**"Q3 FY2022 Earnings Conference Call"**

**February 09, 2022**

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| **MANAGEMENT:** | **MR. VIKASH AGARWAL – PRESIDENT – FINANCE – PROMOTER GROUP – RUPA & COMPANY LIMITED**<br>**MR. DINESH KUMAR LODHA – CHIEF EXECUTIVE OFFICER – RUPA & COMPANY LIMITED** |

**Moderator**: Ladies and gentlemen, good day and welcome to the Q3 FY2022 Earnings Conference Call of Rupa & Company Limited. We have with us today on the call, Mr. Vikash Agarwal, President, Finance from Promoter Group and Mr. Dinesh Kumar Lodha, CEO, Rupa & Company Limited. 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 the date of this call. Actual results may defer materially. 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, President, Finance from the Promoter Group. Thank you and over to you Sir!

**Vikash Agarwal**: Welcome everybody and thank you everyone for being with us today. First of all, I hope everybody is doing fine and you are keeping safe and healthy during these tough times. To start with I am going to introduce our company Rupa & Company. We are one of the leading and largest knitwear brand in India engaged in manufacturing, marketing, selling, and intuition of men's and women's inner wear, summer wear, and fashion wear. We have our brand legacy of more than 50 years now and are very proud and happy to share that our group chairman Mr. Prahlad Rai Agarwala has been conferred with the Padma Shri one of the highest civilian honors of the country. This is a proud moment for the group for recognizing his services and his dedication to the trade and industry.

Well coming to NJM business updates as we are aware in financial year we had delivered a robust top line growth of 35% and EBITDA growth 126% and PAT growth of 183%. Building upon the high base, we have again delivered a double digit growth in Q3. In year on year terms, revenue grew by 25%, EBITDA grew by 26% and PAT is significantly higher by 34%. Going forward we stick to our projected growth of 18% to 20% on top line for this financial year keeping EBITDA margin anywhere between 18% to 20% and PAT margin of 14%. Now I hand over the call to Mr. Dinesh Lodha our CEO for further numbers and details. Over to you Lodha.

**Dinesh Lodha:** Thank you very much and a very good afternoon to all the participants. I hope you and your family are in good health. I will share the highlights of our performance for the nine months and this quarter and following that we will be happy to respond to your queries.

Coming to the financial performance of the company for Q3 and nine months under review, our company reported strong growth in Q3. Revenue Q3 FY2022 stood at Rs.433 Crores versus Rs.346 Crores registering a growth of 25% on year-on-year basis. EBITDA has grown 26% standing at Rs.81 Crores compared to Rs.64 Crores in the Q3 last year. Our EBITDA margin stood at 18.7%. PAT has moved from Rs.43 Crores to Rs.58 Crores registering a solid growth of 34%. PAT margin is 13.5%. Revenue for nine months ended December 31, 2021 is Rs.1,019 Crores as against Rs.859 Crores and 19% growth. EBITDA growth is 17% at Rs.194 Crores versus Rs.167 Crores and EBITDA margin at 19.1%. On a nine month basis PAT has grown 30% and it is registering a PAT margin of 14%. As previously defined in our goal strategy and every time we are sharing that so we are seeing a continuous robust demand on all the core products. The company has added multiple products in the last two to three quarters on trendy and stylish product and also expanded the sub brands. Also, We are encouraged by the performance of Athleisure segment here we are seeing a good growth of 27% to 28% and that is something we are seeing going forward also. There will a solid growth coming in. The company is making inroads in our previous category or geography which I talked about some of the geographical where we are weak earlier. Right now, we have grown 36% in the first nine months but on a yearly we will be ending at 40% plus on these geographical areas where we feel that the growth potential is x factor that is why it is called x factor where the growth can be not in a percentage but x so we are looking to grow this as we go forward more than 50% on year-on-year basis and we have now done a lot of work to have the complete ecosystem in terms of building a team or building a network of retailers, institution network and the marketing to support that. In the modern trade also we are seeing a very good growth in ecommerce while we are seeing a registered growth of 26% but by the year end we will be looking this to grow at 60% because we are looking at a very solid Q4 on modern trade. Going forward in growing demand for international market we are intend to rapidly grow our export business. This year, we are looking to almost double our business from Rs.20 Crores to Rs.38 Crores and going forward we feel that this will be a huge, huge growth driver for us. We are expecting 5x growth in this export segment in the next three years time. The government business also is a very solid opportunity and we have started taping in terms of new product introduction in all CSD and CPZ. We are looking to grow 5x in three years there also though the base is small but the opportunity is huge. As we announced earlier our basket of well known large international brand of innerwear category SUPF and Fruit of the Loom our foray into the premium segment demand into separate undertaking. The potential synergy through cost saving and marketing distribution expenditure, benefit economy of scale and elimination duplicate expenditure. The demerger will also enabling managing the different funding requirement in terms of type of cotton also some of the infusion required. We have always committed to a long term goal of providing the highest level of customer satisfaction with our product and brand and we are very confident that with whatever we are doing right now we will be getting what we have committing quarter after quarter and year. On a Q3, our volume has grown 15%. On a nine month basis our volume has grown 9%. We are expecting this volume to a similar level as we go forward to seeing as we see Q4 at a rate 19% to 20%, the volume will be again 12% to 14% so this will be ending 10% plus nearly 11% on our volume growth. With that I will be open to questions. Again as this is our very proud moment for us in Rupa as our chairman has been conferred with one of the highest civilian award and this is a very proud moment for us. I am sure all our partners are pretty happy over that so open to question.

