

Weak Quarter, Near-Term Challenges Drag Profitability

Est. Vs. Actual for Q2FY26: Revenue – **MISS**; EBITDA – **MISS**; PAT – **MISS**

Changes in Estimates post Q2FY26

FY26E/FY27E: Revenue: -5%/-9%; EBITDA: -16%/-12%; PAT: -23%/-23%

Recommendation Rationale

- **Weak Quarter:** VIP reported a 25.3% YoY revenue decline in Q2FY26, primarily driven by sluggish demand and a sharp correction in e-commerce secondary sales. Rising competition and aggressive discounting further impacted sales.
- **Margins Impacted:** EBITDA margin declined by 2,578 bps YoY to 26.2%, mainly driven by gross margin contraction of 1,445 bps YoY at 30.6%. Overall, the quarter was impacted due to weak demand; however, management continues to liquidate most of its aged stock, aided by the festive and gifting season.

Sector Outlook: Cautious

Company Outlook & Guidance: While VIP remains focused on long-term premiumisation, it continues to face near-term headwinds. **We therefore adopt a wait-and-watch approach and maintain our HOLD stance on the stock.**

Current Valuation: 38x Sep'27E EPS (Earlier Valuation: 38x Mar'27E EPS)

Current TP: Rs. 415/share (Earlier Rs 490/share)

Recommendation: With a 4% upside from the CMP, we maintain our **HOLD** rating on the stock.

Financial Performance

VIP Industries reported revenue of Rs 406 Cr, down 25.3% YoY. Gross margins declined by 1,445 bps to 30.6%, while EBITDA margins declined by 2,578 bps YoY to 26.2%. The company reported a net loss of Rs 143 Cr.

Valuation & Recommendation: We maintain our **HOLD** rating on the stock and value the company at 38x Sep'27E EPS with a revised TP of Rs 415/share.

Key Financials (Consolidated)

(Rs Cr)	Q2FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	406	(27.6)	(25.3)	571	(28.9)
EBITDA	(106)	(531.6)	-	31	(438.5)
EBITDA Margin	(26.2)	-3057 bps	-2578 bps	5.5	-3168 bps
Net Profit	(143)	-	-	(8)	-
EPS (Rs)	(10.1)	-	-	(0.6)	-

Source: Company, Axis Research

(CMP as of 14th November, 2025)

CMP (Rs)	398
Upside /Downside (%)	4%
High/Low (Rs)	5657/522
Market cap (Cr)	5,657
Avg. daily vol. (6m) Shrs.	871
No. of shares (Cr)	14.2

Shareholding (%)

	Mar-25	Jun-25	Sep-25
Promoter	51.7	51.7	49.7
FII's	7.7	7.3	7.0
MFs / UTI	11.1	12.5	14.0
Fis/ Banks	0.0	0.0	0.0
Others	29.5	28.5	29.3

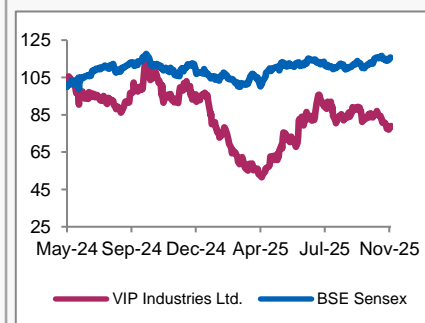
Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	2,178	2,396	2,660
EBITDA	82	288	372
Net Profit	(69)	89	140
EPS, Rs	(4.9)	6.3	9.9
PER, x	(73.4)	62.9	40.2
ROE, %	(12.4)	13.2	17.7

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	-5%	-9%
EBITDA	-16%	-12%
PAT	-23%	-23%

Relative Performance



Source: AceEquity, Axis Securities

Results Gallery

[Q1FY26](#)

[Q4FY25](#)

[Q3FY25](#)

[Q2FY25](#)

Suhanee Shome

Research Associate

email: suhanee.shome@axissecurities.in

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

	Old		Revised		% Change	
	FY26E	FY27E	FY26E	FY27E	FY27E	FY27E
Revenue	2,527	2,931	2,396	2,660	-5%	-9%
EBITDA	341	425	288	372	-16%	-12%
PAT	116	181	89	140	-23%	-23%
EPS	8.2	12.8	6.3	9.9	-23%	-23%

Source: Company, Axis Securities

Results Review

	Q2FY25	Q1FY26	Axis Est.	Q2FY26	% Change (YoY)	% Change (QoQ)	Var (%) Axis Sec Est.
Net Sales	544	561	571	406	(25.3)	(27.6)	(28.9)
Gross Profit	245	253	267	124	(49.3)	(50.8)	(53.3)
Gross Margin (%)	45.1	45.0	46.6	30.6	-1445 bps	-1439 bps	-1602 bps
Employee Expenses	58	54	55	53	(8.5)	(2.9)	(3.7)
Other Expenses	190	174	180	178	(6.2)	2.5	(1.3)
EBITDA	(2)	25	31	(106)		(531.6)	(438.5)
EBITDA Margin (%)	(0.4)	4.4	5.5	(26.2)	-2578 bps	-3057 bps	-3168 bps
Oth. Inc	3	5	5	11	304.9	132.3	111.1
Interest	20	17	17	18	(12.5)	5.6	5.1
Depreciation	30	32	32	33	11.6	4.4	3.9
Exceptional Item	(4)	(2)		(4)			
PBT	(46)	(17)	(12)	(142)			
Tax	(13)	(4)	(4)	1	(109.6)	(130.6)	(128.3)
PAT	(33)	(13)	(8)	(143)			
EPS	(2.3)	(0.9)	(0.6)	(10.1)			

