

Q2FY24: Key Highlights

- Revenue from operations grew 6% YoY and volume grew 12% YoY. Premium/mid premium/economy's segment volume grew 22%/20%/9% YoY respectively.
- Geography-wise, Hindi Heartland showed an impressive quantitative growth of 27% in H1FY24. Modern Trade contributed ₹28crs to revenue in H1FY24. Revenue contribution from Modern Trade stood at 5% in H1FY24.
- Gross margin for Q2FY24 declined by ~6% due to change in product mix. In terms of volume, the economy segment contributes around 45% in Q2FY24. So going forward, it would be rationalized and the contribution from premium and mid-premium segment, will increase and gross margins will improve thereon.
- EBITDA margin for Q2FY24 improved only by 50bps to 10.7% vs 10.2% YoY on account of decline in gross margin, higher subcontracting (33% YoY) and other expenses (5% YoY). Advertising expenses as a percentage of sales was 7% in Q2FY24.
- PAT grew 21% YoY to ₹20.5crs. PAT margin for Q2 stood at 6.8% up 90bps YoY.

Important Statistics

Nifty	19,765
Sensex	65,982
M.CAP (₹crs)	₹2,131
52 Week H/L (₹)	₹318/₹197
NSE Code	RUPA
BSE Code	533552
Bloomberg Code	RUPA:IN

Shareholding pattern (%) Sep'23

Promoter	73.28
Institutions	04.76
Public & Others	21.94

Key takeaways from Q2FY24 Concall

- Demand for exports faced a distinct challenge. However, in a significant development, the company had inaugurated a dedicated export unit in Q1FY24, enhancing manufacturing capabilities and expanding revenue potential. The company has also made addition to senior management team, and appointed group chief digital and IT Officer, which allows to capture a great opportunity in digital and online space.
- Thermal wear sales was ₹30crs in Q2FY24, contributes 7% to the total revenue. Women segment has a great opportunity in times to come. Currently, it contributes around 11% total sales and expecting 20% contribution in next 2-3 years.
- With the stabilisation of raw material prices currently, company anticipates pickup in demand. Active steps are being taken in brand building activities. Recently the company has on boarded celebrities for its premium and its economy segment brands. With the steep correction in cotton prices and in the light of volatility in the market forces, the company has 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 7% in Q2FY24.
- **Export** – Exports stood at ₹6crs and contributed ~3% to overall revenues. And based on the encouraging trajectory, the company is commissioning a unit in West Bengal exclusively dedicated to the export division. The company will incur a capex of about ₹18crs, and the unit will be commissioned in FY24 and management is targeting an export of around ₹100crs in next 2 years with 80%-90% capacity.
- Additionally, company is also setting up a cutting unit with a capex of around ₹19crs. The same is also expected to commission in FY24.

Relative Performance

Return(%)	1Yr	3Yr	5Yr
RUPA	-8	8	-3%
Nifty 50	7.7	53.5	85
Sensex	6.7	49.9	85.9

Source: Company, Way2Wealth Research


 17th November 2023

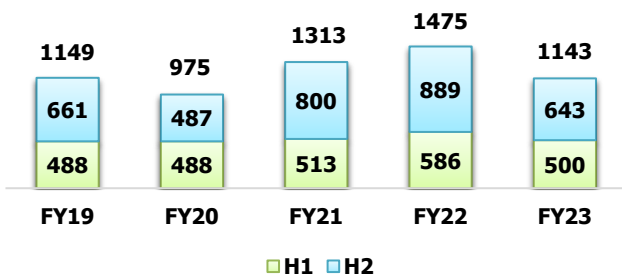
CMP – ₹268/-

 View – **Hold**

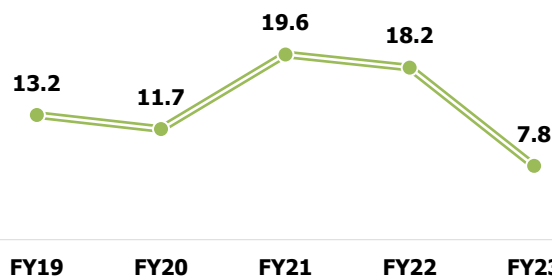
- **Net Debt** – Cash generated from operations stands at ₹91crs positive, which has been majorly utilized in reducing the debt. The net debt stands on Sept'23 is ₹62 crs versus ₹134crs in Mar'23. In addition, diligent approach to the working capital management has led to decreased from ₹788crs in Mar'23 to ₹743crs in Sep'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 ~55% of the total sales and urban India contributes 45% of the sales. Capex, for FY24 expects to be ₹25-30crs.
- The company has five subsidiaries, Oban Fashion, Imoogi, Euro, Rupa Fashion and Rupa Bangladesh. Out of three, Oban, Imoogi and Euro, both are EBITDA and PAT positive, but Rupa Fashion and Rupa Bangladesh has negligible losses
- The company has generated revenue from contract manufacturing is around ₹4.5 and with the setting up of a new unit, the coming quarters should do quite well.

