



CIN: L18101MH1991PLC059804

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Q3 and 9M FY23 – Earnings Update

“On path to achieve operational excellence coupled with sustainable financial performance”

Revenue from Operations reported at ₹441.6 Mn in Q3 FY23 and ₹1,490.1 Mn for 9M FY23

EBITDA stands at ₹40.3 Mn in Q3 FY23 and ₹77.4 Mn for 9M FY23

Net PAT at ₹51.1 Mn in Q3 FY23 and ₹45.2 Mn for 9M FY23

Mumbai, 09th February, 2023: VIP is an established innerwear manufacturer with portfolio of marquee brands like VIP, Frenchie, Feelings and Leader. The company in its board meeting held on 09th February 2023 has inter-alia considered and approved the Unaudited Financial Results of the Company for the third quarter and nine months period ended on 31st December 2022 as one of its agenda.

Financial Statement Highlights for Q3 FY23 v/s Q3 FY22 v/s Q2 FY23

Particulars (₹ in Mn)	Q3 FY23	Q3 FY22	YoY%	Q2 FY23
Revenue from operations	441.6	499.2	-11.0%	528.6
EBITDA (excluding other income)	40.3	-13.4		26.1
EBITDA Margin (%)	9.12%	-2.68%	1180 bps	4.94%
Net PAT	51.1	-25.1		16.0
Net PAT Margin %	11.57%	-5.02%	1660 bps	3.03%
Diluted EPS (in ₹)	0.62	-0.29		0.19

*Q3FY23 Net PAT includes an exceptional item of ₹61.3 Mn pertaining to profit on sale of Umbergaon unit

Financial Statement Highlights for 9M FY23 v/s 9M FY22

Particulars (₹ in Mn)	9M FY23	9M FY22	YoY%
Revenue from operations	1,490.1	1,340.8	11.1%
EBITDA (excluding other income)	77.4	26.8	
EBITDA Margin (%)	5.19%	2.00%	319bps
Net PAT	45.2	-49.0	
Net PAT Margin %	3.03%	-3.66%	670bps
Diluted EPS (in ₹)	0.56	-0.52	

*9MFY23 Net PAT includes an exceptional item of ₹61.3 Mn pertaining to profit on sale of Umbergaon unit

Management Discussion and Analysis:

**Figures in ₹ Mn, unless specified*

Q3 FY23 Financial and Business Updates:

Revenue from operations stood at INR 441.6 Mn for Q3 FY23 and EBITDA margins stood at 9.12% showcasing a significant improvement in financial performance in terms of profitability over previous quarters. This is majorly achieved owing to strategic product mix rationalization by restricting sales of lower margin products and increasing the proportion of higher margin product sales, a strategy which has started to yield preliminary positive results.

This improvement in margins is despite seasonally, December quarter being a slower quarter for underwear industry. Typically in Q3, seasonally, the inner wear industry experiences an increase in demand for the thermal wear because of winter, thereby leading to a seasonal dip in the demand for the innerwear products

- VIP delivered a robust set of operating results for the 9M ended 31st December, 2022, the revenue from operations for 9M FY23 increased by 11.1% to ₹1,490.1 Mn from ₹1,340.8 Mn in 9M FY22. The growth was led by:
 - *Increased brand visibility*
 - *Improved product mix*
 - *Buying pattern shift towards brands and organized players*
 - *Increasing urbanization and growing consumer demand*

Increasing Profitability:

- Gross Profit increased by 47.1% to ₹422.7 Mn in 9M FY23 from ₹287.3 Mn in 9M FY22 and margins increased to 28.4% in 9M FY23 from 21.4% in 9M FY22
- EBITDA increased by 188.8% to ₹77.4 Mn in 9M FY23 from ₹26.8 Mn in 9M FY22 and margins increased to 5.2% in 9M FY23 from 2.0% in 9M FY22
 - *Lead by increase in scale of operations*
 - *Focused on strategic cost rationalisation*
- As of 31st December, 2022 our inventory stood at ₹ 761.6 Mn a decrease from ₹822.7 Mn as on 30th September, 2022
 - *Lead by asset monetisation and divestment of an idle and underutilised facility in Umbergaon*

- *Company is focused on rationalizing working capital significantly, to improve cash generation and Return on Capital Employed.*
- Overall cash generation improved due to dual factors:
 - Increasing in operation efficiency and scale
 - Better utilisation of capital employed

The Company' is focused on improving Return on Equity and Return on Capital Employed, and this will become visible in the coming quarters, beginning from the reported one.

