



**“VIP Industries Limited  
Q4 & FY2022 Earnings Conference Call”**

**May 17, 2022**

**MANAGEMENT**

**MR. ANINDYA DUTTA – MANAGING DIRECTOR – VIP INDUSTRIES LIMITED**

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**Moderator:** Good evening, Ladies and gentlemen a very warm welcome to the VIP Industries Limited Q4 and FY22 Earnings Conference Call. From the senior management we have with us today Mr. Anindya Dutta – Managing Director and Ms. Neetu Kashiramka – Chief Financial Officer. As a reminder, all participant lines will be in the listen-only mode. 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 Mr. Anindya Dutta – Managing Director, VIP Industries Limited. Thank you and over to you, Sir.

**Anindya Dutta:** Good evening everyone. A very warm welcome to all of you. Thank you for taking out time and joining this call. Given the circumstances now I am hoping that very soon we could be doing this meeting in person. At the outset, I just wanted to remind all of us that the pandemic has been a hard journey for industries like ours which is to do with consumers going outdoor and the revival has been nothing, but a roller coaster ride. We saw a Q3 which had adopted progress within the months in terms of the demand revival. However, we saw the wave 3 happening in Q4 in Jan and part of Feb. While this wave spike very sharply.

Thankfully it was very short lived also and the impact of our business were significantly lower compared to any of the previous waves. In fact, the way our industries demand withstood the wave gives us the lot of confidence going forward on the sustenance of demand for our products. For the quarter our revenues were at ₹356 crores while this was lower than the previous quarter by 10%, possibly owing both to the usual seasonal swing as well as the impact of the third wave.

However, compared to the same quarter in FY20, we were up by 14%. Even if you correct this for the pandemic that hit in the mid of March 2020 we have come to parity to pre pandemic levels. In Q3 our revival was at 92%. So, therefore steadily we have come through all the quarters of the year and ended the quarter with the parity to the pre pandemic levels. In fact, the parameter that we used for our demand which is the airline passenger traffic also witnessed a sharp decline in January-February it was almost 40% sequentially lower than November- December and this was the first dip since June 21 in the airline passenger traffic.

Some highlights from our revenue performance the first call out would be on the value segment represented by our brand Aristocrat. It had a great performance for Q4 & FY22. Aristocrat brand



salience in our overall business now stands at about 36% this was at 25% pre pandemic. We have seen the value segment growing much faster even in the pre pandemic time and it has seen significant acceleration during the two years of pandemic possibly also gives us the convergence from unorganized. The Aristocrat brand portfolio has been growing faster than the peer companies in the same segment. We saw a year-on-year growth of almost 61% in Q4FY22 and 140% in FY22.

The Aristocrat brand and the value segment has been focus area for us and several initiatives including product engineering and making the right supplies and the right manufacturing cost is starting to work for us. While we have put a huge trust on value segment it was always imperative for ourselves to strengthen our core which was the mid premium business represented by the VIP and Skybag brand. I am happy to share that VIP and Skybag has also seen a very good revival in Q4 on the back of much improved availability, all kind of demand activations and also few larger new products that we launched in these two brands.

During Q4FY22, we came back with a lot of demand activations, both online as well as offline and largely it has been the digital campaign that has worked very well for us for VIP and Skybag. If you would have noticed whether the VIP "Vacation" campaign or the Skybag "MyDrip" campaign got a lot of hit among with the consumers. Q4FY22 saw almost 40% of our annual advertising spends. Also, a call out here would be the hard luggage PP strategy that we were on and that also in Q4 saw gaining traction. Hard luggage within the old outright business now accounts for almost 60% which was at 50% just before the pandemic and that has been a steady increase and we are extremely well poised to drive that growth forward with the investments that we have done in expanding our hard luggage capacity in the last quarter call we had invested about ₹35-40 crores in capacity expansion of hard luggage in both our India (Nasik) and Bangladesh facilities.

Along with the backend we have continued to invest behind the downstream improvement which is in our distribution and our number of point of sale has come back to the pre COVID levels and in fact we have very strongly started rebuilding our own exclusive business outlets and last point on revenue that I would want you to note that our average selling price today stands at about 115% of what it was in the quarter pre pandemic and that also is helping us gain back our sales value as well as our margins. Moving on to margins, I am happy to announce our improvement in gross margins in Q4FY22 over Q3FY22 by about 4% each point.

