



VIP Industries Limited
Q1 FY '26 Earnings Conference Call
7th August, 2025

MANAGEMENT

MS. NEETU KASHIRAMKA – MANAGING DIRECTOR - VIP INDUSTRIES LIMITED

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

Moderator: Ladies and gentlemen, good afternoon and welcome to the Q1 FY '26 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 this conference, please signal an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Devyanshi Dave from Adfactors PR Investor Relations team. Thank you and over to you, ma’am.

Devyanshi Dave: Thank you. A very good evening to everyone and welcome to the Q1 FY '26 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, and hence, may involve risks and uncertainties, including those related to the future financials and operating performance of the company.

I would now like to hand over the call to Ms. Neetu Kashiramka for her opening remarks. Thank you and over to you, ma’am.

Neetu Kashiramka: Good afternoon, everyone. Thank you for joining the call. We announced our first quarter results for FY '26 yesterday.

Let me start by commenting on the operating environment. India’s travel sector continues to be on the growth trajectory. Leading hotel chains have reported encouraging occupation data. Domestic air passenger traffic has also held on to sustainable growth. India’s travel boom is also replicated in the continuous new entrants in luggage and travel allied industries.

As mentioned in my previous quarter as well, competitive intensity continues in the sector, especially, in the lower end of the market and more so in e-commerce channels. Multiple new entrants have been establishing exclusive partnerships with major e-commerce portals, leaving established players with a hard bargain. On the other hand, some of the established brands in the value segments are also becoming more aggressive through reduced pricing to gain market share.

Coming to our quarter performance, for the first time in five quarters, volume growth has become a concern for us along with value. This is mainly on account of e-commerce secondary sales, which reported a sudden drop since the beginning of the quarter. This in turn impacted

our primary sale drastically. A channel which was giving us higher double-digit growth actually de-grew by 17%. We have definitely taken some immediate corrective actions on the same and are hoping to see revival in quarter two, which is a big quarter for e-commerce channels.

Moving on to the profitability, some one-time costs have pushed down our margins for the quarter. Without the impact of these one-time non-recurring items, our gross margin stood at 48% and EBITDA margin is at 10%. Without the impact of these one-offs, we continue to report sequential improvement both in gross margin as well as EBITDA. In addition to our one-time expenses, this EBITDA margin also has an expenditure of recent mega marketing brand, which we conducted in April and May.

I would further like to highlight that despite a double-digit de-growth in revenue, we have been able to hold an adjusted EBITDA of 10%. This reflects our structural efforts on costs and expenses. Further, Bangladesh capacity utilization in the quarter was upward of 80% and generated operating profits of Rs. 8 crore versus a loss of Rs. 11 crore in quarter one last year. Our sustainable premiumization strategy continued to show green shoots with Carlton reporting a double-digit growth in quarter one.

Hard luggage continued to be on the growth trajectory. We have always been committed to presenting best-in-class offerings to our customers as is visible in all our new launches which have been showcased in our presentation. In our endeavor to be a one-stop solution for travel, we continuously strive to address customer challenges. Lost luggage is a key concern for many consumers. To tackle the same, we are about to launch a first-time in industry Smart Bag Tag. Select purchases from House of VIP brands will get a QR-enabled luggage tag, making travel stress free for all our consumers.

Irrespective of quarter one challenges, we all know that VIP is still a household name and the most reliable brand in the category due to its quality, which will definitely help us gain market share going forward.

Thank you and open for questions.

Moderator:

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

Tejas Shah:

Hi. Thanks for the opportunity. From your numbers, it appears that saliency on modern trade and e-commerce both has declined. You partly addressed the e-commerce part in your opening remarks. But anything specific that you can call out on both these channels? And are you more concerned about the demand at consumer end or is it more to do with intensity in both of these channels?