Source: Company, Axis Securities

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY25	FY26E	FY27E	FY28E
Net sales	2,178	2,396	2,660	2,952
Growth, %	(3.0)	10.0	11.0	11.0
Total income	2,178	2,396	2,660	2,952
Raw material expenses	(1,185)	(1,270)	(1,383)	(1,521)
Employee expenses	(225)	(240)	(266)	(295)
Other Operating expenses	(686)	(599)	(638)	(709)
EBITDA (Core)	82	288	372	428
Growth, %	(57.5)	249.4	29.5	15.0
Margin, %	3.8	12.0	14.0	14.5
Depreciation	(119)	(118)	(141)	(164)
EBIT	(37)	170	232	265
Growth, %	(139.1)	(561.3)	36.6	14.2
Margin, %	(1.7)	7.1	8.7	9.0
Interest paid	(73)	(70)	(66)	(63)
Other Income	11	19	21	24
Non-recurring Items	8	-	-	-
Pre-tax profit	(91)	119	187	225
Tax provided	22	(30)	(47)	(56)
Profit after tax	(69)	89	140	169
Growth, %	(368.7)	(216.7)	56.7	20.6
Net Profit (adjusted)	(69)	89	140	169

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY25	FY26E	FY27E	FY28E
Cash & bank	48	64	139	257
Marketable securities at cost	0	0	0	0
Debtors	368	405	450	499
Inventory	698	768	853	947
Other current assets	97	99	99	99
Total current assets	1,212	1,336	1,541	1,802
Investments	5	5	5	5
Gross fixed assets	758	853	948	1,043
Less: Depreciation	(251)	(369)	(510)	(673)
Add: Capital WIP	18	17	18	18
Net fixed assets	525	501	456	387
Non-current assets	115	115	115	115
Total assets	1,856	1,957	2,117	2,309
Current liabilities	949	987	1,034	1,086
Provisions	-	-	-	-
Total current liabilities	949	987	1,034	1,086
Non-current liabilities	292	292	292	292
Total liabilities	1,240	1,279	1,326	1,377
Paid-up capital	28	28	28	28
Reserves & surplus	588	651	763	904
Shareholders' equity	616	679	791	932
Total equity & liabilities	1,856	1,958	2,117	2,309

Source: Company, Axis Securities

Cash Flow
(Rs Cr)

Y/E March	FY25	FY26E	FY27E	FY28E
Profit Before Tax	(91)	119	187	225
Adjustments for:				
Depreciation and Amortisation Expenses	119	118	141	164
Interest Paid	(0)			
Unwinding of interest on the security deposit paid	(3)			
Amortisation of prepaid rent on the discounting of the security deposit paid				
Changes in fair value of financial assets at fair value through profit or loss	0			
Obsolescence of Fixed Assets				
Bad Debts Written Off	0			
Provision for Bad and Doubtful Debts	3			
Employee Stock Appreciation Rights	10			
Loss on Translation	(0)			
Loss / (Surplus) on Sale of Investment	(1)			
Dividend Income	(8)			
Interest received	73			
Income from Investment Property	(2)			
Loss / (Profit) on Sale of Assets, Property, Plant & Equipment (net)				
Excess Provision Written back				
Net Exchange differences (unrealised)	6			
Operating Profit Before Working Capital Changes	106	237	328	389
Adjustments for:				
Trade receivables	(49)	(37)	(45)	(49)
(Decrease)/Increase in Trade Payables	(19)	39	47	52
(Decrease)/Increase in Other Liabilities	(4)			
(Decrease)/Increase in Provisions	(0)			
Increase/(Decrease) in Other Assets	45			
Decrease/ (Increase) in Inventories	217	(70)	(85)	(94)
Cash Flow Generated from Operations	296	169	245	298
Direct taxes paid	(4)	(30)	(47)	(56)
A) Net Cash Flow from Operating Activities	292	139	199	241
B) CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of PPE and intangible assets	(43)	(95)	(95)	(95)
Proceeds from the sale of PPE and intangible assets	2			
Purchase of Investments	(6)			
Dividend Income				
Interest received	0			
Net Cash Used in Investing Activities	(47)	(95)	(95)	(95)
C) CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds / (Repayment) of Long-Term Borrowings (Net)	(60)			
Proceeds/(Repayment) of Short-Term Borrowings	(118)			
Finance Cost paid				
Principal payment of Lease Liabilities	(27)			
Interest payment of Lease Liabilities	(47)			
Dividends paid	(1)	(28)	(28)	(28)
Dividend Distribution Tax paid				
Other	0			
Net Cash Used in Financing Activities	(251)	(28)	(28)	(28)
Net Increase/ (Decrease) in Cash and Cash Equivalents	(5)	16	75	118
Cash and cash equivalents as of 1st April	43	38	54	129
Cash and cash equivalents as of 31st March	38	54	129	247

