



RUPA & COMPANY LIMITED



Date: August 19, 2024

National Stock Exchange of India Limited
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Bandra Kurla Complex, Bandra (E)
Mumbai - 400 051

BSE Limited
Phiroze Jeejeebhoy Towers,
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Ref: NSE Symbol- RUPA / BSE Scrip Code- 533552

Sub: Transcript of the Earning Call held on August 10, 2024

Dear Sir/ Madam,

In continuation to our letter dated August 07, 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 August 10, 2024, to discuss the Unaudited (Standalone and Consolidated) Financial Results of the Company for the quarter ended June 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
Q1 FY '25 Earnings Conference Call”
August 10, 2024



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 Q1 FY'25 Earnings Conference Call of Rupa & Company Limited hosted by Orient Capital. This conference call may contain forward-looking statements about the company which are based on beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. 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 our operator by pressing star then zero on your touchtone 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, Neha. Good afternoon, everyone and I am delighted to welcome you all to the earnings call to discuss the Q1 FY'25 results of Rupa & Company Limited. To discuss our results, we have with us from the management Mr. Vikash Agarwal, Whole Time Director and Mr. Sumit Khowala, CFO. They will take you through our results and business performance, after which we will proceed for the question-and-answer session.

Before we begin the conference call, I would like to mention that this conference call may contain some forward-looking statements about the company which are based on the beliefs, opinion, and expectation of the company as on date of this call. The actual results may differ materially. These statements are not guarantees of future performance of the company and involve risks and uncertainties that are difficult to predict. I will now hand over the call to the management for the 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 concall and 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. We are pleased to report a stable performance in Q1 financial year '25 though the industry continues to witness resistance to any price increase.

This quarter we witnessed 7.6% rise in revenue primarily driven by the sale in our core product line. Our volume growth for the quarter reached 9% supported by sales in the economy and atleisure segments primarily. Our EBITDA saw a year-on-year increase of 59% totalling to INR18 crores for the quarter. Net profit increased by 1.5x reaching to INR10.5 crores for the quarter. Net profit margin improved by 280 basis points during the quarter.

We invested approximately INR19 crores in the branding and advertising accounting for about 9% of our revenue in Q1 financial '25. Our presence in X-factor areas and modern trade remained strong with contribution from these areas at 18% and 8%, respectively. The pilot project Pragati which was launched last quarter in few selected areas has received encouraging feedback from our distributors and we expect healthy expansion of the project going forward.

I'm also pleased to announce changes to our Board composition. Mr. Sumit Malhotra, Mr. J.P. Dua, Mr. Arvind Baheti and Mrs. Mamta Binani has been appointed as Independent Directors of the company effective September 6, 2024. Each of these distinguished professionals bring a wealth of experience and expertise that will be invaluable as we continue to drive our strategic vision forward. Their diverse backgrounds will enhance our Board's capabilities and provide fresh perspectives that align with our commitment to innovation and sustainable growth. We warmly welcome them to our team and look forward to their insights and leadership.

In the last quarter, we guided a revenue growth of Q1 financial '25 to be in a range of 18% to 20%. Although we haven't fully made these expectations, we are on the right track to achieve our revenue growth of 12% to 15% for the financial year primarily driven by the volume increase and improved consumer demand. We anticipate an EBITDA margin in the range of 10% to 11% for the financial year '25.

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

Sumit Khowala:

Thank you, sir, and hello everyone for joining us for our quarter 1 FY'25 earnings call. I will provide a brief overview of our financial performance for the quarter. Coming to the quarterly performance. Revenue from operations for quarter 1 FY'25 is at INR210 crores grew by 7.6% year-on-year. The EBITDA for the quarter stood at INR18 crores as compared to INR11.3 crores same period last year registering a growth of 59% year-on-year. EBITDA margin for the quarter stood at 8.6% for the quarter up by 280 basis points year-on-year.

The net profit for the quarter stood at INR10.5 crores against INR4.2 crores in quarter 1 FY '24 which grew by 149% year-on-year. PAT margins for the quarter stood at 5% up by 280 basis points year-on-year. Cash generated from the operations stands at INR44 crores positive which has been majorly utilized in reducing our debt and our company has become debt-free net of fixed deposits as at the end of quarter 1 FY '25.

Our working capital as on quarter 1 FY '25 stands at INR716 crores vis-a-vis INR762 crores in FY '24. The total working capital days for quarter 1 FY '25 stands at 210 days. With this, I open the floor for question-and-answer session. Thank you, everyone.