**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 Dhiral from PhillipCapital. Please go ahead.

**Dhiral:** Good afternoon sir and congratulations for the good set of numbers. Sir as you said that our volume growth in Q3 was around 15% so wanted to know Sir how this has grown across the category?

**Dinesh Lodha:** So the growth is across all the category except the thermal. I think thermal is where we see some challenges here, which is a flat sort of number. Other than thermal, I think that across the category we are seeing a good growth but some of the places where we have done a much bigger growth is one of the athleisure which we talked about. Athleisure is showing very good growth of 28% to 29% but we have seen across the segment except thermal.

**Dhiral:** Sir how premium segment has grown?

**Dinesh Lodha:** So premium on M3 clearly we are seeing a good growth coming up and as earlier said we should be ending the year at between 15% to 20%, but on the FCUK and Fruit on the Loom after demerger I think this is the one where we are resetting the button from the point of view of the operating ways. In case of Rupa, we do not do any SOR sale where in the case of Oban we used to do a lot of SOR sales so we are changing the complete business model to get everything on an outright model and for doing that we may have to take some measures which we have done this quarter and we have taken that effect in the quarter number so that is something after the merger I think the reset I think we are all set to grow this business at a 30% plus as we go forward, but this year will be challenging in that product portfolio as we are changing the model.

**Dhiral:** Sir how is the women segment has grown for us?

**Dinesh Lodha:** So on a yearly basis we will be growing by 25% on a YTD basis. This is growing at about 17% to 18%.

**Dhiral:** Okay Sir lastly on the A&P side what was the overall A&P that we have incurred in last nine months as a percentage of sales?

**Dinesh Lodha:** What is that can you repeat the question.

**Dhiral:** Advertisement and promotion expenses?

**Dinesh Lodha:** So promotion expenditure right now it is a 3.5% which will be going to go up to 4.5% to 5% by the year end and 5% plus so I think there will be lot of expenditure will be happening in Q4 with the plan we have for summer so that will be the case and also our expenditure on social media has increased drastically. We are seeing a good traction on social media and we are expanding there a big time in terms of our spent as well as in sox. From TV to the mix are changing on TV to social media instead of marketing a lot and that is the reason also sometimes the cost is not incurring as much as what we incur on TV.

**Vikash Agarwal:** As management, we see a huge potential to grow in women's wear for us. That is 30% to 35% year-on-year so we are going quite aggressive in terms of our product portfolio and recently we have also engaged Kiara Advani for one of the major brands for women's services offline and we will be starting the campaign soon for that.

**Dhiral:** So that is very interesting sir and lastly on the margin side Sir so what explains the pressure on the margins because our gross margin if I see it is the lowest in last four to five quarters so have we not passed on these full RM inflation or is there any adverse product mix?

