

Subdued Performance Continues; Maintain HOLD

Est. Vs. Actual for Q3FY25: Revenue – **MISS**; EBITDA – **MISS**; PAT – **MISS**

Changes in Estimates post Q3FY25

FY26E/FY27E: Revenue: -8%/-9%; EBITDA: -4%/-3%; PAT: -24%/-19%

Recommendation Rationale

- **Subdued Performance:** VIP's performance remains subdued despite a seasonally strong quarter, with revenue declining 8% YoY due to lower realisations, increased competition, and the liquidation of soft luggage inventory. The company's market share decreased to 38% from 40% in Q2FY25. However, management remains optimistic about the future outlook, supported by strong wedding seasons, rising religious tourism, higher hotel occupancy, and consistent month-on-month growth in passenger travel.
- **Volume Guidance:** VIP Industries recorded a 13% volume growth in Q3FY25, mainly driven by price reductions in soft luggage. For FY26, management guided a volume growth of 8-10%, expecting value growth to align with volume growth as the liquidation phase of soft luggage concludes post Q4FY25, driving overall realizations.
- **Marings:** Gross margins declined 930bps YoY to 46.5%, primarily due to lower realisations, an unfavourable channel mix, and increased inventory (Rs 692 Cr), leading to a contraction in EBITDA margins. The management expects gross margins to recover to 50% for FY25, with further improvement to 52-53% by FY26. EBITDA margins are expected to reach 15% by FY26, driven by reduced inventory post-Q4FY25 and the impact of premiumization.
- **Strategic Inventory Optimization:** As part of its ongoing transformation plan, VIP Industries has reduced total inventory by Rs 224 Cr, bringing it to Rs 692 Cr as of Dec'24, compared to Rs 916 Cr in Mar'24. The company is confident of further reducing its old soft luggage inventory, valued between Rs 80-100 Cr, by the end of Q4 or April 2025. Management also targets a return to a normalised inventory level of Rs 500-550 Cr by June 2025. Additionally, the company has reduced debt by Rs 86 Cr.

Sector Outlook: Cautious

Company Outlook & Guidance: Although the company's long-term strategy—focusing on premiumisation and improving efficiencies—remains intact, this strategy has a longer gestation period and would take longer to yield results. Consequently, we maintain a "wait and watch" approach as we look for sustained signs of recovery in overall performance.

Current Valuation: 33x Dec'26 EPS vs. (Earlier - 33x Dec'26 EPS)

Current TP: Rs. 370/share (Earlier Rs 440/share)

Recommendation: With a 1% downside from the CMP, we maintain our HOLD rating on the stock.

Financial Performance

VIP Industries posted weak results in Q3FY25, with revenue at Rs 501 Cr, down 8.3% YoY. Gross margins contracted by 930bps to 46.5%, while EBITDA margins declined by 385bps YoY to 5.7%. This was primarily due to subdued gross margin performance driven by an unfavourable mix and higher discounts in the liquidation of SL inventory. The company reported a net loss of Rs 12 Cr.

Valuation & Recommendation: We maintain our **HOLD** rating on the stock and value the company at 33x Dec-26 EPS with a revised TP of Rs 370/share.

Key Financials (Consolidated)

(Rs Cr)	Q3FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	501	(7.9)	(8.3)	535	(6.4)
EBITDA	29	(1,412.4)	(45.2)	23	23.6
EBITDA Margin	5.7	611 bps	-385 bps	4.3	139 bps
Net Profit	(12)	(66.1)	(273.7)	(24)	
EPS (Rs)	(0.9)	(62.4)	(273.7)	(1.7)	

Source: Company, Axis Research

(CMP as of 29th January 2025)

CMP (Rs)	366
Upside /Downside (%)	(-1%)
High/Low (Rs)	589/356
Market cap (Cr)	5,208
Avg. daily vol. (6m) Shrs.	851
No. of shares (Cr)	14.2

Shareholding (%)

	Jun-24	Sep-24	Dec-24
Promoter	51.8	51.7	51.7
FIIs	7.3	7.8	7.4
MFs / UTI	10.0	9.0	9.8
FIs/ Banks	0.0	0.0	0.0
Others	31.0	31.4	31.0