- Neetu Kashiramka:** I think, it is more to do with competitive intensity. There is no issue on consumer demand per se. Both these channels are having a similar issue of lower price point. Like cabin luggage are getting sold at less than Rs. 1,100.
- Tejas Shah:** And are those players making money according to assessment or they are losing money as we speak?
- Neetu Kashiramka:** According to me, they will be losing. And some of these are new entrants, they have just entered. Some of them have actually had exclusive partnership with some of the portals. They are like only available on that portal. So that is actually a volume game.
- Tejas Shah:** Okay and offline modern trade, some of the other category players have called out that one large player is kind of consolidating its presence in terms of stores. Did you also face any of this?
- Neetu Kashiramka:** Yes. Same thing, actually.
- Tejas Shah:** Despite all the challenges and controversy, Carlton actually did well in the quarter. So is it largely the primary sales, which got booked then will have some follow up effect later and how should we think about future of that brand now?
- Neetu Kashiramka:** Carlton is never only primary, because 80% of the Carlton revenue comes from our stores, which is direct billing to consumer. There is no big primary per se. So Carlton, whatever sales is actually sales to the consumer. There is no after effect. However, in July, we had some disruption because of that judgment. I hope you must be following it. There was a judgment whereby we were refrained from selling from 1st July. And then that order got, I think we started selling from 1st August. So 30 days we were not able to sell Carlton.
- Tejas Shah:** Where do we stand on that now?
- Neetu Kashiramka:** As of now, the legal battle is on. But yes, the restriction on selling has been removed. But still it is in the court. We will have to wait and watch.
- Tejas Shah:** I am not sure if Mr. Piramal and Radhika are on the call. But please convey my congratulations on building one of India's most iconic luggage brands. Wishing them very best as they pass on the baton now. Thanks a lot.
- Neetu Kashiramka:** Yes, definitely. Thank you.
- Moderator:** Thank you. The next question is from the line of Shirish Pardeshi from Motilal Oswal. Please go ahead.

- Shirish Pardeshi:** On slide 18, you have given the value and revenue split, I was more curious if you put together modern trade and e-commerce. And if I go back your commentary five minutes that we have lost volume. What percentage of volume comes from these two channels put together? Is it substantially very high?
- Neetu Kashiramka:** Close to 50%.
- Shirish Pardeshi:** Okay. And this volume loss is primarily in the lower end of the luggage or it is across?
- Neetu Kashiramka:** It is on the absolute lower end where actually we did not exist. But now we are coming there also. So that is where it is. So we are going to have some play with Alfa. We have one brand called Alfa. We are going to fight this battle through Alfa.
- Shirish Pardeshi:** Within that 50%, this lower end would be again substantial?
- Neetu Kashiramka:** Yes.
- Shirish Pardeshi:** Okay.
- Neetu Kashiramka:** 90% of our revenue on e-commerce is actually Aristocrat.
- Shirish Pardeshi:** The second question on the old inventory and what is the status today? And maybe on the insurance claim, I could see something. But what is pending and what is that we can expect by when we will get the insurance claim back?
- Manish Desai:** Are you referring to a Bangladesh one?
- Shirish Pardeshi:** Yes.
- Manish Desai:** Yes. So Bangladesh, I would say that we did receive close to seven crore in this last quarter and we are hopeful of getting further into the quarter too. However, if I look from the claim submission perspective, the collection even with the future one will fall around 50%. The balance also we are aggressively pursuing with them. And hopefully, by the next six months to seven months, we are expecting to collect all our legitimate dues from the insurance.
- Neetu Kashiramka:** So after this there is Rs. 30 crore pending.
- Shirish Pardeshi:** How much of the old inventory is left now as on June 2025?
- Manish Desai:** I would say that, if I look from the composition of the basket perspective, it will be somewhere between 15% to 18%, which we are pursuing for liquidations in the coming quarters.
- Neetu Kashiramka:** We have taken a Rs. 15 crore provision also in quarter one.

