

January 27, 2023

Q3FY23 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	1,014		1,013	
Sales (Rs. m)	24,369	27,677	24,369	27,677
% Chng.	-	-	-	-
EBITDA (Rs. m)	4,435	5,480	4,581	5,535
% Chng.	(3.2)	(1.0)	-	-
EPS (Rs.)	19.9	25.2	20.0	25.0
% Chng.	(0.7)	0.7	-	-

Key Financials - Consolidated

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	12,895	21,642	24,369	27,677
EBITDA (Rs. m)	1,444	3,436	4,435	5,480
Margin (%)	11.2	15.9	18.2	19.8
PAT (Rs. m)	669	2,055	2,813	3,562
EPS (Rs.)	4.7	14.5	19.9	25.2
Gr. (%)	NA	207.1	36.9	26.6
DPS (Rs.)	2.5	4.5	4.5	4.5
Yield (%)	0.4	0.6	0.6	0.6
RoE (%)	12.4	32.3	34.3	33.1
RoCE (%)	8.6	30.7	36.2	36.3
EV/Sales (x)	7.9	4.6	4.1	3.6
EV/EBITDA (x)	70.2	29.2	22.6	18.1
PE (x)	147.9	48.2	35.2	27.8
P/BV (x)	17.7	13.9	10.6	8.1

Key Data

VIPI.BO | VIP IN

52-W High / Low	Rs.775 / Rs.506
Sensex / Nifty	59,331 / 17,604
Market Cap	Rs.99bn / \$ 1,216m
Shares Outstanding	142m
3M Avg. Daily Value	Rs.150.08m

Shareholding Pattern (%)

Promoter's	51.32
Foreign	9.33
Domestic Institution	19.87
Public & Others	19.48
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	3.2	7.8	25.9
Relative	5.4	0.4	22.7

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Margin performance under lens

Quick Pointers:

- GM increases 130bps sequentially to 49.4%, however, full benefit of RM cost deflation will be evident from 4QFY23E.
- Own manufacturing share was at 69% in 9MFY23 versus 42% in pre-pandemic period.

Our FY23E-FY25EPS estimates are broadly intact as VIP's results were in-line with our estimates with revenue of Rs5,264mn (PLe Rs5,285mn) and PAT margin of 8.4% (PLe 8.4%). We believe GM performance will be under radar in near term as benefits of RM stabilization and rising share of own manufacturing can get partially offset by slightly inferior product mix (share of mass brand aristocrat has risen to 38.2% in 3QFY23 versus 27.1% from pre-pandemic base). Nonetheless, we expect GM to improve and settle at 51.5%/53% in FY24E/FY25E respectively as 1) ocean freight has started stabilizing 2) reliance on China has come down (7% contribution in 9MFY23) 3) new launches are finding traction (Highlander/FIFA collection in SkyBags/SmartTech travel product etc) and 4) focus on premium brand Caprese (Manish Malhotra collection is launched with high price point) is on a rise. We expect sales/PAT CAGR of 13%/27% over FY23E-FY25E and retain BUY with a TP of Rs1,014 (45x Sep-24E EPS; no change in target multiple).

Revenue increased 32.5% YoY: Top-line increased 32.5% YoY to Rs5,264mn (PLe of Rs5,285mn) breaching the pre-pandemic levels by 22.3%.

GM margin at 49.4%: Gross profit increased 33.9% YoY to Rs2,602mn (PLe of Rs2,616mn) with margin of 49.4% (PLe of 49.5%) versus 48.9%/48.1% in 3QFY22/2QFY23 respectively.

EBITDA and PAT margin stood at 13.9%/8.4%: EBITDA increased 27.7% YoY to Rs730mn (PLe of Rs766mn) with a margin of 13.9% (PLe 14.5%). PAT increased 31.8% YoY to Rs441mn (PLe of Rs446mn) with a margin of 8.4%.

