



“Rupa & Company Limited
Q4 FY2021 Earnings Conference Call”

June 01, 2021



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Moderator: Ladies and gentlemen, good day, and welcome to the Rupa and Company Limited Q4 and FY2021 earnings Conference Call. 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 would now like to hand the conference over to Mr. Vikas Agarwal – Promoter and President at Rupa & Company. Thank you, and over to you, Sir!

Vikas Agarwal: Good afternoon everyone. I welcome you all and thank you for being on the call today. First and foremost, I hope all of you are keeping safe and doing fine and your loved ones are good. I hope I am audible. Today on the call I am joined by our CEO, Mr. Dinesh Kumar Lodha and Mr. Deven Dhruva from Orient Capital, our Investor Relation Partners.

Friends as we all know FY2021 has been a very difficult year for all of us but in last one year, your company Rupa has given a stellar performance and despite all the challenges in 2021, we have seen a record growth across all our financial parameters, revenue, EBITDA or PAT.

Just to share the numbers, our revenue grew by 35% to Rs.1300 Crores from 974 Crores. EBITDA grew by 126% to Rs.257 Crores from 113 Crores. PAT has grown three times from 62 Crores to 135 Crores which is around 183% and the company has been able to generate operating cash flow of Rs. 211 Crores. Year end we have cash balance of 118 Crores which we intent to deploy in capital expenditure and others growth plans of the company. The EBITDA margin has also seen a healthy improvement of 790 basis points which stood at 19.6%, so from 12% we have grown to 19.6%.

The return on capital employed stood at 30.8% from 18%, a stellar performance of 17% growth higher year-on-year. Return on equities stood at 26.8%, a stellar 1610 basis points year-on-year. Our company delivered record revenues and profitability on back of strong volume growth, operational efficiencies, better product mix and cost specialization programs. We are also happy to announce the Board of Directors have recommended a total dividend of Rs.5 per equity share including a special dividend of Rs.2 per equity share, as a mark of gratitude to our shareholders during this time of pandemic which is 500% of face value for the financial year ended March 31, 2021.



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Going forward, we see a CAGR of 16% to 20% for next three years. Coming year we also have aggressive stand growing by 15% to 20%. Internally, we target 20% but we see anything between 15% and 20% because Q1 will be subdued because of the challenges we face due to the second wave of pandemic. In terms of EBITDA margin, we are quite confident although this year we have 20%, coming year we should be able to maintain at least by 18%-19% or may be higher as it depends upon the market and other factors around us.

With this, I would like to handover the call to our CEO, Mr. Dinesh Kumar, who will take you throughout the group strategy and outlook for the coming year. Thank you so much. Over to you!

Dinesh Kumar Lodha: Thank you Vikas ji and good afternoon everyone. I hope you all are keeping safe and healthy. Fiscal year 2021 has been the highest ever revenue and most profitable year for Rupa & Company. The quality and durability, Rupa and sub brands are integrated across the hosiery value chain. The company enjoys top of the mind recall across all segments and have earned the trust of millions of customers across globe. In line with evolving consumer preference and market demand the company has introduced variety of new brands and subbrands where the product has a latest fabric innovation, continuous production technique and advance design element to give the finest style and comfort to the end user.

Rupa has a strong pan India presence. Rupa enjoy very solid position in East India and gain a significant presence in North, followed by Western region. As a part of the strategy, we have to really get into newer market like South as well as some of the weak market where market is huge where we have a huge opportunity to grow. We are building new distributor and building experience theme to further strengthen our sale in those markets as well as existing market.

Currently the company has about 1200+ dealers and presence of 125,000 retail outlets. This will lead to increased investment in brand development across new geography. During the year gone by the company has spent 4.2% on brand development, this has reduced as there was no branding which was done due to COVID-19 in the first half. We expect branding to come back to 6% to 7% this year.

Rupa exports products in Middle East countries like UAE, Saudi, Kuwait, Iraq as well as Algeria, Indonesia, Nigeria, Congo and many more. currently we are above 20 Crores in the first nine months where we had a negative growth but last quarter Q4 we had a 17% growth. We expect our export to be doubling in two years if not this year.



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Coming to growth strategy, the company is planning to scale up high margin revenue business t which includes the brands like FCUK, Fruit of the Loom and M-series. The vision is to occupy the consumer mindset in this category where the aspirational Indian consumer perhaps works with style. Our aim is to make premium inner wear based on comfort accessible to the consumer. The company is also reinforcing high growth segment like Athleisure, Women wear and Thermal wear segment. Again, when I say Athleisure it includes the outer wear segment too.

The company is present in modern trade having a presence in over 150 stores. Our strategy is to increase brand footprint across all brands creating a special product which is more relevant and dedicated to modern trade improving our time and serviceability to avoid revenue loss.

Future plan is to have presence through 300 counters in two years by doubling the counters we have.

The Company is also opening EBO's and currently has 11 EBO outlets. The plan is to create small to mid-sized Franchise Store Model with best-in-class SOPs. We want to establish franchise model within top 50 cities in India. Future plan is to roll out 150 more EBOs in the next 2 years. Rupa is present across all e-commerce sites and Future plan is to enhance brand visibility through increasing online presence.

