



**VEDANT FASHIONS**  
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**“Vedant Fashions Limited Q4 FY‘25  
Earnings Conference Call”**

**May 07, 2025**



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**MANAGEMENT: MR. VEDANT MODI – CHIEF REVENUE OFFICER,  
VEDANT FASHIONS LIMITED  
MR. RAHUL MURARKA – CHIEF FINANCIAL OFFICER,  
VEDANT FASHIONS LIMITED**

**MODERATOR: MR. SAMEER GUPTA – IIFL CAPITAL**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Q4 and FY'25 Earnings Conference Call of Manyavar, hosted by IIFL Capital.

As a reminder, all participant line will be in 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 “\*”, then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sameer Gupta from IIFL Capital. Thank you, and over to you, sir.

**Sameer Gupta:** Hi, good evening, ladies and gentlemen, and thank you for joining the Manyavar 4th Quarter Earnings Call. Without taking more time, let me hand it over to the management. Over to you, Vedant.

**Vedant Modi:** Thank you. 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 Q4 and full Financial Year '25 Results. I hope everyone got an opportunity to go through our Financial Results and Investor Presentation, which have been uploaded on the Stock Exchange as well as the Company's website.

In this quarter, we expanded our retail footprint by adding approximately 36,000 square feet of net retail area. We also rolled out one exclusive brand outlet of Twamev and one brand outlet of Mohey during the quarter. In the Financial Year '25, we have expanded our retail footprint by approximately 85,000 square feet of net retail area. We have also successfully rolled out three EBOs of Twamev in this financial year.

As of March '25, Vedant Fashions' EBO area stands at 1.79 million square feet, spanning across 678 stores in 256 cities and towns globally. The national EBO footprint tally is at 662 stores, spread across 244 cities and towns. In Q4 FY '25, sales of our customers were Rs. 5,207 million, growing by about 1.9% compared to the same period last year. During Financial Year '25, sales of our customers were Rs. 18,929 million, reflecting a growth of approximately 2.2% over Financial Year '24.

During the quarter-end and throughout the year, we implemented a comprehensive suite of marketing initiatives across marketing channels and brands, thereby further strengthening our brand's reach, positioning, and consumer appeal. Our approach encompassed category-focused campaigns, occasion-based festive marketing, collaboration with celebrities, sports personalities, and influencers, as well as targeted in-store promotions. Collectively, these efforts elevated our brand visibility and reinforced our connection with consumers.



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Throughout the year, we executed successful campaigns across several brands to boost consideration. Our flagship campaign, “Aap Kab Ban Rahe Hain Manyavar”, reinforced our strong association with the wedding category across platforms. Our Mohey brand campaign, Jab Aap Taiyaar Hum Taiyaar, also received widespread recognition, contributing to its strong performance during the year. We continued to build Twamev’s identity through the campaign, reflecting its truly youth philosophy, while Diwas gained early momentum, driven by new offerings and strategically targeting festive marketing.

Collectively, these initiatives have enhanced our brand presence and deepened consumer engagement. We have also partnered with leading quick commerce platforms to offer instant delivery of our Indian wear, alongside targeted campaigns to build the category. Additionally, our festive and celebration wear offering, Diwas, continued to receive positive response from consumers.

The Company’s performance in FY ‘25 was impacted by subdued consumer sentiments and severely impacted Q1 Financial Year ‘25, with extremely low/negligible wedding dates overall. However, in the nine-month period from July to March FY ‘25, retail sales grew by 9.3%, with like-to-like sales growing by about 2.9%. Despite these challenges, the Company successfully maintained strong margin metrics and positive retail KPIs, reflecting resilient business fundamentals.

Looking ahead, we are confident in our business’ strong foundation and preparedness, supported by relevant inventory and designs, a robust store network, multi-dimensional marketing initiatives, efficient auto-replenishment systems, and a strong backend infrastructure, positioning us well for sustained long-term growth.

With this, I will now hand it over to Mr. Rahul Murarka to take you through the financial performance of the Company.

**Rahul Murarka:**

Thank you, Vedant. Namaskar and good afternoon, everyone. I would like to highlight the key financial performance metrics for 4th Quarter and Full Financial Year ended March 31, 2025.

Starting from Q4 FY ‘25 performance update:

Revenue from operations during the period was around Rs. 367 crores, with a growth of 1.2% over Q4 of FY ‘24. The Company continues to report an industry leading gross margin of 66.2%, and a healthy EBITDA margin of 45.6%. The Company reported a strong PAT margin of around 27.5%, and the profit after tax stood at around Rs. 101 crores. Sales of our customers during the quarter was around Rs. 521 crores, with a growth of around 2% over Q4 of FY ‘24.