Con-call highlights: 1) Volumes increased 25% YoY and 18% over pre-pandemic base. 2) Currently, EBO count stands at 443 excluding 42 which are under fit outs. Target is to end FY23E with 500 EBOs. 3) Present reach of Smart Bazaar stores is 235. 4) Four weeks ago, Caprese's new D2C website was launched. 5) Capex guidance for FY23E is Rs1,000mn; split equally between India and Bangladesh. 6) Tax rate was low at 13.3% due to receipt of dividend from Bangladesh subsidiaries which is then redistributed to shareholders of VIP entailing tax benefit. Tax rate is expected to be in the band of 18-20% for FY23E and FY24E. 7) Due to greater manufacturing autonomy, GM can increase by 3-4% in a stable RM environment. Indicative band for GM is ~50-53%. 8) Balance insurance payment is expected to be received in this quarter. 9) Luggage industry is expected to grow at a CAGR of 15% over next few years. 10) EBITDA margin is expected to be at ~20% in FY24E. 11) Export revenue was at Rs1,000mn odd during pre-pandemic period and the share is expected to rise to Rs2,500-3,000mn in 2 years. 12) Advertisement expenses were Rs290mn in 3QFY23 vs Rs90mn in 3QFY22 and will remain in the band of 5-6% of sales. 13) Future Group's contribution to modern trade has declined to 22% from 44% prevailing during pre-pandemic period.

Exhibit 1: Q3FY23 Result Overview - Consolidated (Rs mn)

Y/e March	Q3FY23	Q3FY22	YoY gr.	Q2FY23	QoQ gr.	9MFY23	9MFY22	YoY gr.
Net sales	5,264	3,973	32.5%	5,147	2.3%	16,318	9,336	74.8%
Total raw material cost	2,662	2,030	31.1%	2,671	-0.3%	8,290	4,787	73.2%
<i>As a % of sales</i>	<i>50.6%</i>	<i>51.1%</i>		<i>51.9%</i>		<i>50.8%</i>	<i>51.3%</i>	
Gross Profit	2,602	1,944	33.9%	2,477	5.1%	8,028	4,549	76.5%
<i>Gross margin</i>	<i>49.4%</i>	<i>48.9%</i>		<i>48.1%</i>		<i>49.2%</i>	<i>48.7%</i>	
Employee expenses	595	499	19.3%	578	2.9%	1,775	1,331	33.4%
<i>As a % of sales</i>	<i>11.3%</i>	<i>12.6%</i>		<i>11.2%</i>		<i>10.9%</i>	<i>14.3%</i>	
Other expenses	1,278	873	46.3%	1,183	8.0%	3,782	2,100	80.1%
<i>As a % of sales</i>	<i>24.3%</i>	<i>22.0%</i>		<i>23.0%</i>		<i>23.2%</i>	<i>22.5%</i>	
EBITDA	730	572	27.7%	716	1.9%	2,472	1,119	121.0%
<i>EBITDA margin</i>	<i>13.9%</i>	<i>14.4%</i>		<i>13.9%</i>		<i>15.1%</i>	<i>12.0%</i>	
Depreciation	181	174	3.6%	180	0.4%	540	530	2.0%
EBIT	549	397	38.2%	536	2.4%	1,931	589	227.9%
<i>EBIT margin</i>	<i>10.4%</i>	<i>10.0%</i>		<i>10.4%</i>		<i>11.8%</i>	<i>6.3%</i>	
Interest cost	66	54	22.0%	69	-4.5%	201	193	4.2%
Other income	26	94	-72.6%	53	-51.1%	149	305	-51.1%
PBT	509	437	16.4%	520	-2.1%	1,880	701	168.0%
Exceptional items	-	-	-	-		(150)	-	NM
Tax expenses	68	102	-33.8%	86	-20.9%	464	156	197.5%
<i>Tax rate</i>	<i>13.3%</i>	<i>23.4%</i>		<i>16.5%</i>		<i>24.7%</i>	<i>22.2%</i>	
PAT	441	335	31.8%	434	1.6%	1,566	545	187.1%
<i>PAT margin</i>	<i>8.4%</i>	<i>8.4%</i>		<i>8.4%</i>		<i>9.6%</i>	<i>5.8%</i>	
EPS (Rs)	3.1	2.4	31.2%	3.1	1.3%	11.1	3.9	186.5%
Adjusted PAT	441	335	31.8%	434	1.6%	1,416	545	159.6%
<i>Adjusted PAT margin</i>	<i>8.4%</i>	<i>8.4%</i>		<i>8.4%</i>		<i>8.7%</i>	<i>5.8%</i>	
Adjusted EPS (Rs)	3.1	2.4	31.6%	3.1	1.6%	10.0	3.9	159.3%

