28th October, 2024

BSE Limited	National Stock Exchange of India Ltd.
Phiroze Jeejeebhoy Towers, Dalal St, Kala Ghoda, Fort, Mumbai – 400 001. Code No. 507880	Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051. Code – VIPIND

Subject: Transcript of Earnings Conference Call on Un-audited Financial Results (Standalone and Consolidated) for the quarter and half year ended 30th September, 2024

Dear Sir/Madam,

Please find enclosed herewith transcript of the Earnings Conference Call held on 24th October, 2024 on the Un-audited Financial Results (Standalone and Consolidated) for the quarter and half year ended 30th September, 2024. The same is also available on the Company's website https://vipindustries.co.in/investor/investor_con_call_transcript

Kindly take the same on record.

Thanking you,

Yours faithfully,

For **V.I.P. Industries Limited**

Ashitosh Kamlesh Sheth

Digitally signed by Ashitosh Kamlesh Sheth
Date: 2024.10.28 15:17:43 +05'30'

Ashitosh Sheth
Company Secretary & Head – Legal
ACS 25997

VIP Industries Limited
Q2 & H1 FY25 Earnings Conference Call
24th October, 2024

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 Q2 & H1 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. A very good afternoon to everyone, and welcome to the Q2 & H1 FY25 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 afternoon, everyone. Thanks for joining the call. We just announced our second quarter results yesterday.

Before we get into the revenue and profitability, I would like to give you two, three highlights which are the positives for the quarter and H1. Basically, in past six months we have been able to reduce our inventory by Rs. 174 crore. Our market share has improved so, two quarters ago, our market share between three organized players had reached 36%, today it stands at 40% and for this quarter, we are yet to get the numbers, but I am quite confident that even this quarter, we will gain some market share.

Moving on to Quarter 2 P&L performance:

While revenue value growth remains flat. Volume growth stands at 18% for the quarter, and for H1 it is at 14.4%.

Overall revenue growth for the quarter was muted, mainly due to low uptake from the traditional channels, due to aggressive pricing by e-commerce during Big Billion Day and GOAT sale. If you have to talk about channel wise performance, e-commerce continued to do a good performance at 54% growth. Offline channel, as I said was under pressure. Institution again, showed a 40% plus growth for Quarter 2 and similar for H1 as well. International business mainly suffered due to underperformance of key countries in Asia and GCC so, our major sale actually in the international market is to these two continents, and therefore their growth is under pressure and so for us.

Value segment continued its growth trajectory, which was driven by e-commerce sales. Lower end continues to grow better. However, 50% of the portfolio still is premium and mid premium. Carlton actually showed good growth so premiumization agenda on the back of Carlton is showing a positive response. VIP also grew, Skybag is a brand which did not show a positive growth, mainly on account of the lower mix of backpack. In case of ladies handbag, Kiara collection did well, and now we are going ahead in ladies handbag with GT expansion. Going forward, this will definitely show good growth. Hard luggage again continued to be the fastest growing category contributing to over 60% of the organization overall revenue.

If you look at gross margin, this is where the major pressure was seen. However, sequentially it grew by 80 bps, but if you look at year-on-year, there is a dip of 1000 basis point, mainly on account of brand mix and channel mix, also coupled with soft luggage inventory reduction and lower production at Bangladesh. EBITDA got impacted due to lower GC and other expenses was higher mainly account of warehousing cost because of high inventory. I understand that the transformation journey, as we spoke is showing slow visible improvements, in spite of lot of work happening across each area. I am quite confident that result of these initiatives will start to be visible starting Quarter 3 and more so improving our profitability for H2 as promised earlier as well.

If I have to talk about demand indicators, it looks fine with festival around and also upcoming wedding date which also looks to be very strong in Quarter 3 and a part in Quarter 4. We are set forth in our transformation journey, successful results of which will start showcasing in the upcoming quarters. Bangladesh factory is now running full fledge and from Quarter 3 onward, it will also start showing profits. New launches of backpack for the new upcoming season is also on track, and hopefully this will start giving better results to our revenues. Some of the initiatives to also launch some products in VIP and Skybag will start to increase gross margins. There are multiple initiatives which are happening across each area specifically to improve our gross margins and it will start to see in Quarter 3 onwards.

