

August 7, 2025

Q1FY26 Result Update

☑ Change in Estimates | ☑ Target | ☑ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	HOLD		UNDER REVIEW	
Target Price	455		-	
Sales (Rs.m)	21,495	23,275	23,288	25,469
% Chng.	(7.7)	(8.6)		
EBITDA (Rs.m)	1,526	3,584	2,585	3,922
% Chng.	(41.0)	(8.6)		
EPS (Rs.)	1.59	11.38	5.31	13.22
% Chng.	(70.0)	(13.9)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. m)	22,450	21,784	21,495	23,275
EBITDA (Rs. m)	1,936	823	1,526	3,584
Margin (%)	8.6	3.8	7.1	15.4
PAT (Rs. m)	285	(766)	226	1,616
EPS (Rs.)	2.0	(5.4)	1.6	11.4
Gr. (%)	(84.6)	NA	NA	NA
DPS (Rs.)	2.0	-	-	-
Yield (%)	0.4	-	-	-
RoE (%)	4.3	NA	3.7	23.4
RoCE (%)	7.4	NA	2.3	17.9
EV/Sales (x)	3.2	3.3	3.2	2.9
EV/EBITDA (x)	37.3	86.2	45.6	19.1
PE (x)	224.0	NA	282.2	39.6
P/BV (x)	9.4	10.4	10.5	8.3

Key Data

VIP.BO | VIP IN

52-W High / Low	Rs.590 / Rs.248
Sensex / Nifty	80,623 / 24,596
Market Cap	Rs.64bn/ \$ 729m
Shares Outstanding	142m
3M Avg. Daily Value	Rs.515.64m

Shareholding Pattern (%)

Promoter's	51.74
Foreign	7.27
Domestic Institution	13.78
Public & Others	27.22
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	8.5	15.7	(0.3)
Relative	12.3	11.7	(1.7)

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All eyes on FY27E

Quick Pointers:

- Adjusting for inventory provision of ~Rs150mn, GM expands 330 bps YoY to 47.7%.

We cut our FY26E/FY27E EPS estimates by 70%/14% given weak performance in 1QFY26 and assign HOLD rating (earlier "Under Review") by valuing the stock at 40x FY27E EPS (~15% discount to SII IN). VIP IN reported weak set of results with topline declining 12.1% YoY to Rs5,614mn (PLe Rs6,325mn) as volumes were down by 8% amid weak growth in e-com channel. Adjusting for inventory provision of ~Rs150mn and one-off expense of ~Rs110mn, EBITDA margin stood at 9.0% (PLe 9.8%). We believe FY26E will be a year of cost reset and reorganization for VIP IN amid change of guard at top-level. We expect normalization to resume from FY27E with steady state GM/EBITDA margin of 51.5%/15.4% respectively. The stock trades at 40x FY27E EPS and we believe most turn-around benefits from strategic re-orientation are already priced-in. Assign HOLD with a TP of Rs455 (40x FY27E EPS). Better than expected top-line performance can result in earnings surprise and is a key risk to our call.

Top-line falls by 12.1%: Revenue decreased 12.1% YoY to Rs5,614mn (PLe Rs6,325mn, CE Rs6,449mn). Backpacks/handbags contributed 15%/3% to the top-line. Gross profit decreased 11.0% YoY to Rs2,527mn. Adjusting for an inventory provision of ~Rs150mn, gross profit decreased 5.7% YoY to Rs2,677mn (PLe Rs2,992mn) with a margin of 47.7% (PLe of 47.3%).

Adjusted EBITDA margin at 9.0%: EBITDA declined 50.0% YoY to Rs247mn with a margin of 4.4%. After adjusting for one-off expenses worth ~Rs110mn and inventory provision of ~Rs150mn, adjusted EBITDA increased 2.7% YoY Rs507mn (PLe Rs620mn, CE Rs413mn) with a margin of 9.0% (PLe 9.8%). EBITDA was lower than our expectations due to a miss on top-line front.

