

October 24, 2024

Q2FY25 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	HOLD		HOLD	
Target Price	494		547	
Sales (Rs. m)	25,758	28,531	26,437	29,281
% Chng.	(2.6)	(2.6)		
EBITDA (Rs. m)	4,018	4,565	4,018	4,597
% Chng.	-	(0.7)		
EPS (Rs.)	13.6	16.5	15.1	18.2
% Chng.	(10.2)	(9.6)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	22,450	23,437	25,758	28,531
EBITDA (Rs. m)	1,936	1,477	4,018	4,565
Margin (%)	8.6	6.3	15.6	16.0
PAT (Rs. m)	285	(219)	1,929	2,337
EPS (Rs.)	2.0	(1.5)	13.6	16.5
Gr. (%)	NA	NA	NA	21.1
DPS (Rs.)	2.0	2.0	2.0	2.0
Yield (%)	0.4	0.4	0.4	0.4
RoE (%)	4.3	NA	27.0	26.0
RoCE (%)	7.4	2.1	20.2	22.8
EV/Sales (x)	3.3	3.1	2.8	2.5
EV/EBITDA (x)	38.8	49.9	17.8	15.4
PE (x)	234.8	NA	34.7	28.7
P/BV (x)	9.9	10.6	8.4	6.7

Key Data

VIP.BO | VIP IN

52-W High / Low	Rs.668 / Rs.428
Sensex / Nifty	80,065 / 24,399
Market Cap	Rs.67bn/ \$ 797m
Shares Outstanding	142m
3M Avg. Daily Value	Rs.616.42m

Shareholding Pattern (%)

Promoter's	51.74
Foreign	7.81
Domestic Institution	12.26
Public & Others	28.19
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(18.6)	(14.6)	(23.7)
Relative	(13.7)	(21.2)	(38.5)

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Timely inventory liquidation key for revival

Quick Pointers:

- Top-line remains flat with an adjusted bottom-line loss of Rs366mn.

VIP reported weak performance with an adjusted bottom-line loss of Rs366mn (PLe loss of Rs215mn) led by deterioration in GM amid heavy discounting on e-com channel. For FY25E, we expect loss of Rs219mn despite penciling 9.2% top-line growth and Gross/EBITDA margin of 47.4%/8.7% in 2HFY25E. For FY26E/FY27E we cut our EPS estimates by ~10% as we re-align our interest cost assumptions given deleveraging timeline has been delayed. Unless slow moving SL inventory is fully liquidated within next 1-2 quarters warehousing, freight and interest cost will remain high pressurizing profitability. Further, predatory pricing on e-com has impacted off-take in traditional channels acting as an hindrance towards growth. Given these twin challenges, we expect sales CAGR of 8.3% over FY24-FY27E with EBITDA margin of 6.3%/15.6%/16.0% in FY25E/FY26E/FY27E. Retain HOLD on the stock with a TP of Rs494 (30x FY27E EPS; no change in target multiple).

Top-line remains flat: Top-line decreased 0.3% YoY to Rs5,443mn (PLe of Rs5,734mn). Backpacks/handbags contributed 11%/4% to the top-line.

GM falls to 45.1%: Gross profit decreased 19.1% YoY to Rs2,453mn (PLe of Rs2,437mn) with margin of 45.1% (PLe of 42.5%), as higher discounts were offered to liquidate SL inventory.

EBITDA in red: EBITDA loss stood at Rs22mn (PLe of Rs103mn), led by elevated other expenses of Rs1,898mn and weaker GM performance .

Adjusted loss at Rs366mn: Adjusted loss stood at Rs366mn (PLe loss of Rs215mn) due to weak operating performance and higher interest cost (up 62.7% YoY to Rs201mn).

