

Q4FY22: Meagre revenue growth with contraction in margins
Important Statistics

- Revenue from operations grew 0.3% YoY to ₹456Cr. Volumes declined 10% YoY basis.
- Gross margin for Q4FY22 declined by 136 bps YoY to 34.4% due to higher input cost & also sales of athleisure wear & premium segment was impacted which has higher gross margins.
- EBITDA declined by ~18.1% YoY to ₹74.2Cr. EBITDA margin for Q4FY22 declined by 366 bps YoY to 16.3% due to higher advertisement & employee expenditure.
- PAT declined 25% YoY to ₹49.3Cr. PAT margin stood at 10.8% vs 14.5%
- For FY22, sales grew 12.3% to ₹1474 YoY with volume growth of only ~0.5% YoY; EBITDA grew 4.4% YoY; PAT grew 9.5% YoY.

M.CAP (₹ Cr)	₹2,814
52 Week H/L (₹)	₹585/₹341
NSE Code	RUPA
BSE Code	533552

Shareholding pattern (%)	Mar'22
Promoter	73.3
Institutions	05.3
Public & Others	21.4

Key takeaways from Q4FY22 result

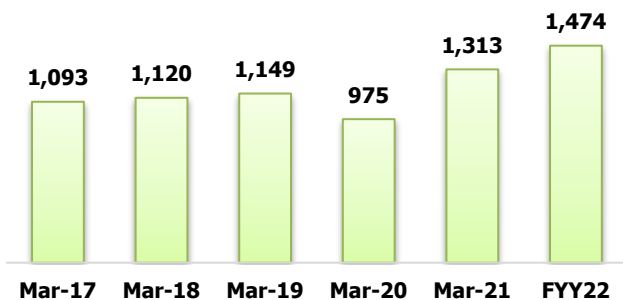
- **Sales & Margin Guidance:**
 - Management has guided for a revenue growth of ~15%-18% & expects to maintain EBITDA margin at ~18% for FY23.
- **Input cost/Price Hike:**
 - Finance cost stood at ₹6.2Cr vs ₹2.8Cr in Q4FY22. Depreciation cost increased 23% YoY to ₹3.4Cr
 - EBITDA margin stood at 17.9%, down 160 bps YoY. EBITDA was up 4% YoY. Reported PAT was up 2% YoY to ₹317Cr. Advertising expense stood at ~₹620mn ~4.2% of its sales which it plans to increase to ~5.5% of sales for FY23.
 - The company has taken a price hike of ~4% in Q1FY23 in order to pass on higher raw material prices
 - Cotton prices have increased by more than 120% in a year to ₹1.10 lakh per candy.
- **Segment Mix/Focused Market Growth Potential:**
 - In FY22 revenue contribution by segment- Mid-premium: ~58%, Economy: ~32%, Premium: ~10%
 - High potential focused market (TN, AP, HP, Kerala, WB etc) grew 26% YoY, expecting 45% growth from these markets in FY23. Management expect ~25%-30% YoY growth in the women wear segment going forward for the company
- **Export Market:**
 - Export sales ~₹22Cr in FY22 and plans to increase the exports sales by ~5x by FY24.
- **EBOs/Modern Trade:**
 - Currently, company has 20 EBOs. Furthermore, it is expecting to roll out ~150 more EBOs in the next 2 years. Company is targeting to improve its net working capital to ~150 days by FY23 end.
 - Modern trade channel which contributes 3% of the sales grew by ~30% YoY in FY22 and expects sales to grow by ~4x in the next 3 years.

➤ **Change in Management:**

- Mr. Dinesh Kumar Lodha, CEO has resigned from the services of the company due to personal reasons w.e.f 31st May 2022 and he is a part of the selection process for the new CEO to ensure a smooth transition.
- Mr. Ramesh Agarwal, - part of the promoter family has resigned from the post of CFO to free up his bandwidth from regular day to day activities and will act as a whole time director and, leverage his rich experience in overall growth and transformation of the company
- Mr. Sumit Khowala has been with the company for over a decade is promoted to CFO of the company w.e.f. 1st June 2022.

