



“VIP Industries Limited
Q3 FY2021 Earnings Conference Call”

February 04, 2021



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Moderator: Ladies and gentlemen good day and welcome to the VIP Industries Limited Q3 FY2021 Earnings 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 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. Shradha Sheth from Edelweiss Securities Limited. Thank you and over to you Madam!

Shradha Sheth: Thanks, Faizan. On behalf of Edelweiss, let me welcome you all to the Q3 FY2021 earnings call of VIP Industries. From the management today, we have Ms. Radhika Piramal, the Executive Vice Chairman, Mr. Anindya Dutta – the Managing Director and Ms. Neetu Kashiramka – the CFO. So without any further ado I will hand over the call to Ms. Piramal for her initial comments post which we will open the floor for Q&A. Thank you and over to you madam.

Radhika Piramal: Thank you Shradha. Welcome everybody, good afternoon, thank you for attending this call. I will say there are two ways into get Q3 the kind of glass is full or the glass is empty so on the concerning side certainly our sales are nowhere close to what the normal level is and as a result we continue to make losses.

As said that on the positive side, I will say that October, November, December was obviously a much better trend line and a positive trend compared to April through September and we see the positive trend continuing. So certainly we are well below our potential, but we are pleasantly pleased with the uptick in demand and obviously we look forward to a much better year in next year.

The other thing which is very positive is we have an extremely strong professional management team in place now, Mr. Anindya Dutta was appointed the MD on the February 1, 2021. It will be my pleasure to introduce him briefly in this call today. He will not be participating much since he has only joined the company two days ago, but you will hear much more from him in the quarters ahead. In the meanwhile I would like to now handover to Ms. Neetu Kashiramka, our CFO. She is also relatively new to the company and will be taking a much more leading role along with Anindya Dutta in the months to come forward and she will be leading our investor relations for the month and years ahead. So with that over to you, Neetu. Thank you.

Neetu Kashiramka: Thanks Radhika. Good afternoon everyone. Thanks for taking out time and joining the call. Before I actually start talking about numbers, I would like to reiterate the same point which Radhika just mentioned that yes operations are affected due to pandemic and luggage industry is linked to travel and therefore it takes time to revive.



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Our revenues are going in line with the domestic air traffic. beginning of quarter three we saw demand pickup as we entered the festive season and demand seems to be improving further so we are hopeful that quarter one of next year will be better than this mainly because of three reasons one schools will open, a lot of marriages which could not happen during the last full year will happen now and lot of people waiting to travel.

During quarter three our income from operation was at 243 Crores against 108 Crores of quarter two sequentially. Loss was at 7 Crores as against the 35 Crores of loss in the sequential quarter. Important to note that if you see quarter-on-quarter performance so first quarter we did a 7% revenue, second quarter we were at 25% of the pre-COVID level and now we are at 56%. So yes trend line seems to be better and we understand that it is not close to the 19, 20 levels, but yes I think we will reach there soon.

Let me also brief you about our current borrowing status so our current borrowing is at 150 Crores however net debt is 0. We are having a cash balance of 207 Crores which means that we have 57 Crores of surplus accumulated during this nine months. A little update on Bangladesh operations, so Bangladesh production has started in full swing and this quarter we did a 27 Crores revenue with a 1 Crore of loss.

That is it and I now open the floor for questions.

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

Tejas Shah: Just couple of questions from my side. First on gross margin so we had a very sharp sequential recovery but gross margin did not move in, in tandem so is it largely driven by price correction or is it under absorption of cost which is I think gross margin sequentially and YoY we can understand that why sequentially it is not showing that delta.

Neetu Kashiramka: So sequentially if you see the gross margin is almost inline and in our earlier quarter calls also we mentioned that this year it will be in this range only. Two reasons one there are pricing discount going on in the market, second currently whatever goods we are selling it is not from Bangladesh and those are the actually two reasons it is not because of under absorption.

Moderator: Thank you. The current participant has left the question queue. We will move to the next question, from the line of Rupin Shah from InCred AMC. Please go ahead.

