

May 11, 2024

Q4FY24 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	HOLD		BUY	
Target Price	557		603	
Sales (Rs. m)	24,713	27,590	25,109	28,235
% Chng.	(1.6)	(2.3)		
EBITDA (Rs. m)	3,410	4,249	3,591	4,461
% Chng.	(5.0)	(4.8)		
EPS (Rs.)	11.4	16.9	13.3	18.3
% Chng.	(14.1)	(7.9)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	20,823	22,450	24,713	27,590
EBITDA (Rs. m)	3,138	1,936	3,410	4,249
Margin (%)	15.1	8.6	13.8	15.4
PAT (Rs. m)	1,846	285	1,619	2,393
EPS (Rs.)	13.0	2.0	11.4	16.9
Gr. (%)	175.3	(84.6)	467.7	47.8
DPS (Rs.)	4.5	2.0	2.5	2.5
Yield (%)	0.9	0.4	0.5	0.5
RoE (%)	30.7	4.3	21.8	26.4
RoCE (%)	25.9	7.4	15.8	21.4
EV/Sales (x)	3.7	3.7	3.3	2.9
EV/EBITDA (x)	24.8	43.0	23.7	18.7
PE (x)	40.5	262.7	46.3	31.3
P/BV (x)	11.7	11.1	9.3	7.4

Key Data

VIPI.BO | VIP IN

52-W High / Low	Rs.723 / Rs.449
Sensex / Nifty	72,664 / 22,055
Market Cap	Rs.75bn/ \$ 898m
Shares Outstanding	142m
3M Avg. Daily Value	Rs.605.31m

Shareholding Pattern (%)

Promoter's	51.76
Foreign	8.07
Domestic Institution	12.68
Public & Others	27.50
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(2.1)	(12.5)	(16.6)
Relative	1.1	(21.9)	(28.9)

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BS health under lens

Quick Pointers:

- Top-line growth back in double-digit after 3 quarters.
- Inventory rises to Rs9,157mn (149 days) amid pile up of soft luggage (SL).

We cut our FY25E/FY26E EPS estimates by 14%/8% and downgrade the stock to a 'HOLD' (earlier 'BUY') with a revised TP of Rs557 (earlier Rs603) as we re-align our interest cost assumptions amid rise in working capital debt to Rs5,328mn resulting from pile up of SL inventory. Management expects SL inventory liquidation of Rs2,000mn in FY25E and we expect warehousing, freight and interest expenses to remain elevated until then. Though a new plan was unveiled recently on product innovation and premiumization we believe VIP is likely to face near term challenges in liquidating high SL inventory and resolve issues surrounding supply chain management. We expect sales CAGR of 11% over FY24-FY26E with EBITDA margin of 13.8%/15.4% in FY25E/FY26E. We downgrade to 'HOLD' with TP of Rs557 valuing the stock at 33x FY26E EPS (no change in target multiple).

Top-line growth back in double-digit after 3 quarters: Top-line increased 14.6% YoY to Rs5,163mn (PLe of Rs5,238mn). Backpacks and handbags contributed 12%/4% respectively to the top-line in FY24.

GM succumbs to 50.1%: Gross profit decreased 0.9% YoY to Rs2,585mn (PLe of Rs2,867mn) with margin of 50.1% (PLe of 54.7%) due to reduced share of business from Bangladesh.

EBITDA margin falters to 1.5%: EBITDA decreased 87.8% YoY to Rs78mn (PLe Rs463mn) with a margin of 1.5% (PLe 8.8%). EBITDA margin was lower than our estimates due to higher than expected other expenses of Rs1,824mn (PLe Rs1,604mn) amid higher freight & accelerated spends on e-com (professional fees & marketplace activations).

Bottom-line in red: Loss stood at Rs239mn (PLe PAT of Rs113mn) amid weak operating performance which was impacted by a one-off charge of Rs150mn.

Con-call highlights: 1) In 4QFY24, VIP opened 14 EBOs, totaling to 507, and target is to end FY25E with 35-40 new outlets. 2) EBITDA declined mainly due to a one-time expense of Rs150mn. Of this, Rs50mn stemmed from employee costs related to retrenchment and wage increases in Bangladesh, while the residual portion was attributed to legal and professional fees. 3) EBITDA margin is expected to rise to 15%/18% in FY25E/FY26E respectively. 4) GM is expected to be at 52-53% in FY25E. 5) Current inventory levels stand at Rs9,157mn, with ~Rs3,000mn of SL inventory. The plan is to pare down SL inventory by ~Rs2,000mn in FY25E. 6) HL/SL capacity stands at 10/7 lakh pieces per month respectively. Target is to increase HL capacity by ~2-3 lakhs pieces in FY25E. 7) VIP's current e-com share is at 22% and the target is to reach 25%. 8) Net borrowings stood at ~Rs4,850mn with an aim to reduce it to Rs2,500mn by end of FY25E.