Adjusted PAT stood at Rs110mn: After adjusting for an exceptional receipt of insurance claim worth Rs19mn pertaining to fire incident at Bangladesh, inventory provision of ~Rs150mn and one-off expenses of ~Rs110mn, adjusted PAT increased 171.5% YoY to Rs110mn (PLe PAT of Rs143mn, CE loss of Rs32mn).

Con-call highlights: **1)** During the quarter, e-comm channel de-grew by 17% YoY. **2)** Volumes declined by 8% YoY to 4.5mn units. **3)** In 1QFY26, capacity utilization at Bangladesh was 80%. **4)** "Carlton" witnessed double digit growth during the quarter. **5)** Saliency of modern trade declined 200bps YoY to 26% in 1QFY26 due to consolidation of stores by one established player. **6)** 80% of Carlton's revenue comes from VIP's owned stores. **7)** Modern trade and e-commerce channel together contributed ~50% of volumes in 1QFY26. **8)** ~15-18% of slow-moving inventory is still left to be liquidated as of June'25. **9)** The ongoing insurance claim pertaining to Bangladesh fire incident is expected to be settled within 6-7 months with ~Rs300mn yet to be received. **10)** One-off expenses of ~Rs110mn under the head other expenses largely pertain to legal and professional fees. **11)** Inventory liquidation of ~Rs200mn-220mn (net of provision) materialized during the quarter. **12)** Debt levels remained unchanged as of March'25. Guidance to reduce debt by ~Rs 1.3bn in FY26E remains intact.

Exhibit 1: Q1FY26 Result Overview - Consolidated (Rs mn)

Y/e March	1QFY26	1QFY25	YoY gr.	4QFY25	QoQ gr.	1QFY26E	Var.	FY26E	FY25	YoY gr.
Net sales	5,614	6,389	-12.1%	4,942	13.6%	6,325	-11.2%	21,495	21,784	-1.3%
Total raw material cost	3,087	3,550	-13.0%	2,625	17.6%	3,333	-7.4%	11,392	11,847	-3.8%
As a % of sales	55.0%	55.6%		53.1%		52.7%		53.0%	54.4%	
Gross Profit	2,527	2,839	-11.0%	2,317	9.1%	2,992	-15.5%	10,102	9,938	1.7%
Gross margin	45.0%	44.4%		46.9%		47.3%		47.0%	45.6%	
Employee expenses	544	589	-7.6%	544	0.0%	601	-9.5%	2,214	2,253	-1.7%
As a % of sales	9.7%	9.2%		11.0%		9.5%		10.3%	10.3%	
Other expenses	1,737	1,757	-1.1%	1,708	1.7%	1,771	-1.9%	6,362	6,862	-7.3%
As a % of sales	30.9%	27.5%		34.6%		28.0%		29.6%	31.5%	
EBITDA	247	493	-50.0%	65	279.2%	620	-60.2%	1,526	823	85.5%
EBITDA margin	4.4%	7.7%		1.3%		9.8%		7.1%	3.8%	
Depreciation	316	292	8.2%	303	4.3%	310	1.9%	1,225	1,191	2.9%
EBIT	(69)	201	NM	(238)	NM	310	NM	301	(368)	NM
EBIT margin	NM	3.1%		NM		4.9%		1.4%	NM	
Interest cost	167	185	-9.8%	169	-1.3%	158	5.4%	494	732	-32.5%
Other income	46	21	124.3%	38	21.9%	32	46.1%	150	109	37.8%
PBT	(190)	37	NM	(369)	NM	183	NM	(43)	(990)	NM
Exceptional items	19	-	NM	43		-		19	78	NM
Tax expenses	(40)	(3)	NM	(53)	NM	40	NM	(9)	(224)	NM
Tax rate	NM	NM		NM		22.0%		22.0%	NM	
PAT	(131)	40	NM	(274)	NM	143	NM	(14)	(688)	NM
PAT margin	NM	0.6%		NM		2.3%		NM	NM	
EPS (Rs)	(0.9)	0.3	NM	(1.9)	NM	1.0	NM	(0.4)	(4.8)	NM
Adjusted PAT	110	40	171.5%	(316)	NM	143	NM	226	(766)	NM
Adjusted PAT margin	2.0%	0.6%		NM		2.3%		1.1%	NM	
Adjusted EPS (Rs)	0.8	0.3	171.5%	(2.2)	NM	1.0	NM	1.6	(5.4)	NM