Story in charts

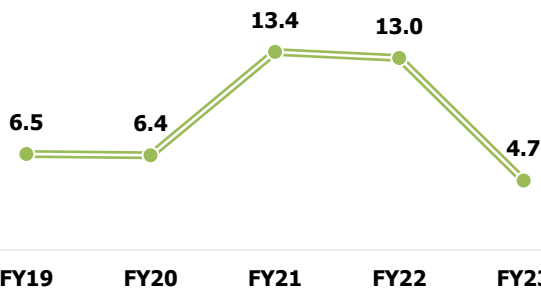
Revenue (₹ Cr)



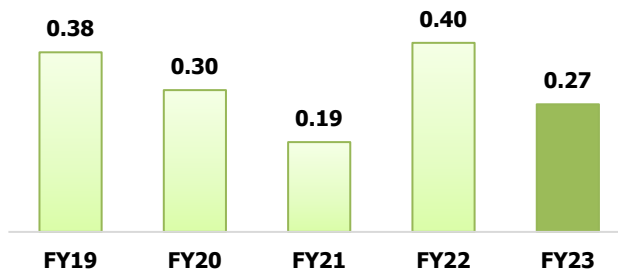
EBITDA MARGIN (%)



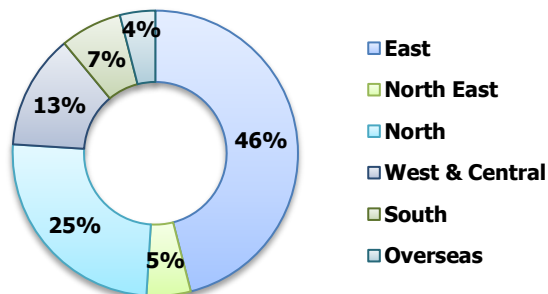
PAT MARGIN (%)



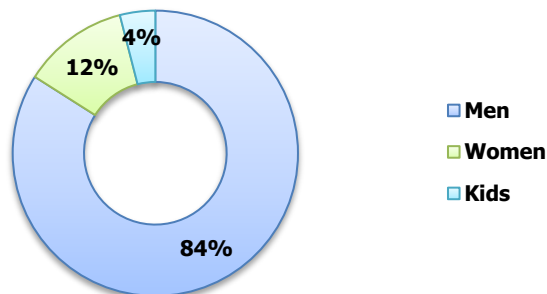
Debt to Equity



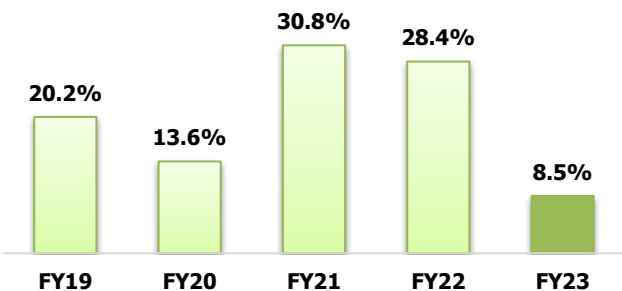
Region-wise Revenue Split



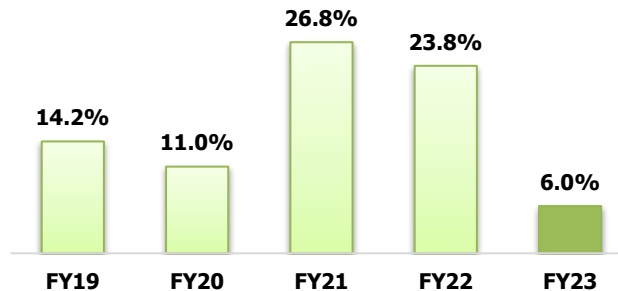
Gender-wise Revenue Split



ROCE (%)



ROE (%)



Source: Company, Way2Wealth Research



17th November 2023

CMP – ₹268/-

View – **Hold**

Risks

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

View

FY'23 was almost like a washout year for the company because of the high-cost inventory, however, management expect raw material prices should be stabilized and trade should also be confident by H2FY24.

