VIP Industries Limited
Q1 FY24 Earnings Conference Call
August 03, 2023

MANAGEMENT

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Moderator: Good evening and welcome to the Q1FY24 Earnings Conference Call of VIP Industries 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 the touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Snighter Albuquerque from Adfactors PR Investor Relations team. Thank you and over to you, sir.

Snighter Albuquerque: Thank you. A very good evening to everyone, and welcome to the Q1FY24 earnings call of VIP Industries Limited. From the senior management, we have with us Mr. Anindya Dutta – Managing Director and Ms. Neetu Kashiramka – Executive Director and Chief Financial Officer.

Before we begin the conference call, I would like to mention that some of the statements made during the course of today's call may be forward-looking in nature, including those related to the future financials and operating performances, benefits and synergies of the company's strategy, future opportunities and growth of the market of the company services. Further, I would like to mention that some of the statements made in today's conference call may involve certain risks and uncertainties. Please take note of that.

Thank you and over to you, Mr. Dutta.

Anindya Dutta: Thank you, Snighter. Good evening, everyone, and thank you for taking out time and joining this conference call. I hope you have all received a copy of the results published yesterday and the presentation uploaded today.

As you would have seen, we had a very challenging quarter one. The revenue growth for the business overall was 8% for the quarter. We experienced a significant slowdown of demand growth compared to the fast-paced growth that we experienced in the last financial year. While travel, especially air travel, continued its growth momentum from the data that we got. The differential demand growth in quarter one comes from the wedding season which apparently was significantly subdued, both on account of the number of dates and possibly spends. The demand core could be muted because of the replacement cycle of the category with significant upsurge in luggage buying in the previous year when travelled opened up fully post pandemic.

In addition to the external environment, we had a very challenging situation at our Bangladesh facility post the loss of one of our large factories due to fire. Our alternate arrangements to rectify the supply chain could only partially fructify towards the end of the quarter and unfortunately, we continue to have headwinds and streamlining our supply situation from Bangladesh. The disruption at Bangladesh not only resulted in short supply of some of our key ranges in soft luggage, which impacted the VIP and Skybag revenues for the quarter, but also the lower production had unfavorably impacted our gross margin and this is due to the under absorption of the manufacturing overheads at Bangladesh.

While coming back to the revenue growth, while it was at 8%, I would like you to note a point that the growth in our trade channels, what we call as trade channels in offline channel general trade and modern trade and on online in the e-commerce portals together was at about 16%. These channels contribute to approximately 70% of the business, the balance 30% is CSD institution and a small part as export business.

I would like to mention especially the institutional sale in the last year was exceptionally high owing to a one-time order of Hajj pilgrimage that we had got. If we were to net out this, then like to like the growth would be 12%. Also, I would like to mention the CSD channel, which contributes 15 odd percentage to the business in this quarter over the previous quarter, owing to significantly lower orders from CSD. CSD has initiated a very large-scale refreshment exercise for the category where we are now replacing 50% of all the approved ranges with new ranges from our existing portfolio. While this has impacted the business in the short term, I believe this will give a positive fillip to the category in CSD and will be an advantage for us in the future. While there were headwinds in terms of overall demand slowdown and as I mentioned, the unfavorable impact of CSD on the channel, the underlying growth for us could have been better given better supplies.

Now coming to the gross margin, the gross margin for the quarter is 49.5%. This is 0.4% lower than last year same quarter. It actually lowered by about 3% to 4% from our targeted gross margin which this is largely due to the lower production in Bangladesh and therefore the unfavorable impact of under absorption of the overheads and the lower gross margin is also due to the unfavorable mix and when I talk about unfavorable mix, this is both in terms of brand and channels. Our value brand, Aristocrat had a very good growth at 26% in this quarter over the same quarter last year; however, the growth in VIP and Skybag was muted and this possibly is largely due to the short supply in some of the key ranges as I mentioned **from Bangladesh.**

In terms of channel, I mentioned CSD and CSD has a higher margin impact and with the lower salience of CSD, it also had an impact on the gross margin.

