



“Vedant Fashions Limited
Q3 FY2024 Results Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to Vedant Fashions Limited Q3 FY2024 Results Conference Call hosted by Axis Capital Limited. As a reminder, participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” and then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gaurav Jogani from Axis Capital. Thank you and over to you Sir!

Gaurav Jogani Thank you Tushar. Good everyone. On behalf of Axis Capital it is my pleasure to welcome you all to Vedant Fashions Earnings Conference Call. Today we have with us from the management Mr. Vedant Modi – Chief Revenue Officer and Mr. Rahul Murarka – Chief Financial Officer. Thank you and over to you gentleman.

Vedant Modi: Thank you very much Gaurav. Good afternoon and a warm welcome to all the participants. I am Vedant Modi the chief revenue officer of the company. Thank you for joining us today to discuss the Vedant Fashions limited Q3 and nine months ended financial year 2024 results. I am joined by Mr. Rahul Murarka who is the chief financial officer of our company. I hope everyone got an opportunity to go through our financial results and investor presentation which have both been uploaded on the stock exchange as well as the company's website. Let me take you through the quarter ended and nine month performance. In this quarter we continued with our network expansion strategy and have successfully rolled out approximately 52,000 square feet of net retail area in the third quarter aggregating to 1.72 lakhs of square feet net rollout in the nine months of FY2024. As of December 2023, Vedant Fashions EBO area stands at 1.64 million square feet spanning across 673 stores in 262 cities and towns globally. The national EBO footprint tally is 657 stores spread across 250 cities and towns. We have a strong and healthy pipeline for new rollouts planned ahead. In Q3 FY2024 our overall customer sales grew by 11.1% over Q3 of FY2023. In Q3 period October month was significantly impacted due to inauspicious start period however with the onset of festivity and major wedding season, we witnessed a much accelerating trends. Our EBO customer sales grew by about 30.7% and SSSG sales grew by 17.3% during the period of 60 days starting from Navaratri as compared to last year, 60 days comparable periods starting from Navratri in this quarter. We witnessed a good Diwali season and also recorded the highest ever daily EBO sales in the history of the company. In this quarter we have also added another feather to the Taiyaar Hokaar Aaiye marketing campaign. With our strategic partnership with megastar Ram Charan we have successfully launched a unique campaign depicting a timeless tale of the relationship between a father and a son during his son's wedding.

We have also launched a festive based Diwali ad campaign during the quarter. We are thrilled to announce our entry into the tapestry of South India with the introduction of the Vivaham collection, Panchakacham and veshti sets, via our marketing campaign

with Ram Charan and celebrity actress Sobhita Dhulipala. This collaboration and launch is a testimony to our commitment to authentically embracing the cultural richness of South India. This strategic move not only allows us to cater to region specific unique preferences but also reinforces our brand's dedication to diversity and inclusivity. We have also leveraged brand building for Mohey with celebrity associations, real brides, and leading stylists. Our nine months period performance is majorly a reflection of our first half performance. This is majorly attributed to the significantly lower weddings in the current year coupled with the general economic slowdown impacting consumer sentiments and also a higher base effect of last year post COVID. Overall our preparedness in terms of every aspect of business and market consciousness like network expansion, multi-dimensional marketing, adequate and appropriate inventory, and merchandising management backed with robust auto replenishment systems and backend dynamics have helped us effectively maintain strong financial margins and profitability metrics reflecting resilient fundamentals of the business. With this I will now hand over the call to Mr. Rahul Murarka to take you through the financial performance of our company thank you.

Rahul Murarka:

Thank you Vedant. Namaskar and good afternoon everyone. I would like to highlight the key financial matrices for the quarter and nine months period ended 31st December 2023 based upon the consolidated financial statements. Starting from Q3 of FY2024 performance update, the company has reported revenue from operation of around 475 Crores delivering a growth of around 7.5% as compared to Q3 of FY2023. The company continues to report industry leading gross margin of around 67.8% during Q3 of FY2024. The EBITDA margins were around 51.1% and the EBITDA stood at around 242 Crores with a growth of around 7.4% compared to Q3 of FY2023. The company reported best in class PAT margin of around 33.2% and the profit after tax stood at around 158 Crores with a growth of around 5% compared to Q3 of FY2023. Sale of our customer is around 650 Crores with a growth of around 11.1% as compared to Q3 of FY2023. During Q3 FY2024 October month was significantly impacted due to in auspicious shraddh period. However our EBO customer sale grew by approximately 30.7% and SSG growth was around 17.3% during major wedding and festive period of 60 days starting from Navaratri as compared to last year 60 days comparable period starting from Navaratri. Now coming to nine months FY2024 performance update. The company reported revenue from operation of around 1004 Crores and the sale of our customer is around 1342 Crores. The company continues to report industry leading gross margin of around 67.2%. The EBITDA margins are around 48.4% and EBITDA stood at around 487 Crores.

