

VIP Industries

SELL

Weak Performance Amid Ownership Changes

Summary

VIP reported very poor Q2FY26 results, significantly missing our expectations. We believe the disappointing performance is primarily driven by the change in ownership and ongoing management transition. Revenue declined 25% YoY to Rs4.1bn, with gross margins contracting from 45.1% to 30.6% in Q2FY26, indicating a sharp clean-up of the books. Consequently, EBITDA loss widened to Rs1bn, despite a reduction in employee cost and other overheads. Adj. net loss increase to Rs1.4bn, compared to Rs366mn in Q2FY25, primarily due to higher depreciation costs (12% YoY), partially offset by lower finance cost and a significant increase in other income. We value the stock at 30x FY27E EPS and derive a target price of Rs300, and maintain our SELL rating on the stock.

Key Highlights and Investment Rationale

- **Change in Promoters:** Mr. Dilip Piramal and his associates have entered into an agreement to sell 32% stake in the company to a consortium led by Multiples Private Equity Fund and others. This triggered an open offer for an additional 26.03% stake at Rs.388/share with the open-offer window closing on 17th Nov 2025. Following the change in ownership, Atul Jain has been appointed as new MD, replacing Neetu Kashiramka, along with the resignation of other directors.
- **Outlook Cautious:** VIP has been reporting weak financial results over past couple of years, due to headwinds such as top level management exits, intense price competition from new entrants and margin pressure from slow moving soft luggage inventory. Furthermore, VIP has been barred from using the 'CARTON' brand which accounted for 7% of Q1FY26 revenue with above average margins, further hindering its performance. In light of the recent change, there has been a lack of a clear communication from management regarding strategic initiatives and turnaround timelines. Coupled with brand headwinds and subdued channel performance, we remain cautious on the VIP's near- to medium-term outlook.

TP Rs300

CMP Rs398

Potential upside/downside -25%

Previous Rating HOLD

Price Performance (%)

	-1m	-3m	-12m
Absolute	(7.1)	(2.9)	(14.6)
Rel to Sensex	(8.4)	(7.8)	(23.6)

V/s Consensus

EPS (Rs)	FY26E	FY27E
IDBI Capital	(11)	10
Consensus	4	9
% difference	--	13.4

Key Stock Data

Bloomberg / Reuters	VIP IN /VIPI.BO
Sector	Other Apparels & Accessories
Shares o/s (mn)	142
Market cap. (Rs mn)	56,572
3-m daily average value (Rs mn)	6.9
52-week high / low	Rs523 / 249
Sensex / Nifty	84,563 / 25,910

Shareholding Pattern (%)

Promoters	49.7
FII	7.0
DII	14.3
Public	29.0

Financial snapshot

(Rs mn)

Year	FY23	FY24	FY25	FY26E	FY27E
Revenue	20,823	22,450	21,784	20,575	23,867
Change (yoy, %)	61.5	7.8	(3.0)	(5.6)	16.0
EBITDA	3,138	1,936	823	113	3,222
Change (yoy, %)	117.3	(38.3)	(57.5)	(86.2)	2,747.3
EBITDA Margin(%)	15.1	8.6	3.8	0.5	13.5
Adj.PAT	1,846	285	(766)	(1,602)	1,417
EPS (Rs)	13	2	(5)	(11)	10
Change (yoy, %)	175.7	(84.6)	nm	nm	nm
PE(x)	29.7	193.1	nm	nm	38.9
Dividend Yield (%)	1.2	0.5	0.0	-	0.8
EV/EBITDA (x)	17.9	30.8	71.1	507.7	17.4
RoE (%)	30.7	4.3	nm	nm	25.2
RoCE (%)	27.0	7.7	nm	nm	20.0

Source: IDBI Capital Research

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Exhibit 1: Quarterly Snapshot (Consolidated)

(Rs mn)

