

Retail Sector

A scanner on women-oriented ethnic-wear brands

INDIA | RETAIL

30 January 2020

Ethnic wear has emerged as one of the most exciting categories because of a revival in demand across age groups and genders, backed by transition to occasion-specific buying (from utility-based), preference for branded apparel, value consciousness, and adoption of multiple channels (including omni). Even as western wear is gaining traction, ethnic wear has retained its preference in women's closets. Rise of fusion wear, innovative marketing, and under-penetration of brands has also contributed to ethnic wear's growth. We believe the key to success in this segment includes: (1) Understanding the peculiarities of consumers. (2) Creating and sustaining a differentiated market positioning. (3) Regularly introducing innovative designs, styles, and fits. (4) Developing strategic sourcing capabilities. (5) Creating a strong omni channel.

Women ethnic wear: Vast opportunity, but largely unorganised

Indian ethnic wear (salwar kameez, kurtis, mix & match, bottoms) is a US\$ 6.5bn market opportunity, with only 20% share of the organised retail market. There are only 6 national players – TCNS, Fabindia, Biba, Soch, House of Anita Dongre, and Ritu Kumar – apart from private-label national and online players. Low entry barriers and vast market opportunity has resulted in aggressive competition with no brand scaling up significantly. Men's ethnic wear is growing considerably faster than women's – with Manyavar and Raymond being leaders in the national organised space. Global players such as H&M and Uniqlo are also collaborating with Indian fashion designers to launch ethnic collections to widen their appeal. Even renting of premium ethnic wear has begun gaining traction.

TCNS Clothing is ahead of competition

TCNS Clothing has outpaced national peers such as House of Anita Dongre, Biba, and Fabindia in revenue terms over FY15-19 with LTL revenue CAGR of 34% against the three peers' 10-12%. Its gross margin of 66% is also far ahead of the competition's sub-60%; however, TCNS' operating margins are marginally behind Fabindia's c.18%. It has industry high inventory days while its receivable days are highest due to higher revenue share (50%+) from LFS (large-format stores), MBO (multi-brand outlets), and online vs. peers. Asset turnover ratio is highest for TCNS, including its return ratios (ROE and RoCE) due to high gross margins, which we believe are the key to TCNS' success. Analysis of product pricing suggests that Aurelia is the market leader in kurtis priced below Rs 1,000 with maximum SKUs, while FabIndia is the leader in the +Rs 2,000 price point. In suits/kurtas below Rs 2,000, Biba and Aurelia offer the maximum range while Biba offers maximum range above Rs 2,000. In bottoms, W offers maximum range, while +90% SKUs of Biba and Aurelia are priced below Rs 1,000.

Private labels gaining traction

Over the past few years, we have seen private-label brands of retailers such as Trent, Pantaloons, Lifestyle, Future Group, Reliance and online e-commerce players – Myntra, Flipkart, Amazon – gaining significant traction. As women's apparel accounts for a bulk of the revenues of these retailers, all players have launched multiple brands across price points (lower than ethnic national brands) and positioned their ethnic and fusion wear with fabric, designing and quality that is usually comparable to national brands. Lifestyle (through Melange) and Trent (through Utsa) has launched separate stores for women's ethnic wear, since these brands have mass appeal. Our analysis suggests that Utsa accounts for 70% of Westside's kurta inventory and is attractively priced at Rs 500-1500 while 66% of its bottoms are priced at Rs 500-1,000. Overall for Trent, Utsa accounts for 50%+ of women's ethnic inventory, followed by Bombay Paisley. For Pantaloons, flagship brand Rangmanch focuses on sub-Rs 1,000 price points across products, while 45% of Akkriti's inventory is tops/tunics followed by dresses.

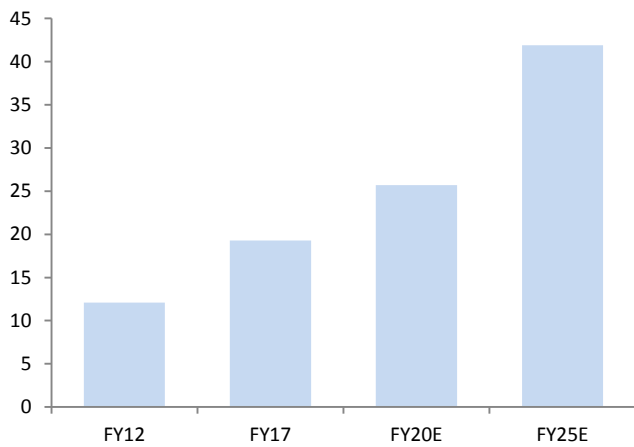
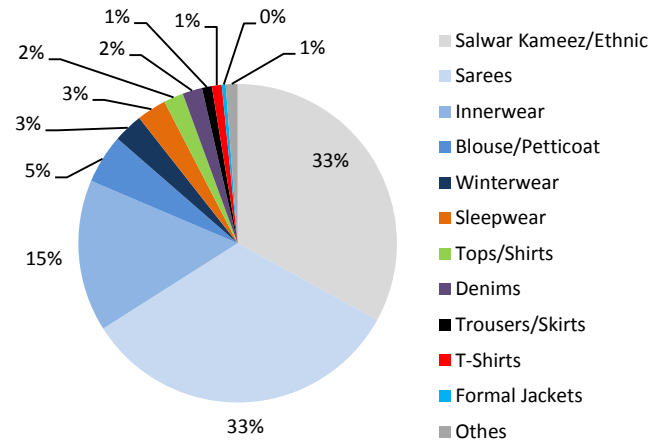
Top picks: We continue to like retailers with a high share in women's apparel – Trent and ABFRL are our top picks in the retail space followed by FLFL and Shoppers Stop. We maintain our neutral view on V-Mart Retail.

Companies

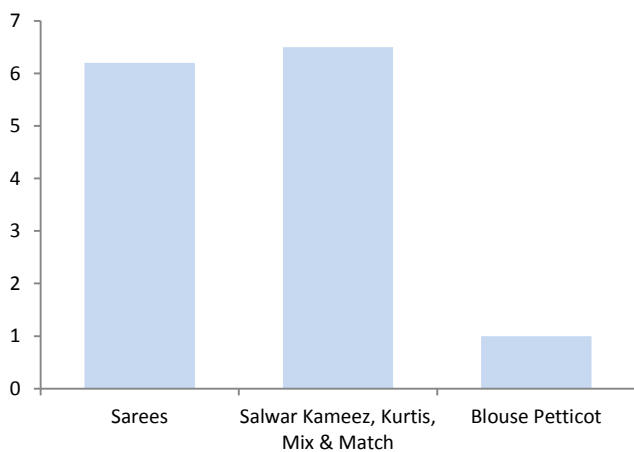
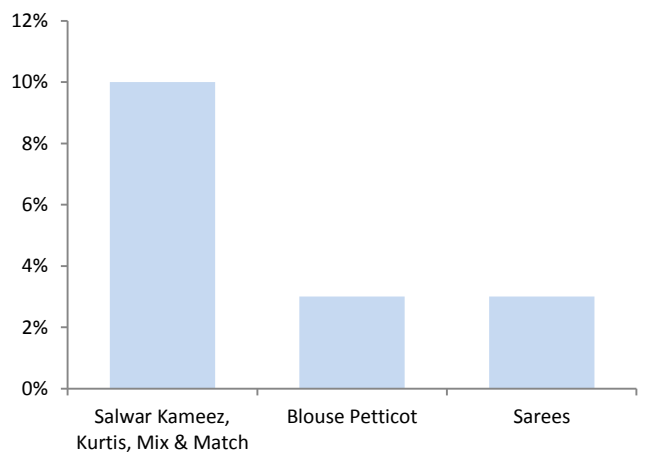
ABFRL	BUY
CMP, Rs	228
Target Price, Rs	262
FLFL	BUY
CMP, Rs	415
Target Price, Rs	545
Shoppers Stop	BUY
CMP, Rs	420
Target Price, Rs	520
Trent	BUY
CMP, Rs	583
Target Price, Rs	596
V-Mart Retail	NEUTRAL
CMP, Rs	2010
Target Price, Rs	1905
TCNS Clothing Co. Ltd	NOT RATED
Fabindia Overseas Pvt Ltd (Unlisted)	NOT RATED
House of Anita Dongre (Unlisted)	NOT RATED
Biba Apparel Pvt Ltd (Unlisted)	NOT RATED
Vedant Fashions Pvt Ltd (Unlisted)	NOT RATED

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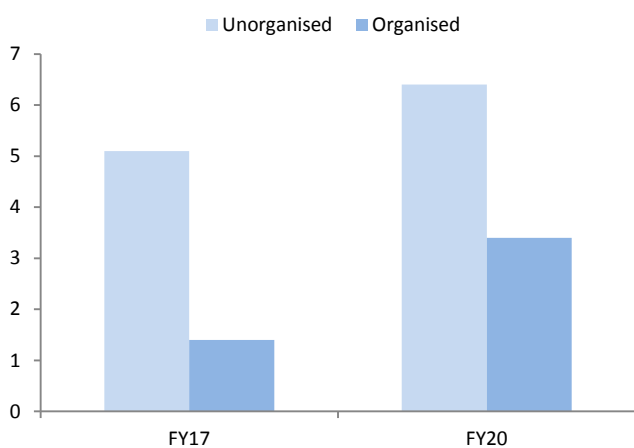
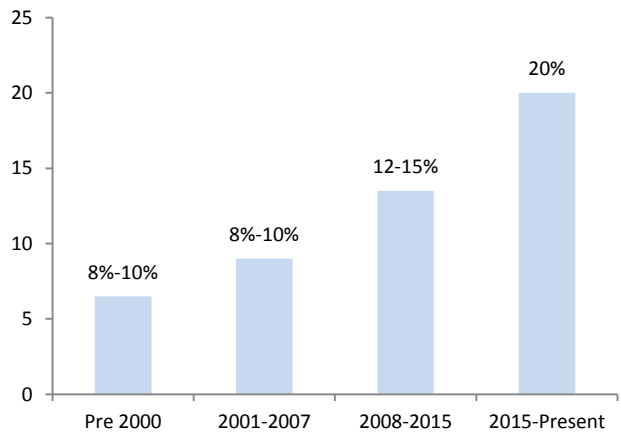
Women's Ethnic Wear Opportunity

Women's apparel market in India (USD bn)

Sarees and ethnic wear dominate individual categories within women's wear


Source: Technopak, TCNS Clothing DRHP, Images Business of Fashion, PhillipCapital India Estimates

Women's ethnic apparel market in India (USD bn)

CAGR in women's ethnic apparel categories (2016-26)


Source: Technopak, TCNS Clothing DRHP, Images Business of Fashion

Organised ethnic wear market (USD bn)