The company reported healthy margin of around 29.7% during 9 months of FY2024 and the profit after tax stood at around 298 Crores. Moreover the PAT generated during the TTM December 2023 is about 123% of networking capital employed based upon internal MIS. On comparing our performance with nine months of FY2020 which was a normal period not having any impact of pent up demand, the



company's revenue from operation grew by approximately 53% and the PAT grew by across 80% based upon internal management MIS. The company had a track record of generating significant cash driven by a healthy cash conversion ratio. During TTM December 2023 period the company reported strong cash conversion ratio of approximately 85% which has been computed based upon operating cash flow or PAT and internal management MIS. During nine months of FY2024, the company's overall performance got impacted due to significantly lower weddings nationally. General slowdown impacting consumer sentiment coupled with higher base effect of last year post COVID. However, the company has been able to effectively maintain strong financial margins and profitability metric reflecting resilient business fundamentals. Thank you and namaskar everyone. We can now move to the Q&A session.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Sameer Gupta from India Infoline. Please go ahead.

Sameer Gupta: Sir firstly the last 12 months if I look at the customer sales growth has been around 2.7% and even if I take an average of the SSS over the last four quarters it is around -7 so just wanted to get some trends based on your performance are there any specific trends related to category segments which are witnessing more pressure maybe lets say groom related or immediate family members wider end to range which of these is seeing more pressure, non-wedding related and any bifurcation between stores where you have opened new stores in the vicinity or older store versus newer stores age wise is there any performance divergence that is happening any trend would be help to understand.

Vedant Modi: Thank you for your question Sameer so broadly if you look at our business when we look at different categories because there has been a large marketing driven focus on our wedding attendee business the overall growth has definitely in the last two, three years come from that segment so if we talk about segments the non groom segment has definitely worked better for us more from a marketing angle as well which has led to better footfalls at the store over the last two, three years if I talk about it overall and from a new store perspective typically stores take two to three years to mature and we see similar patterns as things continue. Even when we open larger stores next to our already existing well performing stores typically these are in areas where the stores productivity is extremely high and we continue to witness very good productivity in the older store as well even though it might take a small hit, the overall number is still very, very good from all angles of profitability for the company and the franchise partner of that particular store.

Sameer Gupta: Got it Vedant so next corollary to this question would be that over the last 12 months maybe wedding dates may be lower but typically number of weddings might not be dropping down so what is really happening are we losing share to unorganized smaller players are back any sense of these numbers would be great to understand.



Vedant Modi: So our overall take on the situation is that it is a mix of two main things, one is there was slight bit of pent up in last year and that is well coupled with Adhik Mass plus lower number of wedding days in this overall year has led to total number of weddings being slightly lower in this year. When we talk to all the people in the industry this includes banquet hall owners, five star hotels, event organizers we see an overall trend where everyone is kind of commenting that the business this year has been lower than last year. The other factor also which is more impactful to our newer categories which is our festive based sale and our overall non groom business is also the fact that we do see a bit of economic slowdown across the board especially in tier two and tier three which is what we are witnessing.

Sameer Gupta: Got it. I will come back in the queue for any followup on this. Second question would be on Mohey so I mean see we had been given a commentary that it will be 6-7 stores in FY2023 itself if I go back let us say to previous quarter calls and it is January 2024 now so I mean we are yet to open the flagship store so what really is taking this long in any case this is going to be a pilot for the first few years why not launch these and try to understand or get learning's rather than keep delaying and getting the perfect store, just your thoughts on this.

Vedant Modi: I completely understand your point here and this is something which was slightly out of management control. The overall delay was something which was a mix of parties and it was slightly out of our control otherwise we would have definitely liked to have achieved it earlier. The store would be rolled out any time in the upcoming quarter and we have already actually piloted with three smaller EBO for Mohey which are already live in different parts of the country and the flagship will also be live very soon.

Sameer Gupta: Got it that is all from me. I will come back in the queue for any followups, thanks.

