



“VIP Industries Limited
Q1 FY2021 Earnings Conference Call”

August 06, 2020



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Moderator: Ladies and gentlemen good day and welcome to the VIP Industries Q1 FY2021 Conference Call hosted by Edelweiss Securities 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 call, please signal an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now like to hand the conference over to Ms. Shradha Sheth. Thank you and over to you Sir Madam!

Shradha Sheth: Thanks Ayesha. On behalf of Edelweiss, let me welcome you all to the Q1 FY2021 earnings call of VIP Industries. From the management today, we have Mr. Dilip Piramal, the Chairman, Ms. Radhika Piramal, the Executive Vice Chairman, Mr. Sudip Ghosh, the Managing Director, and Ms. Neetu Kashiramka, the CFO. Without any further ado I will hand over the call to Mr. Piramal for his initial comments post which we will open the floor for Q&A. Thank you and over to you Sir.

Dilip Piramal: Good afternoon everyone. Thanks for taking out time and joining our conference call. Well, this is a very, very unique period we are undergoing as our company is connected with the travel because we make luggage and we are in that sector, which is affected the most.

During Q1 our focus was on cost control and cost rationalizing. Important to note that the company’s operations are severely impacted due to this pandemic as luggage industry is close to travel, which will take time to revive. Therefore we focused on cash rationalization in this quarter and our sales had been only 58 Crores in this whole quarter which is about 5% of our original budgeted sales can you imagine? I mean, 58 Crores is less than 10% of what we did last year and, in this quarter, and it has really been a disaster.

Fixed costs which used to be 40 Crores per month at a consolidated level last year will be at 25 Crores per month this year, so we have already been able to prune it by 15 Crores which is more than one-third. we have about 35% reduction we have taken and as I mentioned the first quarter was a disaster which is our best quarter because in this quarter the travel is at its peak when the school reopens and the marriage season also is at its peak and we lost sales on all these front, so the loss for this period was at 51 Crores as against a profit of 35 Crores last year but last year we had a onetime loss of 48 Crores because of fire in Ghaziabad. Hopefully, we will get the insurance money this year which will be a profit so we hope to get at least 40 Crores so to that extent the first quarter loss will be mitigated.

We do not know when we are getting that money, but I think that in the next two quarters we should get it. Revenue in April and part of May was almost nil. Things started slowly at the end of May but at a very slow pace. July is better than June, but nowhere close to old



levels. Hopefully demand should revive in Q3 due to the festive season, school starting and some pent-up demand on account of marriages. Also I think we will be getting use to the COVID.

As it appears to me now that the countries have learnt how to cope with COVID and it is only the older people, people who are 60 plus, which includes me who are at most risk but I think the rest of the population will learn how to cope with COVID and it will be like any other disease, but may be the mortality rate is a little bit higher than the normal flu.

Let me also brief you about our liquidity situation to take care of this tough time. We have plans to borrow around Rs.300 Crores to have a war chest for these tough times. However, company net debt is nil which means we have borrowed, but not utilized. To be more accurate the net debt was nil at the end of July, but I think now we have net debt of about 3 Crores. Cash flow is being managed well by making payments equal to collection.

Update on Bangladesh operations: Bangladesh operations are yet to start post-pandemic mostly it should start in Q3. Income from operations from VIP Bangladesh operations was nil. Profit after tax of Bangladesh operations was negative at 10.3 Crores compared to 3.8 Crores during Q1 last year. Operations at Bangladesh will start in current quarter with production of masks to start with followed by luggage as and when demand cycle improves.

Let me brief you a little bit overall about the demand and supply position. Yesterday we had our Annual General Meeting and questions were asked about supplies. The problem today is not so much on the supply side, but it is more on the demand side, because we were at the beginning of April, which is our largest quarter, we are very well stocked up for that quarter and I think the way things look like that this stock will be enough for us to last the whole year.

The question is more of demand rather than of supply and we are very well positioned for supply because for some time it is going to be low and I think our Bangladesh factories combined with our Indian factories and Indian outsourcing will be more than enough. We will hardly have to buy anything from China. So, I would also like to add that if you had seen our results for the last quarter of 2019-2020 that is the January to March quarter our margins had gone up substantially and a good part of that was due to the Bangladesh operations, but once we are relying entirely or mostly on Bangladesh for our soft luggage activities, for our soft luggage production, our margins will be even higher.