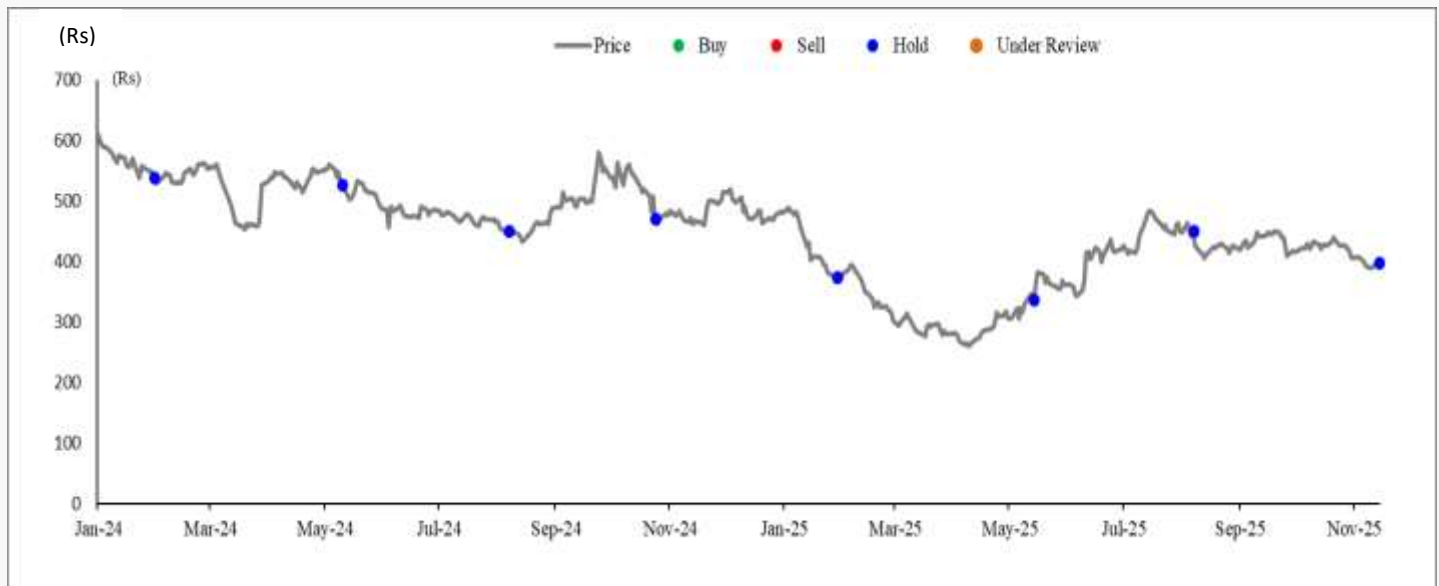
Source: Company, Axis Securities

Ratio Analysis
(%)

Y/E March	FY25	FY26E	FY27E	FY28E
EPS (Rs)	(4.9)	6.3	9.9	12.0
Growth, %	(368.7)	(216.7)	56.7	20.6
Book NAV/share (Rs)	43.6	48.1	56.0	66.0
FDEPS (Rs)	(5.4)	6.3	9.9	12.0
CEPS (Rs)	2.4	14.7	19.9	23.5
CFPS (Rs)	16.4	8.4	12.5	15.4
Return ratios				
Return on assets (%)	0.2	8.3	10.1	10.5
Return on equity (%)	(12.4)	13.2	17.7	18.1
Return on capital employed (%)	0.4	16.9	20.1	20.1
Turnover ratios				
Asset turnover (x)	1.7	2.0	2.1	2.3
Sales/Total assets (x)	1.1	1.3	1.3	1.3
Sales/Net FA (x)	4.1	4.7	5.6	7.0
Working capital/Sales (x)	0.1	0.1	0.1	0.2
Receivable days	61.7	61.7	61.7	61.7
Inventory days	117.0	117.0	117.0	117.0
Payable days	67.3	73.6	75.3	75.7
Working capital days	36.0	43.4	50.4	56.7
Liquidity ratios				
Current ratio (x)	1.3	1.4	1.5	1.7
Quick ratio (x)	0.5	0.6	0.7	0.8
Interest cover (x)	(0.5)	2.4	3.5	4.2
Valuation				
PER (x)	(73.4)	62.9	40.2	33.3
PEG (x) YoY growth	0.2	(0.3)	0.7	1.6

Source: Company, Axis Securities

VIP Industries Price Chart and Recommendation History



Date	Reco	TP	Research
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
15-May-25	HOLD	410	Result Update
08-Aug-25	HOLD	490	Result Update
17-Nov-25	HOLD	415	Result Update

Source: Axis Securities

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Compliance Officer Details: Name – Mr Rajiv Kejriwal, 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, Aarum 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.

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BUY	More than 10%
HOLD	Between 10% and -10%
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