Source: Company, PL

Exhibit 2: Sales & profitability profile of Bangladesh operations

Particulars (Rs mn)	3Q'20	4Q'20	1Q'21	2Q'21	3Q'21	4Q'21	1Q'22	2Q'22	3Q'22	4Q'22	1Q'23	2Q'23	3Q'23	FY22	FY23E	FY24E	FY25E
Sales	657	720	-	182	270	770	530	770	1,250	1,610	1,862	1,363	1,693	4,160	6,240	7,176	8,252
PAT	83	160	(103)	(24)	(10)	80	(4)	(11)	86	33	220	166	295	104	780	1,005	1,155
<i>PAT margin</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>11.8%</i>	<i>12.2%</i>	<i>17.4%</i>	<i>2.5%</i>	<i>12.5%</i>	<i>14.0%</i>	<i>14.0%</i>
<i>Bangladesh's sales as % of total sales</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>31.5%</i>	<i>26.5%</i>	<i>32.2%</i>	<i>32.3%</i>	<i>28.8%</i>	<i>29.4%</i>	<i>29.8%</i>
Standalone PAT#	266	(56)	(417)	(223)	(87)	(119)	35	236	276	91	678	322	572	637			
<i>Standalone PAT margin</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>12.0%</i>	<i>6.4%</i>	<i>11.1%</i>	<i>5.1%</i>			

Source: Company, PL # PAT for 1QFY20/1QFY23 is adjusted for exceptional items * Figures for 3QFY20 were not shared

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

Particulars	3QFY20*	4QFY20*	1QFY21*	2QFY21*	3QFY21*	4QFY21*	1QFY22*	2QFY22*	3QFY22*	4QFY22*	1QFY23*	2QFY23*	3QFY23*
Gross margin	53.2%	57.6%	42.3%	38.7%	38.4%	43.8%	50.9%	47.1%	48.9%	53.3%	49.9%	48.1%	49.4%
EBITDA margin	11.8%	4.7%	NM	NM	3.5%	1.3%	6.3%	12.7%	14.4%	9.2%	17.4%	13.9%	13.9%

