Financial

IT-enabled infrastructure helps in efficient operations and inventory management

- VFL has been able to create a process-driven business in a highly unorganised market due to its strong IT back-end. IT implemented Ginesys (ERP system) from the launch of its first EBO and has integrated an ARS since then, which many apparel companies are planning to adopt now. ARS helps the company to monitor its inventory and sales at each of its EBOs on a real-time basis.
- The company has adopted analytical tools for intra store communication like Sansar and Wooqer and has implemented a warehouse management system at its warehouse, jobber and vendor portals.
- These system and processes help VFL to remain ahead of the industry in terms of demand prediction and analysing emerging trends and consumer behaviour. IT systems also help the company in backward integration of its supply chain, point of sales order management and minimising dead stock that results in no discounting.

Manyavar brand synonymous with India wedding and celebration wear

VFL's marketing campaigns are designed to create awareness and top-of-the-mind brand recall in the mind of the consumers. Being a market leader in the men's Indian W&C wear, the campaigns also help in expanding the addressable market by emphasising the importance of ethnic wear not only during weddings but also during festivals and other occasions, which increases general acceptance towards ethnic wear.

Exhibit 39. Store infrastructure creates premium positioning in the mind of consumer



Source: Company, JM Financial

VFL conducts its marketing initiatives across various channels: (1) Traditional means like billboard, multiplex cinemas, and television, focused on a larger audience base and (2) New-age channels like social media handles and direct targeted emails to consumers based on data analytics. VFL also undertakes in-store communications, visuals, store shutters for advertising its brands.

Exhibit 40. Brand appeal through targeted marketing initiatives



Source: Company, JM Financial

Branding processes are also aimed at ensuring that each of its brands has distinctive identities by utilising different brand logos, symbols and taglines across its product portfolio and marketing materials. VFL uses identifiable and standardised colours and typography across packaging materials, at point of sales and in communications both online and at physical stores.

Exhibit 41. Distinctive identities maintained for each brand by utilising different logos, symbols and taglines

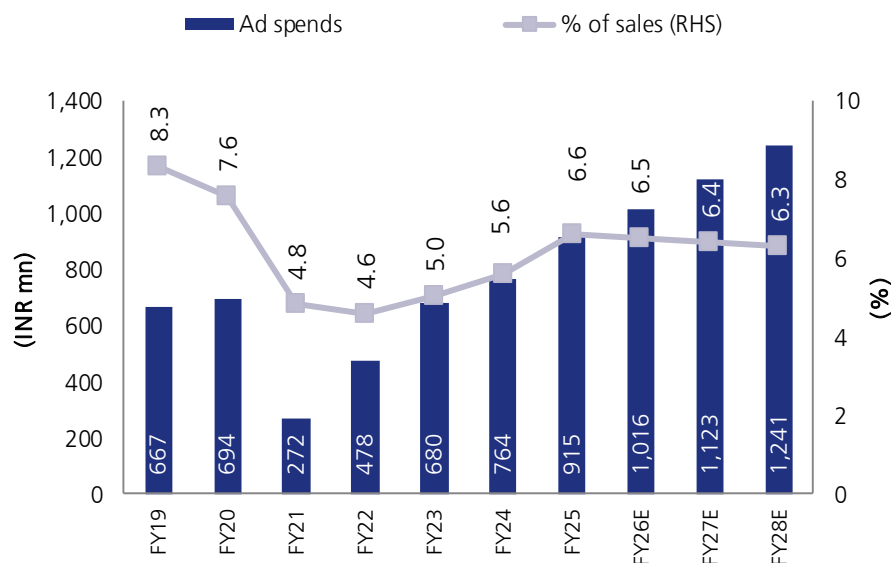


Source: Company, JM Financial

High ad spends have been beneficial for VFL in an unorganised category

VFL's ad spends have remained ~6.5-9% over FY14-20; even in absolute terms over FY18-20, it has been ~INR 660mn-700mn. Ad spends have stabilised at ~5-6% of sales in FY23-24. Apart from top-of-the-mind brand recall, this has made brand Manyavar synonymous with men's ethnic wear. We expect ad spends to remain at ~6% over FY25-28E.

Exhibit 42. Ad spends remained ~4.5-9% over FY16-24



Source: Company, JM Financial; Figure for FY25 is as per our estimates

High ad spends have created a big moat for VFL, given sales for other players in the men's wedding and celebration wear category isn't more than ~INR 4bn, which in turn limits their capacity to create a national brand like Manyavar.

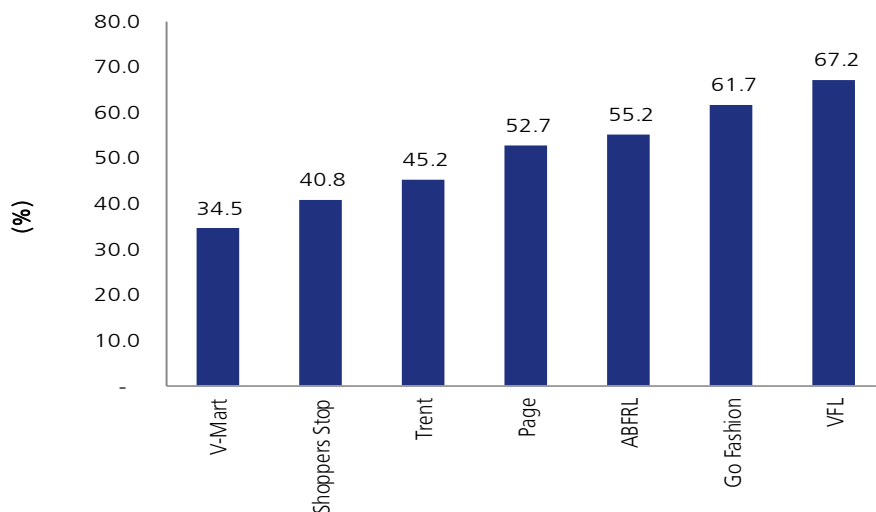
Operates on asset-light model and generates highest EBITDA margin

VFL operates on an asset-light model, with all its stores operating on FOFO model and manufacturing being outsourced. This, coupled with a strong discipline on inventory and discount management (zero discounts) helps it to keep cost structure lean that led to the highest EBITDA margin (pre-AS 116) of 34-37% among apparel retailers in FY24-25.

Strong business model driving industry-leading operating metrics

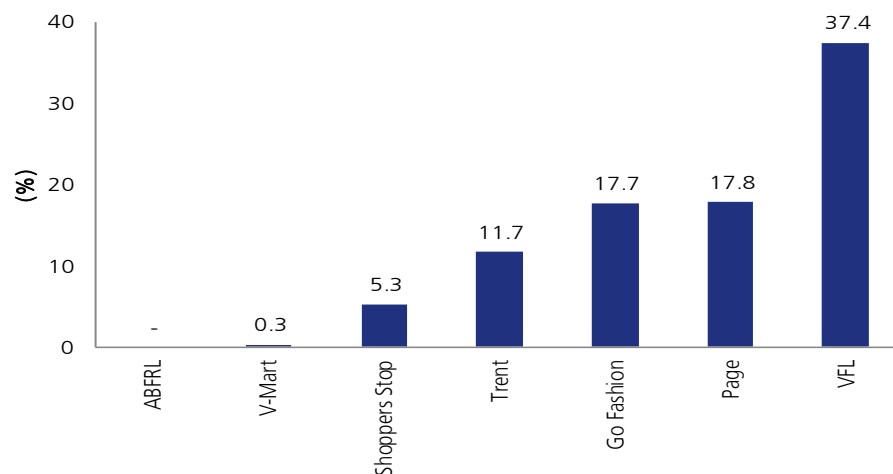
VFL is ahead over its competitors in realisation per unit, gross margin, EBITDA margin and EBITDA/sqft due to (1) presence in the Indian W&C wear market where per unit prices are higher vs. other apparel segments, (2) no discounting policy on the flagship brand Manyavar, (3) lean operating cost structure and (4) asset-light business model, leading to high RoC (~40%).

Exhibit 43. Highest gross margin for VFL among apparel retailers

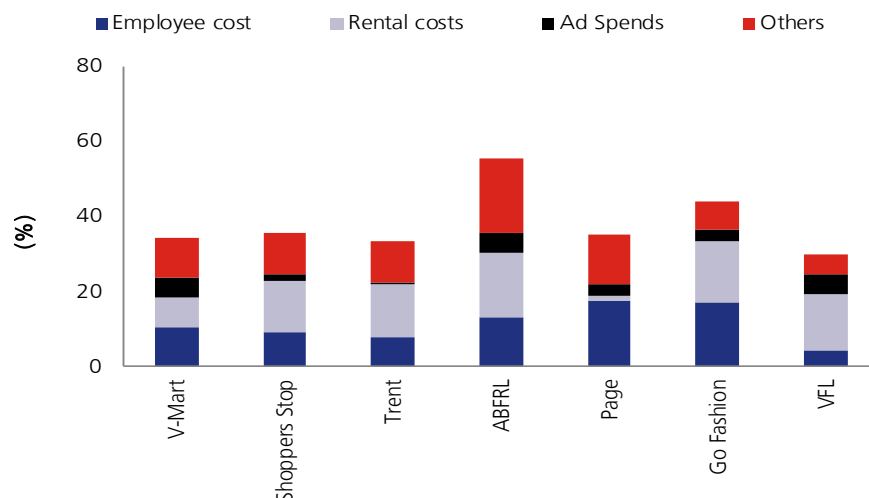


Source: Companies, JM Financial; Note: VFL, Go Fashion and Page Industries gross margins are after deducting job/sub-contracting charges, based on FY24 financials

Exhibit 44. Lowest cost structure drives highest EBITDA margin



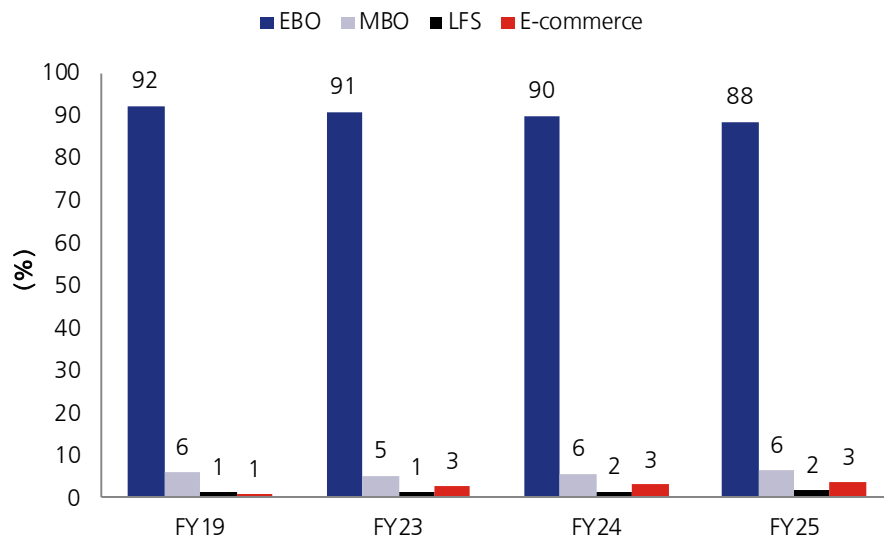
Source: Companies, JM Financial; Note: EBITDA margins are on Pre Ind-AS 116, Figures as per FY24 financials

Exhibit 45. Lowest other expenses partially due to franchise-based model for EBOs

Source: Company, JM Financial

Franchise-based asset-light business model

VFL retails its products through three channels – EBOs (Exclusive Brand Outlets), MBOs (Multi Brand Outlets) and online. VFL had 678 EBOs at the end of Mar'25, and all of them operate under the FOFO (Franchisee Owned Franchisee Operated) model. Prior to 2017-18, VFL was operating its EBOs with a mix of COCO (Company owned Company operated), COFO (Company owned Franchisee Operated), and FOFO. EBO contributes ~88% of the overall sales in FY25, making it the most dominant channel of retailing for VFL.

Exhibit 46. EBOs account for ~88% of the sales to customer

Source: Company, JM Financial

VFL typically enters into two types of franchise agreements:

Model 1: Franchisee is paid **18.5% margin + GST** on the MRP of the product; here, the rental cost is borne by VFL and all the other incidental costs like manpower, capex and other store related expenses are borne by the franchisee.

Model 2: Franchisee is paid **29.5% margin + GST** on the MRP of the product; here, all the cost, including rentals, is borne by the franchisee.

Strong franchisee economics helps VFL attract new franchise partners

In Exhibit 47 below, we have calculated typical franchisee level store economics, based on our checks. We have made the following assumptions: (1) Franchisee is under the 29.5% margin model and, hence, the rental expense is also to be borne by it, (2) the store size is ~2,100sqft and (3) VFL charges ~ INR 1,000/sqft as upfront deposit from the franchisee.

| Exhibit 47. Franchise partner makes ~16% post-tax RoIC | |
|--|------------|
| Franchisee (2,500) sq.ft store | INR mn |
| Sales per sq.ft INR 10,500 | 26.3 |
| Franchisee margin @ 29.5% | 7.7 |
| Less: | |
| Manpower (8 people*15K/pp) | -1.4 |
| Electricity (30k p.m) | -0.4 |
| Rent (11% of sales) | -2.9 |
| Other overheads (2% of sales) | -0.5 |
| EBITDA | 2.5 |
| EBITDA margin (%) on sales | 9.6 |
| | |
| Depreciation (10% of store capex) | -0.6 |
| EBIT | 1.9 |
| Capital employed by Franchisee | |
| Store Capex (2500/sq.ft) | 6.3 |
| Deposit to VFL (1000/sq.ft) | 2.5 |
| | |
| Total Capital employed | 8.8 |
| RoIC (%) Post tax | 16% |
| Source: Company, JM Financial | |

VFL takes deposit of ~INR 1,000/sqft from the franchisee at the time of signing the agreement and in return provides all necessary support in connection with identifying and approving potential locations for new stores, managing multichannel advertising on a national and regional basis, store development and inventory management, and management of the supply chain. It also provides detailed training programme for store staff.

