VIP Industries Limited
Q1FY25 Earnings Conference Call
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MANAGEMENT

MS. NEETU KASHIRAMKA – MANAGING DIRECTOR - VIP INDUSTRIES LIMITED

MR. MANISH DESAI - CHIEF FINANCIAL OFFICER - VIP INDUSTRIES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY25 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 the "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Pratik Patil from Adfactors PR Investor Relations team. Thank you and over to you sir.

Pratik Patil: Thank you, Steve. Good morning everyone, and welcome to the Q1FY25 Earnings Call of VIP Industries Limited. From the senior management, we have with us Ms. Neetu Kashiramka, Managing Director and Mr. Manish Desai, 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 risks and uncertainties.

Thank you and over to you, Ms. Neetu Kashiramka.

Neetu Kashiramka: Good morning, everyone. Thanks for joining the call. We announced our first quarter results yesterday.

Before, I get into revenue and profitability, I would like to highlight two positives for the quarter:

1. We gained 2% market share last quarter, and we also expect to have 2% gain in this quarter, and therefore by the December end our market share of 36% now will look like 40%.
2. We have made progress in inventory reduction, during Quarter 1, we have been able to reduce our inventory by Rs. 120 crore in pieces it is 13 lakhs.

Moving to Quarter 1 P&L:

The revenue growth value wise was almost flat, but volume was 11%. Overall revenue growth for the quarter was actually low mainly because of April performance which was hit mainly by less wedding dates, heat waves and some part of availability. However, May and June we had a healthy growth of 14% and 18% in value terms and in volume terms it was 31% and 36% respectively. Channel wise, again this quarter e-commerce continued its growth trajectory and we grew by 66%. Offline channels as I said, got impacted because of lower footfalls due to heat wave, Lok Sabha elections and lower wedding dates. Institutional sales again did better because of focused approach. International business got impacted due to countries like Asia and GCC.

Our premium share of business continued to hold at 56% of revenue. Value segment again showed growth. Carlton was actually successful in the premiumization agenda, and our average selling price increased by 16%. VIP continued to grow on the back of successful new launches, mainly in lightweight and tech enabled luggages. Skybag volumes were impressive during the quarter driven by backpack and pick up in e-commerce. In case of Caprese, Kiara collection was very successful and we are seeing better response in July. Soft luggage year-on-year dropped, and the share of business was actually in-line with the overall shift. Hard luggage now continues to be the fastest growing category, and as on date 56% of the overall revenue of the organization now is through hard luggage.

Moving to Profitability:

Gross margins declined by 510 bps, mainly on account of soft luggage liquidation, channel mix and under absorption of overheads due to lower production at Bangladesh. EBITDA, year-on-year movement was again on account of lower GC and increase other expenses on account of FOREX and marketplace expenses. I also mentioned in my previous quarter that the organization is onto a transformation journey this year. As a part of this journey, sustainable profitability is a key milestone and to help us on this journey, we have engaged Boston Consulting Group for EBITDA improvement. I have also mentioned earlier that meaningful improvement in profitability will start showing from Quarter 3 onwards, I still maintain this.

If I have to talk about the demand indicators, barring Quarter 1, we still feel that festive season, and if you see the travel portal results, everything is pointing towards better demand indicators. However, we will have to wait and watch, Quarter 1 for this sector, especially for luggage has been subdued. We are definitely moving ahead in our transformation journey. Lot of work has happened, the result of the same will be visible, as I mentioned in the Quarter 3.

Lastly, there is a lot of news which is floating around Bangladesh, the situation looks alarming. However, VIP factories are in EPZ zone, which have not got impacted. In fact, in last 40 days of unrest, only three days our factory was shut. Even as we speak, all our factories are up and running. All the employees are present, production is happening as desired and Material movement is also happening. Further, if there are some production losses, we still have 6 lakh pieces of soft luggage inventory which can be used. We are however, closely monitoring the situation as it progresses, and we will take corrective action as and when needed. One good part is that, all our Indian expats who were working in our factory, we moved them into India a day before the episode.