Con-call highlights: **1)** VIP's market share stood at 40% as of 1QFY25. **2)** Warehousing cost is expected to remain elevated in 3QFY25 and will be normalized on liquidation of slow-moving SL inventory. **3)** Quantum of SL upright inventory was Rs1.3bn in 1QFY25. The figure has declined to ~Rs1bn in September. **4)** Tenure of BCG's contract is 15 months, divided into 5 buckets. Results will be evident from 3QFY25. **5)** Total ~4.4mn pieces were sold in 2QFY25 resulting in volume growth of 18%. **6)** In 2HFY25, value and volume growth differential is expected to lie between 8-10%. **7)** Gross/EBITDA margin is expected to reach 50%/12% in 4QFY25. **8)** Expected to receive Rs50mn towards fire insurance claim in 3QFY25 and full settlement is anticipated within 8-12 months. **9)** The plan is to reduce debt by Rs1,000mn towards end of FY25E. **10)** There is 8-10% gap in GM between premium brands and Aristocrat.

Exhibit 1: Q2FY25 Result Overview - Consolidated (Rs mn)

Y/e March	2QFY25	2QFY24	YoY gr.	2QFY25E	Var.	1QFY25	QoQ gr.	H1FY25	H1FY24	YoY gr.
Net sales	5,443	5,461	-0.3%	5,734	-5.1%	6,389	-14.8%	11,832	11,822	0.1%
Total raw material cost	2,989	2,430	23.0%	3,297	-9.3%	3,557	-16.0%	6,547	5,644	16.0%
<i>As a % of sales</i>	<i>54.9%</i>	<i>44.5%</i>		<i>57.5%</i>		<i>55.7%</i>		<i>55.3%</i>	<i>47.7%</i>	
Gross Profit	2,453	3,031	-19.1%	2,437	0.7%	2,832	-13.4%	5,285	6,178	-14.5%
<i>Gross margin</i>	<i>45.1%</i>	<i>55.5%</i>		<i>42.5%</i>		<i>44.3%</i>		<i>44.7%</i>	<i>52.3%</i>	
Employee expenses	577	662	-12.8%	642	-10.2%	589	-2.0%	1,166	1,325	-12.0%
<i>As a % of sales</i>	<i>10.6%</i>	<i>12.1%</i>		<i>11.2%</i>		<i>9.2%</i>		<i>9.9%</i>	<i>11.2%</i>	
Other expenses	1,898	1,841	3.1%	1,692	12.2%	1,750	8.5%	3,648	3,518	3.7%
<i>As a % of sales</i>	<i>34.9%</i>	<i>33.7%</i>		<i>29.5%</i>		<i>27.4%</i>		<i>30.8%</i>	<i>29.8%</i>	
EBITDA	(22)	529	NM	103	NM	493	NM	471	1,335	-64.7%
<i>EBITDA margin</i>	<i>NM</i>	<i>9.7%</i>		<i>1.8%</i>		<i>7.7%</i>		<i>4.0%</i>	<i>11.3%</i>	
Depreciation	296	238	24.1%	264	12.0%	292	1.2%	587	447	31.4%
EBIT	(317)	291	NM	(161)	NM	201	NM	(116)	888	NM
<i>EBIT margin</i>	<i>NM</i>	<i>5.3%</i>		<i>NM</i>		<i>3.1%</i>		<i>NM</i>	<i>7.5%</i>	
Interest cost	201	124	62.7%	149	34.9%	185	8.9%	386	231	66.8%
Other income	27	26	3.1%	23	15.5%	21	28.6%	47	52	-9.6%
PBT	(492)	193	NM	(287)	NM	37	NM	(455)	709	NM
Exceptional items	(36)	-	NM	-		-		(36)	(258)	NM
Tax expenses	(126)	60	NM	(72)	NM	(3)	NM	(129)	256	NM
Tax rate	NM	31.1%		NM		NM		NM	26.5%	
PAT	(330)	133	NM	(215)	NM	40	NM	(290)	710	NM
<i>PAT margin</i>	<i>NM</i>	<i>2.4%</i>		<i>NM</i>		<i>0.6%</i>		<i>NM</i>	<i>6.0%</i>	
EPS (Rs)	(2.3)	0.9	NM	(1.5)	NM	0.3	NM	(1.3)	13.6	
Adjusted PAT	(366)	133	NM	(215)	NM	40	NM	(326)	453	NM
<i>Adjusted PAT margin</i>	<i>NM</i>	<i>2.4%</i>		<i>NM</i>		<i>0.6%</i>		<i>NM</i>	<i>3.8%</i>	
Adjusted EPS (Rs)	(2.6)	0.9	NM	(1.5)	NM	0.3	NM	(1.5)	13.6	NM