In terms of our fixed overheads, we continue to invest behind our brands and channel development. You would have possibly seen the high visible campaign on Skybags, the “Keep Trending” campaign which was across social media, across press and outdoor, and also our campaigns on VIP and Aristocrat. This significantly higher investment in our brands and strengthening our channel, when I say strengthening our channel, I actually mean e-commerce both in the front end as well as in the supply side, there was significant investment in this quarter and this effected overall to a lower EBITDA compared to last year and EBITDA was at 13%, and a resultant PBT of 12%. The PBT of 12% which is Rs. 77 crore includes an exceptional income received of the insurance claim of **Rs. 26 crore.**

To sum it up, I think we had a very challenging quarter. It seems that demand environment might continue to be muted in the immediate future. We have continued challenge in our hands to streamline our supplies. Having said that, I'm quite hopeful about a good festive season coming ahead in Q3 and I feel confident that our focus on building strong fundamentals in our go-to-market, in our brands and in our supply chain will deliver strong and sustained results. Thank you.

With that, I would open the forum for questions please.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Tejas Shah from Avendus Spark. Please go ahead.

Tejas Shah: Three questions from my side. First on growth challenges, you also kind of said that the subdued performance had also an embedded reason of supply challenges also. So, as per your assumption, how much incremental growth we would have lost because of Bangladesh fire disruption that we witnessed this quarter?

Anindya Dutta: I would say it's difficult to put a number to it, but a very rough estimate would be about 3% to 4%.

Tejas Shah: And sir would you say that demand sentiment also kind of disappointed you or was it largely our internal challenges supply side which kind of made us come out with underwhelming number?

Anindya Dutta: So, definitely the demand environment did give us a surprise. We were expecting a better demand environment and as I said, I think it is more the wedding demand cohort, which significantly was muted compared to what it usually would be, and I noticed that across other companies who are largely dependent on wedding-based revenues, and this also corroborates that we saw lower growth in the Heartland where in the summer season we get a huge, we get usually get an upsurge of demand because of weddings. So, that part was a surprise where we thought the demand was significantly lower than what it could have been or should have been.

Tejas Shah: Sure. So, my second question pertains to our gross margin. So, if I see it and not only for this quarter, but if I compare our share of in-house manufacturing versus pre COVID, which has improved from 40% to 70%, but our gross margin continues to be lower than our pre COVID period. So, ideally it should actually trend higher than the pre COVID number, so just wanted to understand why is it still low and where do you see it settling down once we have full control on in-house manufacturing?

Anindya Dutta: So, one, the full benefit of in-house manufacturing is yet to come onto the business. The larger point here is that benefit that we have got because of in-house manufacturing is in a way plowed back to make ourselves more competitive in the value end of the segment, and that's how you see our trade and possibly our ability to take share in that is increased. If you see the Aristocrat share from pre COVID 25%, now has gone to almost 42% and the gross margin is at the same level as what it was before. I think the part that we have got till now in terms of the benefit has been plowed back to in competitiveness.

Tejas Shah: Third and last one, was there any one-off in other expenditure this time and after this quarter's performance, how would you revisit your guidance on both growth and margins for FY24?

Neetu Kashiramka: So, there is no one-off. However, we have spent more in advertising which you see in the other expenses and there is the legal and professional fees and there is some warehousing cost because of higher revenue projections, we have taken additional warehouses.

Anindya Dutta: There are some one-offs, very minor ones, not, but because we as part of strengthening our supply chain and fulfilment for e-commerce, we are reorganizing our warehouses to make it more in tune with what the channel or the business needs and that could have been the slight one-off that has happened in this quarter, which will not be consistent in every quarter going ahead.

Tejas Shah: And would you revisit your guidance on margins and growth for the year?

Anindya Dutta: It's very difficult to right now pinpoint this and we will be on the lookout in the coming months to see how it pans out but I think I am still hopeful that we should be able to get a 12% to 15% revenue growth for the year but while I say it, a lot depends on how the demand environment really unfolds going ahead, especially in the festive season.

Tejas Shah: So, any range for margin similarly?

Anindya Dutta: Well, on margins, I think we stand committed to a 50% to 53% gross margin and I think that is something that we should be able to get it back. There were several things right now happening, which more was of quarter one things. As I said, the under absorption of manufacturing overheads because of the Bangladesh thing, once it's streamlined and we are in the work in progress to make it happen, it should come back to that.

Tejas Shah: EBITDA margin, if you can help.

Anindya Dutta: EBITDA margin, we should be looking at 16% to 17%.

