

May 9, 2023

Q4FY23 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	900		969	
Sales (Rs. m)	23,343	26,419	23,729	26,959
% Chng.	(1.6)	(2.0)		
EBITDA (Rs. m)	4,062	4,914	4,247	5,257
% Chng.	(4.4)	(6.5)		
EPS (Rs.)	17.7	22.3	19.0	24.1
% Chng.	(6.5)	(7.6)		

Key Financials - Consolidated

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	12,895	20,823	23,343	26,419
EBITDA (Rs. m)	1,444	3,138	4,062	4,914
Margin (%)	11.2	15.1	17.4	18.6
PAT (Rs. m)	669	1,846	2,513	3,153
EPS (Rs.)	4.7	13.0	17.7	22.3
Gr. (%)	NA	175.3	36.1	25.5
DPS (Rs.)	2.5	4.5	4.5	4.5
Yield (%)	0.4	0.7	0.7	0.7
RoE (%)	12.4	30.7	34.2	33.0
RoCE (%)	8.6	25.9	30.0	31.5
EV/Sales (x)	7.0	4.4	3.9	3.4
EV/EBITDA (x)	62.6	29.0	22.4	18.4
PE (x)	131.6	47.8	35.1	28.0
P/BV (x)	15.7	13.7	10.6	8.2

Key Data

	VIPI.BO VIP IN
52-W High / Low	Rs.765 / Rs.506
Sensex / Nifty	61,761 / 18,266
Market Cap	Rs.88bn / \$ 1,075m
Shares Outstanding	142m
3M Avg. Daily Value	Rs.138.23m

Shareholding Pattern (%)

Promoter's	51.30
Foreign	9.03
Domestic Institution	20.89
Public & Others	18.78
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	8.2	(15.0)	(1.2)
Relative	4.8	(16.0)	(12.8)

Jinesh Joshi

jineshjoshi@plindia.com | 91-22-66322238

Stuti Beria

stutiberia@plindia.com | 91-22-66322246

GM skyrockets

Quick Pointers:

- GM increases 460bps YoY to a record high of 57.9%.
- Earmarked capex of Rs2bn in FY24E to further expand manufacturing capacity.

We cut our FY24E/FY25E EPS estimates by 6.5%/7.6% respectively as we re-align our indirect cost assumptions. VIP posted a record GM of 57.9% in 4QFY23 but reported a loss of Rs43mn at bottom-line level due to an exceptional charge of Rs472mn pertaining to fire incident in Bangladesh. We believe current GM performance is noteworthy despite rising share of low margin value segment and is reflective of rising self-sufficiency in own manufacturing and softening trend in input prices. VIP has outlined a capex of Rs2bn in FY24E to further expand manufacturing capacity which will reduce reliance on China (7% in FY23) and aid margins by eliminating freight cost and currency volatility. We expect sales/PAT CAGR of 13%/31% over FY23-FY25E and retain BUY with a TP of Rs900 (45x Sep-24E EPS; no change in target multiple).

Revenue increased 26.6% YoY: Top-line increased 26.6% YoY to Rs4,506mn (PLe of Rs4,748mn). Backpacks/handbags contributed 15%/4% respectively to the top-line.

GM at record levels of 57.9%: Gross profit increased 37.5% YoY to Rs2,607mn (PLe of Rs2,494mn) with a margin of 57.9% (PLe of 52.5%) amid rising self-sufficiency in own manufacturing and softening trend in input cost & ocean freight.

EBITDA margin stood at 14.3%: EBITDA increased 97.3% YoY to Rs643mn (PLe of Rs825mn) with a margin of 14.3% (PLe 17.4%). Despite better than expected GM, EBITDA margin was below our estimates due to higher than expected other expenses of Rs1,383mn (PLe of Rs 1,064mn) which included provision on doubtful debt of Rs120mn.

Bottom-line marred by exceptional loss: VIP reported a loss of Rs43mn due to an exceptional charge of Rs472mn pertaining to fire incident in Bangladesh. Adjusting for the exceptional loss, PAT increased 246.7% YoY to Rs430mn (PLe of Rs539mn).

Con-call highlights: 1) Other expense includes provision on doubtful debt of Rs120mn pertaining to Future Group. No further provisioning is expected henceforth. 2) EBO count crossed the 500 mark in FY23 and target is to reach a mark of 800 in FY24E. Majority of the new openings will be on franchise route. 3) VIP has tied up with BCG to fast track growth in the e-com channel. 4) In a steady state, GM is expected to be in the band of 53-55% with an EBITDA margin of 17-18%. 5) Fire insurance claim from Bangladesh/India is expected to be received in 9-12months/2-3months respectively. 6) Working capital cycle is expected to reduce by 15 days in 18-24 months. 7) Organized luggage sector is expected to grow in the region of 15%. 8) Loss of business due to fire incident in Bangladesh was minimal as VIP outsourced the production to a third party vendor. 9) Manufacturing capacity is expected to be at 2.15mn units pm in FY24E.