Now coming to FY ‘25 performance update:



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The Company reported revenue from operations of around Rs. 1,387 crores, with a growth of around 1.4%. Sales of our customers during the year was around Rs. 1,893 crores, with a growth of 2.2%. The Company continued to report industry-leading gross margin of around 67.2% and a healthy EBITDA margin of around 46.6%. The EBITDA during the period stood at around Rs. 646 crores. The Company also reported a strong PAT margin of 28%, and the profit after tax stood at around Rs. 389 crores.

Our performance during the year got majorly impacted because of subdued consumer sentiments and a very exceptional Q1, with almost negligible wedding dates nationally. However, during the remaining nine months' period from July to March '25, sales of our customers grew by 9.3%, with FSG growth of 2.9%. Despite these challenges, Company has been able to achieve healthy profitability matrices, along with positive retail KPI, 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 Gaurav Jogani from JM Financials. Please go ahead.

**Gaurav Jogani:** Thank you for the opportunity. Sir, my first question is with regards to, if you can throw some light on what is leading to this tepid demand overall? Would you allude this to the overall slowdown in the macro environment? Was it also due to the lower store openings during the year? What exactly would you like to pinpoint this to?

**Vedant Modi:** Thank you for the question. I think there are multiple factors here. And firstly, I feel overall the mid-premium side of consumer businesses have seen weak consumer sentiments overall, which has been the biggest cause of the relative slowdown.

Secondly, in our case, if I talk about the full financial year, Q1 had a major impact in terms of our overall financial year numbers, having close to no wedding dates.

Thirdly, like I had mentioned in the last earnings call, AP-Telangana played a detrimental role this year for us, where even if I look at the full financial year, overall, our EBO SSG is flat if we remove AP-Telangana data. And at the Q4 level, it's positive if we remove AP-Telangana from the data. And our overall exposure to that region is much higher than typical retail companies, both because of higher demand of Indian wear over the course of years from Manyavar Mohey and the acquisition of Mebaz combined. So, that has been another big impact overall from our perspective.

And lastly, we do acknowledge the fact that we are operating in a market where, over the course of last two to three years, a significant number of newer players have entered the market with a



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huge number of store openings across. So, that is again another factor where I feel the impact is relatively much smaller compared to the other three points I had mentioned before.

And finally, again, like you mentioned about the store openings. So, at a gross level we opened about 1.8 lakh square feet this year, which is entering the most important markets of India where we were not present or expanding our presence in our important existing markets. The net looks a lot smaller because we have been a little aggressive on consolidating our fleet, which is not required as per today's business needs.

So, all in all, while we would have liked to have a little more net area, given the kind of retail inflation we have been seeing on the ground, it has been a challenging environment to open stores with a lot of speed. And all that said, I think the current need of the business is to really focus on like-to-like growth and ensure we are able to deliver on that.

**Gaurav Jogani:**

Thanks, Vedant, for this detailed answer. My second question again is with regards to the overall category as a whole. If you can highlight something on how the category has grown over the past two to three years. Because FY '23 is when we really saw a good spurt of demand there, and which I think follow-up attracted a lot many players in the system. But how has been the condition of those players who have been entering into these markets? Has any of them been able to gain significant market share? Anything that you can throw some light?

**Vedant Modi:**

So, pretty interesting question. I think the way this can be answered is I definitely think that the Indian men's market has definitely not gone down, it has definitely been stable or growing. And in one part to it, the other question that you have regarding competition, the number of stores might have tripled over the last two to three years that were there in India doing men's Indian wear. So, there has been a large influx.

However, has one player taken any market share? That has not been the case, certainly. It's a large number of players opening a few stores, that is what we are seeing on the ground majorly. And if I give you an example of a city like Raipur, we used to have one exclusive brand outlet which we operate. And maybe another 25, 30 stores would have opened in that market. But we are still able to operate at Rs. 90 to Rs. 110 compared to the Rs. 100 mark we were at before these amount of stores opened.

So, in retrospect, it also gives us or shows us the strength of the brand that even with so much competition opening, we have been able to stand our ground in that market. And if we look at the financial data of all these numbers of stores opening, hardly any of them are at a mark where business is sustainable in the mid-term also. So, certainly there is a lot of macroeconomic pressure which we have seen. But overall, the category will definitely grow in the future.

