



RUPA & COMPANY LIMITED



Date: November 18, 2024

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 Earning Call held on November 11, 2024

Dear Sir/ Madam,

In continuation to our letter dated November 06, 2024 and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of the Earning Call held on November 11, 2024, to discuss the Unaudited (Standalone and Consolidated) Financial Results of the Company for the quarter and half year ended September 30, 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
Company Secretary & Compliance Officer



“Rupa & Company Limited
Q2 H1 FY '25 Earnings Conference Call”

November 11, 2024



MANAGEMENT: **MR. RAMESH AGARWAL – WHOLE-TIME DIRECTOR –
RUPA & COMPANY LIMITED**
**MR. SUMIT KHOWALA – CHIEF FINANCIAL OFFICER –
RUPA & COMPANY LIMITED**
**MR. ARIHANT KUMAR BAID – VICE PRESIDENT,
FINANCE – RUPA & COMPANY LIMITED**

MODERATOR: **MR. SUMEET KHAITAN – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 and H1 FY '25 Earnings Conference Call of Rupa & Company Limited, hosted by Orient Capital. As a reminder, all participant line will be in listen only mode and there will be an opportunity for you to ask question 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. Sumeet from Orient Capital. Thank you, and over to you, sir.

Sumeet Khaitan: Thank you, Nikita. Good evening, everyone. I welcome you all to the earnings conference call to discuss Q2 and H1 FY results of Rupa & Company Limited. To discuss the results, we have from the management, Mr. Ramesh Agarwal, Whole-time Director; Mr. Sumit Khowala, CFO; and Mr. Arihant Kumar Baid, Vice President, Finance. They will take you through the results and 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 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.

Ramesh Agarwal: Thank you. Good evening, ladies and gentlemen. On behalf of Rupa & Company, I would warmly welcome you all of you to this call. We appreciate your time and interest in reviewing our company's performance. I trust that everyone had a chance to look over the financial results and investor presentation that has been uploaded on the Stock Exchange.

The industry continues to witness aggressive pricing strategy and resistance of price increase post stabilization of yarn prices. Other factors like excessive rainfall in the month of August and September in certain parts and other regional disruptions impacted discretionary spending this quarter and therefore, demand usually associated with Q2 has partially been shifted to Q3. However, despite these headwinds, we have managed to navigate and deliver stable performance in the first half of FY '25.

An overview of our company's performance is as follows: revenue stood almost flat at INR297 crores and there was small volume growth of 2%; EBITDA stood at INR 29 crores and margin stood at 9.6% for the quarter. Our volumes in H1 FY '25 grew by 5%, backed by strong sales in economy segment, which grew by 12%. The athleisure segment also showed promising volume growth of 35% in the first half of the fiscal year. This is a testament of our commitment to offering high-quality products that resonate with discerning consumers.



Revenues from modern trade also demonstrated robust growth of around 35% in H1 FY '25, contributing 7% to the overall revenue. This underscores our strong presence on major online platform. Additionally, we have also observed significant growth in X factors areas, which stood at 25% in H1, underscoring our successful utilization of diverse revenue streams.

We have made proactive efforts to enhance our brand visibility through strategic marketing activities and have invested approximately around 7%, which comes to around INR33 crores in branding and advertising of our revenues of H1.

On the EBO front, the EBO count has reached around 31 and we hopefully should reach around 50 EBOs this fiscal. We anticipate our revenue growth to be in the range of between 10% to 12% for H2 FY '25. We are also on the gap to cover the deficit of H1 FY '25. Our EBITDA guidance will be in the range of 10% to 11% for FY '25.

Looking ahead, we aspire to achieve new business milestone and introduce innovative products across our diverse customer segments. Our commitment to our customer-first approach will reinforce our industry footprint and support our sustainable business model. We are excited about the future and dedicated to delivering long-term value to the stakeholders.

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

Sumit Khowala:

Thank you, sir, and hello, everyone, and thank you for joining us for our quarter 2 and H1 FY '25 earnings call. I will be providing a brief overview of our financial performance for the quarter. Coming to the quarterly performance, revenue from operation for quarter 2 FY '25 stood at INR297 crores, grew by 1.6% year-on-year. The EBITDA for the quarter stood at INR29 crores as compared to INR32 crores same period last year, registering a degrowth of 12% year-on-year basis.

EBITDA margin for the quarter stood at 9.6% for the quarter, down by 110 basis points year-on-year. The net profit for the quarter stood at INR18 crores against INR21 crores in Q2 FY '24, which degrew by 10% year-on-year. PAT margin for the quarter stood at 6.2%, down by 60 basis points year-on-year.