Year-end: March	Q2FY26	Q1FY26	QoQ (%)	Q2FY25	YoY (%)
Net sales	4,063	5,614	(27.6)	5,443	(25.3)
Expenditure	5,127	5,368	(4.5)	5,464	(6.2)
EBITDA	-1,064	247	nm	-22	nm
<i>EBITDA margin (%)</i>	-26.2%	4.4%	nm	-0.4%	nm
Interest	176	167	5.6	201	(12.5)
Depreciation	330	316	4.4	296	11.6
PBT	(1,463)	(190)	nm	(492)	nm
Tax	12	(40)	nm	(126)	nm
Reported PAT	(1,431)	(131)	nm	(330)	nm
Adjusted PAT	(1,475)	(150)	nm	(366)	nm
Adj. diluted EPS (Rs)	(10.39)	(1.06)	nm	(2.58)	nm

Source: Company; IDBI Capital Research

Exhibit 2: Actual vs. Estimates

(Rs mn)

	Q2FY26E	Q2FY26A	Variance (%)
Net sales	5,987	4,063	(32.1)
EBTIDA	411	(1,064)	nm
Margin (%)	6.9	(26.2)	nm
Adjusted PAT	(27)	(1,475)	nm

Source: Company; IDBI Capital Research

Exhibit 3: Change in estimates

	FY26E			FY27E		
	Old	New	(%) Chg	Old	New	(%) Chg
Revenue (Rs mn)	22,503	20,575	(8.6)	25,654	23,867	(7.0)
EBITDA (Rs mn)	2,066	113	(94.5)	3,463	3,222	(7.0)
EBITDA margin (%)	9.2	0.5	-863bps	13.5	13.5	0bps
Net profit (Rs mn)	316	-1,540	nm	1,426	1,417	(0.6)
EPS (Rs)	1.8	-11.3	nm	10.0	10.0	(0.6)

Source: Company; IDBI Capital Research

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Net sales	12,895	20,823	22,450	21,784	20,575	23,867
<i>Change (yoy, %)</i>	<i>108.5</i>	<i>61.5</i>	<i>7.8</i>	<i>(3.0)</i>	<i>(5.6)</i>	<i>16.0</i>
Operating expenses	(11,451)	(17,685)	(20,514)	(20,961)	(20,462)	(20,645)
EBITDA	1,444	3,138	1,936	823	113	3,222
<i>Change (yoy, %)</i>	<i>(321.3)</i>	<i>117.3</i>	<i>(38.3)</i>	<i>(57.5)</i>	<i>(86.2)</i>	<i>2,747.3</i>
<i>Margin (%)</i>	<i>11.2</i>	<i>15.1</i>	<i>8.6</i>	<i>3.8</i>	<i>0.5</i>	<i>13.5</i>
Depreciation	(700)	(737)	(995)	(1,191)	(1,292)	(1,268)
EBIT	745	2,401	941	(368)	(1,178)	1,954
Interest paid	(246)	(285)	(550)	(732)	(670)	(323)
Other income	363	171	118	109	222	140
Pre-tax profit	862	1,965	766	(912)	(1,564)	1,772
Tax	(192)	(442)	(223)	224	24	(354)
<i>Effective tax rate (%)</i>	<i>22.3</i>	<i>22.5</i>	<i>29.1</i>	<i>24.6</i>	<i>1.6</i>	<i>20.0</i>
Minority Interest	-	-	-	-	-	-
Net profit	669	1,523	543	(688)	(1,540)	1,417
Exceptional items	-	(322)	258	78	63	-
Adjusted net profit	669	1,846	285	(766)	(1,602)	1,417
<i>Change (yoy, %)</i>	<i>(168.7)</i>	<i>175.7</i>	<i>(84.5)</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>
EPS	4.7	13.1	2.0	(5.4)	(11.3)	10.0
Dividend per sh	2.5	4.5	2.0	0.1	-	3.0
<i>Dividend Payout (%)</i>	<i>53.0</i>	<i>34.6</i>	<i>101.0</i>	<i>(1.0)</i>	<i>-</i>	<i>30.1</i>