Moderator:

Thank you. We will now begin the question-and-answer session. The first question is from the line of Sahil Vora from M&S Associate. Please go ahead.

Sahil Vora:

I had a couple of questions. What are your plans for the Pragati scheme going forward and which states are we planning to start the scheme?

Vikash Agarwal:

Right now we have tested in a few areas of U.P., Rajasthan and Chhattisgarh from where we have got a positive response and gradually, we'll take it to and implement it in the whole state. And once we implement in these three states then we'll take it to other states as well.

Sahil Vora:

Okay. And how is the thermal order book currently and what is the volume guidance if you can provide us with some guidance for FY'25 that would be great?



- Vikash Agarwal:** Thermal order has been quite good, and we expect a strong business this year with a volume growth of say at least 20% to 25% should be a volume growth we should have in thermals.
- Sumit Khowala:** And regarding the volume guidance for the financial year '25 it would be in the range of 12% to 13%.
- Sahil Vora:** Okay. That helps. Thank you.
- Moderator:** Thank you. The next question is from the line of Nivesh Shah from RBC Equity Advisors. Please go ahead.
- Nivesh Shah:** One thing that I wanted to understand is what are our capex plans for FY '25?
- Sumit Khowala:** Currently this year we don't have any plans for major capex and major expansion plan. So there will be routine capex of INR12 crores to INR15 crores.
- Nivesh Shah:** And if you could just give me a brief idea about the branding cost for FY'25 that we are planning?
- Sumit Khowala:** In the first quarter the ad spend stood at INR19 crores which is 9% of the revenue. In coming quarters, it will be rationalized and for the yearly guidance is around 6% to 7%.
- Nivesh Shah:** Okay. And segment volume-wise growth like for Q1 FY'25?
- Sumit Khowala:** The economy segment grows at around 16%, mid-premium grows at 1% and the premium segment grows at 8%.
- Nivesh Shah:** Okay. And like it would be a bit helpful if you could comment on how subsidiaries have performed during this quarter.
- Sumit Khowala:** We have 5 subsidiaries, out of which Rupa Fashions and Rupa Bangladesh operations has not yet been started and the remaining 3 subsidiaries has EBITDA positive.
- Nivesh Shah:** Okay. And considering the situation in Bangladesh like what is your outlook on that front?
- Vikash Agarwal:** That doesn't hit us at all, and it might help us with our exports, garment exporting should be helpful from India because a lot of orders should come to India. So that angle can help us.
- Nivesh Shah:** Got it sir. Thank you and all the very best for the coming year ahead.
- Moderator:** Thank you. The next question is from the line of Varun Mishra from Big4 Invest Partners. Please go ahead.
- Varun Mishra:** Yes hi. Thank you for the opportunity and congratulations on a good set of numbers. I had a couple of questions. Like, is there a possibility of any price increase in this quarter and the upcoming quarters as we, see?
- Vikash Agarwal:** The cotton prices are stable, and market is very competitive now and we don't look -- it doesn't look like for next 2 quarters we'll be having any price hike. And especially with the Bangladesh

also probably a lot of yarn export should not happen. So there should be pressure on the yarn. So I don't see any reason for price hike for next two quarters.

Varun Mishra: Okay, sir. And do we face any upward pressure as of now that might lead to a possible price hike in the future? Like, as you said it won't be in the next coming two, three quarters, but then post pricing do you see any possibility?

Vikash Agarwal: There is a steep increase in the yarn prices, we don't see any price hike opportunity.

Varun Mishra: Okay fine sir. That's it. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

Darshil Jhaveri: Good afternoon, sir. Thank you so much for taking my question. Some of my questions have already been answered. So I just wanted to know sir like last call in Q1 we gave a guidance of maybe 18%, 20% growth, but it turned out to be 7% growth. So what is giving us the confidence that for the full year we'll be able to do the 13%, 15% growth that you stated?

Vikash Agarwal: That's a valid question. Like first quarter we planned and probably that's why our inventory is a bit high as well and primarily what we feel is a lot of because of an election disturbance and all in quarter 1, that didn't -- couldn't happen to what we wanted. But yes, a lot of efforts are going on and it should pay off in coming quarters.

Sumit Khowala: And apart from that, the X-factor areas started growing and modern trade also start growing.

Vikash Agarwal: We are investing a lot in terms of building a team in export in modern trade and all. So those should gradually start giving us results.

Darshil Jhaveri: Okay. Fair enough, sir. And sir just wanted to ask like on the overall, not maybe this year, but how do you see like over the next 2, 3 years how will we grow? Because if we could just see like the last 3 years have been like similar trajectory being stuck in a range. So currently like how we see that we'll get out of this like what will be the kicker that we will be able to increase our growth rate on a long-term basis.