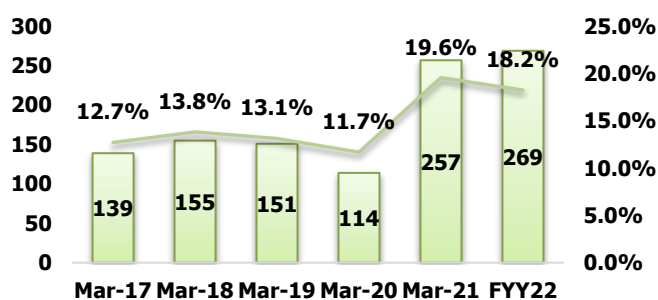
Story in charts

Sales (₹ Cr)



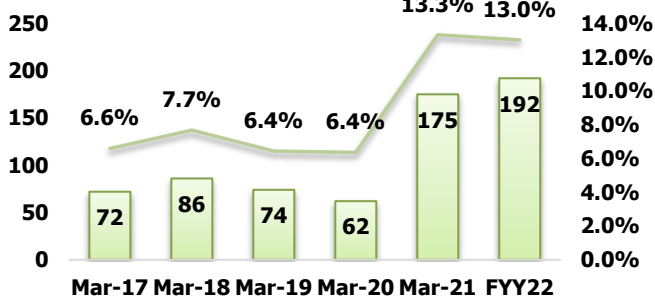
CAGR 6.2%

EBITDA (cr) & Margin



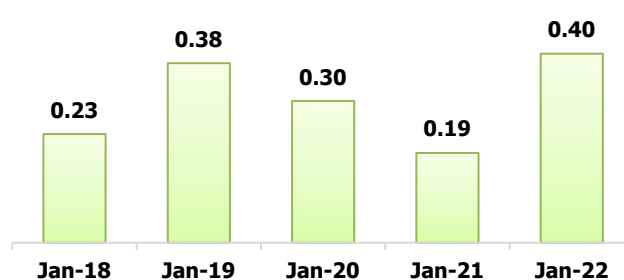
CAGR 14.1%

PAT (cr) & Margin

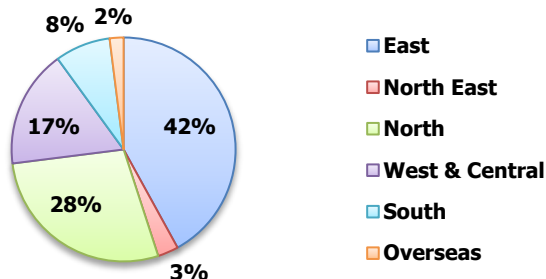


CAGR 22%

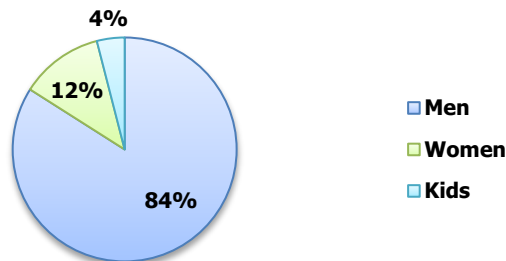
Debt to Equity (x)



Region-wise Revenue Split

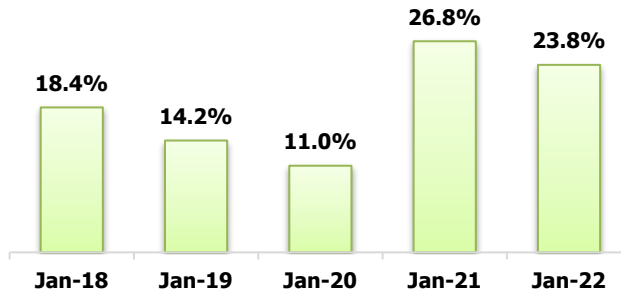
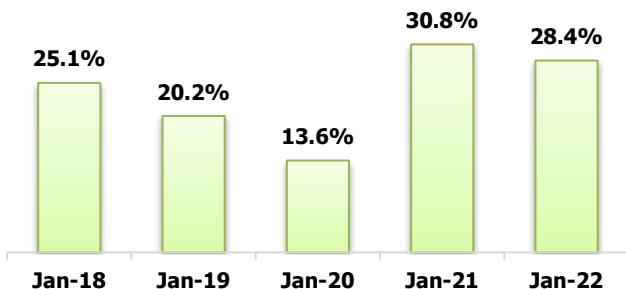


Gender-wise Revenue Split



ROCE (%)

ROE (%)



Source: Company, Way2Wealth

Risks

- Inflation in raw material prices
- Slow down in the economy

View

Rupa & Company Limited, one of the leading and largest knitwear brand in India, engaged in the manufacturing, marketing, selling and distribution of men's and women's innerwear, thermal wear and fashion wear. The company has delivered robust Sales/EBITDA/PAT CAGR of 6%/14%/22% over FY17-22.

