Conference Call Transcript

VIP Industries Limited

Q3FY16 Results

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Corporate Participants

Ms Radhika Piramal
Managing Director

Mr Jogendra Sethi
CFO

Questions and Answers

Moderator: Ladies and gentlemen, good day and welcome to the VIP Industries Q3 FY'16 Earnings Conference Call hosted by Edelweiss Securities Limited. As a reminder, all participant lines' will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Ms. Shradha Sheth. Thank you and over to you Madam.

Shradha Sheth: Thank you Lisann. On behalf of Edelweiss, let me welcome you all to the Q3 FY'16 earnings call of VIP Industries. From the management today we have Ms. Radhika Piramal, the Managing Director and Mr. Jogendra Sethi, the CFO of VIP. So, without further ado I will hand over the call to Ms. Radhika for her initial comments post which we will open the floor for Q&A. Thank you and over to you Madam.

Radhika Piramal: Thank you Shradha, good evening everybody and thank you for dialing into our call. We have had quite a decent quarter. I am pleased to report that our Q3 sales were Rs.291.3 Crores which is up from Rs.253.2 Crores in the same quarter the previous year that is a growth of 15% and I am particularly encouraged by this because as many of you know who have been dialing in regularly, in Q2, that is last quarter, we had a very good institutional Hajj sales order and that was one of the reasons there are sales growth in Q2 was very good. In Q3, all of the sales growth is sort of from our regular channel. It is part of the operating business; it is not due to any one off sale and prior to Q3 and Q2 before that we were showing sales growth of around 8% for the previous six quarters. So, moving from 8% to15% growth is something I am very pleased and encouraged by and we can see of course its effect on the profits. So, I am just going to run you through the sales, the expenses, some comments on Bangladesh and overall sourcing in the exchange rate, some comments on brand wise and channel wise and then I will open to question.

So starting off with the sales and I will talk about brand wise, channel wise and then I will move to expenses. As I mentioned, we had 16% sales growth, we added about Rs.38.1 Crores in turnover. If we look at the nine month gone by we have grown our sales from Rs.801.6 Crores to Rs.941.2 Crores which is a growth of 17.5%, about Rs.140 Crores increase in absolute sales and this 140 Crores increase will be break it down by what has contributed to this growth one part was our large institutional Hajj order which is about Rs.50 Crores that was in Q2 and then majority of the rest has been driven by all our new brands leading which is Skybags followed by Carlton and Caprese. In Skybags which has really had an excellent growth it is a brand of VIP that we relaunched and repositioned in 2011 and we have over the last four, five years really improved the designs. We have added a lot of backpacks, so big part of the growth of

Skybags is from backpacks, the soft luggage uprights, which is a core part of our business and even for Skybags that remains a largest business is also going very healthily. Until a year over the lead channels for Skybags was always hypermarket. It remains the largest channels for Skybags, but in the last few months, the general trade the dealer acceptance of Skybags brand has picked up and also we have introduced Skybags in a more meaningful way in our CSD channel. So, all of this has improved the company's growth and I would say Skybags has now got quite a good level of consumer awareness, got a high level of trade acceptance and we can see that the brand has momentum which we expect to continue into 2016.