Share of organised retail in women's ethnic apparel


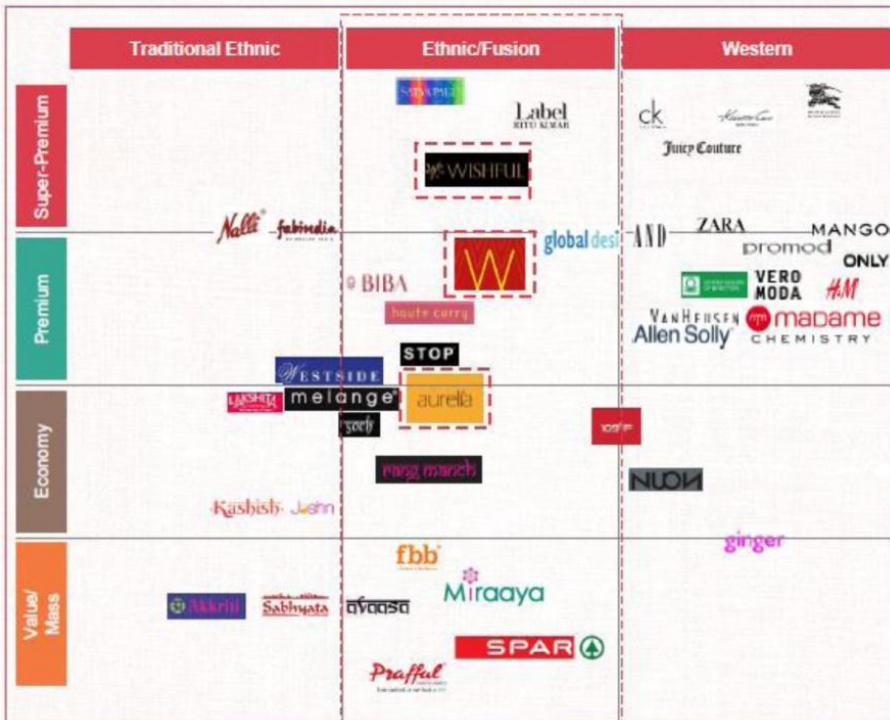
Source: Technopak, TCNS Clothing DRHP

Key retail brands in ethnic women's apparel in India

Brands	Year of Inception	Positioning	Focus Geography
W	2002	Premium Fusion	Pan India
Aurelia	2009	Economy Ethnic	Pan India
BIBA	1988	Premium ethnic and Fusion	North, South and West
Global Desi	2007	Premium Fusion	North and West
Fab India	1960	Super Premium Ethnic	Pan India
Soch	2005	Economy Ethnic	South

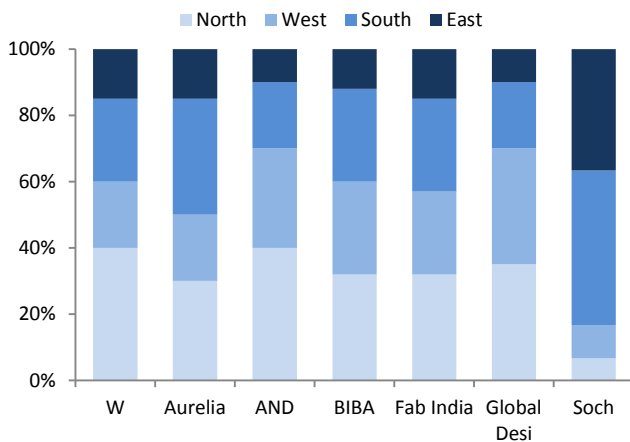
Source: Technopak, TCNS Clothing DRHP, Phillip Capital India Research

Women's apparel brand segmentation based on product offering

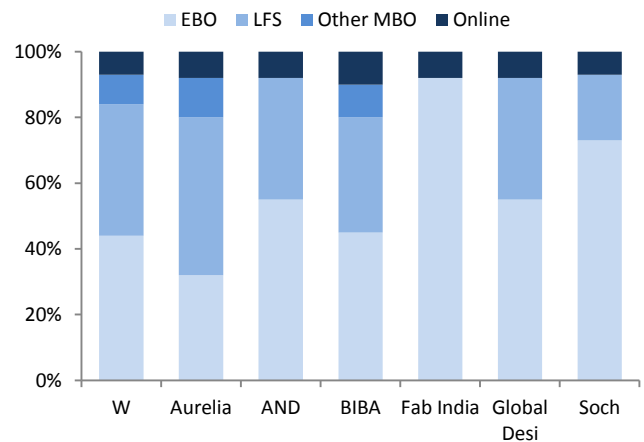


Source: Technopak, TCNS Clothing DRHP

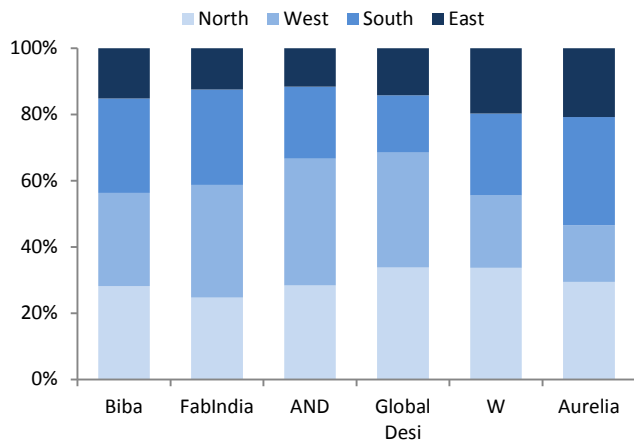
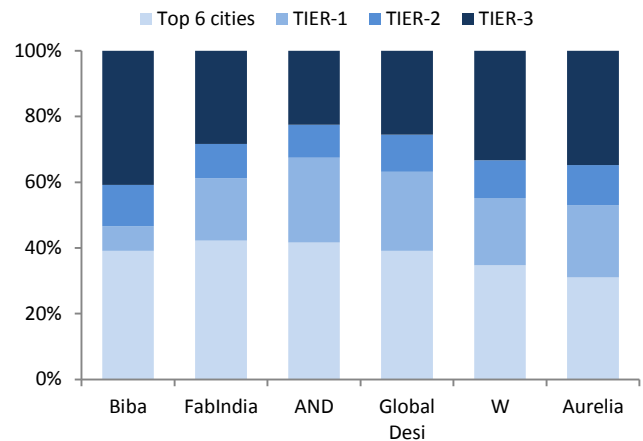
Region-wise revenue split across key ethnic brands (FY17)



Revenue mix by channels across key ethnic brands (FY17)

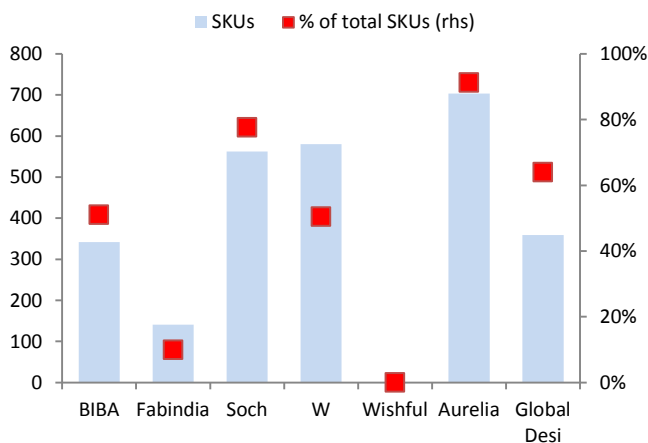
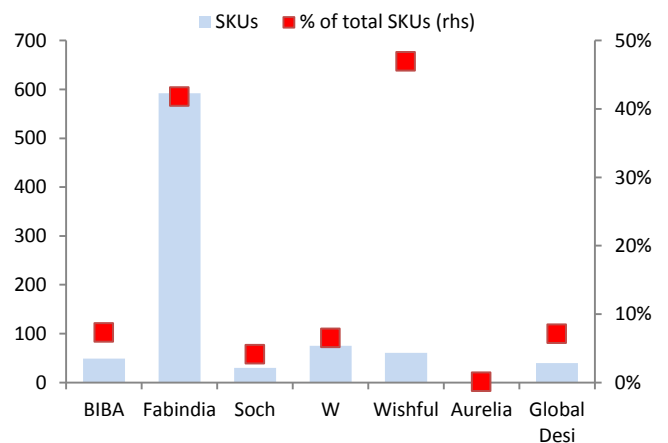


Source: Technopak, TCNS Clothing DRHP

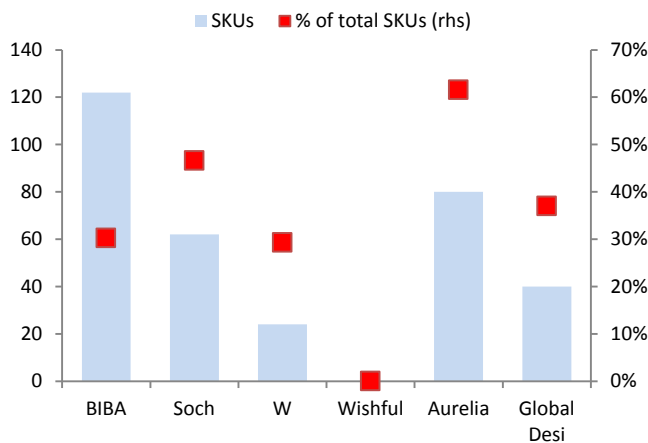
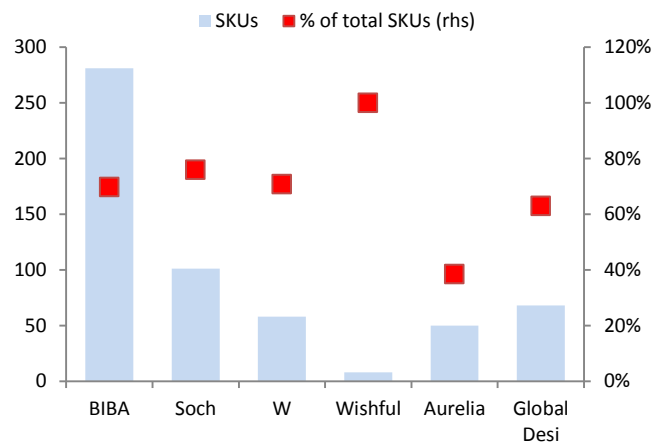
EBO presence across geographies (current)

EBO locations across various locations (current)


Source: Company, Phillip Capital India Research

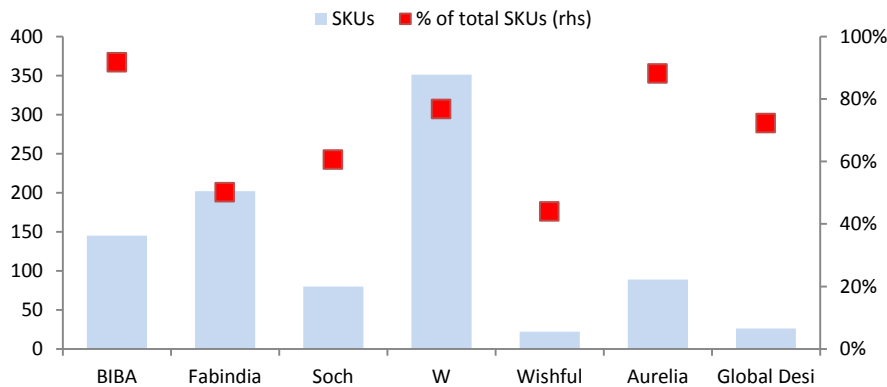
Note: Tier 1 (1.5mn+ population), Tier2 (0.75-1.5mn) and Tier 3 – Below 0.75mn population; EBO = exclusive brand outlets