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

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	12,895	21,642	24,369	27,677
YoY gr. (%)	108.5	67.8	12.6	13.6
Cost of Goods Sold	6,450	10,870	11,819	13,008
Gross Profit	6,445	10,772	12,550	14,669
Margin (%)	50.0	49.8	51.5	53.0
Employee Cost	1,887	2,381	2,754	3,100
Other Expenses	3,114	4,956	5,361	6,089
EBITDA	1,444	3,436	4,435	5,480
YoY gr. (%)	NA	137.9	29.1	23.6
Margin (%)	11.2	15.9	18.2	19.8
Depreciation and Amortization	700	757	829	941
EBIT	744	2,678	3,607	4,539
Margin (%)	5.8	12.4	14.8	16.4
Net Interest	246	260	244	249
Other Income	364	216	244	277
Profit Before Tax	862	2,785	3,607	4,567
Margin (%)	6.7	12.9	14.8	16.5
Total Tax	192	580	793	1,005
Effective tax rate (%)	22.3	20.8	22.0	22.0
Profit after tax	669	2,205	2,813	3,562
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	669	2,055	2,813	3,562
YoY gr. (%)	NA	207.1	36.9	26.6
Margin (%)	5.2	9.5	11.5	12.9
Extra Ord. Income / (Exp)	-	150	-	-
Reported PAT	669	2,205	2,813	3,562
YoY gr. (%)	NA	229.5	27.6	26.6
Margin (%)	5.2	10.2	11.5	12.9
Other Comprehensive Income	26	(44)	-	-
Total Comprehensive Income	696	2,162	2,813	3,562
Equity Shares O/s (m)	141	141	141	141
EPS (Rs)	4.7	14.5	19.9	25.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	5,208	6,523	7,542	8,711
Tangibles	5,118	6,418	7,418	8,568
Intangibles	90	105	124	143
Acc: Dep / Amortization	2,561	3,318	4,147	5,088
Tangibles	2,486	3,229	4,040	4,963
Intangibles	74	90	106	125
Net fixed assets	2,648	3,205	3,396	3,624
Tangibles	2,632	3,190	3,378	3,606
Intangibles	16	16	18	18
Capital Work In Progress	75	75	75	75
Goodwill	-	-	-	-
Non-Current Investments	188	270	303	342
Net Deferred tax assets	205	140	140	140
Other Non-Current Assets	175	201	210	222
Current Assets				
Investments	407	122	122	122
Inventories	5,184	4,743	5,475	6,294
Trade receivables	2,185	3,439	4,006	4,550
Cash & Bank Balance	207	296	532	1,724
Other Current Assets	948	974	1,340	1,661
Total Assets	12,302	13,605	15,755	18,929
Equity				
Equity Share Capital	283	283	283	283
Other Equity	5,314	6,839	9,016	11,941
Total Networkth	5,597	7,122	9,298	12,224
Non-Current Liabilities				
Long Term borrowings	1,370	1,370	1,370	1,370
Provisions	134	151	171	194
Other non current liabilities	1	2	2	3
Current Liabilities				
ST Debt / Current of LT Debt	1,612	385	385	385
Trade payables	2,824	3,676	3,672	3,791
Other current liabilities	733	846	798	898
Total Equity & Liabilities	12,302	13,605	15,755	18,929

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	862	2,635	3,607	4,567
Add. Depreciation	700	757	829	941
Add. Interest	246	260	244	249
Less Financial Other Income	364	216	244	277
Add. Other	(58)	150	-	-
Op. profit before WC changes	1,750	3,802	4,679	5,757
Net Changes-WC	(1,901)	119	(1,707)	(1,453)
Direct tax	(86)	(559)	(793)	(1,005)
Net cash from Op. activities	(237)	3,362	2,179	3,300
Capital expenditures	(340)	(1,000)	(500)	(350)
Interest / Dividend Income	114	-	-	-
Others	1,688	(150)	(563)	(872)
Net Cash from Invt. activities	1,461	(1,150)	(1,063)	(1,222)
Issue of share cap. / premium	-	-	-	-
Debt changes	(310)	(1,227)	-	-
Dividend paid	(355)	(637)	(637)	(637)
Interest paid	(147)	(260)	(244)	(249)
Others	(443)	-	-	-
Net cash from Fin. activities	(1,255)	(2,123)	(880)	(886)
Net change in cash	(31)	89	236	1,192
Free Cash Flow	(601)	2,362	1,679	2,950

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	4.7	14.5	19.9	25.2
CEPS	9.7	19.9	25.7	31.8
BVPS	39.6	50.3	65.7	86.4
FCF	(4.3)	16.7	11.9	20.9
DPS	2.5	4.5	4.5	4.5
Return Ratio(%)				
RoCE	8.6	30.7	36.2	36.3
ROIC	11.7	25.3	28.2	29.0
RoE	12.4	32.3	34.3	33.1
Balance Sheet				
Net Debt : Equity (x)	0.4	0.2	0.1	0.0
Net Working Capital (Days)	129	76	87	93
Valuation(x)				
PER	147.9	48.2	35.2	27.8
P/B	17.7	13.9	10.6	8.1
P/CEPS	72.3	35.2	27.2	22.0
EV/EBITDA	70.2	29.2	22.6	18.1
EV/Sales	7.9	4.6	4.1	3.6
Dividend Yield (%)	0.4	0.6	0.6	0.6