Our merchandise strategy for Skybags is that we launch a new collection of backpacks once a year and while in January of 2016 we have just launched a new collection of Skybags backpacks for the year ahead and I am pleased to inform that it has been very well received and regarded with all the trade shows we have done. So, we can expect the brand momentum on Skybags to continue which should lead to continued growth for the company. In terms of the other two brands, which are smaller in size, they are Carlton and Caprese, Carlton is our premium brand aimed at our business traveler and Caprese is our ladies handbag brand. These two have also added to our top line. The smaller the Skybags for different reasons, Carlton is more premium brand, the average price per piece is Rs.7000 or Rs.8000 versus Skybags which is Rs.2000 to Rs.3000 or rather Skybags let say Rs.4000 for luggage, Rs.1500 to Rs.2000 for backpack. Carlton is much more premium, so it is going to take longer to build the brand, but the growth rate in terms of percentage growth remains very encouraging. Caprese has also done well. We are growing month-on-month, it is really quite encouraging, once again I will say largely due to the improvements in merchandise that we keep seeing as we get more experience with each collection. In Caprese, we launched two new collections every year following the fashion calender of autumn winter and spring summer and all our trade partner tell us that our collections are improving and being well regarded. Also for the last two years in Caprese, we have had the brand endorsement from Ms. Alia Bhatt and there has been going well for us. So, all of these initiatives together are resulting in the 15% growth, our goal for the year ahead is to reclaim some market share in CSD which is the channel that we faced some difficulties with. To try and drive an overall increase in the general trade that is the dealers and distributors the challenge there is a little bit structural, consumers are moving away from dealers to modern trade and also to e-commerce and so while we are going very healthily there, we have a very large base of dealers and distributors which our competitors do not, so that is one thing that always limits our growth rate in some ways because we have this big legacy base, that is what VIP was built on in the last 40 years, so there I will say our challenge is to find ways to convince our dealers to keep upgrading their stores, so that their selling environment becomes as attractive to the consumer as a modern trade, as an e-com. As a company our policy is to have similar selection of merchandise with similar selling prices and discounts available across all our channels, so that we are fair to all our channel partners. In the recent months and that is something challenging because some specifically new distribution channels post very aggressive discounts, but our goal as a company is always to be fair to all our channel partners and to do that through fair mix of merchandise. So last October, November, December, we were able to successfully execute that and we look forward to continuing the trend going forward.

Moving on from sales to expenses, our overall expenses including fixed and variable increased from Rs.247.3 Crores in Q3 of last year to Rs. 275.3 Crores in Q3 of this year, that is a growth of 11% and in addition of Rs.28 Crores, so when our sales grew by 38 Crores and expenses grew by Rs.28 Crores, 38 minus 28, it is Rs.10 Crores that has flown down to our bottom line. This addition of 28 Crores is split up as 20 Crores is increased in a cost of goods sold and 8 Crores was increase in our fixed cost. First, I will discuss the cost of good sold. Our cost of goods sold in Q3 of this year was 56.4% and last year it was 56.9%. Many of you I am sure we would have hoped for an improvement in margins because people have talked about the lowering of commodity prices in the lowering of input cost, unfortunately for us any reduction in what we call as China FOV prices in dollars was offset by the continued devaluation of the rupee. So, the average exchange rate for us in the Q3 that has just gone by was Rs.65.9 for one US dollar and in Q3 of last year that was Rs.61.6 per dollar, so that is 7% depreciation versus our FOB or dollar buying price reduction which was only in the range of 2% to 3%, so in fact to maintain our margins we had to take a price increase which we did across some select channels in November which flow through better in December, in October, our margins would have in fact been fairly worse than the previous year.

If we look added for the nine months gone by YTD December, cost of goods sold was 66.1% versus last year were 55.7% and the exchange rate for the nine months in the current fiscal has been 64.5 versus 61 in the nine months of the previous fiscal which is a 6% depreciation. So that is 6% depreciation over the last nine months and 7% depreciation in the last three months. So, while we would hope to expand margins, input prices on the hard luggage size have come down but the cost of luggage is 70% of our business and out of that 70%, 90% is imported either from China or from Bangladesh. This pressure of the rupee will affect us in the way that has not been possible to expand our margins.

Moving on to the fixed expenses side our fixed expenses increased by Rs.8 Crores which is growth of 11%. The majority of that increase was actually employee benefits, So 5 Crores out of that 8 Crores increase was employee benefit where basically our manpower cost grew at 20% which is higher than sales growth also. The reason for this is partly because we are adding manpower in our points of sale as brand representative to present our brands to the consumer, this is across multiple channels including modern trade, CSD and obviously our own retail stores. So, these are the channels which are growing fast, we feel it is important to have a strong presence if necessary also from the competitive perspective and so if you look at the sort of this increase of 20% of employee cost, we can say about half is due to the normal increments of 10%

and then about half is because we have to keep adding what we called in-store merchandisers or promoters and I feel that the addition of these peoples to represent our brand, our company, our products and improve our sales is well worth the investment. One can almost think of it in some ways as a below the line advertising expense.

