RUPA & COMPANY LIMITED

Date: February 14, 2025

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block
Bandra Kurla Complex, Bandra (E)
Mumbai - 400 051

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street
Mumbai - 400 001

Ref: NSE Symbol- RUPA / BSE Scrip Code- 533552

Sub: Transcript of the Earnings Conference Call held on February 07, 2025

Dear Sir/ Madam,

In continuation to our letter dated February 04, 2025 and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of the Earnings Conference Call held on February 07, 2025, to discuss the Unaudited (Standalone and Consolidated) Financial Results of Rupa & Company Limited ("the Company") for the quarter and nine months ended December 31, 2024.

The same will also be made available on the Company's website at https://rupa.co.in/con-call-transcripts-audio/.

Kindly take the same on record.

Thanking you.

Yours faithfully,
For Rupa & Company Limited
SUMIT JAISWAL
Digitally signed by SUMIT JAISWAL
Date: 2025.02.14 15:34:23 +05'30'
Sumit Jaiswal
Company Secretary & Compliance Officer

Encl: As above

Metro Tower,1, Ho Chi Minh Sarani, Kolkata 700 071,INDIA
Phone: +91 33 4057 3100, Fax: +91 33 2288 1362
Email: connect@rupa.co.in, www.rupa.co.in
An ISO 9001:2008 Certified Company
CIN No.: L17299WB1985PLC038517

"Rupa & Company Limited
Q3 and 9 Months FY '25 Earnings Conference Call"
February 07, 2025

MANAGEMENT: **MR. VIKASH AGARWAL – WHOLE-TIME DIRECTOR – RUPA & COMPANY LIMITED**
MR. SUMIT KHOWALA – CHIEF FINANCIAL OFFICER – RUPA & COMPANY LIMITED

MODERATOR: **MR. HITESH AGARWAL – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to the Rupa & Company Limited Q3 and 9 Months FY '25 Earnings Conference Call hosted by Orient Capital. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Hitesh Agarwal from Orient Capital. Thank you, and over to you, sir.

Hitesh Agarwal: Thank you, Manav. Good afternoon, everyone. I welcome you all to the earnings conference call to discuss Q3 and 9 months FY '25 results of Rupa & Company Limited. To discuss the results we have from the management, Mr. Vikash Agarwal, who is the Whole-Time Director; and Mr. Sumit Khowala, who is the CFO. They will take you through the results and the business performance, after which we will proceed for a question-and-answer session.

Before we proceed with the call, I would like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risks and uncertainties. For more details, kindly refer to the investor presentation and other filings that can be found on the company's website.

With this, I now hand over the call to the management for their opening remarks. Over to you, sir.

Vikash Agarwal: Good afternoon, ladies and gentlemen. On behalf of Rupa & Company Limited, I would like to warmly welcome all of you to our results con call. We appreciate your time and interest in reviewing our company's performance. And I trust that everyone had a chance to look over the financial results and investor presentation that has been uploaded on the stock exchange.

Now let me give you an overview of our company's performance. For 9 months financial year '25, overall volume grew by 3%, driven by strong volume growth in the economy and athleisure segment by 8% and 18%, respectively. Revenue for the quarter stood at INR316 crores with EBITDA increased 15% year-on-year to INR38 crores in quarter 3, with margin improving by 170 basis points, reflecting outcome of our disciplined approach towards cost management and operational efficiency.

Net profit for the quarter grew 14% year-on-year to INR24 crores with margin improving by 100 basis points, underscoring the effectiveness and resilience of our business model. Modern trade registered a robust revenue growth of 26% in 9 months financial year '25, contributing 6% to overall revenues, highlighting our strong presence on leading e-commerce platforms.

Additionally, our X factors areas delivered a growth of 13%, reflecting the success of our revenue diversification strategy. After a subdued first half, export revenue amounted to INR10 crores for quarter 3 versus INR6 crores in corresponding quarter last year. For 9 months financial year '25, exports thereby witnessed the growth uptick of 11%, contributed 3% of total revenues.