Moderator: Thank you. The next question is from the line of Nihal Mahesh from Nuvama. Please go ahead.

Nihal Mahesh: Thank you so much and good evening to everyone. My first question was for this quarter you alluded specifically say to the period of October 15 to December 15 let us say starting Navratri and two months down where the SSG was obviously very strong at 18% whereas for the full quarter as a whole it ended up being negative -2% despite the fact that last year's base was a negative 9% in terms of SSG so was it primarily the start period of the first 15 days of October or even the last 15 days of December were muted because of which the overall performance ended up being so divergent to the two months that you are highlighting.

Vedant Modi: So the thing that majorly hurted us was the first 15 days of October primarily because these first 15 days are typically never a shradh period. The shradh typically takes place



in Q2 which is anyway a lull period and is completely okay given the current business dynamics however last year and the preceding years typically the first 15 days of October is also a pretty good decent time of doing business that being heavily impacted the idea was for us to overcome that entire stress in the remaining 75 days however even the last 15 days when there is another mass that kind of is put in the last 15 days of December and it is typically always a weaker period we expected this time for it to be better off but that was not the case. However the 60 days which we got clean which was festive and auspicious shopping period the performance was very good during those 60 days.

Moderator: The next question is from the line of Varun Singh from ICICI Securities. Please go ahead.

Varun Singh: So Vedant my question is this quarter I understand first 15 days and last 15 days in December impacted by shradh and Malmas etc but like if we compare base quarter compared to this quarter so number of wedding days has been kind of 2x so given this context I mean how would you be judging the current SSG number that we have clocked.

Vedant Modi: So you know there are couple of things here, firstly wedding dates are higher by two, three number of days higher in this quarter. The second perspective is while there is a good correlation between the number of weddings that happen in the country and the wedding dates it is not directly correlated or directly proportional to an R square of 100%. There can always be years where there are slightly higher dates but less number of weddings happening and that is something which we have been noticing from the overall pattern of the country and this is quite evident when we talk to the network of MBO distributors and dealers or be it any banquet hall owners, anyone related to the wedding industry so while there were slightly higher dates compared to last year we still feel that overall number of weddings were still muted or slightly lower than overall last year and on top of that there was an effect of slightly lower spending on consumer discretionary items which was witnessed across consumer companies.

Varun Singh: But having said that the category where we belong and the kind of discretionary consumption that it caters to there I think little bit of whatever slowdown in other discretionary thing etc., because frequency of buying is extremely, extremely low in our category so I mean do you really think that the sector slowdown has any correlation or direct correlation with the slowdown in revenue growth in our case.

Rahul Murarka: We are not talking about the sector per se we are talking about general consumer sentiments which we felt based upon our ground surveys that it was kind of soft which we also felt that one of the reasons why the Q3 did not deliver as per our expectations as well.

Varun Singh: I mean in that context next quarter number of wedding days I mean which is the only trackable number that we have fortunately, unfortunately whatever so like next quarter



it is hardly 7-8% more or almost equivalent to last year wedding I mean what are the kind of expectation that you are building for the fourth quarter in terms of business.

Vedant Modi: Varun ideally we would like to see the entire quarter before commenting on this but overall the quarter this year is slightly more spread out compared to last year so we feel that the tail end of this quarter should be slightly stronger but at the same time given that we have seen about a month of January things look relatively soft and not as per overall expectations which you would have.

Varun Singh: And your reasoning for the softness is that consumer sentiment.

Vedant Modi: So like I mentioned our overall understanding is there is a mix of couple of elements here, overall consumer softness from a sentiment perspective the second point also being slightly lower number of weddings which is a result of pent up last year and overall the hit of Adhik Mass, Malmas overall that we have in this year on top of low number of wedding days.

Varun Singh: Actually Vedant my question is meant only for fourth quarter not for financial year.

Vedant Modi: So fourth quart there are two things like I mentioned we would ideally like to see the entire quarter in play and then comment on the quarter because this particular quarter stretches till the end of March unlike last year so the expectation is that March overall will be much better than what we have seen last year but at the same time January as a month has been slightly slow.

Varun Singh: Okay got it thank you very much. That is it from my side, all the best.

Moderator: Thank you. The next question is from the line of Nihal Mahesh from Nuvama. Please go ahead.