This has happened basis some fundamentals which is about improvement on our mix and also our Bangladesh own manufacturing strategies starting to show results here while the inflation was a spoil sport, but we had taken some price increase in November which kind of helped us in the quarter, but really the high impact of inflation started happening towards the later part of the quarter and therefore under price increase, which hopefully going forward should negate or large part of the inflation could get negated basis the price increase that we have taken. We continue to focus on our fundamentals both in brand and in channel in building our



revenues we are extremely focused and poised to build our VIP Skybag and Caprice brand going forward and also we are investing behind strengthening the channels where we were already quite strong.

We continue our commitment towards our upstream strengthening. Our own manufacturing has scaled up to almost two-third of the total what we sell in Q4FY22 and if I add the exclusive and dedicated manufacturing partner that we have our control manufacturing stands at about 85%. As we look at a full-scale growth potential in the coming financial year I would like us to keep this 85% intact and the benefit of this should start flowing in. We have also streamlined and strengthened our supply chain with notable increase in our overall availability for the quarter and looking ahead.

Most importantly with respect to building our people capability and making ourselves future ready our team structure is almost where we wanted to be in terms of employee strength and talent. While we had sequentially added head count our ideal team size will be lower than pre pandemic levels accounting for our efficiency efforts. For the coming quarter and way ahead as of now in all indicators of consumptions points towards very positive demand environment with domestic travel coming back to pre-pandemic levels, resumption of international travels, pandemic free wedding seasons and school college reopening.

However, we cannot add it all so there is enough headwinds. There are some headwinds at least that we need to navigate ourselves through one of the bigger one is the inflation in our commodity or in our input materials I am navigating it through one side price increase and the other side keeping a balance to make sure that is not a demand spoiler. Also a call out here would be relevant of the transition that is undergoing in the future group which is one of our largest account almost 15% of our revenue would come from future group pre pandemic and that is something that we are watching very closely in terms of the transition, but I think we are going to sail through that as well.

Overall we are quite positive about the future and we as an industry is quite poised well to make good of the opportunities coming ahead of us. Thank you that would be the opening remarks and I would be happy to take all questions related to Q4FY22 and FY22 performance.

**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 Spark Capital. Please go ahead.

**Tejas Shah:** My first questions pertains to price increasing that you spoke, so far how much price increase we have taken in Q4 and FY22 in total?

**Anindya Dutta:** So Tejas we took about 4% price increase in November and about the same towards the end of March and one in Q1FY22



**Tejas Shah:** And you also spoke about inflation being higher than pricing inflation we have taken, so what will be the RM inflation for FY22?

**Anindya Dutta:** About 6%

**Tejas Shah:** Do we have to take the price hike again or is it the one which we have already taken and we need one more price hike to pass on the full inflation?

**Anindya Dutta:** As of now we have taken the price hike that we intended to take to get over the inflation that we have, but we are watching the inflation closely and it is a continued volatile environment. So, as of now we do not have plans to take further increase but having said that we will have to keep watching how the raw material and input cost goes ahead of us right now.

**Tejas Shah:** Second question is around Gross Margin (GM) inflation which is actually the high light of the quarter's performance and you spoke that in March end the market and the portfolio performed well; price increases which were taken at the fag end of the quarter and since the inflationary pressure was throughout the quarter, so three out of the two factors should not contribute to GM expansion or price hike. Out of the product engineering or channel exchange what actually contributed to such a healthy GM improvement?

**Anindya Dutta:** Let me first clarify on the price increase. So, the November price increase did help in cover up large part of the inflation that kicked in our products in Q4FY22 also inflation is also not happening at one point of time it is gradual. The next price increase in March is going to help us tied over the overall inflation that is going to get applied in the coming quarter so that is the perspective of price increase versus inflation. So, this is offsetting to a large extent in Q4FY22. The underlying shift in the Gross Contribution is happened because of our Bangladesh manufacturing which was always an advantage over buying from China and also the mix sequentially has better with VIP and Skybag and other high margin products starting to kick in.

**Tejas Shah:** You spoke about product engineering so is it moving from PC to PP is it also helping in hard luggage or that was just pickup in numbers?