That is a very strong point and that is where we think the strength of the company is that although we are very, very badly impacted because of the loss of sales our inherent strength our balance sheet is very strong even today we are virtually a debt free company. Of course



the position will change now day by day, but our balance sheet is very strong. Our inherent costing is very much in our favour, we are the lowest cost producers in the world today and we will now diversify very actively as the demand worldwide increases because the demand for luggage has gone down all over the world it is not only India, so it will take us time and we are well equipped to bear this storm and I feel that it has set us back by two three years, but we will get back to being a very strong company.

I now turn over to your questions. Thank you.

Moderator: Thank you very much. We will now begin the question and answer section. The first question is from the line of Amandeep Singh from Ambit Capital. Please go ahead.

Amandeep Singh: Thank you for the opportunity. I had a few questions; firstly on gross margins. Sir, during the last quarter, you had highlighted that the gross margins are sustainable given the increasing share of Bangladesh; however, during 1Q the share of India was higher along with huge discounts. So can you help us understand the outlook on Bangladesh share and gross margin for FY2021?

Dilip Piramal: At the moment to say anything for FY2021 is very difficult because it all depends on each quarter. So, I would request all of you not to ask for any margins and all for FY2021 because EBITDA will change let us say if our sales are 50 Crores in a quarter and so there is no EBITDA and if the sales are 100 Crores it changes very drastically. So I cannot give any guidance at all for FY2021.

Amandeep Singh: Secondly on PPE segment can you help us understand what would be the opportunity size and initial traction of the products launch which is visor masks and face shield?

Dilip Piramal: It is very small. We will hardly be doing about 5 Crores business in a quarter. So, if you see the overall operations of the company, it is nothing, it is a small gesture, even if we are able to save make contribution of 1 Crores, 1 per month, I do not think we will do 1 Crores a month also in the beginning stages, but it will be something let us say in the whole year we earn about 5 Crores to 10 Crores we will be very happy.

Amandeep Singh: That is helpful. Sir, you have highlighted in the opening remarks that the management plans to borrow around Rs.300 Crores. Can you help us with the expected utilization of these funds given the net cash outflow and 1Q was hardly Rs.6 Crores? Also at what rate are you raising this NCD and what would be the on your cash and liquid investments currently?

Dilip Piramal: We have a new CFO who joined us in the beginning of April. So she was there in the last investor call also and I will ask Neeetu Kashiramka to answer this.



Neetu Kashiramka: Yes Sir. I will take this question. Most of the debts that we are raising is below 8% more precisely the recent NCD was raised at 7.45% and our yields are in the range of 6.5% to 7% blended, mostly we are having a carryover of 1% to 1.5%. Utilization as we mentined earlier is only 3 crore, we are actually creating a war chest as Chairman mentioned in his opening remarks today we are following a rule of whatever we collect we pay, but at some point of time we will have to clear our creditors so the assumption what we are taking is if we have to pay all our creditors immediately and we can sustain few more months without revenue. That is the war chest which he was saying.

Amandeep Singh: That is helpful. Finally, with the gradual unlocking across states, can you help us understand if you are seeing any pent-up demand, pickup across any of your product portfolio, brand and categories or what are the early trends visible?

Dilip Piramal: As I said it is very difficult to give any figures. We can make whatever assumptions we want. We have made multiple scenarios that if we sell 200 Crores in Q3 or 250 crore or maybe.....

Radhika Piramal: So, many FMCG companies are saying that they are back to growth. Some discretionary companies are saying that they are at 40% of last year's level or 70% of last year's level, please understand that the luggage is very different. Luggage is for travel and people are scared to travel. So, you can see from our revenue of Q1 we have 5% of normal. So, there is July was materially different from June; August is getting slightly better. So, there will be rolling lockdowns, rolling easing, I do not have very high expectations for Q2, Q3. As Chairman was saying like he has done some scenarios what is at 200 Crores, what is at 300 Crores, what is it at 400 Crores so what I can say at this point in time we are prepared for all the scenarios. Now let us see how the virus moves. Next question please.

Amandeep Singh: Thanks. That is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Aditya Kondawar from JST Investments. Please go ahead.

Aditya Kondawar: Thanks for the opportunity. Sir, in the opening remarks you mentioned that you plan to diversify very actively, so can you just give some colour on that please?

