VIP Industries Limited
Q4 & FY25 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 afternoon and welcome to the Q4 & FY'25 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 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 afternoon to everyone. A warm welcome to the Q4 and FY'25 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 include certain forward-looking statements, 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 afternoon everyone, thanks for joining the call. Before we move on to P&L performance, I would like to just highlight progress which is made on balance sheet commitment, we had set out for ourselves at the beginning of the year.

During the year, we reduced our inventory by over Rs.200 crore, in volumes approximately 25 lakh pieces. Our cash flows from operating activities improved significantly during the year to Rs.292 crore positive, versus a negative Rs.131, crore last year. The cash generated was utilized to reduce borrowings and also funded some of the businesses, like e-commerce and modern trade where the revenues have increased. It has been invested in the debtors. Our debt during the year was reduced by Rs.118 crore. We also got a favorable judgment in the high value indirect tax litigation. Contingent liability to the tune of Rs.357 crore have been taken away, so contingent liability is no more existing now.

Moving to some macro environment:

Luggage industry, has been one of the most attractive sectors post COVID. High growth rates, positive travel macros, low entry barriers have attracted multiple new entrants. Most of these new entrants are in the online space backed by large investor funding. High heat competition has fueled price war in our segment, especially in the mid-price segment. Heavy discounting initiated by online brands and e-commerce platform has also put some pressure on realization, not only for us, but across the industry. Our commitment to reduce slow moving inventory further added pressure on our average selling price so while our value growth has been flat after removing the price support, volume continues to grow in double digit, at 10% for the quarter and 11% for full year.

We are trying to balance our premium portfolio with various new product offerings, we have exciting new launches coming up in our premium and mass premium brands Barring a few, most of these new launches are now made in India, reducing our dependence on China and also resulting better gross margins. Our commitment towards premiumization is also visible in our recent brand investments for our premium and mass premium offerings. I am sure, all of you must have noticed our high decibel campaign across the country in last four weeks. We have included glimpses of the same in our presentation as well. Initial response to these, brand activations is definitely quite encouraging.

Moving on to the channel specific performance:

E-commerce continued to be the fastest growing space for us at 40% both for the quarter as well as for full year. Focused approach for B2B partnership also resulted in a double digit growth for this channel. The closure of modern trade stores by partners impacted growth for the channel, also our EBOs, we have actually closed non-performing retail stores to the tune of more than 100. Going forward, we will concentrate on penetrating deeper into top 14 markets in the country to ensure better store level profitability. We are also opening Carlton exclusive stores to improve our premium mix. Overall, today we have 404 stores.

Traditional channels had growth challenges during the quarter as we focused on reducing channel inventories. In fact, we closed our traditional trade sales on 20th March for the first time in the quarter 4 of this year. Multiple planned initiatives to improve a premium mix are underway. Our recent backpack collection received positive response in the market. Backpack was the fastest growing category for the quarter. Hard luggage was the fastest growing category both for the quarter as well as for the year. It contributes to 60% of our total portfolio. We have also made headway in travel accessories category during the year.

Profitability was definitely a challenge during the year, mainly gross margin which was impacted by downward pressure on selling prices, inventory provisions and netting off of price support for e-commerce channels. Multiple initiatives for improvement in gross margin is underway and will help us improve our gross margins in the coming quarters, starting from the quarter 1 itself. Manpower cost optimization with year-on-year and quarter-on-quarter decrease of 16% and 20% respectively.

Our employee benefit expenses as a percentage of revenue now stands at 10% against 12% in the last year. Other expenses has reported a sequential increase, mainly on account of performance marketing spends for e-commerce, professional fees, investment towards dealer conferences and product road shows. Supply Chain improvements have started to showcase some benefits, starting from March '25. With reduced inventories we have surrendered four lakh square feet of space in Quarter 4 and another three lakh square feet of space, we are in the process of surrendering. All this will contribute positively to our margin improvements in the coming quarters.

Future outlook:

Fundamental demand indicators seems to be positive. There are multiple wedding dates in fact, this year the number of weddings is maximum in last 10 years. Even hotels and travel portals are definitely showing better results. We are very confident that the demand indicators will definitely be in favor of the category. We are steadfast in our transformation journey. Successful result of the same will be showcased in the upcoming quarters, starting with the quarter 1. To conclude, I would like to say that, the year 24-25 was a year of big solves across multiple areas, and the results for the same will be visible from the next quarter as we see FY'26 to be much, much better year for us.