Comparing product SKUs across retailers
Kurtis < Rs 1,000: Aurelia is the market leader

Kurtis > Rs 2,000: Fabindia is far ahead of competition


Source: Company websites, Phillip Capital India Research, Note: Discounted SKUs are included in the total

Suits/kurtas < Rs 2,000: Aurelia/Biba offer max range

Suits/kurtas > Rs 2,000: Biba is the clear market leader


Source: Source: Company websites, Phillip Capital India Research, Note: Discounted SKUs are included in the total

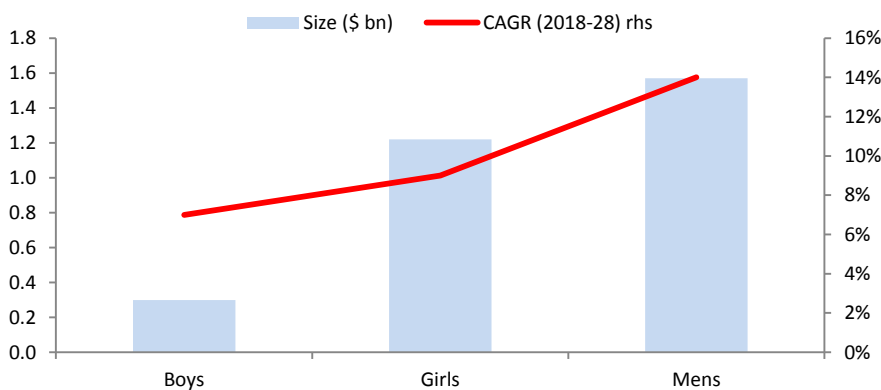
Bottoms <Rs 1,000: W offers range, Biba/Aurelia offer most SKUs


Source: Company websites, Phillip Capital India Research, Note: Discounted SKUs are included in the total

PE funding for ethnic-wear companies

Company	Investors	Amount Invested (US \$ MN)	Stake	Date
Manyavar	Kedaara Capital	70	9.3%	Jul-17
TCNS Clothing	TA Associates	140	44%	Aug-16
FAB INDIA	Premji Invest	110	26% (11% old stake)	Nov-16
BIBA	Warbug Pincus, Faering Capital	49	33.4%	Sep-13
House of Anita Dongre	General Atlantic	50	39.5%	Oct-13
Ritu Kumar	Everstone Capital Asia	16	NA	Mar-14

Source: Phillip Capital India Research

Market size of men, boys, and girls' ethnic wear


Source: Images Business of Fashion, Phillip Capital India Research Estimates

Ethnix by Raymond has 25 EBOs for ethnic men's wear


Source: Company, PhillipCapital India Research

Manyavar is the market leader in men's ethnic wear

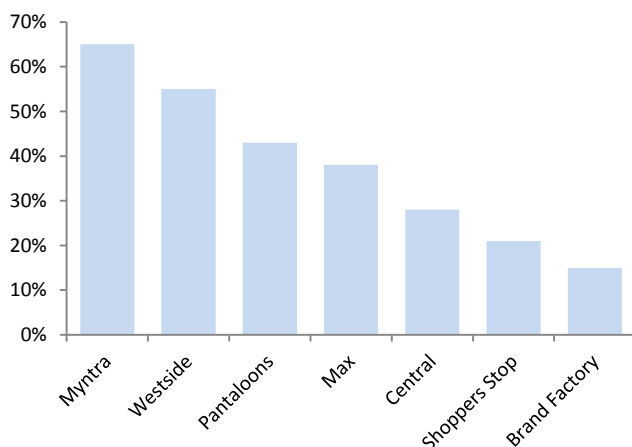

Private labels are being aggressive in ethnic wear

Private-label ethnic brands

Brand name	Description	Products
Westside		
Bombay Paisley	Fusion wear	Tops & Tunics (Rs 399 to Rs 1299), Dress (Rs 999 to Rs 1899), Trousers (Rs 799 to Rs 1099)
Zuba	Premium Indian wear	Kurtis (Rs 1599 to Rs 2999), Bottoms (Rs 999-1599), Dupatta (Rs 599-1299)
Utsa	Ethnic regular/daily wear	Kurtis (Rs 699 to Rs 1499), Bottoms (Rs 399-899), Dupatta (Rs 349 to Rs 1499)
Vark	Festive and intricate collection	Suits (Rs 2299 to Rs 5999)
Diza	Ethnic wear for curvy women	Kurtis (Rs 799 to Rs 1399), Bottoms (Rs 599-1299)
Shoppers Stop		
STOP	Entry level daily wear	Kurtis (Rs 799 to Rs 2799), SKD (Rs 2299 - Rs 3499), Plazzos (Rs699 to Rs1699)
Haute Curry	Fusion wear	Kurtis (Rs 1049 to Rs 2999), SKD (Rs 2499 - Rs 3499)
Kashish	Mid Premium Ethnic wear	Kurtis (Rs 1299 to Rs 3999), SKD (Rs 2799 - Rs 15999), Plazzos (Rs1049 to Rs1999)
Pantaloons		
Rangmanch	Mix and Match Ethnic wear	Kurtis (Rs 599 to Rs 2799), Dupatta (Rs 399-899), Palazzos/Pants (Rs799 to Rs1499)
Akkriti	Fusion wear	Kurtis (Rs 699 to Rs 1799), Plazzos (Rs899 to Rs1299)
Lifestyle		
Melange	Ethnic Wear	Kurtis (Rs 499 to Rs 3899), Plazzos/Pants/Salwar (Rs499 to Rs1899), Dupatta (Rs 399-899)
Future Group		
Morpankh	Premium Ethnic wear	Kurtas (Rs 599 to Rs 1699), Plazzos (Rs 799 to Rs 899)
Navras by FBB	Premium Ethnic wear	SKD (Rs 1799 to Rs 3299)
Ateesa by FBB	Fusion value apparel	Kurtas (Rs 699 to Rs 2899), Plazzos (Rs 599 to Rs 999)
Srishti by FBB	Economic Traditional ethnic	Kurtas (Rs 399 to Rs 1699), Plazzos (Rs 499 to Rs 1599)
Flipkart		
Anmi	Data designed Brand	Kurta (Rs 849 to Rs 2499), Ethnic Set (Rs 1799 to Rs 3299)
Amazon		
Myx	Fusion wear	Kurta (Rs 699 to Rs 3199), Salwar Suits (Rs 2899 to Rs 3499)
Tavasya	Elegant Wear for work and home comfort	Kurta (Rs 1299 to Rs 2999), Kurta Set (Rs 2999 to Rs 3699)
Myntra		
Anouk	Everyday ethnic wear for modern girls	Kurta (Rs 799 to Rs 6099), Kurta Set (Rs 1599 to Rs 8799)
Sztori	Plus Size ethnic wear	Kurta (Rs 1399 to Rs 1899), Kurta Set (Rs 2499 to Rs 3999)
Moda Rapido	AI powered fully automated design without human design intervention	Kurta (Rs 699 to Rs 3999), Kurta Set (Rs 2499 to Rs 6099), Plazzos/Pants (Rs999 to Rs1999)
Reliance Trends		
Avaasa	Mix and Match Ethnic wear	Kurta (Rs 499 to Rs 1699), Dupatta (Rs 299-799), Kurta Set (Rs 1299 to Rs 2599), Salwars (Rs399 to Rs 999)
Fusion	Fusion wear	Kurta (Rs 499 to Rs 1899), Salwars (Rs499 to Rs 999)
Siyahi	Ethnic and Fusion wear	Kurta (Rs 699 to Rs 1299), Bottoms (Rs699 to Rs 999)

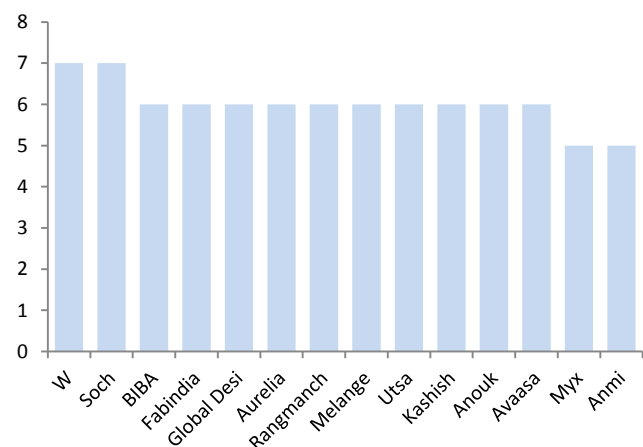
Source: Phillip Capital India Research Estimates; Note: MRP Prices

Overall revenue share of women's apparel across retailers



Source: Phillip Capital India Research Estimates

No. of size option available for kurtas across brands

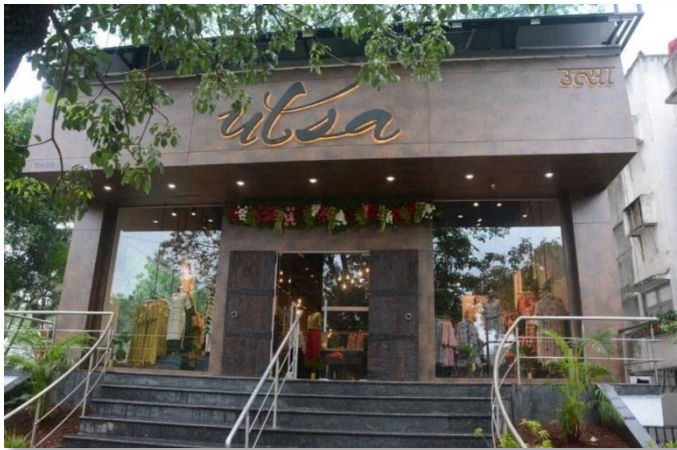


Pantaloon, Lifestyle advertising: Attractive price points in women's ethnic wear



Source: Company, PhillipCapital India Research

First Utsa (Westside) store launched in Pune...