**Anindya Dutta:** Absolutely that is part of this because even within Aristocrat as we have propelled forward in terms of playing hard in the value segment the shift in hard luggage to PP which is a lower cost raw material and making good and great products out of PP actually has helped a lot and we are happy with the PP strategy starting to play up in our results.

**Tejas Shah:** Last one from my side so we have exited after last two painful years on a healthy margins this year, but still much lower than what we posted pre COVID, so what will be our margin aspiration for the next 12 months and what are the possible headwinds which can derail if we were to envisage from achieving the target?

**Anindya Dutta:** I don't have a number for you it is a goal that we are constantly chasing to improve on the margins. We are fundamental tailwinds in terms of our own manufacturing which should add a lot to the efficiencies and other areas that we are working on. However, as we speak the inflation is the biggest spoil sport and that is again a very difficult thing to pinpoint for the full year. So, it is going to be a constant play and we are only using price increase to cover up all the inflation that we are not able to cover up through our own efficiencies.

**Moderator:** Thank you. The next question is from the line of Amandeep Singh from Ambit Capital. Please go ahead.

**Amandeep Singh:** In terms of recovery, FY22 revenue stood at 75% of FY20, can you help us understand how much of this would have been recovery in terms of volume and also on like-to-like basis do you see complete recovery on the volume front this year versus FY20 also this would stack up in value terms given the price hike increase?

**Anindya Dutta:** On part of the business which is upright the volume seems to have come back to the same level as FY20, but overall volume was not equal to FY20, it was lower and I will give you exact number in sometime in terms of the volume recovery. In terms of projection going forward we would like to believe that the current environment that we see continuous, there are no disruptions and if that was to happen then we should be looking at least the demand environment which is bring us back to an FY20 in terms of value if not fully on volumes.

**Amandeep Singh:** Secondly, on the supply chain, since you have fairly high closing inventory, will it be fair to say that the supply chain initiatives taken over the last two years are now showing results and consequently you are in a relatively better situation to cater the demand?

**Anindya Dutta:** Yes, compared to the last two years we are definitely in a much better situation. At this stage I think it is important to realize that we took the hard way out of the pandemic revival. We have used this time to really go into the basics and make our own manufacturing work for our supply chains. So, therefore instead of now buying for forecast demand of 6 to 9 months period ahead in terms of Finished Goods we are into planning our raw material in a regular cycle and we are producing to demand within certain lag which is not as high as 6 to 9 months. So, from an availability point of view we have the manufacturing capacity and capability to take care of demand. So, therefore we feel confident that depending on how the demand pans out going ahead we should be in a much better situation than what we were in the last two years in terms of meeting the demand and Amandeep just to come back to your earlier question in terms of volume overall we had a number of unit basis where we were at about 83% revival in FY22 compared to FY20.

**Amandeep Singh:** Coming on the provision which you took during the quarter, so will it be fair to assume this was largely on account of future group and also if you can help us understand how much amount

would still be outstanding for which provisioning would be required and any outlook on what would be the business for this channel here on?

**Anindya Dutta:** So, in terms of the provision this was entirely future group and 100% of that has been provided in the last financial year and large part of it happen obviously in the last quarter. In terms of future how it is going to look like with the account I would not want to comment on it, we are watching out very intensely and I am eagerly to see how things unfold. It is a very important account for us and we would hope for its full-fledged revival as we go ahead.

**Amandeep Singh:** Any update on the receipt of the insurance claim?

**Neetu Kashiramka:** So, it is in the final stages and it should come in next one or two days.

**Moderator:** Thank you. The next question is from the line of Manish Poddar from Motilal Oswal Asset Management. Please go ahead.

**Manish Poddar:** Does the price increase offset all the cost inflation?

**Anindya Dutta:** Not entirely, as I said we took a price increase in November to tackle the inflation as the inflation was very high in September & October. Along with the ocean freight went up very sharply around that time. So, in November the price increase that we took did cover for the inflation that was to get applied in our business in Jan, Feb & March so that was largely covered to a very small percentage which was not covered possibly, but going ahead as we speak in the coming quarters with the price increase again in March it covers most part of it, but we will not be able to put a number whether it is 100% covering or 70% or a little bit more so that something that we will be able to analyze only once the quarter is over.

**Manish Poddar:** In terms of supply, given that large part of China was closed down and some part of Raw Material come from China, in terms of inventory for finished goods how we stacked up do we have enough inventory in terms of Raw Material for this quarter?