With this, I conclude my opening remarks and open the floor for questions.

Moderator: Thank you, ma'am. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question comes from the line, line of Jinesh Joshi from PL Capital. Please go ahead.

Jinesh Joshi: First of all, Madam, can you let us know what is the quantum of slow moving stock that is now left with us, and also out of this Rs.700 crore of inventory that we have with us, can you tell us what is the quantum of RM and WIP inventory?

Manish Desai: If you look from the slow moving inventories, we would not like to give any absolute value, but has come down considerably over the last year. The pain has almost reduced to a negligible amount as we stand today. In terms of the WIP what are you talking about the raw material WIP, or the capital work in progress?

Jinesh Joshi: No, the inventory WIP?

Neetu Kashiramka: It's the split of FG and RM.

Manish Desai: RM will be approximately around Rs.215 odd crore

Jinesh Joshi: Understood. And also, on the other expense side while we have given the reasons that it was higher sequentially due to performance marketing and professional fees, also we did some dealer conferences but is it possible to kind of share what is the total quantum of these expenses which were there in this quarter?

Manish Desai: These are contributing a substantial amount which we would not like to quantify on this call.

Neetu Kashiramka: It will be available in our annual report though.

Manish Desai: We would not like to quantify currently.

Neetu Kashiramka: And some quantifications we have already given in the presentation.

Jinesh Joshi: One last question from my side, this inventory provision of Rs.5 crore, can you explain what is that, and what is the total quantum of inventory that we have that would warrant any kind of future provision, if you can call out that. You also mentioned that you have surrendered about four lakh square feet of warehousing space, and another three lakh is in the process of surrendering. So what can be the savings in the warehousing cost also, if you can give some color on that, that's it from my side.

Manish Desai: In terms of the provision it is mixed against the raw material as well as some slow moving FG. It would not be appropriate to say any amount which will come because our efforts are anyway on accelerated way to liquidate those kind of slow moving inventories. But if the need arises will again do a revisit on this provisioning policy and do provision in the best considering the liquidation moment. In terms of warehousing, I would say that the impact by another three lakhs will be surrendering it so in a year time frame, we will be saving another Rs.2.5 crore minimum on the warehousing side, considering that next 1 or 2 Quarters, I am talking about. Quarter 4 again will be a seasonal period, so we will see that point of time, what we need to commensurate into this.

Jinesh Joshi: You mentioned Rs. 2.5 crore, savings?

Neetu Kashiramka: He is talking about is for three lakh square feet.

Moderator: Thank you. The next question comes from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: Ma'am first question is, you indicated on closure of stores by the modern trade partners. Can you provide some more color over here, and secondly, what is the motivation behind Carlton exclusive new stores, basically if you could help us underlying the thought process and economics. Thank you.

Neetu Kashiramka: Yes. Basically, we have closed 133 stores overall, and have opened 32 stores. The idea is that, lot of these stores were opened in tier three, tier four cities where the throughput is very low. For example, a store where cost is Rs.5 lakh, if my revenue is Rs.2 lakh, I don't think it will ever be able to make profitable so going forward, the idea is, for exclusive stores we will focus on top tier cities where minimum threshold revenue is Rs.8 lakh per month. And basis that, this year we are targeting to open 50 stores, 20 in Carlton, and balance in VIP lounge. The idea of opening exclusive Carlton stores , in the top areas for example like Bandra, Colaba anyways 50%, 60% of our store revenue was coming from Carlton and therefore, we thought that it would be a better idea to have a full Carlton assortment across these premium areas, which can give us better premium positioning as well as better revenues.

Ritesh Shah: Overall distribution standpoint, can you just help us with the numbers on EBO and MBO, specifically if you can break it up between tier one, two and three that would be quite useful.

Neetu Kashiramka: Exact breaking up in tier one, tier two, I don't have immediately but we will definitely be able to give you, but total number of stores, as we talk today it stands at 404.

Ritesh Shah: Sure. Just a follow up ma'am when you say Rs.5 lakh of store cost, what all does it include over here?

