RUPA & COMPANY LIMITED

Date: May 31, 2023

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block
Bandra Kurla Complex, Bandra (E)
Mumbai - 400 051

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street
Mumbai - 400 001

Ref: NSE Symbol- RUPA / BSE Scrip Code- 533552

Sub: Transcript of the Earning Call held on May 25, 2023

Dear Sir/ Madam,

In continuation of our letter dated May 24, 2023 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 May 25, 2023, to discuss the Audited (Standalone and Consolidated) Financial Results of the Company for the quarter and financial year ended March 31, 2023.

The same will also be made available on the Company's website at https://rupa.co.in/con-call-transcripts-audio/

Kindly take the same on record.

Thanking you.

Yours faithfully,
For Rupa & Company Limited

MANISH AGARWAL
Digitally signed by MANISH AGARWAL
Date: 2023.05.31 18:20:42 +05'30'

Manish Agarwal
Company Secretary & Compliance Officer

Metro Tower,1, Ho Chi Minh Sarani, Kolkata 700 071,INDIA
Phone: +91 33 4057 3100, Fax: +91 33 2288 1362
Email: connect@rupa.co.in, www.rupa.co.in
An ISO 9001:2008 Certified Company
CIN No.: L17299WB1985PLC038517

"Rupa & Company Limited
Q4 FY2023 Earnings Conference Call"

May 25, 2023

ANALYST: **MR. NACHIKET KALE – ORIENT CAPITAL**

MANAGEMENT: **MR. VIKASH AGARWAL – WHOLE TIME DIRECTOR – RUPA & COMPANY LIMITED**
MR. SUMIT KHOWALA – CHIEF FINANCIAL OFFICER – RUPA & COMPANY LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Rupa & Company Limited Q4 FY2023 Earnings Conference Call. 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. Nachiket Kale from Orient Capital. Thank you and over to you!

Nachiket Kale: Good evening everyone. Thanks for joining us on the call today. We are joined by the management of Rupa & Company Limited represented by Mr. Vikash Agarwal, Whole Time Director and Mr. Sumit, Chief Financial Officer. Before we begin I just like to give a small disclaimer that this conference call may contain forward looking statements which are based on the belief and opinions as on date of this call. These statements are not the guarantees of future performance and involve risks which are unforeseen and difficult to predict. A detailed disclaimer has been added to the reference presentation which was uploaded on the exchange. I hope everyone had a chance to go through it. With this I would like to hand over the call to Mr. Vikash Ji. Over to you Sir.

Vikash Agarwal: Thank you Nachiket and good evening everybody. I would like to extend a very warm welcome on behalf of Rupa & Company Limited to everyone for joining us on this call today. I hope everyone had an opportunity to go through the financial results and investor presentation, which has been uploaded on the stock exchange and our company's website. Well this year, the year in review has presented significant challenges for our industry witnessing steep volatility in raw material prices which were on the increasing trend at the beginning of the year and then it gradually declined steeply by more than 30%. This phenomenon is unprecedented in our industry which lead to destocking at distributor level throughout the year. As a result, the operating margin suffered due to dual impact of high cost for material and product supply at higher incentives and schemes to the distribution channels pursuant to declining trends in yarn prices. The gross margin for the fiscal year ending FY2023 stood at 28.6%. Our EBITDA margin was also impacted because of higher marketing cost over previous years and under performance of thermal and athleisure segments. We anticipated normalization in market sentiment and pickup in demand with the stabilization of yarn prices around Rs.270 per kg to Rs.280 per kg at the current levels. We are actively taking steps to enhance our brand through various marketing activities. Recently we have on boarded celebrities to promote our premium and economic segment brands which is Jon and Macroman. In terms of our revenue breakdown, exports accounted for Rs.41 Crores showing 25% stronger year-on-year growth. Modern trade contributed INR 51 Crores also exhibiting a 32% year-on-year increase in growth. Overall we generated INR 1142 Crores in revenue during the FY2023. This growth demonstrates our ability to see opportunities in the evolving modern trade channels where we have done quite good. During the quarter we successfully launched two exclusive brand outlets stores. The total EBU count currently stands at 28 stores. We will continue expanding our presence in retail and scale to give our retail and customers especially youth wholesome purchasing experience. Despite the challenges we faced we maintain positive cash flow of INR 185 Crores and efficiently managed working capital deployed in business. The same resulted in significant reduction of overall net debt position. Board of our company keeping the tradition of sharing profit with shareholders has proposed to maintain dividend at 300%. Looking ahead we anticipate improvements in margin for FY2024 as the market sentiments normalize and the effects of the underperforming segments diminish. We remain focused on optimizing our operational efficiency, managing cost and leveraging growth opportunities to enhance shareholder value. Regarding current year performance, management stand by the performance because of very unique situation and we are quite hopeful in coming three years we will be clocking a turnover of Rs.2000 Crores. With this I request Mr. Sumit Khowala our CFO to give you an update on the financials please. Over to you Sumit.