Other expenses are Rs.76.5 Crores which is marginally up from Rs.73.5 Crores in Q3 of last year. The other expenses includes it is sort of fairly big figure here, but I can tell you it includes advertising which remains 6% or 7% of sales, we advertised the same amount in Q3 of this year what we did in last year but I would say that our advertising was slightly more effective this year. We launched a new TV ad featuring Varun Dhawan endorsing Skybags as a brand with a very attractive turquoise colored polycarbonate luggage and the same luggage was also featured in Big Boss. The ad was well received and the product did well, so I would say it was quite effective marketing spend. Other expense also remained very much in control. These other expenses include rent for office premises, branch warehouses, and company stores, freight, rebates and discounts, etc. So, finally the result is if you look at profit and loss before tax and before exceptional items the company earned Rs.16.2 Crores as against Rs.6.1 Crores of last year and I have explained how the 10 Crores has flowed through from the sales and last year in Q3, we had exceptional income of 5.9 Crores, you may recall that was from the sale of Jalgaon plant and therefore overall at a company level 16.2 Crores; increased of over 12 Crores of last year in terms of profit after tax that is 11.3 up from 8.5, so that represents sort of talking through the numbers. I just will have one comment on Bangladesh and then I will open up to questions. Our Bangladesh factory continues to do fine, but on a sort of relatively small scale, so it contributes about 10% to our soft luggage purchases, it is profitable, but because the reason is such a small percentage of our sales, because we are yet to establish really smooth and efficient supply chain process of buying raw material from China sending then to Bangladesh and then manufacturing the finished good and then importing that into India. One of the reasons, our sales have grown so much is that we do very frequent changes in merchandise and assortment and we are finding it little bit of a challenge from managerial perspective, planning perspective to get the supply chain of raw material from China to Bangladesh and then finished good from Bangladesh to India perfect and so until we get that right we do not want to have overly high inventory carrying cost in Bangladesh or mix the wrong item by mistake and therefore it remains a relatively small part of our business. As we improve, I will say this is the second year of operations for Bangladesh, so it is profitable, that is a good thing, it is small, it is something we have to improve upon, so that is my commentary for Bangladesh for now, in the next quarter and the annual results we will be publishing for Bangladesh P&L as well as the balance sheet. With that I will turnover to questions please.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Pritesh Cheddha from Lucky Investment Management. Please go ahead.

Pritesh Cheddha: Thank you for the opportunity. If you could just give little bit more color on the brand performance considering the fact that the growth rate for you has been far higher than lot of the other category growth rates whether discretionary, non-discretionary in nature how would have VIP within that as the brand done in correspondingly what would have been the category growth rate?

Radhika Piramal: Let me talk about the categories first, because I think we have added backpacks, handbags and business bags as new categories to our company in the last two years. The leading brand for backpacks is Skybags, the brand for handbag is Caprese and for business bags it is Carlton. Because this is a new product, you can call him product extensions beyond luggage they are definitely adding to our growth. Your question was how is VIP doing amongst the other brands. With VIP is our challenging brand, it is a flagship brand, but it is not growing as far as Skybags, Carlton and Caprese. One of the reason is that we have not really added new category to VIP the same way we have added backpacks is Skybags or business bags to Carlton and we as a management are always evaluating which products can fit which brands best and be chosen to focus on Skybags and backpacks and I think the strategy is working well.

Pritesh Cheddha: But VIP would have grown or has it declined?

Radhika Piramal: No, it is not declined, it is about flat.

Pritesh Cheddha: Both in Q3 and nine months.

Radhika Piramal: Correct.

Pritesh Cheddha: What will be the contribution of these new brands now Carlton, Skybags plus Caprese to your sales?

Radhika Piramal: Overall VIP is about 50% of our sales, so now maybe 45 in the last quarter Skybags has picked up a little bit, so the other brands would now contribute just over half of our revenue.

Pritesh Cheddha: What would be the category performance for Q3 in nine months in your best case?

Radhika Piramal: I do not understand what do you mean by category?

Pritesh Cheddha: The industry growth rate.

Radhika Piramal: The competitor results in terms of Safari, the growth rate is better than ours; Samsonite, American Tourister have not published October, November, December results, so I cannot comment on that yet.

Pritesh Cheddha: But, would this industry be growing much faster than lot of other discretionary and non-discretionary and if the answer is yes, any reason?