Coming to a half yearly performance. Revenue from operations for H1 FY '25 stood at INR507 crores, grew by 2% year-on-year. The EBITDA for the quarter stood at INR47 crores as compared to INR44 crores same period last year, registering a growth of 6% year-on-year. EBITDA margin for the half year stood at 9.2% and up by 40 basis year-on-year.

The net profit for the half year stood at INR29 crore against INR25 crores in H1 FY '24, grew by 17% year on year. PAT margin for the quarter stood at 5.7%, up by 70 basis points. Our net debt stands on H1 FY '25 is INR20 crores. Our working capital as on H1 FY '25 stands at INR790 crores. Working capital days for H1 FY '25 is 228 days.

With this, I now conclude my speech.

Moderator: Hello, sir?

Sumit Khowala: Yes.

Moderator: Yes, sir, please go ahead. Sir, we were not able to hear you.

Sumit Khowala: Open the floor for question-and-answers session. Thank you, everyone.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Saloni Shah from SK Investments. Please go ahead.

Saloni Shah: Sir, what is the capex guidance for FY '25?

Sumit Khowala: There is no major capex plan as such for FY '25. There will be a routine capex of around INR 15 - 20 crores.

Saloni Shah: Okay, sir. And do we have any plans to do capex across our manufacturing facilities maybe in the renewable space?

Sumit Khowala: Yes, in renewable space, the company is in process of installing solar plant in the Domjur unit and the capacity of the plant is around 1.8 MW, and the same is likely to be commissioned in January '25. And the same is on the opex model, not in the capex model.

Moderator: The next question is from the line of Darshan Shah from ABC Capital. Please go ahead.

Darshan Shah: I just have a couple of questions. Firstly, what is your current thermal order book? And how did the segment perform in the current quarter Q2?

Ramesh Agarwal: Q2 thermal performance was not so good because the season has shifted. So we expect this quarter to be better than as compared to last year, because Q2 was not so encouraging. So hopefully, this quarter will make up for the lost sales in Q2.

Darshan Shah: Another question would be on the same segment as well, thermal. As you said, the quarter 3 would be better. What are we expecting a post-Q3, will this segment perform in the same manner? Or what will how will the segment contribute?

Ramesh Agarwal: As I said, that we hopefully would cover the loss in sale for Q2. So hopefully, we will show some growth in Q3. I mean overall, between the last 3 quarters of the last year and the 3 quarters of this year, we will show a growth in thermal, hopefully. We expect that.

Moderator: The next question is from the line of Sahil Bora from M&S Associates. Please go ahead.

Sahil Bora: I just had one question. Sir, can you provide us with the details of performance of our subsidiary companies this quarter? Has the recent disruptions in Bangladesh affected our business there?

Ramesh Agarwal: We have opened a subsidiary in Bangladesh, it's been running for the last 4 years, but there is no business in that company. We had incorporated and hopefully, under the hope that we will be able to do something. But till now, we are not doing any business in that company.

- Sumit Khowala:** Regarding performance, we have five subsidiaries, out of which three subsidiaries having an EBITDA positive and two have negligible EBITDA.
- Moderator:** The next question is from the line of Hitanshi Agarwal from ABS Associates. Please go ahead.
- Hitanshi Agarwal:** Sir my question is, can you provide us with the volume wise segment growth for the quarter as well as for the half year?
- Sumit Khowala:** The volume growth for the quarter 2 in economy segment is around 6%, for mid-premium, it de-grew by 2% and for premium segment, it de-grew by 10%. And for H1, the volume growth for the economy segment is around 12%, for mid-premium it degrew by 2% and for premium it degrew by 3%.
- Moderator:** The next question is from the line of Rajesh Jain from LV Capital. Please go ahead.
- Rajesh Jain:** So I just wanted to understand, like in last quarter, you have guided to do revenues in the range of like 18% to 20%. But like now you have revised the same. So can we know the reasons behind this?
- Ramesh Agarwal:** You see the primary reason for this revision is, we expected the yarn prices to go up, but yarn prices even today also, it is not stable. It is the mood is like very, very towards a down trend, but it's not going down, it's not going up. So the overall trend in the yarn prices does not look very encouraging. So we were forced to revise the estimates.
- Rajesh Jain:** Understood, sir. And what will be your growth target in like 2 to 3 years down the line?
- Sumit Khowala:** The market is quite competitive, but at the same time, there is enough opportunity in this market. For a company like us, we always aspire to grow with a 12% to 15% CAGR growth. For this, we have put in all the efforts to grow at this rate. Some of the key drivers for this growth will be modern trade, women's wear, athleisure wear and international trade.
- Rajesh Jain:** All right, sir. And one more thing that I wanted to ask is our EBO count has increased this quarter. So like...
- Ramesh Agarwal:** Your voice is breaking, please.
- Rajesh Jain:** Is it fine now?
- Sumit Khowala:** No, we are not getting you, sir.
- Moderator:** Sorry for interrupting you, sir. Your voice is not clear.
- Rajesh Jain:** Is it fine now?
- Ramesh Agarwal:** Yes, yes, it is.
- Rajesh Jain:** Sir, just wanted to understand, our EBO count has increased this quarter? And how many stores are you expecting to be opened in FY '25?