Nihal Mahesh: I just have one question to Rahul that if I compare the gross margins also versus last year there has been a contraction so is this because of the mix of maybe as you highlighted a higher share of the non-groom segment does that explain this reduction in gross margins versus last year.

Rahul Murarka: Q3 if we compare then the gross margin is 67.8% which is similar to Q3 of FY2023 however on nine month period last year it was 67.8 and now it is 67.2 on a periodic basis Nihal it can always vary from one period to another because of various reasons like product mix is one of the reasons I would say. Like in FY2023 also it was at 67.4% so as a management we feel that anything 65% and above we are comfortable with that but on a periodic basis it can always vary.



- Nihal Mahesh:** Got that just one final question you did allude to bifurcating the business with the non-groom segment growing faster for you, was it that the festive business has seen a much weaker performance versus the overall business you did partially allude to it but just to clarify the same.
- Vedant Modi:** So if I talk about Diwali, particularly Diwali did pretty well for us in this particular financial year as well. When we look at our overall kurta sales preceding 10-15 days before Diwali it was at an all-time high so I think overall festive led by Diwali in the last quarter was pretty good for us.
- Nihal Mahesh:** Sure that was helpful. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Manish Poddar from Invesco Asset Management. Please go ahead.
- Manish Poddar:** Just trying to understand two things one is when you talk that this quarter is still running soft are you looking at absolute sales done in this quarter and wanting to clock a similar number or you looking at growth Y-o-Y. Let us say you did 475 Crores sales this quarter and given pent up nine months have been soft a lot of shift happening in marriages and stuff like that do you look at absolute number as 475 plus or you are looking at growth let us say this 7.5% that number is still know running at let us say 4, 5, 6%.
- Vedant Modi:** Manish overall what I would like to say here is that as a company we do not give guidance per se, what we are trying to do is qualitative commentary at this current point of time we would ideally like to see the overall three months before giving out the results probably approximately same time one quarter later.
- Manish Poddar:** Vedant I am not asking for a guidance, what I am trying to understand is when you look at performance in Q4 would you look at absolute sales done this quarter versus next quarter to look at whether it is a good number or bad number or you look at growth which you did 7.5% this quarter versus the growth next quarter, so let us say if you did 12% growth next quarter is that a good number in your view or do you look at let us say season was spread out this quarter is heavier than the last quarter in terms of wedding days then the absolute sales should be at least more than 475 Crores is what I am trying to understand, not any specific number as such to be very honest.
- Rahul Murarka:** So Manish typically when we talk about growth or when we compare numbers like in case of Q4 we will compare Q4 of FY2024 with Q4 of FY2023 because Q3 and Q4 are never comparable historically however this year we will have to see how the trends emerge because we also expected H2 to be slightly other than normal of what we have seen in earlier historical years and as far as growth is concerned again growth for quarter we will look and compare with Q4 FY2023.



- Manish Poddar:** Okay and just last one, in terms of let us say inquiries of franchises what is the sense on ground are we still looking for this 14 to 16% odd space expansion for FY2025 or that number we want to calibrate it given what the demand environment looks like.
- Vedant Modi:** Commenting on overall business development and retail footprint expansion I would say for now our FY2025 estimates would be still at around 15-16% and that is how we are looking at overall store openings and yes from a franchise inquiry perspective it's again never an issue and we have a great number of franchises already in the queue across multiple locations.
- Manish Poddar:** Okay thanks so much.
- Moderator:** Thank you. The next question is from the line of Ankit Kedia from Phillip Capital. Please go ahead.
- Ankit Kedia:** Vedant just a question follow up on the store opening if I look at this quarter itself our shop and shop we opened around five stores but the net EBO expansion was only four stores so definitely the store closures have been high this quarter while the overall area expansion is 50 odd thousand square feet so we are opening more bigger stores, can you just tell us in last 9 months why the store closures whatever the number has happened and going forward what would be the average size because we have multiple store sizes from 20,000 to 8,000 to 2,000 as well.
- Vedant Modi:** Overall when we kind of look at our business development strategy what has happened over the last I would say almost two years is we have continuously churned out very small stores. Typically these stores are under 1,000 square feet and not representative of the new Manyavar anymore and at the same time continue to open larger stores. Typically I would say the average of new EBOs which are being opened is between 3000 to 3200 square feet that is the broad average and you are correct in saying that the net opening was only four, but broadly we have opened almost 74 odd stores this overall nine months while we have churned 50 but all very small stores from an area perspective these 50 stores would not even add up to 1.5% of our total area.
- Ankit Kedia:** Just a follow so how many more of these smaller stores are yet to be churned in the system so that we focus more on the area and not on the store addition which you always ask us not to look at stores but given that it is a data point we need to monitor.
- Vedant Modi:** So it is a continuous dynamic process. I would say the large chunk of what had to be done is already being done maybe there is about 20 odd such very small stores left, but again the dynamics also depend on the market so market where there is great potential even a 2000 square feet store can become relatively small and demand a larger store so when that eventually opens up we will end up closing the smaller store so it is a dynamic



process but I would say from the larger exercise about 15-20 very small stores are still left to be churned out.