Rupin Shah: Congrats on a smart sequential recovery. It is a follow-up on the previous question why the gross margin is flat sequentially and so what the basis of that is and when can we see the



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same EBITDA margin as FY2020, in FY2022 or FY2023 so just wanted to understand the gross margin.

Neetu Kashiramka: The gross margin again same thing there are more price discounts in the market and the second whatever currently we are selling this is not fully from Bangladesh it is a mix of Bangladesh and China and the EBITDA margins to reach that level I think it will be FY2023.

Rupin Shah: And just wanted to understand the user industry profile as well like so this is a pent-up demand which is coming in sharply in this third Q or where the demand is coming from like in absence of the international travel and the limited travel domestically so like just wanted to understand the pockets like marriage or the offices are opening and what is the outlook in the improvement in the user industry.

Neetu Kashiramka: Radhika you would like to take this question.

Radhika Piramal: Yes I can take, can you repeat the question please.

Rupin Shah: Yes, so I wanted to understand the user industry profile so is it the pent-up demand which is coming in third Q after a sluggish 1Q and 2Q and from where the exhibited demand is coming like it is a like pent-up demand from the marriage season or the offices are opening up so I just wanted to understand that particular thing and the outlook in improvement in the user industry.

Radhika Piramal: So there are three drivers for our business the first is domestic air traffic, the second is the wedding market and the third is the gifting market so all three. So in October, November, December they were half of what they were in the previous year and from our revenues, in addition we have some gifting and wedding markets and as the wedding certainly happen in Q3 and Q1 also looks to be a good in terms of where a good number of base and gifting has slowly started .Thank you.

Rupin Shah: Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Shanti Patel from Shanti Patel Investment Advisors. Please go ahead.

Shanti Patel: We are missing our chairman today why he is not there that is the first question. Question number two what you think about the trend in sales and the trend in the cost resulting in the next quarter profit or loss for the company. That is all.



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- Radhika Piramal:** Thank you for your question. Chairman could not attend today because he trusts Neetu and Anindya and myself to take forward these conversions as per your question about the sales and the cost. Neetu may I request you to answer that please.
- Neetu Kashiramka:** Yes, exact guidance I cannot give but what we can say that sequentially the way we are growing from 7 to 25 to 56 it is definitely going to be better than 56 and same way the margin profile as well, but quarter one definitely looks better because of three reasons which we said marriages, school opening and leisure travel also coming up.
- Shanti Patel:** Sorry I mean we do not feel bad about our Chairman because he is very polite and very shareholder friendly so we wanted to that is the only reason no other reasons.
- Radhika Piramal:** So we appreciate that.
- Shanti Patel:** Thank you.
- Moderator:** Thank you. The next question is from the line of Bhargav Buddhadev from Kotak Mutual Fund. Please go ahead.
- Bhargav Buddhadev:** My first question is on inventory, just wanted to have a sense in terms of what is the carrying old stock inventory that we have still carrying on, on our balance sheet.
- Radhika Piramal:** So overall inventories in the range of 300 Crores which is a mix of old as well as new. So inventories are getting cleared in fact now all our factories both Bangladesh and Nasik are running full-fledged getting ready for quarter one.
- Bhargav Buddhadev:** My second question is on the employee cost I believe that the salary cuts have been restated from January, so essentially just wanted to have a sense in terms of next year what could be the run rate on a per quarter basis on employee cost that we can expect.
- Neetu Kashiramka:** So what I can tell you is our overall fixed cost which use to be 40 Crores per month is currently at Rs. 25 and this will be sustainable so 25 Crores is going to be the run rate of fixed cost going forward as well.
- Bhargav Buddhadev:** So does that mean that the employee cost may not significantly increase from this 30 Crores run rate which is the quarterly run rate.
- Neetu Kashiramka:** It will definitely increase from where we are but not equivalent to what it used to be in 2019-2020 so 50% of reduction will come back.
- Bhargav Buddhadev:** Okay so the 30 Crores can go to maximum 40 odd Crores per quarter is that correct.