Coming to the current situation in our country, we are witnessing a second wave of COVID-19 infection and it has once again resulted in disruption of businesses. Several states have announced restrictions. Going forward, we expect a sharp upturn in business as restrictions are being lifted.

One of the things we are seeing actually in the market that last week onwards we are seeing emergence of demand once the COVID restriction has lifted. With the company's focus increased in premium or super premium category, we plan to improve focus on women wear, casual, Thermal wear and foray in new market with higher penetration in existing market. We expect our revenue to be higher than industry growth and that is something we have done this year and also in the coming next two to three years we are seeing that we will be growing faster than the industry with our strategy in place.

Coming to the financials, some of the thing has been covered by Vikas Ji. Our company has reported a strong growth for the quarter year ended March 31, 2021. Revenue Q4 is 454 against 179. EBITDA has a strong growth of 1000% with a 91 Crores against 8 Crores in Q4 and similar growth has been seen in PAT also.



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On yearly performance our revenue is 1313 Crores which is against 975 with a 35% growth, EBITDA has growth about 126% and PAT also has grown over 175 Crores against 62 Crores. I think return on capital employed is 30.8% which is 1710 basis points, return on equity again are 1610 basis points, net debt which was earlier 177 crores is now at 27 crores and we are a cash positive company now.

Net debt to equity is 0.04x reduced from 0.3x, working capital has significant reduction from 219 days to 165 days and going forward also we will see some more improvement coming on that.

Again first of all, I have to thank you all and with that I am opening the floor for question and answer.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Shikha Mehta from Equitree Capital. Please go ahead.

Shikha Mehta: Congratulations on a good set of numbers. I just had a couple of questions. Could you explain the revenues structure with FCUK and Fruit of the Loom, so it is like a royalty structure and the exclusivity and structure, could you just explain the structure a bit?

Vikas Agarwal: Right now the royalty is payable for both the brands, as far as FCUK is concerned we have a 10 year contract with them. On a revenue number we have 33 Crores approximately on the FCUK and FOTL front. I think one of the things which we said last time also, for us this year was the year to reset the business into profitable path. As you remember, we used to have an EBITDA loss of 10 Crores and this year first time in history in the last three years to four years, we have EBITDA profits and going forward, now we are looking into the business in the right path in terms of what segment which we are seeing we have taken call in the company to really focus on e-commerce and GT and not focus on LFS at large. We are seeing a significant increase on profitability with the revenue base of 33 crore we are EBITDA positive now and this year we are looking at significant growth in this segment with the set of the business.

Shikha Mehta: Great and are contract after ten years from now, right with both of them?

Vikas Agarwal: We have ten years with FCUK and we are in a discussion to have something similar for FOTL..



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Shikha Mehta: Okay, also Sir, you said that for exports we are looking at doubling our exports this year or next year, currently our export base is quite low, so if you could give guidance for say for the next five years what kind of CAGR do you see even on doubling it could not be very significant?

Vikas Agarwal: The management expectation on export is to have 5x number in five years but right now we are giving a guidance that we do doubling export number in two years as you rightly said the export number is just 20 Crores-21 Crores but I think the opportunity what we have, we will look forward to have this as a 5x growth in five years but immediate basis we achieve a significant roadmap coming up to have increase our presence in Middle East we are seeing a presence coming on Russia, we clearly see a good visibility and with the right team in place I think we will execute this.

Shikha Mehta: That is all very positive. Thank you. Also are we looking at inorganic growth? Are we looking at acquisition?

Vikas Agarwal: Definitely this is something with a continuous effort. It always looks for a good value as per the acquisition is concerned and when we see a good opportunity, we will definitely target that.

Shikha Mehta: Okay. So, do we have any idea like which segment will be looking at acquisitions and also if you could give a peak debt number that you have?

Vikas Agarwal: We talked about earlier outgrowth engine, and I think the growth engine will be connected to these acquisitions whether it is Athleisure or in the premium segment I think this will be connected with that.

Dinesh Kumar Lodha: Clearly Women, Athleisure, and premium these are all growth engines, and we will look for that.

Shikha Mehta: Right and if you could just give a peak debt number or debt to equity ratio which you would not want cross even through your acquisitions and growth and all of that?

Dinesh Kumar Lodha: Right now, we are cash plus company, so we should have internal accrual most of the money to have some equity.

Shikha Mehta: Alright and we said we want to grow at around 15% to 20% for next year which is again in spite of Q1 being subdued due to COVID, so can you just give us some broad guidance on how the different segments were there, and which segment would be growing just ballpark?



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Vikas Agarwal: Outerwear we would be growing at a faster rate than innerwear to start with. As we are seeing whenever lockdown will open up, there will be an emergence of the outerwear, so brands like Bunchums and M-series and all will be seeing some significant growth on an immediate basis. On a yearly basis we will be seeing a growth. As per our strategy and focus we will be seeing a good growth in Thermal, Women, Athleisure. With that I think we should grow at the rate we have targeted. Though we have said subdued quarter, the lockdown is opening up and we are seeing a good emergence of demand so we should capitalize on that in June to come back strongly in the quarter.