Radhika Piramal: I believe because we are creating sort of new branded category, the answer is yes and it is a hypothesis, but because we are shifting consumers from unbranded to branded in new categories like backpack, handbags. I cannot say business bags, because there is a strong competitor Samsonite, so may be we are taking some share there and then overall travel occupancy rates on aviation has been pretty good possibly because fuel prices are down, so travel has not seen any inflation in the last few months, oil prices are down. So, the category is growing people are traveling and then they are also buying more of branded items rather than unbranded.

Moderator: Thank you. The next question is from the line of Yashas Bhatt from LKP Securities. Please go ahead.

Yashas Bhatt: Congratulations on a good set of numbers. I just have one question. VIP as a flagship brand, there has been some struggles actually placing it as a brand vis-à-vis your other brands like Skybags and Caprese, are we going to look at any kind of strategic repositioning as such, because I think so that has been a bit of drag lately to the growth story of VIP per se, so could you elaborate a bit on that please?

Radhika Piramal: One of the strengths and weakness and possible challenges of a legacy brand like VIP, one is that it has got great trust and heritage factor, but with it also comes certain perceptions in people's minds which are hard to change, because the brand pretty much stands for luggage. So our awareness levels remain really high, our consideration levels remain really high. The management as a strategy few years ago, we said shall be promote Skybags as a youthful brand, because VIP while it can become contemporary may not be able to become youthful, youthful and we said okay will VIP and Skybags together take more market share than if we just try and make VIP more contemporary and we thought yes that will be more successful. We have not ignored VIP at all while promoting Skybags, but I can say that Skybags advertising and brand collection has clicked really well and VIP, we keep bringing our new collections, we advertised a lot in the last two years with two new campaigns of VIP, but the consumer response is taking more time to change the consumer perception, because there is already quite an established perception. It is work in progress and we will keep on it certainly we are not going to lose focus.

Yashas Bhatt: And also just another question in respect of your modern segment in terms of online, what your actually looking to it, because I remember that even though it is still some part you are trying to establish a new assortment?

Radhika Piramal: In the three months since we last spoke we are still working on that, our lead times are quite long, because we have to get our item from China and we also design from scratch, so we design our own products. So, should be in the next few months, that we are getting this new assortment and then only after we get our new assortment which is unique from other channels, will we be able to more aggressively promote that channel because other brand is very small, they do not have established base with other channel partners then they can be quite aggressive in e-com without any risk of any channel conflict but we have large base in established channel, so it is difficult for us to be really aggressive right now till we get our new assortment.

Yashas Bhatt: Could you give me the brand wise contribution to your sales for these nine months?

Radhika Piramal: I think we have given overall as much as what we can give.

Moderator: Thank you. The next question is from the line of Nitin Gosar from Religare Investment. Please go ahead.

Nitin Gosar: Good afternoon Madam. If you could further elaborate a bit on channel wise growth?

Radhika Piramal: Our modern trade remains the leader, in percentage terms e-commerce is the leader, but this is in a very small base, so excluding that modern trade is the leader of the pack growing very well, very fast that growth is a combination of them continuing to expand us adding new categories to stores for example, backpacks, duffles, casual bags and also us having a pretty good market share and so growing in the core categories or what we call soft luggage uprights, so that is modern trade consists of hypermarket as well as department stores like Big Bazaar, Spencers, D Mart, Shopper Stop, Life Style etc, etc. Then the next big business for us obviously is our dealers and distributors, they are flat and the reason is because customers are moving away, if they can find interesting assortment in indoor, air condition environment of a mall then there is a sort of move away from the old markets and as I mentioned there before, we are working with all the dealers and distributors to try and get them to upgrade the stores, so that they can hold on to the consumers. CSD is growing again, so we will back in double digit growth and that is a big contributor to the sort of a change, there is an improvement in our sales growth rate. We had lost some market shares there and we are going to regain at over a period of time, so this Q3 was the first time we saw that happening and I am optimistic that will continue to happen. The reason for that was we launched Skybags as a brand in CSD which was not there for most of last year, so that channel. These are the three main channels that we have institutional sales is relatively small part of our business and it is going in line with the market.

Nitin Gosar: I just trying to work bag on the volume growth, should we be considering that the volume growth could be in the range of 5% to 8% for the quarter?

Radhika Piramal: That is right. We have added a whole category to our business. What was the number you said?

Nitin Gosar: 5% to 8% kind of?