- Manish Desai:** Considering the velocity of the sale, we did take provisions. And what numbers I am showing, what I just told you about it, that is what we are targeting to liquidate as well.
- Shirish Pardeshi:** That is really helpful. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Jinesh Joshi from PL Capital. Please go ahead.
- Jinesh Joshi:** Yes. Thanks for the opportunity. My question is pertaining to the inventory provisioning outlook. I mean, you mentioned that in this quarter, we took a provisioning of about Rs. 15 crore and I think, if I remember right in the last quarter, that number was about Rs. 5 crore. And in response to previous participants' questions, you mentioned that the old inventory sitting on the balance sheet is about 15% to 18% of the total basket. So basically the question is, given the quantum is 15% to 18%, should we expect further provisioning going ahead? Or I mean, have all the accruals been taken care of?
- Manish Desai:** Let me tell you, chief, it all depends upon in case of raw material, how are we putting into the utilization and in terms of the FG, how I am putting on for the sale of those inventories. Based upon those velocity, going on the range and the SKUs and the categories, the provision has been decided.
- And looking into the quarter two, which is the festival period and the gifting period, we are reasonably sure that we should be able to liquidate most of the slow-moving inventories and will not require to make any additional provision. But it all, as I said, we do measure out the velocity and then take appropriate call in order to carry out the provision in books of accounts.
- Jinesh Joshi:** We got that. When we provide for it, I mean, does it technically imply that this inventory predominantly will get sold below cost? Is that what you mean?
- Neetu Kashiramka:** No. We never sold at below cost. Even during COVID, we were sitting with more than one year inventory. Still, we never sold below cost.
- Jinesh Joshi:** Then in that case, what does this provision pursue into?
- Neetu Kashiramka:** So basically, the provision will mean that there is a risk to that extent. And therefore, I am providing. A hypothetical example, if there is a Rs. 15 crore of inventory sitting with a slow-moving, if let us assume in a quarter, I sell all that Rs. 15 crore, then this Rs. 15 crore will get reversed.
- Manish Desai:** Basically, the time it takes to liquidate and taking into the past what the trend is reflecting, the provision gets worked out. So, just to give a lead to the example of what MD said, out of Rs. 50 crore, and we would go as a range wise and category wise, I am finding that the percentage of sale in the quarter for the inventory more than one year, falling short of the threshold what we agreed, those differences or delta gets provided on a cost basis.

- Neetu Kashiramka:** That does not mean it is a loss already. It is just in anticipation, to be more conservative, we are providing.
- Jinesh Joshi:** Understood. And Madam, beyond the inventory provisioning number of Rs. 15 crore, I think we have also stated in our PPT that there was some one-off cost, which may be other expenses. If you can specifically call out what is the quantum and the nature of this cost?
- Manish Desai:** The quantum is closer on Rs. 10 odd crore to Rs. 11 odd crore. And this is comprising of many heads. We will not like to spell out very clearly on this front. But these are the one-off and non-recurring in nature.
- Neetu Kashiramka:** Yes, legal and professional.
- Jinesh Joshi:** Sure. One last question from my side. I think in the last call, we had mentioned that for FY '26, we are planning an inventory reduction of about Rs. 150 crore and debt reduction of approximately Rs. 130 crore. So, is it possible to kind of call out what kind of reduction have we achieved in Q1? Or maybe if you can just share the inventory or debt number as of Q1, that would be helpful.
- Neetu Kashiramka:** It is there in our presentation, actually.
- Manish Desai:** So, I would say that in terms of the inventory reduction, it was around Rs. 20 crore to Rs. 22 crore. I am talking about the net of provision. Otherwise, if you add the provision, it goes Rs. 35 odd crore and in terms of debt reduction, we remain at the level of March 2025. But we have not moved out on either on the FY'25 - '26. We are still hopeful that we should be able to control or reduce the inventory and debt at the targeted level.
- Jinesh Joshi:** Understood. Thank you. Thank you so much and all the best.
- Moderator:** Thank you. The next question is from the line of Madhuchanda Dey from MC Pro. Please go ahead.
- Madhuchanda Dey:** Hi, my name is Madhuchanda Dey. So my question is to Neetu ma'am. Ma'am, you have been mentioning about this in your previous conference calls as well, that there is a change in consumer behavior pattern. The replacement cycle has shortened. And the ownership of luggage, people are going in for low ticket luggage. And that seems to be playing out as you were referring to the competition at the lower end. So, how does this fit in with your strategy of premiumization that you have been referring to all along?
- Neetu Kashiramka:** There are two things which are happening in the country, okay. Especially, in our industry, one, there is a premiumization which is playing out, which is already visible because Carlton has grown by double-digit. However, the lower end, but if you see the population of our country, 85% of the people fall in the lower category. And that is where the growth which we are seeing

in that end is much larger than what we can see on the top end. But as a base, premium is definitely growing faster or equivalent to what the lower end is growing. But the lower end is 80% of the market.