Sumit Khowala: Thank you Vikash Sir and good evening everyone. I will proceed to provide a brief update on the financial performance. The revenue from the operations for the quarter 4 for FY2023 is Rs.407 Crores down by 10.9% compared to corresponding quarter last year. As mentioned by Vikash Sir the headwinds in the industry have affected our margins. The gross margin for the quarter is 23.5% vis-à-vis 34.3% for the corresponding quarter last year. The EBITDA margin stood at 6.7% in Q4 FY2023 as compared to 16.2% in Q4 FY2022. PAT is at ** Rs. 5.5 Crores with a PAT margin of 4.6%. For FY2023 revenue stood at Rs.1143 Crores and is down by 22% year-on-year. Gross margin stands at 28.6% versus 34.8% last year. The EBITDA for the year is Rs.89 Crores and the EBITDA margin is 7.8%. PAT stands at Rs.54 Crores with a PAT margin of 4.7%. A multitude of factors have let down in sales resulting in degrowth across key metrics. However our prudent financial practices have ensured that we are able to free up working capital and cut down our net debt significantly. Net debt for the year FY2023 is Rs.134 Crores vis-à-vis Rs.231 Crores last year. Net working capital deployed in the business has reduced to Rs.789 Crores from Rs.910 Crores for FY2022. We have significantly improved our cash from operations from net out go of Rs.116 Crores to the positive cash flow of Rs.185 Crores this year. Thank you for your attention. We are now happy to take questions.

Moderator: Thank you very much. We will now begin the question and answer session. We have our first question from the line of Keshav Garg from Counter-Cyclical PMS. Please go ahead.

**** Note: During the call, PAT figure was inadvertently said as Rs. 5.5 crore, please note that PAT should be read as Rs.18.80 crore as a factual figure, as reported in the financial results.**

Keshav Garg: Sir I am trying to understand that you mentioned that we want to double our revenue over the next three years so if we do so then Sir our growth from FY2022 to FY2026 this four-year period will come to around 7.9% only which is more or less equal to the inflation rate in the country so what I am trying to say that Sir do not you think that it is a conservative guidance?

Vikash Agarwal: Conservative guidance like next three years we are saying Rs.2000 Crores with a base of Rs.1140 Crores so does it come 7.9%.

Keshav Garg: No Sir. Sir I am taking it from FY2022 days off around Rs.1474 Crores so over the next four years?

Vikash Agarwal: Absolutely so this is the minimum and I do not want to over commit but with the current year we at least want to grow by 25% to 30% so once we have that growth of course we will review these numbers again but this year is quite crucial very important for us where we are putting all the efforts and once we have a strong base growth this year I am sure those numbers what you are talking will definitely improve from those levels.

Keshav Garg: Also Sir you think in your judgment as things stand today that we will be able to reach if we grow at around 25% to 30% then we will reach FY2022 top line in this year itself but as far as the margins are concerned Sir do you think that we will be able to reach around 18% operating margins that we did in FY2022?

Vikash Agarwal: So margins are difficult. Right now our understanding is we do not want to lose market share and we are investing heavily on the advertisement and brand pull. We have invested in more than three to four celebrities and when our EBITDA margin was 18% that year our marketing spend was 4% which was much below our average so this year it will come back to 7% to 7.5% so we are hopeful. I am not sure about immediate quarters because a lot will depend upon how the yarn prices behave but for this whole annual basis, I think we should be able to clock 11% to 12% EBITDA margin minimum is our sense what will be able to achieve.

Keshav Garg: Sure Sir and what kind of capex are we looking at?

Vikash Agarwal: What kind of.

Keshav Garg: Capex?

Vikash Agarwal: Capex is what we will do roughly Rs.20 Crores to Rs.25 Crores year-on-year is our annual budget.

Keshav Garg: Okay Sir thank you very much and best of luck.

Moderator: Thank you. We have our next question from the line of Shikha Mehta from Equitree Capital. Please go ahead.