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- Neetu Kashiramka:** It will be in the range of Rs. 40 to 45 crore.
- Bhargav Buddhadev:** And my last question is that what has been the operating cash flow generation so far in the nine months and is it fair to say that this entire cash flow generation would be funding or losses so far in the nine months.
- Neetu Kashiramka:** Yes absolutely right so if you see at a PBT level we have made a 100 Crores of loss 97 to be more précised and we have generated 105 Crores from working capital.
- Bhargav Buddhadev:** Okay for nine months.
- Radhika Piramal:** Yes.
- Bhargav Buddhadev:** And just one last question on the Bangladesh operation so is it fair to say that from next year majority of our sourcing will be from Bangladesh and resultantly in terms of procurement cost we can sort of see a high benefit.
- Radhika Piramal:** Yes you are right.
- Bhargav Buddhadev:** Is it possible to quantify or very difficult to quantify that.
- Radhika Piramal:** Difficult to quantify at this stage also raw material prices of most of the raw materials are also on the uptake so how much will be able to cost on and will also be it will all depend on the competitive intensity as we move along.
- Bhargav Buddhadev:** But in terms of gross margins we are historically done about 50%, 50% to 55% has been our gross margin range so is it fair to say there can be sort of an improvement post the sourcing from Bangladesh or you believe that you will pass on the savings from Bangladesh.
- Neetu Kashiramka:** So it will depend on the competitive intensity what I can say is in the current year if the gross margin is at 40 next year it will range between 45% and 50% before it reaches its pre-COVID level.
- Bhargav Buddhadev:** Okay madam thank you very much.
- Moderator:** Thank you. The next question is from the line of Karan Khanna from Ambit Capital. Please go ahead.
- Karan Khanna:** Firstly we have been hearing about a lot of supply chain issues with respect to sourcing from China with the vendors in China demanding a proportion of payment and advance also



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we understand that this has resulted in shortage of luggage inventory across channels in that context can you help us understand this VIP I think facing similar supply chain issues or the impact would be relatively low given the optionality are sourcing from Bangladesh.

Radhika Piramal: So challenges are there but since we have already almost moved out of China we are fully dependent on Bangladesh now. So only raw material which has to come from China to Bangladesh, but still it is relatively better than that buying /sourcing FG directly from Bangladesh.

Karan Khanna: And secondly if Anindya if you could take this given your experience of the international markets in the past will it be fair to assume that VIP will be looking to boost its efforts on marketing or making exports a larger chunk of the revenue as this will got you have been highlighting in the past or can you help us understand what would be the two or three key initiatives that you will be focusing on over the next six to 12 months.

Radhika Piramal: Let me take this answer Karan thank you for directing your question to Anindya as I said today he is on his third day on the job so let us wait a quarter before posing him questions directly, definitely as you heard chairman say in many times before that VIP Industries has an opportunity to expand into international markets our international revenues have been very weak in the last five years and I am sure that Anindya's rich experience in this field will help us in that endeavor. Thank you.

Karan Khanna: And just a last question on backpacks whether offices etc., starting to open up can you help us with your thoughts on the overall recovery expectation for this segment as the channel is still holding last year's inventory.

Radhika Piramal: Yes so I will take this one and then Neetu back to you for the next. We do have a lot of backpacks inventory it is a there as a mixture of school bag and backpacks and colleges and schools are opening in different ways with a different states so it is really difficult for us to comment right now but we are hoping for a good upswing in backpack and school bag demand as schools has started opening and will continue open across all grades, standards and states.

Karan Khanna: Great, thank you and all the best.

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

Tejas Shah: Sorry I got disconnected earlier, I believe you answered the question on gross margin but I heard you on another question answering the same so I was just wondering when we are very sure of controlling cost and even if demand has to revert back to normalcy in next year



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margins will be gross margins will take time longer than that is it largely because of competitive pressure or because of inventory that we are carrying in the system today.

Neetu Kashiramka: I think it will be because of the competitive intensity. Because everybody is sitting on huge inventory, so scale up will happen quarter wise. I think it will improve but going straight away from 40 to 50 might be a challenge. So it will go up gradually.

Tejas Shah: But madam we have one advantage versus competition that we have a captive unit in Bangladesh so as the throughput comes through does not absorption rate of ours should be better than competition and then...

Neetu Kashiramka: That is what I said sequentially it will go to its original but it will grow sequentially it will not happen over a night or within one quarter.

