



29<sup>th</sup> August 2022

CMP – ₹333/-

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**Q1FY23: Muted Performance**

- Revenue from operations declined 2% YoY to ₹213Cr. Volumes declined 15% YoY basis.
- Gross margin for Q1FY23 declined by 130 bps YoY to 37.4% due to higher input cost
- EBITDA margin for Q1FY23 declined to ~8.6% vs ~19.3% YoY on account of lower gross margins, higher employees expenses and higher advertisement expenditure
- PAT declined by 57.3% YoY to ₹12.4Cr. Interest cost increased by ~79.3% YoY to ₹5.8Cr due to increase in working capital.

**Important Statistics**

<b>M.CAP (₹ cr)</b>	<b>₹2,647</b>
52 Week H/L (₹)	₹585/₹300
NSE Code	RUPA
BSE Code	533552
<b>Shareholding pattern (%) Jun'22</b>	
Promoter	73.3
Institutions	05.5
Public & Others	21.2

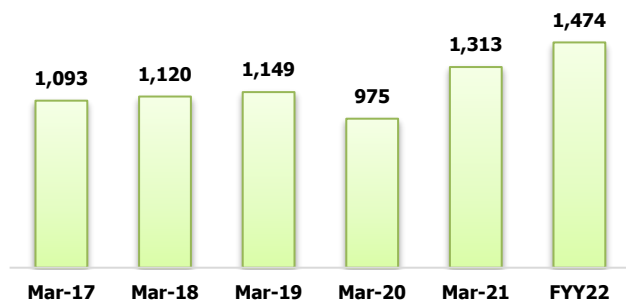
**Key takeaways from Q1FY23 result**

- **Sales & Margin Guidance:**
  - Management has guided for a revenue growth of ~15%-17% & expects to maintain EBIDTA margin at ~18% for FY23
- **Input cost/Price Hike:**
  - Finance cost stood at ₹5.8Cr vs ₹3.2Cr in Q1FY22. Depreciation cost declined 3.2% YoY to ₹3.3Cr.
  - EBITDA margin stood at 8.6% vs 19.3% in Q1FY22. Employees cost and other expenses increased 19.6% & 59.6% YoY respectively. The total advertising expenditure this quarter is ~10% of the revenue vis-à-vis ~4% in the corresponding period.
  - The company has taken a price hike of ~4% in Q1FY23 in order to pass on higher raw material prices
- **Segment Mix/Focused Market Growth Potential:**
  - In FY22 revenue contribution by segment- Mid-premium: ~58%, Economy: ~32%, Premium: ~10%
  - In Q1FY23 revenue mix from different regions- East: ~40%, North: ~25%, West & Central: ~19%, South: ~8%, North East: ~2%, Exports: ~6%
  - High potential focused market (TN,AP, HP, Kerala, WB etc.) grew 31% YoY, expecting 45% growth from these markets in FY23.
  - Its women wear brand "Softline" contributed ~8% of the sales in Q1FY23 with sales growth of ~27% YoY. Management expect ~25%-30% YoY growth in the women's wear segment going forward for the company
- **Export Market:**
  - Export sales ~₹22Cr in FY22E and plans to increase the exports sales by ~5x by FY24. The company is focusing on export markets of Middle East, Bangladesh, Africa & Russia.
- **EBOs/Modern Trade:**
  - Currently, company has 23 EBOs. Furthermore, it is expecting to roll out ~150 more EBOs in the next 2 years.
  - Net working capital days increased to ~212 days at the end of Q1FY23 from 186 days QoQ. And targeting to improve it by reducing inventory days
  - Modern trade channel which contributes 6% of the sales grew by ~140% YoY in Q1FY23 and expects sales to grow by ~4x in the next 3 years.