Ankit Kedia: Sure my second question is on south versus north given that we have a proper south campaign with a brand ambassador now how big is the south market for us today if I have to look on revenue terms or number of store terms however we call it and from a Mohey perspective do you think having a separate inventory for south would make more sense also now given that their women are wearing sarees instead of more lehnga or how is that market also moving in south today.

Vedant Modi: So overall south is now our largest market when we are looking at it at a company level which is including Mebaz and overall that is why there is an increased focus on south and also a focus on merchandising specifically for south India so there is a lot of investment that has been happening from all fronts of design, marketing and retail in that particular region on the front of Mohey we are already actually taking this up. There are multiple saree ranges which are only currently being delivered in south India and this is a continuous design process for us where we look at design levels and what sells in particular regions and according to particular cultures and as an attempt to be a more diverse brand and a more inclusive brand we will always try to add more and more categories in our portfolio that is able to justify the cultural heritage of any particular area.

Ankit Kedia: And last question is on Twamev. How is the performance of the first couple of stores of Twamev been in the festive and the wedding season gone by, are you happy with that, it is work in progress and from a next year perspective what is the store opening guidance for Twamev.

Vedant Modi: Overall we are very happy with how Twamev has been performing. In fact we have recently done the marketing launch of our Twamev south X store where we had a celebrity ambassador launch the store and things have been looking very well for all the EBOs that we already have opened. From a guidance perspective now it is a continuous business development task where we are trying to find the best properties and the best markets of the top 10-15 cities of India and that is the focus at least for the next two financial years where we want to cover all these markets with the best in class stores that we can find there. Broadly we have two three stores signed and in the pipeline on top of the four stores we have already opened and in addition to that like I mentioned 10-15 best cities and best markets of India is what we looking at from a short term perspective to grow on Twamev.

Ankit Kedia: And the stores would also be the 4000 square feet stores or they would be a larger store.



- Vedant Modi:** So I would say in the case of Twamev the minimum would be a 3500, 4,000 but the average would be slightly higher more in the lines of 6,000, 6,500.
- Ankit Kedia:** Understood. Thank you so much Vedant and all the best.
- Moderator:** Thank you. The next question is from the line of Nikunj Gala from Sundaram AMC. Please go ahead.
- Nikunj Gala:** Good evening everyone. Thanks for the opportunity. My first question is with respect to sales which we have done in Q3 and the key performance indicators which we track, have we seen deterioration in those parameters like the number of articles per bill would be lower or some product mix deterioration those kind of a key metrics, have you seen any deterioration there.
- Vedant Modi:** Thank you for the question. We have actually grown in every single retail metric that we follow such as average basket size, average bill value, and the overall kind of feedback we are getting from the customers, all of these things have been on a positive trend so overall from a merchandising and product perspective also things look very sorted and like we have been mentioning sometimes it is a bumpy road in a long journey and what we kind of understand from at least from a mid to long-term perspective we are doing everything which is right for the business and as things kind of move forward and improve and there is higher footfalls in our stores then the business should also increase in the same perspective.
- Nikunj Gala:** Because if you see there is a weaker sentiment across when we are seeing as one of the reason for the lower growth then the person who have bought the **33:55 to 34:08 (not audible)** so weaker sentiment would have impacted those people who have bought also so these are two disconnect which we were trying to reconcile that here you are saying that all metrics are better but lower growth is weakness in the consumer sentiment so how do you see this two different commentary.
- Vedant Modi:** Your voice was slightly breaking but what I understand from the question what you are trying to say is if consumer sentiments were weak then there would have been a down trading happening right.
- Nikunj Gala:** Yes.
- Vedant Modi:** The take here is the reason why our ASPs have actually increased is because of higher availability of Twamev in a lot more of our stores. Earlier we never used to deal in slightly higher ASP products but now Twamev is available across 70-80 plus Manyavar stores where lot of our business already being demanded by consumers is now being fulfilled so that is where the major chunk of ASP improvement has come from and these



are people already who were willing to buy slightly higher priced items who wanted pure fabric but we were not able to serve them in earlier times not from the perspective of down trading at all and that is one take on ASPs improving. The other perspective also is from a consumer's perception overall shopping is also one area which they do not at all **35:55 to 36:30 (not audible)**.

