

Vedant Fashions | BUY

Building blocks in place; demand recovery holds the key

VFL's revenue grew 17% YoY (in line) led by 17.6% SSSG growth in 1Q. Consumer level sales growth, however, was higher at ~23% YoY, depicting some demand recovery. Margins, however, remained weak due to (i) lower gross margin, and (ii) higher marketing expenses, resulting in 7% YoY EBITDA growth (4% miss). The management highlighted that consumer sentiment remains weak. Competitive intensity from unorganised players is abating but still continues to impact performance. On the positive side, demand has revived a little in Andhra Pradesh and Telangana, where the company has been struggling for growth over the last several quarters. New brands continue to grow ahead of the company's growth rates with better KPIs. VFL is taking multiple steps to drive growth in a tepid environment by (i) increasing design availability by 2.3x - 2.4x YoY, (ii) focussed marketing (iii) revamping employee training methods and (iv) improving store quality. Improvement in the overall macro environment will be the key for revival in growth momentum. The management has also taken a call to focus on improving the quality of growth by focusing on SSSG, which is leading to consolidation of some older stores and also closure of a few concept stores that it experimented with over the last 2-3 years; this, in turn, is impacting net store additions. We maintain BUY with an unchanged target price of INR 930 (45x Jun'27 Pre-Ind AS EPS) as roll-over benefits get negated by 2-3% cut in our EPS estimates as we trim our network addition estimates.

- **Consumer revenue up ~23% led by 17.6% SSSG; margins disappoint:** Vedant Fashion's (VFL) revenue was up ~17% YoY to ~INR 2.8 bn (in line), while consumer sales grew ~23.2% YoY led by 17.6% YoY increase in SSSG in Q1. Annualised reported sales/sqft increased 12% YoY to ~INR 6,300, while consumer sales/sqft increased 18% YoY to ~INR 9,100. EBITDA was up 7% YoY to INR 1.2 bn (4% miss) as margin contracted ~410bps YoY to 42.9% (JMFe: 44.8%) led by ~140bps YoY contraction in reported gross margin and ~330bps YoY higher other expenses, partially offset by ~60bps YoY lower staff cost (staff cost was up 7% while other expenses were up 36% YoY on absolute level). Increase in other expenses was primarily driven by higher marketing spends largely led by higher number of weddings in 1QFY26. Gross margin, including job charges, was down ~80bps YoY to ~66.9%. PAT was up 12% YoY to INR 703mn (2% beat) led by a 20% YoY higher other income, partially offset by a 2%/7% YoY higher interest/depreciation expense.
- **Added net six EBOs and one new city:** Six EBOs (net) were added in 1Q; however, total store area reduced by ~6,400 sqft, taking the total area to 1.78mn sqft (including ~36 sqft of international stores area) with 684 EBOs. The management highlighted that it added more SIS stores (smaller in size) in the quarter and closed some old stores, resulting in net reduction in area. The company closed two stores in the international market (closed store in Dubai) and added one new city in India, keeping the city tally the same as the last quarter at 256 cities.

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	13,654	13,843	15,233	17,043	19,263
Sales Growth (%)	0.9	1.4	10.0	11.9	13.0
EBITDA	6,581	6,426	6,900	7,856	8,999
EBITDA Margin (%)	48.1	46.3	45.2	46.0	46.6
Adjusted Net Profit	4,142	3,885	4,166	4,782	5,539
Diluted EPS (INR)	17.1	16.0	17.1	19.7	22.8
Diluted EPS Growth (%)	-3.5	-6.2	7.2	14.8	15.8
ROIC (%)	38.0	30.5	32.1	36.4	39.3
ROE (%)	27.6	22.9	22.0	22.4	22.9
P/E (x)	43.9	46.8	43.7	38.1	32.9
P/B (x)	11.4	10.2	9.1	8.0	7.1
EV/EBITDA (x)	26.7	27.2	24.9	21.7	18.7
Dividend Yield (%)	1.1	1.1	1.2	1.3	1.5

Source: Company data, JM Financial. Note: Valuations as of 31/Jul/2025



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	930
Upside/(Downside)	24.1%
Previous Price Target	930
Change	0.0%

Key Data – MANYAVAR IN

Current Market Price	INR749
Market cap (bn)	INR182.1/US\$2.1
Free Float	21%
Shares in issue (mn)	242.9
Diluted share (mn)	242.9
3-mon avg daily val (mn)	INR263.0/US\$3.0
52-week range	1,512/706
Sensex/Nifty	81,186/24,768
INR/US\$	87.6

