

May 17, 2022

Q4FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	817		825	
Sales (Rs. m)	18,444	21,116	18,020	20,548
% Chng.	2.4	2.8		
EBITDA (Rs. m)	3,541	4,371	3,694	4,377
% Chng.	(4.1)	(0.1)		
EPS (Rs.)	14.1	18.1	15.1	18.3
% Chng.	(6.2)	(1.0)		

Key Financials - Consolidated

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	6,186	12,895	18,444	21,116
EBITDA (Rs. m)	(653)	1,444	3,541	4,371
Margin (%)	(10.6)	11.2	19.2	20.7
PAT (Rs. m)	(975)	669	2,000	2,567
EPS (Rs.)	(6.9)	4.7	14.1	18.1
Gr. (%)	NA	NA	198.9	28.3
DPS (Rs.)	-	-	3.0	3.0
Yield (%)	-	-	0.5	0.5
RoE (%)	NA	12.4	31.3	31.1
RoCE (%)	NA	8.6	31.0	34.2
EV/Sales (x)	13.8	6.7	4.6	4.0
EV/EBITDA (x)	NA	60.2	24.2	19.5
PE (x)	NA	126.3	42.2	32.9
P/BV (x)	16.3	15.1	11.8	9.1

Key Data

VIPI.BO | VIP IN

52-W High / Low	Rs.775 / Rs.335
Sensex / Nifty	54,318 / 16,259
Market Cap	Rs.85bn / \$ 1,090m
Shares Outstanding	142m
3M Avg. Daily Value	Rs.406.06m

Shareholding Pattern (%)

Promoter's	50.39
Foreign	8.63
Domestic Institution	21.36
Public & Others	19.62
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(16.3)	(0.4)	74.6
Relative	(10.1)	10.0	59.4

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GM improves; demand momentum is strong

Quick Pointers:

- GM expands 440bps QoQ to 53.3% despite inflationary pressures.
- Provision for doubtful debts of Rs104mn pertains to outstanding exposure towards Future Group.

Though VIP's topline was 10%/7% below our/consensus estimates, GM of 53.3% surprised positively despite RM cost inflation. Price hike of ~4.5% taken in March, favorable product mix and rising contribution from low cost destination Bangladesh cushioned margins.

While we cut our FY23E EPS estimates by 6% as we trim our GM assumption by 100bps amid persistent cost inflation and emerging supply side constraints as RM at Bangladesh unit comes from China, our FY24E estimates are broadly intact. VIP has ear-marked a capex of Rs300-350mn for FY23E to further expand own manufacturing capacity at Nashik/Bangladesh. Increased self-sufficiency in manufacturing will reduce reliance on imports and not only eliminate currency volatility but also reduce freight cost resulting in margin expansion. We retain BUY with a revised TP of Rs817 (45x FY24E EPS) as 1) demand recovery is sharp and 2) structural margin levers are in place. VIP trades at 42x/33x our FY23E/FY24E EPS estimates with sales/PAT CAGR of 28%/96% over FY22-FY24E.

Revenue increased 46.5%YoY: Top-line increased 46.5% YoY to Rs3,559mn (PLe of Rs3,941mn) but was down 10.4% sequentially due to Omicron impact.

GM expands to 53.3%: Gross profit increased 78.3% YoY to Rs1,896mn (PLe of Rs1,890mn) with margin of 53.3% versus 48.9%/43.8% in 3QFY22/4QFY21 respectively mainly on account of price hike and favorable product mix.

EBITDA and PAT margin stood at 9.2%/3.5%: EBITDA increased 918.1% YoY Rs326mn with a margin of 9.2%. PAT stood at Rs124mn with a margin of 3.5% as against a loss of Rs38mn in 4QFY21. There was an exceptional item of Rs104mn (part of other expenses) relating to provision on doubtful debts on certain customers. Adjusting for this, EBITDA and PAT came in at Rs429mn/Rs228mn.