**Gaurav Jogani:**

Sure, Vedant. Thank you for this. I will come back if I have any more questions.



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**Vedant Modi:** Thank you.

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

**Tejas Shah:** Yes. Hi, Vedant, thanks for the opportunity. Vedant, just you broadly touched upon this in your opening remarks and the previous questions also. But what specific measurable actions are we taking to reverse our current growth deceleration? And more importantly, how are we tracking or validating the effectiveness of those initiatives?

**Vedant Modi:** Great question. Thank you for that. So, firstly, I would also like to raise one important point here. We are not trying to be defensive as a Company when we say that these were the reasons. I think there is certainly a need to do better in everything that we do. Times are tough, but we need to take hard measures to ensure that we are able to grow in the future. And some of those initiatives, I would rather break them into three components: product, marketing, and operations. So, I would say these are the three core pillars of the Company.

In terms of product, what we ensured in the last financial year, and we will double down on that strategy as we move forward, is we tremendously increased the number of new designs that we launch in the market. So, if we used to launch one design, this year we did close to 2.3x, 2.4x of the number of designs. Ensuring if there's any trend in the market, we are able to understand them early and have it available across our fleet. We want to double down on this, we want to ensure that there is no trend of India that we are missing and want to be more fashionable than we ever were. So, we will be working a lot harder in ensuring our production times are faster, our turnaround time for the stores is faster, and continue focusing on that.

The second part is marketing. There is a large change in marketing ecosystem over the last few years, according to what we have been witnessing in the industry. Majority of the companies had very high offline spends. And what has happened is, if you look at the last three to four years, any new apparel player that has become big, has become big after becoming a big online player and then opening retail stores. So, it does show us the imminent need of being a digital-first marketing Company, which is the sort of strategy we have been following for the last three years. But in a more hybrid model, where our budgets are deployed both towards the big campaign outdoor TV spends, along with focus on digital.

But I think what we are now strategically taking a call on is, is there a high need to be 100% digital and to have a lot more focus on how campaigns are done with rapid speed, and instead of one or two big campaigns, doing 12 to 13 mini-campaigns. So, this is something which we have been discussing quite heavily on, and I believe this is something we will be going after and really changing the way modern marketing has been functioning.



And finally, when it comes to operations, we have also highlighted this in our investor's presentation, worked on a lot of fundamental aspects. One of the biggest innovations that was done by us this year, is we created our own app, which we call VFL Parivaar. And every single fashion advisor in our ecosystem is sent a one to two-minute training material every morning. And what we are able to do is connect a lot better with our retail employees and teach them something new on a daily basis.

Otherwise, in typical retail, training is done two to four times a year for each store. And the learning is lost in that quarter or in the six months' period. But by reinforcing it on a daily basis, we are seeing uptick in our KPIs, which we are training them on. And I think this has been a game changer in terms of how training should be done in the future. So, these are just a few examples, but we are also ensuring that we take any other measures that are needed.

**Tejas Shah:**

So, Vedant, thanks for a very detailed answer. So, the second part of that question was that, let's say if you have rolled out this initiatives in 10% or 15% of our network, are we seeing materially different outcome in terms of numbers versus the rest of the network, or is it like a very early stage where we have not rolled out at all?

**Vedant Modi:**

Yes. So, when it comes to product, I think we have certainly seen good changes in some pockets of the market where we have taken specific focused actions for. So, if I give you an example of Bihar, there were specific product actions taken for that market, and we saw a significant delta in that state over the other states throughout the year. So, similarly, we are enacting on this strategy for our other important markets.

When it comes to marketing, like I mentioned, this is something which is due to happen. We are in the process of having this transition. But what we also witnessed is taking strategic actions, especially in a market like Raipur, we are seeing a very good delta in our Q1 performance, which is 1st April to-date in that market, majorly on account of what we have done outside the store in that particular market. So, there are initiatives showing us results, and now the core focus is on how do we focus on key markets and really ensure that these efforts are bringing us the delta growth we are looking for.

**Tejas Shah:**

Sure. And if I may squeeze in the last one, so Vedant, our model completely relies on our ability to recruit franchise partners. Now, historically, our franchise partners also would not have seen such a difficult period. So, any comment, any insights on the morale of the franchise partners and our ability to attract that capital, which is very crucial for our growth?