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. Further demand sentiments probably with a steep correction in yarn prices should bring improvement in the demand and strategic efforts are aimed at making the best of the opportunities in the future.

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

At the current price of ₹268 it is trading at 47.7x times P/E to its TTM EPS of ₹5.7. We reiterate that investors who fully understand the risks associated with such businesses should hold the stock.

Quarterly Performance

	(₹ Cr)							
	Q2FY24	Q2FY23	VAR	Q1FY24	VAR	H1FY24	H1FY23	VAR
Net Sales	299.8	284.1	5.55%	194.2	54.4%	494.0	497.0	-0.60%
Other Operating Income	2.3	1.6	44.9%	1.3	80.8%	3.5	3.3	5.7%
Other Income	4.4	3.2	38.8%	3.2	35.8%	7.6	8.8	-13.2%
TOTAL INCOME	306.5	288.8	6.1%	198.7	54.3%	505.2	509.1	-0.8%
Cost Of Materials Consumed	149.8	115.9	29.3%	119.1	25.8%	268.9	309.5	-13.1%
Purchase of stock in trade	6.0	6.7	-10.6%	3.9	54.1%	9.9	11.5	-13.9%
Stock Adjustment	(11.3)	27.0	-141.7%	(45.3)	-75.1%	(56.6)	(107.0)	-47.1%
<i>RMC as a %age of sales</i>	<i>47.9%</i>	<i>52.4%</i>		<i>39.7%</i>		<i>44.7%</i>	<i>42.8%</i>	
Employee Benefit Expenses	14.1	14.7	-3.6%	13.3	5.8%	27.5	31.9	-13.8%
<i>EPC as a %age of sales</i>	<i>4.7%</i>	<i>5.1%</i>		<i>6.8%</i>		<i>5.5%</i>	<i>6.4%</i>	
Subcontracting / Jobbing	67.0	50.3	33.3%	49.1	36.4%	116.1	120.1	-3.4%
<i>Subcontracting/jobbing Expenses as a %age of sales</i>	<i>22.2%</i>	<i>17.6%</i>		<i>25.1%</i>		<i>23.3%</i>	<i>24.0%</i>	
Other Expenses	44.0	41.9	5.1%	44.0	0.0%	88.0	86.5	1.8%
<i>Other Expenses as a %age of sales</i>	<i>14.6%</i>	<i>14.7%</i>		<i>22.5%</i>		<i>17.7%</i>	<i>17.3%</i>	
TOTAL EXPENDITURE	269.7	256.4	5.2%	184.1	46.5%	453.7	452.5	0.3%
EBIDTA	32.4	29.2	10.9%	11.4	185.5%	43.8	47.8	-8.5%
<i>EBIDTA Margins %</i>	<i>10.7%</i>	<i>10.2%</i>		<i>5.8%</i>		<i>8.8%</i>	<i>9.6%</i>	
Finance Costs	5.2	6.5	-19.8%	5.2	-0.4%	10.4	12.3	-15.3%
PBDT	31.6	25.9	22.0%	9.4	237.0%	41.0	44.4	-7.5%
Depreciation	3.8	3.4	13.4%	3.5	10.4%	7.3	6.7	8.9%
PBT	27.8	22.6	23.3%	5.9	368.5%	33.8	37.7	-10.4%
Tax	7.3	5.6	31.5%	1.7	332.5%	9.0	8.3	9.1%
<i>Tax Rate</i>	<i>26.3%</i>	<i>24.6%</i>		<i>28.5%</i>		<i>26.7%</i>	<i>21.9%</i>	
Reported Profit After Tax	20.5	17.0	20.6%	4.2	382.8%	24.8	29.4	-15.9%
<i>PATM %</i>	<i>6.8%</i>	<i>6.0%</i>		<i>2.2%</i>		<i>5.0%</i>	<i>5.9%</i>	
Other Comprehensive Income (Net of tax)- net credit / (charge)	0.0	0.1		0.0		0.1	0.1	
Total Comprehensive Income	20.5	17.1	20.3%	4.3	379.9%	24.8	29.6	-16.0%
Basic:								
EPS	2.6	2.1	20.6%	0.5	382.8%	3.1	3.7	-15.9%
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

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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
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