Shikha Mehta: Could you tell us how much we did in Thermal and in Women for the year for FY2021?

Dinesh Kumar Lodha: Thermal we are about 120 to 125 Crores right now and we are looking to grow at 25%+. Women segment is about 10% of business, I think there should be a 30% growth in women segment.

Shikha Mehta: Sir could you also give us some guidance on the raw material pricing and how that was more of the year if you have any?

Dinesh Kumar Lodha: Gross margin remains as it is. We may have some improvement in gross margin. We are able to pass on most of the raw material cost to the consumer and overall, it will not impact gross margin as such.

Shikha Mehta: Do we have lag in passing on the prices to the consumer?

Dinesh Kumar Lodha: What is that?

Shikha Mehta: Do we have a lag of say a quarter or so in passing on the prices to the consumer?

Dinesh Kumar Lodha: Not much.

Shikha Mehta: Okay and last question from my end, could you give us figure for the maintenance capex and if you have any other capex plan going forward?

Dinesh Kumar Lodha: Capex normally we do not have a very high capex as you know this industry, as a standard we spend about 20 Crores to 40 Crores in between for our regular capex. I think the more money will be required when we look for acquisition and that something will happen as and when we see a good opportunity but on a regular basis, our capex will be between 20 Crores to 40 Crores.



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Shikha Mehta: Thank you so much.

Moderator: Thank you. The next question is from the line of Dhruv Kashyap from Edelweiss. Please go ahead.

Dhruv Kashyap: Firstly, Mr. Lodha and Mr. Agarwal heartiest congratulations for an exemplary performance from the company in such tough circumstances and I personally like to thank you and your team on behalf of all the shareholders. Coming two specific questions, the first is on the exports part could you give some color on which kind of product or brands in which product categories to which country and where does the opportunity lie, so you could just give some more granular insight into this next five years of exports?

Vikas Agarwal: Currently, at this point of time our major export is in the innerwear but as we go forward, we see opportunity in outerwear and Athleisure, So clearly, I think there will be a lot of opportunity including Bangladesh and Africa, and we will go all out to tap those opportunities. As I said export is still in early stage and we have still not penetrated what we should have and we see opportunity to grow this business 5x in five years' time. As far as countries are concerned, we have strong presence in the Middle East, Nigeria, Russia and, we are seeing a significant opportunity coming up countries like Bangladesh, with deeper penetration in Russia and Singapore. So these opportunities which we are now tapping should give us a good momentum on export and that should give us huge opportunity to grow. The basic reason for this is that the brand is now already familiar there, because of satellite channels people are aware of brand. One of the other things we do is most of the export we do is our own brand, which help us to grow and have loyalty for our products we do not do that much of contract manufacturing, we are more focus on our own brand so that there is loyal customer-based for future.

Dhruv Kashyap: Perfect! Thank you so much for that gives a lot of clarity. The second question is that the premium segment is which is Fruit of the Loom and super premium FCUK there is a lot of imaginary and optics that also gets added by that segment, and there is lot of action in terms of Jockey, ABFRL, Van Heusen etc., can you just give us some sense of insights again a little more details in terms of how are we going to build FCUK and Fruit of the Loom to really become potentially add break brands as Jockey or Van Heusen or bigger?

Vikas Agarwal: As you rightly said there is a huge opportunity lying there for both these brands, but what we did this year or I will say in the last 15 months, is to really reset the business. As I said earlier. just growing the business without profitability does not make sense, so as a company we have decided to have the right focus in terms of segment and right team. Having done this in the last 15 months has resulted not only in topline growth but focus to



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take the business from EBITDA negative 10 Crores to EBITDA positive and we are now looking to take this to a PAT positive business. We are on the right path now to take this business to next height in terms of both on GT and e-commerce. E-commerce we have significant focus now and we are seeing that we will be doubling our e-commerce business in FCUK and FOTL, GT also now we are penetrating and other places we have increased counters but what I am happy or what I want to share with you the business model which we needed to correct, has been corrected now and now this is the good way to take the growth forward and there will be auto profitability will be there.

Dhruv Kashyap:

Thanks and so my last and final question is that if you can give some color on geographies of strength like Citadel and geographies where you are seeding and their big markets where you sort of gain potentially in times to come. So almost Citadel making an entry into big market, so if you could just give some color on where we are strong and need to defend and where we are going to become bigger in terms of we are going to take on let us say Page or Lux or TT or Dollar or whatever else, so if you could give some geographical flavor to the Rupa parent and potentially envisage footprint?

Vikas Agarwal:

We have shared most of the things in our presentation but as you know east is our big area where we are very strong whether it is Bihar or Jharkhand or Odisha. I think where we are focusing right now is in the Northern, Southern and Central states. We have states where we may be doing great, to give you an example in UP, we are doing good but within the Western UP we are not that great even though there is a huge opportunity to penetrate there. Same way MP, Chhattisgarh those are in the Western side Central India, again opportunity lies for us which is not a strong base for us but there is no reason why we will not be able to penetrate in those markets. with the right focus, right team, right distributor .So Central India some of the part of Northern India and Southern India will be big focus for us.