**Vedant Modi:**

So, I think there are two sides to this question. One is attracting newer partners. So, the way our Company functions is we sign a store without finding a franchisee partner. So, the business development team does not look at the fact that do we have a partner ready for this market. The goal is to first sign the property. So, till now we have never faced a situation where there has



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been a dearth of a partner. Rather, even now I would say that has not been a challenge at all and is still one of the easier things to achieve.

The second part is regarding existing partners. Now, certainly with lower revenue per square feet, their overall ROF falls, but given how profitable our model has been for them, they continue to make decent money. So, there is no challenge when it comes to franchisee profitability in majority of cases. However, we do have a lot more conversations and business reviews happening on the ground on how we can get their business back to the levels they were or even beyond that point. So, there is a lot of drive from our partners as well who have been associated with us for many years and understand the situation of the market and understand the need of the hour and where they need to focus on as well.

**Tejas Shah:** Perfect. Thanks, and all the best for coming quarters.

**Vedant Modi:** Thank you so much.

**Moderator:** Thank you. The next question is from the line of Varun Singh from AAA BMS. Please go ahead.

**Varun Singh:** Yes, thank you for the opportunity. Sir my first question is, maybe if you can throw some light over the last one year with regards to store closures which would have happened. So, what are your key learnings from that? That's my first question.

**Vedant Modi:** See, when we look at the closures we have done, these are majorly markets which have stopped performing for any brand. So, there are multiple examples where a market moves from one place in the city to another place in the city. So, we have already opened a much better store in that newer market, and that older market is now where we have removed the store from. So that's one big use case.

The other big use case that we have seen is, there are certain Tier-3 towns in the overall market where we had a very small store. But either in that same town or in a very nearby town we have opened a flagship store, making that really small store redundant. So, these two, three are the major use cases in terms of closure. And some larger stores have been proper relocation, where, let's say, in Allahabad we had a close to a 10,000 square feet store which we have closed to shift into a 16,000 square feet store in the next building.

**Varun Singh:** Understood. So, none of the closures would be related with regards to the underperformance of the store due to competition. That understanding would be fair, right?

**Vedant Modi:** Not in the larger ecosystem, not at all.

**Varun Singh:** Sure, understood. And secondly, given the price points where we belong to, you think that this price point is maybe significantly scalable to make the overall retail area maybe 3x, 4x, 5x from





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the current level? Or you believe that maybe similar to trend the way they started a different format itself, Zudio, at half the price point, that's opportunity for us you think, I mean, given that we have created a specialist brand image for ourselves in this category itself. So similar to Mohey, in Manyavar franchise itself or with a similar brand name, I mean, if you can throw some light with regards to this, improving the addressable market for us. And in that context, on Mohey also if you can throw some light with regards to how much we have been able to scale and the scalability potential with the way we are looking at it over the next one to two years.

**Vedant Modi:**

Sure. I mean, a very interesting question again. So just answering your first part, our understanding of long-term Indian consumer is that upper middle class is where brands typically flourish if you look at it globally as well. And this is one area where brands have really benefited throughout the entire globe. And that is the target audience we go after. Sadly, last two to three years, as we have seen, consumer sentiment in this part of the market in the retail industry has been very weak and tepid, and value has done a lot better, just as you mentioned.

**Varun Singh:**

Sorry, Vedant, to cut you over here, but I think my earlier understanding was that our category is immune to subdued consumer sentiment, given that wedding is an essential thing and the exposure that we had to wedding, that had a larger role to play. So, I mean, how consumer sentiment in our case would explain the revenue growth underperformance? That is something, I mean, I am sorry I could not track you over the last two to three quarters if you would have already mentioned about this.

**Vedant Modi:**

Yes. So, again, here the major piece is that, if you look at our revenues, 40%-odd revenue comes from the grooms and the brides, and the remaining 60% comes from the family/wedding attendees. Now when we say consumer sentiments impact us, it will impact how much 40% is willing to spend, but they will still continue to buy. But the 60% behaves very similar to the other lifestyle markets of India, where consumer sentiments demand how much they will actually buy, will they buy a brand or what will they sort of consume during this festive period as well. So, that is one major piece from our end.

And sort of coming back to the earlier point I was trying to make, longer term perspective we still think that the Rs. 5 lakh to Rs. 50 lakh income bracket Indian is going to grow rapidly, which has been at a bit of a pause in the last two to three years. But it will definitely, from a five to 10-year horizon, be the meatiest part of consumption market in India, which is where we want to sort of stick.