Con-call highlights: 1) Ad-spends in 4QFY22 were 40% of total annual spends. 2) Own manufacturing contributed ~2/3rd to sales in 4QFY22. 3) Future group's pre-pandemic share in revenue was ~15%. 4) Price hike of 4.5% was taken in March. 5) Volume recovery in FY22 is pegged at ~83% of FY20 levels. 6) Due to improved supply chain management, FG inventory buildup is not as high as 6-9 months of forecasted demand which was the case earlier. 7) 100% of Future group's exposure is provided in FY22. 8) Capex outlay is expected to be Rs300-350mn for FY23E. ~50% will be spent towards maintenance capex. 9) Rated capacity at Bangladesh unit is ~6.5lakhs and the plant registered highest ever volume of ~700K in March. 10) Current EBO count is 400 and the plan is to expand number of stores to 450 by FY23E. 11) Exports constituted 3% of revenue. 12) Revenue contribution from E-Com/MT/CSD stood at 16%/30%/15% in FY22. 13) Mass brands Aristocrat & Alfa contributed ~36% in 4QFY22.

Exhibit 1: Q4FY22 Result Overview - Consolidated (Rs mn)

Y/e March	Q4FY22	Q4FY21	YoY gr.	Q3FY22	QoQ gr.	FY22	FY21	YoY gr.
Net sales	3,559	2,430	46.5%	3,973	-10.4%	12,895	6,186	108.5%
Total raw material cost	1,663	1,367	21.7%	2,030	-18.1%	6,450	3,662	76.2%
<i>As a % of sales</i>	<i>46.7%</i>	<i>56.2%</i>		<i>51.1%</i>		<i>50.0%</i>	<i>59.2%</i>	
Gross Profit	1,896	1,063	78.3%	1,944	-2.4%	6,445	2,524	155.4%
<i>Gross margin</i>	<i>53.3%</i>	<i>43.8%</i>		<i>48.9%</i>		<i>50.0%</i>	<i>40.8%</i>	
Employee expenses	556	385	44.6%	499	11.5%	1,887	1,376	37.2%
<i>As a % of sales</i>	<i>15.6%</i>	<i>15.8%</i>		<i>12.6%</i>		<i>14.6%</i>	<i>22.2%</i>	
Other expenses	1,014	647	56.8%	873	16.1%	3,114	1,801	72.9%
<i>As a % of sales</i>	<i>28.5%</i>	<i>26.6%</i>		<i>22.0%</i>		<i>24.1%</i>	<i>29.1%</i>	
EBITDA	326	32	918.1%	572	-43.0%	1,444	(653)	NM
<i>EBITDA margin</i>	<i>9.2%</i>	<i>1.3%</i>		<i>14.4%</i>		<i>11.2%</i>	<i>NM</i>	
Depreciation	170	180	-5.3%	174	-2.4%	700	779	-10.2%
EBIT	156	(148)	NM	397	-60.8%	744	(1,432)	NM
<i>EBIT margin</i>	<i>4.4%</i>	<i>NM</i>		<i>10.0%</i>		<i>5.8%</i>	<i>NM</i>	
Interest cost	54	73	-26.0%	54	-0.9%	246	298	-17.2%
Other income	58	163	-64.2%	94	-38.0%	364	484	-24.8%
PBT	160	(57)	NM	437	-63.3%	862	(1,246)	NM
Exceptional items	-	-		-		-	-	
Tax expenses	37	(19)	NM	102	-64.4%	192	(271)	NM
<i>Tax rate</i>	<i>22.8%</i>	<i>NM</i>		<i>23.4%</i>		<i>22.3%</i>	<i>NM</i>	
PAT	124	(38)	NM	335	-63.0%	669	(975)	NM
<i>PAT margin</i>	<i>3.5%</i>	<i>NM</i>		<i>8.4%</i>		<i>5.2%</i>	<i>NM</i>	
EPS (Rs)	0.9	(0.3)	NM	2.4	(0.6)	4.7	(6.9)	NM
Adjusted PAT	124	(38)	NM	335	-63.0%	669	(975)	NM
<i>Adjusted PAT margin</i>	<i>3.5%</i>	<i>NM</i>		<i>8.4%</i>		<i>5.2%</i>	<i>NM</i>	
Adjusted EPS (Rs)	0.9	(0.3)	NM	2.4	-63.0%	4.7	(6.9)	NM

