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SPECIAL STOCK REPORT

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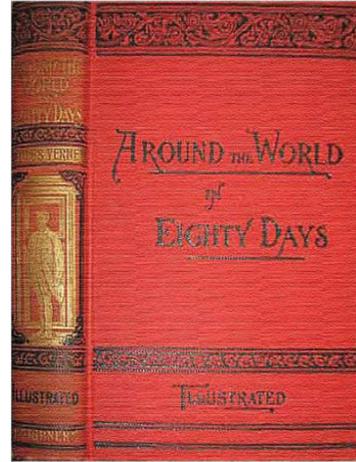
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## The History of Human Movement

In the year 1873, French writer, Jules Verne, released his novel, "Around the World in Eighty Days". In the novel, he narrates the travel experience of a rich British gentleman, Phileas Fogg. Fogg didn't take a suitcase to travel. "We'll have no trunks", he says to his servant. At that time, suitcase, as we know it today, hardly existed. A typical travel during those days would require a hefty trunk built of wood, leather, and often a heavy iron base.

The suitcase did come up towards the end of the nineteenth century. In those days, however, it was literally a case of suits. A typical suitcase was equipped with an inner sleeve for storing shirts, and occasionally a little hat box on the side.



Since then, we have witnessed a big change in how we travel and how we carry our belongings when we travel. However, we haven't thought about it as much as we should have.

We care too little about the containers, because we care a lot more about the things they contain. But the journey of the suitcase has seen all the major transport revolution since the times of steamships and horse carriages. This means that suitcases carry a lot more than just a pair of trousers and socks. They carry along with those stuffs the whole history of human movement.

Jeff Bezos, owner of arguably the most powerful company in the world, Amazon, in his several communication cites this:



***"I very frequently get the question: 'What's going to change in the next 10 years?' And that is a very interesting question; it's a very common one. I almost never get the question: 'What's not going to change in the next 10 years?' And I submit to you that that second question is actually the more important of the two -- because you can build a business strategy around the things that are stable in time"***

If we take cues from the above quote, we can see that our travelling pattern has changed drastically over the last 100 years. Other stuffs like our medium of transport, frequency of travel, importance to convenience and the whole experience of travelling have also got changed a lot during the same timeframe.

The only thing that remains the same in the whole history of human movement is that we have always needed some moveable container or bag to carry with us when we travel.

And, importantly, we have always craved for a lighter option which is more convenient. Even in the novel, which we have sighted above, Fogg says something more after he said, “We’ll have no trunks”. He says,

***“only a carpet bag, with two shirts and three pairs of stockings for me, and the same for you. We’ll buy our clothes on the way.”***

In the late nineteenth century, a carpet bag was definitely a lighter option and also much more convenient. Early suitcases were lighter and more portable than trunks, but they were still bulky by today's standards. In today's time, a super-light backpack offers us that convenience.

Who knows, what changes in luggage design, we will see in the future? But, the three things which seemed to stay are:

1. We will continue to have demand for bags to carry our belongings when we travel
2. Our travel is going to only increase in the future
3. We will always look for a more convenient option, and a one which is light-weight.

### **How is VIP Industries positioned in the Luggage Industry of India**

According to industry estimates, Indian domestic branded luggage market is growing at the rate of 9 to 12 percent per annum. The domestic branded luggage market is worth INR 6000 Cr, while the non-branded market is worth INR 15000 Cr. In the branded space there are only three major players:

1. VIP Industries (52% market share)
2. Samsonite (10% Market share)
3. Safari (35% market share)

This is a perfect example of an oligopoly market. An oligopoly is a market structure in which a few firms dominate. When a market is shared between a few firms, it is said to be highly concentrated.

But the journey of VIP was not as smooth as the description of oligopoly market suggests above. VIP had a troubled time during the 80s and 90s due to rising manufacturing costs, excise duties, and changing trends. Briefcases became passé. When multinational brands like Samsonite entered India in the 90s, VIP was facing a double-whammy. On one hand, it was forced to upgrade itself to stay competitive. On the other, it had to deal with competition from several cheaper, unbranded alternatives at the lower end of the market.

In these struggles, the new VIP story was slowly beginning to emerge, which almost no-one noticed. They made a few important changes:

1. A brand revamp in 2005 and increasingly targeting youth for its offerings
2. Radhika Piramal, a Harvard graduate joined the company in 2010

3. Skybags was launched as a soft-luggage brand for the company
4. Ladies luggage brand, Caprese was launched
5. Brand endorsements from celebrities like Hrithik Roshan, Alia Bhatt, and Varun Dhawan