Exhibit 1: Q4FY24 Result Overview - Consolidated (Rs mn)

Y/e March	4QFY24	4QFY23	YoY gr.	3QFY24	QoQ gr.	FY24	FY23	YoY gr.
Net sales	5,163	4,506	14.6%	5,464	-5.5%	22,450	20,823	7.8%
Total raw material cost	2,579	1,899	35.8%	2,414	6.8%	10,637	10,188	4.4%
<i>As a % of sales</i>	<i>49.9%</i>	<i>42.1%</i>		<i>44.2%</i>		<i>47.4%</i>	<i>48.9%</i>	
Gross Profit	2,585	2,607	-0.9%	3,050	-15.3%	11,813	10,635	11.1%
<i>Gross margin</i>	<i>50.1%</i>	<i>57.9%</i>		<i>55.8%</i>		<i>52.6%</i>	<i>51.1%</i>	
Employee expenses	683	581	17.4%	690	-1.1%	2,698	2,356	14.5%
<i>As a % of sales</i>	<i>13.2%</i>	<i>12.9%</i>		<i>12.6%</i>		<i>12.0%</i>	<i>11.3%</i>	
Other expenses	1,824	1,383	31.9%	1,838	-0.8%	7,180	5,141	39.7%
<i>As a % of sales</i>	<i>35.3%</i>	<i>30.7%</i>		<i>33.6%</i>		<i>32.0%</i>	<i>24.7%</i>	
EBITDA	78	643	-87.8%	523	-85.0%	1,936	3,138	-38.3%
<i>EBITDA margin</i>	<i>1.5%</i>	<i>14.3%</i>		<i>9.6%</i>		<i>8.6%</i>	<i>15.1%</i>	
Depreciation	282	196	43.9%	266	6.3%	995	737	35.1%
EBIT	(204)	447	NM	257	NM	941	2,401	-60.8%
<i>EBIT margin</i>	<i>NM</i>	<i>9.9%</i>		<i>4.7%</i>		<i>4.2%</i>	<i>11.5%</i>	
Interest cost	167	84	98.9%	152	10.4%	550	285	93.2%
Other income	39	45	-14.5%	27	45.9%	118	171	-31.2%
PBT	(333)	408	NM	132	NM	508	2,287	-77.8%
Exceptional items	-	472	NM	-		(258)	322	NM
Tax expenses	(94)	(22)	NM	60	NM	223	442	-49.6%
<i>Tax rate</i>	<i>NM</i>	<i>33.6%</i>		<i>45.8%</i>		<i>43.9%</i>	<i>19.3%</i>	
PAT	(239)	(43)	NM	72	NM	543	1,523	-64.4%
<i>PAT margin</i>	<i>NM</i>	<i>NM</i>		<i>1.3%</i>		<i>2.4%</i>	<i>7.3%</i>	
EPS (Rs)	(1.7)	(0.3)	NM	0.5	NM	3.8	10.8	-64.3%
Adjusted PAT	(239)	430	NM	72	NM	285	1,846	-84.5%
<i>Adjusted PAT margin</i>	<i>NM</i>	<i>9.5%</i>		<i>1.3%</i>		<i>1.3%</i>	<i>8.9%</i>	
Adjusted EPS (Rs)	(1.7)	3.0	NM	0.5	NM	2.0	13.0	-84.6%

Source: Company, PL

Exhibit 2: Sales & profitability profile of Bangladesh operations

Particulars (Rs mn)	4Q FY21	1Q FY22	2Q FY22	3Q FY22	4Q FY22	1Q FY23	2Q FY23	3Q FY23	4Q FY23	1Q FY24	2Q FY24	3Q FY24	4Q FY24	FY23	FY24	FY25E	FY26E
Sales	770	530	770	1,250	1,610	1,862	1,363	1,693	1,750	1,360	1,829	2,061	885	6,667	6,135	5,215	5,475
PAT	80	(4)	(11)	86	33	220	166	295	(48)	146	238	266	(152)	633	498	521	657
<i>PAT margin</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>10.7%</i>	<i>13.0%</i>	<i>12.9%</i>	<i>NM</i>	<i>9.5%</i>	<i>8.1%</i>	<i>10.0%</i>	<i>12.0%</i>
<i>Bangladesh's sales as % of total sales</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>21.4%</i>	<i>33.5%</i>	<i>37.7%</i>	<i>17.1%</i>	<i>32.0%</i>	<i>27.3%</i>	<i>21.1%</i>	<i>19.8%</i>
Standalone PAT#	(119)	35	236	276	91	678	322	572	(113)	459	(24)	(49)	(106)	1,609	280.2		
<i>Standalone PAT margin</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>7.4%</i>	<i>NM</i>	<i>NM</i>	<i>NM</i>	<i>8.0%</i>	<i>1.3%</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	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Gross margin	43.8%	50.9%	47.1%	48.9%	53.3%	49.9%	48.1%	49.4%	57.9%	49.5%	55.5%	55.8%	50.1%
EBITDA margin	1.3%	6.3%	12.7%	14.4%	9.2%	17.4%	13.9%	13.9%	14.3%	12.7%	9.7%	9.6%	1.5%