Tejas Shah: And any requirement to provide for a hard debt inventory if any in the system today.

Neetu Kashiramka: Not some, we have been doing that over the period so there is nothing which will surprise anywhere.

Tejas Shah: And lastly on insurance claim that we had made any update on that it has been almost 18 months I believe, know.

Neetu Kashiramka: Yes I understand so as of now yes we are seeing some improvement but I cannot commit date because still not closure to closing so I think maybe next quarter I should be able to answer this more prominently.

Tejas Shah: Thanks and all the best.

Moderator: Thank you. The next question is from the line of Pritesh Cheddha from Lucky Investment. Please go ahead.

Pritesh Cheddha: Madam last quarter we have highlighted about 100 Crores of cost which you would optimize in the subsequent year I think you answered to one of the question that the fixed cost will be down by about 15 Crores a quarter so that comes to about 60 and now the 40 will come from employee that is how that 100 Crores number is.

Neetu Kashiramka: Savings of Rs. 15 crore is per month, so this year we have saved close to 180 Crores 50% of that will come back and 50% will be permanent savings.



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Pritesh Cheddha: And so that is how because the fixed cost will be cut by about 100 Crores and correspondingly about 10% lower gross margin expectation is where we are saying that the EBITDA margins will be back to normal in FY2023 is how we are putting the argument.

Neetu Kashiramka: Yes you are perfectly right.

Pritesh Cheddha: The fixed cost cutting is all retail driven or it is to do with the operations of the company.

Neetu Kashiramka: It is a mix of all so basically we have said earlier also - for example in the management staff a particular job was done by five people we have done some automation whereby going forward it will be done by three people and so on and there is also a reduction in the field staff since that is something which will come back so the number of promoters on the field whereas in the management staff whatever cut we have done will be sustainable.

Pritesh Cheddha: And should we assume that you will not get into a retail operation built up for some quarters or couple of years.

Radhika Piramal: it all depends on how the market demand revival happens so immediately if you ask me in next quarter am I going to put up more ideas no it will all depend on how the market sentiments are and the consumer behavior also like today lot of people are buying online whether they will go out and buy again if all these will depend on that but I do not think it is going to be an immediate 2 or 3 quarters.

Pritesh Cheddha: And lastly your best case would you get a guess is that quarter one next year we would be back to pre-COVID that is how we are putting it.

Radhika Piramal: I did not say that I said it looks like it will be much better than current situation that is what still we are getting.

Pritesh Cheddha: Okay thank you madam all the best.

Moderator: Thank you. The next question is from the line of Ankit Kanodia from Smart Sync Services. Please go ahead.

Ankit Kanodia: Good to see some growth coming back quarter-on-quarter first of all I wanted to appreciate the fact that we have been now sharing a lot of information on your presentation is it possible to have more information in terms of the revenue breakup and the channel breakup, etc.

Radhika Piramal: Let us see internally we will discuss and decide. So as you said we have already started sharing enough so...



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- Ankit Kanodia:** So for this quarter can we have any ballpark breakup of which channel is doing well and how are you doing in terms of the difference.
- Radhika Piramal:** So I guess now the GT is slower than the other channels so general trade is slower than the other channel all the other channels are almost inline.
- Ankit Kanodia:** What about the ecommerce.
- Radhika Piramal:** Ecommerce is doing well for us.
- Ankit Kanodia:** Is it fair to assume it is more than 20 now.
- Radhika Piramal:** Yes.
- Ankit Kanodia:** And do we expect it to go higher going forward.
- Radhika Piramal:** May not be because GT will come back right.
- Ankit Kanodia:** And if we get to the normalize demand which was there say sometime in FY2018/2019 so is our Bangladesh capacity enough to take care of that demand again we will have to call back to other sources.
- Radhika Piramal:** So internally as of now we have decided that Bangladesh will be able to take care so Bangladesh and Nasik and CSD with some third party with that we should be able to manage the revenues of 2018/2019 levels.
- Ankit Kanodia:** And suppose if we get some pent-up demand and is it how quickly or how much time consuming it would be to expand our capacity in Bangladesh if you would want to.
- Neetu Kashiramka:** It should be 3 to 6 months period time.
- Ankit Kanodia:** And any ballpark figure and in terms of Capex required for that.
- Neetu Kashiramka:** Not too huge it will be able to do with our internal accruals.
- Ankit Kanodia:** Okay thank you madam thank you so much.
- Moderator:** Thank you. The next question is from the line of Jaspreet Singh Arora from Equentis PMS. Please go ahead.
- Jaspreet Singh Arora:** The impact in 3Q on gross margin you mentioned the high discounts and higher sourcing from non-Bangladesh or do you think a good part of it could be arrested starting 4Q itself.