Vikash Agarwal: The market is quite competitive. At the same time there's enough opportunity in the market. So to grow by 12% to 15% CAGR is basically a company like us will have to look at which we are planning to and aspire to. And we are putting up all the efforts in terms of it is modern trade, LFS, EBOs, export we are building up a strong team. So in terms of opportunity there is enough opportunity to grow by 15%, 20%, but yes at least 12% to 15% is what we think we should be able to...

Darshil Jhaveri: Okay. Fair enough, sir. And sir I just wanted to ask with modern trade and exports we are focusing more, so their margins are similar to our current business or how is the margin profile out there?

Sumit Khowala: The margins are higher for modern trade compared to GT sales.

- Darshil Jhaveri:** Okay. So maybe not like in this year we'll see 10% to 11%. So overall in the next coming year, we might see some improvement in the margin maybe not major, but 100 basis points or something -- because you've been able to do 12%, 13%.
- Vikash Agarwal:** Yes, absolutely, that's the minimum we should achieve. And with the change of mix and with the change of channels and all with addition of channels that should be logically and easily achieved.
- Darshil Jhaveri:** Fair enough sir. Thank you so much sir. All the best.
- Moderator:** Thank you. The next question is from the line of Rehan from Equitree Capital. Please go ahead.
- Rehan:** Thank you for the opportunity. My questions are more or less been answered. I just had a question. Sir, basically this quarter, we've done about 9% volume growth Y-o-Y and 8% is the revenue growth. So there's a value growth -- degrowth that we've seen. And for the financial year you've given a guidance of 12% to 15% top line and volume guidance in the similar range. So do we expect that this whole year we don't see any further -- like we don't see price hikes at all? Is that what you're trying to tell us?
- Vikash Agarwal:** The price like in the change for next 2 quarters no, but with the change of mix and all the -- that price hike will be there in terms of change of product mix and all.
- Rehan:** Okay. And currently our margins for Q1 were at about closer to 9% and you've given a guidance for 10%, 11%. What will play? Do you think there'd be an operating leverage kick in or what is going to drive the margins towards 10%, 11% or even 12%...
- Vikash Agarwal:** Operating level also and with the thermals and outerwear things are doing better and all. Those things should also do better.
- Sumit Khowala:** Rationalized to 6% to 7%.
- Vikash Agarwal:** Yes. So that's another 2%, 3% is there.
- Rehan:** Okay. And can you quantify the amount of high-cost inventory you're sitting on? As you mentioned you're sitting on some high-cost inventory. Any amount you can share with us?
- Sumit Khowala:** We don't have any high-cost inventory, inventory is piled up because of low sales in the first quarter that we have projected.
- Rehan:** Okay.
- Vikash Agarwal:** Rationalize in the coming quarter. In this quarter it should be fine.
- Rehan:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Raj Malhotra, an individual investor. Please go ahead.

- Raj Malhotra:** Good afternoon, everyone and thank you for giving the opportunity and congratulations sir for the good sets of number. I have a few couple of questions to ask. Can you throw some light on your Pragati project that you -- that is going on? Second is can you throw some light on your quarter 1 inventory and debtor days and demand outlook for FY '25?
- Vikash Agarwal:** Like in terms of Pragati I mentioned earlier also like we have started in a few pockets in Chhattisgarh, U.P. and Rajasthan where we have got a good response and probably, we'll take it in another areas in these three states and once we have complete rollout we will take it to other states as well. In terms of inventory, yes.
- Sumit Khowala:** In terms of -- the inventory days for the quarter 1 FY '25 is 159 days and the receivable days is 95 days.
- Raj Malhotra:** Okay. And sir demand outlook for FY '25 what do you expect?
- Vikash Agarwal:** So as mentioned like we're looking for a growth of 12% to 15%.
- Sumit Khowala:** It will be largely driven by volumes, and we don't see any price hike during next 2 quarters. So we -- mean it would be largely driven by volume and we are hopeful that with thermals growing on atleisure segment will perform better we'll achieve this target.
- Raj Malhotra:** Okay. And sir one last question. Can you throw some light on the women's segment from your products? How is it going?
- Vikash Agarwal:** Women's segment we are building up a team and the portfolio. So I think in coming quarters we are working a lot, building up a team and all. In coming quarters it should contribute to the total sales, say, roughly 9% of the total sales.
- Raj Malhotra:** 9%, right?
- Vikash Agarwal:** Yes.
- Raj Malhotra:** At a yearly level, sir?
- Vikash Agarwal:** Yes.
- Raj Malhotra:** Okay. Thank you, sir.
- Moderator:** Thank you. The next question is from the line of Sanjay Munjal, an Individual Investor. Please go ahead.
- Sanjay Munjal:** My first question is how much cash we have on the books?
- Sumit Khowala:** We have cash and cash equivalent, net of debts and all it's around INR11 crores and apart from that we have made an investment out in arbitrage fund of around INR26 crores. So total if we combine cash and cash equivalent with investment is around INR36 crores.