Source: Company, PL

Exhibit 2: Sales & profitability profile of Bangladesh operations

Particulars (Rs mn)	1Q'20	2Q'20	3Q'20	4Q'20	1Q'21	2Q'21	3Q'21	4Q'21	1Q'22	2Q'22	3Q'22	4Q'22	FY20	FY21	FY22	FY23E	FY24E
Sales	430	513	657	720	-	182	270	770	530	770	1,250	1,610	2,320	1,222	4,160	4,784	5,741
PAT	40	57	83	160	(103)	(24)	(10)	80	(4)	(11)	86	33	340	(57)	104	742	890
<i>PAT margin</i>	<i>9.3%</i>	<i>11.1%</i>	<i>12.6%</i>	<i>22.2%</i>	<i>NM</i>	<i>NM</i>	<i>NM</i>	<i>10.4%</i>	<i>NM</i>	<i>NM</i>	<i>6.9%</i>	<i>2.0%</i>	<i>14.7%</i>	<i>NM</i>	<i>2.5%</i>	<i>15.5%</i>	<i>15.5%</i>
<i>Bangladesh's sales as % of total sales</i>	<i>7.6%</i>	<i>12.4%</i>	<i>15.3%</i>	<i>23.1%</i>	<i>NM</i>	<i>17.7%</i>	<i>11.6%</i>	<i>31.7%</i>	<i>25.7%</i>	<i>23.3%</i>	<i>31.5%</i>	<i>45.2%</i>	<i>13.5%</i>	<i>19.8%</i>	<i>32.3%</i>	<i>25.9%</i>	<i>27.2%</i>
Standalone PAT#	860	302	266	(56)	(417)	(223)	(87)	(119)	35	236	276	91	887	(845)	637		
<i>Standalone PAT margin</i>	<i>15.2%</i>	<i>7.3%</i>	<i>6.1%</i>	<i>NM</i>	<i>NM</i>	<i>NM</i>	<i>NM</i>	<i>NM</i>	<i>1.7%</i>	<i>7.3%</i>	<i>7.1%</i>	<i>2.6%</i>	<i>5.2%</i>	<i>NM</i>	<i>5.1%</i>		

Source: Company, PL # PAT for 1QFY20 is adjusted for exceptional loss of Rs485.0 mn * Figures for 3QFY20 were not shared

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

Particulars	4QFY19	1QFY20*	2QFY20*	3QFY20*	4QFY20*	1QFY21*	2QFY21*	3QFY21*	4QFY21*	1QFY22*	2QFY22*	3QFY22*	4QFY22*
Gross margin	47.5%	50.4%	53.3%	53.2%	57.6%	42.3%	38.7%	38.4%	43.8%	50.9%	47.1%	48.9%	53.3%
EBITDA margin	9.1%	19.2%	12.2%	11.8%	4.7%	NM	NM	3.5%	1.3%	6.3%	12.7%	14.4%	9.2%