At the end, I would like to conclude by saying that, it's one more quarter of pain before we start to see good profitability. Let me open the forum for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Jinesh Joshi from Prabhudas Lilladher Private Limited. Please go ahead.

Jinesh Joshi: Madam, in the open remarks you mentioned that the inventory reduction in 1Q was about Rs. 120 crore. So, can you highlight how much of it was soft luggage and I believe in the last quarter, our slow moving soft luggage inventory was about Rs. 300 odd crore. So, when do you think the full liquidation will happen especially given your comment back from 3Q, you may see margin improve but, given the liquidation which we have to do in 1Q our margins were under considerable pressure?

Neetu Kashiramka: The soft luggage inventory has reduced by Rs. 80 crore. So today as we speak number of pieces it is around 6 lakhs, and we are selling 1.5 lakh pieces approximately a month. So, that's where most of this old inventories will get cleared by September.

Jinesh Joshi: Sure. And madam, my second question pertains to our other expenses, which is at about Rs. 175 crore in this quarter. Now given Rs. 120 crore of inventory reduction has happened, perhaps our warehousing and freight cost should have fallen, fall in other expenses, and also from this quarter you have mentioned in your PPT that payout relating to e-com is getting netted off from the revenue rather than getting clubbed in the other expenses. So, despite these levers, our other expenses up by 4% so any specific reason which you would want to highlight here?

Neetu Kashiramka: One, there is a FOREX loss of around Rs. 5 crore which got impacted and other one is warehouses cost reduction takes time like once it's a cycle, if we have to give notice also there is a three month lock in. Most of these reductions in the warehousing cost will actually start to come in Quarter 2, and large part in Quarter 3.

Jinesh Joshi: Got that one.

Neetu Kashiramka: The other one is on the e-commerce costs. There are two kind of costs which are paid to the e-commerce, one is discount, and the second one is performance marketing, which is basically the marketing expense. Marketing expense is part of the other expenses, whereas the amount given for discounts is netted off from revenue.

Jinesh Joshi: Sure, understood. Madam, one last question from my side. You also mentioned that we have engaged BCG for EBITDA improvement. So, can you highlight some details surrounding this, what is the term, what will be the outgo for it?

Neetu Kashiramka: I don't think I can give you more details, the costs are not going to be bulging out as it happened in the e-commerce because it is all dependent on reduction in costs. Reduction in cost will be much higher than what we are paying to them.

Manish Desai: In short, it is linked to the outcome.

Moderator: Thank you. The next question is from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

Shirish Pardeshi: I think things are happening, but just more curious, I have three questions. So, first question is that, you did mention that the inventory is cut by 16 lakh pieces. But if you can help us to understand this 11% growth, how the growth has happened in terms of volume for the premium and mass and versus the other segment and if you can give me the volume number?

Neetu Kashiramka: Yes, I will give you. Premium is 10%, and value is 18%.

Shirish Pardeshi: Okay. So, what is the total number of pieces which would have sold in Quarter 1?

Neetu Kashiramka: Around 50 lakhs.

Shirish Pardeshi: So, that's broadly remain. The second question which I wanted to check that, when we look at the slide says that premium and mass premium segment has remained 56% brand saliency. But within that, if I look at the hard luggage, which is to be about 48% a year before which has now moved to 56% and soft has come down from 25% to 19%. So, what explains this 515, 510 basis point decline in gross margin, is it largely the discounting has gone up in the system, or something else?

Neetu Kashiramka: One is soft luggage is sold at a discount the second is the channels which are growing are actually the lower end of the pyramid so, for example, now on e-commerce we don't sell high premium it is mass and slightly premium, so VIP and Skybag which is in the opening price point range only will sell on e-commerce.

Shirish Pardeshi: So, you mean to say that the contribution of e-commerce is rising because we are giving discounting, and that's why, which is we are getting the volume?

Neetu Kashiramka: I won't say that, so we were under indexed on e-commerce, we are catching up the game so, e-commerce, travel industry, revenue from e-commerce is around 30%. We were at 20%, we are catching up and therefore the growth is high but on e-commerce we don't sell too much of Carlton and VIP premium, it will be opening price point which gets sold, so my average realization of e-commerce is actually lower than the other channels.