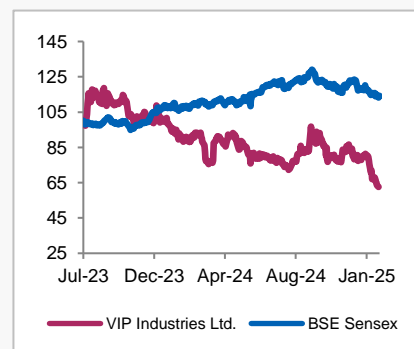
Financial & Valuations

Y/E Mar (Rs Cr)	FY25E	FY26E	FY27E
Net Sales	2,200	2,530	2,910
EBITDA	79	334	400
Net Profit	(96)	119	167
EPS, Rs	(6.8)	8.4	11.8
PER, x	(54.9)	44.3	31.5
ROE, %	(17.3)	18.4	21.3

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	-8%	-9%
EBITDA	-4%	-3%
PAT	-24%	-19%

Relative Performance



Source: AceEquity, Axis Securities

Preeyam Tolia

Research Analyst
 email: preeyam.tolia@axissecurities.in

Suhanee Shome

Research Associate
 email: suhanee.shome@axissecurities.in

Key Highlights

- **Segmental Performance:** In Q3FY25, VIP Industries' premium segment accounted for 54% of total revenue, with Carlton's increasing share highlighting the brand's strategic focus. Upcoming product launches and new exclusive stores are expected to boost Carlton's revenue contribution further. VIP successfully maintained its market position, driven by innovative product introductions and aligned pricing strategies across both online and offline channels. The Kiara collection saw strong growth, while Caprese benefited from category expansion in GT, resulting in solid single-digit growth. The hard luggage segment continued to outperform, contributing 63% to the company's overall sales.
- **International Business:** International Business faced challenges due to weaker performance in key markets like Asia and the GCC. However, operations in Bangladesh remain stable, with capacity utilisation expected to improve in the coming quarters. Currently at 60%, this is supported by cost-saving measures, particularly a significant reduction in manpower from 8,500 to 3,500. The start of soft luggage upright production in January is expected to drive utilisation to 85%, boosting profitability. At current cost levels, the company breaks even at 50% utilisation.
- **Channels:** E-commerce maintained its growth momentum, although at a slower pace compared to H1FY25. Modern trade (MT) performed better in the offline segment due to expanded store presence and enhanced product offerings. Additionally, institutional sales have been steadily increasing, contributing more significantly to total revenue, now accounting for 13%.
- **New Launches:** Management has opened a new Carlton store with renewed identity at Colaba, Mumbai, and plans to open 25 such stores in the next 6 months of FY26.

Key Risks to Our Estimates and TP

- Weak demand
- Inability of the company to maintain its margins
- Loss of market share to competitors
- Any change in taxation policies and international duties with respect to Bangladesh and China.

Change in Estimates

	Revised		Old		% Change	
	FY26E	FY27E	FY26E	FY27E	FY27E	FY27E
Revenue	2762	3204	2,530	2,910	-8%	-9%
EBITDA	348	413	334	400	-4%	-3%
PAT	156	207	119	167	-24%	-19%
EPS	11	14.6	8.4	11.8	-24%	-19%

Source: Company, Axis Securities

Results Review

	Q3FY24	Q2FY25	Axis Est.	Q3FY25	% Change (YoY)	% Change (QoQ)	Var (%) Axis Sec Est.
Net Sales	546	544	535	501	(8.3)	(7.9)	(6.4)
Gross Profit	305	245	251	233	(23.6)	(5.0)	(7.0)
Gross Margin (%)	55.8	45.1	46.8	46.5	-930 bps	145 bps	-28 bps
Employee Expenses	69	58	62	54	(21.3)	(5.8)	(12.5)
Other Expenses	184	190	165	150	(18.3)	(20.9)	(9.2)
EBITDA	52	(2)	23	29	(45.2)	(1,412.4)	23.6
EBITDA Margin (%)	9.6	(0.4)	4.3	5.7	-385 bps	611 bps	139 bps
Oth. Inc	3	3	3	2	(7.1)	(6.8)	
Interest	15	20	20	18	17.0	(11.8)	
Depreciation	27	30	30	30	13.1	1.6	
PBT	13	(49)	(24)	(17)	(226.5)	(66.1)	
Tax	6	(13)	-	(4)	(170.7)	(66.0)	
PAT	7	(37)	(24)	(12)	(273.7)	(66.1)	
EPS	0.5	(2.3)	(1.7)	(0.9)	(273.7)	(62.4)	