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- Neetu Kashiramka:** Yes.
- Jaspreet Singh Arora:** Okay thanks and almost entirely in the next financial year as you mentioned earlier.
- Neetu Kashiramka:** Sequentially so exit quarter might be better and not the first.
- Jaspreet Singh Arora:** And the other question was on ecommerce I think it does almost 25% plus contribution you mentioned that it is in that range and...
- Neetu Kashiramka:** Yes but on a steady basis when general trade improves so we also mentioned that it will be in the range of 20%.
- Jaspreet Singh Arora:** And just lastly amongst the endues activity so domestic a travel gifting wedding and schools I believe schools is the only one which is kind of still be most impacted and again...
- Radhika Piramal:** Luggage behind yes it is again...
- Jaspreet Singh Arora:** And will be, will it open up only maybe staggered manner and because of the sensitivity involve so how much of our revenues would be link to the school sector ballpark.
- Neetu Kashiramka:** I do not think I can share this, so overall we are saying sequentially we are doing well and we are hopeful that next session will definitely start so the quarter one when all the schools has to start for the next year I think we are hopeful the way in India the numbers are coming up it showing us tremendous improvement and my sense schools are starting this week, my son has gone this full week to school after March 2020.
- Jaspreet Singh Arora:** So the backpacks would be for office school and leisure is that how it is divided and that is where the school.
- Radhika Piramal:** Yes, but a bulk of it is actually school.
- Jaspreet Singh Arora:** Okay bulk of backpack is school.
- Radhika Piramal:** Yes.
- Jaspreet Singh Arora:** Alright fine and thank you so much and all the best.
- Moderator:** Thank you. The next question is from the line of Atul Mehra from Motilal Oswal Asset Management. Please go ahead.



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- Atul Mehra:** Madam just one question on given the environment for the trade has not been very good and we heard of some of the shops shutting down as well. So would you like to talk a little bit about what has been the receivable position and is there any risk to any of the receivables and any provisions would have made around that line. Thank you.
- Neetu Kashiramka:** Our receivables have been very good in fact almost half of what it used to be in the past that is also because the revenue is less but there is no risk baring Big Bazaar which outstanding still remains otherwise we have received all our outstanding dues.
- Atul Mehra:** And madam what would be the approximate amount outstanding in Big Bazaar.
- Neetu Kashiramka:** Close to 35 stores.
- Atul Mehra:** And we have already provided for it in the books or how is it like.
- Neetu Kashiramka:** No we are hopeful of receiving we have started receiving it, starting January.
- Atul Mehra:** And in terms of the risk here how do we assess the kind of risk because like there is a thought process which says that if the new owner comes in, he may or may not be willing to repay the old creditors.
- Neetu Kashiramka:** We have received a letter that they will pay us in full.
- Atul Mehra:** And just one final question madam on this side the provision line item that we have in other expenses is 8 Crores for the nine months so what exactly is that provision.
- Neetu Kashiramka:** So it is basically something on inventories and something on debtors, so it is a provision which we are carrying as of now as charge in this nine months.
- Atul Mehra:** Great thanks and wish you all the best thank you.
- Moderator:** Thank you. The next question is from the line of Harsh Shah from Dimensional Securities. Please go ahead.
- Harsh Shah:** I just wanted to understand the raw material basket price... just Wanted to get a sense on how the raw material price basket has moved sequentially.
- Neetu Kashiramka:** Some of the prices are almost double now.
- Harsh Shah:** Sequentially.