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

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	6,186	12,895	18,444	21,116
YoY gr. (%)	(63.9)	108.5	43.0	14.5
Cost of Goods Sold	3,662	6,450	8,908	9,882
Gross Profit	2,524	6,445	9,535	11,234
Margin (%)	40.8	50.0	51.7	53.2
Employee Cost	1,376	1,887	2,213	2,471
Other Expenses	1,801	3,114	3,781	4,392
EBITDA	(653)	1,444	3,541	4,371
YoY gr. (%)	NA	NA	145.2	23.4
Margin (%)	NA	11.2	19.2	20.7
Depreciation and Amortization	779	700	830	950
EBIT	(1,432)	744	2,711	3,421
Margin (%)	NA	5.8	14.7	16.2
Net Interest	298	246	203	179
Other Income	484	364	166	190
Profit Before Tax	(1,246)	862	2,674	3,431
Margin (%)	NA	6.7	14.5	16.3
Total Tax	(271)	192	674	865
Effective tax rate (%)	21.8	22.3	25.2	25.2
Profit after tax	(975)	669	2,000	2,567
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	(975)	669	2,000	2,567
YoY gr. (%)	NA	NA	198.9	28.3
Margin (%)	NA	5.2	10.8	12.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(975)	669	2,000	2,567
YoY gr. (%)	NA	NA	198.9	28.3
Margin (%)	NA	5.2	10.8	12.2
Other Comprehensive Income	20	26	-	-
Total Comprehensive Income	(955)	696	2,000	2,567
Equity Shares O/s (m)	141	141	141	141
EPS (Rs)	(6.9)	4.7	14.1	18.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	4,821	5,287	5,852	6,521
Tangibles	4,741	5,199	5,749	6,399
Intangibles	81	88	103	122
Acc: Dep / Amortization	1,939	2,639	3,469	4,419
Tangibles	1,881	2,567	3,380	4,311
Intangibles	58	72	89	108
Net fixed assets	2,882	2,648	2,383	2,102
Tangibles	2,860	2,632	2,369	2,087
Intangibles	22	16	14	14
Capital Work In Progress	23	75	75	75
Goodwill	-	-	-	-
Non-Current Investments	188	188	232	264
Net Deferred tax assets	329	205	140	140
Other Non-Current Assets	134	175	190	199
Current Assets				
Investments	1,400	407	122	122
Inventories	3,017	5,184	4,649	5,322
Trade receivables	1,485	2,185	3,032	3,587
Cash & Bank Balance	905	207	415	967
Other Current Assets	447	948	1,107	1,373
Total Assets	10,949	12,302	12,464	14,286
Equity				
Equity Share Capital	283	283	283	283
Other Equity	4,889	5,314	6,890	9,032
Total Network	5,172	5,597	7,173	9,315
Non-Current Liabilities				
Long Term borrowings	1,611	1,370	1,370	1,370
Provisions	118	134	129	148
Other non current liabilities	1	1	2	2
Current Liabilities				
ST Debt / Current of LT Debt	1,924	1,612	385	385
Trade payables	1,540	2,824	2,628	2,314
Other current liabilities	555	733	731	701
Total Equity & Liabilities	10,949	12,302	12,464	14,286

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	(1,246)	862	2,674	3,431
Add. Depreciation	779	700	830	950
Add. Interest	298	246	203	179
Less Financial Other Income	484	364	166	190
Add. Other	(340)	(58)	-	-
Op. profit before WC changes	(509)	1,750	3,707	4,561
Net Changes-WC	1,390	(1,901)	(687)	(1,829)
Direct tax	(30)	(86)	(610)	(865)
Net cash from Op. activities	851	(237)	2,410	1,868
Capital expenditures	164	(340)	(350)	(250)
Interest / Dividend Income	24	114	-	-
Others	(1,639)	1,688	2	(462)
Net Cash from Inv. activities	(1,451)	1,461	(348)	(712)
Issue of share cap. / premium	-	-	-	-
Debt changes	1,215	(310)	(1,227)	-
Dividend paid	(4)	(355)	(424)	(424)
Interest paid	(61)	(147)	(203)	(179)
Others	(415)	(443)	-	-
Net cash from Fin. activities	735	(1,255)	(1,854)	(604)
Net change in cash	135	(31)	208	552
Free Cash Flow	729	(601)	2,060	1,618