Price Performance

%	1M	6M	12M
Absolute	-7.6	-19.7	-34.9
Relative*	-4.8	-23.4	-34.3

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Exhibit 1. Quarterly performance (INR mn)

	Quarterly			Chng (%)		JM Est	Chng (%)		Year ended		Chng (%)
	Q1FY25	Q4FY25	Q1FY26	YoY	QoQ		YoY		FY24	FY25	
Net operating revenues	2,398	3,674	2,812	17	(23)	2,800	0		13,675	13,865	1
Material cost	(629)	(970)	(777)	23	(20)	(736)	5		(3,792)	(3,691)	(3)
Gross Profit	1,769	2,704	2,035	15	(25)	2,064	(1)		9,883	10,174	3
Employee cost	(146)	(153)	(156)	7	1	(160)	(3)		(568)	(598)	5
Other expenses	(496)	(893)	(673)	36	(25)	(650)	4		(2,735)	(3,150)	15
Total expenditure	(1,271)	(2,017)	(1,606)	26	(20)	(1,546)	4		(7,094)	(7,439)	5
EBITDA	1,127	1,657	1,206	7	(27)	1,254	(4)		6,581	6,426	(2)
Other income	215	221	258	20	17	220	17		697	852	22
Interest	(139)	(136)	(141)	2	4	(150)	(6)		(445)	(552)	24
Depreciation	(372)	(395)	(398)	7	1	(405)	(2)		(1,349)	(1,531)	14
Pretax profits	831	1,347	925	11	(31)	919	1		5,484	5,195	(5)
Tax	(206)	(336)	(222)	8	(34)	(231)			(1,342)	(1,310)	(2)
Adj. PAT	625	1,011	703	12	(31)	687	2		4,142	3,885	(6)
Extraordinary items	-	-	-			-			-	-	
Net profit (reported)	625	1,011	703	12	(31)	687	2		4,142	3,885	(6)
Recurring EPS	2.6	4.2	2.9	12	(31)	2.8	2		17.1	16.0	(6)
% of operating revenues											
Gross margin	73.8	73.6	72.4	-140 bps	-122 bps	73.7	-133 bps		72.3	73.4	110 bps
EBITDA margin	47.0	45.1	42.9	-411 bps	-222 bps	44.8	-189 bps		48.1	46.3	-178 bps
Material cost	26.2	26.4	27.6	139 bps	121 bps	26.3	132 bps		27.7	26.6	-111 bps
Employee cost	6.1	4.2	5.5	-56 bps	135 bps	5.7	-18 bps		4.2	4.3	16 bps
Other expenses	20.7	24.3	24.0	326 bps	-36 bps	23.2	73 bps		20.0	22.7	272 bps
Income tax rate (% of PBT)	24.8	24.9	24.1	-72 bps	-90 bps	25.2	-115 bps		24.5	25.2	74 bps

Source: Company, JM Financial

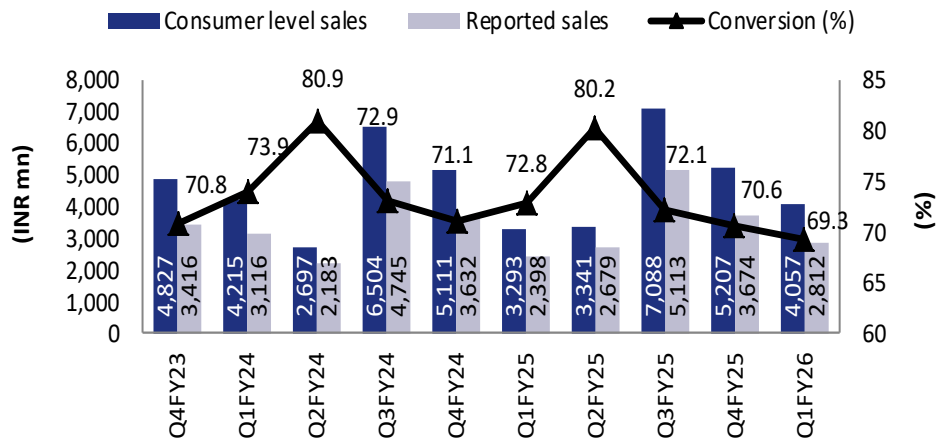
Exhibit 2. We have cut Pre Ind AS EPS estimates by 2-3% over FY26-28 as we trim our area addition estimates