Shikha Mehta: Sir I just have a couple of questions. As you mentioned in your opening statement as well cotton and hence yarn has sort of normalized now but in spite of that our gross margins this quarter took a beating is that because we had high cost inventory on our book is that the right way to look at it?

Vikash Agarwal: Yes, madam to a large extent yes.

Shikha Mehta: So is the high cost inventory factor completely done away with now or are we still carrying some high cost inventory?

Vikash Agarwal: I think in the coming quarters may be one more quarter we will be able to one or two quarters max things will average out.

Shikha Mehta: Okay so may be the first half of the year should still see some impact of this?

Vikash Agarwal: A little and that is why we are giving a forecast of 11% to 12% EBITDA margin keeping everything in mind.

Shikha Mehta: Okay got it and also can you give me the ad spend figure for this quarter?

Vikash Agarwal: 7%.

Shikha Mehta: Okay and that is what we are expecting for…

Vikash Agarwal: For Q4 FY2023, probably 7%.

Shikha Mehta: Okay no issues. Sir could you also help me understand how our credit terms have been for the quarter and for the year? I think in Q3 we said that we did not want to let go of market share so is the kind of loosening the credit terms how has it been for the quarter?

Vikash Agarwal: Like our debtor stood at Rs.425 Crores compared to Rs.540 Crores Q4 of last year.

Shikha Mehta: Okay right and Sir another thing I wanted to understand from you is if you can shed some light on the channel inventory levels and whether we are seeing the restocking happening now?

Sumit Khowala: We are dealing in a product which are essential in nature. Currently we are seeing that there is an uptake in demand so we think this will maintain the same inventory level going forward.

Vikash Agarwal: We do not see any spill because these are essentials so we have to maintain inventory. Because of the falling cotton prices there was a negativity in the market but because of some steep it is more than 30% steep fall which is unprecedented historically. It has never happened so the silver lining is probably dealers and all they do not have much stock inventory. Once we are confident about the yarn stabilization I think the market should pick up.

Shikha Mehta: Okay Sir got it. Can you also help me with the growth numbers in the mass segment, the medium segment, the premium segment and in women for FY2023, in mass in the medium and premium and in women.

Sumit Khowala: The overall price degrowth is 5% to 6% and the volume degrowth is around 15% to 16% okay and if we talk about economic segments the price degrowth is 5%, mid premium segment it is 7% and premium segment it is around 4% to 5%.

Shikha Mehta: Okay got it. This is on the price right and on the volume side or this overall?

Sumit Khowala: It is on the price side. For economic segment volume degrowth is 15% around. For mid premium segment it is around 16% and premium segment it is around 20%.

Shikha Mehta: Okay Sir and the same thing for women?

Sumit Khowala: Women segment it is largely same.

Vikash Agarwal: Yes, it is roughly the same madam what we have the mid premium.

Shikha Mehta: Okay got it and also how is summer shaping up for us currently? How is Q1 looking so far?

Vikash Agarwal: Q1 we are quite hopeful things should you do well. We are investing heavily on the brand pull and all. We never advertised for our economic brand which is Jon so we have recently taken two brand ambassador one is Ranbir Kapoor and the other is a local hero of East so we are quite hopeful with the kind of brand pull we are creating and the kind of schemes we are giving the market Q1 should do decent for us.

Shikha Mehta: Apart from the price correction we have seen so far do we expect more price correction going forward considering the raw material prices are stabilizing?

Vikash Agarwal: It will depend upon the yarn prices. If the yarn prices start increasing, we will increase rates so if it stays at this level our prices stay for a quarter at these levels but gradually it should increase on a yearly basis by 3% to 5%. It will all depend upon the yarn prices so it is very difficult to comment anything at the moment.

Shikha Mehta: Okay fine. Thank you. I will come back in the queue.

Vikash Agarwal: A lot depends upon what is happening globally on the cotton prices.

Shikha Mehta: Got it.

Moderator: Thank you. We have our next question from the line of Resha Mehta from GreenEdge Wealth Services. Please go ahead.

Resha Mehta: Thank you. Sir my first question is on the working capital so it used to be in the 45% to 50% of net sales range and in the last year it has shot up to around 70% perhaps the extended credit cycle contributing to this so one, how quickly do we see this reverting back to the old levels of 45% to 50% and second what is your desirable optimum working capital that you all are targeting and what steps you all are taking to kind of get there?