To enhance brand visibility, we have proactively engaged in strategic marketing initiatives, including celebrity collaborations, which have yielded positive results. We invested INR46 crores in branding and advertising, representing 5.6% of revenues, as of 9 months financial year '25.

Our exclusive brand outlet count has been expanded to 35 stores, reinforcing our commitment to broadening our retail footprint. Now regarding our guidance for ensuring quarter, I would like to mention that we are continuously realigning our sales strategies to ensure that growth momentum remains imperative amidst the current suboptimal macroeconomic environment marked by moderation in growth and elevated inflation.

We anticipate the revenue growth to be in the range of 8% to 10% for quarter 4 financial year '25, primarily driven by increased volumes. We anticipate our EBITDA to be in the range of 10% to 11% for financial year '25.

And I would also like to take this opportunity to inform you all that we have recently onboarded national sales head for our organization, and we are optimistic that this recruitment will give us impetus in realigning our sales team organogram with accelerated growth. With a clear focus on long-term growth, we are excited about the opportunities ahead and remain committed to delivering lasting value to our stakeholders.

With that, I would like to conclude my speech and would like to hand over the floor to our CFO, Mr. Sumit Khowala, to brief you about financial performance. Over to you, Sumit Ji.

Sumit Khowala: Thank you, sir, and hello, everyone, for joining us for our quarter 3 and 9 months FY '25 earnings call. I will provide you a brief overview of our financial performance for the quarter. On quarterly performance, revenue from operations for quarter 3 FY '25 stood at INR316 crores, degrew by 0.6% year-on-year.

The EBITDA for the quarter stood at INR38 crores as compared to INR33 crores same period last year, registering a growth of 15% Y-o-Y. EBITDA margin for the quarter stood at 12% for the quarter, up by 170 basis points Y-o-Y. The net profit for the quarter stood at INR24 crores against INR21 crores in quarter 3 FY '24, with a growth by 14% year-on-year. PAT margins for the quarter stood at 7.5%, up by 100 basis points year-on-year.

Coming to the 9 months FY '25 performance, revenue stood at INR824 crores grew by 1% year-on-year. The EBITDA for the 9 months stood at INR85 crores, as compared to INR77 crores same period last year, registering a growth of 10% year-on-year. EBITDA margin for the 9 months stood at 10.3%, up by 90 basis points year-on-year.

Net profit for the 9 months stood at INR53 crores, as against INR46 crores in 9 months FY '24, which has grown by 16% year-on-year. PAT margin for the 9 months stood at 6.4%, up by 80 basis points year-on-year. Cash generated from operations stands at INR65 crores positive, which has been majorly utilized in reducing the debt.

We have made significant progress in reducing our debt and have achieved a cash surplus, including investments amounting to INR30 crores, as on 9 months FY '25. Our working capital cycle stands at 223 days, as on 9 months FY '25.

With this, I conclude my speech and open the floor for question-answer session. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Sunidhi Joshi from N&M Securities.

Sunidhi Joshi: I was referring to your presentation. On Slide 33, we see that we have a presence in quick commerce space with Zepto, Blinkit and Swiggy Instamart. So are we planning to onboard more players in that sense?

Sumit Khowala: Yes. Recently, we have launched our brand in Swiggy, Zepto and Blinkit. And going forward, we'll enroll more quick commerce companies to enhance our visibility in the local areas.

Sunidhi Joshi: Okay. Sir, another question was with respect to the Pragati scheme. So last quarter end, you talked about it was operational in Rajasthan. So is there any further progress, any further States that you have added in that Scheme?

Vikash Agarwal: Yes. We are going and penetrating into more towns and more cities there. So -- and it's going quite well there. So we are hopeful in a year's time, we'll be able to implement that in total state in overall state.

Moderator: We have our next question from the line of Harsh Desai from ABC Capital.