Source: Company, Axis Securities

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Net sales	2,245	2,200	2,530	2,910
Growth, %	30.5	(2.0)	15.0	15.0
Total income	2,245	2,200	2,530	2,910
Raw material expenses	(1,064)	(1,199)	(1,265)	(1,426)
Employee expenses	(270)	(242)	(253)	(262)
Other Operating expenses	(718)	(680)	(679)	(822)
EBITDA (Core)	194	79	334	400
Growth, %	(34.1)	(59.2)	322.1	20.0
Margin, %	8.6	3.6	13.2	13.8
Depreciation	(99)	(120)	(125)	(133)
EBIT	94	(41)	208	268
Growth, %	(55.2)	(143.3)	(611.2)	28.5
Margin, %	4.2	(1.9)	8.2	9.2
Interest paid	(55)	(66)	(63)	(60)
Other Income	12	11	13	15
Non-recurring Items	26	-	-	-
Pre-tax profit	77	(96)	158	223
Tax provided	(22)	-	(40)	(56)
Profit after tax	54	(96)	119	167
Growth, %	(82.5)	(435.9)	(223.9)	40.6
Net Profit (adjusted)	54	(96)	119	167

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Cash & bank	46	(36)	(39)	(4)
Marketable securities at cost	1	1	1	1
Debtors	328	321	369	425
Inventory	916	897	1,032	1,187
Other current assets	142	142	142	142
Total current assets	1,432	1,325	1,505	1,750
Investments	2	2	2	2
Gross fixed assets	664	759	854	949
Less: Depreciation	(132)	(252)	(377)	(509)
Add: Capital WIP	13	13	13	13
Net fixed assets	546	521	491	453
Non-current assets	86	86	86	86
Total assets	2,067	1,934	2,085	2,292
Current liabilities	1,090	1,081	1,141	1,210
Provisions	-	-	-	-
Total current liabilities	1,090	1,081	1,141	1,210
Non-current liabilities	299	299	299	299
Total liabilities	1,389	1,380	1,440	1,509
Paid-up capital	28	28	28	28
Reserves & surplus	650	525	616	755
Shareholders' equity	678	554	644	783
Total equity & liabilities	2,067	1,934	2,085	2,292

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Profit Before Tax	77	(96)	158	223
Adjustments for :				
Depreciation and Amortization Expenses	99	120	125	133
Interest Paid	55			
Unwinding of interest on security deposit paid	(3)			
Amortisation of prepaid rent on discounting of security deposit paid	-			
Changes in fair value of financial assets at fair value through profit or loss	-			
Obsolescence of Fixed Assets	0			
Bad Debts Written Off	0			
Provision for Bad and Doubtful Deb	4			
Employee Stock Appreciation Rights	8			
Loss on Translation	(1)			
Loss / (Surplus) on Sale of Investment	-			
Dividend Income	-			
Interest received	(3)			
Income from Investment Property	(0)			
Loss / (Profit) on Sale of Assets, Property, Plant & Equipment (net)	(2)			
Excess Provision Written back	-			
Net Exchange differences (unrealised)	(0)			
Operating Profit Before Working Capital Changes	235	24	283	355
Adjustments for :				
Trade receivables	(78)	7	(48)	(55)
(Decrease)/Increase in Trade Payables	104	(8)	60	69
(Decrease)/Increase in Other Liabilities	(8)			
(Decrease)/Increase in Provisions	6			
Increase/(Decrease) in Other Assets	(35)			
Decrease/ (Increase) in Inventories	(329)	18	(135)	(155)
Cash Flow Generated from Operations	(104)	41	161	214
Direct taxes paid	(28)	-	(40)	(56)
A) Net Cash Flow from Operating Activities	(132)	41	121	158
B) CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of PPE and intangible assets	(100)	(95)	(95)	(95)
Proceeds on the sale of PPE and intangible assets	1			
Purchase of Investments	23			
Dividend Income	-			
Interest received	0			
Net Cash Used in Investing Activities	(76)	(95)	(95)	(95)
C) CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds / (Repayment) of Long Term Borrowings (Net)	-			
Proceeds/(Repayment) of Short Term Borrowings	352			
Finance Cost paid	(33)			
Principal payment of Lease Liabilities	(50)			
Interest payment of Lease Liabilities	(22)			
Dividends paid	(29)	(28)	(28)	(28)
Dividend Distribution Tax paid	-			
Other	0			
Net Cash Used in Financing Activities	218	(28)	(28)	(28)
Net Increase/ (Decrease) in Cash and Cash Equivalents	10	(83)	(2)	35
Cash and cash equivalents as of 1st April	33	43	(39)	(42)
Cash and cash equivalents as of 31st March	43	(39)	(42)	(7)