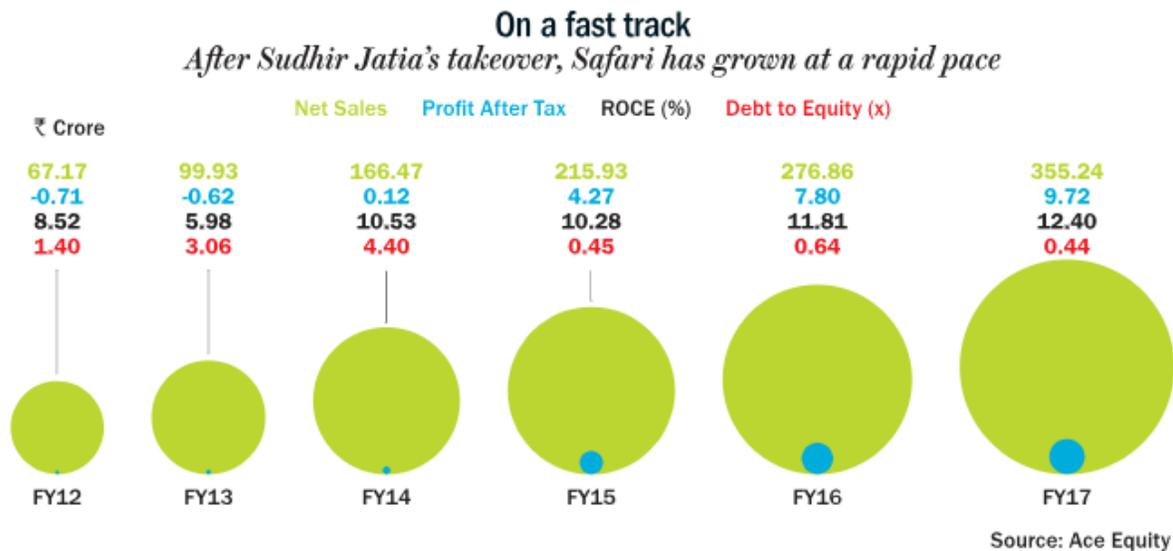
The slew of above measures resulted in a wide variety of hard and soft luggage, backpacks, and handbags, ranging from Rs 800 to Rs 12,000 for the portfolio of VIP. A conscious shift towards the youth has made VIP achieve these numbers in the last ten years.

<b>JOURNEY OF VIP INDUSTRIES (In Numbers)</b>			
<b>Particulars (INR Cr)</b>	<b>FY09</b>	<b>FY13</b>	<b>FY18</b>
Sales	497.6	801.34	1409.59
Profit before tax	-13.82	45.36	189.53
Tax	0.48	13.84	62.78
Net profit	-14.3	31.52	126.75
Dividend Amount	2.83	14.13	42.39

Needless to say, it has also caught attention of investors in Indian stock market.



However, this does not mean the competitors are not doing anything. On the contrary, they have gathered a lot of momentum too in the same period.



# Samsonite to tap e-commerce, lean on cheaper brands to expand market share

Samsonite's factory in Nasik currently makes around 80,000 units a month and plans to go up to 100,000 units

Pavan Lall  
Last Updated at May 17, 2018 22:38 IST

## The Jockey, the Horse, and the Long Race

The management of VIP is also mindful of the heightened competition.

Radhika Piramal, in a recent investor’s conference call, said “I will say the competitive intensity from Safari is stronger than three years ago. As a company, they have grown. Their product line is stronger and because they have grown, they just have a greater share in various channels, which puts the price competition more than it would have been three years ago.”

“We have been very strong in the Rs 3,000-5,000 price point. The areas where we weren’t leaders were the segments below Rs 3,000, where unbranded luggage ate into the market share, and above Rs 5,000, where higher-priced products from other companies had a strong presence. With

Aristocrat, which offers products at lower prices, and Carlton Edge, we can target both these areas,” Sudip Ghose, the CEO says in a fortune magazine interview.

Apart from the competitive intensity, foreign exchange is a big pain for the soft luggage makers in India. As most of the raw materials of soft luggage are imported, a depreciating rupee against the US dollar can play a spoilsport in this whole journey. Management in such a case is always left evaluating the two options of protecting margin Vs market share. That’s a catch 22 situation. As VIP at this stage cannot afford to lose any of the two.

While VIP is surely grappling with problems of heightened competitiveness among the dominant luggage players and depreciation of the national currency, it is still passing each year, adding new styles and milestones to its name. It reminds of something.

In Taleb's 2012 book Antifragile: Things That Gain from Disorder, he for the first time explicitly referred to his idea as the Lindy Effect, removed the bounds of the life of the producer to include anything which doesn't have a natural upper bound, and incorporated it into his broader theory of the Antifragile.

If a book has been in print for forty years, I can expect it to be in print for another forty years. But, and that is the main difference, if it survives another decade, then it will be expected to be in print another fifty years. This, simply, as a rule, tells you why things that have been around for a long time are not "aging" like persons, but "aging" in reverse. Every year that passes without extinction doubles the additional life expectancy. This is an indicator of some robustness. The robustness of an item is proportional to its life!

While some things can be anti-fragile, it is not clear whether a brand like VIP can be. We cannot look far into the future. However, we can surely look back as far as possible. Let’s time travel to the seventies. Large bulky suitcases of VIP with the initials (V.I.P.) was a normal scene at railway stations. Then came the eighties when office-goers and business persons, wearing a safari suit carried a brief case of VIP. And now we see the millennials carrying skybags on their back riding into the sunset on the Leh highway.

So VIP did stay around for a long time and it’s not “aging” like persons, but “aging” in reverse. Who knows? Maybe.