**Anindya Dutta:** For this quarter yes, the supply disruptions that happened was largely in our raw material we were not buying finished goods. So, that did create a disruption and therefore the inventory level of RM price has been volatile in this quarter, but we are working on it to streamline as the things have opened up, whether it is in the port or in the factories in China it is starting to come back, but yes we have had some disruptions, but I do not have quantitative implication of that, but it will play up mostly not in this quarter, but in subsequent quarters if at all.

**Manish Poddar:** What is the CAPEX outlay for FY23?

**Anindya Dutta:** CAPEX outlay for the current financial year FY23 it will be anywhere between ₹30 to ₹35 crores

**Manish Poddar:** And this new capacity which was coming up is that expected in Q1FY23?



- Anindya Dutta:** It is expected in Q1FY23 both in India as well as in Bangladesh but towards the end of Q1FY23.
- Moderator:** Thank you. The next question is from the line of Bhargav Buddhadev from Kotak. Please go ahead.
- Bhargav Buddhadev:** So just continuing on the future group so are we doing zero business now or you are still continuing the business with the group based on new payment terms basis?
- Anindya Dutta:** You could say nearly zero as it was a very small part of the group through brand factory and central was operational, but as we speak it is opening up one by one at a very close space right now. So, April was nearly zero, but we are hoping that June would be better.
- Bhargav Buddhadev:** And the payments will be the taking advance payment or how does it work?
- Anindya Dutta:** Part of the relationship moved to reliance in some of the Big Bazaar outlets that started. So, it restarted with Reliance with the payment terms that we had before. So, it would not be on cash or in advance it will be having a payment terms that we usually give to a chain like that.
- Bhargav Buddhadev:** And there is no risk of receivables on the business which we do as of now?
- Anindya Dutta:** As of now we do not see a risk of receivables. We have provided entirely for the risk that we saw which came on to the business for the last two years.
- Bhargav Buddhadev:** In terms of market share gain versus Safari since the time you have taken initiatives towards strengthening our ecommerce and also inspite of tailoring the value brand which is Aristocrat you seem to be gaining market share versus Safari since the third quarter, so do you think this is sustainable I mean going ahead how do you rate this?
- Anindya Dutta:** Certainly we are focusing on fundamentals and rebuilding ourselves. We have not fully come on to chasing market share as of now. So, I would assume that as long as we kind of focus on what the consumer is looking for and deliver it better than competition we should be on the right side of consumer preference.
- Bhargav Buddhadev:** In terms of procurement from Bangladesh would that number be close to 30% and how much of this procurement can it increase to because you mention that it is margin accretive to procure from Bangladesh?
- Anindya Dutta:** Little excess of 40% in fact about 65% to 66% is completely our own manufacturing which is in the two sites in Maharashtra, Nasik and Bangladesh. These three accounts were almost two-thirds of what we sold in Q4FY22.
- Bhargav Buddhadev:** This share of Bangladesh will increase from here on as we enter FY23?



**Anindya Dutta:** No, the share gone to increase because our volumes are hopefully going to go up. So, share will remain at that, but the volumes from Bangladesh will grow. So, in terms of salience it would remain similar.

**Bhargav Buddhadev:** Because I was looking at subsidiaries numbers in Bangladesh and employee cost has seen a significant increase in Bangladesh almost 100% employee cost has gone up, so I was wondering how much more capacity are we adding over there, is it possible to share from quantitative number?

**Anindya Dutta:** Well I can share monthly volume. In fact March we did our highest for almost 700,000 units in excess. So, the rated capacity there right now is about 6.5 lakh and in the coming years with hard luggage coming in there and with some changes we are further going to increase the capacity. So, the capacity now increase will get driven by what the demand numbers that we are seeing going forward and we are going to evaluate in terms of which locations make better sense to manufacture whether it is Bangladesh, whether it is Nasik or whether it is any other facility within India.

**Bhargav Buddhadev:** And my last question is on your inventory days so inventory days seems to be on a higher side as far as number of wage is concerned is this because of expectation of strong revenue growth going ahead?

**Anindya Dutta:** So, usually in Q1 the demand is much higher than what capacities we would keep throughout the years. So, there is an inventory build-up for the quarter. In fact this used to be always high in the time when we would procure from China. So, along with both Raw Material and Finished Goods the inventory is usually higher in the beginning of the Q1 especially.