Source: Company, Axis Securities

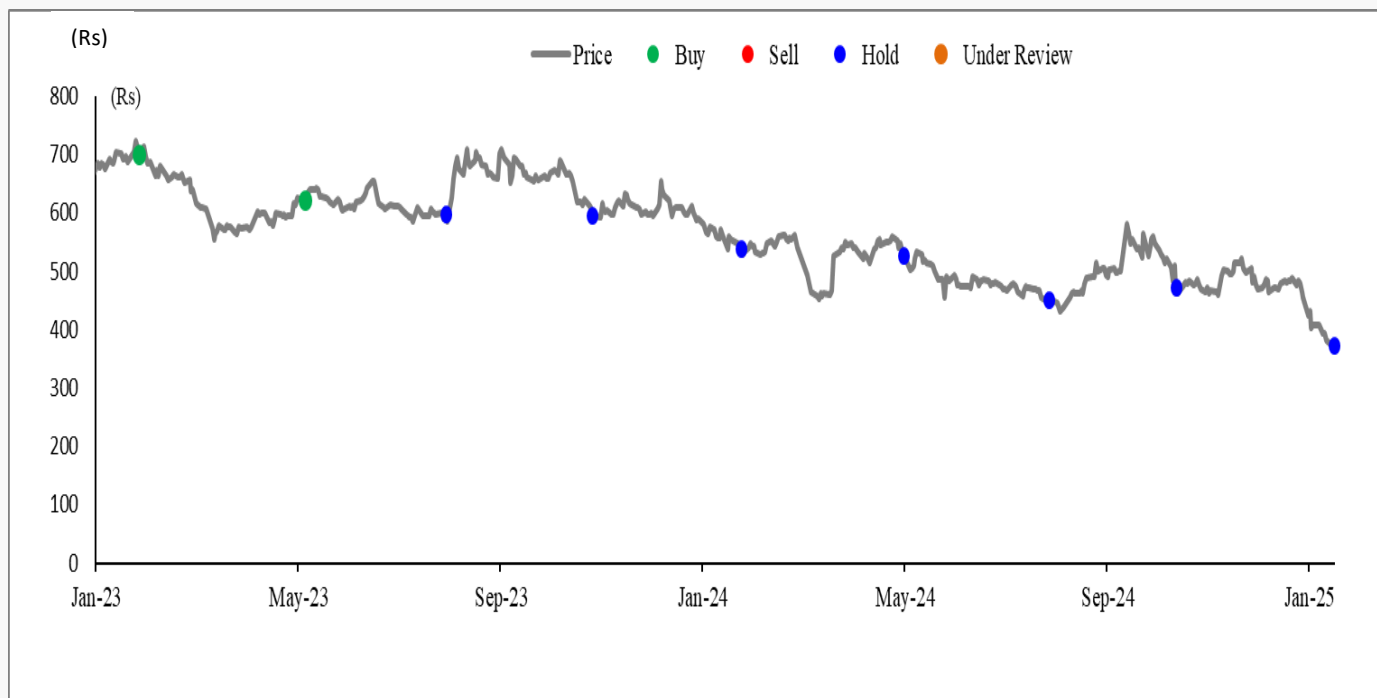
Ratio Analysis

(%)

Y/E March	FY24	FY25E	FY26E	FY27E
EPS (INR)	3.8	(6.8)	8.4	11.8
Growth, %	(82.5)	(435.9)	(223.9)	40.6
Book NAV/share (INR)	48.0	39.2	45.6	55.4
FDEPS (INR)	2.0	(6.8)	8.4	11.8
CEPS (INR)	7.2	1.7	17.3	21.2
CFPS (INR)	(13.7)	2.1	7.7	10.2
Return ratios				
Return on assets (%)	6.3	(1.5)	9.0	10.3
Return on equity (%)	4.2	(17.3)	18.4	21.3
Return on capital employed (%)	12.4	(3.3)	20.2	22.4
Turnover ratios				
Asset turnover (x)	2.0	1.6	1.8	1.9
Sales/Total assets (x)	1.3	1.1	1.3	1.3
Sales/Net FA (x)	5.2	4.1	5.0	6.2
Working capital/Sales (x)	0.1	0.1	0.2	0.2
Receivable days	53.3	53.3	53.3	53.3
Inventory days	148.9	148.9	148.9	148.9
Payable days	72.4	68.6	76.2	76.7
Working capital days	48.0	46.2	57.9	68.1
Liquidity ratios				
Current ratio (x)	1.3	1.2	1.3	1.4
Quick ratio (x)	0.5	0.4	0.4	0.5
Interest cover (x)	1.7	(0.6)	3.3	4.5
Valuation				
PER (x)	184.3	(54.9)	44.3	31.5
PEG (x) - y-o-y growth	(2.2)	0.1	(0.2)	0.8