Radhika Piramal: It is closer to 8%.

Nitin Gosar: One last question, you have been adding brand promoters for the last two quarters if I am not wrong.

Radhika Piramal: Correct.

Nitin Gosar: Should we be considering that today we have done major part of the addition?

Radhika Piramal: No, it is ongoing. The reason is because we have more numbers of doors where we have present than promoters. So, it is not that we run out of doors in India like because it is definitely ongoing.

Nitin Gosar: What could be the number we could be looking forward to like if we have say 100 as a number, do we stand at 30 today?

Radhika Piramal: The number of doors is 100, we are at 50. It will keep growing and we can try and become little more stringent in our increments if overall the country feels that there is no more such inflationary pressure then it might be possible to reduce the percentage increments. I am still hopeful that they might happen, but it has not fed through yet. So even though actually I do not think inflation is what it used to be let say two or three years ago that feeling among people, they are not comfortable with less than 10% increment that psychological feeling is still there.

Nitin Gosar: And this remaining 50% could be done within next two year?

Radhika Piramal: No, two to three years, it sort of ongoing, because even 100 will become 120 range.

Moderator: Thank you. The next question is from the line of Dhaval Dama from Equirus Securities. Please go ahead.

Manoj: Good evening Madam. Manoj here from Equirus. I just have one question related to margins now when we say that because of the rupee depreciation, the margins were hampered during the quarter and with price increases taken in November. So any outlook like for the quarter and for the next year?

Radhika Piramal: Let us see what happens in the budget also and I cannot give you an outlook right now, but may be I can attempt for that in the next call for a year ahead.

Moderator: Thank you. The next question is from the line of Kinjal Desai from Reliance Mutual Fund. Please go ahead.

Kinjal Desai: I just wanted to understand two things. One is on the other expenditure line item that we have, while we have grown very muted and we have controlled our cost this quarter. So is this like an exceptional thing because of the high base is optically looking lower or do we see that overall we have been able to control cost on a permanent basis?

Radhika Piramal: I think we have been quite disciplined for the last couple of years. I do not see why you are saying it is just a quarterly thing.

Kinjal Desai: I am just saying for this quarter I mean I think 27% we have grown last because of higher ads and this time it is about 4 odd percent that we grown on that day.

Radhika Piramal: At this time, advertising was the same, so in some of the other quarters, we have increased advertising something like 15%, 20%. At this time, ad expense was similar to what we spend last year, last year we advertised two brands in Diwali, this year we have advertised two brands in Diwali.

Kinjal Desai: Another thing what kind of impact would GST have on us or if you have any number?

Radhika Piramal: The main advantage for us would be over a period of time reduce our stockholding points, so right now we have stockholding point in almost every state and so it could potentially reduce our inventory and I think that is the main benefit I am not able to see any other major financial benefit, but it can reduce our working capital to some degree and therefore improve our return on capital employed, but in terms of sales or variable costs etc., I do not see a major change for us at least.

Kinjal Desai: So, we do not except anything reduction in VAT or anything that with the GST will possibly, what is the VAT rate we are at right now?

Radhika Piramal: There is too much negotiation between the center and states, I do not see how, I do not think GST is going to reduce the effective VAT rate as a political outcome I think that is unlikely, but that is my opinion I mean who knows.

Moderator: Thank you. The next question is from the line of Madhav P from Spark Capital. Please go ahead.

Madhav P: I do understand there is lot of correlation between wedding season and contribution of wedding season to our sales. I wanted to know if there is any festive season off take this 15% growth, how much would have been from the festive season or any correlation or what would generally is there?

Radhika Piramal: The main drivers for luggage are travel and weddings more than festive, so for example, apparel is very big for Diwali or jewelry etc, but luggage is not actually bought for Diwali, but more Diwali holidays, Christmas holidays, so people travel and they buy luggage. So it is not a festive season per se, it is more like a travel season and wedding season.

Madhav P: Just to decipher that last quarter we grew by 20% if I remove the Hajj order and this time by 15%, so two consecutive quarters have double-digit growth. Do you see an uptake in terms of any on the ground consumer scenario or is it more to do with your promotions, your branding and your sales?

Radhika Piramal: For once I am happy to say I think it is the latter, I think we are doing a good job at this time. I do not believe that the macro trend has changed much.