Source: Company, PL

Exhibit 2: Sales & profitability profile of Bangladesh operations

Particulars (Rs mn)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	FY24	FY25	FY26E	FY27E
Sales	1,360	1,829	2,061	885	612	835	731	1,030	1,079	6,135	3,208	3,689	4,058
PAT	146	238	266	(152)	(94)	(24)	24	40	127	498	(54)	203	243
PAT margin	10.7%	13.0%	12.9%	NM	NM	NM	3.2%	3.9%	11.8%	8.1%	NM	5.5%	6.0%
Bangladesh's sales a % of total sales	21.4%	33.5%	37.7%	17.1%	9.6%	15.3%	14.6%	20.8%	19.2%	27.3%	14.7%	17.2%	17.4%
Standalone PAT#	459	(24)	(49)	(106)	45	(385)	(168)	(305)	(233)	280.2	(814)		
Standalone PAT margin	7.4%	NM	NM	NM	0.7%	NM	NM	NM	NM	1.3%	NM		

Source: Company, PL # PAT for 1QFY23 is adjusted for exceptional items

Exhibit 3: Gross & EBITDA margin trend is volatile due to fluctuation in raw material prices

Particulars	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Gross margin	49.9%	48.1%	49.4%	57.9%	49.5%	55.5%	55.8%	50.1%	44.3%	45.0%	46.5%	46.9%	45.0%
EBITDA margin	17.4%	13.9%	13.9%	14.3%	12.7%	9.7%	9.6%	1.5%	7.7%	-0.4%	5.7%	1.3%	4.4%

Source: Company, PL

Adjusted GM & EBITDA margin stood at 47.7% & 9.0% respectively in 1QFY26.

Exhibit 4: Brand wise revenue mix table

Brand Saliency	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
VIP	20%	20%	24%	17%	18%
Skybags	31%	27%	24%	31%	30%
Carlton	5%	4%	6%	7%	7%
Aristocrat+Alfa	41%	45%	43%	44%	42%
Others (Caprese+International)	3%	4%	3%	3%	3%

Source: Company, PL

Exhibit 5: Category wise revenue mix table

Category Saliency	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
HL - Uprights	56%	60%	63%	61%	63%
SL - Uprights	19%	17%	13%	16%	13%
Duffle Bags	7%	8%	10%	8%	6%
Backpacks	15%	11%	11%	13%	15%
Ladies Hand Bags	3%	4%	3%	3%	3%

Source: Company, PL

Exhibit 6: Channel wise revenue mix table

Channel saliency	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
General Trade	24%	11%	18%	16%	26%
Retail Trade	9%	8%	9%	8%	9%
Modern Trade	28%	18%	24%	23%	26%
Ecom	21%	45%	23%	33%	19%
CSD PC	9%	7%	11%	9%	11%
Institutional	6%	9%	13%	9%	7%
International	3%	2%	2%	2%	2%

