

Q3FY24: Key Highlights

- Revenue from operations grew ~35% YoY to ₹317crs backed by strong sales in core product line. Volume growth (45% YoY) continues to show double-digit growth in the second consecutive quarter witnessing an overall strong growth, backed by robust sales in inner wear and athleisure segment.
- EBITDA and Net profits saw a jump of 430bps (10.3% YoY) and 420bps (6.5%YoY) mainly driven by volume growth. However, the industry continued to witness pressure on net realization, as companies passed on the benefits of lower raw material prices to customers. Despite price headwinds, management expect to see sustained customer demand, which provides a silver lining for growth in coming quarters.
- Net debt reduced significantly by ₹121crs from Mar'23 and stands at ₹13crs as on 9MFY24. The company continue to invest in brand building & marketing strategies across segments and invested 6% of the revenues in marketing and advertising strategies in 9MFY24.
- Geography-wise, Hindi Heartland showed an impressive quantitative growth of 13% in 9MFY24. Modern Trade contributed ₹40crs to revenue in 9MFY24. Revenue contribution from Modern Trade stood at ~5%.
- Gross margin for Q3FY24 expanded 230bps to 45.3% YoY and declined sequentially due to change in product mix (lower contribution from high margin products). In terms of volume, the economy, mid-premium, premium segments grew 20%, 22% and 40% respectively in 9MFY24 while in terms of value the economy, mid-premium, premium segments grew 9%, 14% and 30% respectively in 9MFY24.

Important Statistics

Nifty	21,743
Sensex	71,555
M.CAP (₹crs)	₹2,146.37
52 Week H/L (₹)	₹308/₹197
NSE Code	RUPA
BSE Code	533552
Bloomberg Code	RUPA:IN

Shareholding pattern (%)	Dec'23
Promoter	73.28
Institutions	04.85
Public & Others	21.85

Key Takeaways from Q3FY24 Concall

- Demand for exports faced some challenge. However, it is seeing substantially improved traction, and expect the momentum to continue with focus on Middle East, Bangladesh, Africa & Russia.
- Thermal wear revenue contributed ~8% to the total revenue while athleisure wear segment's revenue contributed ~7.5% to total revenue in 9MFY24. Women segment has a great opportunity in times to come. Currently, it contributes around 10% total sales and expecting further increase in contribution in next 2-3 years.
- With the stabilisation of raw material prices currently, company anticipate pickup in demand in next few quarters. Active steps are being taken in brand building activities. With the steep correction in cotton prices and in the light of volatility in the market forces, the company have taken proactive measures to support trade partners and dealers by offering them extended credit grades as well as some extra schemes. These extra schemes and support resulted in stretched working capital cycles.
- **Ad Spends and Brand Equity** – Advertising expenses as a percentage of sales was 6% in 9MFY24.
- **Export** – Exports stood at ₹21crs in 9MFY24 and contributed ~3% to overall revenues.
- **Net Debt** – Cash generated from operations stands at ₹143crs in 9MFY24, which has been majorly utilized in reducing the debt. The net debt stands on

Relative Performance

Return (%)	1Yr	3Yr	5Yr
RUPA	18	-13	-11
Nifty 50	21	43	105
Sensex	17	38	102

Source: Company, Way2Wealth Research

Ashwini Sonawane

ashwinisonawane@way2wealth.com

91-22-4019 2913



15th February 2024

CMP – ₹270/-

View – **Accumulate**

Dec'23 is ₹13crs versus ₹134crs in Mar'23. In addition, diligent approach to the working capital management has led to decreased from ₹788crs in Mar'23 to ₹733crs in Dec'23, indicating management's commitment to efficiently managed resources and have target to reduce working capital days to around 220- 225 days from 270 days in Mar'23.