Madhav P: Because my only sense was since last three months we have been seeing good uptake in terms of air passenger growth and there is a good correlation historically as you see and so I just wanted to understand if even that played a part?

Radhika Piramal: It is definitely contributing to and then also the category drivers that we have done in the last few months and also the regaining of market share in CSD.

Madhav P: There is one bookkeeping question. I think this Rs.50 Crores of Hajj order, any part of which is booked this quarter, nothing so the Rs.50 Crores is fully booked during last quarter. Thank you so much.

Vishal Gajwani: My question is related to the previous question which talked about airline traffic growth, so what kind of correlation can we expect let us say if airline traffic growth next year is 20% will that translate into similar kind of a volume growth for us?

Radhika Piramal: I wish I could be so precise, but I cannot make that crystal ball gazing. I would rather request you, you can correlate our sales growth and historical passenger growth and then you decide if you feel that is good enough correlation for you to make some future outlook.

Vishal Gajwani: I may have missed this before. Is there any Hajj related sales booked in this quarter?

Radhika Piramal: No.

Vishal Gajwani: Okay and volume growth you said that it is in the range of 8%.

Radhika Piramal: Correct.

Moderator: Thank you. The next question is from the line of Nitin Gosar from Religare Investment. Please go ahead.

Nitin Gosar: Again just connecting back to the earlier participants question, I recall that in your second quarter commentary you had mentioned that second half of the year could be a softer year and that could be pertaining more to do with the sector outlook that you are having.

Radhika Piramal: I do not recall saying softer year; that is not a phrase I would normally say.

Nitin Gosar: Okay. The question is more pertaining to the performance that you have delivered in the second quarter and third quarter. It clearly shows that you are in the momentum and just wanted to get a sense this momentum is a doable momentum or it is more or less done?

Radhika Piramal: I would say this for any management including myself, I would say you can call us consistent when we do it for four, six or eight quarters, I do not think two quarters is enough to, I mean I am seeing it myself.

Shradha Sheth: Radhika, one question from my side. I just wanted to know in CSD last time you said we had gotten into 1500 addressable points of sales for Skybags, so what is the further decision on that count?

Radhika Piramal: One second, this 1500 number is what are you referring to?

Shradha Sheth: For the CSD, Skybags and backpacks, the points of sales that we were adding.

Radhika Piramal: Your question is how far along are we there?

Shradha Sheth: What is the count and what has been the?

Radhika Piramal: Bit specific for me to answer on this quarterly call. How many points of sale is Skybag backpack present in the CSD channel.

Shradha Sheth: No, the points of sales that we have been adding in the CSD for Skybags I guess last time you had shared that data.

Radhika Piramal: I will get back to you then.

Shradha Sheth: Secondly, just you know again building onto the previous question. So basically you would say because of our strategy as well as industry phenomena at least we are on track to continue deliver this kind of momentum?

Radhika Piramal: Shraddha you are always putting words in my mouth. I am very pleased with this quarter I hope it continues.

Shradha Sheth: Alright. You would say it is just a beginning of the market share again coming back or….

Radhika Piramal: I can confidently say that for CSD we are doing a lot of work on the ground, we are improving our shop and shop; we are improving our brand presence, our merchandize, so that for CSD I can say that. For e-com I can say there are some lot more work to be done, the assortment has to get better and for the dealer channel, I will say it is very much work in progress, because we have to find a way to make the whole channel more interesting further and consumer, so it is beyond the purview almost of what a principle brand company can do, but we are going to try.

Shradha Sheth: And on the hyper, how has the scale of competition been?

Radhika Piramal: We have been quite effective there, the reason is because Skybag as a brand has done well with the consumer, advertising and the products have clicked and secondly sort of quite promoted Aristocrat was quite a sharply priced strategy and we did that April onwards and then we had some fairly good sales management in that channel. So these three things combined have led to good growth in hyper channel and we expect that to continue and there are some market responses as a result, so American Tourister have launched a low price brand called Kamiliant and I think Safari may be coming in just slightly more aggressive price point, but these are part of the nature of business, so we will keep fighting back.

Moderator: Thank you. The next question is from the line of Manoj Bajpati from Edelweiss. Please go ahead.