In Exhibit 48 below, we have showcased how store economics would look if VFL was to operate stores on its own i.e., COCO model. Our sales/sqft assumption is similar to what we have built in for a franchisee store. In terms of costs, we have added the costs at the franchisee level as well as the cost incurred by VFL at the company level.

Exhibit 48. VFL under COCO model makes 36% post-tax RoIC

| VFL-COCO model | (INR mn) |
|--|-------------|
| Sales per sq.ft INR 10,500 | 26.3 |
| Less: 12% GST | -3.2 |
| VFL net share | 23.1 |
| COGS | -7.6 |
| Gross margin at store | 15.5 |
| Gross margin (% of sales) | 67 |
| Advertisement @ 7% of sales | -1.6 |
| Employee cost | -1.4 |
| Electricity Costs | -0.4 |
| Other Overheads | -0.5 |
| Rental | -2.9 |
| EBITDA for COCO store | 8.6 |
| EBITDA margin (%) | 37 |
| Depreciation (10% of store capex) | -0.6 |
| EBIT | 8.0 |
| Store Capex | 6.3 |
| Net cash conversion cycle of ~166 days | 10.5 |
| Total Capital employed | 16.8 |
| RoIC (%), Post tax | 36% |

Source: Company, JM Financial

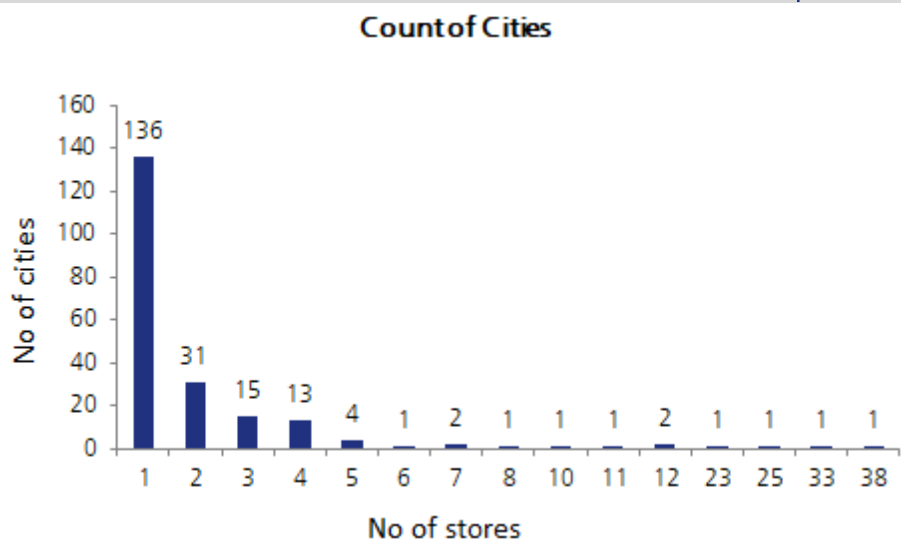
Capital employed has 2 components: (1) store capex at INR 2,500/sqft, similar to what is incurred by the franchisee and (2) capex towards working capital at ~166 days of sales

Growth aided by gradual expansion

VFL had a retail footprint of 678 EBOs in India (1.79mn sqft, including 140 SIS) across 256 cities and towns and 16 EBOs overseas in the US, UAE, UK and Canada as of Mar'25. EBOs accounted for ~88% of overall sales for VFL in FY25. We expect EBOs to continue to contribute the highest share of overall sales, given wedding-related purchases are high-ticket transactions and may require some minor fitting-related customisation. We see a lot of scope for store additions by VFL as it can either enter into new cities or expand into newer markets within the same cities or open larger or more stores within the same markets. We expect VFL to see area addition of ~10% CAGR over FY25-28E.

VFL is present in 256 cities in India and the potential to expand stores within these existing cities itself is immense. Of the total 211 cities where VFL EBOs are present, there are 136 cities where it has only one store and another 31/15 cities where it has 2/3 stores.

Exhibit 49. VFL has 1 store each in 136 or ~64% of the total cities in which it is present



Source: JM Financial, Google Store locator

The table below shows the population density per store in major cities where VFL stores are present. Even for larger cities like Bengaluru, Kolkata, Pune, Delhi, Mumbai, Lucknow etc., given the high population density/store of 3,00,000+/store, there exists immense potential to open new stores in the same cities.

Exhibit 50. Population density/store is still higher for bigger cities like Mumbai, Chennai, etc.

| Cities | No. of stores | Population (in mn) | Population density/store |
|-------------|---------------|--------------------|--------------------------|
| Hyderabad | 41 | 10.9 | 265,878 |
| Bengaluru | 38 | 12.1 | 318,474 |
| Delhi | 25 | 33.8 | 1,352,296 |
| Kolkata | 23 | 15.6 | 676,991 |
| Patna | 12 | 2.9 | 242,333 |
| Pune | 12 | 7.3 | 612,154 |
| Mumbai | 11 | 21.7 | 1,970,282 |
| Lucknow | 10 | 4.0 | 403,821 |
| Chennai | 8 | 12.1 | 1,506,713 |
| Indore | 7 | 3.4 | 484,769 |
| Bhubaneswar | 7 | 1.3 | 184,179 |
| Siliguri | 6 | 1.2 | 193,228 |
| Ahmedabad | 5 | 8.9 | 1,770,888 |
| Thane | 5 | 2.7 | 538,200 |
| Ghaziabad | 5 | 3.2 | 641,200 |
| Varanasi | 5 | 2.0 | 404,000 |

Source: Company, JM Financial; Present population figures based on Google search

Exhibit 51. Store density highest in South India with 3.6 stores per city

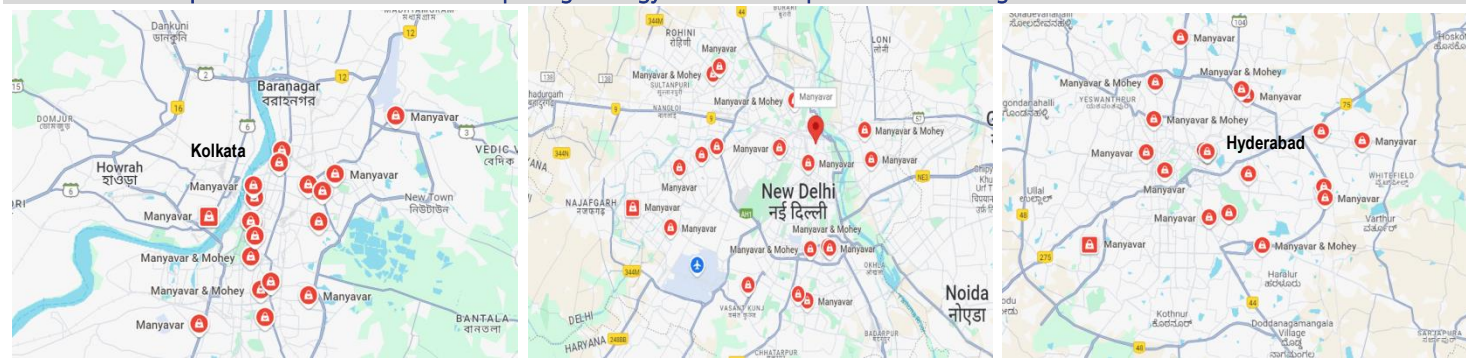
| State | City | Store | Store/City |
|--------------------|------------|------------|------------|
| Western | 41 | 98 | 2.4 |
| Maharashtra | 13 | 46 | 3.5 |
| Gujarat | 9 | 19 | 2.1 |
| Rajasthan | 9 | 13 | 1.4 |
| Madhya Pradesh | 8 | 18 | 2.3 |
| Goa | 2 | 2 | 1.0 |
| Southern | 40 | 143 | 3.6 |
| Andhra Pradesh | 12 | 20 | 1.7 |
| Karnataka | 9 | 51 | 5.7 |
| Kerala | 5 | 8 | 1.6 |
| Tamil Nadu | 7 | 16 | 2.3 |
| Telangana | 6 | 47 | 7.8 |
| Puducherry | 1 | 1 | 1.0 |
| Northern | 53 | 118 | 2.2 |
| Chandigarh | 1 | 3 | 3.0 |
| Delhi | 1 | 25 | 25.0 |
| Haryana | 7 | 12 | 1.7 |
| Jammu & Kashmir | 2 | 5 | 2.5 |
| Punjab | 7 | 9 | 1.3 |
| Uttar Pradesh | 29 | 56 | 1.9 |
| Uttarakhand | 6 | 8 | 1.3 |
| Eastern | 77 | 156 | 2.0 |
| Assam | 7 | 11 | 1.6 |
| Bihar | 29 | 55 | 1.9 |
| Chhattisgarh | 5 | 6 | 1.2 |
| Jharkhand | 10 | 18 | 1.8 |
| Orissa/odisha | 11 | 22 | 2.0 |
| Tripura | 1 | 1 | 1.0 |
| West Bengal | 14 | 43 | 3.1 |
| Grand Total | 211 | 515 | 2.4 |

Source: Company, JM Financial; ; Note: Store break up as in April-25; doesn't include SIS stores

VFL has higher store density in certain regions, e.g., southern part of India has the highest store density of 3.6 stores/city vs. ~2-2.4 stores in other regions. Also, certain states like Karnataka, Delhi, West Bengal, Telangana, Chandigarh and Maharashtra have higher store density of ~3 or more for stores/city.

Penetrating deeper within the same markets

Our interactions with various industry experts in the ethnic W&C wear market suggests there are 50-60 markets in India that individually have market size worth INR 500 mn to INR 1bn each.

Exhibit 52. VFL implements cluster-based store opening strategy to realise full potential of existing markets

Source: Company, Google Maps; Note: The three photos depicts markets of Kolkata, Delhi and Hyderabad in sequence

VFL adopts a cluster-based strategy in certain markets like Kolkata (New Market), Bengaluru (Commercial Street) and Delhi (Karol Bagh) where it has opened 4-5 stores within a radius of just 1-2km to further strengthen its presence.

Increasing competition – near-term pain but long-term gain

Competition in the Indian W&C wear segment has increased with the entry of several organised/regional apparel players, who are expanding their network aggressively in the ethnic wear segment. We believe that increased penetration of ethnic wear in shopping malls, high streets, etc. will lead into increased acceptance of ethnic wear. This might result in demand creation for kurtas into the casual wear segment, where its presence is negligible currently. In the near term, this might lead to market share loss for VFL as the network expansion by competition has quadrupled over the last couple of years, but this will eventually result in expansion of TAM of the company. Also, given the difficulty in scaling up the ethnic wear category, we believe the near-term slowdown could have a higher impact on regional/newer players, which might lead to consolidation in the industry over the next few years.

Manyavar is the largest brand within the men's branded W&C market in India and has ~35% market share (FY24) in the segment. Several new players have entered into the market in the last 1-2 years, attracted by the lucrative margin profile of the industry. Increasing competition in the segment will result in higher marketing spends and higher penetration of ethnic wear shops in shopping malls, high streets, etc., which will result in increased acceptance of ethnic apparel. We expect that this will result in demand creation for kurtas in the casual wear segment, where its presence is negligible currently. As per our estimates, men's apparel market is ~11x of the men's ethnic wear market. Increasing competition in the men's ethnic wear space will lead to increased acceptance of ethnic apparels in the casual wear segment and result in contraction of the men's-apparel-to-ethnic-wear multiplier. For a short period, this might result in market share loss for VFL, but it will eventually result in expansion of TAM of the company.

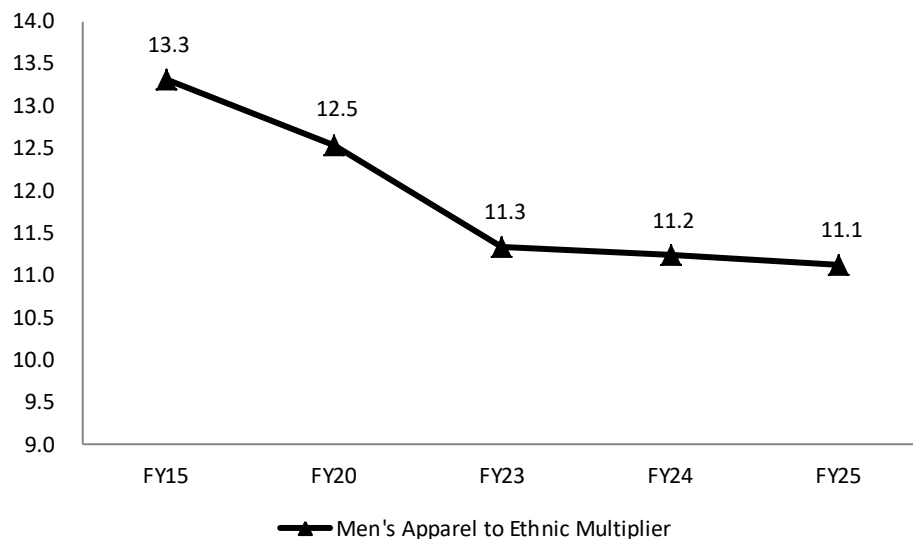
We expect a market share dip of ~490bps YoY in FY25 over FY24 due to the entry of new players such as Tasva, Shantanu & Nikhil, Sabyasachi, and Jaypore, backed by ABFRL and Ethnix from Raymond and some effect of down-trading by consumers due to weakness in discretionary spending. Other players have aggressively added stores during the past 1-2 years. We expect them to earn incremental revenue of INR 2bn-3bn YoY and capture some market share. With the improving demand scenario, we expect VFL to pick up the pace of store expansion and capture market share from unorganised players.