	FY26E			FY27E			FY28E		
	Revised	Earlier	Chg (%)	Revised	Earlier	Chg (%)	Revised	Earlier	Chg (%)
Revenues (INR mn)	15,256	15,629	(2.4)	17,067	17,543	(2.7)	19,290	19,696	(2.1)
EBITDA (INR mn)	6,900	7,123	(3.1)	7,856	8,118	(3.2)	8,999	9,237	(2.6)
EBITDA (%)	45.2	45.6	-36bps	46.0	46.3	-26bps	46.6	46.9	-26bps
PAT (INR mn)	4,166	4,273	(2.5)	4,782	4,905	(2.5)	5,539	5,633	(1.7)
EPS (INR/share)	17.1	17.6	(2.5)	19.7	20.2	(2.5)	22.8	23.2	(1.7)
Pre Ind AS									
EBITDA (INR mn)	4,977	5,181	(3.9)	5,652	5,854	(3.4)	6,487	6,644	(2.4)
EBITDA (%)	32.6	33.2	-53bps	33.1	33.4	-26bps	33.6	33.7	-11bps
PAT (INR mn)	4,297	4,413	(2.6)	4,879	5,000	(2.4)	5,568	5,667	(1.7)
EPS (INR/share)	17.7	18.2	(2.6)	20.1	20.6	(2.4)	22.9	23.3	(1.7)

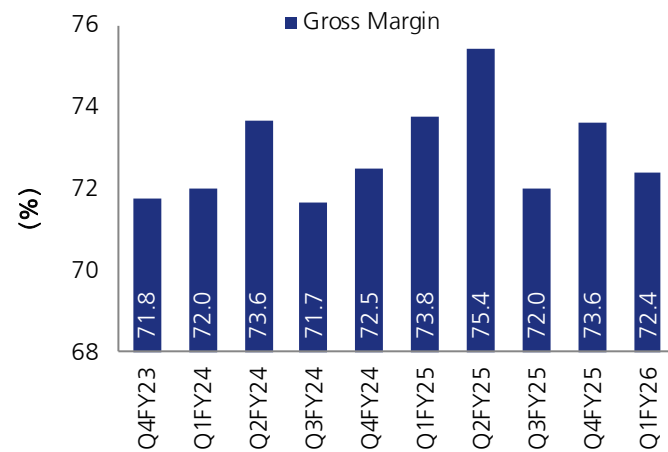
Source: Company, JM Financial

Highlights of conference call

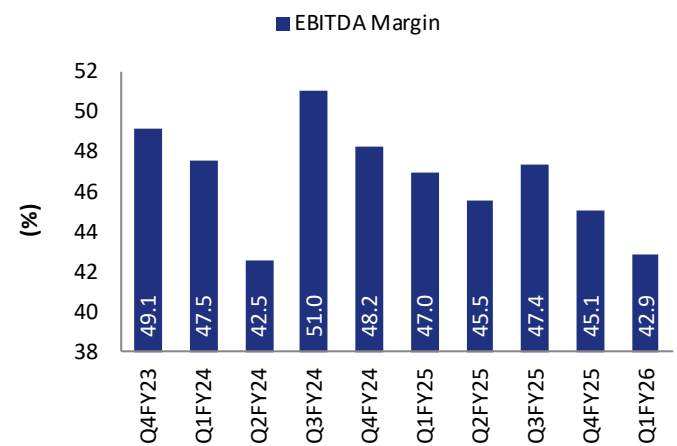
- **Demand:** 1QFY26 saw a rebound in the wedding calendar vs. 1QFY25, which led to demand improvement in the quarter. Consumer sentiment remains weak in the mid premium segment led by high retail inflation. Footfalls were largely in line with growth while conversions have risen by a few bps YoY.
- **Store expansion** – The company is following a measured pace of expansion. Even though the net store count has increased, overall area under operation has seen a reduction due to opening of smaller SIS store (150-200 sqft) and closure of some old non-performing stores. The company will be focusing on improving the overall store quality by closing non-performing stores and concepts that aren't working. Focus will be on opening more flagship stores in future, which can accommodate multiple brands under one roof. Gross area addition for FY26 could be 8-10% YoY with net area addition being lower due to closures.
- **Initiatives taken to improve performance:**
 - (i) **Variety** - The management has now increased the product variety to 2.3-2.4x YoY, which has enhanced the conversion rates
 - (ii) **Marketing** - Instead of doing one big campaign for a brand, the company is breaking it down into multiple mini campaigns digitally
 - (iii) **Operations** – The company has spent a lot of money investing in modern age technology. VPL parivaar app trains fashion advisors for 2/3 mins daily as compared to other retailers doing it 2-3 times a year. This helps to improve employee efficiency
- **Brand level performance -**
 - **Mohey:** Successfully executed campaigns for Mohey, leveraging influencers and in-store activations aimed at bride and bridesmaids. It is targeting to change its positioning from the bridal wear brand to a wedding wear brand. It has outperformed the company average in terms of SSSG.
 - **Twamev:** Goal over the next 3-5 years is to have a larger market share in the bridge to luxury category where boutiques and small designers operate today and open the best store in the top 30/40 markets of India.
 - **Diwas:** Has seen positive response in trade shows done in the last 2 months, but the real test will be in the upcoming festive season. The brand is performing well in terms of SSSG. It has registered decent performance in 1Q and July. It is focusing on the e-commerce channel along with multi-brand outlets and SIS routes. The target for the brand is to first become a leading player in the market place channel and then become the market leader in festive wear.
- **Marketing expense:** Increase in marketing expense is in line with the company's usual spend on a quarterly basis. The management held back on these expenses last year due to fewer wedding dates, and spent the funds in the second half of FY25. However, with the increased wedding dates in 1QFY26, it decided to spend a larger chunk of amount committed to marketing expenses this quarter. It reiterated that the amount spent this year on marketing will remain similar to previous levels on a full year basis.
- **AP and Telangana:** Sharp rebound in demand was seen in AP and Telangana, which also propelled growth momentum in 1Q, and it was better than the company average. Demand remained good even in July.