And when you sort of talked about Mohey, there has been quite a large delta in terms of growth. So, Mohey would have a close to 25% odd delta in terms of the Company from a growth perspective. We have taken a large strategic shift from saying we are a bridal wear brand to transforming ourselves into a wedding wear brand. And this strategy has worked very well in our favor. We see improved footfalls, we see lot more conversions happening on the floor. So,



overall, this strategy is working for us. And having understood this, we are doubling down on this in the current financial year.

**Varun Singh:** When you say from bridal wear to wedding wear, I mean, you mean that to sell more of a lower ASP product?

**Vedant Modi:** So, relatively lower ASP to a bridal lehenga, but still women's wear has a lot more work involved, so it will still be a higher ASP compared to the companies at the GSP. So, if I give you more perspective, bridal lehengas in our Company are at an average ASP of about Rs. 22,000 to Rs. 23,000, and the other products of Mohey are at about Rs. 7,000 to Rs. 8,000, while the Company's ASP average is Rs. 4,000, Rs. 4,500. So, the growth that we are seeing is coming from the other categories in Mohey, like sarees, skirt tops, lehengas, stitched suits, and these are the categories we are really doubling down on.

**Varun Singh:** But you think that Mohey is taking more time than we expected to maybe fine-tune the business model and then rapidly scale it up? I mean, what's your current understanding on Mohey?

**Vedant Modi:** So, I mean, there are two parts here, right. One is that Mohey, we have been growing a lot faster than any other brand in the Company. Even from a retail footprint perspective, close to about 40% of the retail area we opened was Mohey this financial year. In terms of our existing stores as well, we have been increasing the kind of Mohey merchandise. Even if you look at our overall working capital days, it's increased on account of adding more Mohey stock to existing stores. So, there is a lot of initiative in terms of driving Mohey's business.

Even in terms of EBOs we have now reached a sort of five, six EBOs, and we continue to open stores across India where we feel that there is potential for a Mohey, but no Manyavar Mohey store is present in that area as of now. So, those actions are also being taken. And last earnings call, I had mentioned that the productivity levels of Mohey is growing a lot faster. So, once we reach a decent level, we will be in a place to sort of even be more aggressive with the brand. But as per our understanding, last year Mohey did the budgeted numbers, which we were happy with.

**Varun Singh:** Yes, sure. But honestly, only five, six EBOs is not, I think, inspiring much to us as an investor. Because, I mean, we see so many companies doing retail expansion, etc. 10 to 12 stores, I mean, I do not know that what is stopping us to grow at a relatively faster rate given our business economics, cash flow situation, and everything. So, I mean, maybe if you can offer some comments with regards to what is FY '26 target and how are you looking to scale up this franchisee? That's my last question.

**Vedant Modi:** Yes. One easier piece which I think has to be sort of explained again is Mohey has close to now 2.5 odd lakh square feet. So, it is not that we have not continuously expanded with Mohey. If you understand the Indian retail landscape, there are top 100 markets in India. Each of these 100



markets have a flagship Manyavar Mohey store. So, we have already covered the best of the best markets with a large Mohey square feet presence wherever we can. It is the remaining markets where we might have only a Manyavar store where we are continuing to add Mohey flagships in the form of EBO. So, we will continue to deploy EBOs.

But one important factor to not be missed is, Manyavar Mohey continues to be the primary channel for Mohey as a brand. And majority of the time investment that the Mohey team does is towards those stores, ensuring that Mohey grows more and more within this ecosystem. Because the footfall we generate because of Manyavar also has a great sort of effect on sales for Mohey. So, we want to ensure that we are capitalizing on all these things. And if required, we will increase the space of Mohey in these stores. If required, we will open even larger stores to incorporate better size for Mohey, but having the rub effect of both consumers is great for the business overall.

**Moderator:** Thank you. 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, how is the demand now, I mean, how has April been? And are you seeing the impact of the higher number of wedding days in this quarter against last year? Some initial feelings would help.

**Vedant Modi:** So, I think there are two perspectives here. So, overall, we do see green shoots, majorly on account of having wedding dates this year versus negligible wedding dates last year. So, business is better on that account. But overall, in terms of expectations, I would say that still overall sentiments we can see from the market are weak and not the best. So, while there are green shoots in the business, it is majorly on account of better wedding dates. And we sort of expect all the strategies we have been working on to start firing from Q2, mid Q2. And so, any results of any new work we do on marketing our product will be seen in the later part of the year.

**Prerna Jhunjhunwala:** Okay. And how are you looking at space expansion, because last you had mentioned was that you would go slow on space expansion, so how should we look at that?