**Vikash Agarwal**: So most of the thing has been passed on. The impact on the cost on us is 0.3% right now and we feel there is one more price increase happening on February 15, 2022 so overall like Q4 our gross margin should be at what we are at a nine month basis so the quarter is specific there is a 0.4% impact on that. The balance is mixed play because as I said thermal as a margin which is always very high across margin that has almost flat a little negative right now and that has impacted overall margin so mix is playing balance gross margin

**Dhiral:** And Sir what kind of price angles that we are looking to take?

**Vikash Agarwal**: We are looking to have about 3% to 4% price rise from February 15, 2022.

**Dhiral:** Thank you so much.

**Dinesh Lodha:** But at the same time these are the challenging times for the last two to three years with the rise in commodity prices, availability of our raw materials and all, but yes we are managing the show so things are going fine with us.

**Vikash Agarwal**: Got your point Sir. Thank you.

**Moderator**: Thank you. Our next question is from Ishrat Khatri from Omkara Capital. Please go ahead.

**Ishrat Khatri:** Good afternoon sir so I think the participants had asked on the gross margins, but I just want to get some more clarity on that so if you see the margins in the last two quarters the gross margins really escalated to 60% plus right and that was primarily because of some inventory gain that we were getting in the inflationary raw material price situation and this quarter I see that there is no inventory gain which is why the gross margins have kind of come down so is my understanding correct?

**Dinesh Lodha:** Not really. As I just earlier the impact on the gross margin particularly this quarter has two reasons one as I said 0.4% has the cost impact in terms of cost rise and our idea was to price rise by December actually which has delayed to February so that has impact on the margin 0.4% but balance 1.2% or 1.1% is primary driven by the mix. As I just thermal we have a very good Q2 but on Q3 I think we are seeing a dip in the thermal business because the whole thermal this time has delayed. The season itself has delayed and that has impacted overall thermal business so that is the reason the mix is playing here overall

**Vikash Agarwal:** In thermal we have a huge gross margin so that is building.

**Ishrat Khatri:** Got it Sir. Another question is Q-o-Q increase of about 18% in the top line we are operating in a sense that we actually declined by about 5% so can you please explain that I think that is the reason why our EBITDA margins are not impacted as much despite the significant decline in the gross margins on a Q-o-Q basis so just wanted to understand why are the operating expenses more or less flat or actually declined despite an increase in the top line?

**Dinesh Lodha:** It is driven by advertisement costs as I said earlier and that management cost will be offset in the Q4 because we are expecting a huge expenditure on the Q4 onward on the summer because that is where the whole expenditure will be taking place including what Vikash just said we have a new brand ambassador Kiara Advani now on the women's segment so we will have those expenditures coming out in Q4 and along with that as I just said social media and the whole game plan in terms of moving from TV to social media also plays a role in terms of reduction in cost and has a high impact with the youths because youths are more on the new mobility right now so we are seeing that something we are putting our effort also.

**Ishrat Khatri:** Okay Sir make sense. Also any light on the working capital for 9M because I think last quarter you mentioned that our working capital increased for about 170 to 180 odd days so just wanted to understand how is the working capital and how the inventory levels? Are we stocking up inventory in anticipation of further price increase in the raw material?

**Vikash Agarwal:** So we have a number of working capital days is 168 so that is from last quarter 179 had moved to 168. Having said that we have built up inventory which is a higher level right now because of the Q4 planning what we are looking for and we are looking for good growth there too so though the working capital is 168 days as we said earlier. We intent to go below 150 by Q4.

**Ishrat Khatri:** Got it Sir. Thank you so much.

**Moderator**: Thank you. The next question is from Prashantkumar Hazariwala from Solitaire Financial. Please go ahead.

**Prashantkumar H:** Good afternoon Sir. Congratulations to the team and our promoter so my question is like we have seen delayed winter so we can see ramp up into our thermal product dispatcher?

**Vikash Agarwal:** You voice is not clear.

**Prashantkumar H:** We have seen a delayed winter?

**Vikash Agarwal:** That is right. We are seeing a delayed winter and though the winter actually extended but that does not help the business because if once it is delayed I think because in the mindset of the distributor and the retailer network will be to not invest in the thermal this year so that has impacted the business.