Business Outlook

- The management expects the revenue to be in the corridor of ₹2,100 Mn to ₹2,200 for FY23, mainly on account of higher brand visibility and increasing consumer spending on personal grooming and fashion products
- EBITDA margins for Q4 FY23 will majorly be in line with Q3 FY23 margins. All efforts as highlighted below will be made to improve the margins going forward

Growth Initiatives

- VIP is at a cusp of major transformational journey and is currently in the process of implementing a step ahead go to market strategy to strengthen its brand and expand its presence globally. The core aspect of this strategy is stated as below:
 - ***Investing in human capital with unparallel and industry leading experience:*** *We are adding individuals with exceptional marketing and sales acumen who have a proven track record of creating and expanding highly customer-focused brands with strong recall value*
 - ***Mr. Sunil Alagh's, a former MD and CEO of Britannia, appointment as our strategic advisor serves as one of the evidence of this***
 - ***Mr. Alagh brings a wealth of experience and expertise in the consumer and retail sectors and is well-positioned to guide VIP Clothing Industry to new levels of success because of his insightful strategic vision and capable leadership***
 - ***Distribution and Go to Market Strategy:*** *We aim to seize the expanding potential in the innerwear market by establishing **Exclusive Brand Outlets (EBO's)** throughout India and enhancing our product offerings for both men and women*
 - *Actively investing in the IT systems, which are designed to seamlessly integrate with its **450+ distributors** and provide VIP with useful information about the **market's pulse, product demand, and customer tastes and preferences** across the regions we serve*

- *In process of implementing an expansive footprint strategy which will allow us to expand into new geographies and solidify our position in the markets where our products are well received*
- ***Foraying into newer segments:*** *We are happy to share that we will be the pioneers in launching products for teenagers under our brand “Frenchie” and categorised it as “Under 19 (U-19)”*
- *VIP is in the process of launching new products under the women’s innerwear brand “Feelings” which will initially focus on introducing products that are less capital intensive and will gradually move towards other products to build our portfolio of SKU’s*
- *We are thrilled to announce that we will be foraying into “Athleisure Segment”, a market that is rapidly growing and offers a great opportunity to expand our product offering*

Capital Raise and Credit Rating

- ***Raised a capital of ₹104.1 Mn through the divestment of a factory in Umbergaon, the proceeds from the sale will be used by the company to strengthen its brand, expand its reach, enhance its product offerings and also to decrease its outstanding bank debt***
- ***During Q3 FY23, CRISIL Ratings reaffirmed its long-term rating to ‘CRISIL BB/Stable’ and short-term rating to CRISIL A4+***
- ***The issuance of 1,01,50,000 warrants was approved on a preferential basis at a combined issue price of Rs. 44.50 per warrant, totalling to fund raise of ₹ 451.6 Mn***

Management Comments:

“We understand the importance of adapting to changing market conditions and evolving customer needs and believe that continuous improvement is key to staying ahead of the competition. Our focus is on streamlining processes, improving efficiency, and leveraging technology to drive growth and improve customer satisfaction. Our aim is to create a more agile and innovative organization that is better equipped to respond to market changes and capitalize on new opportunities.”

We align with our goal of bolstering our financial performance by:

- *Improving our asset turnover*
- *Increasing our profitability*

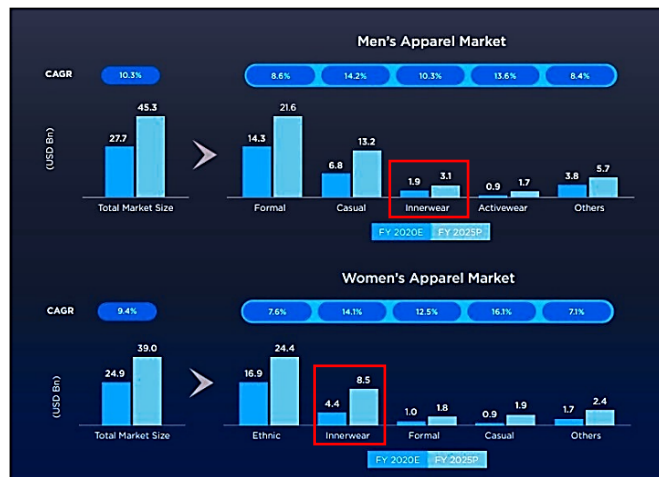
- Reducing our working capital days

We are confident that this transformation will position our company for long-term success and growth, and we look forward to working with our team to make this vision a reality.

We would like to thank our employees for their efforts and our investors/stakeholders for their continued support and encouragement.”

Industry Outlook

*On the industry front, India is recognized as the largest producer of cotton and jute garments in the world. The Indian innerwear market accounts for ~9% of the total domestic fashion retail¹ and has historically been highly fragmented, unorganized and dominated by international players, however, rising urbanization, lifestyle aspirations, higher disposable income, shift towards premium quality and government’s push towards Indian products has increased the demand branded products. We would also like to highlight that the innerwear segment in India has witnessed unprecedented growth and is expected to grow at a **CAGR of ~10.0%** till FY25.*



About VIP Clothing Limited

Incorporated in 1991, headquartered in Mumbai, VIP Clothing Ltd. (VIP) is engaged in the business of manufacturing, marketing and distribution of Men’s and Women’s innerwear and socks under the brand name VIP, Frenchie, Feelings and Leader. VIP has in-house manufacturing facility located in Tamil Nadu and is accredited with TUV- ISO 9000 certificate that reflects its emphasis on Quality Management System, designing, manufacturing and delivery. It is one of the India’s leading intimate apparel company providing intimate wear to consumers across various segments under different

brands and possesses one of the widest and largest sales and distribution network for innerwear products. The company has more than ~180 sales and marketing professionals, ~35,000 retailers network and ~450 distributors and wholesalers network.

For further information on the Company, please visit www.vipclothing.in

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