



RUPA & COMPANY LIMITED



Date: August 19, 2022

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Bandra Kurla Complex, Bandra (E)  
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**Ref: NSE Symbol- RUPA / BSE Scrip Code- 533552**

**Sub: Transcript of the Earning Call held on August 13, 2022, to discuss the Unaudited Financial Results of the Company for the quarter ended June 30, 2022.**

Dear Sir/ Madam,

In continuation of our letter dated August 12, 2022 and pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of the Earning Call held on August 13, 2022, to discuss the Unaudited (Standalone and Consolidated) Financial Results of the Company for the quarter ended June 30, 2022.

The same will also be available on the Company's website at [www.rupa.co.in](http://www.rupa.co.in).

Kindly take the same on record.

Thanking you.

Yours faithfully,  
**For Rupa & Company Limited**

  
**Manish Agarwal**

**Company Secretary & Compliance Officer**





“Rupa & Company Limited Q1 FY-23 Earnings  
Conference Call”

**August 13, 2022**



**MANAGEMENT: MR. VIKASH AGARWAL – WHOLE-TIME DIRECTOR,  
RUPA & COMPANY LIMITED  
MR. SUMIT KHOWALA – CFO, RUPA & COMPANY  
LIMITED**



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**Moderator:** Good day ladies and gentlemen and welcome to the Q1 FY2023 earnings conference call of Rupa & Company Limited organized by Orient Capital. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vikash Agarwal, Whole-Time Director. Thank you and over to you sir.

**Vikash Agarwal:** Thank you. Welcome everybody and thank you for being with us today. Well as most of you are aware, our company delivered high growth from past 2 consecutive years and in financial year '22, last year we registered highest growth revenue and PAT in our history of the company which was 1,475 crores of top line with 190 crores of PAT. However we understand in Quarter 1 of the current year, there is under performance and there's a gross under performance which management stand by and we are reviewing things. Primary reason what we understand from the market and on the hindsight, company has knowingly tightened the primary in few key areas which are the primarily rural areas like Bihar, Rajasthan, UP and all which is in the long-term interests of the company to have the right credit culture and credit policy of the company. Other than these 3-4 areas the states what I have told which is Hindi rural areas, the company has done an increasing growth of more than 30% also at the same time. Also, in April we have taken a price hike and our company is little firm on the pricing policy where you can see from the gross margins, our gross margin is 37%, much better than the industry. So largely because of credit policy in 3-4 major areas which are rural areas which have been straight for us and firm policy on pricing policy which we have taken in Quarter 1, we have taken a hit on the top line in Quarter 1. At the same time because of the flat growth there is a compromise on the EBITDA margins also.

Our advertisement has increased from 4% to 10%, largely the advertisement expenditure has increased because we are doing two major campaigns with Ranveer Singh. Kartik Aaryan has recently endorsed one of our brands called Euro. We also have Kiara Advani to endorse Softline Womenswear. Her campaign is going on. And recently in film called Laal Singh Chaddha, we have done a big endorsement in film. But because of increased expenses in marketing, advertising and flat top line growth, there is a compromise on the margin.

But on the flip side also few things are very encouraging which are the key focus areas of the company like export or modern trade. In export the company has grown double, in EBO modern trade like LFS either it is online, our top line is again doubled from 5 crores to 13 crores and few key areas which were our focused areas like sector areas, there again company has grown a very healthy growth of 30%. But largely because of these 3-4 states where in the interest of long-term credit culture and policies of the company, we knowingly have taken a firm policy. But we are



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sure in coming quarters the numbers should be in line what we projected earlier. Few specific queries whatever we have we can take up that. Meanwhile I'll request Sumitji to update our quarterly performance and there is a question from investors definitely about the new CEO also. So, we are in that process. We have hired a very big agency from last couple of months. We have reviewed some CVs; we have short listed few CVs but it's still taking time. It's not an easy decision for us to take, from our past two CEOs what we had this time we want to ensure whatever is in best interest of the company for the long term, who can drive a good growth that short listing is taking little time. But we are on it and once we have the update from Sumitji on numbers, we will be happy to take the questions. Over to you Sumit.

**Sumit Khowala:** Thank you Vikash sir and good afternoon to all the participants. I will now share some key financial highlights. The revenue from operations for quarter ending June, 2022 is 215 crores, down by 1.5% compared to corresponding quarter last year. The gross margin for the quarter is 37.4% vis-à-vis 38.76% corresponding quarter last year. Despite the volatile cotton prices the company is able to maintain the sustainable gross margins. The EBITDA margin stood at 8.6% as compared to 19.3% over the same period last year. The decline in EBITDA margin was majorly attributed to the volatile raw material prices and which impacted gross margin as well as significant increase in marketing expenses. We are sure that the advertisement expenses will give us mileage over the next 2-3 quarters. Further increased administrative and manpower expenses have not been absorbed completely due to the flat revenue in the quarter. Similarly PAT at 12.5 crores is also down compared to Quarter 1, FY22. Our working capital cycle stood at 212 days which is stressed and due to the stocking of FG and semi-finished goods. However, company expects to moderate its working capital cycle in quarter to come. The company's net debt is 245 crores and maintain a net debt to the ratio of 0.27X. I would now like to open the question answer session.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nishant Sabnis from Sabnis Finance.