Exhibit 3. Consumer/reported sales were up 23 % YoY

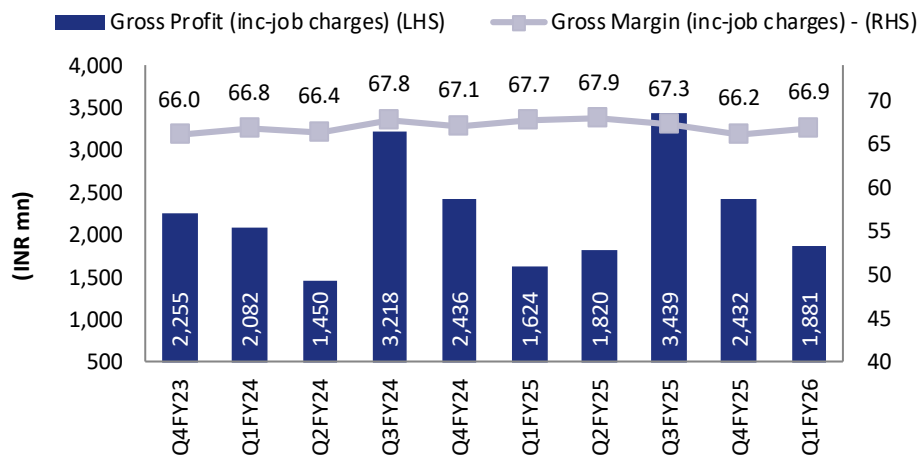
Source: Company, JM Financial

Exhibit 4. Gross margin contracted ~140bps YoY

Source: Company, JM Financial

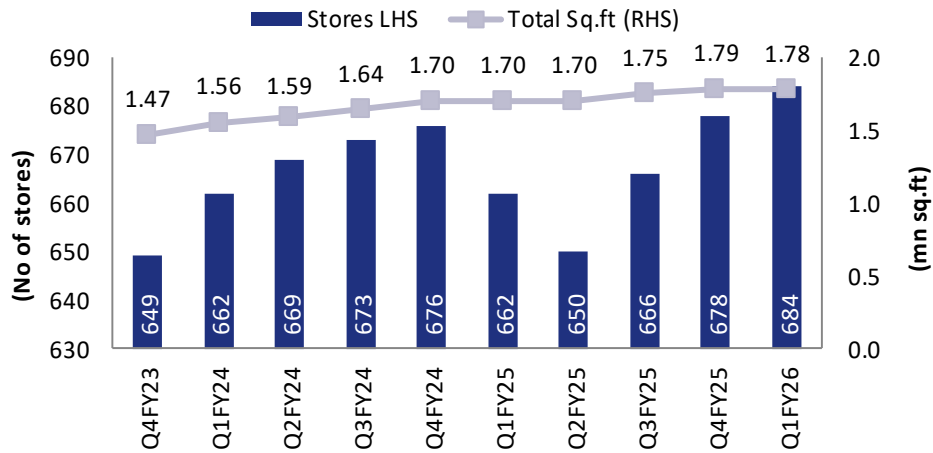
Exhibit 5. EBITDA margin contraction was higher at 410bps YoY

