

Rating Rationale

July 03, 2025 | Mumbai

Vedant Fashions Limited

Ratings reaffirmed at 'Crisil AA/Stable/Crisil A1+'

Rating Action

Total Bank Loan Facilities Rated	Rs.120 Crore
Long Term Rating	Crisil AA/Stable (Reaffirmed)

Rs.10 Crore Commercial Paper	Crisil A1+ (Reaffirmed)
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*Note: None of the Directors on Crisil Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities*

Detailed rationale

Crisil Ratings has reaffirmed its ‘Crisil AA/Stable/Crisil A1+’ ratings on the long-term bank facilities and commercial paper of Vedant Fashions Ltd (VFL)..

The ratings continue to reflect the established presence of VFL in the men's ethnic clothing segment, its strong operating efficiency and robust financial risk profile. These strengths are partially offset by susceptibility to economic downturns, inflationary pressure, addition of stores, and intense competition in the domestic apparel business.

Analytical approach

Crisil Ratings has evaluated the standalone business and financial risk profiles of VFL.

Key rating drivers & detailed description

Strengths:

- Established market position:** VFL, with its flagship brand ‘Manyavar’, is one of the market leaders in the Indian celebration wear market. The business risk profile is underpinned by the company’s strong brand in the ethnic wear segment and large retail footprint, spanning over 662 exclusive brand outlets (EBOs) across the country and 16 EBOs across 12 international cities; covering around 17.9 lakh square feet (sq ft). The company has generated a turnover of Rs 1,383 crore in fiscal 2025, despite marginal slowdown in demand owing to subdued consumer sentiment and general decline in discretionary spending. With further expansion in store network across the country, deeper penetration of new and emerging brands such as Twamev, Mohey and Diwas, and strategic advertisement campaigns, the company is likely to maintain a strong market position over the medium term.
- Strong operating efficiency:** The company has sustained its pre IndAS adjusted earnings before interest, tax, depreciation, and amortisation (Ebitda) margin at over 30% during the last three fiscals, aided by its asset-light franchisee business model and an effective automated supply chain management. Security deposits received from franchisees (accounting for 35-40% of receivables) offer a shield against any loss due to non-recovery.
- Robust financial risk profile:** Network was healthy at Rs 1,619 crore as on March 31, 2025, while the total outside liabilities to tangible network (TOL/TNW) ratio was low around 0.6 time as on the same date. Nil reliance on any external debt and healthy profitability led to strong debt protection metrics, as reflected in interest coverage ratio of more than 11 times in fiscal 2025.

Weaknesses:

- Susceptibility of operating performance to economic downturns, inflationary pressure and addition of stores:** Revenue and profitability remain susceptible to economic downturns, as spending on products such as apparel is discretionary in nature. When customers are on a cautious mode, spends on segments such as apparel are impacted the most. On the contrary, non-discretionary segments are less affected. For instance, revenue growth slowed down considerably and has been flattish over fiscals 2024 and 2025, due to muted discretionary demand, over a large base of fiscal 2023. Furthermore, large expansion by retailers could exert pressure on their operating margin. With a negative same store growth rate in fiscal 2025, over the last fiscal, and with escalating rental expenses towards expanding store networks, the pre-IndAS adjusted Ebitda margin for VFL has come down to around 33% in fiscal 2025 (post-IndAS Ebitda margin stood at 46%), from 37-40% reported over the last few fiscals (post-IndAS Ebitda margin ranged between 48-50%). Growth in revenue and profitability remains a key monitorable.
- Intense competition in the domestic apparel business:** The domestic apparel business is highly fragmented with competition among organised players intensifying. Though VFL, through its flagship brand, Manyavar and other brands such as Mohey, Diwas, Mebaaz, and Twamev, enjoys a strong market share in the Indian ethnic wear segment, competition from both organised players and the large unorganised segment continues to constrain scalability. Topline remained in the similar range around Rs 1,360-1,380 crore during the last two fiscals ended 2025, compared to around Rs 1,324 crore in fiscal 2023. Furthermore, the company generate bulk of its revenue from the men’s celebration wear segment. With VFL strengthening its market position across multiple price ranges, age groups, and genders, diversification and scale up across new segments, sustained growth in revenue remains a key monitorable.

Liquidity: Superior

Bank limit remained unutilised for the 12 months through March 2025. Cash accruals, expected in the range of Rs 330-400 crore over the medium term should further aid liquidity in the absence of any term debt obligation. In addition, VFL maintains more than Rs 900 crore of liquid investments in mutual funds and bonds.

Outlook: Stable

Crisil Ratings believes VFL will continue to benefit from its healthy brand recognition, pan-India presence, established market position in the Indian ethnic men’s wear segment and its strong financial risk profile.

Rating sensitivity factors

Upward factors:

- Over 25% growth in turnover, with diversification in revenue profile, higher contribution from the women and kids wear segments and sustenance of operating margin
- Sustenance of healthy financial risk profile and liquidity

Downward factors:

- Increasing competition resulting in stagnation of growth and decline in pre-IndAS adjusted Ebitda margin to below 25%
- Large, debt-funded capital expenditure (capex) or inorganic expansion, weakening the financial risk profile

About the company

VFL was set up as a proprietorship firm by members of the Kolkata-based Modi family. The firm was reconstituted as a private limited company in 2002. It manufactures and retails ethnic wear for men and women, and markets its clothing through EBOs and multibrand outlets under the brands, Manyavar and Mohey.

The company got listed on the Bombay Stock Exchange and the National Stock Exchange in February 2022.

Key financial indicators

As on / for the period ended March 31	Unit	2025	2024
Operating income	Rs crore	1,386.70	1,365.13
Reported profit after tax	Rs crore	388.47	414.57
PAT margin	%	28.01	30.37
Adjusted debt/Adjusted networkth	Times	0.00	0.00
Interest coverage	Times	11.64	14.78

Any other information: Not applicable

Note on complexity levels of the rated instrument:

Crisil Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

Crisil Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Crore)	Complexity Levels	Rating Outstanding with Outlook
NA	Commercial Paper	NA	NA	7 to 365 days	10.00	Simple	Crisil A1+
NA	Overdraft Facility	NA	NA	NA	50.00	NA	Crisil AA/Stable
NA	Proposed Fund-Based Bank Limits	NA	NA	NA	20.00	NA	Crisil AA/Stable
NA	Working Capital Demand Loan	NA	NA	NA	50.00	NA	Crisil AA/Stable

Annexure - Rating History for last 3 Years

		Current		2025 (History)		2024		2023		2022		Start of 2022
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	120.0	Crisil AA/Stable		--	05-07-24	Crisil AA/Stable	10-07-23	Crisil AA/Stable	11-07-22	Crisil AA-/Stable	Crisil AA-/Stable
Commercial Paper	ST	10.0	Crisil A1+		--	05-07-24	Crisil A1+	10-07-23	Crisil A1+	11-07-22	Crisil A1+	Crisil A1+

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Overdraft Facility	30	ICICI Bank Limited	Crisil AA/Stable
Overdraft Facility	20	HDFC Bank Limited	Crisil AA/Stable
Proposed Fund-Based Bank Limits	20	Not Applicable	Crisil AA/Stable
Working Capital Demand Loan	50	Kotak Mahindra Bank Limited	Crisil AA/Stable

Criteria Details

Links to related criteria
Basics of Ratings (including default recognition, assessing information adequacy)
Criteria for manufacturing, trading and corporate services sector (including approach for financial ratios)

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