Harsh Desai: I just have a couple of questions. I just wanted to know what will be the advertisement spend for FY '24-25 and for Q4 as well?

Sumit Khowala: For FY '24-'25, it will be in the range of 6% to 7%. And for the quarter, it will be also in the range of 6%.

Harsh Desai: Okay. Another question would be, I just wanted to know how has been the traction in the women wear segment in this quarter? And what kind of marketing initiatives we have taken this quarter and how marketing is skewed across categories, if you could specify on that front also?

Vikash Agarwal: So we are building up a strong portfolio and are building up a strong team for the women segment. In women's segment, we haven't done so well so far. But the idea is to come up with a whole range of new product, which is more economical and more acceptable to the market. And at the same time, we are building up a strong sales team also, which focuses for the entire range more into innerwear and athleisure also.

So -- and as I've said in the opening remarks, we have appointed a national sales head also for the whole organization. And we are sure it will help us to have better productivity of team and focus on all the segments of the company.

Moderator: We have our next question from the line of Mamata Agarwal from ABS Investments.

Mamata Agarwal: Sir my question is what are our capex plans for the remaining of FY '25? And do we have any plans to venture into new segments?

Vikash Agarwal: So capex plan is around INR15 crores to INR20 crores. And new segment, we are getting into rain suits, rain coats and all. So there's a new segment, which we are launching this quarter. And in kids wear, we are strengthening the portfolio as well in the kids range.

Mamata Agarwal: And sir, what kind of volume growth you are expecting to be in FY '25?

Sumit Khowala: FY '25 for quarter 4, our guidance is around 8% to 10% and yearly, it comes around 5% to 6%.

Mamata Agarwal: Sir, my last question is what is the EBITDA guidance for FY '24-25 and especially for Q4?

Sumit Khowala: Both in the range of 10% to 11%.

Moderator: The next question is from the line of Saloni Shah from SK Investment.

Saloni Shah: I have 2 questions. The first one being, how many stores are we planning to open in the fourth quarter? And can you give us an amount range as to how much we plan to spend on the opening each EBOs?

Sumit Khowala: Currently, we have 35 stores. We are planning to open 12 to 15 stores in this quarter 4 of FY '25. And most of the stores are under the FOFO model. So ideally, the store cost is around INR10 lakhs to INR12 lakhs, and it will bear by franchisee only.

Saloni Shah: Okay, sir. And my second question is, sir, can you throw some light on the demand trends that are shaping up in the mass segment, as well as the premium segment for the rest of FY '25?

Sumit Khowala: We expect that demand for the premium segment to be growing in quarter 4. Currently, means if you see that economy segment has grown well and premium is also performing well. So going forward, the raw material prices has been stabilized, and we expect that premium segment and other higher-margin business will grow in coming quarters and years to come.

Moderator: The next question is from the line of Aditya Sen from RoboCapital.

Aditya Sen: Sir there are several strategies in line considering those, what could be the...

Moderator: Sorry to interrupt sir. Can you please be a little louder?

Aditya Sen: Yes. Am I audible now?

Moderator: Yes.

Aditya Sen: Yes. So I was saying considering several growth factors in line for the next 2 years, what could be the growth guidance from your end?

Sumit Khowala: Growth guidance or growth drivers?

Aditya Sen: Growth guidance -- revenue growth guidance for next 2 years?

Sumit Khowala: It would be in the range of 12% to 15%.

Aditya Sen: And what would be the ballpark EBITDA?

Sumit Khowala: It would be in the range of 11% to 12%.

Aditya Sen: 11% to 12%.

Moderator: The next question is from the line of Rehan from Equitree Capital.

Rehan: Yes. So first, could you help me understand the volume for the quarter Y-o-Y only for the quarter?

Sumit Khowala: Quarter volume growth is 1%.

Rehan: Correct. But as I can see in the P&L, the subcontracting expense has grown by about INR6 crores. So if we reported flattish top line and 1% volume growth, can you help us understand the INR6 crores?