Dilip Piramal: We are working on a few lines, but at the moment there is nothing which I can announce. So, give us some more time , we want to do something different and long term. Like masks and all we have started, but this is a very short-term activity. We do not know how long it will last and also what is happening is the whole world is entering masks. So even though the consumption of masks is going to be very high, but everybody is making it. It is very



easy to make masks. All you need is a sewing machine to the extent that even hand sewing machines. I saw a program on television that Rastrapathi Bhavan which has about 1000 families living there, that they are starting to make masks with hand sewing machines. So mask is a very large business, but the whole country is going to make masks. I do not think that we can have very great revenues, but I mean in our context, as I said even if we make 5 Crores to 10 Crores profit, it will be a great thing. But to have something more substantial that is some business which can give us hundreds of Crores, it is going to take some time and we do not want to speculate on anything at this moment. But there are one or two activities, which we are looking. We are also thinking of increasing our lady's handbag manufacturing. At the moment, we are not manufacturing anything ourselves or in India, most of it is imported but that is one category which I think if we start making either in India or in Bangladesh, our cost of manufacturing will go down. Earlier on we have not considered that because we had so much of luggage opportunities in our plate that we did not want to diversify too much, but today the circumstances have necessitated that we get into more business activities so we have to sort of double our efforts and put in more effort in our own manufacturing so that is one category where we will definitely give a boost and even internationally that should have good opportunities plus we have one or two new lines but I cannot announce anything at this moment.

- Aditya Kondawar:** That is very helpful answer. Thanks. That is all,
- Moderator:** Thank you. The next question is from the line of Sivakumar from Unify Capital. Please go ahead.
- Sivakumar:** Thank you for the opportunity. Sir can you revisit the cost cutting measures that you have taken at your end and the employee expenses were flat on a sequential basis, any guidance on that going forward? Thank you.
- Dilip Piramal:** Why there was a flat on the sequential basis is because in the first quarter we could not really cut too much of expenses, and let us say we have to terminate some people so the onetime dues and all also was there, so that is why they were flat but broadly we have been able to cut expenses by about 35% once again I will ask Neetu to give you the details.
- Neetu Kashiramka:** It is sequentially looking flat because last year in the quarter four we had taken a reversal on director commission and performance pay for all the employees. So that is one reason why you are seeing flat employee cost sequentially, however if you look at year on year comparison it is lower by 28%.
- Sivakumar:** Okay and for this year Madam, how much will be making in terms of employee expenses?



- Neetu Kashiramka:** 35% reduction for the year.
- Sivakumar:** Right Madam. Madam what is driving other income in the topline of 18 Crores?
- Neetu Kashiramka:** Other income predominantly consist of the 15 Crores of Ind-AS reversals because of rent waivers, reduction and closure of shops and 2 Crores is the insurance claim so out of the 18 Crores 2.5 Crores is recurring balances one time.
- Sivakumar:** Right. Thank you. That is it from my side.
- Moderator:** Thank you. The next question is from the line Mr.Kumar, an individual investor. Please go ahead.
- Kumar:** Good afternoon. Madam first question is as per annual report it says that we have 2095 staff strength so if all of them was full time employees or any contract labourers are there?
- Dilip Piramal:** These are permanent staff.
- Kumar:** Sir, we had some 280 Crores worth of raw material and finished products as well as some amount to be received from our customers, and we had made some provision during Q4 FY2020 based on the current situation, is anymore provision need to be taken against these two lines?
- Dilip Piramal:** No. Whatever provisions have been taken have been taken, there is nothing more.
- Moderator:** Thank you. The next question is from the line of Jinesh Joshi from Prabhudas Lilladher. Please go ahead.
- Jinesh Joshi:** Thanks for the opportunity. I just one question on the dealer distribution side, my sense is that quite a few of our dealers and distributors might be sitting on lot of unsold inventory, so have we engaged with any of them to get a pulse of how long will it take for them to kind of liquidate the stock plus to that our primary sales can gain traction?
- Radhika Piramal:** We are very closely tracking primary and secondary sales, so the different channels have different stock levels, so modern trade always has a least stock level, so typically they keep three to four weeks versus general trade. Honestly, the general trade they are keeping higher, they might be depending on the individual dealer on average I would say they would have eight weeks of stock. So I do not believe the stock levels are very high to begin with let us say at the end of March, but then there has been almost no sale, so the general trade has same issue as the company VIP where they had a certain amount of stock which normally would have been two months cover, but then in the absence of sale that they