Manish Desai: And furthermore just want to add what MD said, you have to appreciate that unlike the other industry still in the luggage, the value contributes more compared to the premiumization or a higher premium, and that's why you find that your volume growth is much higher compared to the value one and we are not seeing any major change in the shift in the demand in the next one or two quarters, given that it is more led to the festival and e-commerce.

Shirish Pardeshi: Manish that's helpful, but I have a broader question. Now, we are getting the volume at a price discount. Now, historically, we have under indexed on the channel. So, I am only saying that if the margin expansion story has to be built over next two, three quarters, and the e-commerce channel will go back to 30% what the industry is doing. So, where is the margin lever and what is the confidence which we are talking about?

Manish Desai: There are many levers on which the cost optimization drive needs to work to improve the overall margin and when I say about it, in terms of, the growth is coming at a cost I would not like to agree on it, because we have to align with the market demands. If market is asking for a value product, I cannot do tom-tom on the premiumization and that's the alignment what we did, and that's why I am repeatedly saying that our volume growth was on a higher side compared to the value one. The cost optimization drive on which we are working towards it including the calibrating the price at which we are seeing, the option to go up will certainly contribute in the overall gross margin. I repeatedly said again, or reiterate that MD said it can be seen only from the Quarter 2, Quarter 3, and that's what our objective is.

Neetu Kashiramka: It will be in all segments, Shirish. For example, there will be some kind of price increases in some of the ranges. There will be some direct costs so basically, on the product side we will be doing some work, and then on the overhead as well so, gross margin is definitely going to be around 50%.

Shirish Pardeshi: Just one question here. Do you think the input prices will remain stable from here to next two, three quarters?

Manish Desai: Input prices, we have to see over there looking into the geopolitical situations, but if I see the last 10 days trend, it is showing on a downward side. Furthermore, on a continuous we are also working on a value engineering drive what a few minutes back, MD explained so, altogether, we like to contain our input cost from where we are currently, and rather improving upon it looking into the various options we have to go on a cost optimization.

Shirish Pardeshi: Just last question, I will just put the question you can answer later. The question is on the employee cost, because we have already taken a lot of action, and we have moved the manufacturing from Bangladesh to India. So, Rs.59 crore what we have charged in this quarter, is there any further room for further reduction in employee cost or it will be stable at 59 crore going onward. That's it for me and thank you.

Neetu Kashiramka: Actually, in Rs.59 crore, there is a reversal of performance incentive payout of Rs.7 crore so, Rs.65 to Rs. 66 crore is what the employee cost will be at this point of time. Reduction on employee cost is planned in the last phase, that will happen only in quarter four onwards.

Moderator: Thank you. The next question is from the line of Bhavin Rupani from Investec. Please go ahead.

Bhavin Rupani: My first question is related to netting up of e-commerce thing, is it possible to quantify the amount of net off from revenue related to e-commerce?

Manish Desai: It's around Rs. 15 crore.

Bhavin Rupani: And do you think this will continue going ahead or it will decline?

Manish Desai: As we all know Q2 is largely e-com led so, probably it will see some kind of incremental trend and we are growing as well, so obviously an e-com channel so the amount will keep be on an increasing trend.

Neetu Kashiramka: As a percentage of revenue it might remain the same.

Manish Desai: Absolute amount may undergo a change but percentage to revenue expected to remain same.

Bhavin Rupani: Alright. Second question, our channel check suggests that there were certain schemes during Q1 wherein we were offering soft luggage at a discounted rate, if a customer purchases above certain value. Hence, do you think that could be one of the reason for decline in gross margins during the quarter, as our selling price of soft luggage in the promotional scheme was way lower than what our actual prices were?

Neetu Kashiramka: That's what I mentioned also in my opening comments.

Manish Desai: Liquidation drive, see there are two ways in which you can do it either I can do flat, a discount, or I could do a bundling of the product giving, I would say more offering to the end consumers, and that's what we plan for, and that's one of the reason attributing to the loads.