Moderator: Thank you. Our next question is from the line of Jinesh Joshi from Prabhudas Lilladher Private Limited, please go ahead.

Jinesh Joshi: And if I look at this quarter, our volume growth is about 10.5%, whereas the value growth is about 8%. So, does that mean we have taken any price cut in this quarter? And also any specific reason as to why we were not able to get the institutional order this time around, which has suppressed the topline growth a bit?

Anindya Dutta: So, let me answer your first question, there is a mixed deterioration as I said with the differential of Aristocrat versus VIP Skybag and VIP Skybag had a, I would believe a temporary issue in quarter one because of supplies, so that's one. Also, the market has with demand slowdown has become competitive and there is more pricing and discounts interventions that are happening and we are matching it as and when it is coming up. So, on that account, I think the value difference is coming from there. On the institutional order, as I said, the last year based at an institutional order of a very one-time nature, which was for the Hajj pilgrimage that was happening. It was a very large order that was executed within quarter one of last year. So, it was an exceptional order that came in last year.

Jinesh Joshi: And in response to the previous participant question, we mentioned that this time around, we spent more on A&P. So, can you share the number, what it was in this quarter versus the base quarter?

Neetu Kashiramka: Rs. 51 crore versus Rs. 32 crore in last year.

Jinesh Joshi: So, I was just trying to link the A&P growth and the topline growth which we have reported, so the A&P spends are quite high in nature, yet the revenue growth is in single digits. So, any particular reason as to why the topline growth has failed to catch up despite such sharp rise in the spend. And also, if I recollect properly this time around we launched quite a few offers to kind of promote sale and prima facie it appears that it has not played out well, so your thoughts on this?

Anindya Dutta: No, I think you're right. The investment on the brand was high as the numbers are showing, but that's coming from our decision of that will continue to feed the brand especially in the quarter where the demand environment is more contextual to travel, so it's a more salient quarter for us to leverage any brand investment. And as far as the investments and promotions are concerned, these were completely competitive in nature. With the slowdown there is, as I said, the intensity is high in terms of what competition is doing and therefore it was important for us to also be there with the right amount of promotions. If the investment not resulting into the revenue, I think is the crux of it, which is where the whole demand situation possibly is the unfavorable condition which is not resulted in the revenue growth.

Jinesh Joshi: Just one follow up, I'll get out of the queue. If the growth fails to pick up, will the A&P spend come down? And secondly, with the slowdown which we have seen, does that keep capex guidance for Rs. 200 crore remains intact?

Anindya Dutta: So, yes, going forward, we are going to do our tightrope walk because now that we have to experience the right kind of demand environment to come back with that level of advertising and brand investment. However, any kind of channel investment will continue to need to be there because that's for the year and also for the long term. We will recalibrate our A&P spends looking at the demand that we are expecting and it won't be similar what we had in quarter one. As of right now, our CAPEX spends are linked to what we are looking at demand for this year and next year. We are revisiting it. We may not cancel it, but we will reschedule or postpone the investment for some time and come back to it, so, I can't give you a guidance on the CAPEX that we will do for the year, but at overall overarching level, we are committed to the long term. We'll make sure that our capacity is growing in line with our expected demand in the next 2 years.

Neetu Kashiramka: But it can postpone by 1 or 2 quarters.

Moderator: Thank you. Our next question is from the line of Prathamesh Sawant from Axis Securities Limited. You can go ahead, sir.

Prathamesh Sawant: So, one quick question from my end. So, can you give a timeline as in what, how long will it take us to normalize our supply situation so that we can return back to the gross margin target that you have?

Anindya Dutta: As of now, I think it's going to take about maybe 2 to 3 months to get the supplies right, but this has also resulted in an inventory situation which is slightly lopsided or high depending on, you know what kind of demand is there, that optimization on the inventory may take a longer time, but in terms of supplies to cater to the demand and revenues, we should be able to streamline it only by the end of this quarter.

Prathamesh Sawant: So, for Q3 demand we might have, we can see the better margins that of 50% gross margin, is that what you can interpret?

Anindya Dutta: Yes.

Prathamesh Sawant: And sir, secondly, any idea on any market share gains or idea on any market share update?

Anindya Dutta: No, I don't have that right now.

Moderator: Thank you. Our next question is from the line of Karan Khanna from Ambit Capital. Please go ahead, sir.

