

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.

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

Financials:

Performance (Q1FY23)							
Q1FY23 Result (Rs mn)	Jun-22	Jun-21	y-o-y	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
Tax	25	83	(69.6%)	189	(86.6%)	549	626
Net Profit	124	292	(57.3%)	493	(74.8%)	1918	2095

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.

DISCLAIMERS AND DISCLOSURES-

Progressive Share Brokers Pvt. Ltd. and its affiliates are a full-service, brokerage and financing group. Progressive Share Brokers Pvt. Ltd. (PSBPL) along with its affiliates are participants in virtually all securities trading markets in India. PSBPL started its operation on the National Stock Exchange (NSE) in 1996. PSBPL is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE) for its stock broking services and is Depository Participant with Central Depository Services Limited (CDSL) and is a member of Association of Mutual Funds of India (AMFI) for distribution of financial products.

PSBPL is SEBI registered Research Analyst under SEBI (Research Analysts) Regulations, 2014 with SEBI Registration No. INH000000859. PSBPL hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years. PSBPL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

PSBPL offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by Progressive Share Brokers Pvt. Ltd. (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company (s) covered in this report:-

- PSBPL or its associates financial interest in the subject company: NO
- Research Analyst (s) or his/her relative's financial interest in the subject company: NO
- PSBPL or its associates and Research Analyst or his/her relative's does not have any material conflict of interest in the subject company. The research Analyst or research entity (PSBPL) has not been engaged in market making activity for the subject company.
- PSBPL or its associates actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: NO
- Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: NO
- PSBPL or its associates may have received any compensation including for brokerage services from the subject company in the past 12 months. PSBPL or its associates may have received compensation for products or services other than brokerage services from the subject company in the past 12 months. PSBPL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Subject Company may have been client of PSBPL or its associates during twelve months preceding the date of distribution of the research report and PSBPL may have co-managed public offering of securities for the subject company in the past twelve months.
- The research analyst has served as officer, director or employee of the subject company: NO

PSBPL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our sales people, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses (if any) may make investment decisions that may be inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution publication, availability or use would be contrary to law or regulation or which would subject PSBPL or its group companies to any registration or licensing requirement within such jurisdiction. If this document is sent or has reached any individual in such country, especially, USA, the same may be ignored. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of PSBPL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of PSBPL or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Terms & Conditions:

This report has been prepared by PSBPL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of PSBPL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and its at the discretion of the clients to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. PSBPL will not treat recipients as customers by virtue of their receiving this report.

Registered Office Address:

Progressive Share Brokers Pvt. Ltd,
122-124, Laxmi Plaza, Laxmi Indl Estate,
New Link Rd, Andheri West,
Mumbai—400053, Maharashtra
www.progressiveshares.com | Contact No.:022-40777500.

Compliance Officer:

Mr. Shyam Agrawal,
Email: compliance@progressiveshares.com,
Contact No.:022-40777500.