W2W Lighthouse - A Quick Perspective

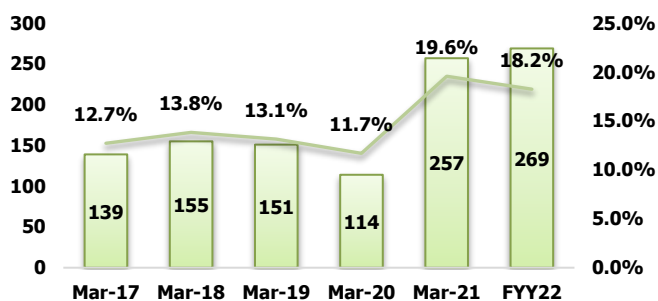
**Story in charts**

**Sales (₹ Cr)**



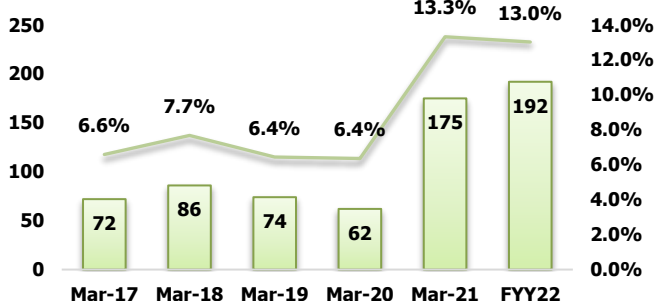
**CAGR 6.2%**

**EBITDA (₹ Cr) & Margin**



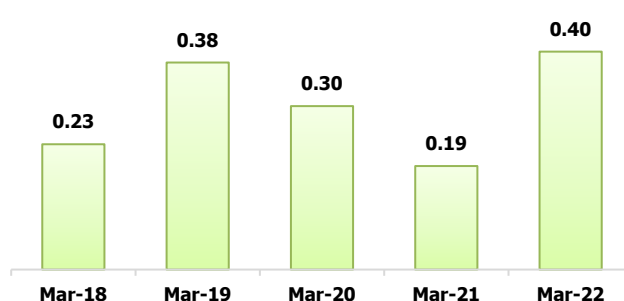
**CAGR 14.1%**

**PAT (₹ Cr) & Margin**

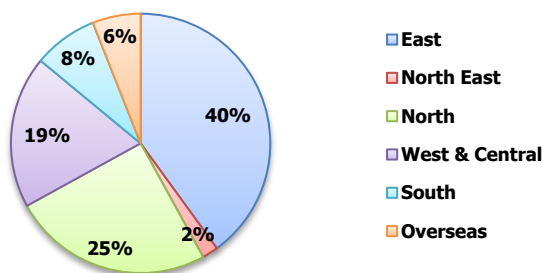


**CAGR 22%**

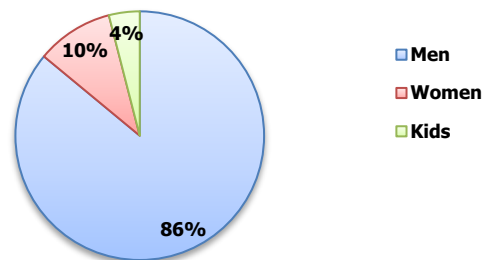
**Debt to Equity (x)**



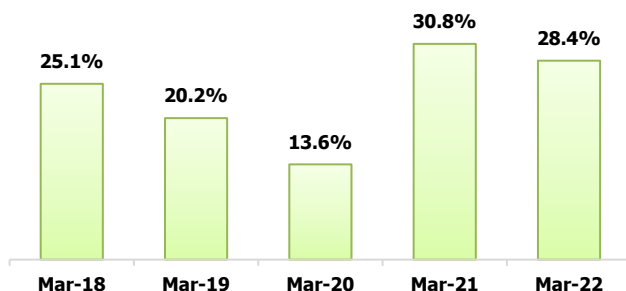
**Region-wise Revenue Split**



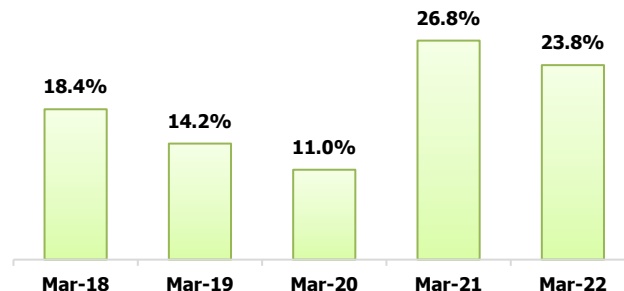
**Gender-wise Revenue split**



**ROCE (%)**



**ROE (%)**



Source: Company, Way2Wealth



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**Risks**

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

**View**

Rupa & Company Limited, one of the leading and largest knitwear brands 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. Recent merger with subsidiary "The Oban Fashion" would strengthen Rupa's position in the market in terms of consolidation of similar premium businesses to execute more efficiently and effectively.

