

# JV CAPITAL SERVICES PVT. LTD

www.sharetrading.in

VIP LTD.

CMP 115

BUY

INDUSTRY : MOULDED LUGGAGE

RISK PROFILE: MEDIUM

TARGET 210

NSE Symbol : VIPIND

VIP Industries is engaged in the travel product business. The Company operates in two business segments: luggage & accessories and furniture. The products manufactured by the Company includes plastic moulded suitcase, plastic moulded brief-case and vanity case. The Company's portfolio of brands includes V.I.P., Carlton, Delsey, Footloose, Alfa, Aristocrat and Skybags. The Company's subsidiaries include Carlton Travel Goods Ltd. and Blow Plast Retail Ltd.

## Key Data :

52 week H/L : 294/32  
 Market Cap (Rs Cr.) : 314  
 Face Value : 10  
 Beta : 0.92  
 P/E : 26  
 Div % : 0.87  
 BV : 48.9  
 PBV : 2.3

(Source : Company)

## INVESTMENT RATIONALE

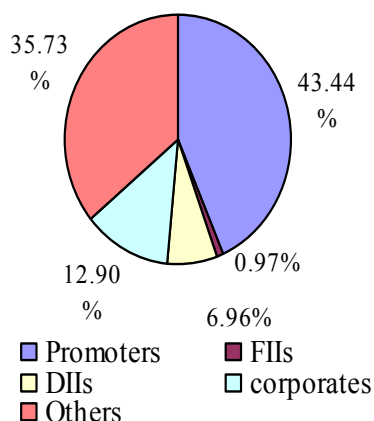
Despite the slowdown in the global trends of economy, the luggage markets performed flat. VIP Industries is the largest player in Indian luggage market. One of the large segment of Indian luggage market is the canteen Store Department (CSD). VIP luggage continues to enjoy a prominent position and is one of the most respected brands in CSD. Apart from the domestic market, the company also exports sizeable quantity of luggage to Europe & gulf and has presence in Africa & many other countries. With a view to expand and to access the international markets, the company during FY09 has set up a wholly owned subsidiary in UK.

The company has also acquired the well known international luggage brand 'CARLTON'. These developments are expected to augment export sales of the company significantly. The company has been focusing on creating exclusive outlets to increase market share.

## VALUATION:

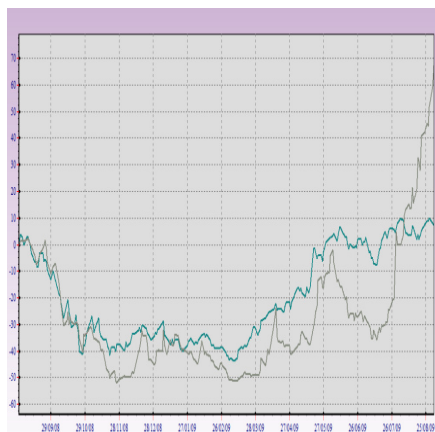
We are cautiously optimistic for the moulded furniture segment of the company. In case of luggage segment the management of VIP is very positive. The product portfolio of the company has been widened by introducing new products which offers good growth prospects. In FY08, earnings of the company have decreased. Revenues reflect a decrease in income from operation. Net loss reflects higher administrative, selling and other expenses with increased extraordinary items expenses. Currently the company is trading at a P/E 14.14x of CY09 EPS. Albeit the price earning ratio of the company is high, we maintain a 'BUY' on the stock as it is in an expansion mode with a promising business model.

## Share Holding Pattern (%):



## Relative Performance Analysis:

SENSEX  
 VIP IND



Financial Summary Year	Net Sales	Total Expenses	(Rs cr)	
			PAT	EPS
FY2005	297	272	7.27	4.73
FY2006	329	303	7.9	4.94
FY2007	557	404	22	5.20
FY2008	544	504	14	6.60

(Source : JVC'S RESEARCH)

**INDUSTRY PROFILE**

Indian Luggage industry is currently undergoing a consolidation phase. The luggage market comprises of three segments: the premium segment with 15% of total market share, the popular segment and the standard segment. VIP Industries is the most dominant player in the premium segment with a market share of 44% in popular segment The luggage market is dominated by the unorganized sector with 5% market share. Northern & western India are the biggest markets in the industry. The organized sector (8%) is growing at lesser pace when compared to the unorganized sector (25%)

**BUSINESS UPDATES:**

In the moulded furniture segment, VIP industries enjoys a small market share, where the company has a huge potential to grow in this business. The company is now able to get the orders from Pune and is able to successfully execute the same in time. During the year, VIP industries has strengthened its distribution hold by significantly increasing its market presence through opening of new shops for Aristocrat & Alfa Brands across the countries. This will significantly contribute in the balance sheets of the company.