Neetu Kashiramka: Everything, rental, plus the salary of store manager, the light, everything, all the cost, operating expenditure of that stores, not the cost of product.

Ritesh Shah: Right. And ma'am, would you like to qualify any headline asset turn, margin profile or ROC threshold that we look at, you did give a number of Rs.8 lakh minimum revenue. So before we shut down, is there a particular threshold, say within two years, three years?

Neetu Kashiramka: We definitely give 12 months to the store to at least break even before we decide to take these calls. Most of these stores which we are closing are actually existing for two to three years.

Moderator: Thank you. The next question comes from the line of Bharghav from Ambit Asset Management. Please go ahead.

Bharghav: Ma'am my first question is that, obviously we have spent a lot in terms of marketing starting April, and also a lot of new product launches have been done. So, the idea behind this is to get back our GT market share which has reduced from 21% to 17%, and also our modern trade market share, where salience of revenue has again reduced from Rs. 26 % to Rs. 23 %?

Neetu Kashiramka: It's not market share it's basically the salience, that offline salience for the business has to go up. The idea behind spending the money on the brand is to actually showcase and have a change in the perception in the minds of people. Like lot of people didn't know that VIP is as contemporary as any other brand can be one is that, and also the product on which we have spent on VIP is the first product from the Japanese designer. All these are reasonable prices, better margins, and also will definitely increase the confidence of the channel partners.

Bharghav: So ma'am in your opinion, this e-com share this is at about 31% do you see this reducing as we get the offline channel sales back?

Neetu Kashiramka: It may not reduce, but we want to be at 30% for FY26. It should not go up from there, which means that both my channels should grow equally.

Bharghav: But fair to say that 50% plus gross margin can come only on the back of offline firing products or even to e-commerce we can?

Neetu Kashiramka: It can come with a better product mix. In fact, in e-commerce as well, we have just launched Carlton also with Flipkart and Amazon. Definitely in e-commerce, we are trying to increase our premium portfolio share.

Bharghav: So, net-net the focus in FY'26 will be to get the gross margin back to 50% right?

Neetu Kashiramka: Yes. In fact, most of the back end work is over, it's all about now front ending basically selling and therefore getting the benefits.

Bharghav: And this backpack, is it possible to increase the share of revenue maybe to 14%, 15% or given the kind of launches we have done?

Neetu Kashiramka: We are definitely looking at increasing the share, but we have done well. In Quarter 4, we have grown by 23% on our backpack portfolio which remains our focus category. We have backpack ranging from Rs.600 going up to Rs.12,500, so we have the entire stack up, and we definitely looking in FY'26 to expand our distribution, to make backpack a larger salience in overall category. The good part on backpack is, it's a daily use case so basically, every person almost changes backpack every year, and this has daily use case as well as a higher throughput across the country.

Bharghav: And on modern trade, any development, any inroads we are making on the modern trade front?

Neetu Kashiramka: We have definitely made some inroads , but I would not like to talk on this call because of confidentiality , but yes definitely some of the larger doors we have cracked some of the price points, and we are definitely looking at a larger share of business in the year to come.

Moderator: Thank you. The next question comes from the line of Tejas Shah from Avendus Park. Please go ahead.

Tejas Shah: Just starting with clearly this year as the year progressed, our priority shifted from growth to repairing balance sheet first. So looking at the current scenario of inventory debt, what are the levels you will be comfortable with to pivot back to growth? And then, if you can share the absolute numbers or ratios which you are actually looking to kind of shift focus to growth rather than balance sheet?

Neetu Kashiramka: Most of the large ticket items on balance sheet is done, so we have started focusing on growth already, which is visible from a media campaigning We are now looking forward for growth and the other ratios will all start improving as the business improves. However, on the inventory level, we are looking at reducing it further by Rs.150 crore and the same level we want to reduce our debt in this year.

Tejas Shah: Sure. My second question is to this branding spent that you spoke about on VIP. Now, in last decade or so, we would have done multiple attempts to kind of make look VIP standalone brand contemporary and obviously I don't have data to judge whether it has worked or not, but at aggregate level, how do you judge ROI on suspension, and when we see some of this brands, even old age or some new age also, who would have achieved scale without spending so much on branding. So how do we kind of think about with such spends which we kind of do every two, three years, to revive VIP as a brand?