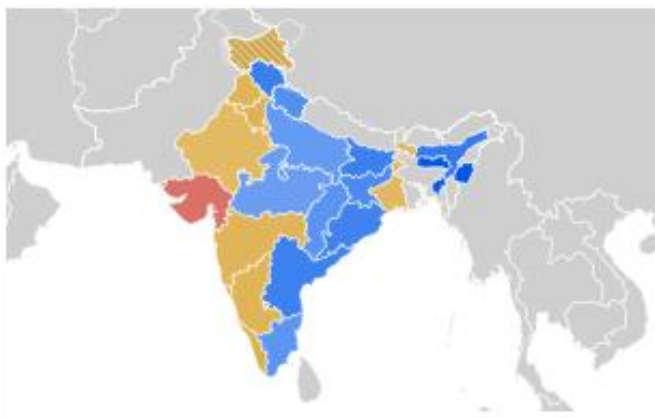


...with focus on women's ethnic wear

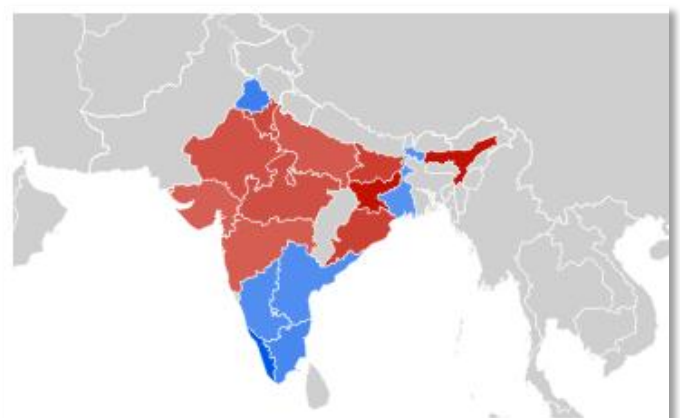


Source: Company, PhillipCapital India Research

Interest in ethnic retailers in India (last 12 months)



Online interest in private-label brands from Westside and Pantaloon (last 12 months)



Source: Google Trends, PhillipCapital India Research

Analysis of Westside's ethnic wear brands across products and price points

A few definitions:

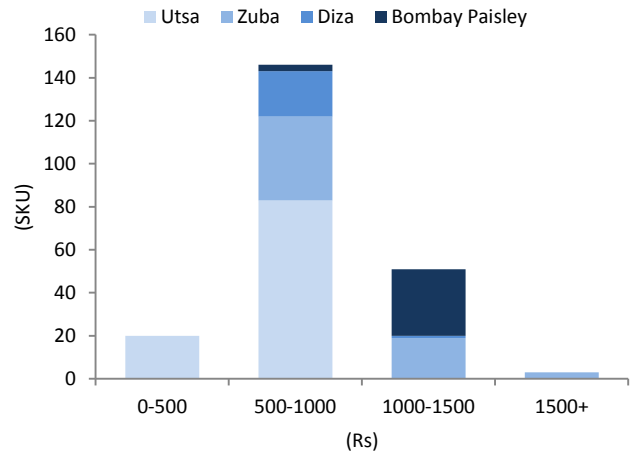
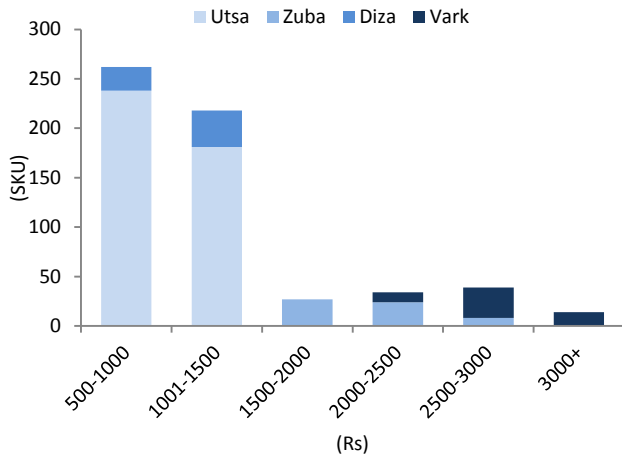
Kurti: A short kurta (mid-thigh or waist length)

Kurta: A loose tunic, usually with long sleeves and knee length

Suit: In India, a set of clothes including a kurta, leggings, and a wrap, popularly called *odhani*.

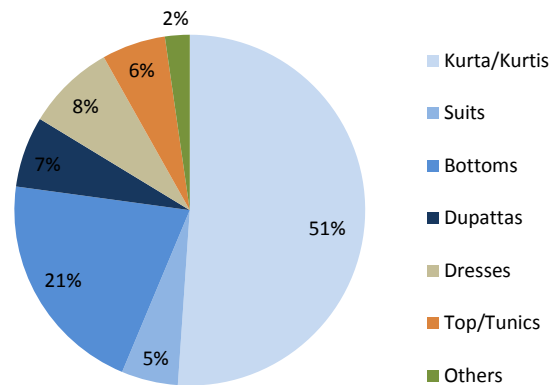
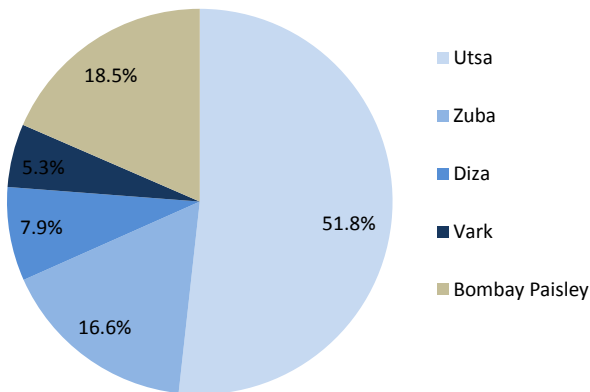
Kurtis/kurtas/suits: Utsa accounts for 70% of inventory, attractively priced at Rs 500-1,500

Bottoms: 66% of inventory is between Rs 500-1,000 – driven by Utsa and Zuba



Utsa accounts for 52% of SKUs followed by Bombay Paisley

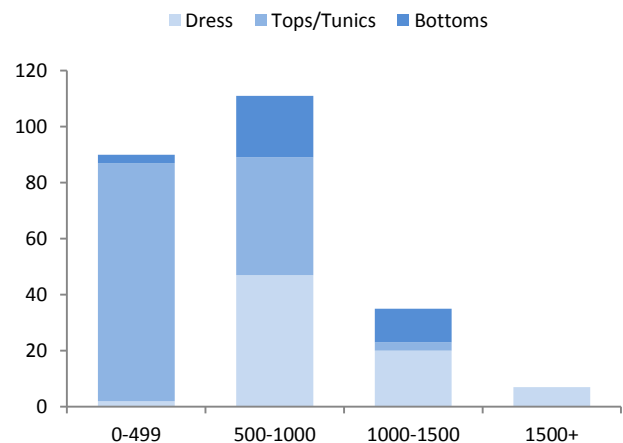
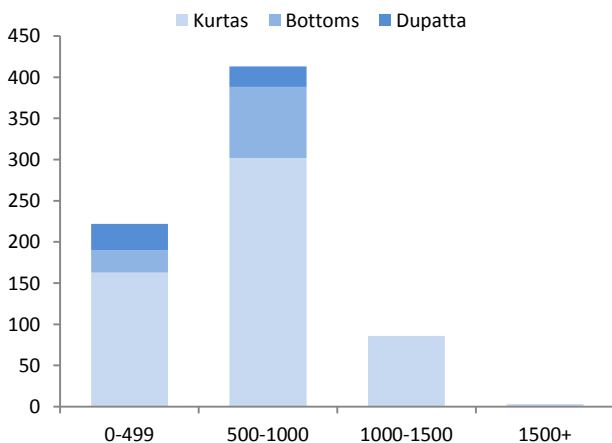
Kurtas accounts for 51% of inventory followed by bottoms



Analysis of Pantaloon's ethnic wear brands across products and price points

Rangmanch: Focus on the <Rs 1,000 price point

Akkriti: Tops/tunics account for 45% of SKUs



Source: Pantaloon.com, Phillip Capital India Research, Note: Discounted SKUs included

Global brands eyeing ethnic wear

Despite significant opportunities in western wear, global brands are looking to tap the women’s ethnic-wear market. Uniqlo tied up with designer Rina Singh who runs the ethnic label Ekta, to launch its Kurta collection that houses tunics, dresses, pants and stoles. This collection was sold as part of Uniqlo’s 2019 Fall/Winter Lifewear collection and was also retailed in Japan, Singapore, Malaysia, Thailand, Indonesia and Philippines. As global brands are making a beeline for young shoppers in India who spend on western trends, they are also looking to touch the local chord of the working Indian with fusion indigenous wear. H&M has collaborated with Sabyasachi to launch its collection in all H&M stores in India and select H&M flagship stores around the world, coupled with online on HM.com and Myntra from April 2020.

H&M’s collaboration with Sabyasachi



Source: Technopak, Images World of Fashion, Companies, PhillipCapital India Research

Uniqlo is launching a kurta collection in India

Renting premium ethnic wear – Next big trend

The apparel rental market has come of age in 2019 when US-based Rent the Runway entered the unicorn club with US\$ 1bn valuations, with Jack Ma investing in the company. India too has many successful start-ups that are looking to capture the apparel and accessories rental market.

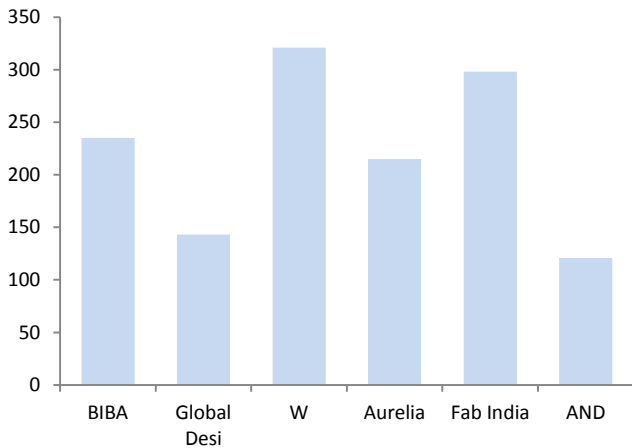
Increasing appeal of millennials towards high-end fashion clothing, without having to own these assets, offers significant growth potential. Ethnic clothing, coupled with rental accessories for weddings, religious functions, and weekend parties have started to gain momentum. Over last few years customers have started to rent dresses, formal blazers, handbags, designer ethnics, Indo-western clothing, and sherwanis. The global online rental market is valued at US\$ 1bn in 2017 by Allied Market Research and is expected to see 11% CAGR over the next five years. Typically, these companies have an inventory-led model and rent clothes for 4-7 days at 10-15% of the retail price. They take a security deposit of 20-40% of rent. Currently, there are c.100,000 users of this service with a target age group of 25-40 years. Companies have also started to do revenue-share deals with designers where they don’t own inventory, but share 30-40% of the rental income with designers.