Source: Company, JM Financial

Exhibit 6. Gross margin (including job charges) contracted ~80bps YoY

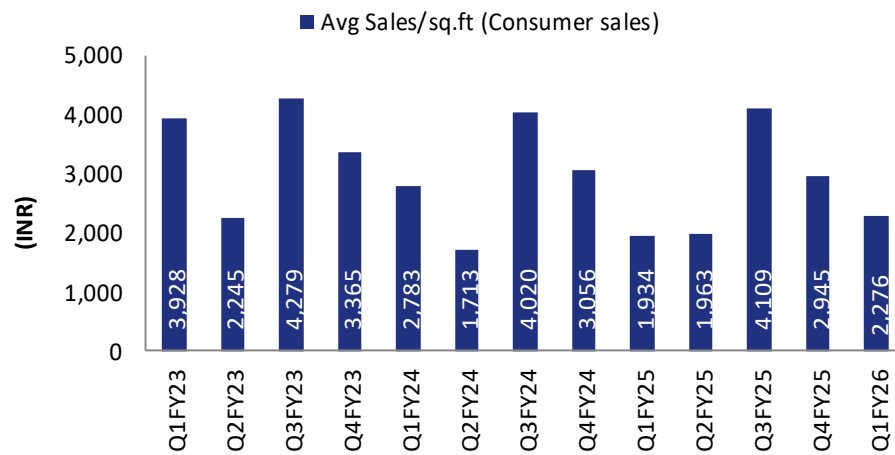
Source: Company, JM Financial

Exhibit 7. Added 6 EBOs QoQ, while total area reduced by 6,400 sqft



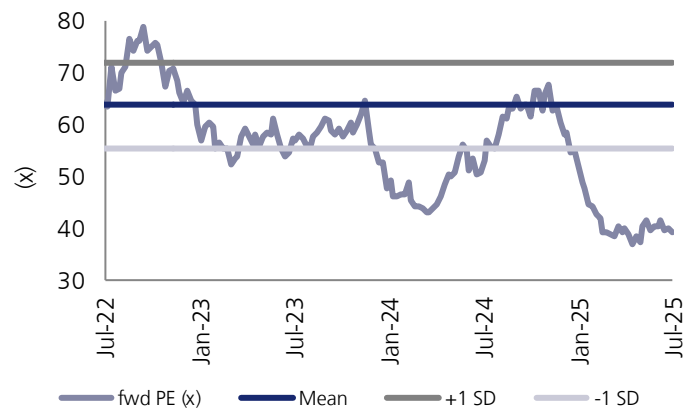
Source: Company, JM Financial

Exhibit 8. Avg consumer level sales/ sqft increased ~18% YoY to INR 2,276 (quarterly)