Neetu Kashiramka: There are two parts to this question. One, do we really need to spend the money on the brand is what you are saying, so if we just give discounts and we want to sell, that's one which we are not creating brand we are just selling commodity. As an organization, we believe that we have brands, and therefore it needs to be nurtured to get the right ROI. I can tell you, we have spent on three products, we have spent on Lexus in VIP, we have spent on Paradise in Skybag, and we have spent on Gemma in Carlton. In two of these three cases, we have stocked out already. And one of the case, we have sold 22,000 pieces in 30 days, which means that we have already done the ROI. I am going to spend in this quarter Rs.12 crore to Rs.15 crore, and I have already earned that money, which means we have got the ROI. It's not that we are going to spend like this every month, but this was required for us to also get confidence from our channel partners, because for last few years we have not spent. Also, they need to know that yes, VIP is back we are still alive. As earlier also said, that I will only spend when I can make money, which is an indication that I am spending because I am earning.

Tejas Shah: Okay. Ma'am my question was largely on VIP standalone, Carlton and Skybag fully understand.

Neetu Kashiramka: I have a view that VIP is known to everybody in the country. It's we who have not capitalized this opportunity, and I will definitely, if I were to choose between which brand to spend more, I will spend more on VIP, because I always say that, even small kids know VIP but they are not buying it, and why we already know that answer, and therefore I have to make sure that in next 12 months, people buy VIP. All my efforts on getting better products, getting technology driven products, will be all around VIP. One more big initiative which we are doing is, from 1st July onwards, all my products will be in case of VIP and Skybag, Carlton will come with a tag, "find me tag". It's again a special feature which nobody else is offering in the world.

Tejas Shah: I genuinely wish you we find growth also with this. Ma'am last one on store expansion. So we are definitely going consolidating phase. We were shutting stores, and we are opening where ROIs can be better and also we are cutting down our storage areas or warehouse areas also. So just was wondering, obviously you have a very tight rope walk over here, but was just wondering, at one end we are actually kind of shrinking the growth input parameters, and then we are trying to revive growth also. So then we are expecting very high productivity from lesser input going forward. So just wanted to understand, how are we thinking about this?

Neetu Kashiramka: Okay, again will break this into two parts one on warehouse. We were having 63 lakh pieces of inventory when we started on 1st of April, 24 and today the number is around 38 lakhs. Now, because the inventory is reasonable, I would say it has to come down to 30 and for that, I am surrendering the warehouse space. I am not saying that I am reducing my input, but I am actually cutting down on inefficiencies. The second again, on the store, if my store throughput is less than my cost, I don't think it is viable. Now, we are only focusing on 14 top cities, and therefore throughput will definitely come, it doesn't mean that I am giving away the area where I was having a store and where I have stopped. What I am doing is, that area will be serviced through MBOs, will be serviced through my GT will be serviced through my other modern trade partners. I am not vacating the space, I am only saying that, instead of selling it directly through my exclusive store, how can I sell this through an MBO which will help me reduce my fixed cost, so basically, it is all about efficient working and removing inefficiencies.

Tejas Shah: Very clear, and if I may squeeze in the last one. Ma'am, we would have done our inventory planning for this year I am assuming a quarter back or 2 Quarters back, and we started on a good note this fiscal year. But what is unfortunate events have played out in last one month or so, do you believe that somewhere there is a risk of slowdown happening in our calculation for the first quarter or first half of this year which is non-wedding season largely?

Neetu Kashiramka: First quarter is a big wedding season.

Manish Desai: If you are referring to the political, it will have some kind of bearing, what we heard and what we came to know about it is, people are just changing the destination to travel, but they have not stopped traveling. We are not seeing any kind of larger substantial disruption coming on the way because of this kind of concern, and that's where we stand as of now.

Neetu Kashiramka: I have had discussion with two or three large travel companies, where they said people are just changing the destination, if they were going to Kashmir instead of that now maybe they are going to South or they are going to Thailand, but people are going.

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

Prerna Jhunjhunwala: Ma'am just wanted to understand with all these initiatives that you have spoken about, what is the growth that you think is achievable in this year, and how do you see whether we should think about double digit growth coming in, and how would the volume and pricing play now, given that last year was a big price correction year. So, do you think we can see price increases or premiumization helping you to gain ASPs at an average level?