Bhavin Rupani: Okay. My second question is related to Bangladesh. In your earlier concall, you had mentioned about converting soft luggage upright capacity to duffel and backpack. Is it possible for you to quantify how much capacity of soft luggage will be converted to duffel and backpack?

Neetu Kashiramka: Earlier, we had a 2.5 lakh pieces of capacity of soft luggage upright, which we are reducing to 1 lakh.

Manish Desai: Less than 1 lakh.

Neetu Kashiramka: Yes, close to 90,000 actually, to be more precise and backpack and duffle will be closer to 2.5 lakhs.

Manish Desai: See what happens generally it's kind of fungible, because what we are doing is, we are recalibrating our manpower. However, the machines are going to be still there so, the strategies to have a completely going on a fungible so, whenever we require, we can adjust our capacities to the market demand.

Bhavin Rupani: Okay. And if I am not wrong, there is a FTA between India and Bangladesh to export goods duty free. Do you think if this is removed, we will lose the duty arbitrage that we hold right now?

Manish Desai: I won't see impact on this, because both country needs for their economy support, but we have to see, because situations are getting evolved, I don't think so FTA will come as a first stage of negotiation between two countries, keeping in mind the safety, security, the economic growth which both countries are looking for and more importantly, from Bangladesh perspective. Given that their GDP is largely contributed by textiles and garment industry.

Bhavin Rupani: All right. And one last question on guidance, you indicated double digit revenue growth and 15% EBITDA margins for FY25. Do you still maintain the guidance for the year?

Neetu Kashiramka: If you can read my transcript of last quarter also, I have always maintained that H2 will see profitability and exit quarter at 15% is what I have guided for which I still maintain.

Moderator: Thank you. The next question is from the line of Surya Narayan from Sunidhi Securities. Please go ahead.

Surya Narayan: So, just wanted to know that you said the liquidation of the soft luggage will continue till another two quarters. So, we have reached nearly 44% GP this quarter and this is nearly 12 quarters low it is there. So, shall we mean that now in going forward for next two quarters also we will be seeing similar kind of GP?

Neetu Kashiramka: One more quarter. And then it should start inching and exit should be 50%.

Surya Narayan: Our exit would be 50% you are saying?

Manish Desai: Yes, exit quarter of the year.

Neetu Kashiramka: Yes.

Surya Narayan: Exit quarter will be 50% but 44% is the lowest, and it can improve, inch up to 50% as we move forward, right?

Neetu Kashiramka: Yes, one more quarter of pain, like September should be around this, but from December onwards it should start improving.

Surya Narayan: Okay. And secondly, any update on the Bangladesh fire insurance claim?

Neetu Kashiramka: We have received interim Rs. 5 crore in the month of July, and balance, expected in three to four months but now, looking at the current situation, it might get delayed. We will have to wait and watch.

Surya Narayan: Okay. And secondly, what I am seeing that the channel by salience we have put a lot of effort to improve the general trade. But it is showing opposite result because that happens to be the biggest one, so when that can improve?

Neetu Kashiramka: Now, that channel improvement we will see only in the next year, because the biggest salience in that channel is actually Quarter 1, and this time, because of the no wedding dates, the pickup was very, very weak also the secondary's were not there for that channel, and that's why you see this salience has come down. Over a period of time, I think it will stabilize at 25% salience for the channel when more and more people starting to buy from modern trade, from e-commerce. Even smaller towns are now having chains like Vishal and DMart, a lot of people are moving Reliance Retail is becoming aggressive.

Surya Narayan: Okay. And in the modern trade also it has declined Y-o-Y so, just wanted to say.

Neetu Kashiramka: E-commerce have increased from 13% to 21%.

Surya Narayan: Yes, but more we do the e-com or let suppose e-com then obviously we are also sacrificing the margin and commission under the same. So, wanted to know.

Neetu Kashiramka: That's is the only channel which is giving growth, what is the choice, either leave it or grab it. If I don't take it, somebody else will take it. That's what happened earlier also.