Apparel rental start-ups in India

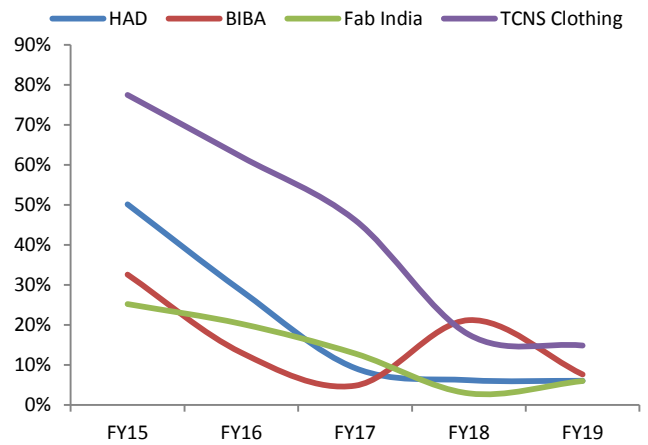
Brand Name	Founder Name	Year	Investors	Funding raised	Cities Present	Pricing
Stage3	Sabena Pure, Rina Dhaka, Sanchit Baweja	2016	Bloom Ventures	US\$ 2mn	Pan-India	10-15%
Flyrobe & Rent It Bae	Aanchal Saini	2015	GEMS Partners, GREE Ventures, IDG Ventures	US\$ 5.3mn	7	15%
LibeRent	Sahyujyah Shrinivas	2014	Ravi Manthan & Sangita Kathiwada		8	10-15%
Date the Ramp	Chinmoy Panda	2017	NA		12	10-15%
RentACloset	Akshay Taneja, Varun Bahl	2016	NA		Pan-India	10%
The Clothing Rental	Shilpa Bhatia	2005	NA		Pan-India	25%
Stylease	Jheal Shah, Tarang Shah, Juhi Shah	2016	NA		Pan-India	10%
Wrapd	Neeraj Madera	2009	NA		6	20%

Source: PhillipCapital India Research

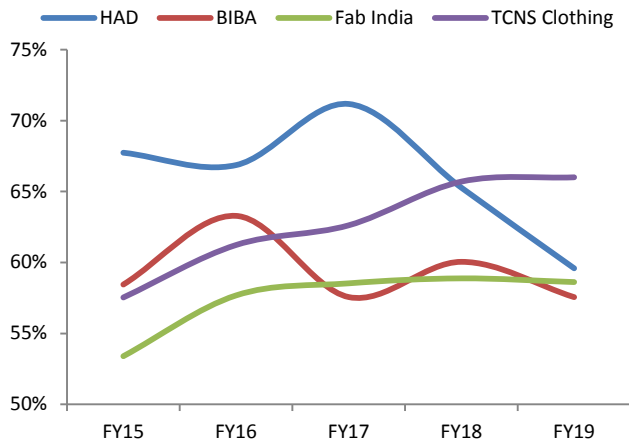
Financial comparison across companies

EBO count across brands (FY19)


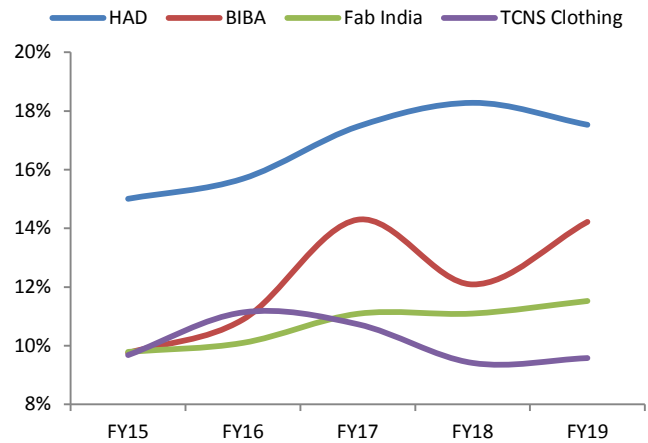
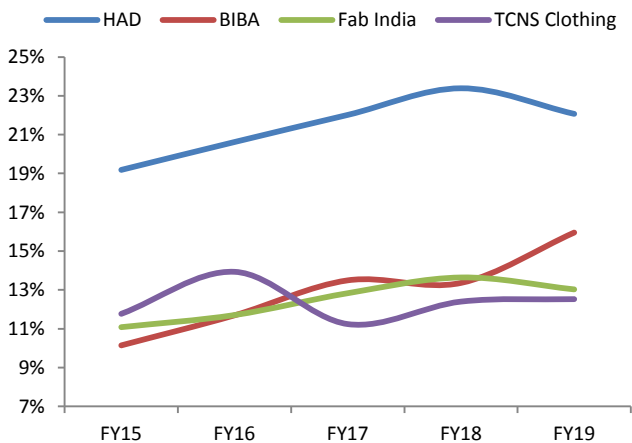
Source: Company, Phillip Capital India Research;

Revenue growth


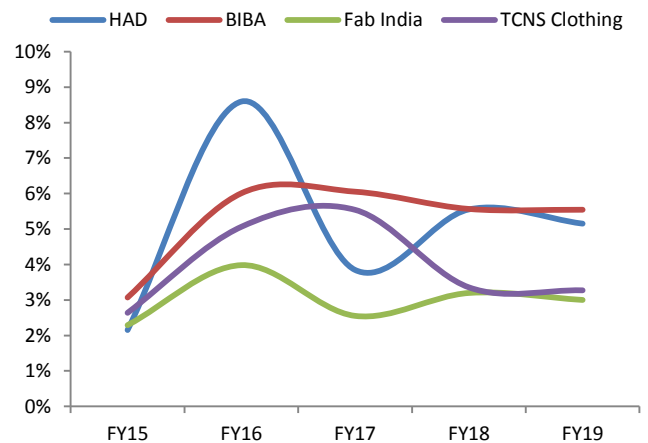
Note: Revenue adjusted for IndAS 115

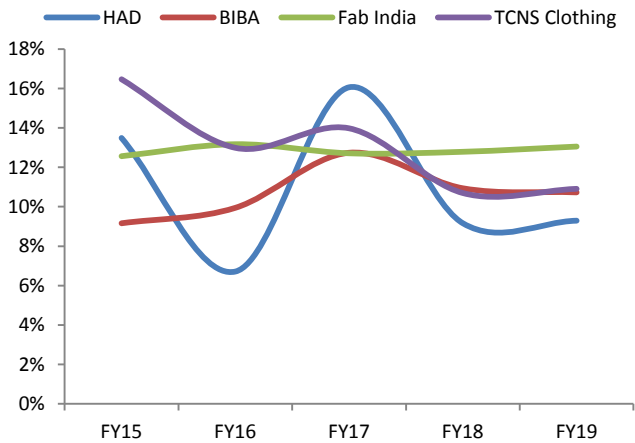
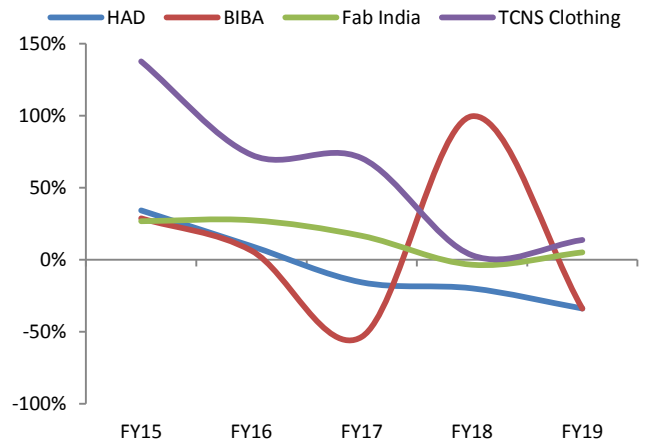
Gross margin


Source: Company, Phillip Capital India Research

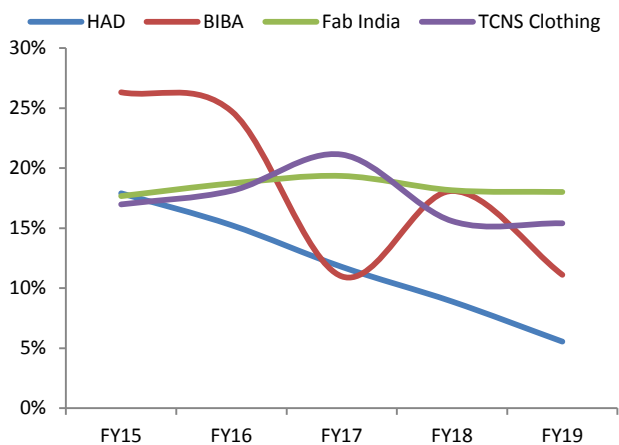
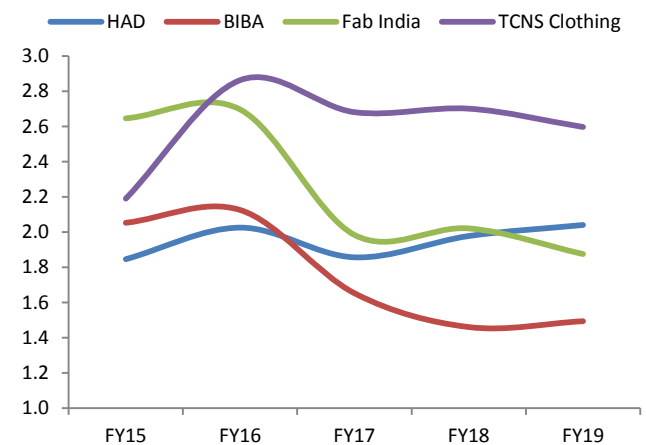
Rent as % of revenue

Employee cost as % of sales


Source: Company, Phillip Capital India Research

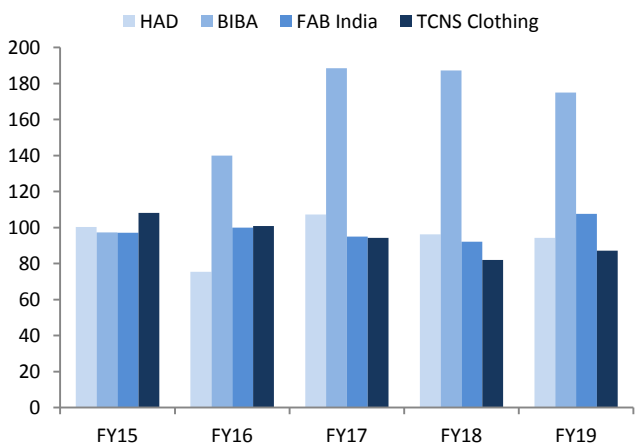
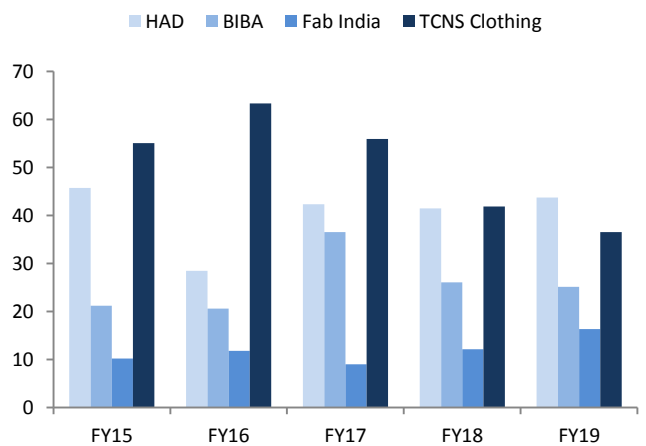
A&P spends as % of sales