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- Neetu Kashiramka:** Sequentially I would say over nine months yes from last quarter to now also it is 60% to 70% increase. So that may not be fully sustainable, it should come down.
- Harsh Shah:** Earlier you were referring that the competitive intensity is there and everyone is sitting with high inventory so you expect to take the hit in your books over next say couple of quarters.
- Neetu Kashiramka:** So current we have gross margin is in this range I said sequentially it should start improving from Q1 of next year onwards.
- Harsh Shah:** Okay so from here on even after the increase in raw material price you might see some improvement in the gross margins.
- Neetu Kashiramka:** Yes.
- Harsh Shah:** Okay that is great and another question so pardon my ignorance since we have just to be added to track the company so do we share how much EBITDA margin do you make on your Bangladesh production vis-à-vis your Indian production I mean the differential...
- Neetu Kashiramka:** Exactly we do not share that way but Bangladesh costs are lower by 15% as compared China cost.
- Harsh Shah:** And so after the tax cut was announced in September 2019 does Bangladesh still remain attractive compared to Indian production or going ahead you might think of...
- Neetu Kashiramka:** No Bangladesh activity cost is very competitive so manufacturing cost is very competitive.
- Harsh Shah:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Samir Gupta from IIFL Securities. Please go ahead.
- Samir Gupta:** Just one actually so you mentioned that the sales recovery is closely tracking the traffic domestic growth so just I was wondering because in other sectors we are seeing quite a good shift from unbranded to branded for a lot of big brands but that element is not playing out for you guys obviously I am not saying that it would be 100% of pre-COVID but still I would have expected to be a little higher than a traffic growth because there would be some element of unbranded to branded or how is it playing out do we not really play in that economy margin segments your thoughts.
- Neetu Kashiramka:** So Radhika you would like to take this question.



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Radhika Piramal: Yes, sure. What you are saying is you are disappointed with our revenues even I am little bit disappointed with our revenues so let us see I feel confident that our supply chain position will improve our supplies will improve our inventory mix would improve between all the new inventories because I agree with you that the demand is beyond just what the domestic has happened just to with it so it is a little bit depends on how the management team is able to improve our supplies from Bangladesh to India because there is still a hard border to cross it is still an international and borrow for the materials and the goods to move it has not been a smoothest and there is still raw materials to purchase on China to Bangladesh so to answer your question yes there is no demand and should we improve our supply chain and inventory position we look forward to a better quarters ahead.

Samir Gupta: Just a follow-up Radhika thanks for the detailed answer just a follow-up so that would essentially mean that we have actually loss share to the other branded players in the luggage industry.

Radhika Piramal: No I do not know why you are saying that we do not know yet, because we do not know the other branded players figures so I do not know right now. I do not know what the branded growth is I do not know what the unbranded growth is and therefore I do not know our sort of growth resumption and let me now call it growth stands income by the others so it is difficult for me to comment on market share what I am saying is that we have some issues in our supply chain.

Samir Gupta: Got it thanks for the detailed answer. Thank you.

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

Aditya Bapat: My question is little bit long-term in nature I think what I want to know is assuming that a lot of corporate travel would now not happen even post the pandemic I mean not happened or it will be done maybe online or something like that is there a permanent dent or rather what is the kind of permanent dent you see to your revenues going ahead.

Radhika Piramal: Let me answer that actually I am not so concerned about that it is true that corporate is going to go down and in fact in terms of how the overheads we have also budgeted much less for travels and we would have pre-COVID. So there is a cost saving from our side in terms of the sales and the demand there are so many different types of demand we are not catering to so I think there are a number of consumer segments we could target to make up for this loss but that is something that I think we should wait three months or six months I am we have to comment on I can just give you some examples for example definitely international customers although corporate travel maybe down institutional sales that is corporate gifting sales continue to be up as companies give schemes to encourage the trade



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partners for the season ahead etc., etc. So India and the world is such a large market but I do not think the reduction in corporate travel will negatively affect our revenues there are many other customers we could target in time and then India will comment more on that three to six months down the line. Thank you.