Manish Desai: Just to add to this, probably some of the channels will get recalibrated in a such a way that everyone will have a potential to grow and that's what our objective in a midterm kind of tenure, because the over dependence also on one channel may impact and create a more risk so, this is the going to be a midterm strategy. Although currently, we are increasing our position in the e-com because we are lacking behind compared to the market trend. I am sure that over a period of time, you find that all important channels are getting equalized in terms of the sales mix and contributing handsomely to the overall results.

Surya Narayan: So, we are not doing any kind of downsizing in the general and modern trade?

Manish Desai: No, there is no downsizing it's like if I have a more proportional sales coming from one channel, obviously it impacts the contribution of the other channel.

Moderator: Thank you. The next question is from the line of Ashok Jindal from Anand Rathi. Please go ahead.

Ashok Jindal: Sir, I have a question on product mix, so if you can give brand wise gross margins, and also we were saying earlier that we will focus on premium category brands, but we are expanding in lower end of the population that are 30K to 50K population where we believe that mass brand would be dominant, it would keep Aristocrat share higher and continue to prove pressure on margins right?

Neetu Kashiramka: Basically, if you see the salience of our VIP, Skybag and Carlton has remained the same, it has not declined, and Aristocrat has moved from 40% to 41% so, it's not that, Aristocrat is moving substantially up. We are definitely working on across the brands in fact, Aristocrat used to grow like 3x and 4x in last three, four quarters this quarter, our volume growth actually is highest in VIP. VIP, volume growth is 7%.

Ashok Jindal: Okay. And earlier we were saying that.

Neetu Kashiramka: Let me just tell you, so VIP is 7%, Skybag is 15% and Aristocrat is 18% so it's like almost close and premium agenda is there, the only thing is, if market is not taking that, if you see some of our competitors who are in premium segments are de-growing 10% to 12%, I didn't want that situation, and therefore we have to supply what the customer is demanding. Our focus on premium will keep continuing, but I don't want to miss the bus also.

Manish Desai: Just to add, what will happen is, even though Skybag and VIP remain our premium portfolio, there is a need to come with the entry level product as well to fill up the price gap and that's why you find some kind of difference between Aristocrat and the price point of the VIP or Skybag it will still fall under the entry product, but it still commands some kind of higher realization for under between these two brands.

Ashok Jindal: Okay. But going forward, we will keep the Aristocrat share to around 25%, which we have said earlier?

Manish Desai: As I said, you cannot be different than what market is asking for otherwise, the other brands who are on a premium segment, showing some kind of de-growth. We cannot be a different alike on this so, we keep our strategies aligning with what market requires, and keep introducing the products to fill up the price points that which the demand is coming from.

Moderator: Thank you. The next question is from the line of Saumil Mehta from Kotak Mutual Funds. Please go ahead.

Saumil Mehta: Just 1% growth in the offline channel, which has been there in the presentation, in your best estimate, how much is got to do with the weak wedding season which went by or it is largely got to do with customer ship towards the non-offline, which is also visible from a significant rise in e-com contribution from your end?

Neetu Kashiramka: Very difficult to quantify, but I can say that 50% of it will be because of the less wedding days, and 50% because lot of the consumers who were earlier buying from offline are moving to online.

Saumil Mehta: And my second and last question in terms of the gross margin from 42% to 50% which was going to be for the exit quarter Q4 which you just alluded, do you believe this 50% will be more sustainable for a year as a whole in FY26 or maybe it's too early to comment on that. Assuming things as off?

Neetu Kashiramka: Historically we used to be in the range of 50% to 55%. In FY26 our endeavor is to go back to 55%.

Saumil Mehta: Because then I was coming from.

Manish Desai: After seeing the success.

Saumil Mehta: Got it Manish. Where I was coming from is, unfortunately the industry competitive intensity is not coming down, or Safari, large capacity is also hitting market. So, I am sure they will be in the urge to gain market share, and overall pricing will continue to remain weak?