Exhibit 53. Share of VFL expected to reduce due to increasing competition in men's W&C wear segment

| INR bn | FY20 | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Men's Ethnic Market | 189 | 215 | 219 | 239 | 267 | 294 | 318 |
| Men's W&C Market | 141 | 151 | 156 | 173 | 194 | 213 | 232 |
| Branded Men's W&C Market | 32 | 45 | 47 | 55 | 64 | 75 | 84 |
| Branded Share (%) | 23 | 30 | 31 | 32 | 33 | 35 | 36 |
| Revenue (INR bn) | | | | | | | |
| Manyavar (VFL) | 11.8 | 17.0 | 16.5 | 16.4 | 18.6 | 20.8 | 23.2 |
| Tasva (ABFRL) | | 0.5 | 1.0 | 1.3 | 1.6 | 1.9 | 2.1 |
| Jaypore, S&N, etc. (ABFRL) | | 2.8 | 4.0 | 5.2 | 6.3 | 7.5 | 8.6 |
| Ethnix | 0.6 | 0.9 | 1.2 | 1.4 | 1.7 | 2.0 | 2.3 |
| JCPL | 0.4 | 0.3 | 0.3 | 0.4 | 0.4 | 0.5 | 0.6 |
| Jade Blue | 2.0 | 2.8 | 2.9 | 3.4 | 3.9 | 4.4 | 5.0 |
| Others | 17.6 | 21.0 | 21.6 | 27.2 | 31.4 | 37.5 | 41.7 |
| Market Share (%) | | | | | | | |
| Manyavar (VFL) | 36.3 | 37.5 | 34.6 | 29.7 | 29.1 | 27.9 | 27.8 |
| Tasva (ABFRL) | - | 1.0 | 2.2 | 2.4 | 2.5 | 2.5 | 2.5 |
| Jaypore, S&N, etc. (ABFRL) | - | 6.3 | 8.4 | 9.3 | 9.9 | 10.1 | 10.3 |
| Ethnix | 1.8 | 2.1 | 2.5 | 2.6 | 2.7 | 2.7 | 2.8 |
| JCPL | 1.2 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| Jade Blue | 6.3 | 6.2 | 6.1 | 6.1 | 6.0 | 5.9 | 6.0 |
| Others | 54.4 | 46.2 | 45.5 | 49.2 | 49.2 | 50.3 | 49.9 |

Source: Company, JM Financial estimates

Exhibit 54. Men's-apparel-to-ethnic multiplier to contract with increasing competition



Source: Company, JM Financial

With increasing penetration of ethnic players in the Indian market, the share of casual, western and formal wear is expected to decline in the men's category; men's ethnic apparel will be the gainer.

Shift from regional to national level players

Several regional players have now emerged in the ethnic wear industry, which has created competition for VFL. National level players are expected to flourish led by (i) economies of scale, (ii) efficient inventory management supported by tech-enabled systems, and (iii) better designs vs. regional players. All these will help the national level players to operate a profitable and large business in the ethnic segment and make many non-serious players exit the segment. We believe that loss of share for VFL is temporary as we expect market share recovery once the demand revives in the entire discretionary segment. We believe that VFL's (1) top-of-the-mind brand recall for Manyavar, (2) strong IT-based back-end supply chain infrastructure, and (3) asset-light retailing model coupled with disciplined discounting approach have helped it build leadership position in the segment and will help it resume its growth trajectory.

Exhibit 55. Limited national level brands in the wedding and celebration wear market

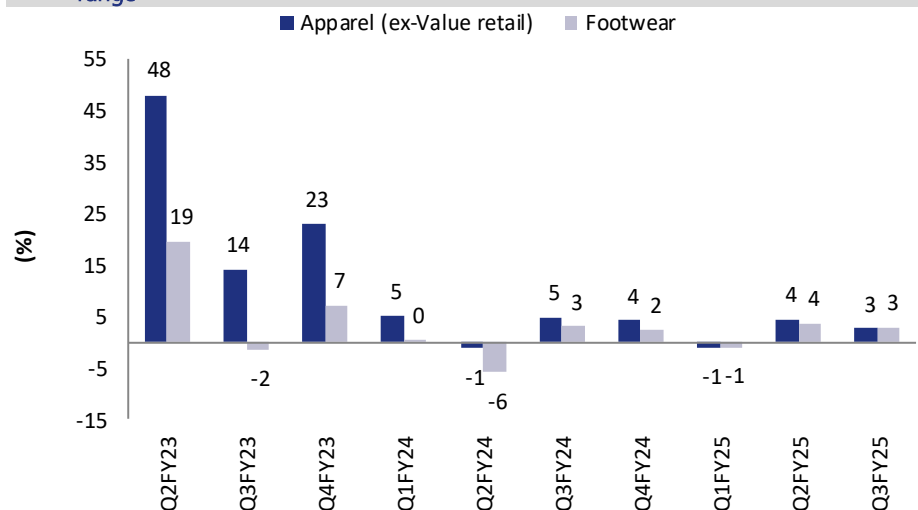


Source: Company, JM Financial

Overall consumer slowdown has impacted the company's performance

Consumer discretionary segment (ex-jewellery and value retail) has been impacted since 1QFY24 mainly due to the slowdown in consumption. We suspect that demand was hit by sustained inflationary pressures, which reduced the disposable income of consumers, leading to a spurt in demand for value retailers led by consumer down-trading. In India, gold is considered as an investment tool, which led to healthy demand for jewellery players despite increase in the price of gold. Apparel (ex-value retail) and footwear remained the most impacted segments with negative to low single digit growth since 1QFY24.

Exhibit 56. Apparel (ex-value retail) and footwear growth in negative to low single digit range



Source: Company, JM Financial

Exhibit 57. Growth (% YoY) of discretionary companies since 1QFY24

| % Growth YoY | Q1FY24 | Q2FY24 | Q3FY24 | Q4FY24 | Q1FY25 | Q2FY25 | Q3FY25 |
|--------------------------|--------|--------|--------|--------|--------|--------|--------|
| Apparel Retailers | | | | | | | |
| ABFRL | 8 | 1 | 5 | 8 | -1 | 1 | 0 |
| Arvind Fashion | 4 | -1 | 5 | -4 | -0 | 8 | 7 |
| Trent | 53 | 59 | 53 | 53 | 57 | 40 | 37 |
| TCNS | -12 | -36 | -9 | -21 | -16 | 13 | -25 |
| Shoppers Stop | 4 | 2 | 7 | 9 | 5 | 4 | 9 |
| Vedant Fashions | -4 | -12 | 7 | 6 | -23 | 23 | 8 |
| Style Baazar | | | | NA | 21 | 65 | 24 |
| Vmart | 15 | 9 | 14 | 13 | 16 | 20 | 15 |
| Go Fashion | 15 | 15 | 14 | 15 | 16 | 10 | 6 |
| Innerwear | | | | | | | |
| Page | -8 | -8 | 2 | 2 | 3 | 11 | 7 |
| Dollar | -12 | 21 | 16 | 20 | 1 | 8 | 15 |
| Lux | -8 | 1 | -2 | -1 | 3 | 6 | 22 |
| Rupa Company | -9 | 6 | 35 | -2 | 8 | -2 | -1 |
| Footwear | | | | | | | |
| Bata | 2 | -1 | 0 | 2 | -1 | 2 | 2 |
| Metro Brands | 15 | 17 | 6 | 7 | -1 | 5 | 11 |
| Relaxo | 11 | 7 | 5 | -2 | 1 | -5 | -6 |
| Campus | 5 | -22 | 1 | 5 | -4 | 29 | 9 |
| Jewellery | | | | | | | |
| Titan (Std Jewellery) | 19 | 19 | 23 | 19 | 9 | 26 | 26 |
| Kalyan Jewellers | 31 | 27 | 34 | 34 | 27 | 37 | 40 |
| Thangamayil | 16 | 22 | 20 | 27 | 27 | 19 | 26 |
| Senco Gold | 29 | 26 | 23 | 39 | 8 | 31 | 27 |
| Grocery | | | | | | | |
| Avenue Supermarts | 18 | 19 | 17 | 20 | 18 | 14 | 17 |

Source: Company, JM Financial

Government initiatives like reduction of income tax, cut in repo rates by RBI, etc. are steps aimed at boosting consumption in the economy. These steps will help to pump discretionary demand and can revive demand in the consumer segment.

Financial summary

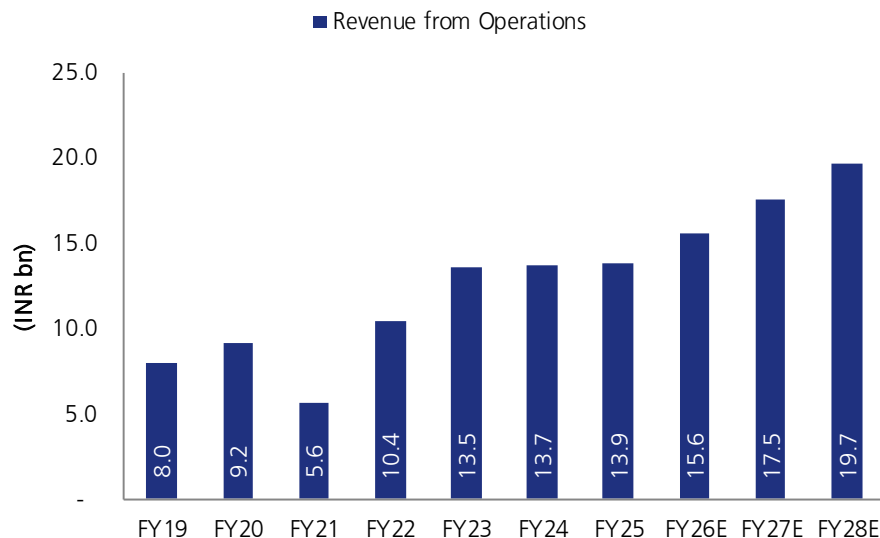
Rare combination of cash flows and healthy margins

VFL's financial performance has been steady and has generated strong cash flows in the past. Over FY25-28E, we expect VFL to post 12% revenue CAGR led by 10% CAGR in sqft addition and 3% CAGR in sales/sqft. Revenue per sqft increased at 3% CAGR over FY20-23 led by a spike in demand. High revenue per sqft resulted in better operating leverage, which, in turn, led to an all-time high Pre Ind-AS EBITDA margin for the company (~41% in FY23). Demand normalised and competition increased in FY24-25, resulting a decline in revenue per sqft (~12% CAGR over FY23-25; ~INR 9.6k in FY25) and contraction of EBITDA margin (~34% in FY25). We expect ~20bps margin contraction over FY25-28E to 33.7% by FY28 owing to heightened competition. Return ratios may dilute but are expected to still remain robust with RoE/RoCE/RoIC of 23/27/54% by FY28. We expect the cash conversion cycle to remain elevated at ~166 days due to higher debtor days; however, OCF/FCFF generation is likely to remain robust. We expect cumulative OCF/FCFF generation of INR 10.2bn/10bn and OCF/EBITDA conversion of ~58% over FY25-28.

12% revenue CAGR expected over FY25-28 (~10% over FY19-24)

Over FY11-20, VFL registered ~23% revenue CAGR to ~INR 9.1bn by FY20. Growth over FY15-20 was lower at ~17% CAGR due to (a) change in the business model from a mix of COCO, COFO and FOFO to only FOFO and (b) impact of Covid in the month of Mar'20. Post Covid, the company saw a sharp improvement in demand over FY20-23 (14% CAGR). Demand normalised and many new entrants in the ethnic wear market gave tough competition to the company during FY24-25. We expect ~12% revenue growth over FY25-28 led by (1) area addition (0.56mn sq. ft. over FY25-28E), (2) focus on scaling up emerging brands Mohey, Twamev, and Manthan, (3) addition of new brand 'Diwas' to tap the mass-end of the market, and (4) focus on increasing productivity of existing brands by up-selling and cross-selling initiatives.

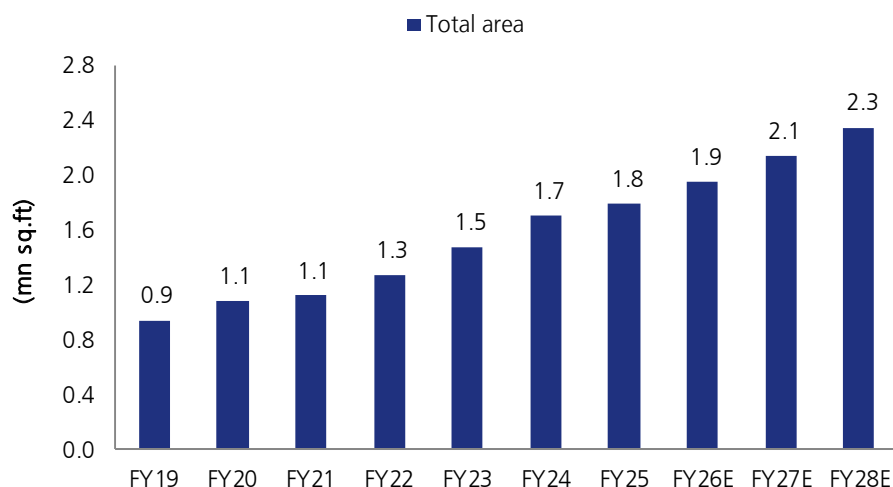
Exhibit 58. We expect 12% revenue CAGR over FY25-28E



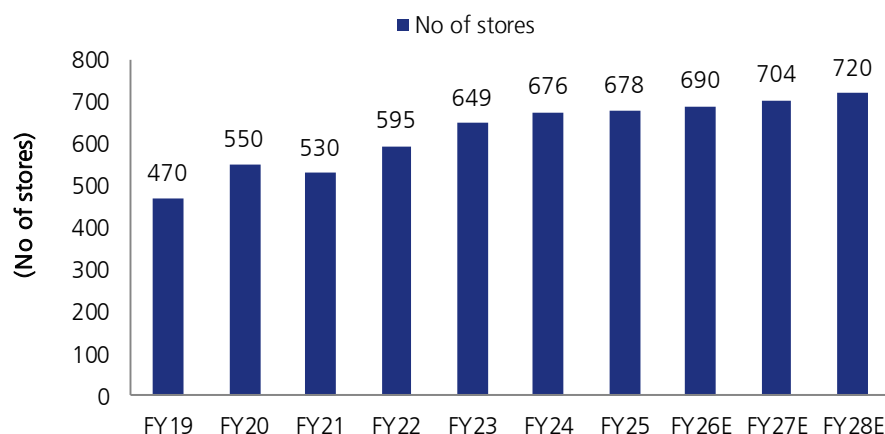
Source: Company, JM Financial

10% CAGR in area expansion expected over FY25-28

We estimate that area addition for VFL will be a bit lower at ~10% CAGR over FY25-28 vs. ~11% CAGR over FY19-24. The company closed some stores in FY25 due to (i) relocation of the store to the main market in the same city, (ii) opening bigger stores and closing old stores. We expect store addition pace to pick up and expect the company to add ~42 stores over FY25-28E (stores – 720 by FY28).