Source: Company, PL

Exhibit 2: Sales & profitability profile of Bangladesh operations

Particulars (Rs mn)	2Q FY22	3Q FY22	4Q FY22	1Q FY23	2Q FY23	3Q FY23	4Q FY23	1Q FY24	2Q FY24	3Q FY24	4Q FY24	1Q FY25	2Q FY25	FY23	FY24	FY25E	FY26E
Sales	770	1,250	1,610	1,862	1,363	1,693	1,750	1,360	1,829	2,061	885	612	835	6,667	6,135	3,067	3,681
PAT	(11)	86	33	220	166	295	(48)	146	238	266	(152)	(94)	(24)	633	498	61	258
<i>PAT margin</i>	<i>NM</i>	<i>6.9%</i>	<i>2.0%</i>	<i>11.8%</i>	<i>12.2%</i>	<i>17.4%</i>	<i>NM</i>	<i>10.7%</i>	<i>13.0%</i>	<i>12.9%</i>	<i>NM</i>	<i>NM</i>	<i>NM</i>	<i>9.5%</i>	<i>8.1%</i>	<i>2.0%</i>	<i>7.0%</i>
<i>Bangladesh's sales a % of total sales</i>	<i>23.3%</i>	<i>31.5%</i>	<i>45.2%</i>	<i>31.5%</i>	<i>26.5%</i>	<i>32.2%</i>	<i>38.8%</i>	<i>21.4%</i>	<i>33.5%</i>	<i>37.7%</i>	<i>17.1%</i>	<i>9.6%</i>	<i>15.3%</i>	<i>32.0%</i>	<i>27.3%</i>	<i>13.1%</i>	<i>14.3%</i>
Standalone PAT#	236	276	91	678	322	572	(113)	459	(24)	(49)	(106)	45	(385)	1,609	280.2		
<i>Standalone PAT margin</i>	<i>7.3%</i>	<i>7.1%</i>	<i>2.6%</i>	<i>12.0%</i>	<i>6.4%</i>	<i>11.1%</i>	<i>NM</i>	<i>7.4%</i>	<i>NM</i>	<i>NM</i>	<i>NM</i>	<i>0.7%</i>	<i>NM</i>	<i>8.0%</i>	<i>1.3%</i>		

Source: Company, PL # PAT for 1QFY23 is adjusted for exceptional items

Exhibit 3: Gross & EBITDA margin trend is volatile due to fluctuation in currency & raw material prices

Particulars	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Gross margin	47.1%	48.9%	53.3%	49.9%	48.1%	49.4%	57.9%	49.5%	55.5%	55.8%	50.1%	44.3%	45.1%
EBITDA margin	12.7%	14.4%	9.2%	17.4%	13.9%	13.9%	14.3%	12.7%	9.7%	9.6%	1.5%	7.7%	-0.4%