- Aditya Bapat:** Thank you that is it from my side.
- Moderator:** Thank you. The next question is from the line of Hardik Sheth from Epiq Advisors. Please go ahead.
- Hardik Sheth:** My question is more around how has your recovery then versus the other organized players in the space like Safari Industries.
- Radhika Piramal:** I think we can comment after seeing their results. Thank you.
- Moderator:** Mr. Sheth is that answer your question.
- Hardik Sheth:** Yes thank you.
- Moderator:** Thank you. The next question is from the line of Mihir Manohar from CapitalGrow Capital. Please go ahead.
- Mihir Manohar:** Just one question from my side if you can give a slightly more granular details since in terms of the perpetual cost savings that we are targeting or roughly 90 Crores of perpetual cost savings if you can give slightly more granular details. Thank you.
- Radhika Piramal:** So in our presentation actually we have shared an expense chart already which shows how the savings is happening it clearly explained.
- Mihir Manohar:** Thank you.
- Moderator:** Thank you. The next question is a follow-up question from the line of Ankit Kanodia from Smart Sync Services. Please go ahead.
- Ankit Kanodia:** As I see in your presentation the buoyancy has actually come down in the quarter three and our recoveries have been inductions our collections have been improved quarterly so do we see this trend going forward and expect the borrowings to come down even further going ahead given that the worst of COVID is over.
- Neetu Kashiramka:** Yes and this borrowing were a long-term which is maturing in July and august and we intent to repay this fully.



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- Ankit Kanodia:** Yes so the Chinese vendors can we expect this Chinese vendors amount going down going forward compared to the current fiscal.
- Neetu Kashiramka:** It will be almost negligible.
- Ankit Kanodia:** So these were all I think six months old payment which you were making.
- Neetu Kashiramka:** These were all March outstanding which we cleared now.
- Ankit Kanodia:** Okay March outstanding which we cleared okay thank you that is all. Thank you.
- Moderator:** Thank you. The next question is from the line of Kunal Patel from Equilligence Capital Advisors. Please go ahead.
- Kunal Patel:** Sir just one question from my side so if you can just talk about your listings in network how many dealers you have added in last three quarters also if there is any change in your distribution for dealer commission that you have taken in last eight, nine months and how sustainable it would be.
- Radhika Piramal:** Yes, I will answer that. We have certainly not added any dealers in the last nine months, the general trade would have had enough stocks in April, last March, April and then no sales for almost six months so certainly we have not added any new customers if anything our network would have shrunk a bit and we look forward to be opening it in the six months ahead that answers your question and yes no other changes in distribution if anything we closed many retail shops we will determine the base at which you want to reopen them so in terms of distribution expansion the only channel that has really sort of very shining right now at the ecommerce. Thank you.
- Kunal Patel:** Okay fine thank you so much.
- Moderator:** Thank you. The next question is from the line of Hardik Sheth from Epiq Advisors. Please go ahead.
- Hardik Sheth:** I wanted to understand more about I keep hearing in your quarterly calls that how ecommerce is contributing more and more to revenue want to really understand what is the VIP's ecommerce strategy is it just to simply sell on Flipkart and Amazon or is there more to it.
- Radhika Piramal:** Why do not we wait for in India to settle in and then we can give you a more robust answer three to six months from now. Thank you.



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- Moderator:** Mr. Sheth is that answer your question.
- Hardik Sheth:** Not completely but shall wait for three to six months. Thanks.
- Moderator:** Thank you. The next question is from the line of Ankit Kanodia from Smart Sync Services. Please go ahead.
- Ankit Kanodia:** The Bangladesh payment which we make right now so are there any Indian rupees that we make.
- Neetu Kashiramka:** It is in US dollars.
- Ankit Kanodia:** It is in US dollars, okay, so shifting from China to Bangladesh does not take care of the foreign country is still there right.
- Neetu Kashiramka:** Yes.
- Ankit Kanodia:** Okay thank you.
- Moderator:** Thank you. The next question is from the line of Pawan from Renaissance. Please go ahead.
- Pawan:** I somewhere I missed it in the middle but did you so how do you expect this pricing pressure to continue in the industry.
- Radhika Piramal:** Three to six months still all the old stocks get over and demand picks up because so there everybody is expected to sell right so therefore there are more discounts.
- Pawan:** So FY2023 should be like a normalized year in terms of price.
- Neetu Kashiramka:** Yes we are hopeful of that yes.
- Pawan:** So in that case given that we will source more from Bangladesh we have lower fixed cost our margins in FY2023 should be better than what we done in FY2020 is not it.
- Neetu Kashiramka:** Yes with that and also we are focused on it.
- Pawan:** So your guidance builds in some conservatives and is that the case.
- Radhika Piramal:** So we are not giving any guidance of 2023 as of now because it is too early to give guidance for, 18 months from now but yes we are working towards it.