Sumit Khowala: Subcontracting expenses is basically they are part of the production process and whatever subcontract expenses -- contracting expenses incurred is added to the closing stock. So seeing a percentage increase or decrease, it reflects on the closing stock.

Rehan: Okay. So then it becomes broadly same, but INR6 crores delta on a Y-o-Y basis with no volume growth I mean, can you help us?

Sumit Khowala: Volume growth is something different. Volume growth is totally dependent on sales.

Rehan: Okay. So this is basis production?

Sumit Khowala: Yes.

Rehan: Okay. Second is that in Q2, you had mentioned that there is a delayed thermal situation, and you're expecting Q3 and Q4 to have a ramp-up of thermal sales. But like we've not seen that play out in Q3?

Sumit Khowala: In quarter 3, the thermal has grown and the sales growth in quarter 3 for the thermal is around 20%. So thermal has grown well. And apart from that, exports and other modern trade business has grown well.

Vikash Agarwal: But at the same time, I would like to highlight thermal did grow at 20%. We expected a much higher growth. But as we could see the winter was not so strong as you had expected expectation was and forecast was winters will be very strong, which came quite late. And now we see -- this is early or end of January, early February, it's quite hot now. So the season has not been so strong for winters.

Rehan: Okay. Because the commentary from the competition has been significantly different where they even had Q2 sales had some percentage of thermals kick in and Q3, they expected a significantly better ramp-up.

Vikash Agarwal: In thermals?

Rehan: Yes, in thermals.

Vikash Agarwal: No. We have a different experience, and we got a very strong booking in fact, for thermals, and we expected a growth of around 30% to 40% and where we landed to just 20%, and we expected a quite strong season, which because of bad winter, it didn't worked out so well.

Sumit Khowala: And for 9 months, the growth of the thermal is flat.

Rehan: Exactly my point because in the competition are saying that they received even in Q2, while -- because Q3 is bulk of where you do your thermal sales. And in Q2, you generally sell -- you get to see some orders shape up, right? And we all expected some form of commentary on that, which you said is shaping up as well. I think in Q2 con call, you mentioned your guidance for the full year will still be...

Vikash Agarwal: We got a very strong, as we mentioned, for all, we do thermal conference -- for booking conference all India, and we got a very strong booking because everybody expected to be very strong winter forecast. And as you all know, winter was not so strong at all. It was a very short time.

Rehan: Okay. Second is that on the gross margins, I think you've reported about 29% gross margin for the quarter. Can you help us understand why is that significantly lower than the other competitors, who report 32%, 33% gross margin and they claim it to be sustainable? Because even if we focus on the mass market, we're still not reporting great volume growth like them.

They're reporting high single-digit volume growth. And if you claim that we are focusing on the semi-premium or mid-premium segment, our ASPs and our gross don't show that. So can you help me understand this dichotomy?

Sumit Khowala: Just that if you see the volume for the economy segment is higher than the overall volume growth of the company, okay? So it's not that it should be even out when mid-premium and premium segment will perform. We anticipate that going forward, both these segments will outperform. And you will find that there is a scope for improvement in gross margin, say, by 1% or 2%, okay? Currently, for 9 months...

Rehan: That's still not making it what they are already doing. That's my question to you that it's clear that your revenue is...

Sumit Khowala: You are comparing with our competitor, but that is the fact. We are only concerned with my company.

Vikash Agarwal: The competition in fact, their range, maybe it's in terms of athleisure or women's, where they are doing quite well in all, which we are not doing so far. So...

Rehan: What is the difference? Why are we lagging behind? What's the difference in execution that we are seeing?

Vikash Agarwal: It's difficult to explain. We are trying everything. And as mentioned, probably we are lacking a strong sales head, which we finally got one and he's already on the role. So I'm sure in coming time, he'll be able to align the team properly and get a better output of the team, which will help focusing on different segments like women, athleisure and all, which are more retail, or which is more of a marketing range than just a push range.