Source: Company, PL *Ind-AS adjusted EBITDA margin

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	22,450	23,437	25,758	28,531
YoY gr. (%)	7.8	4.4	9.9	10.8
Cost of Goods Sold	10,637	12,656	12,364	13,695
Gross Profit	11,813	10,781	13,394	14,836
Margin (%)	52.6	46.0	52.0	52.0
Employee Cost	2,698	2,367	2,602	2,910
Other Expenses	7,180	6,937	6,774	7,361
EBITDA	1,936	1,477	4,018	4,565
YoY gr. (%)	(38.3)	(23.7)	172.1	13.6
Margin (%)	8.6	6.3	15.6	16.0
Depreciation and Amortization	995	1,172	1,288	1,369
EBIT	941	305	2,730	3,195
Margin (%)	4.2	1.3	10.6	11.2
Net Interest	550	656	386	342
Other Income	118	70	129	143
Profit Before Tax	766	(281)	2,473	2,996
Margin (%)	3.4	NA	9.6	10.5
Total Tax	223	(62)	544	659
Effective tax rate (%)	29.1	22.0	22.0	22.0
Profit after tax	543	(219)	1,929	2,337
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	285	(219)	1,929	2,337
YoY gr. (%)	(84.5)	NA	NA	21.1
Margin (%)	1.3	NA	7.5	8.2
Extra Ord. Income / (Exp)	258	-	-	-
Reported PAT	543	(219)	1,929	2,337
YoY gr. (%)	(64.4)	NA	NA	21.1
Margin (%)	2.4	NA	7.5	8.2
Other Comprehensive Income	21	-	-	-
Total Comprehensive Income	564	(219)	1,929	2,337
Equity Shares O/s (m)	142	142	142	142
EPS (Rs)	2.0	(1.5)	13.6	16.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	8,275	9,594	10,969	12,344
Tangibles	8,170	9,470	10,820	12,170
Intangibles	105	124	149	174
Acc: Dep / Amortization	2,959	4,131	5,419	6,788
Tangibles	2,869	4,018	5,280	6,622
Intangibles	90	113	139	166
Net fixed assets	5,316	5,463	5,550	5,555
Tangibles	5,301	5,452	5,540	5,548
Intangibles	15	10	10	7
Capital Work In Progress	144	144	144	144
Goodwill	-	-	-	-
Non-Current Investments	299	300	328	361
Net Deferred tax assets	253	227	205	184
Other Non-Current Assets	331	357	369	382
Current Assets				
Investments	11	11	11	11
Inventories	9,157	6,871	5,999	6,644
Trade receivables	3,276	3,339	3,670	4,065
Cash & Bank Balance	463	790	637	1,427
Other Current Assets	1,272	1,172	1,236	1,369
Total Assets	20,665	18,813	18,301	20,314
Equity				
Equity Share Capital	284	284	284	284
Other Equity	6,495	6,028	7,673	9,726
Total Networth	6,779	6,312	7,957	10,010
Non-Current Liabilities				
Long Term borrowings	2,813	2,954	3,101	3,256
Provisions	166	164	180	200
Other non current liabilities	1	2	3	3
Current Liabilities				
ST Debt / Current of LT Debt	5,899	4,599	2,099	1,599
Trade payables	4,069	3,853	4,023	4,299
Other current liabilities	928	907	913	919
Total Equity & Liabilities	20,665	18,813	18,301	20,314

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	766	(281)	2,473	2,996
Add. Depreciation	995	1,172	1,288	1,369
Add. Interest	550	656	386	342
Less Financial Other Income	118	70	129	143
Add. Other	41	36	-	-
Op. profit before WC changes	2,352	1,583	4,147	4,708
Net Changes-WC	(3,391)	2,060	658	(885)
Direct tax	(278)	87	(521)	(639)
Net cash from Op. activities	(1,317)	3,730	4,284	3,184
Capital expenditures	(991)	(500)	(350)	(350)
Interest / Dividend Income	1	-	-	-
Others	230	(804)	(1,064)	(1,072)
Net Cash from Inv. activities	(760)	(1,304)	(1,414)	(1,422)
Issue of share cap. / premium	-	-	-	-
Debt changes	3,518	(1,300)	(2,500)	(500)
Dividend paid	(288)	(284)	(284)	(284)
Interest paid	(330)	(656)	(386)	(342)
Others	(721)	141	148	155
Net cash from Fin. activities	2,179	(2,099)	(3,023)	(971)
Net change in cash	102	326	(153)	790
Free Cash Flow	(2,317)	3,230	3,934	2,834