Exhibit 1: Q4FY23 Result Overview - Consolidated (Rs mn)

Y/e March	Q4FY23	Q4FY22	YoY gr.	Q3FY23	QoQ gr.	FY23	FY22	YoY gr.
Net sales	4,506	3,559	26.6%	5,264	-14.4%	20,823	12,895	61.5%
Total raw material cost	1,899	1,663	14.2%	2,662	-28.7%	10,188	6,450	58.0%
<i>As a % of sales</i>	<i>42.1%</i>	<i>46.7%</i>		<i>50.6%</i>		<i>48.9%</i>	<i>50.0%</i>	
Gross Profit	2,607	1,896	37.5%	2,602	0.2%	10,635	6,445	65.0%
<i>Gross margin</i>	<i>57.9%</i>	<i>53.3%</i>		<i>49.4%</i>		<i>51.1%</i>	<i>50.0%</i>	
Employee expenses	581	556	4.5%	595	-2.3%	2,356	1,887	24.9%
<i>As a % of sales</i>	<i>12.9%</i>	<i>15.6%</i>		<i>11.3%</i>		<i>11.3%</i>	<i>14.6%</i>	
Other expenses	1,383	1,014	36.4%	1,278	8.2%	5,141	3,114	65.1%
<i>As a % of sales</i>	<i>30.7%</i>	<i>28.5%</i>		<i>24.3%</i>		<i>24.7%</i>	<i>24.1%</i>	
EBITDA	643	326	97.3%	730	-11.9%	3,138	1,444	117.3%
<i>EBITDA margin</i>	<i>14.3%</i>	<i>9.2%</i>		<i>13.9%</i>		<i>15.1%</i>	<i>11.2%</i>	
Depreciation	196	170	15.4%	181	8.7%	737	700	5.3%
EBIT	447	156	186.6%	549	-18.7%	2,401	744	222.6%
<i>EBIT margin</i>	<i>9.9%</i>	<i>4.4%</i>		<i>10.4%</i>		<i>11.5%</i>	<i>5.8%</i>	
Interest cost	84	54	56.6%	66	27.2%	285	246	15.6%
Other income	45	58	-22.1%	26	76.0%	171	364	-53.0%
PBT	408	160	154.3%	509	-19.8%	2,287	862	165.5%
Exceptional items	(472)	-	-	-		(322)	-	NM
Tax expenses	(22)	37	NM	68	NM	442	192	129.8%
<i>Tax rate</i>	<i>NM</i>	<i>22.8%</i>		<i>13.3%</i>		<i>19.3%</i>	<i>22.3%</i>	
PAT	(43)	124	NM	441	NM	1,523	669	127.6%
<i>PAT margin</i>	<i>NM</i>	<i>3.5%</i>		<i>8.4%</i>		<i>7.3%</i>	<i>5.2%</i>	
EPS (Rs)	(0.3)	0.9	NM	3.1	NM	10.8	4.7	127.5%
Adjusted PAT	430	124	246.7%	441	-2.6%	1,846	669	175.7%
<i>Adjusted PAT margin</i>	<i>9.5%</i>	<i>3.5%</i>		<i>8.4%</i>		<i>8.9%</i>	<i>5.2%</i>	
Adjusted EPS (Rs)	3.0	0.9	246.3%	3.1	-2.6%	13.0	4.7	175.4%

Source: Company, PL

Exhibit 2: Sales & profitability profile of Bangladesh operations

Particulars (Rs mn)	4Q'20	1Q'21	2Q'21	3Q'21	4Q'21	1Q'22	2Q'22	3Q'22	4Q'22	1Q'23	2Q'23	3Q'23	4Q'23	FY22	FY23	FY24E	FY25E
Sales	720	-	182	270	770	530	770	1,250	1,610	1,862	1,363	1,693	1,750	4,160	6,667	7,667	8,817
PAT	160	(103)	(24)	(10)	80	(4)	(11)	86	33	220	166	295	(48)	104	633	1,073	1,234
<i>PAT margin</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>NM</i>	<i>2.5%</i>	<i>9.5%</i>	<i>14.0%</i>	<i>14.0%</i>
<i>Bangladesh's sales as % of total sales</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>38.8%</i>	<i>32.3%</i>	<i>32.0%</i>	<i>32.8%</i>	<i>33.4%</i>
Standalone PAT#	(56)	(417)	(223)	(87)	(119)	35	236	276	91	678	322	572	(113)	637	1,609		
<i>Standalone PAT margin</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>NM</i>	<i>5.1%</i>	<i>8.0%</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	4QFY20*	1QFY21*	2QFY21*	3QFY21*	4QFY21*	1QFY22*	2QFY22*	3QFY22*	4QFY22*	1QFY23*	2QFY23*	3QFY23*	4QFY23*
Gross margin	57.6%	42.3%	38.7%	38.4%	43.8%	50.9%	47.1%	48.9%	53.3%	49.9%	48.1%	49.4%	57.9%
EBITDA margin	4.7%	NM	NM	3.5%	1.3%	6.3%	12.7%	14.4%	9.2%	17.4%	13.9%	13.9%	14.3%