Nikunj Gala: So Twamev would be contributing I think in a overall scheme of things I was trying to understand from Manyavar to Manyavar perspective the stores which are purely Manyavar stores have we seen some deterioration but anyways I will take it later. So second question would be from FY2025 perspective correct me if I am wrong whether wedding dates are still lower than FY2024 base going into next year is that a scenario you are also looking at.

Vedant Modi: The overall wedding dates when we look at next year overall what we kind of understand is H1 is slightly soft and H2 is very strong so that is the overall qualitative understanding of next financial year when it comes to wedding dates. However, as these things are based on astronomy as we get closer to dates the things will get finalized.

Nikunj Gala: Sir I was just referring on annual basis not H1, H2 but still I think they are lower right as compared to FY2024 also.

Vedant Modi: No it is broadly the same or I think two to three dates are higher compared to this year.

Nikunj Gala: Okay sure. Thanks Vedant. Thanks for your time.

Moderator: Thank you. The next question is from the line of Tejas Shah from Avendus Spark. Please go ahead.

Tejas Shah: Hi Vedant. Hi Rahul thanks for the opportunity. Couple of questions. Vedant when we started this quarter and this is for the whole sector there was a strong popular narrative that we had some 3.8 million weddings packed in just 30 days and hence a lot of expectations by media and by investor community was built around this quarter turning out to be very good so two questions on this point alone, first is there an authentic way to kind of get this data or is it is just garbage and garbage out data so that we do not do such mistakes in future A and B is there any forecasting value or we keep on asking number of wedding days and dates every time is there any forecasting value to it is just a kind of hygiene point that we should keep in mind.

Vedant Modi: So Tejas our learning over the last decade or so since we have been trying to track the number of weddings that happen in the country, there is no true source of this data which is the actual number of weddings that are happening. Majority of the comments made that we have seen in the press are also not backed by a large research but rather a



qualitative understanding of people which is what we understand, the second take here we internally are now trying to do it. We try to talk to a lot of people in the industry who have bookings six to nine months in advance so this includes hotels, banquet hall owners etc., but again the tricky part here is that the wedding dates are actually different in India based on where you are based so Hindi belt follows one set of wedding dates, Telugu market follows one set of different wedding dates, again different for Tamil so now as our company is growing and we operate in almost every single part of the country it is slightly difficult to track what is happening across the different parts of the nation but we are starting to track the Hindi belt numbers a little more carefully and closely.

Tejas Shah: This was very helpful and second last question just wanted to understand so you called out that consumer sentiments are relatively tepid so just wanted to understand more the character of the slowdown or tepidness is it uniform across geographies and within your vintage stores are you seeing some divergence in demand sentiment within your own network as well.

Vedant Modi: I would say the pattern which we see is it is very similar across geographies but tier one is still a lot better off compared to tier two and tier three so there we feel the pressure is slightly higher on our business, while tier one overall continues to perform better relatively, but from a geographic perspective it is pretty much similar.

Tejas Shah: Any more read on this tier two pressure, competitively are you placed well or you see unorganized because we are seeing the trend in many other categories in consumer basket that unorganized is actually bouncing back very strongly in the recent past so any observation there.

Vedant Modi: See our personal understanding is that from a merchandising perspective we are extremely data focused so all the price points that were working well for us last year and the year before we continue to be strong on those particular price points even though we might have evolved slightly higher price points that does not mean that we have left our smaller price points and there is also continuous effort from a marketing front from the perspective of also improving our overall design mix, be it a tier two or a tier three store so from a input perspective we see no challenge and another factor which I would like to add is one business internally which gives us a sense of how unorganized is doing is our MBO business so even when we look at a nine month perspective our MBO business is one of the most majorly hit channels for us so that and also discussing business with our MBO partners gives us an understanding that MBO overall as a channel has been a lot more hit compared to our EBO business so I do not see a narrative where we feel that unorganized is bouncing back it is mostly a road bump of multiple other factors as per our understanding.