comes four months or something like this. So all we can do is very closely track the primary and secondary and we are focusing on secondary sales, we have offered some dealer schemes in June and July or distributor schemes more than dealer schemes to try and move out the pipeline inventory, but until there is a real demand this resumption we cannot do too much. E-commerce is going well for that is good and we have been more active as compared to in the past so that is one good thing. We do expect the general trade resumption to perhaps be little faster than the modern trade resumption simply because general trade is on the high street and modern trade is the malls and we are closely tracking market share, primary and secondary sales. This is my, overall answer to that question. Thank you.

Jinesh Joshi: Fair enough and any idea how are the unorganized players dealing with the current situation I mean are there cost structures lean enough to survive?

Dilip Piramal: How does it matter to us what the unorganized sector we are doing, we are just not concurrent with them.

Jinesh Joshi: Thank you.

Moderator: Thank you. The next question is from the line of Aditya Bapat from Equentis PMS. Please go ahead.

Aditya Bapat: Good afternoon and thanks for the opportunity. I am referring to your presentation wherein you have said that you achieved cost reduction of about 35%, so just wanted to know that how much of this, is there anything that we can bring down further in the coming quarters and once things normalized what part of this could be sustain this reduction?

Dilip Piramal: It is a very delicate thing because as you cut down, you are basically downsizing your company and the entire infrastructure you have created 30, 40 years and at this time the more particularly in the last five, six years we are closing, so we have to be careful, we have to be cautious, so if required we will cut down a little bit more if things do not sort of turn positive in the time we are expecting them to be and another question is?

Neetu Kashiramka : Sir, I will take one part of the question, what is the cost reduction sustainable, so two-third is sustainable.

Dilip Piramal: It is like this that many of these costs are absolutely variable, for example, we are running 250 exclusive retail stores of our own and now we have decided to cut down 100 out of them, my figure might be slightly varying, but that is because overall we feel that the sales level is going to come down, so we have to close the marginally weaker shops, but if you



want to increase it back through that old level, we have to increase the shops, so it is not that we can sell the same amount of what we were selling in 250 shops, we cannot sell in 150 shops, because there is a limit what these shops will sell. So it is not sustainable, but we can make some improvements in productivity. As you learn today lot of people some of the consumer goods companies their sales are 100% in fact one company I learnt, first quarter, the sales were up by 5% and they are operating from home, so much expenses is reduced, so there will be some productivity gain, but overall we cannot say that it is not sustainable that we will operate at 50% cost and add the same revenues as before. I think I have answered to that question I mean broadly speaking.

Aditya Bapat: Yes Sir, you have done that. Thank you. Just one last thing, you said that out of the 250 exclusive stores, we have cut down 100 of them, so I am just trying to understand this is a permanent closure right, not closure due to lockdown.

Neetu Kashiramka: Yes. It is permanent now.

Moderator: Thank you. The next question is from the line of Tejas Shah from Spark Capital. Please go ahead.

Tejas Shah: Thanks for the opportunity and I hope everybody at VIP is keeping safe. Sir, we understand that this is a difficult time and projecting FY2021 makes possible for anybody, but you spoke about Rs.300 Crores of war chest, so what scenario because you said that you have built different scenarios, so what scenario has we projected to arrive at this kind of number on the debt raise number?

Neetu Kashiramka: This is a very, very basic scenario, so we cannot give you the numbers per se, but worst scenario when I said that six months if this continue similar to what we have now.

Dilip Piramal: It is like this; how much can we borrow? We can borrow let say about Rs.300 Crores, nobody is going to, we cannot borrow Rs.500 Crores, Rs.600 Crores, so we have just committed figure Rs.300 Crores and now we have invested that amount and made investment, so we are going to suffer 1% to 1.5% at the most arbitrage between borrowing and lending, so we can afford that, but then gradually we hope that we do not have to, our overall borrowing does not exceed Rs.150 Crores and we are just being safe, Rs.300 Crores something which still we can manage.

Tejas Shah: Second parallely apart from COVID there is another story which has bloomed is China sourcing and thankfully VIP had an advantage versus others on Bangladesh facilities, so when things normalize how do you see the whole supply chain getting re-defined because of this?