**Prashantkumar H:** All right. Another question is like what kind of gross margin we can expect going forward what can be the range?

**Vikash Agarwal:** I think it will continue to be at 35% near to 35% what we are seeing in nine months time.

**Prashantkumar H:** Thank you for this. If I have another question I will come back in the queue.

**Moderator**: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

**Deepak Poddar:** Thank you very much Sir for the opportunity. Sir is there any kind of outlook would you be willing to share for next year FY2023 in terms of growth or margins or anything?

**Vikash Agarwal:** On the similar lines now we tend to grow 18% to 20% on the top line keeping the EBITDA margin around 18% to 20% percent. We see huge opportunity across all the sectors that it is men’s wear, women's wear, and thermal wear there is huge opportunity. Other than online export is booming up so there is a lot to be done and not too many opportunities that are around.

**Deepak Poddar:** So nice to hear that. Thank you so much.

**Moderator**: Thank you. Our next question is from the line of Kirthi Jain an Individual Investor. Please go ahead.

**Kirthi Jain:** Thanks a lot for the opportunity Sir. Congratulations for good performance. Sir first of all I would like to thank you also for the interesting slide you have put in the presentation with regard to the high focus area on slide 23 to be more precise where you highlighted the five focus area? Sir if I try to do the other way around so in the core if you have to grow in the core market you are 18% to 20% then you have to grow at 12% to 16% ranges so what were the levers which will help us to maintain our 12% to 16% mark in the core market and the core product category how will it grow? Can you give some insight on that that will be great?

**Vikash Agarwal:** So the high potential area we have taken a baseline of Rs.235 Crores, which is we have in last year and we are expecting to grow 40% plus this year but going forward we are expecting that to grow at 50% so that will give us a cushion to have other markets grow at 12% to give us a return of 18% to 20% what we are looking for so I think this particular area though 50% the opportunity is much more as I said 5x in three years export. Now this 50% may not be good enough. We have to grow further faster and I think the opportunity lies there to make it happen and we have now put together a team. We are putting together investment on those sides to make that happen.

**Kirthi Jain:** Sure Sir. Thanks a lot Sir.

**Moderator**: Thank you. Our next question is from Prashantkumar Hazariwala from Solitaire Financial. Please go ahead.

**Prashantkumar H:** I would like to understand the demerger of Oban like how it will work going ahead? It will be subsidiary of Rupa or it will be working?

**Vikash Agarwal:** So it is a part of Rupa now right. It is not a subsidiary. It is a part of Rupa and it has lot of synergy as I said during the presentation also there is a lot of synergy will be there both from the management bandwidth concerned, from the point of view of distributor network, from the point of view of cost of capital and more importantly in terms of our retail network so it will be a lot of energy which we will arrive out of that and as I said we are resetting the business to large extent because some of the models like SOR and all in Rupa we do not believe in SOR at all and we believe outright because that is where the pain lies from the point of view distributors or for the point of view a big LFS because once your SOR the pain does not bear so I think wear changing the model to make sure that it is the right model on a long term basis and we are looking to grow at 30% plus as you go forward after the resetting.

**Prashantkumar H:** What is the current turnover of Oban and what about the property?

**Vikash Agarwal:** This year one without taking the SOR into account, which we were taking back just on absolute secondary basis we will be doing Rs.25 Crores to Rs.26 Crores but as I said we will looking at this to grow at 30% plus year after year and there are some changes we are going to do because our distributor network what we have today and we are changing in terms of adding this so more distribution network will be where we will be arriving for 30% plus growth.

**Prashantkumar H:** The Rs.25 Crores is for the whole year right?

**Vikash Agarwal:** Yes. The growth problem here is we need to set up things properly so the idea of demerger was to have it under the main frame of Rupa only so we have scale and better scale and a larger team to look into so there is a great synergy now onwards so once the basic reset is done we see a big potential here?