Tejas Shah: Quite clear Vedant thanks and all the best for coming quarters.



- Moderator:** Thank you and the next question is from the line of Sameer Gupta from India Infoline. Please go ahead.
- Sameer Gupta:** Thank you just a small followup. Employee cost is down 10% Y-o-Y is there any one of here are we downsizing, is it an effort to save margins, payroll shifting to franchises anything on that line item would be helpful.
- Rahul Murarka:** It is mainly because of decrease in the director remuneration so in June, July this year we had revised the director remuneration so as a result of which we can see overall employee benefit expense going down but other than that normal employee expense has actually increased by more than 20% but because of decrease in director remuneration the impact is coming like that.
- Sameer Gupta:** Is not it something that we also did last year same time around.
- Rahul Murarka:** No last year we did revisit in April sometime and there was a further revisit this time in July so that is why we see a difference in director remuneration, but otherwise the normal employee cost has increased actually.
- Sameer Gupta:** Okay so this is more towards variability of director remuneration is that what you have done.
- Rahul Murarka:** You are right.
- Sameer Gupta:** Okay cool. That is all from me thanks.
- Moderator:** Thank you. The next question is from the line of Lakshya Jain from Flyer Investment. Please go ahead.
- Lakshya Jain:** First of all Sir we are new shareholders in the company and we feel proud as shareholders of Vedant Fashions Limited hats off to your business model Sir. First question taking into consideration the huge amount of cash pile in our balance sheet where are we standing when it comes to in organic growth Sir, do we plan to stay with our same product line or we are open to anything related to wedding.
- Vedant Modi:** See our overall 5 to 10 year strategy is more around apparels and that is what we are currently focused on however from a very long-term perspective I would say business is dynamic and never say never sort of a piece here, while we have never explored non apparel side of weddings it is something which we would only look at in a very long-term perspective. The other piece is like you mentioned the cash pile is large. The way we kind of look at disbursement is in the form of dividends and for the last two financial years we have been doing almost 50% of PAT in the form of dividends and we continue



to invest in our newer segments of growth such as Twamev, such as Mohey and this will be followed by project Manthan in the course of one to two financial years and the very good part about our business model is we do not require significant capital investment to launch any new brand. It is actually a model which can enable us to make profitable brands from the very first financial year itself.

Lakshya Jain:

Are we expanding in sarees apart from lehngas under the brand Mohey.

Vedant Modi:

Yes actually there is a very high focus on our saree category. It enables us to capture both the gifting category in a wedding and also capture the family members of the groom who might be accompanying him for the shopping and it also acts as a great bridge for people to start interacting with Mohey as a brand and it has been one of the best performing categories for us this financial year.

Lakshya Jain:

And Sir was competition also one of the main reasons for lower growth apart from shradh in Q3. Do we see this competition as a speed breaker in our short term growth Sir.

Vedant Modi:

We very carefully monitor competition across the country and what we will acknowledge is that the number of stores from competition has definitely increased over the last two financial years and there is a lot more stores now. However given the kind of modes our business enjoys what we have seen is while majority of these stores have opened in tier one, the major impact has actually been in tier two and tier three for our business. The last part to that answer is also that tier one is where we have seen still relatively less impact over tier two and three and majority of stores that have opened up is actually in tier one so we feel the other factors are in higher play versus competition as of now.

Lakshya Jain:

So tier one we are much better compared to the competition like we are not facing that much issue in tier one.

Vedant Modi:

So majority of the competition stores have actually opened in tier one so just the fact that tier two and tier three is more hit, we are able to comment saying that the other factors are actually in higher player versus actually instead of competition.

Lakshya Jain:

All right. I will be in the queue Sir. Thank you so much Sir.

Moderator:

Thank you and the next question is from the line of Prerna Jhunjhunwala from Elara Capital. Please go ahead.

Prerna Jhunjhunwala:

Thank you for the opportunity. Just wanted to understand what is making tier two, tier three cities more impacted when we see that e-commerce channels or Flipkart, Myntra not due to this category per se because the consumers expenditure has slowed down across the categories then tier two, tier three are more hit against e-commerce players



who are talking where they are witnessing higher growth in tier two, tier three so just wanted to get some colour on category slowdown per se in geography dynamics.