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Revenues	22,450	21,784	21,495	23,275
YoY gr. (%)	7.8	(3.0)	(1.3)	8.3
Cost of Goods Sold	10,637	11,847	11,392	11,289
Gross Profit	11,813	9,938	10,102	11,987
Margin (%)	52.6	45.6	47.0	51.5
Employee Cost	2,698	2,253	2,214	2,328
Other Expenses	7,180	6,862	6,362	6,075
EBITDA	1,936	823	1,526	3,584
YoY gr. (%)	(38.3)	(57.5)	85.5	134.9
Margin (%)	8.6	3.8	7.1	15.4
Depreciation and Amortization	995	1,191	1,225	1,303
EBIT	941	(368)	301	2,281
Margin (%)	4.2	NA	1.4	9.8
Net Interest	550	732	494	396
Other Income	118	109	150	186
Profit Before Tax	766	(912)	(24)	2,072
Margin (%)	3.4	NA	NA	8.9
Total Tax	223	(224)	(9)	456
Effective tax rate (%)	29.1	24.6	39.9	22.0
Profit after tax	543	(688)	(14)	1,616
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	285	(766)	226	1,616
YoY gr. (%)	(84.5)	NA	NA	NA
Margin (%)	1.3	NA	1.1	6.9
Extra Ord. Income / (Exp)	258	78	19	-
Reported PAT	543	(688)	(14)	1,616
YoY gr. (%)	(64.4)	NA	NA	NA
Margin (%)	2.4	NA	NA	6.9
Other Comprehensive Income	21	(35)	-	-
Total Comprehensive Income	564	(723)	(14)	1,616
Equity Shares O/s (m)	142	142	142	142
EPS (Rs)	2.0	(5.4)	1.6	11.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Non-Current Assets				
Gross Block	8,275	9,217	10,742	12,367
Tangibles	8,170	9,084	10,584	12,184
Intangibles	105	133	158	183
Acc: Dep / Amortization	2,959	4,150	5,375	6,678
Tangibles	2,869	4,036	5,237	6,514
Intangibles	90	113	138	164
Net fixed assets	5,316	5,067	5,367	5,689
Tangibles	5,301	5,048	5,347	5,670
Intangibles	15	19	20	19
Capital Work In Progress	144	180	180	180
Goodwill	-	-	-	-
Non-Current Investments	299	374	334	334
Net Deferred tax assets	253	504	453	408
Other Non-Current Assets	331	323	349	358
Current Assets				
Investments	11	2	2	2
Inventories	9,157	6,984	5,006	5,229
Trade receivables	3,276	3,683	3,592	3,699
Cash & Bank Balance	463	479	652	589
Other Current Assets	1,272	844	795	838
Total Assets	20,665	18,564	16,860	17,465
Equity				
Equity Share Capital	284	284	284	284
Other Equity	6,495	5,878	5,825	7,441
Total Networth	6,779	6,162	6,109	7,725
Non-Current Liabilities				
Long Term borrowings	2,813	2,746	2,883	3,027
Provisions	166	161	150	163
Other non current liabilities	1	1	2	2
Current Liabilities				
ST Debt / Current of LT Debt	5,899	4,765	3,515	2,265
Trade payables	4,069	3,863	3,416	3,507
Other current liabilities	928	857	763	752
Total Equity & Liabilities	20,665	18,564	16,860	17,465

Source: Company Data, PL Research


Cash Flow (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	766	(912)	(43)	2,072
Add. Depreciation	995	1,191	1,225	1,303
Add. Interest	550	732	494	396
Less Financial Other Income	118	109	150	186
Add. Other	41	53	(19)	-
Op. profit before WC changes	2,352	1,064	1,657	3,771
Net Changes-WC	(3,391)	1,899	1,543	(288)
Direct tax	(278)	(41)	60	(410)
Net cash from Op. activities	(1,317)	2,922	3,260	3,072
Capital expenditures	(991)	(412)	(400)	(400)
Interest / Dividend Income	1	2	-	-
Others	230	(56)	(1,080)	(1,234)
Net Cash from Invst. activities	(760)	(466)	(1,480)	(1,634)
Issue of share cap. / premium	-	-	-	-
Debt changes	3,518	(1,175)	(1,250)	(1,250)
Dividend paid	(288)	(7)	-	-
Interest paid	(330)	(465)	(494)	(396)
Others	(721)	(863)	137	144
Net cash from Fin. activities	2,179	(2,511)	(1,607)	(1,502)
Net change in cash	102	(55)	173	(63)
Free Cash Flow	(2,317)	2,490	2,860	2,672

