

CMP (₹)	Target (₹)
103	123
Potential upside	Absolute Rating
19%	BUY

Market Info (as on 27th November 2014)

BSE Sensex	28,438.91
Nifty S&P	8,494.20

Stock Detail

BSE Group	B
BSE Code	507880
NSE Code	VIPIND
Bloomberg Code	VIP IN
Market Cap (₹bn)	146.334
Free Float (%)	50%
52wk Hi/Lo	54.5 / 125.8
Avg. Daily Volume (NSE)	387788
Face Value / Div. per share (₹)	2.00 / 1.20
Shares Outstanding (mn)	141

Shareholding Pattern (%)

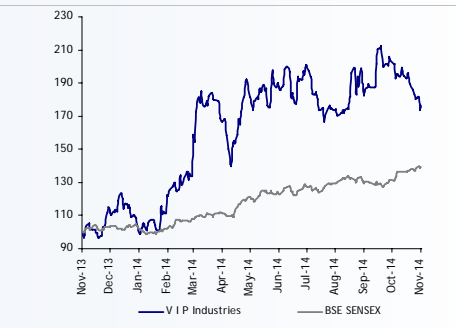
Promoters	FII	DII	Others
52.43	5.03	7.58	34.96

Financial Snapshot

(₹mn)

Y/E March	FY13	FY14	FY15E	FY16E
Net Sales	8,750	9,725	10,294	11,838
EBITDA	725	1,008	1,071	1,231
Net Profit	315.2	576.4	649	769
P/E(x)	29.23	27.21	27.1	26.8
ROE (%)	12.13	20.08	24.3	29.4
EPS	2.23	4.08	4.59	5.51

Share Price Performance



Rel. Perf.	1Mth	3 Mths	6Mths	1Yr
VIP Ind(%)	(13.5)	1.3	(2.6)	76.3
Sensex (%)	6.1	7.3	14.8	39.0

Source: Company data, Retail Research

Company Snapshot

VIP Industries Ltd is the leading manufacturer of the baggage and utilities. The company has best selling brands like VIP, Alfa, Aristocrat, Skybags, Foot Loose, Buddy etc. which constitutes customers from the all the age groups and covering all the segments. VIP has largest market share (more than 50%) in domestic market These brands also have enough market shares to attain the consistent growth in the top line. VIP industries in 2004 acquire Carlton brand, manufacturing facilities and designing to be a one of the leading brand in the world. This business has the presence in 65 countries across the globe and has office at London, Dubai, and Hong Kong.

Investment Rationale

Robust Business Structure

VIP industries is the largest player of the luggage segment in the domestic markets with a market share of 58% in the domestic market. The company has also come up with the multiple brands to attract different customers from various age groups and various segments. The tourism industry is also growing rapidly in India which will benefit the organization to get higher growth. Strong brand value and large distribution network help VIP to penetrate the domestic market across the geographies. VIP has more than 10000 touch points and more than 700 VIP outlets. This help to increase customer reach of the retail segment and help to maintain the leading market share in the competitive environment.

Better product mix will help to grow even in the competitive environment

VIP has introduced the better products and brands like VIP, Aristocrat, Carlton, Alfa, Foot loose etc. for the various segments of the customers. New entrants from the global market like American tourister, Samsonite etc. may reduce the market share of the company from the tier one and tier two cities. But VIP has better plans to face the competition. They have introduced the range of ladies handbags under the new brand called Caprese which will help the company in the upcoming future to cater a business from the new business segment. Multi branding strategy will help VIP to improve revenue contribution. This will also help company to improve the realization.

Strong balance sheet will help to increase the sustainability & makes stock lucrative.

The top line of the company has grown with more than 42% in last 5 years on consolidated basis. The consistent growth in the revenue has shown the rising business of the company. We believe that VIP industries will continue with its growth momentum. The operating margins have also improved from 7.82% to 8.28% which shows the rising operational efficiency. Return on the net worth (ROE) of the company has improved from 12.23% to 20.1% which has shown magnificent improvement. The return on the capital employed also improved from 16.88% to 21.81%. The VIP industries have very low or marginal debt on the balance sheet, the D/E ratio for FY14 stood at 0.06%. Lower debt burden will result in the higher pretax margins.

Valuation

At the CMP of ₹103, VIP Industries Ltd is trading at 22.4 x it's FY15E which we believe is underpriced and looks attractive. We attach an exit P/E multiple of 22.3x its FY16E EPS of 5.51 per share. Based on our valuation we arrive at the target price of ₹123 with a BUY rating & a potential upside of 19%

NOTES

GEPL CAPITAL Pvt Ltd

Reg Office: D-21 Dhanraj Mahal, CSM Marg, Colaba, Mumbai 400001

Analyst Certification

The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report:

Name : Omkar Tanksale

Sector :Electrical Equipments

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