Exhibit 59. Area expansion of 10% CAGR expected over FY25-28E

Source: Company, JM Financial

Exhibit 60. We expect addition of 42 stores over FY25-28E

Source: Company, JM Financial

Exhibit 61. Store addition CAGR is lower vs. area addition as we expect size of new stores to be bigger (~3,000 sqft)

| | FY19 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E | CAGR (%) | |
|------------------------------|------------|------------|------------|------------|------------|------------|------------|-------------|------------|
| | | | | | | | | FY19-25 | FY25-28 |
| No of stores | 470 | 649 | 676 | 678 | 690 | 704 | 720 | 6.3 | 2.0 |
| New store addition | 60 | 54 | 27 | 2 | 12 | 14 | 16 | | |
| Total area | 0.9 | 1.5 | 1.7 | 1.8 | 1.9 | 2.1 | 2.3 | 11.3 | 9.5 |
| YoY growth (%) | | 16.2 | 15.5 | 5.1 | 9.0 | 9.8 | 9.8 | | |
| Sq.ft addition (in mn) | 0.1 | 0.2 | 0.2 | 0.1 | 0.2 | 0.2 | 0.2 | | |
| Size of new store (in sq.ft) | 2,061 | 3,796 | 8,444 | 43,000 | 13,333 | 13,571 | 13,125 | | |
| Avg sq.ft/store | 1,995 | 2,268 | 2,515 | 2,634 | 2,820 | 3,034 | 3,258 | | |

Source: Company, JM Financial

We expect size of the new stores be higher at ~3,000 sqft vs. the present company average of ~2,000-2,500 sqft as Mohey and Twamev (requiring larger area) will also be sold through the new Manyavar EBOs.

Exhibit 62. EBO growth will be driven by cross-selling, up-selling and targeting national festivals

| Sales by Channel (INR mn) | FY19 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E | CAGR (%) | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------|-------------|
| | | | | | | | | FY19-25 | FY25-28 |
| EBO's (INR mn) | 10,470 | 16,900 | 16,655 | 16,748 | 18,827 | 21,004 | 23,501 | 8.1 | 12.0 |
| YoY growth (%) | | 26.0 | -1.4 | 0.6 | 12.4 | 11.6 | 11.9 | | |
| % of Consumer sales | 92.2 | 90.8 | 89.9 | 88.5 | 87.8 | 87.3 | 87.1 | | |
| Avg Sales/sq.ft from EBO's | 11,166 | 12,340 | 10,502 | 9,609 | 10,089 | 10,291 | 10,487 | -2.5 | 3.0 |
| YoY growth (RHS') | | 9.7 | -14.9 | -8.5 | 5.0 | 2.0 | 1.9 | | |
| MBO's (INR mn) | 668 | 963 | 1,042 | 1,213 | 1,456 | 1,674 | 1,925 | 10.5 | 16.6 |
| YoY growth (%) | | 20.4 | 8.2 | 16.4 | 20.0 | 15.0 | 15.0 | | |
| % of Consumer sales | 5.9 | 5.2 | 5.6 | 6.4 | 6.8 | 7.0 | 7.1 | | |
| LFS (INR mn) | 134 | 250 | 280 | 307 | 360 | 414 | 455 | 14.8 | 14.0 |
| YoY growth (%) | | 111.9 | 11.8 | 10.0 | 17.0 | 15.0 | 10.0 | | |
| % of Consumer sales | 1.2 | 1.3 | 1.5 | 1.6 | 1.7 | 1.7 | 1.7 | | |
| E-commerce (INR mn) | 83 | 500 | 550 | 660 | 805 | 966 | 1,111 | 41.3 | 19.0 |
| YoY growth (%) | | 22.5 | 10.0 | 20.0 | 22.0 | 20.0 | 15.0 | | |
| % of Consumer sales | 0.7 | 2.7 | 3.0 | 3.5 | 3.8 | 4.0 | 4.1 | | |
| Total Sales to Consumer | 11,355 | 18,613 | 18,527 | 18,929 | 21,447 | 24,058 | 26,992 | 8.9 | 12.6 |
| YoY growth (%) | | 26.3 | -0.5 | 2.2 | 13.3 | 12.2 | 12.2 | | |
| Difference between customer sale and contract price | 3,411 | 5,147 | 4,859 | 5,205 | 6,005 | 6,736 | 7,558 | | |
| Total Secondary sales | 7,945 | 13,467 | 13,668 | 13,723 | 15,442 | 17,322 | 19,434 | 9.5 | 12.3 |
| YoY growth (RHS) | | 30.3 | 1.5 | 0.4 | 12.5 | 12.2 | 12.2 | | |

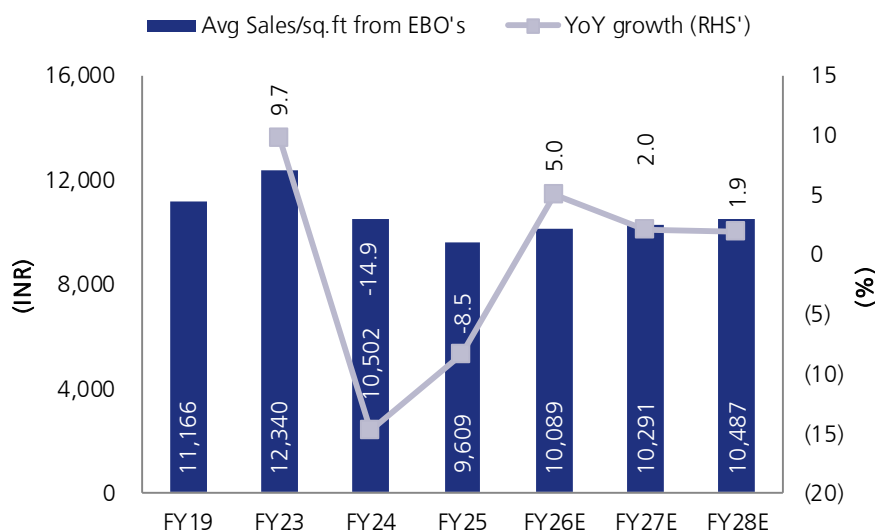
Source: Company, JM Financial; Note: Secondary sales = Consumer sales - Franchisee margin - GST

VFL is targeting cross-selling and up-selling opportunities by focusing on (1) Bride and groom attire on multiple wedding occasions, (2) close family, special friends and guests attending these multiple wedding occasions, and (3) national festivals and celebration moments like housewarming, baby shower, etc. This will help the company to improve its productivity from FY25 levels of ~INR 9.6k/ sqft and increase the average bill value per customer.

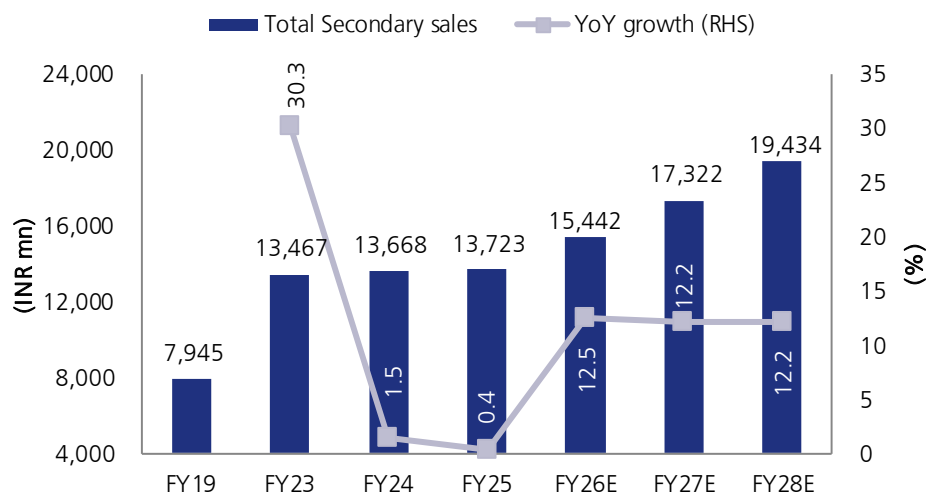
The company is providing training to store staff and franchise partners through in-person meetings and short videos to generate higher value sales bills; it also rewards sales staff upon meeting targets.

VFL also aims to expand its sales through MBO, LFS and online channel (including its brand website, mobile application, and other e-commerce portals) with its value brand Manthan and target new customers through attractive pricing initiatives. With a large blend of product designs at value prices, VFL, now with the launch of the 'Diwas' brand, aims to target ~5mn-6mn weddings in the mass segment, which was largely untapped earlier.

Exhibit 63. We expect EBO's sales per sqft to grow at 3% CAGR over FY25-28E



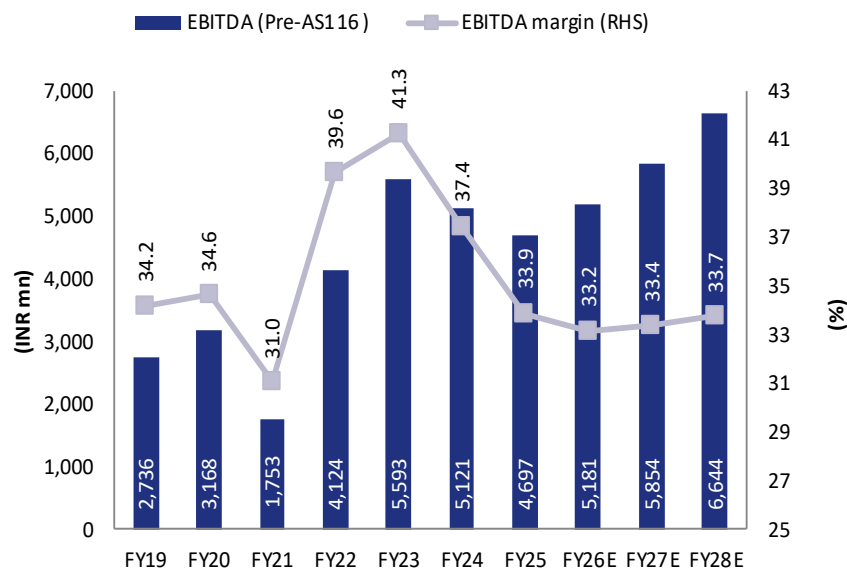
Source: Company, JM Financial

Exhibit 64. Secondary sales CAGR of 13% expected over FY25-28E

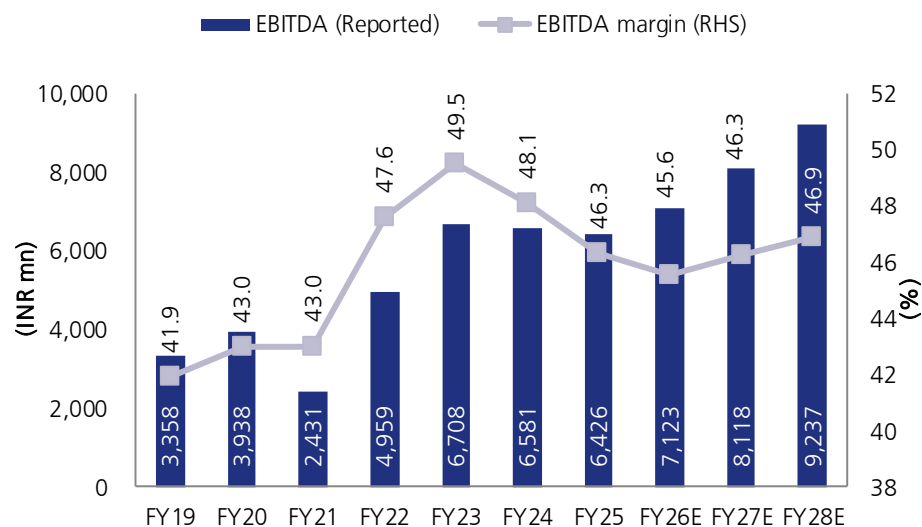
Source: Company, JM Financial

Steady ~12% EBITDA (pre-AS 116) CAGR over FY25-28 (~9% over FY19-25)

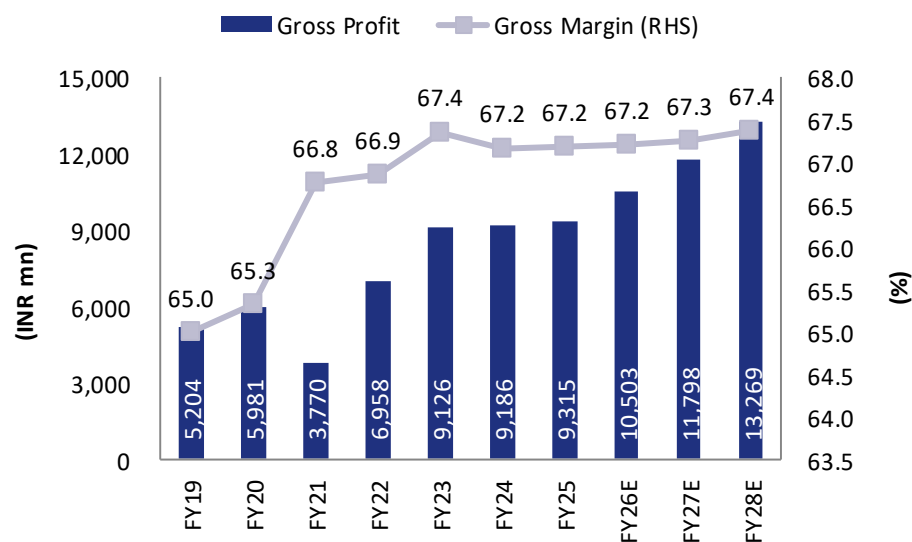
Pre-AS 116 EBITDA margin for VFL was 31-34% during FY19-21; it increased to 39-41% during FY22-24 led by a spike in consumer demand (post Covid), resulting in better operating leverage. Owing to higher competition and tapering of demand in the segment, margin has fallen to 33.9% in FY25. We expect competitive intensity to continue in the segment and margin to contract ~20bps over FY25-28E to 33.7%. We expect ~12% EBITDA CAGR over FY25-28 (~9% over FY19-25).