Neetu Kashiramka: Yes, that's the endeavor, this year most likely our volume and value growth should match. On the growth front I would say that whatever is the category growth, we should do 1% or 2% better than that.

Prerna Jhunjhunwala: Okay. So if the category growth for example, is around 10% we should be able to do 12% is where we are?

Neetu Kashiramka: Yes, that's what I am saying.

Prerna Jhunjhunwala: And it should be equally divided between volume and value is?

Neetu Kashiramka: Yes, that will be our key focus area.

Prerna Jhunjhunwala: Okay. And in terms of hard luggage versus soft luggage, do you see the weight of hard luggage increasing further as the industry trend is moving towards.

Neetu Kashiramka: No, we don't think so. In fact, maybe little bit soft luggage should go up, because suddenly we have started getting inquiries regarding soft luggage premium portfolio. Premium consumers are definitely asking for more soft luggage, and we have few soft luggage products lined up, getting launched in next two to three months.

Manish Desai: And visibility from the competition portfolio also suggests that the ratio should tilt slightly towards more on the soft luggage.

Neetu Kashiramka: Yes, 3%-4% more soft luggage will happen.

Prerna Jhunjhunwala: What is attracting people to soft luggage, is there?

Neetu Kashiramka: Not attracting, there are some consumers who are still hooking on to soft luggage because of the ease of opening and also less breakages, so basically, only after you use you know the pluses and minuses, hard luggage is definitely prone to more breakages versus soft luggage.

Prerna Jhunjhunwala: Okay. So people are shifting back.

Neetu Kashiramka: I won't say shifting back, it's like their preference is soft luggage, and therefore they need and these consumers are actually the premium consumers who are eyeing for soft luggage. People moved from soft luggage to hard luggage mostly in the entry points because of the Rs.1,000 reduction in the OPP, so soft luggage opening price point used to be Rs.2,500. However, hard luggage opening price point started with Rs. 1,499 that is where the low end totally shifted but premium consumers, there is a set of consumer who are still liking soft luggage, and that will remain. So 30% in the upright soft luggage will definitely have a share and that is good for us, because we are the best in soft luggage across the industry.

Prerna Jhunjhunwala: Yes, make sense. In terms of sourcing, how are we using our Bangladesh facilities, is it completely on soft luggage even today or we have started with hard luggage over there?

Neetu Kashiramka: Only 20% capacity remains for soft luggage upright now, balance is duffels and backpacks, and as we speak we are utilizing 90% of our capacity.

Prerna Jhunjhunwala: Okay. Ma'am, is there any capacity available in hard luggage as well in India, because this we don't clearly fully utilized at 90% in Bangladesh?

Neetu Kashiramka: Bangladesh is soft luggage, and we can increase capacity in Bangladesh just by increasing the number of hours of shift. Today, we are doing eight hours of work, we can make it 10 hours and 12 hours, and then we can increase the shift, so the capacity can be doubled by just adding one more shift.

Prerna Jhunjhunwala: Okay. And what is the situation in Indian capacity?

Neetu Kashiramka: No constraint, it's always a constraint remains with the assembly, which is easy to do, we do not have constraint on shell blowing and injection molding. .

Prerna Jhunjhunwala: Okay. And how do we see the trajectory for margins going forward because you have seen, even if 50% gross margins because of other expenses being higher while we repair our balance sheet, our margins have not turned up higher. So how do we see the EBITDA margin panning out for you going forward?

Manish Desai: We would not have to give any forward guidelines, but you can understand from the current year which we have talked about repairing the balance sheets, although we work parallelly on the growth. You heard MD talking about various steps we have taken on the cost optimization, including the manpower and the other related cost this all should go into improving our EBITDA margin as we move forward.

Neetu Kashiramka: And it will be visible from Quarter 1 itself, it's just matter of two, three months to see.

Prerna Jhunjhunwala: Okay. And last question on advertisement expenditure, then I will come back to the question queue again. Advertisement expense, do we see a substantial increase this year, or it should be at last year's level?

Neetu Kashiramka: I would say that we will earn to spend, and whatever spending's we are doing is basis what we have earned, so it will definitely increase from last year, but not disproportionately.

Prerna Jhunjhunwala: So what percentage can we look at?

Neetu Kashiramka: Additional 2%.