Vedant Modi:

I would say Prerna here that this particular comparison is very difficult to do in our case because e-commerce from an India perspective is still a very young industry and as there are more number of smart phones available, more people accessing the internet that industry will continue to grow and hence I do not see particularly a big correlation here and what we understand is from the overall consumer business community is that the tier two, tier three pressure felt and even in cities where we have good presence across retail and overall from an operations perspective we have still felt that the overall number of consumers walking in was slightly lower primarily led by lower consumer sentiments and the good part about our business you could say in some senses that still people prefer to feel the product before they buy one because Indian wear is not something that men especially buy on a very regular basis hence the penetration of e-commerce is still extremely small in the overall scale of the industry.

Prerna Jhunjunwala:

Okay and if we want to see this business differently than other apparel categories because people prefer to purchase for their wedding and they would not like to compromise over here and stuff do you think a rental business could pose a risk to this business going forward on a longer term basis.

Vedant Modi:

We continuously evaluate newer forms and dynamic forms of business opportunities that may be there but overall our consumer research says that wedding clothes is of cultural significance and at least for the groom and the immediate family culturally buying a new product and wearing that and actually storing it as a treasure in their wardrobe throughout the lives is a big part of the overall consumer journey when we refer to clothes being worn during the wedding, so at least from a short to midterm perspective we do not see this trend being large.

Prerna Jhunjunwala:

One more question if I can continue we visited few tier two, tier three cities during the quarter end to understand this slowdown but what we understand is lot of new stores per se have opened up in tier two, tier three also in competition to Manyavar, any colour on that would be helpful because people are saying I mean the market is not so big as the number of stores are opening up so some colour on maybe market opportunity for us in tier two, tier three cities where we see opportunities and what could change and maybe some lead indicators for us to understand because number of wedding dates and all these parameters which we were looking for is actually not making much, giving more colour to the sales growth.

Vedant Modi:

Point well taken so overall our understanding is that even in tier two cities where there might have been newer players that have opened up stores our overall impact has not been any higher than in a city where stores have not opened up in comparison and that



is why overall our understanding is the effect of other elements of the business are slightly higher this year compared to any other factor per se.

Prerna Jhunjunwala: Any lead indicators that you could highlight apart from wedding dates and number of weddings that we can follow.

Vedant Modi: One was number of weddings and the other overall consumer sentiments across board so these are the two main points that we understand. A bit of pent up was there last year overall from a nine month perspective.

Prerna Jhunjunwala: Okay this is helpful. Thank you Vedant.

Moderator: The next question is from the line of Akhil Parekh from B&K Securities. Please go ahead.

Akhil Parekh: Hi thanks for the opportunity. Just to hop more on the demand side right and we are clearly seeing a dichotomy in the sales of life of Titan versus Manyavar right given that we both target similar customer segment and the demand is a function of wedding and festive season. While on one side we are seeing that Titan jewelry sales is growing very well while we are kind of relatively underperforming so if you can please help understand the dichotomy if the cooperative intensity also has not increased then what could be the possible reason for the difference in the performance.

Vedant Modi: Our overall understanding here is that the two categories are very different, one is also the purchase cycle what is evident to us is apparels is bought much closer to the weddings while jewelry is actually purchased maybe even one year before the wedding in a lot of cases and thus this is quite a different business for us to kind of evaluate or compare to and the other also piece is that majority of the jewelry businesses that we have kind of seen and heard about only 20-25% of their total business is wedding related and the other is more related to daily consumption or investments.

Akhil Parekh: Sure this is helpful and if I can squeeze one more question you have given the reasons for delaying the opening of Mohey flagship stores I do not know if I missed that part and how does the pipeline of new store opening for Mohey look like.

Vedant Modi: Overall the reason for the flagship being delayed was more of a construction element and more of a handover element from our real estate partners which led us to have a delay which was slightly out of our control and that was the primary reason and the second piece also from a store opening element is we are looking at trying out multiple different models by mid to late next financial year. We want to experiment with new forms of Mohey and try different kinds of stores and pilot different business development strategies.



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- Akhil Parekh:** Sure thanks Vedant and best wishes to the team for coming quarters.
- Moderator:** Thank you. Ladies and gentlemen due to time constraints that was the last question. I would now like to hand the conference over to management for closing comments.
- Vedant Modi:** Thank you very much for all the analysts for joining our call. It is always a pleasure interacting with all of you and always a good learning for us thank you very much hoping to interact soon again in the financial year ending earnings call.
- Moderator:** On behalf of Axis Capital limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.