Source: Company Data, PL Research

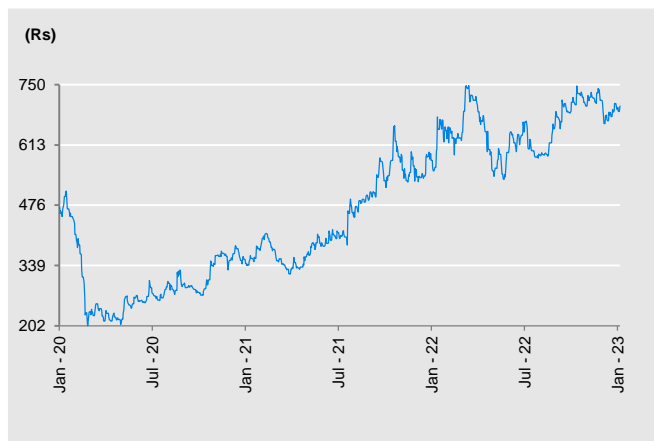
Quarterly Financials (Rs m)

Y/e Mar	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Net Revenue	3,559	5,906	5,147	5,264
YoY gr. (%)	46.5	186.4	56.0	32.5
Raw Material Expenses	1,663	2,957	2,671	2,662
Gross Profit	1,896	2,949	2,477	2,602
Margin (%)	53.3	49.9	48.1	49.4
EBITDA	326	1,026	716	730
YoY gr. (%)	918.1	696.0	71.2	27.7
Margin (%)	9.2	17.4	13.9	13.9
Depreciation / Depletion	170	180	180	181
EBIT	156	846	536	549
Margin (%)	4.4	14.3	10.4	10.4
Net Interest	54	65	69	66
Other Income	58	71	53	26
Profit before Tax	160	1,001	520	509
Margin (%)	4.5	16.9	10.1	9.7
Total Tax	37	310	86	68
Effective tax rate (%)	22.8	31.0	16.5	13.3
Profit after Tax	124	691	434	441
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	124	541	434	441
YoY gr. (%)	NA	NA	134.1	31.8
Margin (%)	3.5	9.2	8.4	8.4
Extra Ord. Income / (Exp)	-	150	-	-
Reported PAT	124	691	434	441
YoY gr. (%)	NA	NA	134.1	31.8
Margin (%)	3.5	11.7	8.4	8.4
Other Comprehensive Income	5	(44)	(35)	(9)
Total Comprehensive Income	129	647	399	432
Avg. Shares O/s (m)	141	142	142	142
EPS (Rs)	0.9	3.8	3.1	3.1

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jan-23	BUY	1,013	675
2	22-Oct-22	BUY	1,009	710
3	06-Oct-22	BUY	1,020	699
4	30-Sep-22	BUY	1,020	649
5	28-Jul-22	BUY	857	650
6	13-Jul-22	BUY	817	614
7	07-Jul-22	BUY	817	621
8	17-May-22	BUY	817	598
9	08-Apr-22	BUY	825	726
10	02-Feb-22	BUY	769	677

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	BUY	474	357
2	Entertainment Network (India)	Hold	189	149
3	Indian Railway Catering and Tourism Corporation	Hold	679	636
4	Inox Leisure	BUY	602	477
5	Music Broadcast	Hold	23	27
6	Navneet Education	BUY	163	117
7	Nazara Technologies	BUY	1,012	576
8	PVR	BUY	1,983	1,678
9	S Chand and Company	BUY	220	173
10	Safari Industries (India)	BUY	2,476	1,699
11	V.I.P. Industries	BUY	1,013	675
12	Zee Entertainment Enterprises	BUY	309	238

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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