Other expenses as % of revenues

EBIDTA growth


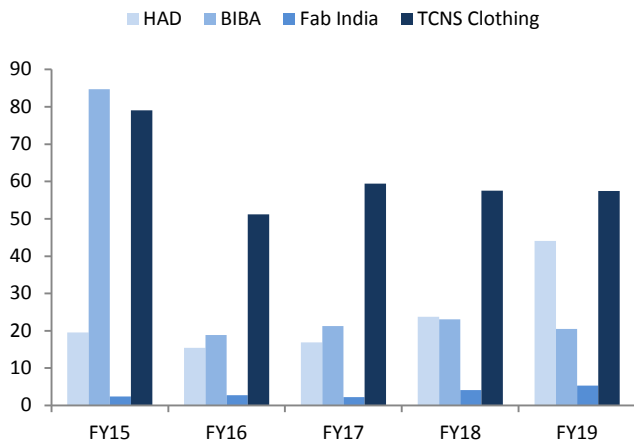
Source: Company, Phillip Capital India Research

EBIDTA margin trend

Asset turnover ratio


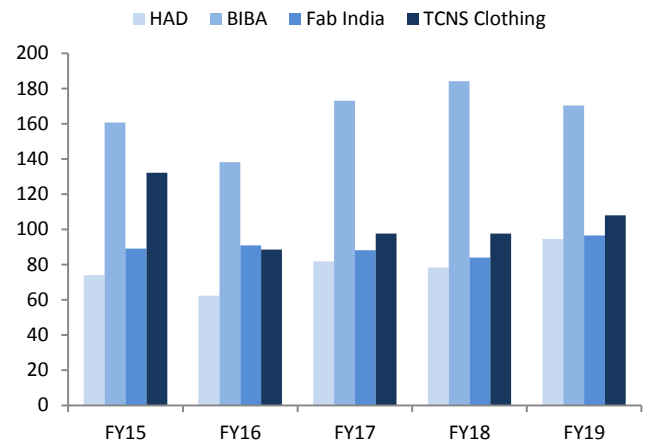
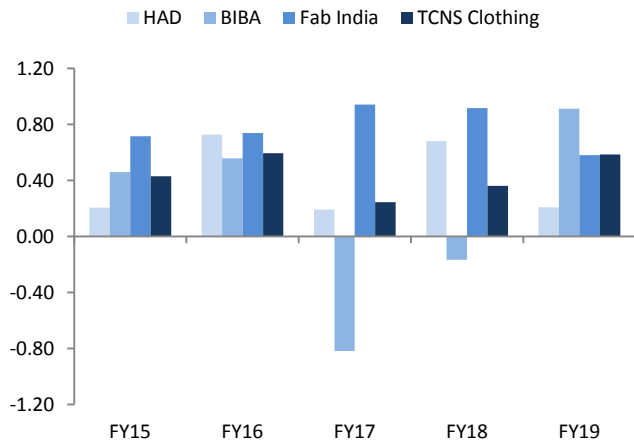
Source: Company, Phillip Capital India Research

Inventory days

Payable days


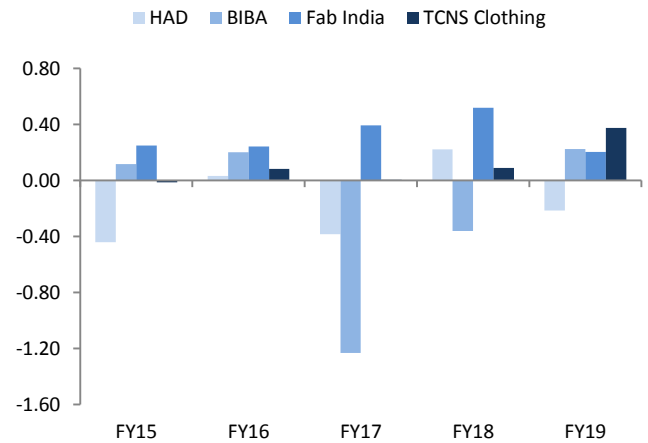
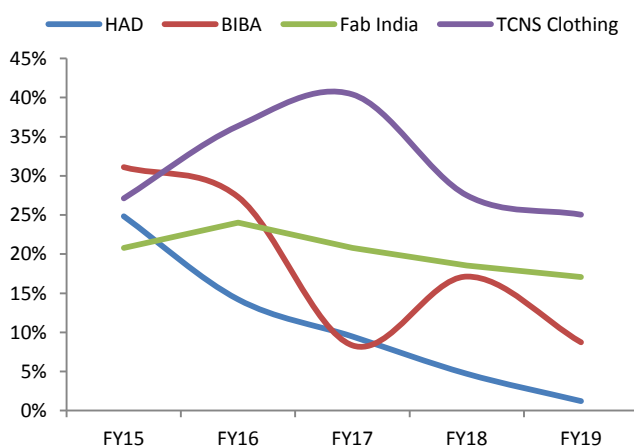
Source: Company, Phillip Capital India Research

Debtor days


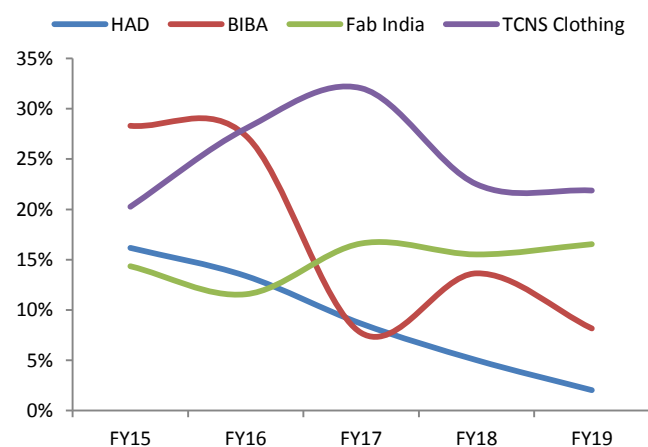
Source: Company, Phillip Capital India Research

Cash-conversion cycle

OCF/Cash profit


Source: Company, Phillip Capital India Research

FCF/EBIDTA

RoE trend


Source: Company, Phillip Capital India Research

RoCE trend


Fabindia Overseas Pvt Ltd

Fabindia Overseas was established by the late Mr. John Bissell in 1960 to export upholstery fabrics, durries, and rugs to the US and other western countries. It now sells ethnic garments, home products, personal care products, organic foods, and jewellery under the Fabindia brand. Company has expanded its domestic stores to 298 in FY19, from 20 in 2004. The company has 13 international retail stores in countries like Italy, Singapore, Malaysia, Nepal, Qatar, Mauritius, Fiji, USA and UAE.

In FY18, the company launched four pilot SBUs – Home and Lifestyle, Personal Care, Fabcafe, and e-commerce. This would help the company revamp the business categories and help take risks to scale up the business independently. In FY19 the company launched the Fabfamily program, its exclusive loyalty program for Indian customers.

They have 14 experience stores which offer complete Fabindia range – everyday wear and occasion wear for women, men and kids, accessories, home and lifestyle range, personal care and organic food products. The Organic India wellness Centre, FabCafe, Alteration Studio, Interior Design Studio and kids zone are all housed at one place in the experience Centre to make it a one-stop experience destination for the customer.

Fabindia hold 53% stake in Organic India Pvt Ltd. OIPL, established in 1997, is an organic health and wellness product manufacturing company. Its manufacturing facility is located in Lucknow, Uttar Pradesh. The product profile includes organically certified tulsi herbal infusions, herbal supplements, ayurvedic medicines and other organic food products and spices. Fabindia took over a 40% stake in the company in 2013, and increased its stake further to 53% in FY17. It also has a diversified presence in more than 40 countries, on its own, and through its subsidiary. In addition, OIPL has strong distributor channels and has been generating more than 70% of the total revenue from dealer and distributor channels. The balance comes from its exclusive store, modern trade, wellness stores, e-commerce and tele calling. OIPL has c.50% revenues from the intensely competitive organic tea segment.

On a standalone basis, Fabindia has revenues of Rs 11.21bn with operating profit of Rs 2.02bn and PAT of Rs 1.16bn. On a consolidated basis (including OIPL and international operations), it posted a revenue of Rs 14.60bn with an operating profit of Rs 2.34bn and PAT of Rs 998mn.

House of Anita Dongre

House of Anita Dongre is present in the women's wear category, with a product range spanning western wear, Indo-western wear, and traditional Indian wear. The Group is present in both the mass premium and high-end luxury fashion segments. The mass premium category is represented by its flagship brand – AND, started in 1999, a western wear brand, and Global Desi started in 2009, its fusion wear (western + ethnic wear) brand. Its couture category has two brands – Anita Dongre and Grassroot, which is an organic-wear brand that is being scaled up. AND and Global Desi contribute c.82% to the group's revenues, with the balance 18% from high-end luxury fashion labels such as Anita Dongre and Grassroot.

On 28 March 2019, the company, as part of its corporate restructuring, transferred the businesses under its two brands AND and Global Desi under a slump-sale arrangement to a newly formed wholly-owned subsidiary, Ochre and Black Private Limited (OBPL) – effective 1 April 2019. The standalone company will continue to manage the business for its two brands – Anita Dongre and Grassroot.

Biba Apparel Pvt Ltd

Biba Apparels Private Limited, incorporated in FY03 by Mrs Meena Bindra and her son Mr. Siddharth Bindra, designs and retails women's ethnic wear, primarily in the domestic market, under its flagship brand – *BIBA*. In FY14, the company introduced another brand in the economy segment, *Rangriti*. While the company used to focus on retailing Rangriti through MBOs earlier, from FY16, it started setting up EBOs for the brand.

In FY19, the company added 49 stores for BIBA, Rangriti, BIBA Girls, which included 23 EBOs for BIBA, 15 EBOs for Rangriti, and 3 EBOs for BIBA Girls. In addition to this, it added 8 franchise stores, which included 6 for BIBA and 2 for Rangriti. The total EBO for BIBA are 235 and for Rangriti are 59 at the end of FY19. FY19 also saw the company adding new products by introducing BIBA Jewellery, BIBA Footwear, and BIBA Perfumes in the stores. The brands are present in 465 MBOs.

Vedant Fashions Pvt Ltd

Vedant is engaged in the manufacturing and trading of readymade garments (ethnic and celebration wear) for men and women through its in-house brands *Manyavar*, *Mohey*, *Mebaz*, *Manu* and *Manthan*. In 2019, the company launched its 600th store with a premium brand men's wear brand *Twamev*.

Currently, the company has more than 600 stores across India, including in the US, Canada, and UAE, with 1.1mn retail space. It makes 90% of the inventory in-house, which helps it to better manage its inventory. The brand has a zero discounts policy and destroys or donates unsold stock. Less than 10% of the company's sale is from its women's wear brand *Mohey*.

In June 2017, the company acquired the business of New Meena Bazaar International based in Hyderabad, with the brand *Mebaz*. It has 18 stores, predominantly in south India.

Financials – TCNS Clothing Co.

