networth capital
Networth Stock Broking Ltd.

V.I.P. Industries Ltd.

On Acquisition spree

Research Note

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VIP Industries (VIP), Flagship Company of the DG Piramal Group was established in 1968. Its manufacturing facilities are located at Nashik, Nagpur, Sinnar, and Jalgoan in Maharashtra, and in Haridwar (Uttarakhand). The company manufactures a range of hard-sided and soft-sided luggage including trolleys, suitcases, duffels and overnight travel solutions, executive cases, backpacks and school bags. Some of its brands include VIP, Alfa, Footloose, and Buddy. The moulded furniture division manufactures chairs, tables, stools and shells of plastic, marketed under the brand VIP Moderna. It also has a license to market the Delsey products in India and the SAARC countries.

VIP is a leader in Indian luggage industry with 58% market share. We expect it to post ~22.5 sales CAGR over the next two years, higher than the industry's 20% due to strong growth and higher contribution from the soft luggage segment.

The domestic luggage market is pegged at ~₹3000 Cr, of which, the unorganized segment accounts for ~₹ 2000 Cr. VIP plans to capture market share from unorganized segment by leveraging its brand and distribution channel

VIP is also scouting for an acquisition of manufacturing facility overseas to help improve the logistics of selling its products in European markets, thereby resulting in margins expansion. Revenue contribution from soft luggage shall increase from current 45% to 53%, which would be another margin growth driver as it currently outsources its soft luggage from China.

VIP, a leader in Indian luggage industry with 58% market share, has high growth visibility for the next few years. Currently it is trading at P/Ex 12.8 its FY2012E earnings We recommend BUY with a target price of ₹ 710

Rating	**BUY**
Target Price	₹710
CMP	₹570
Upside	25%
Sensex	19,885

Key Data	
Bloomberg Code	VIP.IN
Reuters Code	VIPI.BO
NSE Code	VIPIND
Current Share o/s (mn)	28.3
Diluted Share o/s (mn)	28.3
MktCap (₹bn/USDmn)	16.4/364.9
52 WK H/L (₹)	585.9/112.25
Daily Vol. (3M NSE Avg)	1751504
Face Value (₹)	10
Beta	1.01
1USD/INR	44.9

Shareholding Pattern	(%)
Promoters	43.8
FII	1.1
Others	55.1

Price Performance (%)			
	1M	6M	1yr
PPL	25.2	70.2	284.4
NIFTY	10.5	12.4	17.4

***Source:** Bloomberg; *As on 29th Sept. 2010*

Financial:

Key Financials				
Year to March	**FY2009**	**FY2010**	**FY2011E**	**FY2012E**
Net revenues (₹ mn)	5,634	6,690	8,200	10,150
Revenue growth (%)	(1.80)	18.8	22.6	23.8
EBITDA (₹ mn)	120	934	1,381	1,975
Net profit (₹ mn)	(39)	578	915	1,245
Share outstanding (mn)	28	28	28	28
iEPS (₹)	(1.40)	20.4	32.7	44.5
EPS growth (%)	(113.20)	1,396.60	56.4	36.5
P/E (x)	(407.1)	27.9	17.4	12.8
EV/EBITDA (x)	127.1	15.7	10.4	6.9
ROAE (%)	(3.60)	46.5	51.4	49.8

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Key to NETWORTH Investment Rankings

Buy: Upside by>15, **Accumulate:** Upside by +5 to 15, **Hold:** Upside/Downside by -5 to +5, **Reduce:** Downside by 5 to 15, **Sell:** Downside by>15

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