Dilip Piramal:

Let me explain that we had reached Bangladesh sourcing at about nearly 40% to 50% of our requirements. Today that 50% is more than 100% of our requirements for the whole year means I think even in next first quarter, we will be doing approximately the same, capacities we have in Bangladesh today, I do not think we are going to exceed that, also we have good capacities in India both on our own in hard luggage and outsourcing also in soft luggage. So I feel that between Bangladesh and India now we are well equipped to cater to increasing demand and we can also, in this soft luggage creating a new factories for us does not take us long, because now we are so well established in Bangladesh which is a very difficult place to operate in, but today after eight years we gotour act together, so we can setup a new factory within four, five months, six months and virtually that was the original plan that we had a factory to make factory, but every year we should make two factories, each unit of a particular size, so if the demand increases let say including international demand, we are in a position to ramp up our capacities very fast, so that way I think we are well equipped to deal with increasing sales, we do not have to depend on China more or less for our products.

Tejas Shah:

Other dimension of this development is that unorganized is to depend heavily on China alone, so does it basically competitive landscape does it improve our standing whenever market actually normalizes?

Dilip Piramal:

Absolutely, very much. The main problem is not unorganized sector and let me explain that to you. Ever since we started importing from China, the country started imports of consumer goods, the entire unorganized sector which was the small scale sector earlier on in the 1990s. The unorganized which was the small scale sector which has been very badly hit, because prior to the year 2000 they were tax evading depending on all others given by the government and preventing large scale company from getting into these areas, because for us the labour cost was very, very high, our labour was very unionized and the unorganized sector remained very small. When imports have been allowed from China, we were all sort of got a level playing field. I could import from China at the same price as what the unorganized sector would in fact my prices were better, because my volumes are more, so that has made a very big change in the entire Indian economy, so we are not much affected by the unorganized sector. In fact GST further made a very big difference, our margins had gone up by 5% to 6% after the imposition of GST, because unorganized sector which was not paying GST at all, had to now pay GST even if they did not paid on the finished product, so the input cost had the GST, when we pay GST at 18%, we get a set off of about half of that which if somebody does not pay at the final level at least they have to pay that input cost, they do not get the credit.



Tejas Shah: Thanks for the detailed explanation Sir. Another on CSD channel at least you expected that channel to revive the faster because they are doing their work normally, so any update on that?

Dilip Piramal: I think 30%, 40% of our sales is coming from the CSD, am I right?

Radhika Piramal: Yes, I will say that definitely most valued customer, one was CSD, CSD demand itself at the canteen level, so they are reporting and there was news report just today I think that footfalls around 50% of normal. So we are getting some demand from CSD, but it is 50% of normal.

Tejas Shah: Radhika last call you said that this whole Atmanirbhar thing was only in parametric canteens and not in CSD at large, but now we are picking up from media that they are also emphasizing on domestic sourcing and domestic brands, so any update on that whether that has come to CSD also?

Radhika Piramal: Nothing has come formally, but we are well prepared for it, because we have always had our own manufacturing in hard luggage in India and soft luggage we have third party vendors in India also, so for us there is no problem to supply all of CSD from India and all other channels from Bangladesh.

Tejas Shah: That is all from my side. Thanks and all the best in these difficult times.

Moderator: Thank you. The next question is from the line of Amnish Aggarwal from Prabhudas Lilladher. Please go ahead.

Amnish Aggarwal: I have a couple of questions. One being on the distribution like you said that there are 250 exclusive retail stores and 100 of them will be closed down, so the stores which we are closing down, are they more on the high street or malls that is one part of it and secondly from the long-term distribution viewpoint looking at the way changes have happened assuming normalcy comes in six months down the line, do you think you need to make any change in the strategy over the medium term as far as the distribution plan is concerned?

Dilip Piramal: Let me say that there will be some changes, there is definitely a shift towards e-com usually happening even otherwise even prior to COVID e-com was the fastest growing channel and I think this trend will get more accentuated, it is already getting accentuated and there will be some changes in fact I would say that in the last 20 years, the biggest change in our business has come on the retailing, the retailing scenario has changed there drastically, manufacturing has remained more or less the same, products also have been same so much,



but the retailing, the channels have changed and that is the evolving situation and we are well both preemptively, proactively and reactively, we are very well doing this all the time.