Income Statement

Y/E Mar, Rs mn	FY16	FY17	FY18	FY19
Net sales	4,877	7,130	9,971	11,480
Growth, %	62%	46%	40%	15%
Raw material expenses	1,891	2,665	3,425	3,899
Employee expenses	680	801	1,236	1,438
Other Operating expenses	1,423	2,157	3,755	4,374
EBITDA	883	1,507	1,554	1,768
Growth, %	73%	71%	3%	14%
Margin, %	18%	21%	16%	15%
Depreciation	89	134	167	222
EBIT	795	1,372	1,388	1,546
Growth, %	77%	73%	1%	11%
Margin, %	16%	19%	14%	13%
Interest paid	30	25	7	5
Other Non-Operating Income	6	11	67	75
Non-recurring Items	0	0	0	0
Pre-tax profit	771	1,359	1,448	1,616
Tax provided	280	468	467	302
Net Profit	491	891	981	1,314
Growth, %	87%	82%	10%	34%

Balance Sheet

Y/E Mar, Rs mn	FY16	FY17	FY18	FY19
Cash & bank	103	132	491	231
Debtors	684	1,160	1,571	1,807
Inventory	1,347	1,843	2,239	2,741
Loans & advances	416	580	933	948
Total current assets	2,549	3,715	5,234	5,727
Investments	12	15	21	1,378
Gross fixed assets	660	706	783	969
Less: Depreciation	267	238	264	376
Add: Capital WIP	2	33	81	3
Net fixed assets	395	502	600	595
Total assets	2,956	4,232	5,854	7,699
Current liabilities	1,001	1,322	1,595	1,591
Provisions	137	103	57	80
Total current liabilities	1,138	1,425	1,652	1,671
Total Debt	382	88	3	2
Deferred Tax Liabilities	-160	-98	-115	-160
Total liabilities	1,360	1,415	1,539	1,514
Paid-up capital	104	111	113	123
Reserves & surplus	1,491	2,705	4,202	6,063
Shareholders' equity	1,595	2,817	4,315	6,186
Total equity & liabilities	2,955	4,232	5,854	7,699

Source: Company, PhillipCapital India Research Estimates

Cash Flow

Y/E Mar, Rs mn	FY16	FY17	FY18	FY19
Pre-tax profit	771	1,359	1,448	1,616
Depreciation	89	134	167	222
Chg in working capital	-227	-690	-971	-778
Total tax paid	-325	-628	-452	-323
Other operating activities	37	77	223	162
Cash flow from operating activities	344	251	415	899
Capital expenditure	-271	-242	-274	-237
Chg in investments	-18	-40	-16	-1,250
Other investing activities	9	12	12	53
Cash flow from investing activities	-279	-271	-277	-1,434
Free cash flow	74	9	141	662
Equity raised/(repaid)	0	331	60	389
Debt raised/(repaid)	-16	-294	157	-1
Dividend (incl. tax)	0	0	0	0
Other financing activities	-30	-25	-7	-5
Cash flow from financing activities	-45	12	210	383
Net chg in cash	20	-8	347	-151

Valuation Ratios

	FY16	FY17	FY18	FY19
Per Share data				
EPS (INR)	9.5	16.0	17.4	21.4
Growth, %	87%	69%	9%	23%
Book NAV/share (INR)	30.7	50.6	76.5	100.9
FDEPS (INR)	9.5	16.0	17.4	21.4
CEPS (INR)	11.2	18.4	20.4	25.1
CFPS (INR)	1.4	0.2	2.5	10.8
DPS (INR)	-	-	-	-
Return ratios				
Return on assets (%)	17.2	21.3	16.2	17.1
Return on equity (%)	36.4	40.4	27.5	25.0
Return on capital employed (%)	28.0	32.0	22.5	21.9
Turnover ratios				
Asset turnover (x)	2.9	2.7	2.7	2.6
Sales/Total assets (x)	1.6	1.7	1.7	1.5
Sales/Net FA (x)	12.3	14.2	16.6	19.3
Working capital/Sales (x)	0.3	0.3	0.3	0.3
Receivable days	7	6	6	6
Inventory days	101	94	82	87
Payable days	63	56	42	37
Working capital days	98	110	113	122
Liquidity ratios				
Current ratio (x)	2.2	2.6	3.2	3.4
Quick ratio (x)	1.1	1.3	1.8	1.8
Interest cover (x)	26.7	55.6	206.8	300.8
Dividend cover (x)	NA	NA	NA	NA
Total debt/Equity (%)	0.2	0.0	0.0	0.0
Net debt/Equity (%)	0.2	(0.0)	(0.1)	(0.3)
Valuation				
PER (x)	-	-	-	32.1
PEG (x) - y-o-y growth	-	-	-	1.5
Price/Book (x)	-	-	-	6.8
Dividend Yield (%)	-	-	-	-
EV/Net sales (x)	-	-	-	3.5
EV/EBITDA (x)	-	-	-	22.9
EV/EBIT (x)	-	-	-	26.2

Financials – Biba Apparels Pvt Ltd (Standalone)

Income Statement

Y/E Mar, Rs mn	FY16	FY17	FY18	FY19
Net sales	4,278	4,485	5,435	5,850
Growth, %	13%	5%	21%	8%
Raw material expenses	1,571	1,903	2,172	2,483
Employee expenses	500	605	726	933
Other Operating expenses	1,148	1,484	1,554	1,784
EBITDA	1,059	493	983	650
Growth, %	6%	-53%	100%	-34%
Margin, %	25%	11%	18%	11%
Depreciation	146	175	198	220
EBIT	912	317	786	430
Growth, %	5%	-65%	148%	-45%
Margin, %	21%	7%	14%	7%
Interest paid	7	22	81	90
Other Non-Operating Income	27	31	37	46
Non-recurring Items	0	0	0	0
Pre-tax profit	932	327	742	387
Tax provided	324	121	264	116
Profit after tax	608	206	478	271
Net Profit (adjusted)	608	206	478	271

Balance Sheet

Y/E Mar, Rs mn	FY16	FY17	FY18	FY19
Cash & bank	126	21	61	69
Debtors	221	261	344	329
Inventory	1,640	2,315	2,787	2,806
Loans & advances	290	478	827	1,055
Other current assets	0	0	0	0
Total current assets	2,277	3,075	4,019	4,259
Investments	104	107	104	104
Gross fixed assets	470	741	984	1,249
Less: Depreciation	145	319	516	682
Add: Capital WIP	0	0	0	0
Net fixed assets	325	422	468	567
Non-current assets	0	0	0	0
Total assets	2,706	3,604	4,591	4,929
Current liabilities	414	754	680	818
Provisions	50	10	25	23
Total current liabilities	464	764	705	840
Total Debt	7	465	930	962
Deferred Tax Liabilities	-138	-190	-57	-71
Total liabilities	334	1,039	1,577	1,731
Paid-up capital	48	1,197	1,197	1,197
Reserves & surplus	2,324	1,369	1,817	2,001
Shareholders' equity	2,372	2,566	3,014	3,198
Total equity & liabilities	2,706	3,604	4,591	4,929

Note: Adjusted for IndAs 115

Source: Company, PhillipCapital India Research Estimates

Cash Flow

Y/E Mar, Rs mn	FY16	FY17	FY18	FY19
Pre-tax profit	932	327	742	387
Depreciation	146	175	198	220
Chg in working capital	-305	-584	-851	-13
Total tax paid	-329	-217	-241	-201
Other operating activities	-23	-12	40	54
Cash flow from operating activities	421	-312	-112	447
Capital expenditure	-209	-294	-243	-299
Interest	14	2	6	1
Other investing activities	-13	2	-1	4
Cash flow from investing activities	-207	-291	-237	-294
Free cash flow	212	-605	-355	148
Equity raised/(repaid)	0	0	0	0
Debt raised/(repaid)	-4	525	482	20
Dividend (incl. tax)	-208	-11	-37	-85
Other financing activities	-1	-14	-57	-78
Cash flow from financing activities	-212	500	388	-143
Net chg in cash	1	-102	38	10

Valuation Ratios

	FY16	FY17	FY18	FY19
Return ratios				
Return on assets (%)	22.6	6.1	11.5	6.8
Return on equity (%)	27.3	8.3	17.1	8.7
Return on capital employed (%)	27.3	7.7	13.6	8.2
Turnover ratios				
Asset turnover (x)	2.1	1.7	1.5	1.5
Sales/Total assets (x)	1.6	1.2	1.2	1.2
Sales/Net FA (x)	13.2	10.6	11.6	10.3
Working capital/Sales (x)	0.4	0.5	0.6	0.6
Receivable days	18.8	21.3	23.1	20.5
Inventory days	139.9	188.4	187.2	175.1
Payable days	20.6	36.5	26.1	25.1
Working capital days	144.0	186.4	218.4	209.0
Liquidity ratios				
Current ratio (x)	4.9	4.0	5.7	5.1
Quick ratio (x)	1.4	1.0	1.7	1.7
Interest cover (x)	125.0	14.5	9.7	4.8
Total debt/Equity (%)	0.0	0.2	0.3	0.3
Net debt/Equity (%)	(0.1)	0.1	0.3	0.2

Financials – House of Anita Dongre Ltd (Standalone)

Income Statement

Y/E Mar, Rs mn	FY16	FY17	FY18	FY19
Net sales	4,139	4,521	4,802	5,092
Growth, %	29%	9%	6%	6%
Raw material expenses	1,372	1,304	1,668	2,058
Employee expenses	854	995	1,123	1,124
Other Operating expenses	1,283	1,690	1,584	1,628
EBITDA	631	532	427	282
Growth, %	9%	-16%	-20%	-34%
Margin, %	15%	12%	9%	6%
Depreciation	133	214	255	242
EBIT	499	318	171	40
Growth, %	-1%	-36%	-46%	-77%
Margin, %	12%	7%	4%	1%
Interest paid	15	22	34	40
Other Non-Operating Income	5	70	47	46
Non-recurring Items	0	0	0	0
Pre-tax profit	489	366	185	46
Tax provided	175	130	59	13
Profit after tax	315	236	126	33
Net Profit (adjusted)	315	236	126	33

Balance Sheet

Y/E Mar, Rs mn	FY16	FY17	FY18	FY19
Cash & bank	15	25	19	23
Debtors	176	210	312	615
Inventory	855	1,329	1,265	1,314
Loans & advances	603	502	556	709
Other current assets	0	0	0	0
Total current assets	1,648	2,066	2,152	2,661
Investments	362	431	516	521
Gross fixed assets	1,371	1,472	1,516	1,613
Less: Depreciation	281	212	404	647
Add: Capital WIP	56	8	6	3
Net fixed assets	1,146	1,268	1,118	968
Non-current assets	0	0	0	0
Total assets	3,155	3,764	3,786	4,150
Current liabilities	504	778	739	1,019
Provisions	231	96	85	92
Total current liabilities	735	874	824	1,111
Total Debt	87	328	317	402
Deferred Tax Liabilities	-38	-48	-91	-130
Total liabilities	784	1,153	1,050	1,384
Paid-up capital	44	44	44	44
Reserves & surplus	2,327	2,567	2,692	2,722
Shareholders' equity	2,372	2,611	2,736	2,766
Total equity & liabilities	3,155	3,764	3,787	4,150