**Moderator:** Thank you. The next question is from the line of Prerna Jhunjunwala from Elara Capital. Please go ahead.

**Prerna Jhunjunwala:** So wanted to understand your digital strategy how much did online sales contribute to and how are we fairing these as compared to pre pandemic times and what will be a strategy there going ahead?

**Anindya Dutta:** Largely online portal sales that we have for FY22 we topped almost 16% of our revenue coming from there for the year, but this also in the last two years had a little more spike than what it would be possibly going forward because other channels are also coming up and people have resumed going to stores to buy. So, we see a good increase even in our exclusive retail stores. So, what I think anywhere between 12% to 15% is where the online sales should stabilize in the near future. This was as low as 6% to 9% in pre pandemic stage.

**Prerna Jhunjunwala:** How much are you going to increase your EBO too and what will be the expansion that you are looking at in the MBO channels?

**Anindya Dutta:** In terms of EBO pre pandemic we are roughly about 450 stores both our own companies run stores as well as franchise run. We are roughly at about 400 right now the idea is that by the end of this financial year to surpass the numbers that we had in the past which is a 450 number. Internally we are gunning for the limestone of 500, but that may take a little bit more than this financial year. So, that is the expansion plan on EBOs. In terms of MBO obviously there is more about how many MBOs are out there who are not stocking us and there is a constant push if there are any outlets where VIP is not there, but that is not really a plan that we can have in terms of opening MBO. So, it is about converting an MBO which is not today dealing in VIP products and there is not in large population of such larger MBO, but we continue to be watchful of any MBO where we do not have entry and more importantly we keep an eye on what is the share that we have within the MBO.

**Perna Jhunhunwala:** And sir my last question is on Caprice what is your strategy going forward now that we are fully open as an economy today?

**Anindya Dutta:** To be honest, we do not have a very big strategy on Caprice right now and the fact that what happened in the last two years our supply was completely broken and what we have first done is to mend that problem where we got our supply right. As we speak right now we have a new collection and new supplies are fully available for us. We are working on the front end in terms of building back the consumer franchise as well as building back the channels that we are seeing. So, first in Caprice it is going to be getting back to what you wear and from there on take a lead forward, but that is going to come in the next few quarters not as yet.

**Perna Jhunhunwala:** Last question follow up on Caprice only you are looking forward to getting into the mass segment as well because you are right now in premium when we launched the brand and what about the luggage segment foray and product expansion in Caprice, so how are you planning to get that?

**Anindya Dutta:** I see two questions there one we are taking the Caprice brand extension into the mass segment and that is something that we will see in the coming quarters. However, taking Caprice into luggage or any other category I think it is a little bit of distant future we would like to focus Caprice on hand bags and strengthen ourselves really well there before we extend the brand. However, what we are doing in Skybags is actually launching a range and slew of products which is more designed in a way that it would appeal to possibly women more and the younger generation women more and otherwise and we are not calling it as an exclusive women selection or something, but there are products and designs that we have launched in Skybags which are more designed towards appealing to choice of women more.

**Moderator:** Thank you. The next question is from the line of Jinesh Joshi from Prabhudas Lilladher. Please go ahead.

**Jinesh Joshi:** Sir I have a question on our CAPEX outlay if I heard you correct you have guided for a CAPEX number of ₹30 crores to ₹35 crores for FY23, now if I look at FY22 we have already spent about ₹36 odd crores which effectively means that our expansion at Nasik is more or less complete, so just wanted to understand I mean where are we going to spend this additional ₹30 crores to ₹35 crores I heard that we are expanding in Bangladesh, but is a further expansion at Nasik also lined up?

**Anindya Dutta:** Yes possibly while we have budgeted the CAPEX, but we are mindful of the fact that we may want to expand our hard luggage capacity even further. Also part of this CAPEX is a lot of maintenance CAPEX that we spent. So, roughly about 50% is gone to go towards capacity expansion which is doing infrastructure and machines which is for purely capacity expansion and maybe about half of that is towards maintenance and all other activities.

**Jinesh Joshi:** And I also heard that the PP strategy is playing out really well for us and you mentioned that from Q1 the expansion will actually play out in terms of production and all, so by when do we expect the capacity to be optimally utilized I mean will it be Q2 or Q3 of this financial year?