- **Guidance** – Management targets 18%-20% revenue growth and EBITDA margin to expand 11-12% in FY24. Better product mix as well as control on ad spend and other operational overheads, which would lead to improve the margins in coming years.
- Rural India contributes ~50% of the total sales. The capex, for FY25 expects to be ₹15-20crs.
- The company has five subsidiaries, Oban Fashion, Imoogi, Euro, Rupa Fashion and Rupa Bangladesh. Three subsidiaries; Oban, Imoogi and Euro, are EBITDA and PAT positive, but Rupa Fashion and Rupa Bangladesh has a negligible losses.

Risks

- Inflation in raw material prices
- Competition from both organized & un-organized players
- Slowdown in the economy

View

The company has reported robust revenue performance back by strong sales in core product line and significant jump in EBITDA and PAT margin led by benign raw material prices. However, the industry continued to witness pressure on net realization, as companies passed on the benefits of lower raw material prices to customers. Despite price headwinds, management expect to see sustained customer demand, which provides a silver lining for growth in coming quarters.

Company's focus on operating efficiencies, enhancing share of premium products and deleveraging the balance sheet would keep the growth momentum steady for long term.

At the current price of ₹270 it is trading at 44.3x times P/E to its TTM EPS of ₹6.1. The stock should be kept on radar for an accumulation on dips as profitability looks well poised to benefit from the improvement in margins.

15th February 2024

CMP – ₹270/-

 View – **Accumulate**
Quarterly Performance

(₹ Cr)								
Particulars	Q3FY24	Q3FY23	VAR	Q2FY24	VAR	9MFY24	9MFY23	VAR
Net Sales	317.2	234.7	35.15%	299.8	5.8%	811.2	731.7	10.87%
Other Operating Income	1.3	1.3	0.0%	2.3	-43.8%	4.8	4.6	4.1%
						0.0	0.0	
Other Income	4.2	2.6	60.8%	4.4	-5.0%	11.8	11.4	3.7%
TOTAL INCOME	322.7	238.6	35.2%	306.5	5.3%	827.8	747.7	10.7%
Cost Of Materials Consumed	100.6	74.9	34.4%	149.8	-32.8%	369.5	384.4	-3.9%
Purchase of stock in trade	5.6	7.1	-21.6%	6.0	-7.7%	15.5	18.6	-16.8%
Stock Adjustment	67.3	51.8	29.9%	(11.3)	-697.2%	10.7	(55.2)	-119.4%
<i>RMC as a %age of sales</i>	<i>54.5%</i>	<i>56.7%</i>		<i>47.9%</i>		<i>48.5%</i>	<i>47.2%</i>	
Employee Benefit Expenses	14.9	13.9	7.0%	14.1	5.5%	42.4	45.8	-7.5%
<i>EPC as a %age of sales</i>	<i>4.7%</i>	<i>5.9%</i>		<i>4.7%</i>		<i>5.2%</i>	<i>6.2%</i>	
Subcontracting / Jobbing	59.7	36.8	61.9%	67.0	-10.9%	175.7	157.0	12.0%
<i>Subcontracting/jobbing Expenses as a %age of sales</i>	<i>18.7%</i>	<i>15.6%</i>		<i>22.2%</i>		<i>21.5%</i>	<i>21.3%</i>	
Other Expenses	37.5	37.2	0.9%	44.0	-14.7%	125.5	123.7	1.5%
<i>Other Expenses as a %age of sales</i>	<i>11.8%</i>	<i>15.8%</i>		<i>14.6%</i>		<i>15.4%</i>	<i>16.8%</i>	
TOTAL EXPENDITURE	285.6	221.7	28.8%	269.7	5.9%	739.3	674.2	9.7%
EBIDTA	33.0	14.3	130.9%	32.4	1.6%	76.7	62.1	23.6%
<i>EBIDTA Margins %</i>	<i>10.3%</i>	<i>6.0%</i>	<i>4.3%</i>	<i>10.7%</i>		<i>9.4%</i>	<i>8.4%</i>	
Finance Costs	5.4	6.0	-9.8%	5.2	4.0%	15.8	18.3	-13.5%
PBDT	31.7	10.9	191.6%	31.6	0.3%	72.8	55.2	31.7%
Depreciation	3.8	3.3	13.3%	3.8	-1.6%	11.0	10.0	10.3%
PBT	28.0	7.6	269.6%	27.8	0.5%	61.8	45.3	36.4%
Tax	7.2	2.0	252.5%	7.3	-1.6%	16.2	10.3	57.3%
<i>Tax Rate</i>	<i>25.7%</i>	<i>26.9%</i>		<i>26.3%</i>		<i>26.2%</i>	<i>22.7%</i>	
Reported Profit After Tax	20.8	5.5	275.9%	20.5	1.3%	45.6	35.0	30.3%
<i>PATM %</i>	<i>6.5%</i>	<i>2.3%</i>	<i>4.2%</i>	<i>6.8%</i>		<i>5.6%</i>	<i>4.7%</i>	
EPS	2.6	0.7	275.9%	2.6	1.3%	5.7	4.4	30.3%
Equity	8.0	8.0		8.0		8.0	8.0	
Face Value	1.0	1.0		1.0		1.0	1.0	