**Vedant Modi:** I mean, one important piece here is, as a Company we feel business is dynamic. The need of the hour is to have extreme focus on like-to-like growth and driving that. While opening newer stores remains to be an important KPI, we will focus a lot more on L2L this year. On the other hand, as retail inflation starts to come down, which is something we have been seeing now in a few markets, we will continue to open stores wherever we see potential and ensure that a decent number of stores are opened by the end of the year.

**Prerna Jhunjhunwala:** Okay. And could you also elaborate on your LFS or MBO strategy, if any, to gain geographical reach or customer reach across the country?



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- Vedant Modi:** Absolutely. So, overall, when it comes to LFS, we stick with fewer number of partners but try to go deeper with them. This ensures better inventory control, and better experience at the ground level. So, we have been continuously expanding with a few of the partners we have and are going deeper with them overall to have better reach. On the other hand, when I speak about MBOs, with the addition of Diwas to our portfolio, our overall platform for MBO has become a lot deeper, because there were multiple kinds of multi-brand outlets, some want mid-premium products, some want slightly more festive based value offering. So now that our booking has increased significantly with Diwas, we feel that last year was a trial, and bookings that start in May will actually show us how Diwas will be helping this side of the business. And there's a lot more focus in terms of improving the overall Manyavar business there as well. And it certainly does help us reach Tier-3 end market and the Tier-4 markets, just like you mentioned.
- Prerna Jhunjhunwala:** Okay. And how are Andhra and Telangana markets doing now, I mean, do they continue to drag?
- Vedant Modi:** You mean in Q1 of the current financial year?
- Prerna Jhunjhunwala:** Q4 as well as Q1 because we do not know about Q4 as well, right?
- Vedant Modi:** No, so like I mentioned, even if I talk about Q4, our like-to-like growth will actually become positive if we remove the numbers of AP Telangana. So, it was a big drag to the Company's numbers in Q4 as well. Q1, I think we have only seen one month. While the one-month performance has been decent there, it's still, I think, too short a time frame to comment on anything.
- Prerna Jhunjhunwala:** AP Telangana is your Mebaz network, or do we have Manyavar stores as well there? I mean, just trying to understand, is it Mebaz which is impacting, or is it Manyavar as well?
- Vedant Modi:** Both are equally as big in the market. So Manyavar Mohey sales would be equal to the sale of Mebaz in AP Telangana broadly, and both are heavily impacted. And the same when we validate with similar mid-premium brands operating in the men's industry, whoever we are closer to, we see similar deltas with those brands as well. So, for a lot of the brands AP-Telangana has been hit in comparison to the rest of India at similar levels.
- Prerna Jhunjhunwala:** Any particular reason why AP-Telangana particularly are hit?
- Vedant Modi:** I think the challenges are a lot more macro in nature, that is why a lot more brands are facing the heat in that market. And we see a lot of other challenges with the market as well, reflecting a slower economic sort of slowdown in that entire belt.
- Prerna Jhunjhunwala:** So, people must be shifting to unorganized players for price points, that could be a fair assumption?



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- Vedant Modi:** I think, again, if that was the case, then our dealer network would have showed us better growth or would have told us that they are seeing better numbers from their stores. But even with our MBO players across AP-Telangana belt, we see similar de-growth happening. So, we do not see that being the real reason at all. It has got something to do at a more macroeconomic level.
- Prerna Jhunjhunwala:** Okay. Okay, Vedant. Thank you so much for the detailed answers. I will come back to the question queue for more. Thank you.
- Vedant Modi:** Thank you.
- Moderator:** Thank you. The next question is from the line of Ankit Kedia from Phillip Capital. Please go ahead.
- Ankit Kedia:** Hi Vedant. Two questions from my side. One, you mentioned that Mohey would have around 2.5 lakhs square feet. Is it fair to assume 14% of AVR revenue also they would be 12% to 14% levels, or in throughput, they are still significantly lower than Manyavar today?
- Vedant Modi:** So, while we do not give the exact numbers, it's ballpark in that region. It's lower than Manyavar. It's not exactly as close as Manyavar. It's slightly lower, but it's catching up.
- Ankit Kedia:** Sure. I have a second question for Rahulji. Why has the inventory and receivables both gone up in the quarter? I can understand we would be expecting a better quarter, and hence inventory build-up, but even receivables have gone up from some franchises.
- Rahul Murarka:** So, basically, inventory build-up we did strategically because in this year Eid was at the end of this quarter, which is March. So, when Eid is there, we have a lot of artisans and workers wherein the production is disrupted during that period. So, that is why strategically we pre-planned our production process, and the inventory levels were increased because of that. And, of course, with the upcoming Q1, which we believe has a good number of weddings, so that is why the inventory levels were good. And in last year if you see, Eid was in April, and the Q1 also had like negligible wedding dates. So, purposefully we had a lower level of inventories in last year. In terms of receivables, you see an increase in receivables, majorly because of the store additions which we have done during the year.
- Ankit Kedia:** Yes. But we have also closed stores, right, so net EBO addition is not significant. So, if I look on a net basis, then why is that receivables?
- Rahul Murarka:** So, look, our receivables have increased by around Rs. 50 crores, okay. And it is majorly because of the store addition, we had 85,000 - 90,000 square feet net addition during this year. It was more than 50% because of that only, because of store area addition.