- Ramesh Agarwal:** Around 50 stores. We are at 31 now. So we hopefully should be closing at 50.
- Rajesh Jain:** Okay, sir. And also can you throw color on the impact of these EBOs in our revenues that we are...
- Ramesh Agarwal:** EBOs, there are only 1 or 2 company-owned EBOs, rest all are franchisee owned and without any MG. So the impact on revenue as such would not be very much, but the impact of brand awareness would be high.
- Moderator:** The next question is from the line of Rehan from Equitree Capital. Please go ahead.
- Rehan:** I have a question on the gross margin. In Q1, we reported about, I think, 35% - 36% gross margins. And in Q2, we've reported about 28% - 29% gross margin. So even if I assume that you mentioned the volume growth of about 2%, so that means our value degrew by about 3%, 3.5%. So basically, are we seeing almost a 5% fluctuation in the raw material side? Or what has impacted our margins so drastically?
- Ramesh Agarwal:** This gross margin is all a play of the product mix. So, as you would see that our economic segment grew higher than the company's volume growth that's why the gross margins were low. So but this will even out in the next quarter, I think. So that gross margin volume would again go up with the mix of sales going up also.
- Sumit Khowala:** Thermal does not contributed well. So we expect that the thermal will contribute better in quarter 3 and gross margin will improve.
- Rehan:** Understood. On this, I wanted to understand further. So are we shifting towards this economy segment, like where do we see our strong suit? Is it in the economy segment? Is it in the mid? Where do we...?
- Ramesh Agarwal:** That's a seasonal thing. So whatever loss in premium segment we have seen in volume, hopefully, we'll cover it up in this quarter only. So there's no shift in the company's brand equity, it is still going strong for premium products also.
- Rehan:** Okay. On the demand side, I wanted to understand what active measures other than you mentioned about the EBOs and modern trades has already done well for us. What active steps are we doing to penetrate further towards the customers?
- Moderator:** Ladies and gentlemen, the line for Chairperson seems to have disconnected. Please hold while we reconnect. Ladies and gentlemen, thank you for patiently holding. We now have the line for the management reconnected. Please go ahead, sir.
- Rehan:** So I wanted to understand what steps are we taking actively to penetrate towards the customers and towards our audience other than the EBOs and few other things that you mentioned?
- Ramesh Agarwal:** We have like three superstars in our company. Like we have Ranveer Singh, we have Ranbir Kapoor and we have Kartik Aaryan. And we are aggressively promoting our brand locally through wall paint, dealer boards and we are taking out attractive schemes also from time to time and give a good incentive to our dealer to promote the brand.