Dhruv Kashyap:

Right. Thank you so much Mr. Agarwal and Mr. Lodha and once again hats off and thank you so much for what you guys has been doing. All the very best.

Moderator:

Thank you. The next question is from the line of Shalini from Quantum Securities. Please go ahead.

Shalini:

Good evening Sir! Fantastic results. Sir I just wanted to understand how the various segments have grown during quarter economy, Mid, Premium, Thermal, Women's, and Athleisure?



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Dinesh Kumar Lodha: So in the year, I think it is a good to talk about the complete year rather than talking about just a quarter, and on a yearly basis what we are seeing , there is good growth coming up in Athleisure, there has been a significant growth from last year in our premium segment like M-Series, ,and good growth in our mid premium brand like Frontline and Macroman. So clearly, we are seeing a good growth. We have not done well in the women segment because of COVID-19 restrictions. As more and more women come out we will have more leggings sales and other sales. So that is where we have seen some drop in revenue this year or not grown as per our expectations I would say. Most of the other places we are seeing good growth coming up but within that highlight are outerwear and premium segment.

Shalini: But Sir, if you could just put some numbers, numbers like economy segment for the year and preferably for the quarter, but if you prefer to talk about the year, if you can give some numbers?

Dinesh Kumar Lodha: On the value side, we are seeing growth about 35% to 40%. I think the overall growth of 45% we are seeing value products like Jon, where we are doing 40% flat, Thermal we are doing about 21% plus, and on the mid premium will be doing 30% plus. And outerwear we are growing let us say Bumchums which is our main premium outerwear brand we are growing around 70% so that is significant growth, just to give you a split little bit for what you are asking for.

Shalini: Thermals and Athleisure specifically, Athleisure if you could say how you are growing?

Dinesh Kumar Lodha: Let us talk about Bumchums is where the main Athleisure brands are where we are growing at 70% this year but going forward we are expecting this to grow at 30% on the top of this.

Shalini: And Sir Thermals?

Dinesh Kumar Lodha: Thermals this year we are expecting 25% plus.

Shalini: My next question is just wanted the participant before have asked that question in terms of in growth coming in the premium segment because the number of brands are increasing everywhere in premium segments, you have ABFRL also lots of these shops have introduce their own brands, so do you envisage a situation where will be EBITDA margin in that segment in premium segment will come off, is that what can you envisage?

Dhruv Kashyap: I think that will not going to impact much for us because, this is more to do with a LFS which is where people have started their own brand on their own shops, but our focus is on ecommerce and GT were we do not get much impact. In fact we are seeing significant



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growth opportunity in some of the markets for our premium brand like M-Series, which is of 100 Crores plus brand. We are expecting to that brand to grow at 25% plus this year with opportunity at many vacant or low, or weak area for us where we are going to penetrate so your question for brands where people are creating their own brands is not going to impact much for us because LFS is not something where we are playing very high.

Shalini: If I look at the gross margin, gross margins has gone up about 300 BPS year-on-year, so apart from the taking price increases and products mix exchange, is it that you have taken lesser write offs on inventory or anything like that?

Dinesh Kumar Lodha: I do not think gross margin we have increased like 3% what you are talking about, I am not sure from where you are getting this number.

Shalini: Year-on-year.

Dinesh Kumar Lodha: Gross margin as a percentage basis it will be same and growth which is coming up, it is more to do with percentage growth of revenue the similar growth is coming in the gross margin.

Shalini: Sir just one last question at my end, Jon is a basically an economy brand that you have right?

Dinesh Kumar Lodha: That is right.

Shalini: That is growing how much?

Dinesh Kumar Lodha: This year it has grown at 40% plus and we are expecting this to grow about 15% to 17% going forward.

Shalini: Last year that financial year 2021 we have lot of growth coming from the rural areas but this year we have a situation where the rural is not doing so well because of higher lockdowns in rural areas, higher base and many other factors so do you see that impacting your growth going forward?

Dinesh Kumar Lodha: As I said earlier, the first two months lockdown definitely we have seen that impact, it is not just rural it is rural and urban as you rightly said. Last lockdown the impact was more on the urban and less on the rural, this time the impact is there both on rural and urban. But what we have seen in last one week when the emergence of the lockdown opening happening, the demands is coming back in both the segments. So, we are not seeing much of the challenge



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going forward and though as I said maybe a turbid quarter but being June still there, we feel that we will come back strongly to hit the number.