Sumit Khowala: This year net working capital deployed in the business has reduced to Rs.789 Crores from Rs.910 Crores so this time the turnover was a little bit lower so working capital days are looking on a higher side but ideally we feel that 150 to 160 day networking capital would be ideal for our company.

Vikash Agarwal: Once we achieve the given growth topline it will automatically fall in the right numbers 150- 160 what Sumit is saying.

Resha Mehta: Okay so that still be roughly 40% of net sales right?

Sumit Khowala: Yes.

Resha Mehta: Okay and do you see this going back to 40% levels in FY2024?

Sumit Khowala: Yes.

Vikash Agarwal: Yes, we are quite hopeful.

Resha Mehta: Okay and will be led by reduction in debtor days or inventory days or both?

Sumit Khowala: Both

Vikash Agarwal: Both and we have the new software Sap Hana in place so operationally our efficiency should be better and all it will help us to do proper planning and proper control also so we have recently implemented the AFS model this April, last month, so things should do better.

Resha Mehta: So related question here so you do have distributor management system so this has been implemented across how many of your 1500 dealers?

Vikash Agarwal: Right now I was talking about the AFS Sap Hana model so now we are talking about the DMS model. For DMS we are trying. We have hardly 70 to 80 distributors but we recently hired an agency now. It is on the board. They should help us to extend this to a large number of distributors so how to focus on the retail and have a more clear visibility on the secondary we have just tied with the agency now and that should help us to have a bit of control on the marketing visibility chain.

Resha Mehta: So if I were to understand this a little bit more so basically you have 70 to 80 distributors who in turn supply maybe to 1500 dealers or to retailers directly is that the correct way to look at it?

Vikash Agarwal: We supply to distributors 70 to 80 distributors and they supply to retailers their retailers.

Resha Mehta: The presentation mentions around 1500 dealers?

Vikash Agarwal: 1200 is our total size of distributors we have Pan India. Out of that wherever DMS is implemented is around 70 to 80 dealers which is 5% of the total dealer universe we have.

Resha Mehta: Right okay so basically we have direct visibility and the tracking is possible only for our primary sales as on today right what we sell to the 70 to 80 dealers correct?

Vikash Agarwal: Yes. We have a primary visibility of our 1200 dealers in what we have but secondary visibility of 70 to 80 dealers wherever we have DMS is there.

Resha Mehta: Okay got it and how big would fruit of the loom and this FC UK brand how big would these brands be in terms of size? What revenues would we have done in FY2023?

Vikash Agarwal: So the size are updated on our previous concall also like after the COVID years before that those brands were doing very good and we invested heavily on these two brands but after the COVID, LFS were all shut and all, so there is a bit drop in the top line of the brands and for us to revive the brands again we have to invest heavily again which at the moment we are not very keen. The management is not keen so whatever organic growth they had from our EBOs and from online we are pushing more of that than investing in the brand into general trade duty.

Resha Mehta: And otherwise we have an exclusive license right for these two brands?

Vikash Agarwal: Yes.

Resha Mehta: And pre COVID what was the revenue number for both of these brands?

Vikash Agarwal: Around Rs.43 Crores.

Resha Mehta: Sorry around?

Vikash Agarwal: Around Rs.40 Crores.

Resha Mehta: Both put together?

Vikash Agarwal: Yes, madam.

Resha Mehta: Okay and can you talk about your revenue split between urban and rural if you all bifurcated that way?

Vikash Agarwal: As I said we have more of a primary number with us so our understanding is 50%-50% so we do not have because a lot depends upon the secondary again so primary wise it is roughly 50% each 50% rural and 50% urban.

Resha Mehta: Got it and I think your presentation also mentioned about drop in realization so is that through reduction in MRPs or we have passed on as discounts to channel partners?

Vikash Agarwal: We usually pass on the discount.

Resha Mehta: So there is no reduction in MRP right that we have taken?

Vikash Agarwal: There was a reduction in MRP as well because there was a steep fall in the yarn prices so in our schemes also so we have reduced the prices also around March and April but that does not affect us a lot because our products are not selling much on MRP and the fluctuation between the net, WSP and the margin was quite high so it was demand from the trade because of the corrected prices they wanted to reduce the MRP which we have done in check with the increased benefit what we have given to the distributors.

Resha Mehta: And lastly if you could talk about how is the demand shaping up, demand outlook? I am sorry I missed your opening remarks in case you have already mentioned back then?