**FINANCIAL FORECAST:**

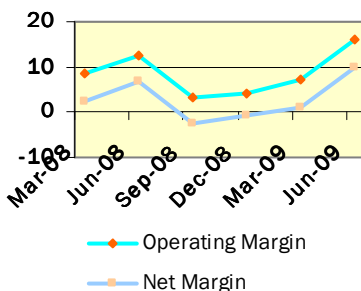
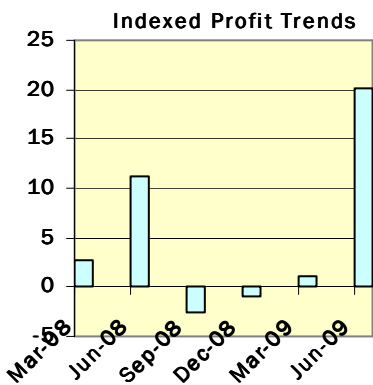
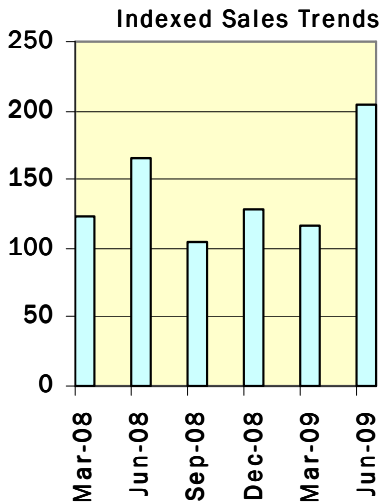
(Rs cr)

**Earning Estimates**

Particulars	Mar '09	June'09	Sep'09E	Dec'09E
Net Sales	117	205	112	151
Total Expenditure	118	172	102	129
PBIDT	8.5	32	11	24
Depreciation	3.6	4.2	4.0	3.0
PBT	4.30	29.9	10	25
Tax	-0.3	5.6	-7	4.8
PAT	1.0	20.1	4.9	12.8
EPS	0.34	7.10	1.6	5.1

(Source : JVCs RESEARCH)

- In Q1FY10, the company has posted a turnaround result for the quarter. Net profit for the quarter under review clocked at Rs20cr compared to Rs 1cr only. Healthy performance was due to spurted growth in operating profit by 640bps to 10.4% % 33% fall in interest cost.
- During H1CY09, the company has launched school bags section priced range between Rs 300 & Rs 900 and it aims to sell 70000 bags by the end of FY10. The company is planning to expand its retail network in FY10 as the rentals have touched almost bottom. To grab the change in consumer trend, the company has launched two models with different ranges in hard luggage system. VIP has slashed prices following the decline in prices of raw materials.



## **OUTLOOK**

The luggage industry is expected to grow in the current scenario with the factors like:

- Improved travels on month on month basis, passengers carried by various domestic airlines grew by 27%
- Introduction of new lighter hard luggage with using polycarbonate as basic input.

## **RISK & CONCERNS**

A major area of concern for the company is its dependence on China to produce most of the soft luggage. The recent changes in the economic scenario in the world along with the new labour regulations in China and the slowdown of production in China poses a mix of opportunity in terms of reduction of rates but also the threat of rate increases. For hard luggage, the prices of major raw materials have come down in the last quarter thereby the company may get the cost advantage with more scope of better margins.

## **RECOMMENDATION:**

Currently the stock is trading at a P/E of 14.19x with an EPS of 8.10, we maintain a buy on the stock. EPS for CY09 is expected to Rs 14.19 as company returns back to profitability. Taking the historical P/E of 15x, we arrive at a price target of Rs 212 for a time horizon of 6-10 months. The price volume trend analysis depicts that the stock is moving in some strong hands. Increasing volumes by major institutional investors gives a clean picture of their keen interest in VIP Industries hence we expect the stock to give handsome returns of more than 80% in next 6 months.

## Research Desk

Tel: 011- 41654860

Sajiv Dhawan	Managing Director	<a href="mailto:sajiv@jvfinancial.com">sajiv@jvfinancial.com</a>
Ashit Suri	Head of Research	<a href="mailto:ashit@jvfinancial.com">ashit@jvfinancial.com</a>
Sanjeev Kapoor	Trading Desk	011-41654860
Narendra Singh	Trading Desk	011-41654861
Rajeev Kumar	Trading Desk	011-41654862
Satyendra Singh	Back Office	<a href="mailto:backoffice@jvfinancial.com">backoffice@jvfinancial.com</a>
Bijaya Swain	Accounts Dept	011-41654874 / 75
General Enquiries		<a href="mailto:support@jvfinancial.com">support@jvfinancial.com</a>

## RISK PROFILE:

**Low Risk:** Fundamentally Sound companies, with low beta. Expected market out-performance is 0–10%

**Medium Risk:** Expected market out-performance is 10-20%. Preferably for the Investors with a maximum time frame of 6 months.

**High Risk:** High Beta Stocks, expected market out-performance is more than 20%, Preferably for the investors willing to take advantage of market momentum and are aggressive in nature.

## Disclaimer Appendix

This document has been prepared by the Research Desk of **M/s JV Capital Services Pvt. Ltd.** and is meant for use of the recipient only and is not for circulation. This document is not to be reported or copied or made available to others. It should not be considered to be taken as an offer to sell or a solicitation to support any security. The information contained herein is obtained and collated from sources believed reliable and we do not represent it as accurate or complete and it should not be relied upon as such. The opinion expressed or estimates made are as per the best judgment as applicable at that point of time and are subject to change without any notice. JVCS Pvt. Ltd. along with its associated companies/ officers/employees may or may not, have positions in, or support and sell securities referred to herein. Investors are advised to maintain strict stop loss.