**Anindya Dutta:** Capacity is already optimally utilized as far as Q1 demand is concerned. So, in fact we do not have a headroom and that is what we will need to create as we go forward. So, optimum utilization of capacity is not a concern it is the seasonality that we need to always manage because the seasonal swing between Q1 and a Q3 is something that reduces the capacity utilization and that is something needs to be managed as we go along operationally.

**Neetu Kashiramka:** Just to add there are certain hard luggage cases which we are actually outsourcing so that is come in house.

**Jinesh Joshi:** I think a new brand called upper case was launched very recently and I believe it is predominantly a D2C brand launched by one of its employees, so just wanted to kind of get a sense is to how do you see the competitive environment shaping up proposed this launch, any thoughts on that?

**Anindya Dutta:** We know as much as you know about their coming launch. I would like to say that not only this there are several other D2C brands that are coming up. So, we have to be mindful and watchful of all new entrants into the industry and our strategy has to take account of continuous buildup of competition in the sector. So, I think we would be keeping that in mind I am working towards it.

**Jinesh Joshi:** But will it have any impact on our ecom share which was at about 16% in FY22 which you just mentioned I mean can it mover our ecom share which is the fastest growing channel for the entire industry so I just wanted a perspective on that side?

**Anindya Dutta:** I do not think so and our attempt would be not to let that happen with every mind that we have. So, let me just put it that way because right now we have a very little information to know what exactly is going to be strategy and how will they play it, but yes obviously we have been apprehensive of such steps that will be taken by all kind of competition into the market and defend ourselves in ecommerce as well as in all other channels.

**Moderator:** Thank you. The next question is from the line of Pulkit Singhal from Dalmus Capital Management. Please go ahead.

**Pulkit Singhal:** First question is just to understand the Q4 revenues when I look at a three year preceding COVID Q4 revenues had always been similar or if at all slightly higher than Q3 where as this time it is almost 10% lower than the Q3 revenues despite the price hike of 4%, so I am just trying to understand how much of this is because of COVID impact which may have probably impacted Jan quite a bit and how much of it could be maybe some market share loss?

**Anindya Dutta:** I cannot comment on the market share loss as yet. We do not seem to be further losing market share. Market share has been a problem area for us in terms of trying to gain back what we lost during pandemic and I think we are kind of holding there. A large part of our Q3 to Q4 revenue shift onwards is to do with the pandemic and also a bit of correction we have seen last few years so Q4 over Q3 if not a big drop it is usually at parity or slightly lower in some of the years. So, as I said it could be a mix of little bit of seasonal downswing, but largely it is the third wave which kind of took out I think about it is very difficult to kind of put a quantitative number on it, but our intuitive judgment is took out about two to three weeks of revenues because of the demand disruption due to pandemic.

**Pulkit Singhal:** So two, three weeks of revenues we believe is 20% of your quarterly revenue?

**Anindya Dutta:** Yes something like that.

**Pulkit Singhal:** Just in terms of understanding this market share loss so if I take out the top three players in the luggage industry are we gaining share versus the other players or they have bounce back quite sharply and their supply chain was actually not that badly impacted and to that extent we were impacted?

**Anindya Dutta:** I do not think so while there are no exact numbers and evidence to back it up, but I do not think the smaller and the regional players barring a few ecommerce specific players may have gained a lot of eyeballs because of the high decimal activity or digital space that they are doing, but fundamentally the supply chain was quite badly broken for the smaller player as much as it was broken for the larger players. So, I do not think that would have played up and largely our share loss happened from Q3 of the first year of pandemic that is where our supply really broke and we change our strategy from getting our pipeline sales from China to doing it ourselves and this took at us four quarters at least to get back to some level of sensibility and I think from Q3

onwards we are better off and with quarter going by we are building up strength there definitely from how we used to be before. So, that is the underlying point that I have for you.

**Pulkit Singhal:** Last question sir I mean if you could give some flavor as to how April and May are going some quantitative flavor because we understand demand is obviously coming back up strongly we just do not know how much is it even if it is for the industry if you can talk about it?