**Nishant Sabnis:** Firstly, I would like to congratulate you on the branding which you have done in Laal Singh Chaddha, it was fabulous. I had watched the movie yesterday and they came up with the whole Rupa branding. It was just outstanding.

**Vikash Agarwal:** I hope the movie does well.

**Nishant Sabnis:** Yes, sir on the launch of your maiden store, congrats on that. How has been the response till now and how are we looking to go ahead with this?

**Vikash Agarwal:** The response is very encouraging. Here we have showcased most of our outer wear athleisure brands and all which is very prominent with the sales. We want to change this imagery of just innerwear brand to more of an outerwear, more of a lifestyle brand. This is a very important initiative of our company. More than 1000 square feet EBO in a very posh locality of Calcutta on the Camac Street. We are putting all the efforts to make sure this is successful and with this



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we have a plan. We have around 25 EBOs already now. The plan of having 125 EBOs next 2 years is the key focus areas, one of the key focus areas for the company.

**Nishant Sabnis:** Also, it's great that we're focusing on growth where we will not struggle on the credit terms. Considering this which are the states which we are looking to focus on and expand more, is it more going to be towards the east India or you're looking at pan India?

**Vikash Agarwal:** In our last presentation there are a few X-factor states like states like Gujarat, MP, Karnataka where although we are there but our base is very small. So like Punjab, Tamil Nadu, those areas, West Bengal, those areas we have done quite well. As I have shared, we have done a growth of more than 30% in those areas but largely the de-growth is showing because 3-4 areas where we have to tighten the credit policy. But overall, the idea is to expand in all the states Pan India and then the exports as well.

**Nishant Sabnis:** I would like to ask we have done exceptionally high ad spend in Q1. Looking at Q1 would this be the base for the entire financial year or are we looking to stabilize somewhere?

**Vikash Agarwal:** Q1 because we have shot two major campaigns and endorsed a new celebrity. That's why the advertising expenses are roughly 10%. But otherwise as per our projection of yearly plan, the advertisement spend will be to the tune of 6% to 7%. Just because the top line number in quarter is little low the ratios, all the numbers are little disproportionate. So, we should not go by that. But in coming quarter things should be aligned and in line with what our early projections.

**Moderator:** The next question is from the line of Arvind Sharma, a retail investor.

**Arvind Sharma:** Congratulations for the good numbers and we hope that in future you come out with growth. My question remains first that, can you tell me what is your volume growth for this particular quarter?

**Vikash Agarwal:** For volume there is a de-growth. There's no growth in volume.

**Arvind Sharma:** Any specific percentage that you want to highlight?

**Vikash Agarwal:** It's bad. The volume de-growth is major above in double digits. The volume de-growth is majorly there.

**Arvind Sharma:** The second question goes what is the growth for the women's segment that is the Softline?

**Vikash Agarwal:** Women's wear, there is a growth of around 27%.

**Arvind Sharma:** 27% growth?

**Vikash Agarwal:** Yes.



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- Arvind Sharma:** That is in terms of volume or value, you are saying?
- Vikash Agarwal:** In terms of value but volume wise it is flat.
- Arvind Sharma:** Can you give some guidance on your upcoming season that the summer season is going to start? What can be your guidance on that? How would be the sale?
- Vikash Agarwal:** Sale is like what we have projected earlier also annual growth is in tune of more than 15% to 17%, we still stand by that although we might compromise on our earlier projections that EBITDA margin by a 1% or 2%. What is our annual projection of growth of more than 15% to 18%, we still stand by that.
- Arvind Sharma:** That should be the standard growth which should come out, right?
- Vikash Agarwal:** Yes, absolutely.
- Arvind Sharma:** Your inventory?
- Vikash Agarwal:** The inventories are little high because earlier as we are all aware yarn prices were increasing and mills were shutting down and yarns were not available. We are not aware yarn prices will suddenly correct so much. So, yarn inventory is little high but in coming quarters inventory will come to a normal level.
- Arvind Sharma:** One more item that I can see in your balance sheet, the numbers you have shown. There's an increase of finance cost compared to last quarter.
- Sumit Khowala:** Working capital has been increased. Last year Quarter 1 the total working capital was around 650 crores and this year the working capital is around 900 crores. So, working capital increase and there is an RBI rate hike, repo rate hike by 1.5%. So, there is an increase in.
- Arvind Sharma:** What would be inventory days and debtor days?
- Sumit Khowala:** Inventory days is around 149 days; debtor days is around 107 days.
- Arvind Sharma:** 107, right?
- Sumit Khowala:** Yes.
- Moderator:** The next question is from the line of Raj Lodha, a retail investor.
- Raj Lodha:** I just want to understand like what would be our strategy going forward for our export market?
- Vikash Agarwal:** Export, we have done quite encouraging. Our exports numbers have doubled and we have a new export head leading the business from the last few months. Lot of new areas we are opening. We



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are about to open in Bangladesh also where Rupa brand is very popular and the feedback what we got from the market after the recent visit of our export head, out of 100 vests there 90 vests sell it on the name of Rupa, although those are all counterfeit vest and all. Because of COVID our plan got little delayed. But our export projections of doubling the export on an annual basis is our projection, is our target and we should achieve that easily.