- Sanjay Munjal:** Okay. And my second question is regarding the new launches. We have recently launched our rainwear's in the -- as seeing our competitors. So is it getting good traction like how it is doing in terms of market?
- Vikash Agarwal:** Rainwear is a very seasonal product. So we have not launched in GT. We have just to test market and trade. So this year we will see the response because there are chances of having a lot of dead stock because it all depends upon the seasonal and how the rains and all. So probably next year after second quarter end or maybe third quarter, we'll plan if we want to go in the GT or not, but as of now it is just for modern trade.
- Sanjay Munjal:** Okay. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Darshan Shah from SKB Capital. Please go ahead.
- Darshan Shah:** At the outset, let me just thank the management for clearly laying out all the future plans for distribution because it helps us to see a vision of how you're going to grow. So my questions are largely going to be around the distribution end. So one of the first question I had, sir, was that in the last earnings call, you had mentioned to open about 20 EBOs. And I see in the presentation, you opened one in Patna. So I just wanted to know how many such stores we've opened during the quarter? And how many are we planning to open in the next quarter?
- Sumit Khowala:** During this -- total EBO -- currently, we have total 29 EBOs. During this quarter, one EBO is closed and one new EBO is opened. So in coming quarters, in next quarter, we are planning to have 5 to 6 EBOs.
- Vikash Agarwal:** Actually, we are -- EBOs, whatever we have, it's a model, but we want to make it a viable model. So with these 29, 30 stores we are consolidating and once you have the right model we want to expand it drastically. So it's a successful FOFO model. So probably in a quarter or 2 we'll have a more clear plan on how we basically want to go ahead with this.
- Darshan Shah:** Okay. And also my second question was that what are our plans for expanding the modern retail stores and my central warehouses in FY '25?
- Vikash Agarwal:** Modern stores and all we are building up a strong team and we think we'll be able to grow at least 20%, 25% in this segment.
- Darshan Shah:** Okay. And on warehouses, sir?
- Vikash Agarwal:** Of course, everywhere, DMart, Reliance, Metro, More, Spencer's, Style Bazaar, Amazon in this E-commerce we are present in Amazon, Flipkart, JioMart, Ajo, Myntra, Tata CLiQ. So we are almost present in all the platform and should do well in coming time, yes.
- Darshan Shah:** Sure sir. And on central warehouses, sir?
- Vikash Agarwal:** Sorry?
- Darshan Shah:** Central warehouses, your plans for central warehouses in FY '25?



- Vikash Agarwal:** No, that we are not planning.
- Darshan Shah:** Okay, sir. And sir, in the presentation, you've shown focused markets, growing markets, and seeding markets. So does your distribution strategy vary depending on is the growing market, seeding market? So what is the primary go-to distribution channel that you use in growing and seeding markets?
- Sumit Khowala:** The growing market, basically, what -- we have to retain this market. So in seeding market, we will build up a strong team and thereby to increase their market share. So if you see our X-factor area numbers, we see -- we have seen a good volume growth. So we are focusing on both growing market as well as seeding market.
- Darshan Shah:** Okay, sir. And finally, a question to the CFO. We've -- I've seen a jump in your subcontract expenses. So can you just highlight what is the capacity that we've outsourced the subcontract and the utilization level?
- Sumit Khowala:** Cutting is totally inside, and rest of the processes are -- I mean 50% in-house and 50% are on subcontracting basis. During first quarter, the thermal production is there. So subcontracting expenses are on the higher side. Going forward it will be rationalized to 20% to 23%.
- Darshan Shah:** Okay got it. Thank you, sir.
- Moderator:** Thank you. Ladies and gentlemen, we'll take this as the last question. I would now like to hand the conference over to Mr. Hitesh Agarwal for closing comments.
- Hitesh Agarwal:** Thank you everyone 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 Relation Advisor to Rupa & Company Limited. For any queries, please feel free to reach out to us. Thank you.
- Vikash Agarwal:** Thank you so much.
- Sumit Khowala:** 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. Thank you.