Vikash Agarwal: The last two to three years we were little soft on the marketing side and all on our economy segment where we have a big turnover so this year the idea is we do not want to lose on the market share. We want to increase the market share so we are spending large on the marketing part and this will surely take care of the topline. We might compromise on the bottom line for a few quarters but in the long term things should be healthy, should be much better numbers what we have today.

Resha Mehta: Alright and what would be your revenue contribution from athleisure and thermal wear for both FY2022 and FY2023 as a percentage of revenue if you could tell me?

Vikash Agarwal: Percentage of revenue it was quite late this year from COVID year both athleisure and the winter wear and thermal wear largely because the demand was less so we took a big hit on our margins also because these two range contributed a lot to the bottom line where the margins are quite high.

Sumit Khowala: Revenue contribution from our athleisure wear segment is 8% and from thermal wear it is 5%.

Resha Mehta: This is for FY2023?

Sumit Khowala: Yes.

Resha Mehta: Okay and what would be the margin differentiate between let us say our company average versus athleisure and thermal wear which are higher margin?

Vikash Agarwal: At least 5% to 7%.

Resha Mehta: 5% to 7% at the gross margin level right?

Vikash Agarwal: Yes.

Resha Mehta: Alright thank you. All the best.

Moderator: Thank you. We have our next question from the line of Rohit Ohri from Progressive Shares. Please go ahead.

Rohit Ohri: A couple of questions the first one been on the growth capex plan that we had? We were looking for some dedicated export unit in Domjur probably at an investment of Rs.18 Crores and the cutting unit of around Rs.18 Crores to Rs.20 Crores so by when do you think will this be commissioned?

Vikash Agarwal: It is already commissioned. It will start this year. Cutting unit is now already commissioned. It has started. Gradually it will be in full capacity coming months.

Sumit Khowala: And export unit is more or less ready. We will be commissioning in the month of May 2023.

Vikash Agarwal: May or June. May has already gone so June.

Rohit Ohri: Vikash we were talking about CAGR growth of around 20% or so while at the same time we are saying that there is softness in the market so what gives us this confidence that we will try and get that 20% CAGR growth over the next four or five years to achieve the target of Rs.2000 Crores?

Vikash Agarwal: At the end of the day we have to survive so with disappointing result where we are in an extremely I will say dissatisfied so a lot of lending what we did last year and last year we took hit a lot knowingly to have a control on the trade policy and to have a healthy trade policy for long term in our regions but on a lower base we have to grow at least 25% to 30% and we have taken a lot of initiatives in terms of marketing in terms of scheme penetration and all. We are sure 25% to 30% we should be able to achieve and once we have that number for the coming years once we achieve that and once few initiatives what we have taken in place in terms of modern trade, expo, EBOs and all those are also contributing good and we have done good in those areas. Only the GT has been a problem. Once we have a support from GT as well we are sure we will be able to achieve these numbers.

Rohit Ohri: New machinery and the investments that we have been doing and small debottlenecking that is happening so the benefits of these will start coming from the next year onwards or anything that you would like to share on that?

Vikash Agarwal: They start from this year only the new export unit what we have set in or will help us in export. It will help us in modern trade as well so in coming quarters it will start adding to the contribution.

Rohit Ohri: For the FOTL we have this license agreement which was seeking an extension so do you think you will extended beyond June 30 or how will that be?

Vikash Agarwal: It will all depend. We will still try to negotiate on our terms and all so if we have favorable term we will try and extend. It all depends on the negotiations what we are doing at the moment.

Rohit Ohri: But there is no write off that we should be expecting or some negative surprises from there because they are holding some inventory of around Rs.11 Crores to Rs.12 Crores so that should not come as a surprise to us right?

Vikash Agarwal: So the idea is to liquidate that stock before we terminate anything and all provision everything is in place.

Sumit Khowala: So we are hopeful that we will be able to negotiate and renewal will be done and all the inventories are in good condition and we will be able to sell in the market.

Rohit Ohri: Of these five subsidiaries that we have Immogi, Oban, Rupa Bangladesh, Rupa Fashion and Euro Fashion which of these are absolutely PAT positive and which of these are probably at the breakeven point for EBITDA levels?

Vikash Agarwal: We are not doing much activity in Rupa Fashion or anywhere because the initiatives we took before COVID like Bangladesh and all is still on hold but Immogi we are PAT positive and Oban also we are PAT positive.

Rohit Ohri: Sir a broader question which is related to the industry probably at Tiruppur cluster and they had certain issues during the entire year as well as the industry and currently what is the situation with the export associated to knitwear if you can take us through that?