Exhibit 65. Pre Ind AS EBITDA CAGR of 12% expected over FY25-28E

Source: Company, JM Financial

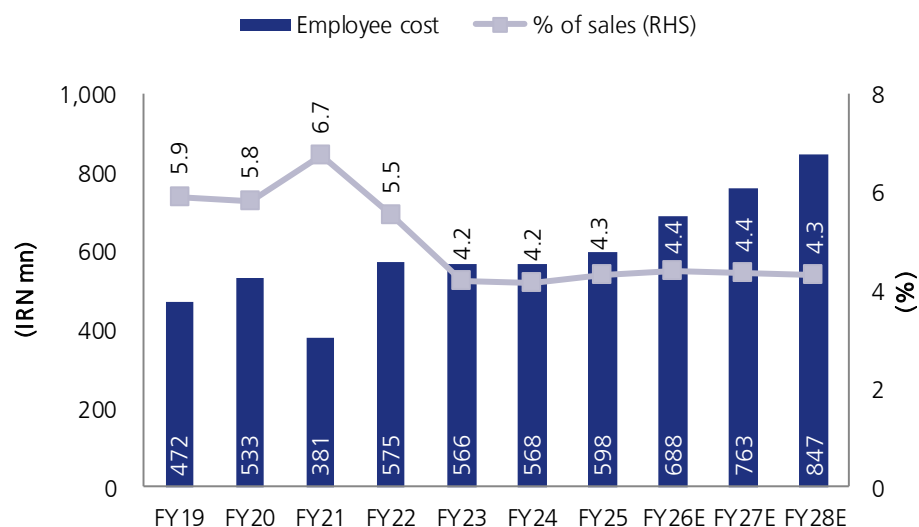
Exhibit 66. Reported EBITDA to post 13% CAGR over FY25-28E

Source: Company, JM Financial

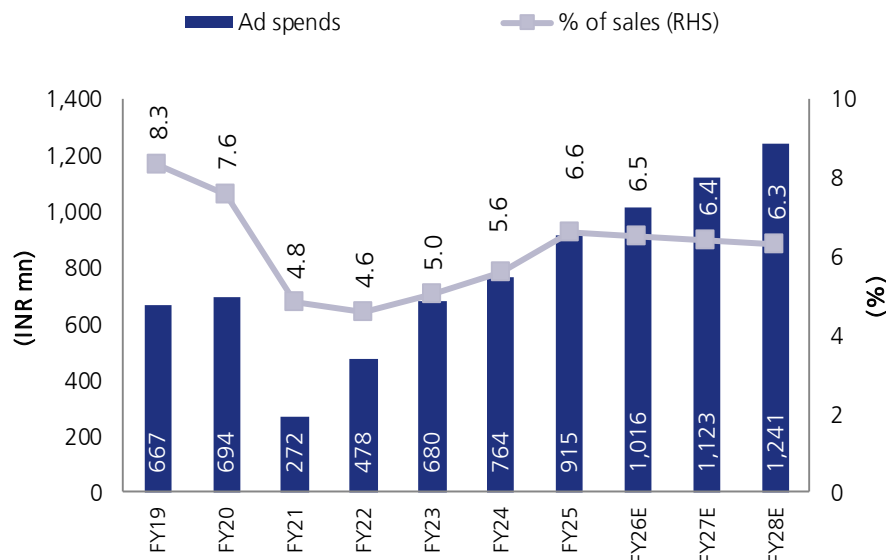
Exhibit 67. We expect gross margin to expand ~20bps over FY25-28E

Source: Company, JM Financial

We are building in conservative gross margin estimates and expecting it to expand ~20bps over FY25-28E. We are not considering any major expansion in margin despite expected increase of Twamev, Mohey and Mebaz brands in the overall revenue mix.

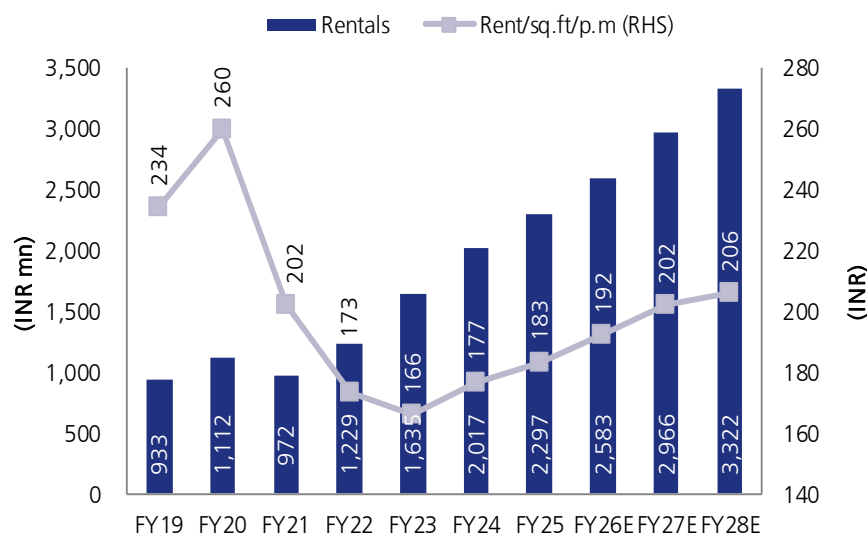
Exhibit 68. Employee cost as % of sales is expected to be largely flat over FY25-28E

Source: Company, JM Financial

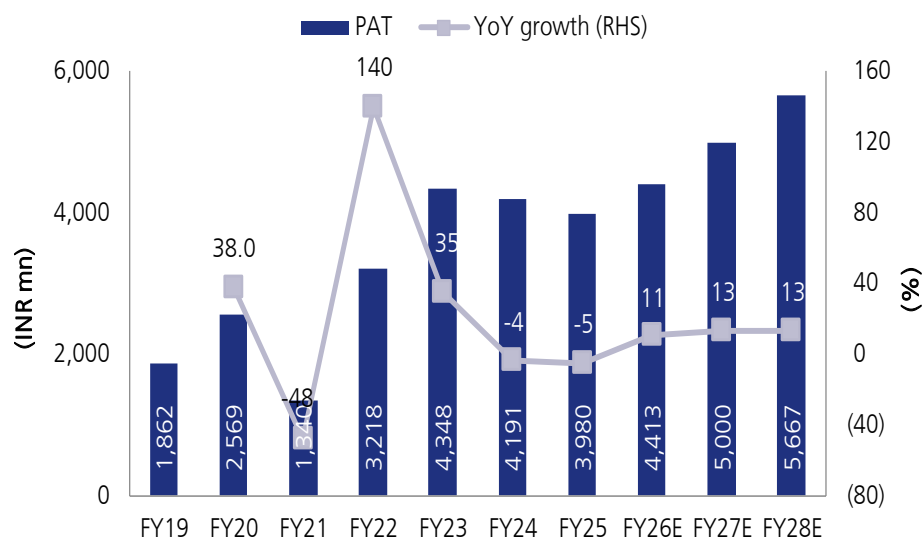
Exhibit 69. Ad spends as % of sales expected to contract by ~30bps over FY25-28E

Source: Company, JM Financial; Note: FY25 figures are as per our estimates

VFL's ad spends as % of sales at ~8.3%/7.6% in FY19/FY20 was the highest among players in the retail industry. We expect ad spends as % of sales to have increased in FY25 to 6.6% due to higher expenditure incurred by the company in southern states of India (Andhra Pradesh, Telangana, etc.). Ad spends are lower vs. historical levels of ~7-8% due to (1) higher allocation towards digital spends, which are more targeted and offer a better RoI and (2) operating leverage benefits. Ad spends for VFL even at ~6% will continue to be the highest in the retail industry.

Exhibit 70. Expect rent/sqft/month to increase by 4% to INR 206 by FY28E

Source: Company, JM Financial

Exhibit 71. PAT CAGR of 12% expected over FY25-28E

Source: Company, JM Financial; Note: Figures are on Pre Ind AS basis

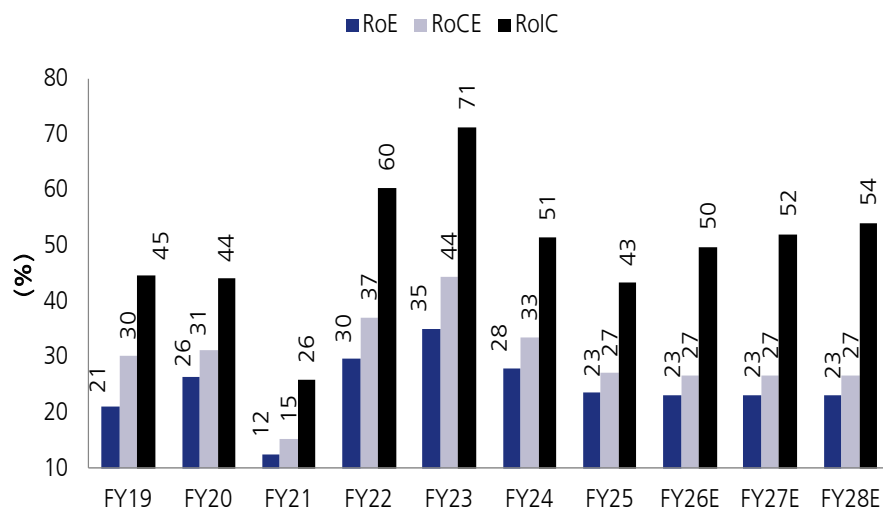
Better return ratios led by increasing profitability

VFL enjoyed healthy return ratios before the pandemic. It had RoE of 21-26%, RoCE of 30-31% and RoIC of 44-45% in FY19/20. Demand outburst in FY22/23 resulted in all-time high return ratios for the company. Return ratios have normalised in FY25 and we expect it to improve gradually to 22%/27%/54% RoE/RoCE/RoIC by FY28.

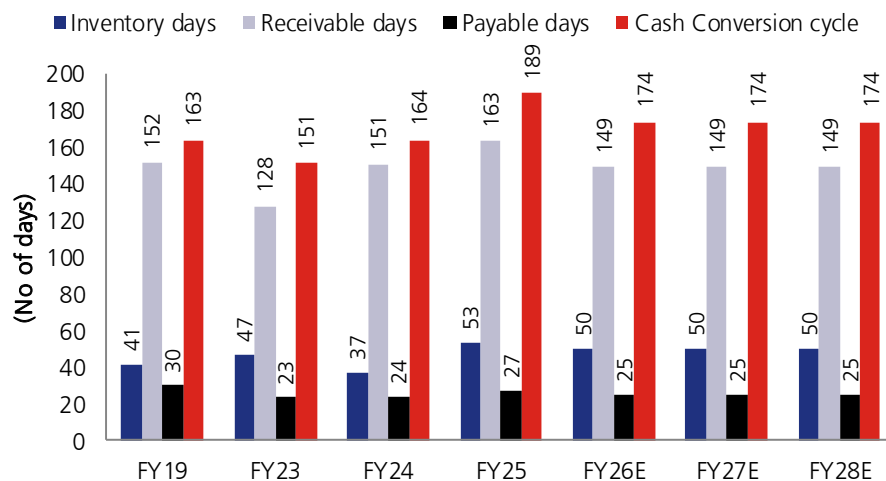
Exhibit 72. Higher asset turns and improvement in PAT margin to drive higher RoE over FY25-28E

| DuPont Analysis | FY19 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| PAT Margin (%) | 23.3 | 32.1 | 30.6 | 28.7 | 28.2 | 28.5 | 28.8 |
| Asset Turnover (x) | 8.9 | 12.1 | 11.8 | 11.5 | 12.5 | 13.5 | 14.5 |
| Equity Multiplier (x) | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| RoE (%) | 21.1 | 35.0 | 27.9 | 23.5 | 23.2 | 23.2 | 23.1 |

Source: Company, JM Financial

Exhibit 73. Return ratios to improve led by higher PAT margin and asset turn ratio