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Per Share(Rs)				
EPS	2.0	(5.4)	1.6	11.4
CEPS	9.0	3.0	10.2	20.6
BVPS	47.8	43.4	43.0	54.4
FCF	(16.3)	17.5	20.1	18.8
DPS	2.0	-	-	-
Return Ratio(%)				
RoCE	7.4	NA	2.3	17.9
ROIC	9.4	4.4	9.1	20.5
RoE	4.3	NA	3.7	23.4
Balance Sheet				
Net Debt : Equity (x)	1.2	1.1	0.9	0.6
Net Working Capital (Days)	136	114	88	85
Valuation(x)				
PER	224.0	NA	282.2	39.6
P/B	9.4	10.4	10.5	8.3
P/CEPS	49.9	150.6	44.0	21.9
EV/EBITDA	37.3	86.2	45.6	19.1
EV/Sales	3.2	3.3	3.2	2.9
Dividend Yield (%)	0.4	-	-	-

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Net Revenue	5,443	5,011	4,942	5,614
YoY gr. (%)	(0.3)	(8.3)	(4.3)	(12.1)
Raw Material Expenses	2,992	2,680	2,625	3,087
Gross Profit	2,451	2,331	2,317	2,527
Margin (%)	45.0	46.5	46.9	45.0
EBITDA	(22)	286	65	247
YoY gr. (%)	NA	(45.2)	(17.0)	(50.0)
Margin (%)	NA	5.7	1.3	4.4
Depreciation / Depletion	296	300	303	316
EBIT	(317)	(14)	(238)	(69)
Margin (%)	NA	NA	NA	NA
Net Interest	201	177	169	167
Other Income	27	25	38	46
Profit before Tax	(456)	(167)	(326)	(171)
Margin (%)	NA	NA	NA	NA
Total Tax	(126)	(43)	(53)	(40)
Effective tax rate (%)	27.5	25.6	16.2	23.2
Profit after Tax	(330)	(124)	(274)	(131)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	(366)	(124)	(316)	110
YoY gr. (%)	NA	NA	NA	171.5
Margin (%)	NA	NA	NA	2.0
Extra Ord. Income / (Exp)	(36)	-	43	19
Reported PAT	(330)	(124)	(274)	(131)
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	NA	NA	NA	NA
Other Comprehensive Income	(1)	28	1	(8)
Total Comprehensive Income	(332)	(96)	(273)	(139)
Avg. Shares O/s (m)	142	142	142	142
EPS (Rs)	(2.6)	(0.9)	(2.2)	0.8

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jul-25	UR	-	422
2	15-May-25	BUY	404	338
3	09-Apr-25	BUY	433	265
4	29-Jan-25	BUY	463	374
5	09-Jan-25	Hold	483	478
6	25-Oct-24	Hold	494	472
7	09-Oct-24	Hold	547	551

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	BUY	1,071	882
2	Delhivery	Accumulate	466	430
3	DOMS Industries	BUY	3,087	2,456
4	Imagicaaworld Entertainment	BUY	93	66
5	Indian Railway Catering and Tourism Corporation	BUY	864	785
6	InterGlobe Aviation	BUY	6,517	5,740
7	Lemon Tree Hotels	BUY	175	147
8	Mahindra Logistics	Hold	383	408
9	Navneet Education	Hold	145	143
10	Nazara Technologies	Hold	1,241	1,357
11	PVR Inox	Hold	1,052	1,036
12	S Chand and Company	BUY	286	229
13	Safari Industries (India)	BUY	2,434	2,101
14	Samhi Hotels	BUY	308	221
15	TCI Express	Hold	778	744
16	V.I.P. Industries	UR	-	422
17	Zee Entertainment Enterprises	BUY	177	134

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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