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

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	20,823	22,450	24,713	27,590
YoY gr. (%)	61.5	7.8	10.1	11.6
Cost of Goods Sold	10,188	10,637	11,689	12,884
Gross Profit	10,635	11,813	13,023	14,705
Margin (%)	51.1	52.6	52.7	53.3
Employee Cost	2,356	2,698	2,817	2,980
Other Expenses	5,141	7,180	6,796	7,477
EBITDA	3,138	1,936	3,410	4,249
YoY gr. (%)	117.3	(38.3)	76.2	24.6
Margin (%)	15.1	8.6	13.8	15.4
Depreciation and Amortization	737	995	1,038	1,104
EBIT	2,401	941	2,372	3,145
Margin (%)	11.5	4.2	9.6	11.4
Net Interest	285	550	445	248
Other Income	171	118	148	171
Profit Before Tax	1,965	766	2,076	3,068
Margin (%)	9.4	3.4	8.4	11.1
Total Tax	442	223	457	675
Effective tax rate (%)	22.5	29.1	22.0	22.0
Profit after tax	1,523	543	1,619	2,393
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,846	285	1,619	2,393
YoY gr. (%)	175.7	(84.5)	467.7	47.8
Margin (%)	8.9	1.3	6.6	8.7
Extra Ord. Income / (Exp)	(322)	258	-	-
Reported PAT	1,523	543	1,619	2,393
YoY gr. (%)	127.6	(64.4)	198.2	47.8
Margin (%)	7.3	2.4	6.6	8.7
Other Comprehensive Income	(132)	21	-	-
Total Comprehensive Income	1,392	564	1,619	2,393
Equity Shares O/s (m)	142	142	142	142
EPS (Rs)	13.0	2.0	11.4	16.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	5,285	8,504	9,823	11,198
Tangibles	5,190	8,388	9,688	11,038
Intangibles	96	116	135	160
Acc: Dep / Amortization	2,194	3,188	4,226	5,330
Tangibles	2,113	3,088	4,105	5,186
Intangibles	81	101	122	144
Net fixed assets	3,092	5,316	5,597	5,868
Tangibles	3,077	5,301	5,584	5,852
Intangibles	15	15	13	16
Capital Work In Progress	153	144	144	144
Goodwill	-	-	-	-
Non-Current Investments	222	299	315	349
Net Deferred tax assets	294	253	227	205
Other Non-Current Assets	268	331	363	378
Current Assets				
Investments	225	11	11	11
Inventories	5,871	9,157	7,109	6,954
Trade receivables	2,554	3,276	3,521	3,931
Cash & Bank Balance	365	463	637	558
Other Current Assets	1,005	1,272	1,236	1,324
Total Assets	14,153	20,665	19,307	19,887
Equity				
Equity Share Capital	283	284	284	284
Other Equity	6,134	6,495	7,760	9,798
Total Networth	6,417	6,779	8,044	10,082
Non-Current Liabilities				
Long Term borrowings	1,299	2,813	2,813	2,813
Provisions	156	166	173	193
Other non current liabilities	0	1	2	3
Current Liabilities				
ST Debt / Current of LT Debt	2,224	5,899	3,599	2,099
Trade payables	3,087	4,069	3,724	3,779
Other current liabilities	950	928	928	891
Total Equity & Liabilities	14,153	20,665	19,307	19,887

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	1,965	766	2,076	3,068
Add. Depreciation	737	995	1,038	1,104
Add. Interest	285	550	445	248
Less Financial Other Income	171	118	148	171
Add. Other	243	41	-	-
Op. profit before WC changes	3,230	2,352	3,559	4,420
Net Changes-WC	(962)	(3,391)	1,471	(319)
Direct tax	(519)	(278)	(431)	(652)
Net cash from Op. activities	1,749	(1,317)	4,598	3,448
Capital expenditures	(1,058)	(991)	(500)	(350)
Interest / Dividend Income	9	1	-	-
Others	204	230	(825)	(1,074)
Net Cash from Invt. activities	(845)	(760)	(1,325)	(1,424)
Issue of share cap. / premium	-	-	-	-
Debt changes	583	3,518	(2,300)	(1,500)
Dividend paid	(638)	(288)	(355)	(355)
Interest paid	(164)	(330)	(445)	(248)
Others	(527)	(721)	-	-
Net cash from Fin. activities	(746)	2,179	(3,100)	(2,103)
Net change in cash	158	102	173	(79)
Free Cash Flow	680	(2,317)	4,098	3,098