- Shalini:** Okay, and volume growth in the quarter was how much, Sir?
- Dinesh Kumar Lodha:** The volume and value there is a gap of about 2% to 2.5% on an average, so you can just predict whatever sales we are talking about 2.5% value will be lesser.
- Vikas Agarwal:** Just to add on your earlier point about rural demands, I think this year monsoon is being quite good so far and it should be good as per the prediction. So, rural demands will be quite robust again, if you talk about short term from April – May, I think they are different but going forward, I think the March has emerged very strong.
- Shalini:** The average selling price is Rs.65?
- Dinesh Kumar Lodha:** Selling price, yes approximately would be Rs.50 or Rs.70 in between.
- Shalini:** Sorry, Rs.15?
- Dinesh Kumar Lodha:** Rs.50 to Rs.70, we are talking about the value.
- Shalini:** Yes, but Rs.50 to Rs.70 is like 50% difference?
- Dinesh Kumar Lodha:** Yes, but there is a product difference, so I cannot say 50% because I do not have one product, I have 17 product – 18 products with the similar range, so I do not think I can give you exact one price.
- Shalini:** And what kind of growth would you be looking at here?
- Dinesh Kumar Lodha:** I just talked about that, right that we will be growing at 15% to 17%
- Shalini:** Okay Sir, yes that is all from my side. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Tanay Nangalia from Tusk Investment. Please go ahead.
- Tanay Nangalia:** Thanks a lot for the opportunity, Sir. Congratulations for this awesome set of numbers. Sir, I just had like two questions, one question is Sir, like I have seen that the operating margins have increased, and the yarn prices are also increasing for the past few months. So, could



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you highlight where have we got the opportunity to increase that operating margin difference?

Dinesh Kumar Lodha: We do not see that the gross margin levels where the cost of the material get reported, we do not see a significant increase either or decrease in the margin percentage. Whatever we will see is more our volumes which will be generating to have offset some of the increase in cost and that is why Vikas Ji when I said, we are looking to have 18% plus EBITDA margin and that is more operational benefit which we get on the volume jump as well as now the things which we are doing. But on a gross margin basis, on the material cost basis there will not going to much impact.

Tanay Nangalia: Secondly Sir, could you also tell me that whether there has been any change in our market share, what is the market share right now as compared to other plants?

Dinesh Kumar Lodha: The industry has grown this year if I take four – five listed companies the industry has grown about 14% to 15% where we will be taking 35%. So, on an average we will be taking shares from competition, but I am not able to give you a specific on which competition, that is something you need to check that out.

Tanay Nangalia: What is our current market share, if you could see?

Vikas Agarwal: Our current market will be about 15% to 16%.

Tanay Nangalia: Okay, Sir. That is it from my side. All the best for the future. Thank you so much.

Moderator: Thank you. The next question is from the line of Jatin from Alpha Capital. Please go ahead.

Jatin K: Sir, thanks for the wonderful set of results. Sir, my first question would be cotton and yarn both prices have gone up, so have you taken any price hike in April or say May, or we are expecting only volume growth to help us for the coming year?

Dinesh Kumar Lodha: We have taken a hike in February and March as the other fabric company has done, we have three hikes actually in January, February and March, I do not see any further increase on yarn or a price rise by us, we will be sustaining with price at this point of time and as things emerge on the cost we will be changing. But at this point of time, we are not changing anything further.

Jatin K: Sure, and Sir, on margins it is not just advertisement expense as lowering advertisement expense has hurdles there are lower employee expense as well as lower depreciation, so do



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you think these trends will also continue at same rate in current year so that margins will sustain at these 20% levels?

Dinesh Kumar Lodha: On a percentage basis it will not be significant increase. There will be an increase in terms of what we give as increment and other stuff which will be there and we will be giving that to the team as well as we will have some improvement. On a percentage basis there will be very slightly increase in employee cost.

Jatin K: Sure, and Sir, in terms of growth, we have grown 35% this year, which was much, much better than all the other listed players. So, is it something extra that we are doing is it geographical or what would we call it as in why we have grown much better than the industry and we are also guiding next year to be also better than industry, so what are the key things do you think has changed in Rupa?

Dinesh Kumar Lodha: I think this is more to do with what we talked about, all our six strategies which I talked about earlier also, whether it is expense on geographical or expense in our thermal business, high margin business premium or women's segment, I think all that has kicked off, I will not say that we have done something which is just a kick off of our resetting and I think the result will come in years to come and that is why we are very confident that we will be growing at 15% plus on a regular basis in next three year to four years. And we will take some share from others because we expect market to grow at 10% plus.

Jatin K: Sure Sir, great to know and on working capital we still have debtor days of over 100 days, inventory also 100 days, any plan to reduce on that front also?

Dinesh Kumar Lodha: We want to make sure that we have a good balanced approach and not trying to reduce to the extent where we have to lose the opportunity of sales because there is lot of down cycle sometimes. So, we will be balancing but there is opportunity to reduce it further from 165 days to maybe 150 days. But we will be balancing this we will not be just trying too hard into reduce so much so that it can impact our sales.

Jatin K: Great to know Sir. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Vaishnavi Mandhaniya from Anand Rathi. Please go ahead.

Vaishnavi Mandhaniya: Thanks for taking my question. I missed the volume growth number that we give for FY2021?



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Dinesh Kumar Lodha: As I said, volume is about 2% lower than the value growth and going forward also we are seeing a similar trend where the value will be 2% higher than the volume.

Vaishnavi Mandhaniya: Okay, got it. Also, what exactly has changed for us this year versus the last few years because if I look at our two years revenue table on standalone basis from 18% to 20% let us say we had a revenue degrowth versus reporting a 34% - 35% sort of a revenue growth in this year. So, how would you attribute this jump in the revenue versus what historically we were reporting?