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 ₹333 it is trading at 13.8x times P/E to its FY22 EPS of ₹24.1. We remain positive on Rupa & Company Ltd. from long term perspective and advise investors to add this business.**

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**Quarterly Performance**

	Q1FY23	Q1FY22	VAR [%]	Q4FY22	VAR [%]	FY22
Net Sales	212.9	217.2	-2.0%	453.6	-53.1%	1467.8
Other Operating Income	1.8	0.8	125.6%	1.9	-5.9%	6.32
Other Income	5.6	2.0	177.7%	3.6	57.1%	10.78
<b>TOTAL INCOME</b>	<b>220.3</b>	<b>220.0</b>	<b>0.1%</b>	<b>459.0</b>	<b>-52.0%</b>	<b>1484.9</b>
Cost Of Materials Consumed	193.6	151.5	27.8%	229.6	-15.7%	769.01
Purchase of stock in trade	4.8	10.3	-53.4%	17.3	-72.3%	46.23
Stock Adjustment	(133.9)	(87.6)	53.0%	(38.9)	244.5%	-182.56
<i>RMC as a % of sales</i>	<i>30.0%</i>	<i>34.1%</i>		<i>45.7%</i>		<i>42.9%</i>
Employee Benefit Expenses	17.2	14.4	19.6%	21.6	-20.3%	68.07
<i>EPC as a % of sales</i>	<i>8.0%</i>	<i>6.6%</i>		<i>4.7%</i>		<i>4.6%</i>
Subcontracting / Jobbing	69.9	59.3	17.9%	90.8	-23.0%	327.44
<i>Subcontracting/jobbing Expenses as a % of sales</i>	<i>32.6%</i>	<i>27.2%</i>		<i>19.9%</i>		<i>22.2%</i>
Other Expenses	44.6	28.0	59.6%	60.8	-26.7%	177.4
<i>Other Expenses as a % of sales</i>	<i>20.8%</i>	<i>12.8%</i>		<i>13.4%</i>		<i>12.0%</i>
<b>TOTAL EXPENDITURE</b>	<b>196.2</b>	<b>175.8</b>	<b>11.6%</b>	<b>381.3</b>	<b>-48.5%</b>	<b>1205.59</b>
<b>EBIDTA</b>	<b>18.5</b>	<b>42.1</b>	<b>-56.1%</b>	<b>74.2</b>	<b>-75.1%</b>	<b>268.53</b>
<b>EBIDTA Margins %</b>	<b>8.6%</b>	<b>19.3%</b>		<b>16.3%</b>		<b>18.2%</b>
Finance Costs	5.8	3.2	79.3%	6.2	-6.1%	18.7
<b>PBDT</b>	<b>18.3</b>	<b>40.9</b>	<b>-55.3%</b>	<b>71.6</b>	<b>-74.5%</b>	<b>260.61</b>
Depreciation	3.3	3.4	-3.2%	3.4	-1.5%	13.89
<b>PBT</b>	<b>15.0</b>	<b>37.5</b>	<b>-60.1%</b>	<b>68.2</b>	<b>-78.1%</b>	<b>246.72</b>
Tax	2.5	8.3	-69.6%	18.9	-86.6%	54.87
<i>Tax Rate</i>	<i>16.9%</i>	<i>22.2%</i>		<i>27.7%</i>		<i>22.2%</i>
<b>Reported Profit After Tax</b>	<b>12.4</b>	<b>29.2</b>	<b>-57.3%</b>	<b>49.3</b>	<b>-74.8%</b>	<b>191.85</b>
<b>PATM %</b>	<b>5.8%</b>	<b>13.4%</b>		<b>10.8%</b>		<b>13.0%</b>
Other Comprehensive Income (Net of tax)- net credit / (charge)	0.0	0.1		0.1		0.2
<b>Total Comprehensive Income</b>	<b>12.5</b>	<b>29.2</b>	<b>-57.3%</b>	<b>49.4</b>	<b>-74.7%</b>	<b>192.05</b>
<b>EPS</b>	<b>1.6</b>	<b>3.7</b>	<b>-57.3%</b>	<b>6.2</b>	<b>-74.8%</b>	<b>24.13</b>
Equity	8.0	8.0		8.0		7.95
Face Value	1.0	1.0		1.0		1

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
Way2Wealth ownership of any stock related to the information contained	NIL
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