Source: Company, PhillipCapital India Research Estimates

Cash Flow

Y/E Mar, Rs mn	FY16	FY17	FY18	FY19
Pre-tax profit	489	366	185	47
Depreciation	133	214	255	242
Chg in working capital	-118	-354	-93	-179
Total tax paid	-192	-113	-113	-85
Other operating activities	14	-27	25	32
Cash flow from operating activities	326	87	260	57
Capital expenditure	-304	-288	-162	-117
Interest	2	1	1	1
Other investing activities	-50	-1	-66	12
Cash flow from investing activities	-352	-287	-227	-104
Free cash flow	21	-201	98	-60
Equity raised/(repaid)	0	0	0	0
Debt raised/(repaid)	-51	232	-9	88
Dividend (incl. tax)	0	0	0	0
Other financing activities	-15	-21	-31	-38
Cash flow from financing activities	-66	211	-40	50
Net chg in cash	-93	11	-7	4

Valuation Ratios

	FY16	FY17	FY18	FY19
Return ratios				
Return on assets (%)	10.3	6.6	3.9	1.5
Return on equity (%)	14.2	9.5	4.7	1.2
Return on capital employed (%)	13.4	8.6	5.0	2.0
Turnover ratios				
Asset turnover (x)	1.7	1.6	1.6	1.7
Sales/Total assets (x)	1.3	1.2	1.3	1.2
Sales/Net FA (x)	3.6	3.6	4.3	5.3
Working capital/Sales (x)	0.6	0.6	0.6	0.6
Receivable days	15	17	24	44
Inventory days	75	107	96	94
Payable days	28	42	41	44
Working capital days	212	231	224	216
Liquidity ratios				
Current ratio (x)	2.2	2.4	2.6	2.4
Quick ratio (x)	1.1	0.8	1.1	1.2
Interest cover (x)	34.4	14.7	5.1	1.0
Total debt/Equity (%)	0.0	0.1	0.1	0.1
Net debt/Equity (%)	0.0	0.1	0.1	0.1

Financials – Fab India Overseas Pvt Ltd (Standalone)

Income Statement

Y/E Mar, Rs mn	FY16	FY17	FY18	FY19
Net sales	9,105	10,277	10,576	11,210
Growth, %	20%	13%	3%	6%
Raw material expenses	3,854	4,262	4,349	4,639
Employee expenses	1,066	1,319	1,443	1,460
Other Operating expenses	2,481	2,708	2,864	3,091
EBITDA	1,705	1,988	1,920	2,019
Growth, %	27%	17%	-3%	5%
Margin, %	19%	19%	18%	18%
Depreciation	220	305	322	317
EBIT	1,485	1,683	1,598	1,702
Growth, %	32%	13%	-5%	7%
Margin, %	16%	16%	15%	15%
Interest paid	111	200	195	175
Other Non-Operating Income	73	100	156	276
Non-recurring Items	-685	0	-571	-20
Pre-tax profit	762	1,584	988	1,783
Tax provided	535	555	395	622
Profit after tax	227	1,029	593	1,161
Net Profit (adjusted)	912	1,029	1,164	1,181

Balance Sheet

Y/E Mar, Rs mn	FY16	FY17	FY18	FY19
Cash & bank	136	137	166	121
Debtors	70	63	121	165
Inventory	2,492	2,672	2,669	3,304
Loans & advances	619	673	790	858
Other current assets	0	0	0	0
Total current assets	3,317	3,545	3,745	4,448
Investments	504	1,661	1,385	1,689
Gross fixed assets	2,430	3,659	3,910	4,138
Less: Depreciation	1,043	1,196	1,465	1,684
Add: Capital WIP	42	300	303	406
Net fixed assets	1,429	2,764	2,748	2,860
Non-current assets	0	0	0	0
Total assets	5,251	7,969	7,878	8,997
Current liabilities	747	850	1,008	1,146
Provisions	487	142	87	64
Total current liabilities	1,234	992	1,095	1,209
Total Debt	337	922	544	649
Deferred Tax Liabilities	-124	-33	-218	-253
Total liabilities	1,447	1,882	1,421	1,605
Paid-up capital	24	24	24	24
Reserves & surplus	3,780	6,064	6,433	7,368
Shareholders' equity	3,804	6,088	6,457	7,392
Total equity & liabilities	5,251	7,969	7,878	8,997

Source: Company, PhillipCapital India Research Estimates

Cash Flow

Y/E Mar, Rs mn	FY16	FY17	FY18	FY19
Pre-tax profit	762	1,584	988	1,783
Depreciation	220	305	322	317
Chg in working capital	-381	-157	-37	-602
Total tax paid	-548	-620	-620	-707
Other operating activities	784	146	709	81
Cash flow from operating activities	837	1,258	1,363	872
Capital expenditure	-418	-472	-359	-457
Interest	20	21	49	60
Other investing activities	-645	-1,149	-296	-276
Cash flow from investing activities	-1,044	-1,600	-606	-672
Free cash flow	419	787	1,004	416
Equity raised/(repaid)	0	55	0	0
Debt raised/(repaid)	337	625	-305	80
Dividend (incl. tax)	-214	-178	-238	-239
Other financing activities	-21	-129	-116	-102
Cash flow from financing activities	102	373	-659	-261
Net chg in cash	-105	32	99	-61

Valuation Ratios

	FY16	FY17	FY18	FY19
Return ratios				
Return on assets (%)	8.8	14.5	13.4	14.3
Return on equity (%)	24%	21%	19%	17%
Return on capital employed (%)	25%	17%	16%	17%
Turnover ratios				
Asset turnover (x)	2.7	2.0	2.0	1.9
Sales/Total assets (x)	1.7	1.3	1.3	1.2
Sales/Net FA (x)	6.4	3.7	3.8	3.9
Working capital/Sales (x)	0.2	0.2	0.2	0.3
Receivable days	2.8	2.2	4.2	5.4
Inventory days	100	95	92	108
Payable days	12	9	12	16
Working capital days	78	86	86	102
Liquidity ratios				
Current ratio (x)	2.7	3.6	3.4	3.7
Quick ratio (x)	0.7	0.9	1.0	0.9
Interest cover (x)	13.4	8.4	8.2	9.7
Total debt/Equity (%)	0.1	0.2	0.1	0.1
Net debt/Equity (%)	(0.1)	(0.1)	(0.2)	(0.2)

Financials – Vedant Fashions Pvt Ltd (Standalone)

Income Statement

Y/E Mar, Rs mn	FY16	FY17	FY18	FY19
Net sales	5,043	5,964	7,585	7,942
Growth, %	22%	18%	27%	5%
Raw material expenses	923	1,337	2,891	2,681
Employee expenses	687	348	480	461
Other Operating expenses	1,928	2,544	1,877	2,064
EBITDA	1,505	1,735	2,337	2,736
Growth, %	47%	15%	35%	17%
Margin, %	30%	29%	31%	34%
Depreciation	73	76	96	85
EBIT	1,432	1,660	2,241	2,651
Growth, %	54%	16%	35%	18%
Margin, %	28%	28%	30%	33%
Interest paid	60	51	60	44
Other Non-Operating Income	18	29	105	191
Non-recurring Items	0	0	0	0
Pre-tax profit	1,390	1,638	2,285	2,799
Tax provided	489	578	791	976
Profit after tax	902	1,060	1,494	1,823
Net Profit (adjusted)	902	1,060	1,494	1,823

Balance Sheet

Y/E Mar, Rs mn	FY16	FY17	FY18	FY19
Cash & bank	17	12	47	1,189
Debtors	1,072	1,885	3,219	3,374
Inventory	859	974	877	896
Loans & advances	603	490	709	1,518
Other current assets	0	0	0	0
Total current assets	2,550	3,361	4,852	6,978
Investments	0	1	1,383	1,945
Gross fixed assets	1,315	1,487	3,300	2,727
Less: Depreciation	274	72	140	204
Add: Capital WIP	31	47	7	25
Net fixed assets	1,071	1,461	3,166	2,548
Non-current assets	0	0	0	0
Total assets	3,621	4,823	9,402	11,470
Current liabilities	1,056	1,072	2,178	2,422
Provisions	37	17	15	19
Total current liabilities	1,093	1,090	2,194	2,441
Total Debt	218	535	127	0
Deferred Tax Liabilities	-20	-94	16	128
Total liabilities	1,292	1,531	2,337	2,569
Paid-up capital	119	119	231	251
Reserves & surplus	2,211	3,174	6,834	8,651
Shareholders' equity	2,330	3,293	7,065	8,901
Total equity & liabilities	3,621	4,823	9,402	11,470

Source: Company, PhillipCapital India Research Estimates

Cash Flow

Y/E Mar, Rs mn	FY16	FY17	FY18	FY19
Pre-tax profit	1,390	1,638	2,285	2,799
Depreciation	73	76	96	85
Chg in working capital	-205	-751	-1,112	-7
Total tax paid	-449	-637	-718	-953
Other operating activities	48	43	-34	-137
Cash flow from operating activities	858	369	518	1,787
Capital expenditure	-242	-222	-1,462	-58
Interest	1	4	3	0
Other investing activities	5	3	-1,331	-1,593
Cash flow from investing activities	-236	-215	-2,790	-1,650
Free cash flow	616	146	-944	1,729
Equity raised/(repaid)	0	0	2,250	0
Debt raised/(repaid)	49	-50	1	-1
Dividend (incl. tax)	-119	0	-8	0
Other financing activities	-551	-108	-8	-128
Cash flow from financing activities	-621	-158	2,235	-129
Net chg in cash	1	-5	-37	8

Valuation Ratios

	FY16	FY17	FY18	FY19
Return ratios				
Return on assets (%)	26.0	22.7	16.3	16.1
Return on equity (%)	46.2	37.7	28.9	22.8
Return on capital employed (%)	37.2	29.3	21.3	20.5
Turnover ratios				
Asset turnover (x)	2.0	1.6	1.1	1.0
Sales/Total assets (x)	1.4	1.2	0.8	0.7
Sales/Net FA (x)	4.7	4.1	2.4	3.1
Working capital/Sales (x)	0.3	0.4	0.3	0.4
Receivable days	78	115	155	155
Inventory days	62	60	42	41
Payable days	24	21	21	28
Working capital days	104	138	126	154
Liquidity ratios				
Current ratio (x)	2.3	3.1	2.2	2.9
Quick ratio (x)	1.5	2.2	1.8	2.5
Interest cover (x)	24.0	32.8	37.1	61.0
Total debt/Equity (%)	0.1	0.2	0.0	-
Net debt/Equity (%)	0.1	0.2	0.0	(0.1)

Rating Methodology

We rate stock on absolute return basis. Our target price for the stocks has an investment horizon of one year. We have different threshold for large market capitalisation stock and Mid/small market capitalisation stock. The categorisation of stock based on market capitalisation is as per the SEBI requirement.

Large cap stocks

Rating	Criteria	Definition
BUY	$\geq +10\%$	Target price is equal to or more than 10% of current market price
NEUTRAL	$-10\% > \text{to} < +10\%$	Target price is less than +10% but more than -10%
SELL	$\leq -10\%$	Target price is less than or equal to -10%.

Mid cap and Small cap stocks

Rating	Criteria	Definition
BUY	$\geq +15\%$	Target price is equal to or more than 15% of current market price
NEUTRAL	$-15\% > \text{to} < +15\%$	Target price is less than +15% but more than -15%
SELL	$\leq -15\%$	Target price is less than or equal to -15%.

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