Madhuchanda Dey: What you are suggesting where the competition is hitting you hard is in the e-comm. Do you think this e-comm channel is predominantly that bottom 80%?

Neetu Kashiramka: Not only e-commerce, I said 80% of the revenue today is coming from the lower end of the spectrum, maybe products below Rs. 3,000. So these products are not only sold on e-commerce, it is sold across.

Madhuchanda Dey: Do you see VIP kind of revamping the entire portfolio in light of this? Do you see a need for revamp?

Neetu Kashiramka: I would like to reframe too much of a future looking statements in this call, mainly because we are in the transition phase where shareholder change is going to happen soon. So there might be some strategy changes. And therefore, I will refrain myself from talking on too much of a futuristic strategy, etc. on this call.

Madhuchanda Dey: Okay, understood. Thank you.

Moderator: Thank you. The next question is from the line of Perna Jhunhunwala from Elara Securities. Please go ahead.

Perna Jhunhunwala: Thank you for the opportunity. Ma'am just wanted to understand the margin for this quarter at around 4%. Given this quarter is largely marriage season and where premium sales also take a good jump, do you think that margin should have been better in this quarter as compared to our past performances? Like in last year, same quarter we were at 8% and this year we are at 5%, from that perspective.

Neetu Kashiramka: So if you see the adjusted EBITDA, it is 10%. Because inventory provision is not something, which we keep doing every month or every quarter. And there were some other expenditures. So, if I remove that, our margin was 10%. Also, understand our revenue has a de-growth of minus 12%. So in spite of a minus 12% degrowth, if we are able to generate an adjusted EBITDA of 10%, it is better. Otherwise, if let us assume I would have done a flat revenue, then this margin would have been almost 12% to 13%, 4% better.

Perna Jhunhunwala: Okay. And I missed your initial commentary. Why would we have a degrowth in this quarter given that last year same quarter was also weak?

Neetu Kashiramka: Mainly because of competitive intensity. Mainly because we had a big primary reduction in our e-commerce channel because the secondaries at e-commerce channel de-grew mainly because of new entrance into the marketplace. So luggage was sold at Rs. 1,100 at the lower end cabin

size which impacted our secondaries and therefore, primary did not happen. And for the first time, our e-commerce channel after eight quarters or nine quarters had a degrowth. That impacted our first quarter revenue in a big way.

Perna Jhunhunwala: Ma'am, I also noticed the share of modern channel weakening in this quarter. What could be the reason for the same?

Neetu Kashiramka: One of the large chain is actually consolidating and reducing the number of stores, which has impacted our overall modern trade share.

Perna Jhunhunwala: Will that impact continue?

Neetu Kashiramka: We will have to wait and watch.

Perna Jhunhunwala: There are no indications from the large chain that you are talking about of any further consolidation as of now?

Neetu Kashiramka: No, not yet.

Perna Jhunhunwala: Any capex plans for the year that you would want to call out?

Neetu Kashiramka: Nothing major. It will be maintenance capex.

Perna Jhunhunwala: Maintenance capex, ok. Any color on Caprese? Any movement over there on demand and supply perspective?

Neetu Kashiramka: As of now, it is maintaining its saliency. Nothing big, we have enough other matters. This actually is something where focus is less because of the other challenges.

Perna Jhunhunwala: Okay. Understood, ma'am. Thank you and all the best.

Neetu Kashiramka: Thank you.

Moderator: Thank you. As there no further questions from the participants, I now hand the conference over to Mr. Manish Desai from VIP Industries Limited for closing comments. Over to you, sir.

Manish Desai: Yeah. Good afternoon to all of you and thank you for attending the call. I hope that we have been able to answer all your observations. If it is still left out anything, we are there to answer or we are there to connect with you. Thank you and have a very good evening.

Neetu Kashiramka: Thank you.



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

This is a transcript and may contain transcription errors. The Company or the sender takes no responsibility for such errors, although an effort has been made to ensure high level of accuracy.