

July 20, 2010

**CARE ASSIGNS A 'PR1' RATING TO THE CP PROGRAMME OF V.I.P. INDUSTRIES LTD.**

**Ratings**

Facilities/Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Commercial Paper (CP) *	20	'PR1' (PR One)	Assigned

\* carved out of working capital limits

**Rating Rationale**

The rating derives strength from the extensive experience of the promoters in the luggage business, strong brand image with leadership position in the organized luggage industry, diversified product profile touching all price points and significant improvement in profitability and leverage position during FY10. Further the rating factors in the wide distribution network of VIP through multiple channels, innovative product designs and significant reduction in the losses in its UK subsidiary during FY10. However, the rating also factors in the competition from the international brands, financial support extended to the loss-making overseas subsidiary, risk of volatility in prices of key raw material and import of soft luggage from China exposing it to exchange rate fluctuation risk as also dependence on these external suppliers. VIP's ability to pass on any adverse fluctuation in raw material prices to customers and reduce the financial pressure emanating from loss making UK subsidiary remain the rating sensitivities.

**Company Profile**

V.I.P. Industries Ltd. (VIP) promoted by Mr. Dilip G. Piramal in the year 1968, is engaged in the business of branded luggage and moulded furniture. The brand portfolio of VIP comprises Carlton, Delsey, VIP, Aristocrat, Alfa, Skybags, Footloose and Buddy in luggage and Moderna in moulded furniture. VIP has around 60% share of the organised market. The company has manufacturing facilities for hard luggage and moulded furniture across five locations in India with a combined annual capacity of 15,000 MTPA.

During FY10, VIP reported net sales of Rs.628 crore and a PAT of Rs.50 crore on standalone basis. The overall gearing ratio as on 31<sup>st</sup> March, 2010 was 0.52x.

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**CARE classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries /regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.**

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<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

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