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

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	12,895	20,823	23,343	26,419
YoY gr. (%)	108.5	61.5	12.1	13.2
Cost of Goods Sold	6,450	10,188	11,321	12,417
Gross Profit	6,445	10,635	12,022	14,002
Margin (%)	50.0	51.1	51.5	53.0
Employee Cost	1,887	2,356	2,638	2,959
Other Expenses	3,114	5,141	5,322	6,129
EBITDA	1,444	3,138	4,062	4,914
YoY gr. (%)	NA	117.3	29.4	21.0
Margin (%)	11.2	15.1	17.4	18.6
Depreciation and Amortization	700	737	794	872
EBIT	744	2,401	3,268	4,042
Margin (%)	5.8	11.5	14.0	15.3
Net Interest	246	285	280	238
Other Income	364	171	233	238
Profit Before Tax	862	1,965	3,221	4,042
Margin (%)	6.7	9.4	13.8	15.3
Total Tax	192	442	709	889
Effective tax rate (%)	22.3	22.5	22.0	22.0
Profit after tax	669	1,523	2,513	3,153
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	669	1,846	2,513	3,153
YoY gr. (%)	NA	175.7	36.1	25.5
Margin (%)	5.2	8.9	10.8	11.9
Extra Ord. Income / (Exp)	-	(322)	-	-
Reported PAT	669	1,523	2,513	3,153
YoY gr. (%)	NA	127.6	64.9	25.5
Margin (%)	5.2	7.3	10.8	11.9
Other Comprehensive Income	26	(132)	-	-
Total Comprehensive Income	696	1,392	2,513	3,153
Equity Shares O/s (m)	141	142	142	142
EPS (Rs)	4.7	13.0	17.7	22.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	5,208	6,389	8,908	10,077
Tangibles	5,118	6,285	8,785	9,935
Intangibles	90	104	123	142
Acc: Dep / Amortization	2,561	3,297	4,091	4,963
Tangibles	2,486	3,208	3,986	4,840
Intangibles	74	89	105	122
Net fixed assets	2,648	3,092	4,817	5,114
Tangibles	2,632	3,077	4,799	5,095
Intangibles	16	15	18	20
Capital Work In Progress	75	153	153	153
Goodwill	-	-	-	-
Non-Current Investments	188	222	290	327
Net Deferred tax assets	205	294	294	294
Other Non-Current Assets	175	268	269	284
Current Assets				
Investments	407	225	225	225
Inventories	5,184	5,871	5,884	6,659
Trade receivables	2,185	2,554	3,198	3,619
Cash & Bank Balance	207	365	346	614
Other Current Assets	948	1,005	1,167	1,268
Total Assets	12,302	14,153	16,787	18,720
Equity				
Equity Share Capital	283	283	283	283
Other Equity	5,314	6,134	8,009	10,525
Total Networkth	5,597	6,417	8,292	10,808
Non-Current Liabilities				
Long Term borrowings	1,370	1,299	1,299	1,299
Provisions	134	156	163	185
Other non current liabilities	1	0	2	3
Current Liabilities				
ST Debt / Current of LT Debt	1,612	2,224	2,224	1,724
Trade payables	2,824	3,087	3,837	3,619
Other current liabilities	733	950	918	1,025
Total Equity & Liabilities	12,302	14,153	16,787	18,720

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	862	1,965	3,221	4,042
Add. Depreciation	700	737	794	872
Add. Interest	246	285	280	238
Less Financial Other Income	364	171	233	238
Add. Other	(58)	243	-	-
Op. profit before WC changes	1,750	3,230	4,295	5,152
Net Changes-WC	(1,901)	(962)	(93)	(1,402)
Direct tax	(86)	(519)	(709)	(889)
Net cash from Op. activities	(237)	1,749	3,494	2,861
Capital expenditures	(340)	(1,058)	(2,000)	(350)
Interest / Dividend Income	114	9	-	-
Others	1,688	204	(595)	(868)
Net Cash from Inv. activities	1,461	(845)	(2,595)	(1,218)
Issue of share cap. / premium	-	-	-	-
Debt changes	(310)	583	-	(500)
Dividend paid	(355)	(638)	(637)	(637)
Interest paid	(147)	(164)	(280)	(238)
Others	(443)	(527)	-	-
Net cash from Fin. activities	(1,255)	(746)	(917)	(1,375)
Net change in cash	(31)	158	(19)	267
Free Cash Flow	(601)	680	1,494	2,511