**Anindya Dutta:** So, I cannot share VIP numbers with you, but I can only tell you that we are feeling good about all the hard work that has gone in as far as April is concerned and May and June should also look good. The only concern if at all I have is on the large accounts that I talked about in future group in terms of how will that game unfold in the next 4 to 6 weeks that we have left that is the big one it is not a small account at all for the overall industry not only for us, but we need to be mindful that we were significant market leader in that particular group in the pre pandemic era.

**Moderator:** Thank you. The next question is from the line of Sameer Bhatia from Edelweiss. Please go ahead.

**Sameer Bhatia:** Just wanted to ask couple of questions how much is the exports of the total sales reported and do you see exports are good driving factor at current situation of what China is going through?

**Anindya Dutta:** Exports is very small it is about 3%, but I think we are very close to where we left it in pre pandemic as of now right now in terms of getting our scale back in whatever little exports that we have. For the immediate future I do not think exports will be a big part of our strategy in terms of growth. As I said that we are extremely focused on the fundamentals, extremely focused on the domestic markets to gain back our share, gain back our profitability. Yes that is an opportunity we will continue to have, but somehow it is just not the right time to put our energy and resources behind exports fully.

**Sameer Bhatia:** Last question you would already mentioned this, but if you could probably answer what is the bad debts provisioning for this year?

**Neetu Kashiramka:** So, it is ₹21 crores for the full year out of which ₹11 crore is for Q4.

**Moderator:** Thank you. The next question is from the line of Niket Shah from Motilal Oswal Mutual Fund. Please go ahead.

**Niket Shah:** I had two questions so first is on the profitability side gross margins have been extremely good in this quarter, is it safe to assume that as a player we are not aggressively going behind market share at the cost of profit and that we are okay even if you lose 1% or 2% market share, but ensuring that profit will remain healthier, so how should one think about that?



**Anindya Dutta:** The philosophy is to do a good balance between profitability and market share it is not one versus the other. In extreme volatile environment like this gauging the inflation and taking a corrective price increase versus taking the right price from market share point of view is always the tightrope walk, but what I can answer you in terms of our orientation and our philosophy I think a good balance is what we are seeking and therefore we will constantly will keep on correcting ourselves in either ways wherever it swings. So, we will gain market share and we will be profitable as well that is the idea.

**Niket Shah:** And whatever market share we would have lost would have been in which segment or which channel?

**Anindya Dutta:** Mostly the segment where we lost market share was in the value segment that is the segment which grew much faster than the rest of it pre pandemic as well as significantly accentuated during pandemic. So, everything that we are doing in the value segment Aristocrat brand is helping us gain back towards what we lost. Also the supply issues in VIP and Skybag also led to our possible share erosion in the mid premium which I would presume is easier for us to correct because that was the strength area before and we have corrected the supplies and we are going back in terms of exercising the strength of the brand had prior to the pandemic.

**Niket Shah:** And just one question on the first quarter which is underway obviously you cannot share numbers which is understandable, but would it possible for you to rationally let us know that was April month one of the best month ever for VIP because there is some pent up and some travel and all coming back, so qualitatively can tell us was it the best ever April for you or that is not the case?

**Anindya Dutta:** Well underlying the word qualitatively yes and it could be coming from numbers as well as coming from how we feel about a difficult journey and then finally you have a month which kind of makes you feel things are back to normal and you are back in the game.

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

**Ankit Kanodia:** So first of all before asking a question I had one comment related to the presentation so in the last few quarters we have been sharing your presentation which is very helpful and each quarter we see some really good data point which you add, but there is one thing which I would like to request is that even in today's call once the call begun we saw the presentation on the exchange filing, so if you can release the presentation along with the results a day before that would really help that is just a request?

**Anindya Dutta:** The request is taken and they will make sure that we do this quick forward.

**Ankit Kanodia:** Q1 historically has been our best quarter but in the last two years because of lockdown and second wave we faced problems. Is it fair to assume that in Q1 FY23 there is a chance that we can reach to somewhere between ₹500 crore - ₹600 crore of turnover wherein we were in June 2019?

**Anindya Dutta:** Once again I will answer that qualitatively I do not want to put a number there, but yes I completely share the same thought that you have last Q1 is our best quarter for the consumption of the products that we sell and the last two years has seen a washout of the quarter. We are definitely feeling far more confident, buoyant, and optimistic about how we are seeing this quarter going with only one silver lining which is the future group and the inflation, these are the two fall outs if at all there is a spoil sport there.