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

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 Institutional Equities. Please go ahead.

Tejas Shah: My first question is, as you called out in your opening remarks also, we have clearly made good progress in gaining market share, but it has come at the cost of profitability, even in this quarter on Y-o-Y basis, is the sizable shrinkage. So, how do you plan to manage this balance between kind of gaining market share versus going back to our gross margin profitability?

Neetu Kashiramka: Two things, one we have taken certain calls for selling at a lower price mainly because we were stuck with new stocks. It's not that we want to do this on an ongoing basis. Second, our thrust on VIP brand will start to increase soon so, that is another initiatives which we are doing so that our margins can improve. The gross margin difference between Aristocrat and VIP is more than 800 basis points so, slowly, you will see that our focus is more on VIP versus Aristocrat, especially in offline channel.

Tejas Shah: So, ma'am if I have to narrow down the problem statement, there is a certain proportion of slow moving inventory which we are liquidating at slightly lesser margin, and that inventory is largely pertaining to Aristocrat and Alfa, and once that is done away with margin should revert back, is that the right understanding?

Neetu Kashiramka: Yes, you are perfectly right and as I had promised, our gross margin should definitely be around 50%.

Tejas Shah: Okay. So, there is one visible change in our mix is also channel led margin shrinkage which is definitely online and institutional business that are now having higher saliency. So, do you see that fourth quarter where the economics of this channels will change, or their contribution in overall revenue will change or go down hence will margins will go back to normal level?

Neetu Kashiramka: It's a mix of both. Quarter 2 generally is a high e-com quarter because all these Big Billion Days and GOAT is scheduled here and Quarter 2 is always high on e-commerce. However, H2 will be as a percentage of overall saliency e-commerce share will come down in Quarter 3 and Quarter 4 but we are also having initiatives whereby our e-commerce margin has to improve and that's also some work in progress.

Tejas Shah: Okay. And this pressure on pricing, are we the source or are we responding to competitive pressure, because we had some slow moving inventory hence we are cutting prices, that is dragging down margin for the industry or we are responding to some competitive pressure?

Neetu Kashiramka: We are doing this for our soft luggage liquidation. However, in the other area which is hard luggage also there is a pricing pressure which is we are reacting to multiple things, it's not only one thing, but see there are lot of D2C players which are coming into the market, and starting to sell, now all these players have enough money to burn, which we don't have, so that's where we are little bit playing on the pricing.

Manish Desai: Just to add what MD said, where the competition becomes intense, price is the one point which plays a larger or in minds of the consumers, and it impacts the most to the organized and the incumbent players so, this is the outcome of that what we are seeing, but I am sure that over a period of time the industry or the players may see a consolidation and things comes to a level playing field among the remaining players in the industry.

Neetu Kashiramka: Also as I told you, we want to focus more on VIP, even if I have to reduce a little bit price on VIP, that is better because my realization will be higher and profitability will be higher.

Tejas Shah: No, ma'am my question was largely around that with +40% market share the pricing discipline should come from us, and the D2C players which you called out, I still think that there will be less than 5% market share overall. So, to respond, and then most of those players are actually very at different price point, perhaps competing with Carlton and likes on the price point. So, I was just wondering that, in fact just to be we also picked up from media news that one of the competitors also kind of indicated that the market leader is kind of very aggressive on pricing, and that is shrinking the profit pool. So, I was just trying to understand that once we are done with this whole pressure on slow moving inventory, should we think that should we build a very normal margin expansion for us in the industry at large?

Neetu Kashiramka: Yes, you are right, that is what we will be doing.