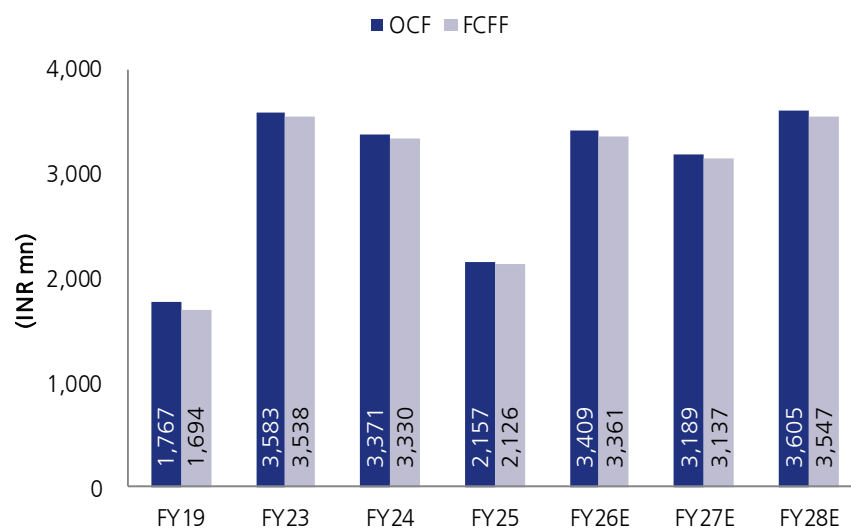
Source: Company, JM Financial

Exhibit 74. We expect cash conversion days to normalise to ~174 days by FY28

Source: Company, JM Financial

VFL's cash conversion cycle was 164 days of sales in FY24 and inched up to 189 days in FY25, the highest among retail industry peers. This is largely on account of high debtor days of ~150 days of sales as VFL extends credit to its franchise partners in lieu of deposits, which is ~35% of the MRP value of the inventory provided to the franchisee. This covers the inventory risk for VFL. The company collects payments on a weekly basis for the stocks sold by the franchise partner. We expect the cash conversion cycle to remain at ~174 days of sales over FY26-28E.

Exhibit 75. We expect cumulative OCF/FCF of INR 10.2bn/10bn over FY25-28E



Source: Company, JM Financial

We expect FCFF to OCF conversion of ~98% over FY25-28E (96% over FY19-25) given the asset-light model both in terms of manufacturing (outsourced) and retailing through EBOs (100% on franchise basis). We expect slight lower OCF/EBITDA (pre-AS 116) conversion of ~58% over FY25-28E (67% over FY19-25) due to the investments in working capital.

Quarterly Performance

Exhibit 76. Quarterly performance (INR mn)

| | Quarterly | | | Chng (%) | | Chng (%) | | Year ended | | Chng (%) | |
|--------------------------------|--------------|--------------|--------------|-----------------|-----------------|---------------|---------------|-----------------|--|----------|--|
| | Q4FY24 | Q3FY25 | Q4FY25 | YoY | QoQ | FY24 | FY25 | YoY | | | |
| Net operating revenues | 3,632 | 5,113 | 3,674 | 1 | (28) | 13,675 | 13,865 | 1 | | | |
| Material cost | (1,000) | (1,433) | (970) | (3) | (32) | (3,792) | (3,691) | (3) | | | |
| Gross Profit | 2,632 | 3,680 | 2,704 | 3 | (27) | 9,883 | 10,174 | 3 | | | |
| Employee cost | (134) | (154) | (153) | 15 | (0) | (568) | (598) | 5 | | | |
| Other expenses | (747) | (1,104) | (893) | 20 | (19) | (2,735) | (3,150) | 15 | | | |
| Total expenditure | (1,881) | (2,691) | (2,017) | 7 | (25) | (7,094) | (7,439) | 5 | | | |
| EBITDA | 1,751 | 2,422 | 1,657 | (5) | (32) | 6,581 | 6,426 | (2) | | | |
| Other income | 241 | 224 | 221 | (9) | (2) | 697 | 852 | 22 | | | |
| Interest | (132) | (139) | (136) | 3 | (2) | (445) | (552) | 24 | | | |
| Depreciation | (381) | (391) | (395) | 4 | 1 | (1,349) | (1,531) | 14 | | | |
| Pretax profits | 1,479 | 2,115 | 1,347 | (9) | (36) | 5,484 | 5,195 | (5) | | | |
| Tax | (321) | (535) | (336) | 5 | (37) | (1,342) | (1,310) | (2) | | | |
| Adj. PAT | 1,158 | 1,580 | 1,011 | (13) | (36) | 4,142 | 3,885 | (6) | | | |
| Extraordinary items | - | - | - | - | - | - | - | - | | | |
| Net profit (reported) | 1,158 | 1,580 | 1,011 | (13) | (36) | 4,142 | 3,885 | (6) | | | |
| Recurring EPS | 4.8 | 6.5 | 4.2 | (13) | (36) | 17.1 | 16.0 | (6) | | | |
| % of operating revenues | | | | | | | | | | | |
| Gross margin | 72.5 | 72.0 | 73.6 | 112 bps | 161 bps | 72.3 | 73.4 | 110 bps | | | |
| EBITDA margin | 48.2 | 47.4 | 45.1 | -311 bps | -227 bps | 48.1 | 46.3 | -178 bps | | | |
| Material cost | 27.5 | 28.0 | 26.4 | -113 bps | -162 bps | 27.7 | 26.6 | -111 bps | | | |
| Employee cost | 3.7 | 3.0 | 4.2 | 49 bps | 116 bps | 4.2 | 4.3 | 16 bps | | | |
| Other expenses | 20.6 | 21.6 | 24.3 | 373 bps | 270 bps | 20.0 | 22.7 | 272 bps | | | |
| Income tax rate (% of PBT) | 21.7 | 25.3 | 24.9 | 322 bps | -37 bps | 24.5 | 25.2 | 74 bps | | | |

Source: Company, JM Financial

- **Revenue** – VFL's reported revenue grew 1% YoY to INR 3.7bn in 4QFY25. It recorded SSSG of -4.5% YoY (-4.2% in FY25). Sales for customers grew 2% YoY to INR 5.2bn (2.2% for FY25).
- **Margin** – Reported EBITDA declined 5% YoY to INR 1.7bn as EBITDA margin contracted ~310bps YoY to 45.1% despite ~160bps YoY expansion in GM to 73.6% due to ~370 bps/50 bps higher other expenses/ staff cost. GM (including sub-contracting charges) contracted ~90bps YoY to 66.2%. **PAT** fell 13% YoY to INR 1bn as other income declined 9% YoY and depreciation/interest expense increased by 4/3% YoY.
- **Store/Area expansion** – The company added 12 EBOs (total – 678) with an area of ~36k sqft in 4Q (total – 1.79mn sqft). It is now present in 256 cities and towns globally. Store addition will depend on revival of demand, and it is not facing any issue in finding franchise partners.
- Subdued consumer sentiment, fewer wedding days in 1QFY25 and weak sales in AP and Telangana impacted overall growth in FY25. SSSG was flat in both 4Q and FY25 if AP and Telangana are not considered. For the company, subdued demand is a consequence of increasing competition.
- The management is now focusing on (i) scale-up in Diwas, (ii) newer designs in the Manyavar collection with increase in designs to 2.4-2.5x now, and (iii) focused digital advertising to improve its performance.
- The company is using the product-market fit strategy now and implemented that in Bihar and Raipur, and it has seen the positive effects of that strategy in terms of demand in stores.

Detailed Profit and Loss Statement

Exhibit 77. We forecast 12% CAGR in Revenue/EBITDA (Pre Ind AS)/PAT over FY25-28E

| Y/E March (INR mn) | FY19 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|--------------|--------------|---------------|--------------|---------------|---------------|---------------|---------------|
| Profit & Loss | | | | | | | | |
| Revenue from operations | 8,007 | 10,408 | 13,549 | 13,675 | 13,865 | 15,629 | 17,543 | 19,696 |
| Less: Cost of Materials | (2,226) | (2,668) | (3,519) | (3,792) | (3,691) | (4,220) | (4,737) | (5,298) |
| Gross Profit | 5,782 | 7,740 | 10,030 | 9,883 | 10,174 | 11,409 | 12,806 | 14,398 |
| Less: Expenses | | | | | | | | |
| - Employee benefit expenses | (472) | (575) | (566) | (568) | (598) | (688) | (763) | (847) |
| - Other operating expenses | (1,951) | (2,206) | (2,755) | (2,735) | (3,150) | (3,598) | (3,925) | (4,314) |
| EBITDA | 3,358 | 4,959 | 6,708 | 6,581 | 6,426 | 7,123 | 8,118 | 9,237 |
| Less: Depreciation and amortization expense | (643) | (944) | (1,038) | (1,349) | (1,531) | (1,682) | (1,901) | (2,106) |
| Less: Finance Costs | (196) | (284) | (315) | (445) | (552) | (663) | (710) | (754) |
| Add: Other Income | 191 | 499 | 402 | 697 | 852 | 935 | 1,049 | 1,154 |
| PBT | 2,709 | 4,230 | 5,758 | 5,484 | 5,195 | 5,713 | 6,557 | 7,530 |
| Less: Taxes | (945) | (1,081) | (1,467) | (1,342) | (1,310) | (1,440) | (1,652) | (1,898) |
| PAT | 1,764 | 3,149 | 4,291 | 4,142 | 3,885 | 4,273 | 4,905 | 5,633 |
| Recurring EPS (INR) | 7.0 | 13.0 | 17.7 | 17.1 | 16.0 | 17.6 | 20.2 | 23.2 |
| Growth, YoY (%) | | | | | | | | |
| Net revenues | | 84.3 | 30.2 | 0.9 | 1.4 | 12.7 | 12.2 | 12.3 |
| EBITDA | | 104.0 | 35.3 | (1.9) | (2.4) | 10.8 | 14.0 | 13.8 |
| PAT | | 136.9 | 36.3 | (3.5) | (5.1) | 10.0 | 14.8 | 14.8 |
| Margin (%) | | | | | | | | |
| Gross margin | 72.2 | 74.4 | 74.0 | 72.3 | 73.4 | 73.0 | 73.0 | 73.1 |
| EBITDA margin | 41.9 | 47.6 | 49.5 | 48.1 | 46.3 | 45.6 | 46.3 | 46.9 |
| PAT margin | 22.0 | 30.3 | 31.7 | 30.3 | 28.0 | 27.3 | 28.0 | 28.6 |
| Cost as % of revenues | | | | | | | | |
| Cost of Materials | 27.8 | 25.6 | 26.0 | 27.7 | 26.6 | 27.0 | 27.0 | 26.9 |
| Employee benefit expenses | 5.9 | 5.5 | 4.2 | 4.2 | 4.3 | 4.4 | 4.4 | 4.3 |
| Other operating expenses | 24.4 | 21.2 | 20.3 | 20.0 | 22.7 | 23.0 | 22.4 | 21.9 |
| Effective tax rate (%) | 34.9 | 25.6 | 25.5 | 24.5 | 25.2 | 25.2 | 25.2 | 25.2 |
| Pre Ind AS 116 (INR mn) | | | | | | | | |
| EBITDA | 2,736 | 4,124 | 5,593 | 5,121 | 4,697 | 5,181 | 5,854 | 6,644 |
| PAT | 1,862 | 3,218 | 4,348 | 4,191 | 3,980 | 4,413 | 5,000 | 5,667 |
| EPS (INR) | 7.4 | 13.3 | 17.9 | 17.3 | 16.4 | 18.2 | 20.6 | 23.3 |

Source: Company, JM Financial

Detailed Balance Sheet Statement

Exhibit 78. VFL has an asset-light model and strong balance sheet

| Y/E March (INR mn) | FY19 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Total assets | 13,185 | 17,698 | 21,660 | 25,088 | 27,466 | 30,298 | 33,546 | 37,248 |
| Net fixed assets | 737 | 746 | 714 | 698 | 663 | 644 | 628 | 613 |
| Intangible assets | 1,516 | 1,575 | 1,543 | 1,512 | 1,509 | 1,477 | 1,445 | 1,414 |
| Goodwill | 157 | 157 | 157 | 157 | 157 | 157 | 157 | 157 |
| CWIP | 25 | 1 | 22 | 1 | 1 | 1 | 1 | 1 |
| Total NFA | 2,434 | 2,480 | 2,436 | 2,368 | 2,329 | 2,279 | 2,231 | 2,185 |
| Right of use assets | 1,963 | 2,667 | 2,791 | 4,267 | 4,550 | 4,766 | 5,001 | 5,270 |
| Deferred tax assets | 0 | 13 | 7 | 4 | - | - | - | - |
| Other financial assets | 343 | 484 | 629 | 818 | 941 | 1,061 | 1,191 | 1,337 |
| Other non-current assets | 1,015 | 1,713 | 2,419 | 3,713 | 3,581 | 3,085 | 3,087 | 3,089 |
| Total non-current assets | 5,756 | 7,358 | 8,282 | 11,170 | 11,402 | 11,192 | 11,511 | 11,882 |
| Investments | 1,692 | 4,121 | 6,177 | 6,043 | 7,088 | 9,400 | 10,900 | 12,400 |
| Cash and cash equivalents | 1,194 | 39 | 100 | 217 | 172 | 594 | 975 | 1,628 |
| Inventories | 909 | 1,430 | 1,736 | 1,386 | 2,020 | 2,141 | 2,403 | 2,698 |
| Receivables | 3,327 | 3,967 | 4,734 | 5,645 | 6,186 | 6,366 | 7,145 | 8,022 |
| Other financial assets | 17 | 314 | 167 | 119 | 51 | 52 | 52 | 53 |
| Other current assets | 288 | 468 | 463 | 507 | 546 | 554 | 560 | 565 |
| Total current assets | 7,429 | 10,340 | 13,378 | 13,918 | 16,063 | 19,107 | 22,035 | 25,366 |
| Total liabilities and equity | 13,185 | 17,698 | 21,660 | 25,088 | 27,466 | 30,299 | 33,546 | 37,248 |
| Total borrowings | 0 | - | - | - | - | - | - | - |
| Short-term lease liabilities | 540 | 853 | 976 | 1,178 | 1,417 | - | - | - |
| Long-term lease liabilities | 1,297 | 1,934 | 1,958 | 3,266 | 3,412 | - | - | - |
| Total lease liabilities | 1,837 | 2,787 | 2,934 | 4,444 | 4,829 | 5,231 | 5,594 | 5,908 |
| Creditors | 655 | 730 | 859 | 891 | 1,023 | 1,070 | 1,202 | 1,349 |
| Provisions | 20 | 34 | 38 | 49 | 59 | 63 | 63 | 64 |
| Other current liabilities | 1,755 | 3,151 | 3,634 | 3,466 | 3,429 | 3,479 | 3,514 | 3,551 |
| Total current liabilities | 2,430 | 3,915 | 4,530 | 4,406 | 4,511 | 4,612 | 4,779 | 4,964 |
| Deferred tax liabilities | 90 | 168 | 197 | 219 | 262 | 262 | 262 | 262 |
| Share capital | 250 | 243 | 243 | 243 | 243 | 243 | 243 | 243 |
| Reserves and surplus | 8,577 | 10,585 | 13,756 | 15,776 | 17,620 | 19,950 | 22,668 | 25,871 |
| Total shareholders' equity | 8,828 | 10,827 | 13,999 | 16,019 | 17,863 | 20,193 | 22,911 | 26,114 |