Karan Khanna: So, my first question is on, the multiple new launches that you've done over the last few quarters. So, you've done significant branding and also new launches including VIP Skybags. You've done multiple new launches in VIP Skybags, Highlander Collection, Marvel FIFA Collection, etc. So, could you elaborate more about the ROIs on these investments because basis my limited understanding about the industries of the premium segment and the mass premium segment, typically it's a fast fashion category, so if the products become obsolete say more than 6 months, it usually tend to become obsolete and hence not a lot of demand for these products, so if you can update more on the **ROI on these investments**.

Anindya Dutta: So, I think there are two parts to your question, Karan. One is you know the fast fashion part of it. I think since we are manufacturing now, most of it or even if we were to procure it, we keep the life cycle of the product in mind depending on what we think is going to be the depth of our product basis the consumer opportunity. Therefore, obsolescence in terms of inventory is something that we by design try and track it and control it. It is a fast fashion, so therefore you'll have to continuously bring in new products to appease and delight the consumer. I think we've done a good job in bringing out some of these products, right.

Karan Khanna: So, in terms of revenue contribution, if you could quantify what kind of revenue are you typically seeing because of these new launches over the last 1 or 1.5 years?

Anindya Dutta: About 30% to 35% of the revenue comes from typically new designs every year.

Karan Khanna: That is helpful. My second question is on market share. So, we've seen that from 1QFY19 to 1QFY23, our revenues have grown at 3%-3.5% CAGR. So, if you could elaborate more in terms of when you talk about the wedding demand being muted, is it safe to assume that **your other listed competitor** there and perhaps even Samsonite. Is it safe to assume that for them the revenue split or contribution from the wedding segment will be relatively lesser or am I wrong in my understanding?

Anindya Dutta: Well, the demand specifically to the wedding season, the demand was lower that is quite evident in our industry and allied industries or categories to do with the wedding season. So, I think it will be an overall impact of the muted wedding season.

Karan Khanna: And talking about the institutional order that you mentioned in the base quarter, which is referred to as one time, so if you could elaborate more in terms of, am I correct in my understanding that this was a **Rs. 22-23 crore order in the** first quarter of last year and was that order taken up by competition this quarter or is that order not rolled out? So, if you can elaborate more on that front?

Anindya Dutta: It's not rolled out.

Moderator: Thank you. Our next question is from the line of Bhargav Buddhadev from Kotak Mutual Funds. Please go ahead.

Bhargav Buddhadev: My first question is on your supply issues, which you highlighted. So, I was under an impression that you had fast track the new facility at Bangladesh in order to meet the production loss from your factory which got destroyed in the fire. So, was it the case that the new factory did not sort of come up with production as envisaged, or what happened?

Anindya Dutta: So, Bhargav, multiple things. The fast tracking wasn't fast enough in terms of lot of other, let's say procedural things that was to be taken care in Bangladesh. Also, it was not entirely dependent on that because it was a large factory. We had about 2-3 different parts to the Plan B that we created, one was Bangladesh, fast tracking the new facility. The other was even in Bangladesh to start a second shift which is quite against the grain of how ready-made garments or sewing based operations happens in Bangladesh and other parts of the world. Third, there were imports from China and fourth, there were also some developments that we did in new vendors in India. I think we tried doing it all four, a part of it worked and the large part of it did not work within the quarter and there are many other factors that came in the heat wave, the other disruptions in Bangladesh that we have had caused some of the delays in this whole thing.

Bhargav Buddhadev: So, given that we were anticipating production issues, was it rational enough to spend a lot on advertising because essentially if you advertise and orders get generated, but if you are not able to supply, then how does that advertisement help?

Anindya Dutta: So, it was not to the magnitude that it was completely out. I mean, we are talking about a slice of the brand or the portfolio which were to come, which did not come on time and we did try to time it to that extent possible. But advertising goes beyond, I think having some ranges into the market at that point of time because we're not out of the market. Skybag and VIP brands are big and it needs to be invested upon on a continuous basis for the equity to continue to develop. I think that was a call taken at during the quarter.

Bhargav Buddhadev: And lastly, your e-commerce vertical seems to be doing very well, growth of almost 40%. And you had hired a consultant as well for advising. So, if you can share some thoughts on how is the project with the consultant approaching, what is the expense you are paying etc.? And that would be my last question.