Tejas Shah: Okay. And one last one you also called out inventory holding cost for last four, five quarters act as a drag on overheads. So, we have done a phenomenal job on reducing inventory in last three, four quarters. So, have we reached to a stage of inventory where the holding cost will go back to the normal level, or we are still at a higher end?

Neetu Kashiramka: One more quarter to get to the normal level.

Tejas Shah: Ok. That's all from my side Ma'am. Thanks 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: Madam, I have a question on our channel mix. So, if I look at E-com with a 45% share, we have done really well in this quarter, but if I look at our share of GT and MT at about 11% and 18% it is at a five year low, and you mentioned in your opening commentary that aggressive pricing in online is impacting our offline trade. So, just wanted to understand the thought process behind this move, because essentially this has created a channel conflicted team. So, what is the thought process behind such kind of aggressive pricing in the online channel, and how do you plan to resolve this?

Neetu Kashiramka: One, aggressive pricing on the E-commerce channel is not done by us, it is done by the portals. Two, three things we are doing we are going to give additional warranty for offline players.

Secondly, we are also looking at having a pricing guardrail especially for VIP brands on online portal otherwise we don't sell to the online portals the VIP product. These are two big initiatives which we have taken to reduce this channel conflict. And so the share is actually reduced, because last 15 days, they almost did not buy because of this and then we met everybody, we have sent letters, and we have made these two changes with which they started buying from the first week of October.

Jinesh Joshi: But madam if the portal is governing the price, and if it is discounting heavily, then obviously your brand equity takes a big hit. So, what are our thoughts on that and do we have some plan in place that from 3Q onwards this will not.

Neetu Kashiramka: It will be a pricing guardrail for VIP and Skybag, which is our premium brand. They cannot sell below a particular MOP, a similar thing which had happened some three, four years back in the mobile industry, that's where we are heading towards, and we are already in talks with them to give this to us in writing before they sell going forward.

Manish Desai: And furthermore, to add, Quarter 2 as earlier said, it's an e-com led quarter that's why you are seeing the higher share of business. If I look into the YTD H1, it is hovering around 30% to 35% in line as per the industry present revenue in e-commerce portals. We would like to maintain those kind of revenue share, and our objective is to have all channels working in our favor, not growing at the cost of the others.

Jinesh Joshi: Got that. One last question from my side. So, if I look at our inventory liquidation in this quarter it was at about Rs. 40 crore, and this is lower than what it was in the previous quarter. Now, given the pileup that we have, especially on the soft luggage side can you quantify what is the current slow moving SL inventory on the balance sheet, and by when can we expect full liquidation to happen?

Manish Desai: The entire liquidation as said, we need one more quarter to look into it. In terms of the overall inventory Rs. 50 crore were reduced in this Quarter 2 especially. Largely we have to manufacture some of the items because of the E-com specific SKUs. Otherwise, my liquidation would have been much on a higher side.

Jinesh Joshi: But can you quantify what is the slow moving SL quantum currently that we have?

Manish Desai: SL quantum in terms of , volume wise we are getting around almost five lakh units of the soft luggage upright, and if I take the backpack and duffle also to some part of it, maybe around put together, all units will come around seven to eight lakh units together.

Jinesh Joshi: Sir, I want the value number, sorry because if I remember right, that quantum was Rs. 300 crore sometime back and in the last quarter we did a liquidation of about Rs. 80 crore. So, what is the current quantum?

Manish Desai: Current quantum would be somewhere in the range of Rs. 180 odd crore. I will reconfirm to you once we progress in the call, just give me a minute.

Jinesh Joshi: Sure. And in that context, especially our debt levels which is at about Rs. 500 crore, given we have about Rs. 180 crore which is yet to be liquidated and this would mean that the working capital requirements will be high. Will we still be able to reduce the debt by about Rs. 250 crore that we had stated in our earlier call?