Source: Company Data, PL Research

Key Financial Metrics

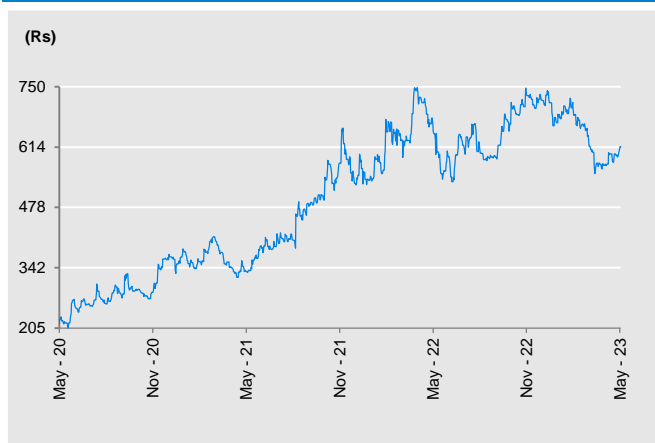
Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	4.7	13.0	17.7	22.3
CEPS	9.7	18.2	23.3	28.4
BVPS	39.6	45.3	58.5	76.3
FCF	(4.3)	4.8	10.5	17.7
DPS	2.5	4.5	4.5	4.5
Return Ratio(%)				
RoCE	8.6	25.9	30.0	31.5
ROIC	11.7	22.2	24.2	26.2
RoE	12.4	30.7	34.2	33.0
Balance Sheet				
Net Debt : Equity (x)	0.4	0.5	0.4	0.2
Net Working Capital (Days)	129	94	82	92
Valuation(x)				
PER	131.6	47.8	35.1	28.0
P/B	15.7	13.7	10.6	8.2
P/CEPS	64.3	34.2	26.7	21.9
EV/EBITDA	62.6	29.0	22.4	18.4
EV/Sales	7.0	4.4	3.9	3.4
Dividend Yield (%)	0.4	0.7	0.7	0.7

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Revenue	5,906	5,147	5,264	4,506
YoY gr. (%)	186.4	56.0	32.5	26.6
Raw Material Expenses	2,957	2,671	2,662	1,899
Gross Profit	2,949	2,477	2,602	2,607
Margin (%)	49.9	48.1	49.4	57.9
EBITDA	1,026	716	730	643
YoY gr. (%)	696.0	71.2	27.7	97.3
Margin (%)	17.4	13.9	13.9	14.3
Depreciation / Depletion	180	180	181	196
EBIT	846	536	549	447
Margin (%)	14.3	10.4	10.4	9.9
Net Interest	65	69	66	84
Other Income	71	53	26	45
Profit before Tax	1,001	520	509	(64)
Margin (%)	16.9	10.1	9.7	(1.4)
Total Tax	310	86	68	(22)
Effective tax rate (%)	31.0	16.5	13.3	33.6
Profit after Tax	691	434	441	(43)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	541	434	441	430
YoY gr. (%)	2,038.3	134.1	31.8	246.7
Margin (%)	9.2	8.4	8.4	9.5
Extra Ord. Income / (Exp)	150	-	-	472
Reported PAT	691	434	441	(43)
YoY gr. (%)	2,631.2	134.1	31.8	(134.4)
Margin (%)	11.7	8.4	8.4	(0.9)
Other Comprehensive Income	(44)	(35)	(9)	(44)
Total Comprehensive Income	647	399	432	(87)
Avg. Shares O/s (m)	142	142	142	142
EPS (Rs)	3.8	3.1	3.1	3.0

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Apr-23	BUY	969	602
2	27-Jan-23	BUY	1,014	700
3	06-Jan-23	BUY	1,013	675
4	22-Oct-22	BUY	1,009	710
5	06-Oct-22	BUY	1,020	699
6	30-Sep-22	BUY	1,020	649
7	28-Jul-22	BUY	857	650
8	13-Jul-22	BUY	817	614
9	07-Jul-22	BUY	817	621
10	17-May-22	BUY	817	598

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	BUY	498	364
2	Entertainment Network (India)	Hold	180	126
3	Indian Railway Catering and Tourism Corporation	Hold	672	582
4	Inox Leisure	BUY	587	502
5	InterGlobe Aviation	BUY	2,346	1,905
6	Music Broadcast	Hold	18	11
7	Navneet Education	Accumulate	147	102
8	Nazara Technologies	BUY	872	540
9	PVR	BUY	2,096	1,550
10	S Chand and Company	BUY	228	219
11	Safari Industries (India)	BUY	2,538	2,114
12	V.I.P. Industries	BUY	969	602
13	Zee Entertainment Enterprises	BUY	277	211

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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