Manish Desai: Agree, but you must have seen one remarkable change what is happening is, those brand who have been having presence in the e-coms are now looking for retail trade, for expansion of that business which means what we are seeing in the last 18 to 24 months, probably they will be seeing now for the next two years. Let's see, and then compare, where are we and where are they, but it is very premature to make the statement, but that's what they are coming up. All fund mobilization what they are doing today, it's to expand the retail strategy, and retail comes at a cost, it doesn't come as quickly as or accessible to what we have as e-com.

Saumil Mehta: Sure. And any trend in the raw material prices, PPE or PC, any positive, negative?

Manish Desai: It's stable, showing some movement on upward trajectory on a few commodities of ABS and PC, but our contribution to that is minimal. The worrisome is only the freight rate, which is almost quadrupled compared to what we have seen quarter before so, that's only a cost element to keep in mind when we are looking into a price calibration.

Moderator: Thank you. The next question is from the line of Jigar Jani from B&K Securities. Please go ahead.

Jigar Jani: So, I was asking that on the value volume slide that you have mentioned it is 14% and 18% this is ex of discounting, right, this is gross revenues that you have mentioned de-growth, right?

Neetu Kashiramka: Yes, this is gross revenues.

Jigar Jani: So, would it be fair to assume that discounting has been the major factor why growth, in has been majorly impacted this quarter?

Manish Desai: We just answered few minutes back about the SL liquidation contributing to a lower growth and coupled with the contribution coming from more of value products so, I would say product mix and the SL liquidation resulting into a lower value growth.

Jigar Jani: Understood. And sir just two bookkeeping questions, what is the debt that we have on the books as of Q1 and what would be the tax rate that we are expecting for the full year?

Manish Desai: The answer to the borrowing, it remain at the level of what were there in the March. However, as we plan to reduce some of the debts during the year, and you can see some result in this regard, by end of Quarter 2, in terms of the tax rate, it is the 25% which will continue, which is there in fact, as under the new tax regime.

Moderator: Thank you. The next question is from the line of Pranay Chatterjee from Burman Capital. Please go ahead.

Pranay Chatterjee: My question is basically with respect to the Y-o-Y volume and value growth that we saw in Q1 which is flat and 11% so, as far as I recall, in Jan 2023 there was a fire related incident. And which sort of impacted, started impacting your sales after a strong run from Q1 FY24 onwards. So, the base was actually weak. So, with this context, how should we read the results and then would you say that the overall market would have actually declined or stayed flat, and the volume growth that we see is not a true representative of the market?

Manish Desai: I would say differently, because fire took place it's right but what is contributing, or what is more noticeable is the overall shift in demand so, it's more from a Bangladesh operation where the fire took place was largely attributed towards the soft luggage, and soft luggage demand seen a dramatic change from the Q1 of the last year. So, I would not agree on the lower kind of, fire resulting into a lower base and other stuff.

Pranay Chatterjee: Got it and the market where, market share movement you said 200 bps was that Y-o-Y or quarter-on-quarter?

Neetu Kashiramka: Quarter-on-quarter.

Moderator: Thank you. The next question is from the line of Niharika Karani from CAP Grow Capital. Please go ahead.

Niharika Karani: Sir you mentioned about 3% gain in market share in this quarter and maybe 3% more in next quarter. So, if you could throw some light whether we have gained it from the major competition, or have we gained it from the unorganized sector, and are we taking any threats from the upcoming B2B brands more?

Neetu Kashiramka: Whenever we are talking about market share, we are telling about the three large company's market share, because the data for others is not available in the public domain, so between the three companies, large companies, this is the market share, what we have talked about. By value basis our data will get published, for this Quarter 1 which is based on our internal estimate and some of players are going to have a negative growth and that's why we have gained market share.

Niharika Karani: Okay, understood. And my last question is, will we see any more new designs of the products coming into the market in the next couple of quarters?

Neetu Kashiramka: Every quarter we keep refreshing or adding few products. In fact, if you have gone through our presentation, we have already shown Quarter 1 launches, and there are few in pipeline. As we speak, we have launched something which is a signature collection, you can go to our store and see it's doing very well in Carlton. We just launched so that we will share in our Quarter 2 presentation. If you go to the store, you can see few more happened already after this Quarter 1 also.