Manish Desai: If you recollect earlier conversation we plan for a Rs. 100 odd crore of reduction, and out of that we already done Rs. 35 crore so we are on the track, and hopefully we will meet our targets, we hopefully to go exceed about the Rs. 100 crore, but 100 crore is given what we are targeting right now, and we will adhere it to.

Jinesh Joshi: Okay. So, should we be at about Rs. 400 crore in terms of debt by end of FY25?

Manish Desai: Yes, if I net-off the investments what you see in the balance sheet, it will again further give me enough cushion for me to play around on this, I will come back to you on the numbers in two minutes.

Jinesh Joshi: Yes, that Rs. 180 crore, if you can clarify whenever. Thank you.

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

Shirish Pardeshi: Just two questions, in the beginning you mentioned that 18% volume growth in Q2, can you quantify the number of pieces we have sold. And specific question here is that, if I look at the contribution from the e-commerce is 45% at this time. So, what is the volume contribution from e-commerce and modern trade?

Neetu Kashiramka: Overall sale volume is 44 lakhs.

Manish Desai: It's a 4.4 million units on the overall volume for the Quarter 2, registering a growth of around 18% and if I want to go on, because average selling price between MT and e-com largely remains the same so, it goes as per the revenue growth, or the revenue mix we have in terms of the volume as well.

Shirish Pardeshi: So, you are saying similar numbers for volume also?

Manish Desai: Slightly, I said because my MT didn't do so well, it has slightly a de-growth, whereas e-com has given a growth of 45%.

Shirish Pardeshi: Okay. The second question on the overall momentum, as Neetu you mentioned that second half the saliency for e-commerce will be lower, but then in that respect, how the second half volume growth and revenue growth looks like for you?

Neetu Kashiramka: basically today if you see our volume growth is 18% versus a value growth of zero. In case of second half, I am confident that our volume growth and value growth difference should not be 18% but it should be between 8% to 10%.

Shirish Pardeshi: And if that is true or if it happens, what kind of gross margin you already mentioned that you will maintain it?

Neetu Kashiramka: I mentioned that Quarter 4 gross margin should be 50%.

Shirish Pardeshi: No, I am coming on the operating margin, because right now when we look at the margins are collapsed, I am sorry using this word, but then you know what are the things at the back end you are doing. So, at least, if you believe that 50% mark you have achieved in terms of revolutionizing the entire the front end and the back end, what kind of operating margin we should build in in second half?

Manish Desai: So, are you talking about the gross margin or EBITDA margin?

Shirish Pardeshi: No, gross margin Neetu already clarified 50%, but I am talking about EBITDA margin.

Manish Desai: Right.

Neetu Kashiramka: EBITDA margin of 12% for the Quarter 4.

Shirish Pardeshi: Second half, I said Neetu.

Manish Desai: As we speak it's a journey in progress so probably from the 0% of EBITDA margin we will move around 3%, to 4% near Quarter 3, and you find a significant jump getting into the Quarter 4, because by then my most of the initiatives will start giving the results out of it.

Shirish Pardeshi: So, therefore the follow up here is that, what are the drivers, what are the top two, three things which will help you to achieve this number?

Neetu Kashiramka: One improvement in realization, which will in turn also add to the gross margin so, gross margin improvement of 5% which we spoke about. Then every line item in the cost we have already worked upon, and everything to come into the P&L takes three to four months so, that is where it is. So, warehousing, people, then what is the other big one, rentals.

Manish Desai: Fixed overheads and the other direct cost.

Neetu Kashiramka: Each and every line actually.

Shirish Pardeshi: Okay. The last question from my side on the depreciation and interest cost. What number we should be factoring because even this quarter we have seen a depreciation has increased almost 24% and a similar number double digit growth in the interest cost. So, you know the numbers well, you are saying that Rs. 100 crore reduction which will happen in debt. But what is the interest cost we should build in for the full year and depreciation cost?