Vikas Agarwal: That means as I said, we have kicked off our initiatives on the new path where we have put six strategy which we shared in our earlier earning call and we kicked off both strategy and we start seeing the momentum whether it is a Thermal Wear where we have seen earlier sort of flattering number, last two years we have seen Thermal Wear growing at 20% plus. Similar way we have seen some growth coming up on the new geographical area where we are focussing right now and same way, we are seeing some growth coming up on the outer wears or Athleisure. So, clearly, it is a very early stage of our strategy which is going to give us results. But in years to come, I think as these strategies will mature, we will be seeing a further increase in sales.

Vaishnavi Mandhaniya: Okay, so what exactly led to our working capital improvement in this year? As I see I think our inventory days have come down substantially, right from 170 days odd on say to around 109 days, so what has led to our inventory days coming down?

Dinesh Kumar Lodha: I think the IT plays a major role as we go forward and we have invested a lot on IT technology. Whether it is a demand generation in terms of based on demand, what type of product you have to produce, I think those initiatives as I said, there we have invested last year and we are investing this year big time on some of the technology. So, those are all going to help us into predict right inventory level as well production cycle and that is helping on the inventory which has reduced from 175 days to 109 days. But in the same time as I said earlier we want to balance what we need for inventory without losing sales, so we will be making sure that we have a good balance where we do not lose out sales because of non availability of inventory because the loss will be much higher than what we will save here. Having said that I think there is a working opportunity, working capital to reduce further which we are working, and we expect 10% further reduction in working capital cycle.

Vaishnavi Mandhaniya: Okay, that is it from my side. Thank you.



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Moderator: Thank you. The next question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.

Devanshu Bansal: Thanks for the opportunity and congratulations on a good set of numbers. Sir, my question, you indicated three price hikes during the quarter and also the revenue mix has also been better with higher sort of Athleisure sales. So, still you indicated only a 2% to 2.5% difference between volume and value growth. So, what are the reasons for this?

Dinesh Kumar Lodha: So, it is a mix, it is not that only these products will increase we will also see product like Jon also growing at 16% to 17%. So, it is not that Athleisure or the other we grow it is a mix of all. We may get 2% maybe become 3% we do not know exactly where the things will pan out, but that is the normal difference which we have seen for this and also the base of the product is low that maybe also one of the reasons, there average will not be more than 2%.

Devanshu Bansal: So, if we do a like-to-like comparison, say for a Jon or Macroman, what would be the like-to-like price hikes in all after the three rounds of hike on a YoY basis?

Vikas Agarwal: Most of the product we are seeing a rise of 7% to 9% in the three jump which we have where the raw material also have a similar cost increase and that is why the impact is nullified in that sense.

Devanshu Bansal: Sure, thanks. That is it from my side. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Amit Jeswani from Stallion Asset. Please go ahead.

Amit Jeswani: Sir, my question is about the confidence that you have shown in 15%-20% growth, what has been changing, because when I look at the last five six years assuming from 2015 your sales was Rs.973 Crores. In FY2020 your sales were Rs.975 Crores broadly near zero percent growth, this year of course you have grown well. My first question is Sir, what gives you confidence that you can grow a 15%-20% because the competitors are also growing at decent rates. What is changing in the sector per se?

Dinesh Kumar Lodha: I think as I said, market we are expecting to grow at 10% and our six strategy which I talked about last time and again, the six strategy have a huge opportunity to grow, whether it is expansion of the weak markets where the opportunity is huge, whether it is a Thermal Wear where we are getting new product launch, whether it is a Women's segment we are still very early stage where we should be, whether it is export number we are very early we are



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still not even penetrated and we are lower than 5% of the market or is the modern trade where we see a significant opportunity e-commerce as well as on the EBOs and the last which is the most significant for us is the premium segment. So, these six strategy which we kicked off about 13-15 months back we are very early stage of executing those strategy, we will be executing very aggressively as we go forward and that gives us confidence why we should be growing what we are talking.

Amit Jeswani: You spend about Rs.1000 Crores this decade on advertisement, now that is more than the profits what you have made in last one decade. Just understanding will that and yet we did not grow that fast. Like, how much more, like is it spending on advertisement that will get you that extra growth or is the market growing, I am just trying to understand the secularity of the 15% growth and how long can we sustain this 15% kind of growth, Sir?

Dinesh Kumar Lodha: Some of the things are not necessarily linked to a branding or marketing expand, though we will be spending this year back to normal of 6% to 7% of our branding spend. But some of the areas where we talked about geographical and all it is about building the right team, building the right distributors, we have branding in place, but we need to build the right team and right distributor network. Again, on Thermal it is more about new product launch which we will be doing along with what we have. So, it is not just branding which you can link to growth, yes branding will be an essential part and we will be doing not just a traditional marketing but also focusing a lot on a digital marketing. So, I think this is a mix both; both in terms of effort on the product, effort on the market and effort on the branding and that will yield the results. So, I do not think we can co-relate directly just on branding and the numbers.

Amit Jeswani: Sir, just my last one question, where would you say that your vision is to see Rupa in let us say 2025, four years from today?