Balance Sheet

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Shareholders' funds	5,597	6,417	6,779	6,162	4,622	5,613
Share capital	283	283	284	284	284	284
Reserves & surplus	5,314	6,134	6,495	5,878	4,338	5,329
Total Debt	1,227	1,810	5,328	4,153	2,903	1,403
Other liabilities	1,403	1,319	2,825	2,756	2,756	4,159
Curr Liab & prov	4,075	4,607	5,733	5,494	4,682	5,544
Current liabilities	3,825	4,337	5,432	5,218	4,406	5,268
Provisions	250	270	302	276	276	276
Total liabilities	6,705	7,736	13,886	12,402	10,340	9,427
Total equity & liabilities	12,302	14,153	20,665	18,564	14,962	15,040
Net fixed assets	1,051	3,201	5,409	5,180	3,989	2,821
Investments	438	258	54	101	101	101
Other non-curr assets	1,914	435	370	608	608	608
Current assets	8,899	10,259	14,833	12,675	10,265	11,510
Inventories	5,184	5,871	9,157	6,984	5,073	5,885
Sundry Debtors	2,185	2,554	3,276	3,683	3,382	3,923
Cash and Bank	207	365	463	479	281	174
Other current assets	1,323	1,470	1,937	1,528	1,528	1,209
Total assets	12,302	14,153	20,665	18,564	14,962	15,040

Cash Flow Statement

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Pre-tax profit	862	1,965	766	(912)	(1,564)	1,772
Depreciation	700	737	995	1,191	1,292	1,268
Tax paid	(86)	(519)	(278)	(41)	24	(354)
Chg in working capital	(1,036)	(289)	(2,606)	2,384	1,099	(225)
Other operating activities	(676)	(145)	(193)	300	971	(218)
Cash flow from operations (a)	(237)	1,749	(1,317)	2,922	1,822	2,241
Capital expenditure	(340)	(1,058)	(991)	(412)	(100)	(100)
Chg in investments	1,688	204	230	(56)	-	-
Other investing activities	114	9	1	2	-	-
Cash flow from investing (b)	1,461	(845)	(760)	(466)	(100)	(100)
Equity raised/(repaid)	0	0	1	0	-	-
Debt raised/(repaid)	(310)	583	3,518	(1,175)	(1,250)	(1,500)
Dividend (incl. tax)	(355)	(638)	(288)	(7)	-	(426)
Chg in minorities	-	-	-	-	-	-
Other financing activities	(591)	(691)	(1,051)	(1,328)	(670)	(323)
Cash flow from financing (c)	(1,255)	(746)	2,180	(2,511)	(1,920)	(2,249)
Net chg in cash (a+b+c)	(31)	159	103	(55)	(198)	(108)

Financial Ratios

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Book Value (Rs)	40	45	48	43	33	40
Adj EPS (Rs)	5	13	2	-5	-11	10
Adj EPS growth (%)	-168.7	175.7	-84.6	nm	nm	nm
EBITDA margin (%)	11.2	15.1	8.6	3.8	0.5	13.5
Pre-tax margin (%)	6.7	9.4	3.4	-4.2	-7.6	7.4
Net Debt/Equity (x)	0.2	0.2	0.7	0.6	0.6	0.2
ROCE (%)	9.0	27.0	7.7	-2.6	-11.5	20.0
ROE (%)	12.4	30.7	4.3	-11.8	-34.7	25.2
DuPont Analysis						
Asset turnover (x)	1.1	1.6	1.3	1.1	1.4	1.6
Leverage factor (x)	2.2	2.2	2.6	3.0	3.2	2.7
Net margin (%)	5.2	8.9	1.3	-3.5	-7.8	5.9
Working Capital & Liquidity ratio						
Inventory days	147	103	149	117	90	90
Receivable days	62	45	53	62	60	60
Payable days	102	72	83	78	65	75

Valuations

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
PER (x)	81.9	29.7	193.1	nm	nm	38.9
Price/Book value (x)	9.8	8.5	8.1	8.9	11.9	9.8
EV/Net sales (x)	4.3	2.7	2.7	2.7	2.8	2.3
EV/EBITDA (x)	38.7	17.9	30.8	71.1	507.7	17.4
Dividend Yield (%)	0.6	1.2	0.5	0.0	0.0	0.8

Source: Company; IDBI Capital Research

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Key to Ratings Stocks:

BUY: 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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