Manish Desai: Interest cost comprises of two factors. One thing is my fund based borrowing which I am doing from bank and other thing includes, some of my structured way of financing I am doing on vendors, as well as from the customer side. On a bank borrowing side, definitely you will find a good amount of reduction happening and in terms of the structured finance, it almost remains the same. We can assume the same level of interest going as in Quarter 3, in Quarter 4, you may find a reduction of almost 10% to 12% than what you are seeing today in the overall value.

Shirish Pardeshi: And in terms of depreciation?

Manish Desai: Depreciation should remain as because we are expanding on our stores, but I am sure we are taking certain calls based on the same sales store growth of the existing CRM so, you should find same number, hardly living aside Rs. 5 to 6 crore, maybe exit March for that matter, the exit Quarter 4 on a higher side.

Shirish Pardeshi: So, just to confirm what you have said, that if that is the number which you are building, so we will be able to maintain the profitability what we delivered in FY24 or we will still book some loss at the quarter?

Manish Desai: FY24 when I was saying EBITDA improvement of 12% on turnover. I should be able to deliver net result also on a positive one. Since you asked for the growth, sorry I missed out on that question, I wrongly interpreted so, on a volume side, the MT actually has seen a de-growth of 8% on volume and e-commerce on a volume front has shown a growth of 73% for the Quarter 2.

Shirish Pardeshi: Okay. Thank you.

Manish Desai: And Jinesh, on the inventory side, the question which you asked to me. We have moved around what we had in terms of soft upright inventory of Rs. 130 odd crore and we are at less than Rs. 100 crore in September.

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

Ritesh Shah: Ma'am, I have very simple question. You did indicate the concern around competitive intensity and by design we are looking to liquidate the inventory, specifically on the soft luggage side, if one had to take a 12-to-18-months tenure, what is the thought process on balancing growth and profitable growth. How do you approach it from an incremental ROCE standpoint, broader thoughts would be greatly appreciated ma'am.

Neetu Kashiramka: See this year, all this cleanup of inventory is a must because I can't hold it because my warehouse cost keep bloating if I keep this inventory, also if I keep this for a long there are chances of having to take some write offs, and therefore this was inevitable for me to take these calls at this point of time. However, for the next year, we don't want to compromise on profitability at the cost of gaining market share that's very clear for us, but yes one or two more quarters where I get to a reasonable inventory levels. Today also inventory level is Rs. 700 crore, once I reach Rs. 500 crore of inventory, that is where I will start focusing more on profits, then market share gains.

Ritesh Shah: Ma'am just to press a little bit over here, you indicated profitability is something which we would not compromise, but market share could be a challenge because D2C guys they operate in a different way. So, how are we looking to balance the portfolio be it from a channel standpoint, or from a mix standpoint to ensure that we have profitability and the market share actually, we can actually jump on that particular variable as well?

Neetu Kashiramka: When I am talking about market share, there is nobody who is tracking the market share for this industry today and the way we look at it is, three company's market share which is a three organized players who are listed, and the data is available in the public domain, so basically market share increase between these three players is what we have been talking about. Secondly, we definitely are looking at increasing our premium portfolio which is today around 54%, my aim will be to reach 60% over next three to four quarters, and that is where the profits will have a meaningful swing, because it's a 800 to 1,000 basis point gap between a gross margin for Aristocrat versus VIP or Skybag or Carlton, so, that is going to be the strategy going forward. Once I am done away with this heavy inventory, which is may be a quarter or two.

Ritesh Shah: Ma'am you said it will take a quarter or two for this?

Neetu Kashiramka: Yes, maximum two quarters we are trying to do best in the Quarter 3, whatever best we can do in Quarter 3.

Ritesh Shah: Sure. And last question, ma'am if you can just refresh us on how BCG is actually helping us right now, and are all those initiatives already in play or how are you thinking of probably their recommendations or is it like we are on the same track, how should we look at that?