Anindya Dutta: I can tell you about how the project is progressing, but at a high level, I think it was absolutely the right thing to do and it is starting to show green shoots in terms of results, but we are significantly focused on making the foundation and the fundamental strong, whether it is in the product portfolio, whether it is, how we show upon the portals in terms of our content or whether it is supply chain including from demand forecasting to really making sure how are we designed in to fulfil the orders on time and have a very high fill rate, so it is across. It's a 360 degree and the project is progressing well and I'm quite confident about it being a game changer for us in the long term.

Bhargav Buddhadev: And sir, any quantification on what's the fee structure like?

Anindya Dutta: No, I don't think that is worthy to share on this forum.

Moderator: Thank you. Our next question is from the line of Prerna Jhunjhunwala from Elara Capital. Please go ahead.

Prerna Jhunjhunwala: Most of my questions have been answered, but I just wanted to understand your market share in the e-com channel. The share of revenue is definitely increasing on that front. How do you see this progress in line with your expectations and how is your market share shaping up on this channel?

Anindya Dutta: So, we are progressing well as I have said on our expectation on strengthening ourselves to have a much stronger play in overall e-commerce and in the future. It is aimed in long term to gain market share. I won't have quantification on market share as we have just about started, but definitely the objective of this whole thing is to really grow scale. The output of this project has to be about growing scale and market share within the channel. And as I said, that possibly as of right now, we can only say that we are definitely seeing early good signs of result also coming in and we are feeling very good about the progress that we have made from within the organization.

Prerna Jhunjhunwala: And the second question is on penetration. One slide of your points out the number of towns that you have penetrated. It's around 1,300 today, so could you just help us understand how this penetration helps in your volume growth and your revenue growth and what is the possible number of towns that you can enter in next 5 years as an opportunity?

Anindya Dutta: So, at the overarching level, the big purpose of this is to be where the future long-term growth will be, right? India is growing in smaller towns and down pop strata and it's very important to take a direct distribution to all these towns. We took an aim of looking at every town which is above 30,000 population, right? I can't tell you for 5 years, but by 2025 we wanted to reach to about 80% of this population of all these towns, which is above 30K population and that's the objective on which we are on. We have added about 70 odd towns in this quarter alone. The target is to reach up to about 250 additional towns, which should take us to about 1500 plus or thereabouts by the end of this year.

Prerna Jhunjhunwala: Will this help revenue growth, I mean the presence will be EBO driven and MBO driven.

Anindya Dutta: These are largely MBO driven, right. This is increasing direct reach to outlets which are selling bags and a large part of this is also backpack. It will definitely help in revenue growth and capture the demand, but it will be a slightly more long-term investment that we are doing. As we see, the next2 to 3 years where in India, the growth at the bottom end will happen definitely in smaller towns. So, that's where this is going to result into.

Participant: I just wanted to understand because the number of cities are so large, do you see any concern on receivable days or inventory getting older in the towns because we are spread so large now like 1300 cities is one of the best penetrations across many retail?

Anindya Dutta: We are also changing our route to market model for this and it is a distributor led TM that we have created and therefore we had distributors for very large geographies, so maybe a distributor for a whole state. We are kind of going into to get this kind of extensiveness in our distribution, we are getting into slightly smaller geography for a distributor and therefore the deeper penetration. Our receivables and all that we dependent on distributors and therefore the kind of distributors we appoint will make sure that the money is safe and they are the ones who are going to go into the towns and create the distribution so, we will not have a receivable issue.

Participant: There is no direct?

Anindya Dutta: There is no direct distribution into outlets directly by us in the smaller terms.

Moderator: Thank you. Our next question is from the line of Nihal Mahesh Jham from Nuvama. Please go ahead.

Nihal Mahesh Jham: So, my first question was you did highlight about the wedding season being muted. Would it be possible just for our understanding to get a ballpark sense of what would be the approximate revenues for routine, the normal and the wedding for this specific quarter?

Anindya Dutta: No, I'm sorry, that's something very difficult to put a number to it and split it. I won't be able to give you that guidance.

Nihal Mahesh Jham: The only reason you know just coming to that is because we saw this similar wedding phenomenon happening in Q3 of last quarter in October, November where you had such an impact, but that time we did end up reporting quite a strong growth. So, hence we're just trying to understand the aberration versus then and now that if there is anything you want to highlight to that?