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- Pawan:** So as far as somewhere in the call you mentioned that if that FY2020 margins to be replicated in FY2023.
- Neetu Kashiramka:** Yes, see the question was whether it will happen in 2022 or 2023 so which we said yes it should happen in 2023.
- Pawan:** And can you as per your needs is that business that you have if you could just speak a few words just to how the demand profile and how do you think are you expect things going ahead of that.
- Neetu Kashiramka:** So we definitely have plans to build it further but because of the COVID even that category is highly impacted because of low travel work from home so that category also is under pressure but yes definitely we have plans to grow this brand.
- Pawan:** So that category is doing better than average reported number or is it worst and how is it.
- Neetu Kashiramka:** No it is actually inline, in line with the company revenue.
- Pawan:** Thank you.
- Moderator:** Thank you. The next question is from the line of Sonia Lalwani from Pareto Capital. Please go ahead.
- Sonia Lalwani:** So actually I have just one question so I might be a theme which augur then just thinking if what is your target of achieving 430 Crores of revenue that you have achieved in December 2019 how do you see the situation right now on the ground and what are your plans taking numbers there like to 430 Crores.
- Radhika Piramal:** It should happen in quarter one if everything remains the way it is today
- Sonia Lalwani:** Quarter one of next year.
- Radhika Piramal:** Yes.
- Sonia Lalwani:** Q1 FY2022 you mean okay. Alright thank you so much.
- Moderator:** Thank you. The next question is from the line of Prerna Jhunjhunwala from B&K Securities. Please go ahead.
- Prerna Jhunjhunwala:** Madam what I do understand the performance of CSD channel because that channel might be very less affected as compared to other channels of operations apart from ecommerce so



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how is that channel performing and is there any pressure on with respect to working capital or profitability is there.

Neetu Kashiramka: So that channel was the one which started early but currently it is in line with the overall demand environment and the challenge there is that now they need only Indian products.

Prerna Jhunjhunwala: But we would be having third-party arrangements in India on the first half...

Neetu Kashiramka: Yes we are procuring from some third-party and currently the supplies are going forward.

Prerna Jhunjhunwala: And madam how is the soft luggage portion of Capris brand performing because I saw a few products and they were extremely very good on the designing part so what kind of traction you are seeing in that section of Capris brands.

Neetu Kashiramka: See pre-COVID we already touched 100 Crores but currently because the overall lady's handbag category also got impacted it is not that we are seeing extra attraction in any channel for that category as of now.

Prerna Jhunjhunwala: Thank you madam.

Moderator: Thank you.

Shradha Sheth: Just a question from my side am I audible yes madam just wanted to understand how do we see Bangladesh scaling up as you mentioned we are doing about 27 Crores revenues this quarter how do we see this scaling up in the next two years in the demand.

Neetu Kashiramka: 60% to 70% of revenues should come from Bangladesh as we move ahead.

Shradha Sheth: In the sense I think we have mentioned there are supply chain issues so that...

Radhika Piramal: Yes, that is because of the China procurement. Yes we were also late because we never thought the demand will pick up fast so all those kind of lessons.

Shradha Sheth: Fair enough. Thank you.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to management for closing comments.

Radhika Piramal: Thank you everybody for joining this call. I am sure all of us are waiting to hear Anindya speak we have not given him that opportunity today but I am sure he will be at the forefront in the coming calls, in the upcoming calls. So for the moment may I please request Neetu to



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make some closing remarks and look forward to seeing everybody next quarter from now?

Thank you.

Neeu Kashiramka: So I would say that we believe that the worst is behind us and we should have better quarters going forward from here that is the hope and we believe that we should be able to deliver. That is all and thanks everyone for the patient hearing. Thank you.

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