**Raj Lodha:** And currently which five top countries contribute in our revenues, Top 5?

**Vikash Agarwal:** Top 5 is largely UAE-African countries.

**Raj Lodha:** What would be your view for Bangladesh?

**Vikash Agarwal:** Bangladesh we haven't started yet.

**Raj Lodha:** What will be your guidance? How much it will contribute in coming years?

**Vikash Agarwal:** Difficult to comment at the moment, very difficult to comment at the moment.

**Raj Lodha:** My second question, we are also seeing encouraging growth in modern trade which we have highlighted as our major growth trigger. Can you elaborate further on that like how we going forward this will shape in a better way?

**Vikash Agarwal:** Modern trade, we are doing tie up with all like we have a very strong tie-up with Amazon, Flipkart and large format stores, we have started contractual manufacturing also with those brands and all and with Amazon only, we are starting a very exclusive brand with a tie up with Amazon, the brand name will be Co-Blue by Rupa on Amazon. And in large format stores we are doing good business with DMart, Reliance, Metro, More, Spencer's and we have a very dedicated team for that. We are having a large team. So modern trade either it is large format stores or online or EBOs, so all three areas are a big focus of the company.

**Moderator:** The next question is from the line of Shikha Mehta from Equitree Capital.

**Shikha Mehta:** This quarter our margins have obviously been affected due to raw material prices. Have we been able to pass on any of the raw material hikes to our customers?

**Vikash Agarwal:** Pass on is difficult to comment but our whatever price hike we have taken in April with our gross margin of 37%, what we understand compared to the trade, our pricing policy is very firm. But going forward we also understand we are probably losing on little market share because of firm policy. So, we might compromise. We need to ensure going forward we keep a good top line growth. We have to ensure the top line growth even if we have a compromise on 1% or 2% of EBITDA margin but with the top line growth, rest of the overheads or advertising expenses will come down. That should take care of a healthy EBITDA margin of the company. In coming quarter EBITDA margin, we should not see because of a very flat growth and a very high





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proportion of advertisement expenses and other operation expenses and all. That won't be a right figure to actually refer to.

**Shikha Mehta:** How many percentage price hikes have we taken for the quarter on that?

**Vikash Agarwal:** Overall from last year comparison we have taken a price hike of around 17% to 18%. Last quarter particularly I'll get back to you but on a yearly basis it's around 17% to 18%. A price hike is little more but what comes on the balance sheet because of different change in the product mix also but this is what the price hike is coming to.

**Shikha Mehta:** You said our volume growth has also been flat, sorry there has been a degrowth. Are we seeing a lack of demand or could you throw some light?

**Vikash Agarwal:** Lack of demand ma'am like in three states what we have highlighted which were strong states of the company there to have the right credit culture, right credit policy in long term interest of the company we have done knowing tightening of the primary but rest of the state we have done a very healthy growth of more than 30% which are the key focus areas of the company. In next coming quarters, in coming months things should change and a healthy growth should come across all the states. Once that and all other these three-four states also contribute numbers will change ma'am.

**Shikha Mehta:** If you could comment segment wise how much growth we have seen in all the segments?

**Vikash Agarwal:** All the segment wise like women segment I have told you Softline has growth of 27%, export has doubled, modern trade has doubled. Our premium has done well but yes economy and our mid-premium has done little bad. I'm sure in the coming quarters that with coming months it will be in....

**Shikha Mehta:** How has knitwear done?

**Vikash Agarwal:** Sorry ma'am?

**Shikha Mehta:** What is our overall growth in knitwear?

**Vikash Agarwal:** Your question is not clear.

**Shikha Mehta:** Our overall growth in knitwear?

**Vikash Agarwal:** We are primarily into knitwear only, the 99% is knitwear only.

**Shikha Mehta:** Our overall growth in that month,?





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**Vikash Agarwal:** Our overall is flat growth only. (-1.5) de-growth is there and volume we are down by more than 15%.

**Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

**Vikash Agarwal:** Thank you everybody for your time. We understand there's a little under performance in Quarter 1 of the company which has come after very two healthy growth years of the company and we stand by what we have projected earlier. In coming quarters we'll see a larger growth and was been earlier projected and earlier assured and we might compromise on the EBITDA margin of what's been earlier targeted but we need to ensure on the top line of the company. Yes, and at the same time company is investing into lot of new initiatives also whether it is into modern trade, into EBOs, into exports and all and with coming quarters things should be better. This is what we hope for.

**Moderator:** Thank you. On behalf of Rupa & Company Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.