Neetu Kashiramka: Last year quarter three was very good.

Anindya Dutta: Yeah, but the wedding season was also fine.

Neetu Kashiramka: So, this quarter there were anyways 10 days less, number of days were also less by 10. But we won't be able to put a number.

Anindya Dutta: No, I think the question is more about the contrast between quarter three and quarter one and quarter three was a good quarter and the wedding season was also good in that quarter so, I don't see a conflict in the correlation there.

Nihal Mahesh Jham: Maybe you know the data that I had, there was a low number of wedding dates then also, but I'll take this offline to discuss further. That is fine.

Anindya Dutta: Fair enough.

Nihal Mahesh Jham: The second question is just to understand and clarify of the soft luggage that gets produced in Bangladesh, do any of the brands have a much higher share or it's equally spread across the three?

Anindya Dutta: If your question is coming from the quarter one and the point that I made, so the plant that we lost had a higher index on VIP and Skybag production, this is the plant which was our oldest plant in that and this was the first one and therefore this is where we were making largely the premium ranges and high design intense ranges were done in this particular plant and therefore the challenge that we are having to get it streamline from alternate sources.

Nihal Mahesh Jham: And last point was that on the gross margin side, you did mention about the value segment also in a way compensating for some of the benefits. Is from a channel perspective, e-com also somewhere a drive on the GM or that is not something that is overall relevant from a GM perspective?

Anindya Dutta: No, it's not a drain on the gross margin, but I'm trying to tell you something different from your question, but it is also an opportunity there to make more premium sale happen and that's something that we are pursuing simultaneously.

Moderator: Thank you. The next question is from the line of Akhil Parekh from Centrum Broking. Please go ahead, sir.

Akhil Parekh: My first question is on the premium range, specifically Skybag. If I look at it, the contribution of Skybag used to be 40% prior to pandemic and has now come down significantly down from that percentage. So, any specific challenges, is it to do only with the demand situation, where the demand for the mass range continues to be very strong or is it to do with the higher competition from likes of American tourists or Samsonite, that's my first question.

Anindya Dutta: It is a combination of 2-3 factors. One, the demand at the bottom of the pyramid, value range has been higher in the past, and that's how Aristocrat and the value range swelled up. Second factor, which is more playing in this quarter is a next part of Skybag and VIP, which was the supply issue that we spoke about so these are the two larger issues in what I **think is the overall** Skybag performance for this quarter alone. I don't think it is much of a competitive issue because I think the brand Skybag is quite strong and is doing very well. So, it's the relative growth between mid-premium and us, they are higher in terms of rate or the value brand is higher and recent issue on supplies, which has caused the Skybag on this quarter to be muted.

Akhil Parekh: Next one on the EBITDA margin guidance**,** we have about 16%-17% is what we are targeting for this year. But if I look at it historically for many years, the first quarter has been the best quarter for us in terms of sales margins. Look at the contribution of sales has also been in a range of 30% to 32% and PBT contribution has been 35%-40% for the first quarter. So, if I just do rough math, if we were to achieve 16% of EBITDA margins on blended level for FY24, we will have to do almost around 17% of EBITDA margin for subsequent three quarters. Do you think this is feasible?

Anindya Dutta: Yes, I think it is feasible because it's going to flow in from the margins, so the gross margin is important. If we were to get at about 50% to 53% gross margin in the coming time, we should be able to, given on the fixed cost of the things that we can do there differently from how it was in quarter one, I think it's quite feasible there.

Neetu Kashiramka: Also, if you see from last year, this queue of quarter one only is also changing.

Akhil Parekh: Yeah, but I think FY23 was the only exceptional year like if I look a long term?

Neetu Kashiramka: Yeah. So, I'm saying post COVID, things have changed, so we foresee that may not be quarter two, quarter three also are equally going to be reasonably bigger and quarter three especially definitely will be bigger or at least equal to quarter one.

Akhil Parekh: And last question is on the gross margin front for this quarter. How much is because of the inferior product mix and how much is it because of the higher discounting that we have given during the quarter. That is all from my side.

Neetu Kashiramka: So, mainly mix impact is 2% and discount or realization 1.6%.