**Ankit Kanodia:** And next question would be related to our Bangladesh operations so from where do Bangladesh source their raw material, is it completely in house or from Bangladesh only or they resort to China in terms of the raw material?

**Anindya Dutta:** Majority of the raw material comes from China there all import materials.

**Ankit Kanodia:** All imported is from China?

**Anindya Dutta:** Yes.

**Ankit Kanodia:** So do not you think that dependency on China shall remain even if we are having our operation in Bangladesh?

**Anindya Dutta:** Well the dependency on China as a source for raw material continues, but raw material has more degrees of freedom in terms of what we can do, in terms of efficiencies as far as sourcing is concerned and the convergent of raw material to finished good is a large part of it and once we control that we control that part of the cost efficiency so that definitely in place also some somewhere in the future we would also look at how we could look at and it is not about just China as a source because from here as you are doing your own manufacturing what opens up is what you can freedom of where you want to buy from could be any other country. So, that are sourcing philosophy would be to look at the cheapest source possible within the realms of quality that we have. So, just add to this I think there is a point what you asked about therefore what is the benefit, when we bring raw material into Bangladesh there is no custom duty and when we bring in FG into India there is no custom duty so that is an underlying advantage comparing to buying FG from any other source especially in China.

**Ankit Kanodia:** And one last question in regards to our competition and both from the old competitor and also from the new B2C branch which we have so how do we I mean what is our strategy in that so in terms of other listed competitors what we can see is that they are far more aggressive in terms of getting the market share and probably for them number one is market share and

number two is margins, is it fair to assume that for VIP number one is margin and number two is market share in terms of preference?

**Anindya Dutta:** I do not think that is a fair assumption what I want as a takeout is that we are going to go for both the balances absolutely important because we are not here for a one year one quarter business. So, just having a margin focus is not going to help or just having a market share focus is not going to help. So, we are focusing more on the fundamental strengthening of the business and that should play out both as we go along and it could be a little slower, but a steady gain back in market share because that is what we have lost and what you are seeing possibly is a fastest scale up in margins, but that again is to do with internal reorganizing of how we do business is helping us scale up margins, but it will eventually help us at least that is the ambition, that is the goal where we would like to regain and grow over what we had before with a healthy bottom line.

**Ankit Kanodia:** The second part on the B2C brand in competitive intensity?

**Anindya Dutta:** That is a strong watch out we have B2C and ecommerce is not the largest part of it now, but definitely not undermining the possibilities there and therefore we will watch it very closely and we are also building our ecommerce on the portal as well as otherwise business or at least the thoughts on that. As and when things happened you will see a preempting or reacting to it.

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

**Tejas Shah:** What will be the share of modern trade in CSD for the full year?

**Anindya Dutta:** Modern trade would be at about 30% odd and CSD would that be about 15%

**Tejas Shah:** In an FY22 modern trade was at 30%?

**Anindya Dutta:** Yes it would be.

**Tejas Shah:** And you said large part of this modern trade exposure was future group for us, is that correct??

**Anindya Dutta:** That is right and it did not play up in FY22, the issue largely started in terms of complete store closures and all that towards the end of March mid and end of March.

**Tejas Shah:** And my question was that in many categories we are seeing that the supply chain for unorganized category has got shifted very badly and perhaps the impact will last longer than what it would last for organized players, are we seeing any benefit of that in favor of mass enzymes in our portfolio and do you see that and do you see that any of this disruption can be structural in nature for some of this unorganized players?





**Anindya Dutta:** I get your question Tejas I think what you are saying is should be happening not that we see a huge spike happening because of that, but logically speaking the supply which was part from China at least into the domestic markets through the unorganized sectors we know for a fact that it is not fully there where it used to be and I think somewhere as the value segment of the overall category is growing is because one of the factors is that as well. How it plays up going forward is something that we need to watch, but what we decided was to be ready if that was to happen with both our products, our pricing, our whole mix as well as the supply chain.

**Moderator:** Thank you. Ladies and gentlemen due to time constraints that was the last question for today. I now hand the conference over to Ms. Neetu Kashiramka for closing comments.

**Neetu Kashiramka:** Thanks everyone for joining this call looking forward to see you after the Q1 results. In case you have any further questions you can call me any time. Thank you.

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

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