Moderator: Thank you. The next question is from the line of Naveen Baid from Nuvama Asset Management. Please go ahead.

Naveen Baid: Can you throw some more color on brand wise gross market margins?

Neetu Kashiramka: Brand wise gross margins we do not share. However, what I can say is that, there is a 10% gap between the premium and the Aristocrat so, basically three brands, which we club as premium and mid premium versus Aristocrat, it's a 10% gap.

Moderator: Thank you. The next question is from the line of Deepak Shah from KR Chokshi Finserve Private Limited. Please go ahead.

Deepak Shah: I have only two questions. So, first question is on the Bangladesh front, if you can quantify the total percentage of supplies that you are receiving from Bangladesh. And second one, in one of the earlier concalls you highlighted, you are targeting to reduce the debt nearly to half, the amount was somewhere around Rs. 250 crore. Are we still sticking to that number?

Neetu Kashiramka: That is at the end of March.

Deepak Shah: Yes, for the entire year, the FY25 target.

Manish Desai: Yes, our target is to reach there and hopefully we should be. In terms of the Bangladesh, it is largely, I would say, the soft luggage or the soft luggage contribution comes from the

Bangladesh, and it fluctuates between the quarters depending upon the overall it remains at 20%, 25%.

Deepak Shah: Okay. And is there any issue on the labor side?

Manish Desai: Labor side there is no unrest as such currently.

Neetu Kashiramka: Basically, we have reduced it by 50%, so it used to be 8,000 as we speak, it's 3,800. By June, end it was 4,100, today it is 3,800.

Deepak Shah: Okay. Last few weeks how is the situation on the labor front that's what I was trying to understand?

Neetu Kashiramka: At this point of time, I mentioned in my commentary also that the EPZ zones are running fine. In last 40 days, our factory was closed for three days. Since yesterday, it opened normal, and all the workers are coming, even material movements are happening.

Moderator: Thank you. The next question is from the line of Surya Narayan from Sunidhi Securities. Please go ahead.

Surya Narayan: So, ma'am you told as of the labor force at Bangladesh has been reduced from 8,000 to 3,800 right?

Neetu Kashiramka: Yes.

Surya Narayan: So, how much is the contract labor, and what is the on payroll?

Neetu Kashiramka: There is no contract labor in Bangladesh, this was all on payroll. That is planned reduction because of the soft luggage demanded reduction. We used to run our factory in two shifts, and we made it one shift now.

Surya Narayan: Okay. So, irrespective of the production, the wage will be paid?

Neetu Kashiramka: For the balance 50% of the people, yes it has to be paid. But there is no production loss there, only three days were shut

Surya Narayan: From this level, this will be maintained, or it will be further reduced.

Manish Desai: Depending upon demand shift. As I said, our production facilities will be completely fungible, and that's what we are working towards.

Neetu Kashiramka: Not as difficult as India for asking workers to go there. It's very flexible, the law is very flexible around it.

Surya Narayan: Okay. Ma'am compared to the last year, the revenue though remain flat, but the interest component has gone up significantly. So, just wanted to understand, and you will say that the debt level is also remaining same. So, what has led to the rise in the interest rate, whether any working capital let us say have spiked?

Manish Desai: When I said debt remain at the same level, I was comparing with March and not the June over the last year, if I compare with June, the debt has gone up by at least Rs. 280 crore.

Neetu Kashiramka: It was because of inventory levels, by March, we were almost Rs. +900 crore inventory, so the debt had gone up in last year which now will get reduced.

Surya Narayan: So, is our working capital cycle improved in the first quarter?

Manish Desai: Yes, the inventory is getting reduced so, definitely it has a cycle on the working capital days, and that's why we are still sticking to our target to reduce the debt by March 25.

Neetu Kashiramka: By 50%.

Moderator: Thank you. The next question is from the line of Anik Mitra from Finomics. Please go ahead.

Anik Mitra: My question is related to current Bangladesh situation. Ma'am, what is your employee mix in your Bangladesh plant, I am referring Indian employee and Bangladesh employee?