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- Vedant Modi:** And if I just may add a small point, it's broadly 50% plus comes from new stores, and the remaining comes from adding Mohey and Twamev in some of the existing stores as well.
- Rahul Murarka:** And if you see, look, our primary, secondary growth, it is moving in the similar direction, right? It is similar growth which we have seen in both primary and secondary.
- Ankit Kedia:** Right, which means we have pushed more inventory to the franchises, right, and we are not getting the same sales?
- Rahul Murarka:** No, but if that would have been the case, the growth in primary and secondary would not have been similar, no?
- Ankit Kedia:** No, so ex of the new stores. So, that would be new stores. But from Vedant's point of Mohey and Twamev, that means that inventory is not moving for the remaining 50% of the receivables.
- Rahul Murarka:** No, no, no, that is not the fact. As I mentioned, the majority of the increase in return is on account of store addition, okay? And if you look at our growth in primary as well as secondary revenue, our primary revenue has grown by 1%, and our secondary revenue has grown by 2%. So, what you are mentioning is not actually collating with the facts. So, replenishment is a phenomenon of what is selling there, and it moves in a similar direction as we have seen historically as well, both primary and secondary revenue.
- Ankit Kedia:** So, if next year we add another 1.5 lakhs square feet, receivables will further increase?
- Rahul Murarka:** Yes, of course. I mean, as a model, as and when we increase our square feet area, the debtors would increase to that extent.
- Ankit Kedia:** Understood. My last question is on the rental cost. How do you see now, with more bigger stores opening, you are taking more rentals on your books? And in such a scenario where SSG is negative and a low single digit, that pressure is coming on to the margins. How do you balance that in medium term?
- Vedant Modi:** I think there are multiple things we are doing here. I think, financially, we are a prudent Company, and we take conservative measures. So like I mentioned, we have been slow in terms of the overall number of stores we have opened, majorly on account of not signing wrong stores at wrong prices, because these are 10 to 12-year leases, and we do not want to make those wrong decisions. So, we are trying to ensure we are not signing the wrong stores in the first place.
- The second is, where we have not seen great SSG, but rent escalation demands have come, we are renegotiating those contracts and ensuring that we do not have to pay any escalations.



And thirdly, in places where we see that, overall, this store is not making sense for us anymore as a market, which we did last year, when market has shifted from one area of the city to another, but rents have stayed at similar levels. We are taking hard calls in closing those stores. So, this is the overall scenario where we want to ensure that rent OC is kept as low as possible. And overall, it might have gone up by about 1.5% to 2% this year at the Company's books level, majorly on account of having a negative operating leverage.

**Ankit Kedia:** And just to follow up on that rental part, till last quarter we mentioned we have closed the smallest stores, right, some 1,000 - 1,200 square feet stores. And now you are saying that we also closed stores which the market has moved. So, can you quantify both the stores which we have closed, how much is because of business and how much is the small store strategy which we are closing?

**Vedant Modi:** It's a mix of both, rather, if I explain it in details. Typically, the small stores are the ones we had signed eight to 10 years ago, 12 years ago. And at that time those markets were great, and these are the markets which are now shifting. So it's not one or the other. In the majority of the cases, this is hand in hand. The small stores did exist in the markets that are now moving out now.

**Ankit Kedia:** Understood, fair point. Thank you so much, Vedant.

**Vedant Modi:** Thank you.

**Moderator:** Thank you. The next question is from the line of Sameer Gupta from IIFL Capital. Please go ahead. Mr. Sameer, I would request you to please unmute your line and speak.