Source: Company, JM Financial

Detailed Cash Flow Statement

Exhibit 79. VFL to generate cumulative OCF/FCF (Pre Ind AS 116) of INR 10.2bn/10bn over FY25-FY28E

| Y/E March (INR mn) | FY19 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| CF from operating activities | | | | | | | | |
| PBT | 2,709 | 4,230 | 5,758 | 5,484 | 5,195 | 5,713 | 6,557 | 7,530 |
| Depreciation | 643 | 944 | 1,038 | 1,349 | 1,531 | 1,682 | 1,901 | 2,106 |
| Interest/dividend income (Net) | 27 | 39 | (13) | (192) | (262) | (272) | (340) | (399) |
| Others | (10) | (162) | (44) | (11) | (7) | - | - | - |
| CFO before change in NWC | 3,369 | 5,050 | 6,739 | 6,630 | 6,456 | 7,123 | 8,118 | 9,237 |
| Change in NWC | (67) | (450) | (569) | (498) | (1,315) | (333) | (1,013) | (1,142) |
| CFO before taxes paid | 3,303 | 4,600 | 6,170 | 6,132 | 5,142 | 6,790 | 7,106 | 8,096 |
| Direct taxes paid | (954) | (1,090) | (1,472) | (1,301) | (1,256) | (1,440) | (1,652) | (1,898) |
| CF from operating activities | 2,348 | 3,510 | 4,698 | 4,831 | 3,886 | 5,351 | 5,453 | 6,198 |
| CF from investing activities | | | | | | | | |
| Capex | (73) | (23) | (45) | (40) | (31) | (48) | (53) | (58) |
| Interest/dividend income | 41 | 223 | 217 | 91 | 281 | 935 | 1,049 | 1,154 |
| (Purchase)/sale of investment | (1,597) | 364 | (2,492) | (1,146) | (408) | (1,812) | (1,500) | (1,500) |
| CF from investing activities | (1,629) | 565 | (2,319) | (1,095) | (159) | (924) | (503) | (404) |
| CF from financing activities | | | | | | | | |
| Issue of equity shares | - | (3,267) | 15 | 31 | 23 | - | - | - |
| Proceeds from borrowings | (127) | - | - | - | - | - | - | - |
| Interest paid | (2) | (4) | (3) | (2) | (1) | (119) | (119) | (119) |
| Dividend paid | - | - | (1,214) | (2,185) | (2,065) | (1,944) | (2,186) | (2,429) |
| Payment of lease liabilities | (581) | (834) | (1,115) | (1,460) | (1,729) | (1,942) | (2,264) | (2,593) |
| CF from financing activities | (710) | (4,105) | (2,318) | (3,616) | (3,772) | (4,004) | (4,570) | (5,141) |
| Net change in cash | 10 | (30) | 61 | 120 | (45) | 422 | 381 | 653 |
| Cash & Equiv - EOP | 2,886 | 4,160 | 6,277 | 6,260 | 7,261 | 9,994 | 11,875 | 14,028 |
| Adj.OCF (Pre-AS 116) | 1,767 | 2,676 | 3,583 | 3,371 | 2,157 | 3,409 | 3,189 | 3,605 |
| Free cash flow (Pre-AS 116) | 1,694 | 2,653 | 3,538 | 3,330 | 2,126 | 3,361 | 3,137 | 3,547 |

Source: Company, JM Financial

Working Capital trend

Exhibit 80. VFL cash conversion cycle expected to remain at ~174 days by FY28E

| Y/E March (INR mn) | FY19 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Working capital (INR mn) | | | | | | | | |
| Inventory | 909 | 1,430 | 1,736 | 1,386 | 2,020 | 2,141 | 2,403 | 2,698 |
| Receivables | 3,327 | 3,967 | 4,734 | 5,645 | 6,186 | 6,366 | 7,145 | 8,022 |
| Other current/non current assets | 1,664 | 2,980 | 3,679 | 5,157 | 5,120 | 4,752 | 4,890 | 5,045 |
| Creditors | 655 | 730 | 859 | 891 | 1,023 | 1,070 | 1,202 | 1,349 |
| Other current liabilities | 1,755 | 3,151 | 3,634 | 3,466 | 3,429 | 3,479 | 3,514 | 3,551 |
| Provisions | 20 | 34 | 38 | 49 | 59 | 63 | 63 | 64 |
| Net working capital (ex-cash) | 3,471 | 4,463 | 5,619 | 7,782 | 8,814 | 8,647 | 9,660 | 10,801 |
| Cash Conversion | 3,581 | 4,667 | 5,612 | 6,141 | 7,182 | 7,436 | 8,347 | 9,371 |
| Working capital (days) | | | | | | | | |
| Inventory | 41 | 50 | 47 | 37 | 53 | 50 | 50 | 50 |
| Receivables | 152 | 139 | 128 | 151 | 163 | 149 | 149 | 149 |
| Other current/non current assets | 76 | 105 | 99 | 138 | 135 | 111 | 102 | 93 |
| Creditors | 30 | 26 | 23 | 24 | 27 | 25 | 25 | 25 |
| Other current/non current liabilities | 80 | 110 | 98 | 93 | 90 | 81 | 73 | 66 |
| Provisions | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 |
| Net working capital (ex-cash) | 158 | 157 | 151 | 208 | 232 | 202 | 201 | 200 |
| Net working capital (% of sales) | 43.3 | 42.9 | 41.5 | 56.9 | 63.6 | 55.3 | 55.1 | 54.8 |
| Cash conversion | 163 | 164 | 151 | 164 | 189 | 174 | 174 | 174 |
| Cash conversion (% of sales) | 44.7 | 44.8 | 41.4 | 44.9 | 51.8 | 47.6 | 47.6 | 47.6 |

Source: Company, JM Financial

Key risks

Business largely dependent on Indian wedding and celebration wear

VFL's business is highly concentrated on a single discretionary product category – Indian W&C wear, which may get impacted due to increased competition, regulatory action, pricing pressures or fluctuations in demand for/supply of its products and other factors outside its control.

Business prospects depends on the strength of its key brands

The company's brand names, images and recognition are key factors in customers' decision-making of purchasing ethnic and celebration wear, and are, thus, critical to maintaining and expanding customer base. Inability to successfully maintain or enhance the recognition and reputation of any of its brands may adversely affect business and competitiveness.

Sales of its customers are largely dependent on franchise-owned EBOs

The company's EBOs are owned and operated by its franchisees, and they contribute to a significant portion of its sales (~90%). VFL's sales derived from franchise-owned EBOs depend on its ability to retain existing and attract new franchisees on terms acceptable to it. Failure to successfully renew its existing franchise agreements upon expiry or attract new franchisees may impact sales.

Production outsourced without exclusive arrangements

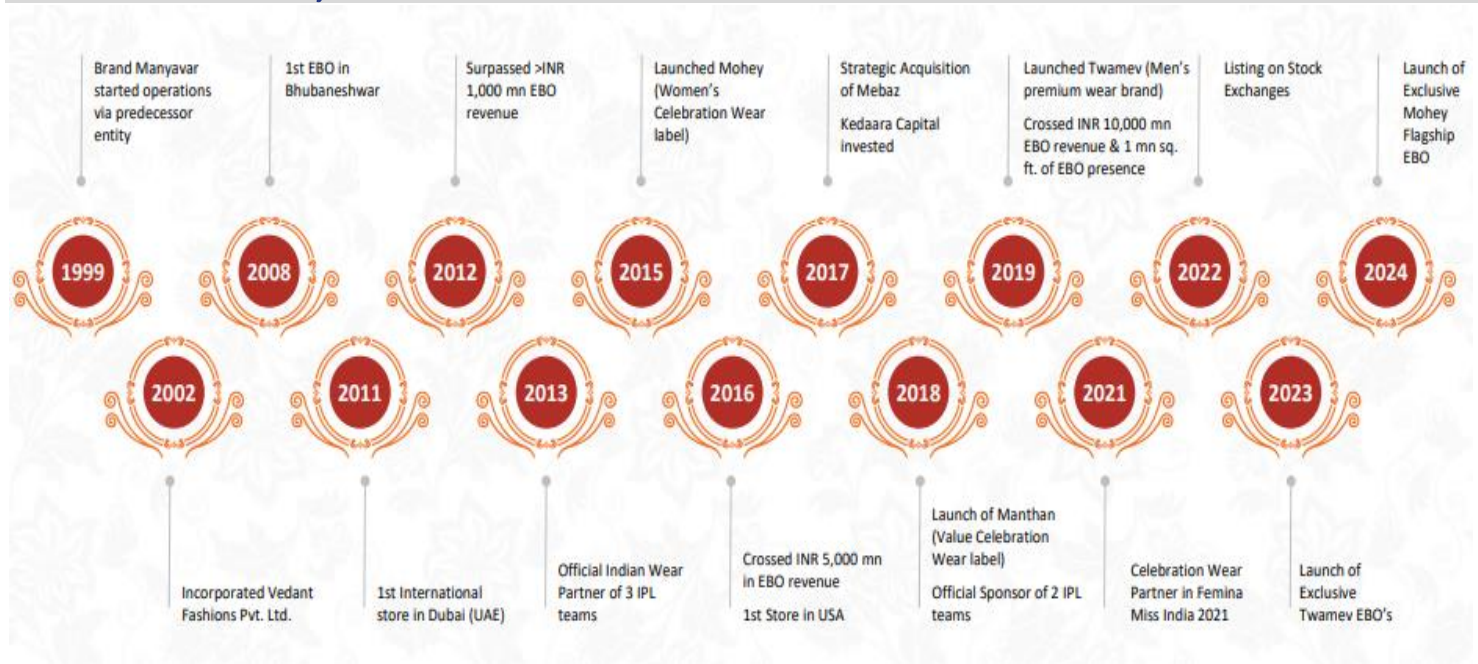
VFL engages third-party manufacturers (jobbers) to manufacture a large portion of its attires and accessories. These jobbers perform the different stages of the manufacturing process including cutting, embroidery, stitching and finishing, with the final products sold by it under its brands. Failure in sourcing the desired output and quality of product from the jobbers may have a significant impact on sales.

Appendix: Company profile

Vedant Fashions Ltd (VFL) is the one of the largest companies in the Indian men's W&C market. According to CRISIL, 'Manyavar' brand is the category leader in the Indian branded W&C wear market with a pan-India presence, as of FY20. The company's 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.

VFL introduced brands by identifying gaps in the underserved and high growth Indian wedding and celebration wear category. Mohey was introduced under Indian W&C wear for women in 2015, and it acquired one of the biggest fashion brands in southern India, Mebaz, in 2017 – a one-stop heritage brand catering to the entire family, with an established presence in Andhra Pradesh and Telangana. Subsequently, Twamev (premium end) and Manthan (value end) under men's ethnic W&C wear were launched. VFL recently launched brand 'Diwas', which offers an extensive collection of kurtas for men priced ~INR 700-2,499.

Exhibit 81. Evolution over the years



Source: Company, JM Financial

The company has established a multi-channel network and wants to become a one-stop destination with a wide-spectrum of product offerings for every celebratory occasion. It aims to deliver an aristocratic yet seamless purchase experience to its customers through its aesthetic franchisee-owned exclusive brand stores.

Retail channels

EBO network

EBO network is integral to VFL's business operations and sales from EBOs constituted the largest portion of sales. The company opened its first EBO in Bhubaneswar in 2008 and, as of Mar'25, had a total of 678 EBOs with an aggregate area of over 1.79mn sqft across 256 cities and towns (includes 16 EBOs overseas across the United States, Canada, UK and UAE, which are countries with large Indian diaspora).

Multi-brand outlets (MBOs)

VFL also sells its products through third-party owned MBOs (including shop-in-shops). The company conducts and participates in exhibitions across India to display its products and designs.

Large Format Stores (LFS)

VFL sells a portion of its brand products through large format stores operated by third party retail organisations. Its commercial agreements operate on a margin basis, with a uniform maximum retail price of all products fixed by VFL and applicable on a pan-India basis.