Moderator: Thank you. The next question comes from the line of Shirish Pardesi from Motilal Oswal Financial Services Limited. Please go ahead.

Shirish Pardesi: Just two quick questions, on the retail front, general paid and retail, what is the March closing inventory you are working with, at the shelf?

Manish Desai: You are talking about the retail channel, distributors and retailers, or stores, or our own stores.

Shirish Pardesi: Retail and general trade?

Manish Desai: General trade would not be high, the last 10 days were going in to clean up the shelf and other stuff to make available for the Muhrat billing, so you won't expect high accumulation of inventory with the retail channel.

Neetu Kashiramka: 15 to 20 days of inventory.

Shirish Pardesi: And what kind of DSO we work with general trade?

Neetu Kashiramka: Seven days.

Shirish Pardesi: Okay, my second question is, on the journey which you walked about last one year, looking at new designs and new colors and more to suiting with the new Gen Z population. So the quick question here is that, what is the contribution of this efforts which you have made in terms of overall sales, in terms of volume or value you can share?

Neetu Kashiramka: In the current year of FY'26 we estimate 40% of our revenue to come from new collection.

Shirish Pardesi: And what was that number in FY25?

Manish Desai: Somewhere around 25% to 28%.

Shirish Pardesi: Just last follow up on this, this all new collection which you have launched in the market, is the gross margin is better than your overall company gross margin, or I am again asking gross margin, not EBITDA.

Neetu Kashiramka: It is yes.

Shirish Pardesi: And what differential would it be?

Manish Desai: We would not like to quantify it, given the confidentiality.

Shirish Pardesi: So, for example if you are targeting 50% is the ambition, will it go to 55% if that number comes to 45%?

Neetu Kashiramka: It won't go to 55%, it can go to 52% 53%.

Manish Desai: Again this 55% is going to come from the existing lineup, and we have to calibrate on the price point, so definitely it will have a major effect.

Moderator: Thank you. The next question comes from the line of Prachi Kotekal from Bay Capital Investment Advisors. Please go ahead.

Prachi Kotekal: So, if I recall in your concall, post Q3 results you had guided for a double digit exit EBITDA for this year, around 12% if I remember correctly. And, obviously we have not sort of achieve that. I just wanted to understand, when you gave that double digit EBITDA guidance you would have had certain expectations in mind of how things would pan out and how they have actually panned out. Just wanted to understand where are the big misses between where you had guided and what has actually happened. A few areas you could help us understand why we have missed that guidance would be very helpful.

Neetu Kashiramka: One, biggest thing is that we took some calls in the view of reduction in inventory to sell some of the items at cost or slight very little margin. Second we also decided to have lower inventories with the channel partners all this we have done for a sustainable future growth. Otherwise, lot of our channel partners were unhappy because they were holding stocks, and therefore their ROIs were also low. I wanted to start my FY’26 with a positive note, therefore we took some of those calls and we did inventory provision so basically the idea was that, let's leave the baggage in FY’25 and start FY’26 with a positive note.

Prachi Kotekal: Understood, okay. So your expectations for a double digit margin in FY’26 does that still stand or we could expect?

Neetu Kashiramka: See, I don't want to give guidance’s therefore, let's see 1st Quarter, and then maybe we can then further discuss.

Prachi Kotekal: Understood. And on the pricing, intensity, the competition, last two months almost or one and a half month of this year. If you could just give us some sense, has it cooled down or has it intensified?

Neetu Kashiramka: I would say in last 45 days it has been same, I don't see it has intensified. I believe that some common sense will prevail in everybody and I feel this is the bottom where we have reached below this I don't think anybody can survive. We are not seeing that kind of pressure below what we are already there.

Prachi Kotekal: Okay, so this is the bottom you feel?

Neetu Kashiramka: Yes. As an organization also I feel worst is behind us.

Moderator: Thank you. The next question comes from the line of Ritesh Gandhi from Discover Capital. Please go ahead.

Ritesh Gandhi: This is just a follow up on the last person's question. Look, this was the halfway through February, where we were talking about double digit like 12% EBITDA exit run rate. And even earlier, when we had met we had discussed that there were certain amount of rationalization of expenses which had already happened, so it would like naturally move up and that the numbers were already in the bag. So, what would be helpful is that, we understand that and we appreciate that you are accepting that we have missed the number, but just wanted to understand that with a little bit more granularity of how much of it was inventory hit, or how come we hadn't already realized that some of our clients were actually holding the inventory and that there were pricing it, we were going to take just wanted to understand this little work of granularity because this isn't a small miss, it's a very, very large miss.