- Rehan:** Okay. To understand one more thing, what is the delta towards the dealers between the other competition that we have, like, for example, what in terms of margins, what do they earn better from us? Why will they take Rupa versus the other competitors?
- Ramesh Agarwal:** See, it's all about demand and supply, whether you give them higher margins also if the product is not selling, they will not take the goods. So our endeavor is to create demand than rather push sales. So we do both. We create the demand also and we push sales also. So it's a mix of both. You cannot say that if you give more discounts to our product, you will sell more. We have to create that demand also.
- Moderator:** The next question is from the line of Ketan from RoboCapital. Please go ahead.
- Ketan:** Sir, we are saying we will grow at around 12% per annum, roughly. So I wanted to know how much of this will come from price versus volume?
- Ramesh Agarwal:** Now whatever sales we are seeing the opposite now. We are seeing a growth in volume versus value. But going forward, I think the yarn prices should stabilize. So the ratio between volume and value should be equal.
- Sumit Khowala:** It could be largely driven by volumes only.
- Ketan:** Largely driven by volumes. Okay. And can you throw a bit more color on the subsegments which you mentioned, mainly modern trade, athleisure, women wear. So roughly what is the market size there? How are we penetrating? Can you how much market share we have? Can you throw some light on that?
- Ramesh Agarwal:** See, the market size is not still defined, but there is immense opportunity which is coming up. We are doing both. We are supplying our brand under the modern trade. And also, we are undertaking private white label manufacturing. So we will see a good growth there. We are already seeing a good growth there and we hopefully should double the growth.
- Ketan:** Sorry, can you come again? Do you hope to double the growth?
- Sumit Khowala:** We didn't get you. Your voice is not audible.
- Ketan:** Sorry, just a minute, am I audible now?
- Sumit Khowala:** Voice is not clear.
- Ketan:** Hello?
- Moderator:** Sorry for interrupting you, sir. Mr. Ketan, your voice is not clear.
- Ketan:** Yes, yes. So sir, I did not catch the last line, which you said. So you're planning to double the growth? I did not clearly catch that.
- Ramesh Agarwal:** Yes, double the growth in a sense, suppose we grew at 20% - 30%, that growth would be at 50% maybe 50% - 55%. We hopefully should grow in that segment in the modern trade segment.

- Ketan:** Okay. Got it. And besides that, the traditional business, which we have so what is roughly how are you envisaging growth rate in that segment?
- Ramesh Agarwal:** Growth which will come, will come from a mix of the traditional business and the emerging business, which we call modern trade. So we have to have a list of everything to be in the market and to grow evenly.
- Ketan:** Okay. And sir, just one last question. So say after 2 to 3 years, how much of our revenue will be contributed by these newer segments? Can you highlight that?
- Sumit Khowala:** We expect that the modern trade to continues to contribute around 12% to 15%. And apart from modern trade, we expect export to contribute at least 6% to 7%.
- Moderator:** The next question is from the line of Shubhankar Ojha from SKS Capital and Research.
- Shubhankar Ojha:** Just quickly, so your opening remarks, you talked about H2 revenue growth guidance of 12% or was it the FY '25 revenue growth guidance of 12%?
- Sumit Khowala:** It is for H2. We expect that H2 will be better than H1.
- Shubhankar Ojha:** Okay. Great. So which means basically you had a 2% growth in H1 and a 12% growth in H2. So basically, for years, you may end up with about 5% to 6% growth? Is that correct? Hello?
- Sumit Khowala:** It comes to around 7% - 8%.
- Shubhankar Ojha:** 7% to 8%. So earlier, we had a 12% - 15% sort of growth guidance. Okay. So that's one. Secondly, can you talk a bit about the progress on your Pragati scheme, which I think last time you talked about it was operational in 2 states. Is there any further progress or any other states that you have added in that scheme?
- Moderator:** Sorry for interrupting you, sir. Ladies and gentlemen, the line for Chairperson seems to have disconnected. Please hold while we reconnect. Ladies and gentlemen, thank you for patiently holding. We now have the line for the management connected.
- Shubhankar Ojha:** All right. So the question was with respect to the Pragati scheme. So last quarter end, you talked about it was operational in Odisha and Chhattisgarh. Is there any further progress, any further states that you have added in that scheme?
- Ramesh Agarwal:** So the last time, we must have said Rajasthan and Chhattisgarh and some part of UP. So Rajasthan, there is a good response in some cities we have started like in Jaipur and a few other cities, the response has been very good. And hopefully, we should cover the whole of Rajasthan step by step.
- And going forward, Chhattisgarh is still getting stable. And the next state would be Haryana, it's already under implementation in Haryana and then next would be Punjab. So whichever states are willing, we are first going there. And then maybe or above that is come in the other states also. So others will also follow.



- Shubhankar Ojha:** Okay. All right, all right. And finally, so your total ad spend for H1 was how much?
- Sumit Khowala:** It's around 6.5%.
- Shubhankar Ojha:** 6.5%, that will be for the entire year also in the same range?
- Sumit Khowala:** Yearly guidance will be in the range of around 7% to 7.5%.
- Moderator:** As there are no further questions, I would now like to hand the conference over to Mr. Sumeet Khaitan for closing comment. Please go ahead, sir.
- Sumeet Khaitan:** Hello. Yes. Thank you for joining us on the call today. I would also like to thank the management for sparing the time and answering all the queries today. We are 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.
- Sumit Khowala:** Thank you. Thank you, Sumeet. Thank you, everyone.
- Moderator:** On behalf of Rupa & Company Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.