Rehan: Okay. And how are you seeing your Q4 shape up overall because you do bulk of your sales in Q4.

Vikash Agarwal: Q4 bulk of sales because that's the summer time, that's the peak time for our category of our range. And we expect a growth of at least 8% to 10%, as mentioned. And[Technical Difficulty] in the festive time, we have a lot of festivals like Holi, Eid, peak summers are there. And in a way, people tend to buy into summer a lot.

Rehan: Okay. So that 8% to 10% will be again volume or will it be net growth?

Sumit Khowala: It would be value.

Rehan: Value. So this is including volume or net value.

Sumit Khowala: It's net value and volume will be, I think if raw material price continues to be same, then it would be around -- volume growth will be around 10%.

Rehan: And at a full year basis, you closed your top line at about 5%-6% growth?

Vikash Agarwal: Yes.

Rehan: But your guidance was 12% to 15%, I think, to the last participant?

Sumit Khowala: In last quarter, we have given a guidance that the quarter -- second half will be better than first half and will grow 10% over the second half.

Vikash Agarwal: Of course, our revenue growth for the overall year was a bit strong. But as we see overall macro economy is not doing so great. And henceforth, our -- is also a bit lower than what we expected.

Rehan: No, because, sir, broadly, what we're trying to understand is that the industry as a whole, we are hearing from you that there is headwinds and there are some demand challenges. And we're reporting -- I think we reported about 3% kind of volume growth on a 9-month basis. But if you look at your other competitors across the board, they have already achieved significantly higher volume growth already.

And even if I extrapolate your Q4 number and assume that, that figure is achievable, we're still lacking already basis their 9-month figures. So are we losing market share? Or how are we supposed to look at it from that point? Because then are we -- where are we losing? Why are we not getting right there up the alley?

Vikash Agarwal: So absolutely, this is what our job is to build up a strong team and see where we are lacking. So we understand a few areas, where we need to cover up. So something, which we were strongly lacking was a strong sales team, strong sales head to drive sales into secondary. Secondaries are very important. So we have got a very strong profile. So this is particularly one role what we are missing.

We have got a very strong IT head. We have got a very strong export head. We are appointing again a very strong retail head. So in terms of building up a team, this was the last leg, which was lacking. And I'm sure what you're talking, even we understand that, but we are quite confident in coming times, we'll be able to overcome the laggard whatever we have.

Moderator: We have our next question from the line of Saumil Shah from Paras Investments.

Saumil Shah: So I wanted to know out of our total revenues, how much is it coming from online apps and portals?

Sumit Khowala: 6% is the total contribution from modern trade. Okay.

Saumil Shah: 6%. And has it grown if I were to compare 9 months to 9 months.

Sumit Khowala: Yes. 9 months has grown by 26%.

Saumil Shah: And sir, a couple of years back, we were doing EBITDA in the range of 18% to 20%, so...

Sumit Khowala: A couple of years back...

Vikash Agarwal: Yes.

Saumil Shah: Yes. 2 consecutive years, we had done an EBITDA of 18% - 20%.

Vikash Agarwal: Yes.

Saumil Shah: Yes. So just wanted to know, so was it basically because of the raw material, I mean, cotton prices? And can we achieve the similar EBITDAs in future?

Sumit Khowala: If yarn price moves upward significantly, then there will -- we are sure that EBITDA margin would be in the range of around 17% to 18%.

Saumil Shah: So can I know -- I mean, currently, what -- I mean, what is the range of yarn prices?

Sumit Khowala: INR265- INR270. But in 2021-22, the yarn prices went to around INR470 - INR480.

Saumil Shah: Okay. So it has dropped down from INR470 to INR265, INR270 currently. Okay. And in terms of guidance, I missed the earlier participants reply. So in terms of guidance, what can we expect for FY '26 in terms of revenue?

Sumit Khowala: FY '26, 12% to 15% revenue guidance and EBITDA in the range of 11% to 12%.

