

- ❑ VIP Industries Limited (VIPIND) reported revenue growth from operation of 411.3% YoY but fell 15.1% QoQ to ₹ 2,062 million during Q1FY22 as against ₹ 403 million in Q1FY21. First quarter revenue impacted due to the second wave of COVID-19.
- ❑ During the quarter gross margin improved to 54% from 47% in Q4FY21 due to lower discounts and better mix in favor of higher margin products, price increase and it procured nearly 90% of luggage from its captive Bangladesh plants. As per the management, the gross margin is sustainable.
- ❑ Overall Expense is down by 18% as compared to last year Q4 (₹ 530 million vs. ₹ 650 million in last year Q4). Employee cost is almost in line with last year's same period as well as sequential quarter. 1QFY22 EBITDA jumped up nearly 3x QoQ to ₹129 million and it reported net profit of ₹ 25 million compared to loss of ₹ 38 million in Q4FY21. The changes made in product mix, channel partners and pricing strategy will help the company in gaining better margins in near term.
- ❑ On demand trends, Company is optimistic about demand for luggage in coming times, it is aggressively working on demand generating activities like new launches, increasing digital marketing, etc. The demand revival has been rapid compared to the last corresponding quarter and the company has performed better than its peers in terms of revenue recovery due to better supply chain management and inventory related strategies. The management indicated they were able to capture demand in specific regions that were not impacted initially by the second wave of pandemic
- ❑ E- Commerce channel business was better than other channels during Q1FY22. The company expects the momentum to continue in future. Company has focused on the Caprese brand through the E-commerce channel by introducing newer ranges.
- ❑ We estimate the company to be a major beneficiary of increasing penetration of luggage bags and back-packs in the country, improving living standards leading to increased air and rail travel and also the desire for travelers to have branded luggage. We are increasing our earnings estimate on the back of strong operational performance in Q1FY22, healthy volume growth and strong demand guidance for H2 We now estimate a revenue CAGR of 53% FY21 to FY23E with strong operating margins and return ratios. We maintain **BUY** recommendation on the stock and target price of ₹ **568** (43x FY2023E EPS).

## Financials:

(In ₹ mn)	Q1-FY22	Q1-FY21	Chg
Net Sales	2,062	403	411.3%
Operating Expense	1,933	982	96.9%
EBITDA	129	(578)	
Other Income	144	179	-19.7%
Depreciation	181	209	-13.5%
EBIT	92	(608)	
Interest	74	65	12.4%
PBT	18	(674)	
Tax	(7)	(161)	
<b>Consolidated PAT</b>	<b>25</b>	<b>(513)</b>	

Margins	Q1-FY22	Q1-FY21	Chg BPS
Operating Margin %	6.3%	-143.4%	14967
Net Margin %	1.2%	-127.3%	12848

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
Net Sales	17,144	6,186	9,093	14,639
Operating Expense	14,184	6,830	8,021	12,127
EBITDA	2,959	(644)	1,072	2,513
Other Income	130	486	505	525
Depreciation	868	779	506	502
EBIT	2,221	(938)	1,071	2,536
Interest	252	308	222	111
PBT	<b>1,969</b>	<b>(1,246)</b>	<b>849</b>	<b>2,425</b>
Tax	367	(271)	195	558
PAT	<b>632</b>	<b>(975)</b>	<b>654</b>	<b>1,867</b>

Margins	FY-20	FY-21	FY-22E	FY-23E
Sales Growth %	-3.9%	-63.9%	47.0%	61.0%
Operating Margin %	17.3%	-10.4%	11.8%	17.2%
Net Margin %	3.7%	-15.8%	7.2%	12.8%
PAT Growth%	-56.5%	-254.2%	-167.1%	185.6%

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
<b>Liabilities</b>				
Equity Share Capital	283	283	283	283
Reserves & Surplus	5,819	4,889	5,233	6,249
Total Shareholder's Funds	6,101	5,172	5,516	6,531
Long-Term Liabilities	2,151	3,167	1,588	1,815
Other Long-term Liabilities	244	213	217	228
Deferred Tax Liability	(67)	(329)	-	-
Short-term Liabilities	3,944	2,389	2,244	3,084
<b>Total</b>	<b>12,372</b>	<b>10,611</b>	<b>9,565</b>	<b>11,658</b>
<b>Assets</b>				
Net Fixed Assets	3,645	2,885	2,879	2,892
Long-Term L&A	800	665	685	720
Non Current Investments	431	1,432	1,460	1,489
Current Asset	7,497	5,630	4,541	6,558
<b>Total</b>	<b>12,372</b>	<b>10,611</b>	<b>9,565</b>	<b>11,658</b>

Particulars	FY-20	FY-21	FY-22E	FY-23E
EPS (₹)	7.9	-6.9	4.6	13.2
P/E (x)	59.4	-68.1	101.6	35.6
P/B (x)	10.9	13.0	12.0	10.2
ROE	18.3%	-18.9%	11.9%	28.6%
ROCE	22.1%	-19.4%	9.6%	26.7%

## Key Risks:

- Any increase in input cost of the key raw material could negatively impact profitability if the price hike doesn't take place
- Volatility in foreign currency fluctuation could impact the company's profitability
- Increase in competition from unorganized players

## Rating and Target Price history:

VIPIND rating history & price chart



VIPIND rating details

Date	Rating	Target Price (₹)	Share Price (₹)
09-Nov-20	BUY	370	286
04-June-21	Buy	477	390
16-Aug-21	Buy	555	474

Source: Bloomberg, Anand Rathi Research

NOTE: Prices are as on 16 August 2021 close.

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