Neetu Kashiramka: The Indian employees, so we have around 20 people from India all of them are already moved to Calcutta a day before this incident, all the other employees, which is 3,800 are all Bangladeshi.

Anik Mitra: Okay. Ma'am considering a strong anti-India campaigning in Bangladesh. So, what impact you are sensing could have in the production, or let's say in the operation, and what would be your strategy as well?

Neetu Kashiramka: It's too early to comment, as I mentioned that currently we are having stock from soft luggage, so I have some time to think we are definitely strategizing it's just three to four days old incident, so we will need some time to re-strategize. At this point of time as I said, the factory is running full-fledged with all the workers. I don't see an immediate issue there but yes, long term we may have to think depending on whatever is being talked about anti-India and all that so but there are so many companies who are there so, even for Bangladesh economy, I don't think they can afford to not have Indian companies there as all Indian companies put together are generating so many employment.

Moderator: Thank you. The next question is from the line of Deepak Shah from KR Chokshi Finserve. Please go ahead.

Deepak Shah: Hi, just one follow up ma'am, you said 20 people have shifted from Bangladesh to India, Calcutta side. So, this employees where do they come in terms of the structure of employees, they are like manager, supervisors, or just labors who are working?

Neetu Kashiramka: These are all management staff. All our senior top management is from India at Bangladesh. They are now in Calcutta, they are working from Calcutta office.

Deepak Shah: So, do you see this shift will not lead to any kind of disturbance, as far as the operations are concerned in terms of running smoothly?

Neetu Kashiramka: I don't think so for short term it should not.

Deepak Shah: Okay and just one hypothetical question, you said though it's a long term thing we need to look into how does this Bangladesh situation evolve but if at all, you have to shift is there any kind of internal risk management measurements you people are working already?

Neetu Kashiramka: Yes, for short term we are already working on something. For long term, we need to still decide basis the situation. We will have to, we will wait for some time to assess the risk and then look at the mitigation. For short term, we have already decided what we will do. But for long term, we are still waiting to know how it will pan out.

Deepak Shah: The measurements that you are taking for the short-term purpose, you are confident about those measurements would be sufficient enough to adhere to the guidance that you have given on the top line and the bottom line front?

Neetu Kashiramka: Yes.

Moderator: Thank you. The next question is from the line of Drisha Poddar from Carnelian Asset Managers. Please go ahead.

Drisha Poddar: What is the capacity utilization currently at the Bangladesh plant, and where do we see it at the end of FY25?

Neetu Kashiramka: Currently it is at 54% going ahead, it should increase by 10% to 12% for the next quarter and after that, it will depend on the demand so, we have to assess it.

Drisha Poddar: Okay, understood. And wanted to understand a bit of the strategy on the Carlton side. You did mention that, premium is seeing kind of a muted growth, and we have seen that also in the salience of Carlton coming down to 5%. So, what is our strategy here to increase, the salience of Carlton and where do we see this, what is our kind of aim to take it to by the end of say FY25 and FY26?

Neetu Kashiramka: By FY26 we definitely have a vision to take it to 10% we are working towards it. In fact, next two quarters, lot of the new launches are planned in Carlton. We are also looking at expanding Carlton exclusive store so, what is stress, is actually mid premium, super premium still doing well. Today we do not have many touch points, so we are basically going to increase our touch points in case of Carlton, and have competitive launches around it.

Drisha Poddar: Right. So, how many outlets are we targeting by FY25 and FY26 for Carlton?

Neetu Kashiramka: By FY25 end we should have 10 and 20 by FY26.

Drisha Poddar: And this will include the airport outlets as well?

Neetu Kashiramka: Yes.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today's conference call. I would now like to hand the conference over to Mr. Manish Desai from VIP Industries Limited for his closing comments.

Manish Desai: I hope that we could answer to all of the questions you had, if anything remained unanswered we are just a phone call away. I am sure that the strategy on which we are working upon, you can see major upsides when we go and close the year FY25. Thank you all, and have a good week.

Neetu Kashiramka: Thank you.

Moderator: On behalf of VIP Industries Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.