Moderator: We have our next question from the line of Santosh Varma from Vanish Ventures.

Santosh Varma: So I have a question regarding the EBOs. We have set up already 35 EBOs. What has been our experience from the EBOs, the footfalls or which brands are selling better? Can you just give a color on the EBOs existing?

Sumit Khowala: In EBOs, we are majorly focusing on outerwear. And in FOFO model, we are almost on breakeven to profit. And in the high-speed areas, where we have opened COFO and COCO model, these are not the -- not in the breakeven. So the focus is to...

Vikash Agarwal: Outerwear and female wear basically.

Sumit Khowala: The focus is to enhance the outerwear and female wear range and presence in our high-speed areas.

Santosh Varma: Okay. So in the presentation, you mentioned we're going to add another 100 stores in FY '26. Yes, FY '26. So those -- so entire focus of EBOs will be in premium and mid-premium segment and outerwear majorly?

Vikash Agarwal: Yes. That's the focus.

Santosh Varma: Okay. So for example, after FY '26 for next 1, 2 years, what is the plan for the EBOs? So we're expecting higher margins? Or what is the entire plan for the EBOs? And what is the revenue contribution we're expecting from the EBOs, which we want to happen after 2-3 years' time?

Vikash Agarwal: The revenue contribution won't be like -- we haven't planned that much, but yes, 6% to 7% with the revenue contribution from the EBO. But right now, we are in the building stage and probably by second quarter of next year, we'll have some concrete plan how much it can contribute to the EBO and how the overall balance sheet would look like.

Santosh Varma: Okay. Sir, can you give any color on your premium and mid-premium segment, which -- what is the performance? And what is the -- what do you say, experience from the market and we were able to sell more? Or what is the plan for the premium and mid-premium segment?

Sumit Khowala: Can you repeat the question?

Santosh Varma: Okay. Okay. I'll repeat it. So I want to understand what is the plan for the premium and mid-premium segment? Yes, sir. So for the innerwear, premium and mid-premium segment, what is the plan from now?

Sumit Khowala: The market is growing, and we find that there's enough opportunity to grow both the segment, premium and mid-premium segment. So we are focusing on the geographical areas, as well as steep and continuous development of our innerwear products. So we anticipate that going forward, both this segment will grow.

Santosh Varma: Okay. Sir, and the last question is on our inventory level days. So it's currently, I think, 136 days kind of it is going on. So what is the expectation for next 2- 3 years, it will go to -- will go to 109, 120 from FY '21 kind of position, which you are...

Sumit Khowala: Your voice is not audible.

Santosh Varma: Okay. Yes, sir. My question is on inventory days. So what is the plan for that? For next 1, 2 years, we'll see the reduction in inventory days. Currently, 136 is what is in the presentation. How much time will it take for us to go back to 109 or 120 kind of inventory days, which is in FY '21 and FY '22?

Sumit Khowala: Currently, inventory days is around 145 days. So we are planning to reduce it to 120 days and later it reduces to 100 days. So we are having continuous focus on cost optimization. And we believe that next 1, 2 year down the line, we'll receive 100 days.

Moderator: We have our next question from the line of Sahil Vora from M&S Associates.

Sahil Vora: Sir, I wanted to know what are our plans for expanding the modern retail stores and the central warehouses in FY '26?

Sumit Khowala: We are continuously tying up with the modern retail stores and big stores like DMart, Reliance, Metro, More, Spencer's. So we are focusing our approach to the large format stores and major focus is South India.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. Hitesh Agarwal from Orient Capital for closing comments. Over to you, sir.

Hitesh Agarwal: Thank you for joining us on the call today. I would also like to thank management for sparing the time and answering all the queries today. We are the Orient Capital Investor Relations Advisors to Rupa & Company Limited. For any queries, please feel free to contact us. Thank you, everyone, and have a great day. Thank you.

Vikash Agarwal: Thank You. Thank You so much.

Moderator: Thank you. On behalf of Rupa & Company Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.