**Sameer Gupta:** Thanks for taking my question. I just wanted to understand this competitive aspect in a little more detail. Now, in your experience over the last decade of running Manyavar, have you witnessed this kind of competitive frenzy, when even in any particular micro-market, it need not be at a pan-India level, that so many stores, so many people have opened so many stores?

**Vedant Modi:** We have certainly witnessed competition in the last two decades of us operating this brand. Nothing at these levels, for sure. And typically what we have noticed is people open up a single store in a city, do decently well. And as they sort of scale up to a state level, to a region level, that's when things start to go south. This industry has to understand the hack of sort of understanding consumer preferences and understanding data at a very deep PIN code level, because what works in one part of the city does not work in the other part of the city.

This is what has been our core moat over the last few years and continues to be. And this is something which is detrimental to anyone opening a sort of business in this particular industry. But we have definitely not seen this number of stores ever opening up, because it has all



happened in a very short period of time, last two to three years. Earlier as well when there was competition, there were a few stores here and there, but nothing at this scale.

**Sameer Gupta:** And so just trying to understand then, what is the trigger now? I mean, it's not like the overall consumption is booming, or suddenly these players have got funding from somewhere. So, why now, and what's so special?

**Vedant Modi:** Well, on the lighter side of things, people say it was our market cap three years ago, and that might have attracted a lot of people. But overall, I think this space just seemed interesting and without many brands, with only one large player operating. So, probably why it attracted a lot of competition. And yes, I think it's again a difficult question to answer why exactly.

**Sameer Gupta:** Okay. So let me ask another question on a similar line. By when do you expect consolidation? Because what I understand is that you only said that none of them are doing well. So, I mean, by when do you see consolidation here in this market?

**Vedant Modi:** See, this is very difficult to answer, because it's answering from other people's perspective, and it really depends on how those businesses would have had identified the strategy. But, like I mentioned, the majority of the people that have opened stores do not have great financials as of now, which is what we understand. But will they consolidate, and when will they consolidate is again a very difficult thing to answer.

What we have witnessed in our tracking is that people who have been a lot older competitors of ours in terms of being in this market have had a reduction in the number of stores they have from last year to this year. So, the legacy competitors, we have seen the number of stores go down compared to last financial year. But on the same hand what we have seen is the other newer players adding the stores.

**Sameer Gupta:** But in your experience, let's say in any particular micro-market you might have faced this situation, anything then you had witnessed that it takes these many years for people to consolidate, or nothing like that?

**Vedant Modi:** I wouldn't have access to this kind of data, actually.

**Sameer Gupta:** Okay, no worries.

**Vedant Modi:** We haven't seen frenzy like this before, like I mentioned.

**Sameer Gupta:** Got it, that's very clear. Second and last question on retail area. Now, this year has been on both sides, so there has been a consolidation, and there has also been a lower than what your usual increase in retail area is, even at a gross level. So, FY '26 onwards, at least the consolidation part, are we done, or do you expect more store closures to happen, and, of course, the retail area





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addition will depend on a number of things, but it used to be a 14%, 15% retail area growth. Any guidance or any tidbits on what is the expected strategy as it looks like today, that would be great.

**Vedant Modi:**

So, if I am being extremely honest here, FY '26 is one financial year where we will take some hard decisions wherever it's needed on account of higher rentals where we have newer stores next to it. So, wherever, whatever decisions are required, we will take those. However, at maybe 3rd Quarter onwards, I think we are quite sure of getting back on decent retail area growth, and, most importantly, one thing which I want to sort of bring some light on is quality retail area will grow tremendously from a complete financial year perspective.

Any sort of cleanup that needs to be done with retail area, which is not adding too much value to the business, and when it comes to signing new stores, we will ensure that low-rent OC, high-productivity stores are being signed. So, the goal is to add very high-quality net retail area to the business in the entire financial year, and the hopes are high that retail inflation sort of comes down by Q1, Q2, so that we can get back on the retail store expansion spree as well.

**Sameer Gupta:**

Got it. That's all from me, and thanks, and all the best.

**Vedant Modi:**

Thank you very much.

**Moderator:**

Thank you. Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments.

**Vedant Modi:**

Thank you very much for attending the call. It's always amazing interacting with all of you. We have come out of a difficult year, but, as a Company, we are more driven than we ever were, and we will ensure that no stones are unturned with whatever we can do as a Company to ensure that we are able to get on a path to much better growth. Namaskar and thank you very much.

**Rahul Murarka:**

Thank you.

**Moderator:**

Thank you. On behalf of IIFL Capital, that concludes this conference. Thank you for joining us, and you may now disconnect your line.