Online channel

Its online channel includes its website (www.manyavar.com), its mobile application and leading e-commerce platforms, through which its customers can view its digital catalogue, select a product from its diverse product offering and place an order. In addition to its website and mobile application, the company also sells its products through lateral online platforms where it directly manages and sells products listed by them.

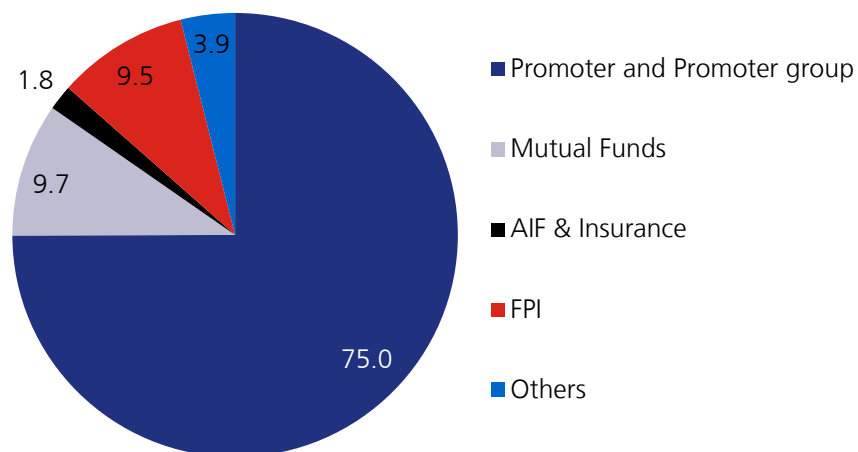
Board of Directors and Key Managerial Personnel

Exhibit 82.

| Board of Directors | Designation | Work Experience | Education |
|--------------------------|-----------------------------------|---|--|
| Ravi Modi | Chairman and Managing Director | Founder | Commerce from St. Xavier's College, Calcutta University |
| Shilpi Modi | Whole time Director | Co-Founder, 25+ years of work experience in the Garment Industry | Commerce from Allahabad University |
| Sunish Sharma | Nominee Director | Founder and managing partner of Kedaara Capital and previously worked with McKinsey & Co, General Atlantic partners Pvt Ltd. | Bachelor's degree in commerce (hons.) from University of Delhi and Post graduate Diploma in computer aided management from IIM, Calcutta. He is also a qualified Cost Accountant |
| Manish Mahendra Choksi | Independent Director | Associated with Asian paints since 1992 and is currently the non-executive Vice Chairman on board of Asian Paints | Bachelor's degree in chemical engineering from Houston university and a MBA from University of Houston, USA. |
| Abanti Mitra | Independent Director | 23+ years of experience and is currently a Director in Positron Consulting Services Pvt Ltd and previously worked with ICICI Bank Ltd and Micro Credit ratings | Post graduate diploma in rural management from the Institute of Rural Management, Anand. |
| Tarun Puri | Independent Director | He has 30+ years of experience and is currently senior operating partner of light house AMC private limited. He has previously worked with Nike India and Unilever group of companies | Bachelor's degree (hons.) in mechanical engineering from Birla Institute of Technology and Science, Pilani and PGDM from IIM Calcutta |
| Key Managerial Personnel | Designation | Work Experience | Education |
| Rahul Murarka | Chief Financial Officer | 16+ years of experience in finance, accounting, audits, taxation and regulatory compliance. Prior work experience with S.R. Batliboi & Co. LLP | Bachelor's Degree in Commerce (honours) from Calcutta university, He is also a qualified Chartered Accountant |
| Navin Pareek | CS & compliance officer | 10+ years of experience in legal, compliance, finance, direct taxation and secretarial functions | Bachelor's degree in commerce (honours) from the University of Calcutta. He is also a qualified Company Secretary |
| Senior Management | Designation | Work Experience | Education |
| Vedant Modi | Chief Revenue Officer | Joined the company in Jun'21 | Bachelor's Degree in Science (Information Management for business) from University College London |
| Anand Narang | Chief Marketing & Digital Officer | Joined the company in Sept'23. He has previously worked with companies including Bharti Airtel, Converse, Nokia UK, Huawei, Reliance Jio and Bata, among others | BE (Electronics) from Punjab Engineering College, MBA in Marketing and international business from MDI (Gurgaon) and has also completed Executive education program from INSEAD |
| Amar Sethia | Chief Product Officer | Working with the company since 2002 | College from Kolkata |
| Ajay Modi | Chief Supply Chain Officer | Working with the company since 2008 | Bachelor's degree in Business management from Bangalore university |

Source: Company, JM Financial

Exhibit 83. Shareholding pattern as of Sep'24



Source: BSE Website

Financial Tables (Consolidated)

| Income Statement | | | | | (INR mn) |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| Net Sales | 13,654 | 13,843 | 15,606 | 17,518 | 19,670 |
| Sales Growth | 0.9% | 1.4% | 12.7% | 12.3% | 12.3% |
| Other Operating Income | 21 | 22 | 24 | 25 | 26 |
| Total Revenue | 13,675 | 13,865 | 15,629 | 17,543 | 19,696 |
| Cost of Goods Sold/Op. Exp | 3,792 | 3,691 | 4,220 | 4,737 | 5,298 |
| Personnel Cost | 568 | 598 | 688 | 763 | 847 |
| Other Expenses | 2,735 | 3,150 | 3,598 | 3,925 | 4,314 |
| EBITDA | 6,581 | 6,426 | 7,123 | 8,118 | 9,237 |
| EBITDA Margin | 48.1% | 46.3% | 45.6% | 46.3% | 46.9% |
| EBITDA Growth | -1.9% | -2.4% | 10.8% | 14.0% | 13.8% |
| Depn. & Amort. | 1,349 | 1,531 | 1,682 | 1,901 | 2,106 |
| EBIT | 5,232 | 4,895 | 5,441 | 6,217 | 7,131 |
| Other Income | 697 | 852 | 935 | 1,049 | 1,154 |
| Finance Cost | 445 | 552 | 663 | 710 | 754 |
| PBT before Excep. & Forex | 5,484 | 5,195 | 5,713 | 6,557 | 7,530 |
| Excep. & Forex Inc./Loss(-) | 0 | 0 | 0 | 0 | 0 |
| PBT | 5,484 | 5,195 | 5,713 | 6,557 | 7,530 |
| Taxes | 1,342 | 1,310 | 1,440 | 1,652 | 1,898 |
| Extraordinary Inc./Loss(-) | 0 | 0 | 0 | 0 | 0 |
| Assoc. Profit/Min. Int.(-) | 0 | 0 | 0 | 0 | 0 |
| Reported Net Profit | 4,142 | 3,885 | 4,273 | 4,905 | 5,633 |
| Adjusted Net Profit | 4,142 | 3,885 | 4,273 | 4,905 | 5,633 |
| Net Margin | 30.3% | 28.0% | 27.3% | 28.0% | 28.6% |
| Diluted Share Cap. (mn) | 242.9 | 242.9 | 242.9 | 242.9 | 242.9 |
| Diluted EPS (INR) | 17.1 | 16.0 | 17.6 | 20.2 | 23.2 |
| Diluted EPS Growth | -3.5% | -6.2% | 10.0% | 14.8% | 14.8% |
| Total Dividend + Tax | 2,064 | 1,944 | 2,186 | 2,429 | 2,733 |
| Dividend Per Share (INR) | 8.5 | 8.0 | 9.0 | 10.0 | 11.3 |

Source: Company, JM Financial

| Cash Flow Statement | | | | | (INR mn) |
|------------------------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| Profit before Tax | 5,484 | 5,195 | 5,713 | 6,557 | 7,530 |
| Depn. & Amort. | 1,349 | 1,531 | 1,682 | 1,901 | 2,106 |
| Net Interest Exp. / Inc. (-) | 356 | 284 | 318 | 272 | 236 |
| Inc (-) / Dec in WCap. | -498 | -1,315 | -333 | -1,013 | -1,142 |
| Others | -559 | -553 | -590 | -612 | -636 |
| Taxes Paid | -1,301 | -1,256 | -1,440 | -1,652 | -1,898 |
| Operating Cash Flow | 4,831 | 3,886 | 5,351 | 5,453 | 6,198 |
| Capex | -40 | -31 | -48 | -53 | -58 |
| Free Cash Flow | 4,791 | 3,855 | 5,303 | 5,401 | 6,140 |
| Inc (-) / Dec in Investments | -1,146 | -408 | -1,812 | -1,500 | -1,500 |
| Others | 91 | 281 | 935 | 1,049 | 1,154 |
| Investing Cash Flow | -1,095 | -159 | -924 | -503 | -404 |
| Inc / Dec (-) in Capital | 31 | 23 | 0 | 0 | 0 |
| Dividend + Tax thereon | -2,185 | -2,065 | -1,944 | -2,186 | -2,429 |
| Inc / Dec (-) in Loans | -1,460 | -1,729 | -1,942 | -2,264 | -2,593 |
| Others | -2 | -1 | -119 | -119 | -119 |
| Financing Cash Flow | -3,616 | -3,772 | -4,004 | -4,570 | -5,141 |
| Inc / Dec (-) in Cash | 120 | -45 | 422 | 381 | 653 |
| Opening Cash Balance | 97 | 217 | 172 | 594 | 975 |
| Closing Cash Balance | 217 | 172 | 594 | 975 | 1,628 |

Source: Company, JM Financial

| Balance Sheet | | | | | (INR mn) |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| Shareholders' Fund | 16,019 | 17,863 | 20,193 | 22,911 | 26,114 |
| Share Capital | 243 | 243 | 243 | 243 | 243 |
| Reserves & Surplus | 15,776 | 17,620 | 19,950 | 22,668 | 25,871 |
| Lease Liabilities | 4,444 | 4,829 | 5,231 | 5,594 | 5,908 |
| Minority Interest | 0 | 0 | 0 | 0 | 0 |
| Total Loans | 0 | 0 | 0 | 0 | 0 |
| Def. Tax Liab. / Assets (-) | 214 | 262 | 262 | 262 | 262 |
| Total - Equity & Liab. | 20,677 | 22,954 | 25,687 | 28,767 | 32,284 |
| Net Fixed Assets | 6,635 | 6,880 | 7,045 | 7,232 | 7,455 |
| Gross Fixed Assets | 1,161 | 1,203 | 1,251 | 1,304 | 1,361 |
| Intangible Assets | 1,670 | 1,666 | 1,634 | 1,602 | 1,571 |
| Less: Depn. & Amort. | 463 | 541 | 607 | 676 | 748 |
| Capital WIP | 4,268 | 4,551 | 4,767 | 5,002 | 5,271 |
| Investments | 9,592 | 10,509 | 12,321 | 13,821 | 15,321 |
| Current Assets | 8,856 | 10,077 | 10,932 | 12,493 | 14,472 |
| Inventories | 1,386 | 2,020 | 2,141 | 2,403 | 2,698 |
| Sundry Debtors | 5,645 | 6,186 | 6,366 | 7,145 | 8,022 |
| Cash & Bank Balances | 217 | 172 | 594 | 975 | 1,628 |
| Loans & Advances | 119 | 51 | 52 | 52 | 53 |
| Other Current Assets | 1,489 | 1,648 | 1,779 | 1,917 | 2,071 |
| Current Liab. & Prov. | 4,406 | 4,511 | 4,612 | 4,779 | 4,964 |
| Current Liabilities | 2,700 | 2,892 | 2,967 | 3,117 | 3,285 |
| Provisions & Others | 1,706 | 1,619 | 1,645 | 1,662 | 1,679 |
| Net Current Assets | 4,450 | 5,566 | 6,320 | 7,714 | 9,508 |
| Total - Assets | 20,677 | 22,954 | 25,686 | 28,767 | 32,284 |

Source: Company, JM Financial

| Dupont Analysis | | | | | |
|---------------------|-------|-------|-------|-------|-------|
| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| Net Margin | 30.3% | 28.0% | 27.3% | 28.0% | 28.6% |
| Asset Turnover (x) | 0.7 | 0.6 | 0.6 | 0.6 | 0.6 |
| Leverage Factor (x) | 1.4 | 1.4 | 1.4 | 1.4 | 1.3 |
| RoE | 27.6% | 22.9% | 22.5% | 22.8% | 23.0% |

| Key Ratios | | | | | |
|---------------------|-------|-------|-------|-------|-------|
| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| BV/Share (INR) | 66.0 | 73.5 | 83.1 | 94.3 | 107.5 |
| ROIC | 38.0% | 30.5% | 33.1% | 37.1% | 39.5% |
| ROE | 27.6% | 22.9% | 22.5% | 22.8% | 23.0% |
| Net Debt/Equity (x) | -0.4 | -0.4 | -0.5 | -0.5 | -0.5 |
| P/E (x) | 43.1 | 46.0 | 41.8 | 36.4 | 31.7 |
| P/B (x) | 11.1 | 10.0 | 8.8 | 7.8 | 6.8 |
| EV/EBITDA (x) | 26.2 | 26.7 | 23.7 | 20.5 | 17.8 |
| EV/Sales (x) | 12.6 | 12.4 | 10.8 | 9.5 | 8.4 |
| Debtor days | 151 | 163 | 149 | 149 | 149 |
| Inventory days | 37 | 53 | 50 | 50 | 50 |
| Creditor days | 24 | 27 | 25 | 25 | 25 |

Source: Company, JM Financial

APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.comCompliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: sahil.salastekar@jmfl.comGrievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: instcompliance@jmfl.com

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

| Definition of ratings | |
|-----------------------|---|
| Rating | Meaning |
| Buy | Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields. |
| Hold | Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months. |
| Sell | Price expected to move downwards by more than 10% from the current market price over the next twelve months. |

* REITs refers to Real Estate Investment Trusts.

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The Research Analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that:

All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

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