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	13.0	2.0	11.4	16.9
CEPS	18.2	9.0	18.7	24.6
BVPS	45.3	47.8	56.7	71.0
FCF	4.8	(16.3)	28.9	21.8
DPS	4.5	2.0	2.5	2.5
Return Ratio(%)				
RoCE	25.9	7.4	15.8	21.4
ROIC	22.2	9.4	17.7	21.4
RoE	30.7	4.3	21.8	26.4
Balance Sheet				
Net Debt : Equity (x)	0.5	1.2	0.7	0.4
Net Working Capital (Days)	94	136	102	94
Valuation(x)				
PER	40.5	262.7	46.3	31.3
P/B	11.7	11.1	9.3	7.4
P/CEPS	29.0	58.5	28.2	21.4
EV/EBITDA	24.8	43.0	23.7	18.7
EV/Sales	3.7	3.7	3.3	2.9
Dividend Yield (%)	0.9	0.4	0.5	0.5

Source: Company Data, PL Research

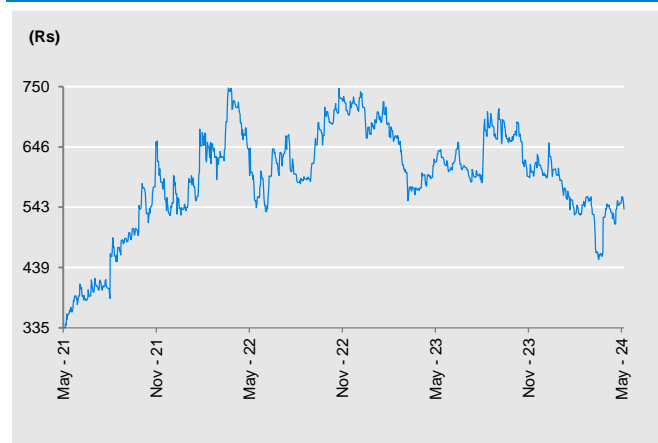
Quarterly Financials (Rs m)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	6,361	5,461	5,464	5,163
YoY gr. (%)	7.7	6.1	3.8	14.6
Raw Material Expenses	3,214	2,430	2,414	2,579
Gross Profit	3,147	3,031	3,050	2,585
Margin (%)	49.5	55.5	55.8	50.1
EBITDA	806	529	523	78
YoY gr. (%)	(21.5)	(26.1)	(28.4)	(87.8)
Margin (%)	12.7	9.7	9.6	1.5
Depreciation / Depletion	209	238	266	282
EBIT	597	291	257	(204)
Margin (%)	9.4	5.3	4.7	(4.0)
Net Interest	108	124	152	167
Other Income	26	26	27	39
Profit before Tax	774	193	132	(333)
Margin (%)	12.2	3.5	2.4	NA
Total Tax	196	60	60	(94)
Effective tax rate (%)	25.4	31.1	45.8	28.2
Profit after Tax	578	133	72	(239)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	320	133	72	(239)
YoY gr. (%)	(40.9)	(69.4)	(83.8)	NA
Margin (%)	5.0	2.4	1.3	NA
Extra Ord. Income / (Exp)	(258)	-	-	-
Reported PAT	578	133	72	(239)
YoY gr. (%)	(16.4)	(69.4)	(83.8)	NA
Margin (%)	9.1	2.4	1.3	NA
Other Comprehensive Income	2	(2)	24	(2)
Total Comprehensive Income	579	131	95	(241)
Avg. Shares O/s (m)	142	142	142	142
EPS (Rs)	2.3	0.9	0.5	(1.7)

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Apr-24	BUY	603	540
2	28-Mar-24	BUY	603	465
3	01-Feb-24	Hold	589	539
4	05-Jan-24	Hold	674	588
5	31-Oct-23	Hold	689	613
6	09-Oct-23	Accumulate	721	668
7	04-Aug-23	Accumulate	707	598
8	07-Jul-23	BUY	866	610
9	13-Jun-23	BUY	913	621

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	Accumulate	888	860
2	Indian Railway Catering and Tourism Corporation	Hold	825	1,023
3	Inox Leisure	BUY	587	502
4	InterGlobe Aviation	Accumulate	4,315	3,982
5	Lemon Tree Hotels	BUY	153	141
6	Navneet Education	BUY	182	151
7	Nazara Technologies	BUY	826	671
8	PVR Inox	Accumulate	1,663	1,385
9	S Chand and Company	BUY	315	245
10	Safari Industries (India)	BUY	2,268	1,971
11	V.I.P. Industries	BUY	603	540
12	Zee Entertainment Enterprises	Hold	164	150

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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