Neetu Kashiramka: One thing on inventory with channel partners, in February we did some meetings, we did conferences, roadshows, and we met some of the large channel partners from top 25. This was a common problem which everybody alluded and as an organization we took this big call, that for a future sustainable business going forward we need to take those kind of tough calls.. Whether we should have spoiled one quarter or we should spoil few years that was the balancing which had to be done. The second thing on inventory, definitely we had plans to reduce slow moving inventory to maximum. We always know that if we are planning to do 100, sometimes that 100 has not happened and therefore again, I thought let's take this provision so that we don't have these kind of baggages hanging around us in future. Those two big calls which we took made this happen.

Manish Desai: Right, those are the two critical things.

Neetu Kashiramka: We compromised 1 Quarter versus confidence of our channel partners for future.

Ritesh Gandhi: No, but what I was asking was that, if you were expecting to already be at a 12% EBITDA things we were expecting in the February when we had the call, would already have been normalized then it would be a little bit strange for not for us by then not to already have a feedback from channel partners. Know the inventory they have, know the ROI which they are taking, and for it to just happen over the last minute.

Neetu Kashiramka: Actually, we started doing conferences and meetings after 15th of February. This is when we had open discussions and we took those decisions, on 3rd or 4th February when we met, we had not made up our mind, or I did not know the granularity of the problem maybe.

Ritesh Gandhi: Okay. And is there a reporting issue, is there an MIS issue, is there a communication issue that we already know that, that our channel partners are unhappy with that, just want to understand that?

Neetu Kashiramka: Channel partners will not come directly and talk to me on a daily basis. This was my initiative, I wanted to meet them and make them happy for next year. I spent 15-20 days in the market, and this is what I realized was the biggest problem for us and I wanted to solve it.

Manish Desai: This is also in-line with the Shubmuhrat preparation, when we do it, we will find out a channel check in more detail.

Ritesh Gandhi: Okay. And the other question is that, with regards to given the overall increase in kind of comparative intensity which is not there in the industry, while the industry growth rate obviously continues to be robust, obviously the comparative intensity from the D2C, et cetera, has increased materially. Do you think that could lead to a structural impact on our overall profitability and goes up marginal levels and this is only an exceptional year, and the structurally we will have a lower margins?

Neetu Kashiramka: Structurally things have changed a little bit. For example, in the past, we have made 17% to 18% EBITDA, but we are not saying that we will go back there. We are saying that it should be in the range of 12% to 15%, so some structural changes have happened, which means that our realizations have come down. I don't think it is going to go up meaningfully, or it is going to go up to the extent it used to be three years ago, because there is a structural change in the hard luggage mix and the hard luggage opening price points. We have reach a rock bottom from here, it will go up, but not to the extent from where it came down.

Moderator: Thank you. The next question comes from the line of Nitin Jain from Value Investments. Please go ahead.

Nitin Jain: So before I ask my question, just a piece of feedback, which I had given last quarter as well, just to reiterating it now, if you could release the investor presentation a little in advance, rather than just five minutes before the call, it will be helpful. Thank you.

Neetu Kashiramka: Yes, definitely.

Nitin Jain: So, my questions are, what is the quantum of debt reduction we are planning in this FY'26 and the second question is, some of the expenses like professional fees and product road shows, et cetera that have bumped up the other expenses this quarter. So which of these do you think are one off and which one could repeat in H1. Thank you.

Neetu Kashiramka: Reduction in debt Rs.125 crore, and legal and professions 50% is one off, which will not be there in H1. These roadshows are done in March, but not to the extent what we did this time on a lower scale, but this time we did definitely on a larger scale for us to basically talk to our channel partners that we are back.

Nitin Jain: And in the dealer conferences would be one off as I understand?

Neetu Kashiramka: Yes.

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

Manish Desai: So, I hope we have answered all the questions satisfactorily, if anyone still remain in the queue, I would request them to reach out us and we will definitely provide clarification and answers to it. Thank you and have a good evening to all of you.

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

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