Amnish Aggarwal: Probably on closing run of these 100 stores on an annual basis, how much would we be saving?

Dilip Piramal: I cannot give you so many details, but these stores are doing hardly about 10% of our overall business, this is a very small part of our overall sales.

Moderator: Thank you. The next question is from the line of Riddhima Chandak from Roha Asset Managers. Please go ahead.

Riddhima Chandak: Good evening Sir. Thank you for the opportunity. Just industry wide question, in the past recent years, the luggage industry is going at a CAGR of almost 18% to 20%, but due to this COVID all this industry is put on halt, but going forward what are our views in this, how it would grow in the next three to five years?

Dilip Piramal: Madam, it is very difficult to say anything at this time. We only hope that we will reach pre-COVID levels in 2021-2022. If we do that, we will be very happy and then hopefully thing will become normal and will grow at 10% to 15%.

Riddhima Chandak: Okay and just clarification that out of a total stock, how much it is import from Bangladesh and how much is India sourcing and how much is in-house manufacturing?

Dilip Piramal: Current stocks are mix of Bangladesh production, in-house manufacturing and China purchases. 50% is Bangladesh, 20% is India manufactured and 30% is procured from China.

Riddhima Chandak: I actually asked this question because is there, is any gross margin difference in the traded goods and manufactured goods?

Neetu Kashiramka: Yes, there is a difference.

Riddhima Chandak: How much it is?

Riddhima Chandak: No, actually I was asking how much is the gross margin?

Dilip Piramal: It varies from product to product and all that. We cannot fine tune so much and there is no fixed answer for that, so you have to go on the overall averages, I think for your purposes, overall averages are good and it is very difficult to what product from which source, it is not so easy.



- Riddhima Chandak:** No problem, before COVID, what was the rural and urban contribution Tier II, Tier III cities in terms of revenue?
- Dilip Piramal:** Tier II and Tier III is not the rural please get your thing correctly, do not mix, Tier II and Tier III is urban, rural is very different.
- Riddhima Chandak:** Okay, so contribution is from urban and rural?
- Dilip Piramal:** We are not there in the rural sector at all, we are only in urban.
- Moderator:** Thank you. The next question is from the line of Mihir Manohar from CapGrow Capital Advisors. Please go ahead.
- Mihir Manohar:** Thanks for taking my question. I wanted to understand what is our monthly cash burn as of now.
- Dilip Piramal:** Monthly cash burn you mean the loss or cash burn is nothing at the moment so far we are equal inflow and outflow is the same, but now we will have some cash burn, but once we get Rs.40 Crores of insurance then that will be one time receipt.
- Mihir Manohar:** I am excluding that there were debtors as on March 2020 which have been realized that from now here on sales have been realized suppressed in the first quarter of FY2021, so just wanted to understand what is our monthly loss number?
- Neetu Kashiramka:** Loss you can see from the results, but as of now cash burn is hardly anything.
- Mihir Manohar:** You said it was in Rs.300 Crores just to confirm and understand?
- Neetu Kashiramka:** Rs.300 Crores I said if it continues to have no revenue for the next six months and we have to pay our creditor immediately than we need Rs.300 Crores that is why we have created a war chest not that tomorrow I will go and pay everybody and spend this. We still have debtors of Rs.190 Crores as on July 1, 2020.
- Mihir Manohar:** Debtors of Rs.190 Crores as of July 1, 2020?
- Neetu Kashiramka:** Yes.
- Mihir Manohar:** Understood and you said this closing down of 100 stores, so as the full cost advantage come into first quarter or any more cost advantage will come in second quarter regarding the COVID is suppressed?



Neetu Kashiramka: It has come because it is Ind-AS 116, so we have already given the impact that is where it is coming from.

Mihir Manohar: So the full closure cost advantages come in this quarter?

Neetu Kashiramka: 80% has come.

Mihir Manohar: Thanks.

Moderator: Thank you. The next question is from the line of Sunil Shah from Turtle Star PMS. Please go ahead.

Sunil Shah: This is our real challenging times and nobody has a clue on when the demand will come up, but this pandemic also provided to do lot of introspection, we have been growing at a phenomenal pace, but this was really a time when people slowed down, so what could be the key takeaways of your internal introspection or your thoughts or something in the past, we could have done something which were not happy with if I could get some understanding on your- some take away from that side.