Source: Company, Axis Securities

VIP Industries Price Chart and Recommendation History



Date	Reco	TP	Research
30-Jan-23	BUY	850	Result Update
10-May-23	BUY	730	Result Update
04-Aug-23	HOLD	625	Result Update
02-Nov-23	HOLD	600	Result Update
01-Feb-24	HOLD	590	Result Update
13-May-24	HOLD	570	Result Update
08-Aug-24	HOLD	490	Result Update
25-Oct-24	HOLD	440	Result Update
30-Jan-25	HOLD	370	Result Update

Source: Axis Securities

Axis Securities Limited is a subsidiary company of Axis Bank Ltd. Axis Bank Ltd. is a listed public company and one of India's largest private sector banks and has its various subsidiaries engaged in businesses of Asset management, NBFC, Merchant Banking, Trusteeship, Venture Capital, Stock Broking, the details in respect of which are available on www.axisbank.com.

Axis Securities Limited, is registered as a

- Stock Broker, Depository Participant, Portfolio Manager, Investment Adviser and Research Analyst with Securities and Exchange Board of India
- Corporate Agent with Insurance Regulatory and Development Authority of India
- Point of Presence with Pension Fund Regulatory and Development Authority
- Distributor for Mutual Funds with AMFI

Registration Details:

SEBI Single Reg. No.- NSE, BSE, MSEI, MCX & NCDEX – INZ000161633 | SEBI Depository Participant Reg. No. IN-DP-403-2019 | Portfolio Manager Reg. No.- INP000000654 | Investment Advisor Reg No. INA000000615 | SEBI-Research Analyst Reg. No. INH000000297 | IRDA Corporate Agent (Composite) Reg. No. CA0073 | PFRDA – POP Reg. No. POP387122023 | Mutual Fund Distributor ARN- 64610.

Compliance Officer Details: Name – Mr. Maneesh Mathew, Tel No. – 022-68555574, Email id – compliance.officer@axisdirect.in;

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070.

Administrative office address: Axis Securities Limited, Aurum Q Parc, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

In case of any grievances please call us at 022-40508080 or write to us helpdesk@axisdirect.in.

We hereby declare that our activities were neither suspended nor we have defaulted with any stock exchange authority with whom we are registered in last five years. However, SEBI, Exchanges, Clearing Corporations and Depositories etc. have conducted the routine inspection and based on their observations have issued advise/warning/show cause notices/deficiency letters/ or levied penalty or imposed charges for certain deviations observed in inspections or in normal course of business, as a Stock Broker / Depository Participant/Portfolio Manager. We have not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point of time.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

By referring to any particular sector, Axis Securities does not provide any promise or assurance of favourable view for a particular industry or sector or business group in any manner.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors. Our research should not be considered as an advertisement or advice, professional or otherwise. This research report and its respective content by Axis Securities made available on this page or otherwise do not constitute an offer to sell or purchase or subscribe for any securities or solicitation of any investments or investment services for the residents of Canada and / or USA or any jurisdiction where such an offer or solicitation would be illegal.

Subject company(ies) may have been client during twelve months preceding the date of distribution of the research report. Derivatives are a sophisticated investment device. The investor is requested to take into consideration all the risk factors before actually trading in derivative contracts.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment of its original date of publication by ASL and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments.

The information and opinions in this report have been prepared by Axis Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Axis Securities. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite, investment objective or the particular circumstances of an individual investor. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and the like and take professional advice before investing.

While we would endeavour to update the information herein on a reasonable basis, Axis Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Axis Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or Axis Securities policies, in circumstances where Axis Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained in good faith from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Axis Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Axis Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Axis Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months. Axis Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction. Axis Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months. Axis Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Axis Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither Axis Securities nor Research Analysts and / or their relatives have any material conflict of interest at the time of publication of this report. Please note that Axis Securities has a proprietary trading desk. This desk maintains an arm's length distance with the Research team and all its activities are segregated from Research activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Research Analyst may have served as an officer, director or employee of subject company(ies). Axis Securities or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report. Since associates of Axis Securities and Axis Securities as an entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report. Axis Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. Certain transactions -including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centres on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

We and our affiliates/associates, officers, directors, and employees, Research Analyst(including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of Research Report or at the time of public appearance. Axis Securities may have proprietary long/short position in the above mentioned scrip(s) and therefore may be considered as interested. This should not be construed as invitation or solicitation to do business with Axis Securities. Axis Securities is also a Portfolio Manager. Portfolio Management Team (PMS) takes its investment decisions independent of the PCG research and accordingly PMS may have positions contrary to the PCG research recommendation.

RATING SCALE: Definitions of ratings

Ratings	Expected absolute returns over 12 – 18 months
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.