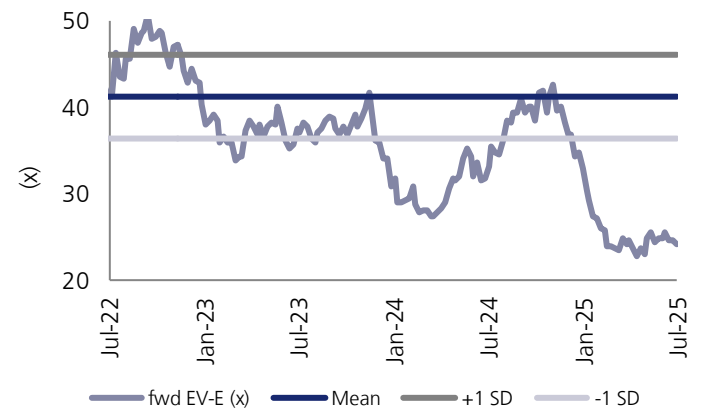
Source: Company, JM Financial

Exhibit 9. 1 yr forward P/E



Source: Bloomberg

Exhibit 10. 1 yr forward EV/EBITDA



Source: Bloomberg

Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	13,654	13,843	15,233	17,043	19,263
Sales Growth	0.9%	1.4%	10.0%	11.9%	13.0%
Other Operating Income	21	22	23	25	26
Total Revenue	13,675	13,865	15,256	17,067	19,290
Cost of Goods Sold/Op. Exp	3,792	3,691	4,150	4,625	5,208
Personnel Cost	568	598	664	734	820
Other Expenses	2,735	3,150	3,543	3,853	4,263
EBITDA	6,581	6,426	6,900	7,856	8,999
EBITDA Margin	48.1%	46.3%	45.2%	46.0%	46.6%
EBITDA Growth	-1.9%	-2.4%	7.4%	13.9%	14.5%
Depn. & Amort.	1,349	1,531	1,659	1,851	2,027
EBIT	5,232	4,895	5,241	6,005	6,971
Other Income	697	852	966	1,071	1,160
Finance Cost	445	552	638	683	727
PBT before Excep. & Forex	5,484	5,195	5,569	6,392	7,404
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	5,484	5,195	5,569	6,392	7,404
Taxes	1,342	1,310	1,403	1,611	1,866
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	4,142	3,885	4,166	4,782	5,539
Adjusted Net Profit	4,142	3,885	4,166	4,782	5,539
Net Margin	30.3%	28.0%	27.3%	28.0%	28.7%
Diluted Share Cap. (mn)	242.9	242.9	242.9	242.9	242.9
Diluted EPS (INR)	17.1	16.0	17.1	19.7	22.8
Diluted EPS Growth	-3.5%	-6.2%	7.2%	14.8%	15.8%
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	5,569	6,392	7,404
Depn. & Amort.	1,349	1,531	1,659	1,851	2,027
Net Interest Exp. / Inc. (-)	310	284	292	257	239
Inc (-) / Dec in WCap.	-498	-1,315	-200	-967	-1,161
Others	-513	-553	-620	-645	-672
Taxes Paid	-1,301	-1,256	-1,403	-1,611	-1,866
Operating Cash Flow	4,831	3,886	5,297	5,278	5,972
Capex	-40	-31	-48	-53	-58
Free Cash Flow	4,791	3,855	5,249	5,225	5,914
Inc (-) / Dec in Investments	-1,146	-408	-1,812	-1,500	-1,500
Others	91	281	966	1,071	1,160
Investing Cash Flow	-1,095	-159	-894	-482	-398
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	-1,922	-2,203	-2,512
Others	-2	-1	-100	-100	-100
Financing Cash Flow	-3,616	-3,772	-3,966	-4,490	-5,041
Inc / Dec (-) in Cash	120	-45	437	306	533
Opening Cash Balance	97	217	172	609	915
Closing Cash Balance	217	172	609	915	1,448

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	16,019	17,863	20,085	22,680	25,789
Share Capital	243	243	243	243	243
Reserves & Surplus	15,776	17,620	19,842	22,437	25,546
Lease Liabilities	4,444	4,829	5,221	5,586	5,894
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	25,568	28,528	31,945
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	10,704	12,125	14,031
Inventories	1,386	2,020	2,090	2,338	2,642
Sundry Debtors	5,645	6,186	6,214	6,951	7,857
Cash & Bank Balances	217	172	609	915	1,448
Loans & Advances	119	51	51	51	52
Other Current Assets	1,489	1,648	1,741	1,870	2,032
Current Liab. & Prov.	4,406	4,511	4,502	4,650	4,862
Current Liabilities	2,700	2,892	2,896	3,033	3,217
Provisions & Others	1,706	1,619	1,606	1,617	1,645
Net Current Assets	4,450	5,566	6,202	7,475	9,169
Total - Assets	20,677	22,954	25,568	28,528	31,945

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	30.3%	28.0%	27.3%	28.0%	28.7%
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%	22.0%	22.4%	22.9%

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	66.0	73.5	82.7	93.4	106.2
ROIC	38.0%	30.5%	32.1%	36.4%	39.3%
ROE	27.6%	22.9%	22.0%	22.4%	22.9%
Net Debt/Equity (x)	-0.4	-0.4	-0.5	-0.5	-0.5
P/E (x)	43.9	46.8	43.7	38.1	32.9
P/B (x)	11.4	10.2	9.1	8.0	7.1
EV/EBITDA (x)	26.7	27.2	24.9	21.7	18.7
EV/Sales (x)	12.9	12.6	11.3	10.0	8.7
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

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
26-May-25	Buy	930	

Recommendation History



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

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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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