**Prashantkumar H:** That will be considered as subsidiary of Rupa?

**Vikash Agarwal:** No it will not be subsidy. It is part of Rupa then.

**Prashantkumar H:** No currently we are going to demerge this Oban right?

**Vikash Agarwal:** Yes.

**Prashantkumar H:** So it is currently considered all the finances are considered in Rupa currently right and then it will be considered separate kind of thing right?

**Vikash Agarwal:** Yes.

**Prashantkumar H:** So what is the profitability currently from Oban?

**Vikash Agarwal:** So far as secondary basis our profitability at EBITDA level will be the flat and on a PAT level we will have a negative on the interest cost what we have separately incurred on Oban till now but now it will be part of Rupa so the interest will not be showing as separately. Till now EBITDA is flat.

**Prashantkumar H:** After all this restructuring when we will consider it can come to the profit after tax?

**Vikash Agarwal:** It will be running from next year probably from the positive EBITDA of 10% to 12% to start with and as we grow the business the EBITDA percentage will be at par with the Rupa in the next three to four years time.

**Prashantkumar H:** What will be the range of this product like?

**Vikash Agarwal:** The 5% higher than what we sold in M series or for that matter what you see in the market the product Jockey. Our SUK is something which is a middle path much higher than the premium what will be available in the market so it is 30% higher than Jockey price in that sense.

**Dinesh Lodha:** Value wise SUK will be 300 plus and SUK is around Rs.200 to Rs.250 plus for us.

**Prashantkumar H:** Sir it has got premium cost and premium product like when we go for Jockey that premium product is around Rs.400 to Rs.500 per piece right?

**Dinesh Lodha:** It depends on the product what you see. Here the product range starts from Rs.200. It goes up to Rs.2999. What Vikas is saying average so Jockey if you see the average it will come down to Rs.200 something and this will be little higher than that and the SKU will be in range of 40% to 50% higher of what Jockey will be.

**Prashantkumar H:** Sir I was looking for the product for Macroman right online I could not find that high priced product anywhere right? Even our website Rupa online, I could not find any product?

**Vikash Agarwal:** Online we have a separate online portal for that, which is macroworld.co.in where we have both Macroman and Macrwomen so it is not on the main Rupa online twitter.

**Prashantkumar H:** But Sir Rupa online does not have much product on it like so why we are running this website for what?

**Vikash Agarwal:** The portal that we take Rupa's umbrella brand for Macroman M series because we are picking it against all the premium categories. We do not put under this as a Rupa in our banner as a Rupa brand, but of course as a part of the company it is part of it.

**Prashantkumar H:** Even other brands I could not find much of the choices on the on our website?

**Vikash Agarwal:** We have a full range there. You can I think just have a look I think you will get full range. May be you need to have a proper link. Later probably they can share proper link with you.

**Prashantkumar H:** It is a rupaonlineworld.com right?

**Vikash Agarwal:** Yes. You can have a discussion offline on this particular point here, but we are always. We have a strong team now to focus on this so whether we see it as a great opportunity so we have a full focus on this as well.

**Prashantkumar H:** All right I would like to tell you that you should ramp up this website and we can have some advertisement for this?

**Vikash Agarwal:** We are doing more digital marketing so we are getting aggressive on this front as well.

**Prashantkumar H:** Sure. No problem. Thank you very much. Good luck.

**Moderator**: Thank you. Our next question is from Devanshu Bansal from Emkay Global Financial Services. Please go ahead.

**Devanshu Bansal:** Congrats on good set of numbers and thanks for taking my question? Sir I just wanted to know what would be the brand wise contribution for nine months FY2022 for banks like softline, premium segment, economy, thermal, etc.?

**Vikash Agarwal:** So I will just give you a more on women and men so we have women about 11% to 12%. Men will be about 82% to 83% and kids below 5% that things will be there.

**Devanshu Bansal:** If you can provide between economy and premium?

**Vikash Agarwal:** Economy is 31% to 32%, mid premium and premium will go 60$ and the premium will be 8% to 9%.

**Devanshu Bansal:** Sir I wanted to put a request since your peers have started disclosing segment wise details as well as the volume brand wise volume load, etc., so if you could also consider this request in your PPT then it could be really helpful to analyze?