Source: Company Data, PL Research

Key Financial Metrics

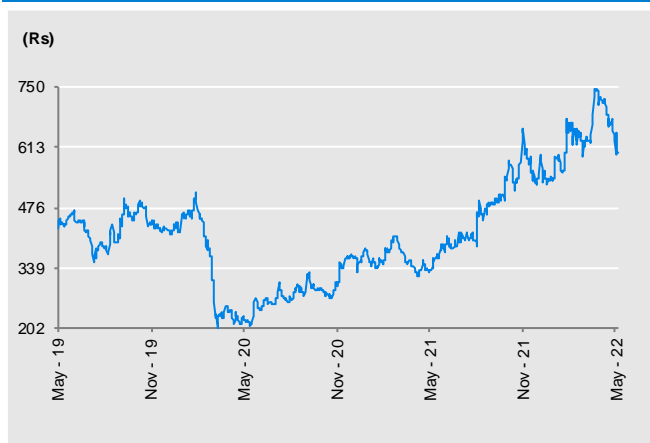
Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	(6.9)	4.7	14.1	18.1
CEPS	(1.4)	9.7	20.0	24.9
BVPS	36.6	39.6	50.7	65.9
FCF	5.2	(4.3)	14.6	11.4
DPS	-	-	3.0	3.0
Return Ratio(%)				
RoCE	NA	8.6	31.0	34.2
ROIC	NA	11.7	28.4	30.6
RoE	NA	12.4	31.3	31.1
Balance Sheet				
Net Debt : Equity (x)	0.2	0.4	0.2	0.1
Net Working Capital (Days)	175	129	100	114
Valuation(x)				
PER	NA	126.3	42.2	32.9
P/B	16.3	15.1	11.8	9.1
P/CEPS	NA	61.7	29.9	24.0
EV/EBITDA	NA	60.2	24.2	19.5
EV/Sales	13.8	6.7	4.6	4.0
Dividend Yield (%)	-	-	0.5	0.5

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Net Revenue	2,062	3,301	3,973	3,559
YoY gr. (%)	411.3	221.4	70.9	46.5
Raw Material Expenses	1,012	1,745	2,030	1,663
Gross Profit	1,050	1,555	1,944	1,896
Margin (%)	50.9	47.1	48.9	53.3
EBITDA	129	418	572	326
YoY gr. (%)	(123.3)	(287.2)	602.1	918.1
Margin (%)	6.3	12.7	14.4	9.2
Depreciation / Depletion	181	175	174	170
EBIT	(51)	243	397	156
Margin (%)	(2.5)	7.4	10.0	4.4
Net Interest	74	65	54	54
Other Income	143	67	94	58
Profit before Tax	18	246	437	160
Margin (%)	0.9	7.4	11.0	4.5
Total Tax	(7)	60	102	37
Effective tax rate (%)	(36.8)	24.5	23.4	22.8
Profit after Tax	25	185	335	124
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	25	185	335	124
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	1.2	5.6	8.4	3.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	25	185	335	124
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	1.2	5.6	8.4	3.5
Other Comprehensive Income	10	1	11	5
Total Comprehensive Income	35	186	345	129
Avg. Shares O/s (m)	141	141	141	141
EPS (Rs)	0.2	1.3	2.4	0.9

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Apr-22	BUY	825	726
2	02-Feb-22	BUY	769	677
3	10-Jan-22	BUY	726	542
4	25-Nov-21	BUY	726	592
5	31-Oct-21	BUY	621	543
6	07-Oct-21	BUY	573	546
7	12-Aug-21	BUY	457	386
8	07-Jul-21	UR	-	418
9	26-May-21	Hold	376	366

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Entertainment Network (India)	Hold	184	204
2	Indian Railway Catering and Tourism Corporation	Hold	727	791
3	Inox Leisure	BUY	681	493
4	Music Broadcast	Hold	24	26
5	Navneet Education	BUY	128	108
6	Nazara Technologies	BUY	1,747	1,248
7	PVR	BUY	2,227	1,706
8	S Chand and Company	BUY	159	114
9	Safari Industries (India)	BUY	1,288	898
10	V.I.P. Industries	BUY	825	726
11	Zee Entertainment Enterprises	BUY	413	286

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

ANALYST CERTIFICATION

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