Dilip Piramal: You are asking a very philosophical question I think let us stick to the business.

Sunil Shah: Again on the business kind itself, something that we are not happy with anything which can be meaningful for us that some actions in what kind of try to prevent it in the future?

Dilip Piramal: Give me one example.

Sunil Shah: The way in which we gone for outsourcing, overseas or Bangladesh on those lines, so those are great decision, any such thing which is meaningful for us?

Dilip Piramal: Nothing has occurred to me. I do not know. Radhika!

Radhika Piramal: I will just add that, I will say that as promoters we have always had a focus on cash management, but I think this pandemic has got back the focus of cash management versus the P&L to all the professionals and the senior employees and executive team. Earlier they were not so focussed on that. That is the one difference I have seen. Obviously the focus on cost I would say there was a fair amount of resistance from the management staff in the beginning, we realized that this is the only way for the company to move forward, so I would say this overall sort of philosophy or focus on cost and focus on cash which earlier typically only the promoters had and employees did not have so much that has become more balance and hopefully so that we can keep that in the future as well



- Dilip Piramal:** I will let me tell you, when you are growing well, you have to spend on development, you have to take risks, not everything is going to give you return but if you do not do it that is the essence of business, risk taking. Like so many times, in the first four years of Bangladesh we wanted to close down that factory and we are making losses, but the fundamental thinking was correct. Business essentially is risk taking. People forget that and you can do that much better when you are making money that is the time you can spend money and when things are very bad now today we have to plan for the worst like we are planning for survival that is another extreme, we have to be ready, so we have to change, we have to react to the times also.
- Sunil Shah:** Thank you very much and all the best for the future.
- Moderator:** Thank you. The next question is from the line of Amandeep Singh from Ambit Capital. Please go ahead.
- Amandeep Singh:** Just a followup question. You mentioned one of the previous participants that e-commerce has been the fastest growing channel over the last few years in that context can you help us understand what initiatives has been taken over the last 6 to 12 months specifically for the e-commerce channel?
- Radhika Piramal:** They are very specific and operational, for example, one example can be earlier we were not participating in Flipkarts flex model and now we are starting to, let us say there is the balance of power between Amazon, Flipkart and the brand, earlier we would go with one approach all the time there are different, we have been more flexible to our customers and also we are investing in our own employee team, so let us say earlier if e-commerce is 5% team now it can be 10% team because this is where we see the future, so these are all operational examples of what I mean. Plus also in terms of advertising spend and you know we have cut it down a lot, two years ago it was 80% above the line and 20% digital, now those ratios will change in the future. Thank you.
- Amandeep Singh:** That is helpful. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Meet Chokhani from Bhakti Consultancy. Please go ahead.
- Meet Chokhani:** Thanks for the opportunity. Is launching the mask more of a keeping the brand alive and reaching the OEMs which we have not reached before or is it more of adding more revenues, just want to know thought process behind?
- Radhika Piramal:** Both are very desirable at this time.



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Meet Chokhani: Thank you.

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

Prerna Jhunjhunwala: Actually my questions have been answered. Thank you.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Ms. Shradha Sheth for closing comments.

Shradha Sheth: Thank you to the VIP management for giving us this opportunity to host the call. Sir, one just question from my side and probably this could be your closing comments as well. If you could just give a way ahead for the industry, a year half to down the line, we had also hosted one of the airline ministry and after a very tough year, they were indicating like a good double-digit kind of a growth next year after a very major decline this year, so if you could also give some colour how are we seeing two years down the line?

Dilip Piramal: Radhika, you want to answer that.

Radhika Piramal: I wish I could, there was one joke I heard on Whatsapp where somebody asked the doctor when will COVID end and the doctor replies I do not know, I am not a journalist, so Shradha, I wish I could answer your question, but the truth is I can tell you the proxies we should look for to meet the demand for our company, so we can look at domestic air passenger traffic I think there will be excellent proxy. We can look at mall openings and closures and footfall in malls that can be a second proxy and thirdly of course the days have actually will boom again and people are setup or staying at home definitely and they would be excited to travel as soon as they feel safe and come with the vaccine, so let us look forward for this..

Shradha Sheth: We thank the management for giving us the opportunity to host the call.

Moderator: Thank you. On behalf of Edelweiss Securities that concludes today's conference call. Thank you for joining us and you may now disconnect your lines.