Dinesh Kumar Lodha: We talked about, we are seeing to see we are going forward 15% to 20% on an average and that is where we are driving ourselves though the management wants more, but I feel I think 15% to 20% which we should be growing and there is a good strategy in place to grow these number.

Amit Jeswani: I wish you all the luck, Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Dipen Sheth from Crystal Investment. Please go ahead.



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Dipen Sheth: Thanks for the opportunity. You have alluded to lot of strategic changes which are now beginning to bear fruits and we have seen a grow of 35% growth over last year in terms of revenue of course 16% on a softer base which was impacting that is fine. My question here is that, gross margins have not changed, they are unchanged at around 35%, so I do not see much impact of any product mix led change in reaching the sales, maybe it was made up through raw material keeping or something. In fact that good reason why EBITDA jumped by a 126% over the year, is just that you have drastically managed to cut down this other expenses and I do not have the breakup of these expenses which should come down from a Rs.164 Crores to Rs.149 Crores. Just tell me I the last quarter they jumped from Rs.35 Crores to Rs.64 Crores, so can you explain what part of this change, what are the reasons you have pulling now the expense for me it looks like more of operating leverage and not any big change in product or sales mix, but I could feel now. Can you explain the other expenses?

Dinesh Kumar Lodha: You are right in the last year on of the things for gross margin has not impacted because there was some lag in terms of the price hike and the cost of the material otherwise we should have got 1% extra actually on gross margin which has not gone in. This year we have predicted right now improvement on 0.4% to 0.5% on a gross margin basis. But we are putting more effort in terms of efficiency to see whether this 0.4% it can become 1% which will help us in terms of EBITDA margins. Your question EBITDA, some of the stuff which we had done, like marketing, branding which we talked about 4.1% even will go back to 6% plus where we are planning to spend Rs.85 Crores plus this year. But at the same time the volume ramp up will help some parts in terms of operating leverage. Overall, as I said we will have earlier 19.6% we will be having EBITDA drop to 1% - 1.5% because of the cost increase which will happen which has not happened last year. So, whatever number we are talking here has been taken into consideration what cost will go up and that is what it will give us 1.5% lower and which will be our 18% plus EBITDA margins against 19.6%, but if you can grow at a faster pace then that further will enhance the EBITDA margins.

Dipen Sheth: Okay, so some of this will wear off as your marketing expenses come back, you cut them drastically this time and then Sir, it will go up a little bit because of operating leverage as we continue to grow at maybe 15% - 20% that you are guidance?

Dinesh Kumar Lodha: Absolutely, it is a mix of both, so the cost will go up at the same way where our revenue will go up, so that operating leverage will be there. But in spite of that there may be as I said from 19.6%, we will look for 18% plus, so there will be a drop because there will be increase in employee cost, there will be increase in some of the marketing cost because we are looking long-term this growth path and we are investing on a right path and that is required.



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Dipen Sheth: Okay. So, outside of the cut in marketing costs was there any other big contribution to this big crack in other expenses from Rs.164 Crores to Rs.149 Crores. Any other levers which may again come back as far as market expenses or which is permanently solved either way?

Dinesh Kumar Lodha: We do not see any big increase in any other expenditure except as I said marketing will come back, employee cost will go up and that has already taken in.

Dipen Sheth: So, all the best. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Deepak Mehta from MetLife. Please go ahead.

Deepak Mehta: Good evening, Sir. I hope everyone is doing well at the company. So, my question is around the market shift from unorganized to organized, so what is the trend, and do you see this trend to continue and what will be impact of price hike in this price sensitive that every such as economy innerwear and all?

Vikas Agarwal: Can you repeat your question, I somehow missed out?

Deepak Mehta: Sir, my question is around going forward what do you see in this trend from unorganized players to organized players and second to the same point, what will be the impact of price increase in the products in the price sensitive categories which are economical?

Dinesh Kumar Lodha: Price increase has been taken in as I said January – February and we have seen a good jump in revenue in March, so that has been already pegged in and there is good response. We do not see a big challenge in March when looking the numbers. Having said that, as things are opening up we will see, but we do not see a significant challenge too on the price rise because that has been accepted that you would have heard the price has been up and most of the company has done that. As far as segment is concerned I think definitely we are going to see what we have predicted 15% to 20% where we are on the value segment we are predicting just a 14% to 16%, so there will be a 1% or 2% drop in terms of value in the same extent we will be seeing a jump on premium and mid-segment.

Deepak Mehta: Okay, and going forward as lockdown ease do you see that this shift of market share from unorganized to organized players to continue in this year or going forward?

Dinesh Kumar Lodha: So, we are seeing for last three–four years that the progress is very slow I would say, it is not that it is moving into very fast pace because there will be always unorganized market which is continue dominating in some of the rural markets, but having said that definitely



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there will be movement from unorganized to organized. Brand loyalty that is why will be playing a big role and that is where the spend on the advertisement where are spending significantly will be helping us.

Vikas Agarwal: The increase in raw material prices might help to shift this unorganized to organized markets. So, there is lot of fluctuation in the raw material pricing and availability in the challenge, so that might help these processes also.