Over the last few years Rupa has shifted its focus more towards premium and semi-premium brands which resulted in an improvement in margins and growth profile. Company's focus on operating efficiencies, enhancing share of premium products and deleveraging the balance sheet has kept the growth momentum steady.

At the current price of ₹354 it is trading at 14.8x P/E to its FY22 EPS of ₹23.9. We remain positive on Rupa & Company Ltd from long term perspective and advise investors to Accumulate on dips this business.

27th May 2022

CMP – ₹354/-

View – Accumulate on Dips

Quarterly Performance

(₹ Cr)

Particulars	Q4FY22	Q4FY21	VAR[%]	Q3FY22	VAR[%]	FY22	FY21	VAR[%]
Net Sales	453.6	453.1	0.1%	431.6	5.1%	1,467.8	1,309.4	12.1%
Other Operating Income	1.9	0.9	101.1%	1.6	16.9%	6.3	3.3	94.5%
Other Income	3.6	3.2	10.2%	2.9	24.4%	10.8	7.3	47.9%
TOTAL INCOME	459.0	457.2	0.4%	436.0	5.3%	1,484.9	1,319.9	12.5%
Cost Of Materials Consumed	229.6	177.2	29.5%	164.4	39.6%	769.0	482.2	59.5%
Purchase of stock in trade	17.3	14.6	18.6%	11.8	47.2%	46.2	28.8	60.5%
Stock Adjustment	(38.9)	22.2	-275.4%	30.6	-226.9%	(182.6)	100.6	-281.5%
<i>RMC as a %age of sales</i>	<i>45.7%</i>	<i>47.1%</i>		<i>47.8%</i>		<i>42.9%</i>	<i>46.6%</i>	
Employee Benefit Expenses	21.6	17.8	21.5%	16.0	35.0%	68.1	52.7	29.2%
<i>EPC as a %age of sales</i>	<i>4.7%</i>	<i>3.9%</i>		<i>3.7%</i>		<i>4.6%</i>	<i>4.0%</i>	
Subcontracting / Jobbing	90.8	77.7	16.9%	83.9	8.3%	327.4	241.9	35.4%
<i>Subcontracting/jobbing Expenses as a %age of sales</i>	<i>19.9%</i>	<i>17.1%</i>		<i>19.4%</i>		<i>22.2%</i>	<i>18.4%</i>	
Other Expenses	60.8	53.9	12.9%	45.6	33.5%	177.4	149.3	18.8%
<i>Other Expenses as a %age of sales</i>	<i>13.4%</i>	<i>11.9%</i>		<i>10.5%</i>		<i>12.0%</i>	<i>11.4%</i>	
TOTAL EXPENDITURE	381.3	363.4	4.9%	352.3	8.2%	1,205.6	1,055.5	14.2%
EBIDTA	74.2	90.6	-18.1%	80.9	-8.3%	268.5	257.2	4.4%
<i>EBIDTA Margins %</i>	<i>16.3%</i>	<i>20.0%</i>		<i>18.7%</i>		<i>18.2%</i>	<i>19.6%</i>	
Finance Costs	6.2	2.8	121.5%	5.0	24.3%	18.7	13.4	39.6%
PBDT	71.6	91.1	-21.4%	78.8	-9.1%	260.6	251.1	3.8%
Depreciation	3.4	2.7	23.1%	3.6	-5.6%	13.9	13.8	0.7%
PBT	68.3	88.3	-22.7%	75.3	-9.3%	246.7	237.3	4.0%
Tax	18.9	22.4	-15.6%	17.0	11.7%	54.9	62.2	-11.7%
<i>Tax Rate</i>	<i>27.7%</i>	<i>25.4%</i>		<i>22.5%</i>		<i>22.2%</i>	<i>26.2%</i>	
Reported Profit After Tax	49.3	65.9	-25.2%	58.3	-15.4%	191.9	175.1	9.5%
<i>PATM %</i>	<i>10.8%</i>	<i>14.5%</i>		<i>13.5%</i>		<i>13.0%</i>	<i>13.3%</i>	
Extra-ordinary Items			#DIV/0!		#DIV/0!			#DIV/0!
Adjusted Profit After Extra-ordinary item	49.3	65.9	-25.2%	58.3	-15.4%	191.9	175.1	9.5%
Other Comprehensive Income (Net of tax)- net credit / (charge)	0.1	0.1		0.0		0.2	0.2	
Total Comprehensive Income (13+14)	49.4	66.0	-25.1%	58.3	-15.3%	192.1	175.3	9.6%
Basic:								
EPS	6.2	8.3	-25.2%	7.3	-15.4%	24.1	22.0	9.5%
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 Filing, 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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