Vikash Agarwal: The demand is still subdued. The reason why the yarn prices are still soft so once the demands picks up then only Tiruppur does well and the export does well form Tiruppur so the yarn prices will tell everything once the demand comes up. The yarn prices is the trend setter so that is from the moment of yarn prices one can make out how is the export doing and how is the export demand and all so at the moment it is soft.

Rohit Ohri: But then any hope that it will start picking up by may be thermal season or anything any guidance that you would like to give?

Vikash Agarwal: It is quite difficult to comment on the export market but domestic market these are all essentials so we are sure, there are two types of demand. One is consumer demand and the other is the trade demand so last year trade demand was soft so whatever stock they used to keep they are not making that kind of inventory and once the market has some kind of firmness I am sure the essentials should do well and should pick up. There is no reason it will not pick up. We do not see any reason.

Rohit Ohri: Last two questions one is related to the entire thesis that we had for Rupa and try to look at a premiumization of the brand and as the products that we have by when do you think this will start kicking in?

Vikash Agarwal: So the process is on. We are opening EBOs and all. We have recently for our brands like Macroman M series we have endorsed this brand ambassador Yash who is a very big star from South and all and we have started the campaign. We are getting very good reviews. In other brands like Frontline we have launched Frontline Colors where MRP of the product is at least 20% higher than the current range so we are introducing new range every quarter and every month and EBO, modern trade as I have said has contributed a better number from last year so the process is on and gradually it should reflect into numbers as well.

Rohit Ohri: The last question been on the share for the women segment which because of the pandemic it went down but then we were quite happy on the entire segment or sub segment of women which is currently around 11% or 12% so what are the efforts put in by the team to kind of increase this probably increase the volume from here because this segment seems to be a slightly higher margin segment so what are the efforts that are put in by the team to put an uptick over here and try to move this to around 15% or 20% of the total revenue?

Vikash Agarwal: Absolutely it is very important for our company also to grow on the top line in the women segment where we are not that strong so far so we are investing in the product line and we are investing into team as well and as it is online or EBOs we have tried opening few EBOs exclusively for women as well and now we are spending on the campaign with the celebrity Kiara Advani and we are doing some retail tie-ups also which will start this quarter so those things would help us and our network is already there. We are trying to do something new with the campaign now itself so I am sure these efforts will help us to if not last year this year should do better.

Rohit Ohri: Okay Vikash Thank you for answering the questions. Thanks a lot.

Moderator: Thank you. We have our next question from the line of Vinay Mehta from AJ Investments. Please go ahead.

Vinay Mehta: Good evening everyone and thanks for this opportunity so my question was on the distribution network part so what is your plan to expand the distribution method from current levels and let us say next three to four years where do you see this number to go?

Sumit Khowala: Since we have untapped area just like Madhya Pradesh, Chhattisgarh, and portions of South. Total revenue contribution from the South India is 7% so we are planning to set up a distribution base in South India. Currently we have around 1500 distributors. We are targeting around 2000 distributors in next two to three years.

Vinay Mehta: Okay and with regards to the EBO network and I mean a few couple of quarters back you had mentioned that you had a plan to add around 50 odd stores in FY2023 and a Pan India presence of around 150 EBOs in the next two to three years so what is the situation like right now with regards to the EBOs?

Vikash Agarwal: As we mentioned we opened two new EBOs. At the same time we have shut two EBOs so the correct strength is 28 stores and the plan we are executing that the market is real soft now which you can see the market is not so strong so the franchise at moment is not very willing to open the EBOs so we will wait for couple of months but we have two stores in line up. Four to five stores we will open in a month or two but once the market revives slightly better demand is there this number should improve.

Vinay Mehta: One last question I had on the marketing budget part could you please throw some light on the marketing budget and what kind of volume growth do we see in the next two to three years down the line?

Vikash Agarwal: So like COVID years, our average was always 7% to 8% for marketing spends. COVID year it was 4% but now again we will come back to 7% to 8% on the marketing spend and volumes of course we are looking for at least 15% volume growth in the current year 15% to 18%.

Vinay Mehta: Okay Sir thanks a lot for your time and best of luck.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to the management for closing comments. Over to you sir.

Sumit Khowala: Thank you everybody for joining the call. In case of any clarification and further information please connect our IR partner Orient Capital. Thank you so much.

Vikash Agarwal: `Thank you everybody.

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