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	2.0	(1.5)	13.6	16.5
CEPS	9.0	6.7	22.7	26.1
BVPS	47.8	44.5	56.1	70.5
FCF	(16.3)	22.8	27.7	20.0
DPS	2.0	2.0	2.0	2.0
Return Ratio(%)				
RoCE	7.4	2.1	20.2	22.8
ROIC	9.4	7.8	22.0	22.5
RoE	4.3	NA	27.0	26.0
Balance Sheet				
Net Debt : Equity (x)	1.2	1.1	0.6	0.3
Net Working Capital (Days)	136	99	80	82
Valuation(x)				
PER	234.8	NA	34.7	28.7
P/B	9.9	10.6	8.4	6.7
P/CEPS	52.3	70.3	20.8	18.1
EV/EBITDA	38.8	49.9	17.8	15.4
EV/Sales	3.3	3.1	2.8	2.5
Dividend Yield (%)	0.4	0.4	0.4	0.4

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	5,464	5,163	6,389	5,443
YoY gr. (%)	3.8	14.6	0.4	(0.3)
Raw Material Expenses	2,414	2,579	3,557	2,989
Gross Profit	3,050	2,585	2,832	2,453
Margin (%)	55.8	50.1	44.3	45.1
EBITDA	523	78	493	(22)
YoY gr. (%)	(28.4)	(87.8)	(38.8)	NA
Margin (%)	9.6	1.5	7.7	NA
Depreciation / Depletion	266	282	292	296
EBIT	257	(204)	201	(317)
Margin (%)	4.7	NA	3.1	NA
Net Interest	152	167	185	201
Other Income	27	39	21	27
Profit before Tax	132	(333)	37	(456)
Margin (%)	2.4	NA	0.6	NA
Total Tax	60	(94)	(3)	(126)
Effective tax rate (%)	45.8	28.2	(8.9)	27.5
Profit after Tax	72	(239)	40	(330)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	72	(239)	40	(366)
YoY gr. (%)	(83.8)	NA	(87.4)	NA
Margin (%)	1.3	NA	0.6	NA
Extra Ord. Income / (Exp)	-	-	-	(36)
Reported PAT	72	(239)	40	(330)
YoY gr. (%)	(83.8)	NA	(93.0)	NA
Margin (%)	1.3	NA	0.6	NA
Other Comprehensive Income	24	(2)	(62)	(1)
Total Comprehensive Income	95	(241)	(22)	(332)
Avg. Shares O/s (m)	142	142	142	142
EPS (Rs)	0.5	(1.7)	0.3	(2.6)

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Oct-24	Hold	547	551
2	07-Aug-24	Hold	454	451
3	08-Jul-24	Hold	529	481
4	11-May-24	Hold	557	528
5	12-Apr-24	BUY	603	540
6	28-Mar-24	BUY	603	465
7	01-Feb-24	Hold	589	539
8	05-Jan-24	Hold	674	588
9	31-Oct-23	Hold	689	613

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	Accumulate	922	891
2	Delhivery	Accumulate	430	417
3	DOMS Industries	BUY	3,349	2,924
4	Imagicaaworld Entertainment	BUY	116	80
5	Indian Railway Catering and Tourism Corporation	Reduce	822	880
6	InterGlobe Aviation	Accumulate	5,177	4,708
7	Lemon Tree Hotels	BUY	159	121
8	Mahindra Logistics	Hold	496	444
9	Navneet Education	Hold	164	143
10	Nazara Technologies	BUY	1,185	953
11	PVR Inox	Hold	1,598	1,621
12	S Chand and Company	BUY	312	211
13	Safari Industries (India)	BUY	3,005	2,608
14	TCI Express	Accumulate	1,250	1,040
15	V.I.P. Industries	Hold	547	551
16	Zee Entertainment Enterprises	Hold	145	132

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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