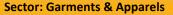


Equities | Derivatives | Commodities | Currency | Depository | Mutual Funds | NBFC | e-Broking



RESULT REVIEW Q1FY23 Rupa & Company Limited

RECOMMENDATION SNAPSHOT									
*CMP	Initiation Price	Target	Potential Upside	Recommendation	MCap (Rsbn)				
Rs338	Rs528	Rs455	35%	Accumulate	30.5				

*as on 17th Aug, 2022

About the Company:

Rupa & Company Limited is one of the leading and largest known knitwear brands in India with more than 5 decades of experience in the industry. In 1968, promoters started the business as Binod Hosiery and launched the brand Rupa which is derived from Bengali word *Rupo (silver)*. Since then, Rupa has successfully built an iconic brand of international stature for both the masses as well as the classes. Today, the company is present across the entire value chain in the knitted garment space offering a gamut of products from innerwear to fashion wear. The company is engaged in the manufacturing, branding and marketing of men's and women's innerwear, thermal wear and casual wear for kids while catering to all the sections of the society i.e. economy, mid-premium, premium and super premium. The various sub-brands include, Frontline, Jon, Air, Macroman, Macroman M-series (premium brand), Macrowoman W-series (premium brand), Euro, Bumchums, Torrido, Thermocot, Kidline, Footline, Softline, etc. The company has its state-of-the-art manufacturing facilities located at 4 locations i.e. Domjur (West Bengal), Tirupur (Tamil Nadu), Bengaluru (Karnataka) and Ghaziabad (NCR). Its sales offices are situated in West Bengal, Tamil Nadu, Karnataka, Uttar Pradesh, Bihar, Maharashtra and Delhi.

Results: Quick Glance:

- Net revenue for the quarter under review de-grew by 1.5% to Rs2147mn as compared to Rs2180mn in the same quarter last year
- The EBITDA margins for the quarter under review stood at 8.6% as compared to 19.3% in the corresponding quarter last year
- The company reported net profit of Rs124mn as compared to Rs292mn in the comparative quarter of the previous year
- EPS for the quarter under review came in at Rs1.57 as compared to Rs3.67 in the corresponding quarter last year

Conference Call Highlights:

- The quarter under review has seen an under-performance on the topline as well as on the bottomline. Some of the primary reasons for the same are that the company tightened its credit culture and policy in Bihar, Rajasthan etc., the cost of raw material, firm pricing policy as well as increased ad spends. The Management is previewing the operations and quarter gone-by and working towards improving the operations for the upcoming quarter. In April 2022, the company had taken a price hike; gross margins are better than the industry. The flat topline growth and major ad spends which have increased from ~4-5% to ~10% (2 major campaigns) have suppressed the bottomline. The industry as a whole is facing volatile cotton prices however; Rupa has been maintaining the gross margins.
- As per the Management commentary, modern trade, exports and EBOs have grown during the company under review. It is anticipating the coming quarters to be in line with the guidance provided earlier
- The working capital days stood at 212 days which stretched with higher inventory at ~149 days while the debtors stood at ~107 days. WC days have increased; hence there has been an increase in the interest cost. The company is aiming to return to moderate working capital cycles. The total debt of the company stands at ~Rs2450mn and the debt-equity ratio stood at ~0.27x
- During the quarter under review, the company saw the launch of the maiden store where the response is encouraging with prominent sales seen here. The company is gradually transforming to an outerwear and lifestyle brand while having 25 EBOs, and the focus area is to have ~125 EBOs in the next 6-8 quarters. The company is looking at expansion plans in other states; the x-factor states like Gujarat, MP, Punjab, WB etc. are doing well; the idea of the Management is to expand pan-India
- The company has seen a volume de-growth of double digit (~15%). It has seen a growth of ~27% for Softline in terms of value while the volume wise growth has been flat. The company is looking forward to the thermal season with sales growth of ~15-17% while compromising the margins to the tune of ~1-2%. The company has higher inventory as yarns were not available during the quarter under review; and the Management is working towards bringing inventory back in line
- The company continues its strategy for the exports market with a vision to double the same. It is contemplating opportunities in Bangladesh while expanding the spread in UAE, African countries etc.

Equities | Derivatives | Commodities | Currency | Depository | Mutual Funds | NBFC | e-Broking

Sector: Garments & Apparels

RESULT REVIEW Q1FY23 Rupa & Company Limited Declared On: 12 Aug 2022

Conference Call Highlights (contd.)

- Rupa has seen encouraging growth in the modern trade segment and has a tie up with Amazon and Flipkart. The company is seeking opportunities in the large format stores for contract manufacturing. It is investing into new initiatives and looking at launching new products under frontline boxers. The marketing and ad-expenses are anticipated to give mileage in the upcoming 2-3 quarters
- The company is in the process of appointment of new CEO; the same has seen a delay in order to match the standards in the best interest of the company

Performance (Q1FY23)										
Q1FY23 Result (Rs mn)	Jun-22	Jun-21	у-о-у	Mar-22	q-o-q	FY22	FY23E			
Total Revenue	2147	2180	(1.5%)	4555	(52.9%)	14741	16592			
EBITDA	185	421	(56.1%)	742	(75.1%)	2685	3028			
Other Income	56	20	-	36	57.3%	108	114			
Interest	58	32	79.5%	62	(6.1%)	187	266			
Depreciation	33	34	(3.5%)	34	(1.5%)	139	156			
Exceptional Items	0	0	-	0	-	0	0			
Тах	25	83	(69.6%)	189	(86.6%)	549	626			
Net Profit	124	292	(57.3%)	493	(74.8%)	1918	2095			

Financials:

Outlook and Recommendations:

This is the second quarter in a row, where the company has seen a dip in the volume growth with under-performance on the topline as well as on the bottomline. Some of the primary reasons for the same are the company tightening the credit policy in some states, the volatile cost of raw material, firm pricing policy as well as increased ad spends. Rupa continues to offer a number of products across various price points with a wide bouquet of brands. It is looking at strengthening the business model with key focus on value addition and product differentiation favored by the extensive distribution network where Rupa is trying to increase its footprints in the premium segment. The innerwear market is gradually evolving and moving towards organised retail which provides a number of opportunities to all the players in the industry. Rupa has started taking initial steps towards making the company a professionally managed entity. The company has seen a volume de-growth of ~15%, with a growth of ~27% for softline in terms of value while the volume wise growth has been flat. The company is looking forward to the thermal season with sales growth of ~15-17% however, while compromising the margins to the tune of ~1-2%. We are factoring in the muted growth during the quarter in our projections and accordingly have toned down the target price to Rs455.



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