Manoj Bajpati: First question is on competitive intensity in terms of pricing, so are you seeing some kind of discipline there in terms of aggressive pricing which was happening?

Radhika Piramal: It is still on, at the bottom end the fight is on at the top end Samsonite has taken more price increases, the Safari's continued growth means there is continued pressure on pricing at the bottom end and at the middle and the top because of let us say the duopoly between us Samsonite and American Tourister I would say that is a slightly more rationale pricing competition.

Manoj Bajpati: What kind of pricing difference is generally between let us say Samsonite and Carlton and vis-à- VIP and American Tourister which we are seeing right now?

Radhika Piramal: So let just say on average per piece Samsonite might be at Rs.15,000 let us say Rs.12,000 to Rs.15,000, a Carlton is pitched against let us say Delsey which might be Rs.7,000 or Rs.8,000, VIP will be Rs.5,000 to Rs.6,000, Skybags will be Rs.4,000 to Rs.5,000, American Tourister sort of straddles VIP and Skybags at let us say Rs.3,000 to Rs.6,000 and then at the bottom you have got Alfa, Aristocrat and Safari all in the Rs.2,000 to Rs.3,000.

Manoj Bajpati: Also if you can give some color on Caprese in terms of some change in the guidance, which earlier you have said for Caprese?

Radhika Piramal: What was the guidance that I said?

Manoj Bajpati: I think you mentioned that Rs.100 Crores kind of…

Radhika Piramal: That was always a goal, not a guidance, I always say I am trying to reach Rs.100 Crores as soon as possible, will it be three years or five years only time will tell, so that goal remains the same, we are growing well, I mean we are growing at 30%, 40%, so we are not at 100 Crores yet; I will tell you what Manoj when we reach Rs.100 Crores, I will tell you.

Manoj Bajpati: When will you start sharing the numbers of Caprese sales?

Radhika Piramal: Let us say when we reach Rs.100 Crores.

Moderator: Thank you. The next question is from the line of Yashas Bhatt from LKP Securities. Please go ahead.

Yashas Bhatt: Hi again I just wanted to ask can you throw a little bit of light on Aristocrat, Alfa as to sales from which segment does it usually come from and what kind of growth are we seeing over there, because I understand it was mainly for conversion of the customer from unbranded to branded right, so could you throw a bit of light on that please?

Radhika Piramal: So I mean the growth rate, Alfa is our lead brand entry level in the dealer channel and Aristocrat is a lead brand in the hypermarket at the entry level, so competing with unbranded, but also in hypermarkets with private label and Safari and their growth rate is good mid double digits.

Moderator: Thank you. The next question is from the line of Samir Raj from Reliance Mutual Fund. Please go ahead.

Samir Raj: Good evening, I just wanted to clarify whether our gross margins on VIP would be higher or lower than all our new product range?

Radhika Piramal: It is marginally higher than Skybags, but the difference is not very great and narrowing every year.

Samir Raj: It is higher for Skybags?

Radhika Piramal: Sorry VIP is marginally higher than Skybags, but not very big and narrowing every year.

Samir Raj: VIP the largest single brand, so what strategies you have exactly to bring it to the growth path?

Radhika Piramal: We want to try and develop more effective advertising communication and develop more attractive product ranges; these are the two main things in the brand.

Samir Raj: So where we are exactly on the roadmap?

Radhika Piramal: We are in the process.

Samir Raj: So say by the next financial year we would have revamped VIP?

Radhika Piramal: I hope so.

Samir Raj: Caprese and all they would have much higher growth margin I guess.

Radhika Piramal: Handbags have slightly higher growth margin than luggage yes, but it has also higher obsolescence, so it is a fashion product.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Miss Shraddha Sheth for closing comments.

Shradha Sheth: We would like to thank the VIP Management for giving us the opportunity to host this call and thank you all the participants for being there on the call. Thank you and Radhika if you would like to share any closing comments from your side.

Radhika Piramal: Sure. Thank you very much for your comments and your questions. We appreciate your continued engagement with the company. We are really pleased with the results of Q2 and Q3 and like all of you we hope we can continue to sustain them in the quarter going forward. Thank you so much.

Shradha Sheth: Thank you.

Moderator: Thank you. Ladies and gentlemen on behalf of Edelweiss Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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