Moderator: Thank you. Our next question is from the line of Nitin Gosar from Bank of India Mutual Funds. Please go ahead.

Nitin Gosar: Well, team, I do appreciate the quarterly challenges that the company is going through, but I fail to understand over last 6 years while the absolute revenue growth has been only Rs. 700 crore for companies like us. And for us, peers had within this industry was far smaller, has also done a superior revenue growth, which is more than Rs. 700 crore over last 6 years during similar time period. What's been the prognosis over there? Where are we in terms of scaling up their revenue, what are the shortcomings? How are you trying to address that? While, quarterly challenges do exist, that's well understood.

Anindya Dutta: Right. It is a very interesting question. I don't see it the last 6 years in one this thing only because I think in between COVID and the pandemic and what impact it had on within the industry and for different companies within the industry has been very different. I think for VIP, the way I see it, is that how the next 3 years is going to pan out and what are the growth levers that we are working on and our confidence on the long-term prospects basis the fundamentals that we are making strong in the company, so very different things have happened post COVID now. Basis our manufacturing strength, we are gaining traction in the value segment and which was not the case before, and that I think the needle has moved significantly there, I think the other part is going to be to look at the mass premium and thereafter mostly the premium segment where we need to make a big dent into it, though it's a smaller part. We are poised well in the longer run to really tap the big opportunity in both backpack as well as the ladies handbag. There are other growth avenues which have been worked upon right now to see how we are going to scale up in the future going ahead. I think that are the ones which are the pivots on which it is going to grow in the future. The explanation on the last 7 years, I think because of the pandemic disruption, the companies that you're talking about within the competitive set had a very different opportunity and their ability to tap into that opportunity.

Nitin Gosar: I appreciate that, but sir, we also have to acknowledge the fact that as a resource, our size of organization has more resource, we have 4 brands versus peers had only one brand. And this industry provides you opportunity in bouts because it's a consumer discretionary space. So, opportunities will also come in bouts. And if you fail to conquer those opportunity in bouts, then we'll have to again wait for the cycle on discretionary space.

Anindya Dutta: You're absolutely right. And I don't think there is a question of failure going ahead in the long term to tap these opportunities that we just spoke about. You are absolutely right, having a house of brands and the other assets that we have are going to be significantly instrumental in making us to tap that opportunity better than others.

Nitin Gosar: Sure and sir last observation, I think I also concur with the fact that one of the participants earlier had questioned advertisement spend ahead of supply chain rejig. I think we need to also revisit that inclination to spend heavily on the advertisement because in the last 5-6 years that advertisement spend has been continuously high. But I think having a four brand portfolio will always, will keep pushing the company to spend more, but ROI needs to be questioned on those investment.

Anindya Dutta: Sure. I mean, I'm taking that as a comment and yes, that's something that we continuously keep a watch on and it's not a one quarter decision. I think overall we will invest in one quarter and we will not invest in another quarter. These are strategic investments and not tactical for the quarter. I think it does pay off in the longer run.

Moderator: Thank you. Our next question is from the line of Hasmukh Visaria from SUD Life. Please go ahead.

Hasmukh Visaria: So, my question is on Caprese. So, we have been very aggressive on that part from past couple of quarters, but this time around I haven't seen any slide on Caprese launches or anything else as well. So, any comment on that?

Anindya Dutta: The only comment is the slide and we would send you separately on that, I think we continue to be aggressive. You're not seeing us spending a lot of money in advertising, but once again, I think more the work that is happening is making sure we get our product right, we get our organization right and go-to-market right and it's on a very good wicket right now. We really haven't started investing behind that to grow revenue at a fast pace because the foundation to be created was very important, and if you would research or look at the range that we have launched in the Spring-Summer Collection 23, I think it's got excellent feedback. In fact, we noticed in the online portals and otherwise also, our full price sell through on Caprese range has been far better than the industry standards. Though it's still at a very small scale right now but we'll scale it up in the next financial year in a big way.

Moderator: Thank you. That was the last question for today. I now hand the conference over to Ms. Neetu Kashiramka of VIP Industries Limited for closing comments.

Neetu Kashiramka: Thank you everyone for taking our time and joining the call. In case you have any other questions, you can call me anytime. Thank you.

Moderator: Thank you. That concludes this conference call. Thank you for joining us and you may now disconnect your lines.

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