Neetu Kashiramka: BCG project is a 15 months project, it is divided into five waves, three months wave each, two waves are over, we are in the third wave. Whatever work we have done in the first two wave, the result will start from October and then additional third wave, fourth wave, fifth wave. Overall, it's a Rs. 250 crore benefit to the bottom line project and we are on track, this is the projection but as I said, whatever we do in today will take three months to come into the P&L. Now the wave one and wave two benefits will start to come in October, and then wave three, we will work now which the impact will come in Quarter 4, and whatever we do in Quarter 4, the benefit will come in quarter one. There the project will get over also.

Ritesh Shah: Correct. Ma'am possible to share what were the tangible that one can actually look out in the marketplace as benefits of wave one and two?

Neetu Kashiramka: This project is basically a cost takeout, so, improving the realization, reducing the cost and each and every line item basically warehousing, logistics, improvement in the fill rate, people cost. We are also mapping the ORG structure because if you look at our employee cost versus the employee cost of any other industry, similar industry we are off so, that's another big thing, and the actions have already happened in September, so the result of that will start to be visible in December, January because everything has a notice period, and by the time we execute it takes two to three months.

Ritesh Shah: Perfect. Ma'am can I squeeze in one more question?

Neetu Kashiramka: Yes, but Rs. 40 to Rs. 50 crore so I know what you want to know. So, Rs. 40 to Rs. 50 crore of the initiatives will come into P&L this year, and more of it in Quarter 4.

Manish Desai: I can talk about two visible things what you asked about it see our sequential gross margin from June '24 to September '24 we differ about 80 basis points, it's a start to have it. Second thing is, our employee cost almost remain at the level of June '24 so that's another visible I would say about it. Third thing, as I said by MD, it will follow the progressive way what will factor into our project execution.

Neetu Kashiramka: So, next quarter onward you will see in each line item the benefits.

Ritesh Shah: That's useful. And ma'am, just last question anything if you would wish to highlight on the effectiveness of A&P spends, where that number would be for the full year versus last year. And specifically, anything specific that we are doing to improve the effectiveness of the spends?

Neetu Kashiramka: The large part of these spends is actually going into e-commerce which is not something which is great but yes that's how that is happening across the industry, and we are definitely wanting to improve the effectiveness by spending more on ATL rather than BTL but today, lot is happening on BTL but that we will be able to do only in the next year. There is enough on our plate for this year.

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

Surya Narayan: So, some of the questions have been answered. So, my question is around the gross margin level. So, we are, let's say last three years average around 51% and you are down at around 45% so here the question is that, you have been time and again you are telling one thing is that you want to play more on the VIP side and less on the Aristocrat side. But the Aristocrat has been a very essential element of VIP. So, how can we severe the growth of Aristocrat, because that is a mass brand. So, if you can give some color as to how the things will be moving more towards the VIP or Carlton premium side, rather than Aristocrat side. So, that realizations will improve, and so is the gross margins.

Neetu Kashiramka: We are not saying that we will restrict the growth of Aristocrat we are saying that we will grow more VIP and Skybag so, that is where it will happen. Aristocrat growth will happen, but today VIP and Skybag is not growing as much as it should grow, that is where we will do more work. I can give you an example, today if VIP so, lot of almost 30% -35% of the sale now is happening in three piece set in Aristocrat and now we are planning that in VIP, I am selling a three piece set at Rs.7000, and VIP today is Rs.12,000. I might look at selling a VIP three-piece set at Rs.10,000. Therefore, I will increase my realization from Rs.7000 to Rs.10,000 and that is what the focus will be, and that's how I can get more margins. I just give you one example. I cannot discuss too much on my strategy here, but similar to these, we are looking at doing certain initiatives whereby I can improve my realization.

Surya Narayan: But still some sort of cannibalization impact would be there on a longer term basis, do you agree?

Neetu Kashiramka: Which is fine and beneficial for the organization so, if I am able to extract Rs. 3000 more from the same customer, why not.

Surya Narayan: Okay. And second thing is that, your payables have reduced so, I am expecting that maybe you could be getting one of the bargains from your supply chains and people so what is the scenario going forward, whether such kind of payables, reduction in the payable will be continuing, so that we will be getting more discounts, and that will be on the raw metal side. So, will that be including the gross margins?