Source: Company, Way2wealth Research

Disclaimer

Analyst Certification: I, Ashwini Sonawane the research analyst and author of this report, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s), principally responsible for the preparation of this research report, receives compensation based on overall revenues of the company (Way2Wealth Brokers Private Limited, hereinafter referred to as Way2Wealth) and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

It is confirmed that Ashwini Sonawane, the author of this report has not received any compensation from the companies mentioned in the report in the preceding 12 months. Our research professionals are paid in part based on the profitability of Way2Wealth, which include earnings from other business. Neither Way2Wealth nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information contained in this report.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Way2Wealth is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. The contents of this material are general and are neither comprehensive nor appropriate for every individual and are solely for the informational purposes of the readers. This material does not take into account the specific objectives, financial situation or needs of an individual/s or a Corporate/s or any entity/s.

This research has been prepared for the general use of the clients of the Way2Wealth and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient, you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Way2Wealth will not treat recipients as customers by virtue of their receiving this report. The distribution of this document in other jurisdictions may be restricted by the law applicable in the relevant jurisdictions and persons into whose possession this document comes should inform themselves about, and observe any such restrictions.

The report is based upon information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up to date and it should not be relied upon as such. Way2Wealth or any of its affiliates or employees makes no warranties, either express or implied of any kind regarding any matter pertaining to this report, including, but not limited to warranties of suitability, fitness for a particular purpose, accuracy, timeliness, completeness or non-infringement. We accept no obligation to correct or update the information or opinions in it. Way2Wealth or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. The recipients of this report should rely on their own investigations. In no event shall Way2Wealth be liable for any damages of any kind, including, but not limited to, indirect, special, incidental, consequential, punitive, lost profits, or lost opportunity, whether or not Way2Wealth has advised of the possibility of such damages.

This material contains statements that are forward-looking; such statements are based upon the current beliefs and expectations and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. These uncertainties include but are not limited to: the risk of adverse movements or volatility in the securities markets or in interest or foreign exchange rates or indices; adverse impact from an economic slowdown; downturn in domestic or foreign securities and trading conditions or markets; increased competition; unfavorable political and diplomatic developments; change in the governmental or regulatory policies; failure of a corporate event and such others. This is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. No part of this material may be copied or duplicated in any form by any means or redistributed without the written consent of Way2Wealth. In no event shall any reader publish, retransmit, redistribute or otherwise reproduce any information provided by Way2Wealth in any format to anyone. Way2Wealth and its affiliates, officers, directors and employees including persons involved in the preparation or issuance of this report may from time to time have interest in securities / positions, financial or otherwise in the securities related to the information contained in this report.

To enhance transparency, Way2Wealth has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

Disclosure of Interest Statement Rupa & Company Ltd. as on February 15, 2024

Name of the Security	Rupa & Company Ltd.
Name of the analyst	Ashwini Sonawane
Analysts’ ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst’s Relative : Yes / No	No
Analyst’s Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

This information is subject to change without any prior notice. Way2Wealth reserves at its absolute discretion the right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, Way2Wealth is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.