Deepak Mehta: Okay, thank you so much, Sir. And my last question is around the as our company will be generating good cash flows. So, are you planning for any inorganic growth or expanding in new categories such as, if you see in India there is no player in the infant category for where they are any plan?

Dinesh Kumar Lodha: I have answered this in my earlier as you see the question has been asked. We always look for opportunities which fit to our requirements and we look for that type of opportunity always.

Deepak Mehta: Okay, Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Saurabh Ginodia from SMIFS. Please go ahead.

Saurabh Ginodia: Sir, thank you for the opportunity. There has been a significant reduction of debt in the current fiscal and with strong outlook for FY2022 you have also alluded that you are looking for some inorganic opportunities, but if we are not able to do some acquisition possibly in FY2022, do you want to increase the dividend payouts?

Vikas Agarwal: Yes, we might do that, we have done some Rs.3 to Rs.5 this year and further we will probably consider that as well.

Saurabh Ginodia: Okay, and do we have dividend policy in place?

Vikas Agarwal: Yes, we do like, on a 300% every year, so this year we have done 500%, so 20% to 45% what we usually do.

Saurabh Ginodia: And in terms of percentage of profits if you have any?

Dinesh Kumar Lodha: 20% to 45%.

Saurabh Ginodia: And the acquisition which you are talking about will be in the related space only?



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Dinesh Kumar Lodha: As I said, we always look for a good option on opportunity on acquisition which is a continuous effort from our side, as long as it fit in to our strategy we will go after that, at this point of time, we are looking into various opportunities but nothing finalized.

Vikas Agarwal: So, anything which complement our distribution network, so that we have a dealer network of 1200 dealers pan India, so anything which complements that we have to consider that.

Saurabh Ginodia: Sir, as per our discussion on channel mix with some of the other players in the industry what we have understood is that this year given the pandemic situation unorganized players have faced some challenge in terms of their production capacity. Once things normalize do you think again unorganized players coming back into the market which might basically need to some kind of loss of momentum which we have witnessed in the last months?

Dinesh Kumar Lodha: As I said, it will be a slow process in terms of unorganized to organized which we have seen. It is a buzz word for long time now whether it is GST implementation we talked about last time and the progress is slow. As I said, rural still going to be ruled some of the market by these unorganized markets, but the progress is happening towards organized, because people more and more looking towards brand and as more and more money is happening or money spending power increased in the rural markets, we will see people moving towards brand.

Saurabh Ginodia: Okay, and Sir, anything you want talk about regarding increase in management bandwidth which we have done over the last year or so?

Dinesh Kumar Lodha: We have more and more popularizing the company with a professional coming up, me on board now two and half years we have a new IT head, we will have a new sales head very soon, we have export head, so we have a significant team addition which has happened in last one and half year. We will continue to add more resources as and when required where we have some of the players like modern trades or for that matter within the exports, so there will be continuous effort to make this organization more and more moving towards professional set up.

Saurabh Ginodia: That is very good to know, Sir. Thank you and all the best.

Moderator: thank you. The next question is from the line of Rajshekhar Iyer from SIMPL. Please go ahead.

Rajshekhar Iyer: Good afternoon, Sir. Congratulations on a good set of numbers. I just wanted to understand your investment on the IT part. What have we done is your now future predictability of the



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demand will be good and so your procurement of raw material will be better, I just wanted to understand slight better on this?

Dinesh Kumar Lodha: We have one of the best SAP systems in place in the organization. We are now spending on AFS which is the advanced apparel system which is one of the top notch version and we are spending a lot of money on IT to make sure that we have optimized our best of the resources and that is something is getting implemented this year on top of SAP. As a company our focus is to move more and more automated process whether it is on purchase or demand generation or connecting the sales team, I think that is something which we are doing right now with some spend happening across.

Rajshekhar Iyer: Then I also see on your presentation that you are changing your distribution model, is that been implemented or under implementation?

Dinesh Kumar Lodha: That is something more to do with some of the premium segment where they look for and will test the market, but at this point of time we will be moving more and more through distributor which is our traditional way. As and when we are more and more EBO which is we are directly connecting with consumers so really it gives two benefits to us, one is that immediate understanding of the market with the direct consumer touch and also it impacts our more loyal customer base. Having said that we will take new models always and that is something effort what we are doing right now.

Rajshekhar Iyer: Then I hope with all the discussions whatever I have heard I am sure that your EBITDA margins and the PAT margins are sustainable and can be continued, is that correct?

Dinesh Kumar Lodha: What?

Rajshekhar Iyer: The EBITDA margins and PAT margins whatever you have shown this quarter are sustainable and can be continued?

Dinesh Kumar Lodha: Yes, earlier we have yearly basis 19.6%. We expect EBITDA margin to be 18% plus on absolute number we will be growing on EBITDA and PAT both.

Rajshekhar Iyer: Thank you so much. That is all from my side. All the best.

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



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Dinesh Kumar Lodha: Again, thank you for attending this call. We look forward to connecting more and more with you and want to give you more and more information on what we are doing. Again, thank you and have a safe time take care. I also want you to in case of any data which required or anything you can contact Mr. Deven Dhruv from Orient Capital, our Investor Relations Partner and he is organizing the call too.

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