Neetu Kashiramka: Basically if you see during March we were very high on debt and inventory, and we did not pay our creditors on time. However, we have started paying them on time now, so it will be in the same range if you have to calculate by number of days.

Surya Narayan: Okay you earlier said that around Rs. 200 crore, now you are reducing the figures to Rs. 100 crore of reduction in the total debt for this year?

Neetu Kashiramka: Rs. 100 crore for sure, we can do better.

Manish Desai: Rs. 580 crore we had a debt as on March '24. What we said is Rs. 100 crore given by reduction in by March '25 a minimum reduction what we aim for in the overall debt.

Surya Narayan: And regarding the Bangladesh claim, it has come very little so when can we expect major claims, so are you just if we can indicate which quarter one of the insurance companies have given an indications.

Neetu Kashiramka: They have not given any indication. We have been following up, and we are getting small, small amount Quarter 3 also we are expecting Rs. 5 crore further. We know the political scenario of Bangladesh, so I don't want to say that give me everything at once. I may not get this also so today.

Surya Narayan: In the Ghaziabad case, we had to suffer a loss of around Rs. 7.5 crore, because of the political uncertainty in the Bangladesh, so are we fearing such kind of losses in a bigger way in case of Bangladesh?

Neetu Kashiramka: I don't foresee, we have been in talks with the insurance company almost every two weeks, somebody from my office is visiting. It's a big focus area for us, and that is why we are getting at least those small, small amounts.

Manish Desai: You have to appreciate that despite this kind of unrest situation, we could give the Rs. 5 crore in another Rs. 5 crore, what we discussed is in the pipeline. And hopefully the entire claim should settle in the next maybe eight to twelve months down the line.

Surya Narayan: And now that you are saying that the Bangladesh operation is fully there. So, whether the manpower growth will be increasing because the reports were saying that wage hike was there. So, is there any chance of rise in our wage cost?

Neetu Kashiramka: No, so we have reduced our capacities already there. In fact, we want, at this point of time, a little bit reduction only. It won't increase from where it is today.

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

Jigar Jani: So, what I was asking was, on the gross margin side, I believe that the gross margin guidance we were giving for FY26 was 55% so this would be more exit FY26?

Manish Desai: We said Quarter 4 you will find such kind of improvement.

Neetu Kashiramka: He is talking of FY26.

Manish Desai: FY26, yes full year quite possible.

Jigar Jani: Full year FY26 we should be able to do 55%.

Manish Desai: Yes.

Jigar Jani: Yes. And sir, if you could just give me some color on this Rs. 190 crore of other expenses, what is the split of this broad numbers of this Rs. 190 crore of other expenses in the quarter and what number will we expect in Q4 because I believe Q3 still, it will remain elevated at similar levels because of the inventory that we are carrying. But Q4 given that we have that initiative with BCG also running in and we will see some benefits floating in. So, what could these numbers.

Neetu Kashiramka: It's given in the Analyst Presentation.

Manish Desai: We did give some kind of breakup in the presentation what we have uploaded, if anything remained unanswered over there we can have a separate call on this matter.

Jigar Jani: Sure. And what would be our guidance for this, how do we see these numbers panning out in Q3 and Q4?

Manish Desai: As I have said, we have target to reach EBITDA of 12% so every cost structure has to undergo revisiting and optimizing it. We will not give you head by head what we have in mind, but keeping trust on that of 12% EBITDA what we are driving for.

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

Manish Desai: Thanks everyone for participating in this call. I am sure that some of the answers, or some of the questions would have remained unanswered. We are just a phone call away, leaving aside the next three hours because we have certain work to do it. I am happy to answer each one of your call and I am thankful of your continuous support to the company, and we are hopeful of doing in-line with our projections and expectations, what we have in our mind. Thank you very much and have a great day to all of 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.