**Vikash Agarwal:** We will look into that.

**Devanshu Bansal:** Thank you.

**Moderator**: Thank you. Our next question is from Dhruv Kashyap an Individual Investor. Please go ahead.

**Dhruv Kashyap:** Thanks. Firstly heartiest congratulations to the Chairman sir for winning the Padma Shri very well done and well deserved? I would also like to really congratulate and thank both Agarwal and Lodha Sir for the absolute stellar stewardship that you have been providing to this company in such tough times? My first question Sir is that if I were to simplify the brand product pyramid really speaking there is an economy or an entry segment in Rupa and john softline, etc., etc., in the middle is fruit of the loom and at the top is FCUK? I understand Macroman and Macrowoman comes somewhere in between but I am just trying to simplify it for my understanding? Now to me that means that you are the only apparel or inner wear company in India, which has such a laggard portfolio and neither does Lux have a top end equivalent or FCUK and neither does Jockey have a bottom equivalent of John so is it not that a tremendous opportunity for our companies if you could shed some light on how you are really planning to explode this game in terms of product mix, advertising, marketing, and distribution just give us some color on how this execution will come alive to really make us probably on the sort of inner wear or apparel parent company?

**Vikash Agarwal:** So I will take this up the reason of having different brands for different categories this is what we are doing from very beginning and as a management and as a group we strongly believe India is a country and economy has a very strong demand across all the TV whether it is economy, premium, super premium and whatever so why we are investing into different brands is like for the price point of a premium like Jockey is coming into economy range also so our belief for long run a different brand catering to different segments will give you a better result either consumer perception or as a consumer awareness and consumer demand so this is how we are investing into different brands from very beginning and we are quite confident across all the segments across as it is economy premium and premium so as a management we have full focus across all the segments and that is why different brands.

**Dhruv Kashyap:** Sir my question is more on getting some color on the execution of Fruit of the Loom and FCUK in terms of the times to come on marketing, distribution, and product mix just to get a sense that how are we going to play it out executionally to win this game?

**Vikash Agarwal:** So on the premium side we have three products right now which is playing on the premium or super premium. One is our own in house M3 which is Rs.100 Crores plus brand now. This will be ending at Rs.115 or so Crores so that is something where we have a very large distribution retail space and that is driven through a retail channel all together with a bit of digital channel of 10,000 to 15,000 network where we have selling this product and it is stand alone till now we see that we have missed a lot of synergy what we could have done earlier by merging along with the common channel going forward we are seeing lot of synergy as well as a lot of product additional opportunity. As I said FCUK also has the opportunity on other segment outerwear and all. Till now we have only few products which we have launched in the FCUK and we see a huge opportunity to launch multiple products as we go forward. The same on the FOTL and we are seeing women's are doing pretty well on the FOTL business and also the men where we are seeing a lot of opportunities so as I said the idea will be to increase our base of retailers right now which is very small 2000 almost accounts what we have but we are moving towards to have 7000 to 10,000 accounts in terms of retail chain in next two years time and that is where we are moving faster in terms of product portfolio and also with the bandwidth of Rupa now where I will personally able to spend time also on the product directly as well as getting the management time from the promoter side, I think we should be able to get this business to a very next level and we do not want to overcome it to you guys by saying doubling the business next year but by just saying 30% but we all know the opportunity is much bigger than what we are talking here.

**Dhruv Kashyap:** Great my second question sir is in terms of focus market or foray into markets on that sort of pillar of the strategy that my understanding is that Rupa is extremely strong in the East? It has pockets of strength in the West and the north and it has a fairly large untapped potential in the South so can you give us some color on the execution mix to make us a Pan Indian brand?

**Vikash Agarwal:** So see every region in the pockets we are weak in the pockets we are strong. Like North we may be very strong in Rajasthan. We will be very strong in Delhi but when it comes to Western UP within the north we have a very huge, huge gap where the market is almost 10 times that what we are doing and opportunity is 10 times than what we are doing so it will not be like that area wise only we have present, but within the space there will be strength what is missing. In case of Maharashtra, we are doing very well in Mumbai. We are doing very well in Pune market, but when it comes to Odisha and Maharashtra like Nagpur belt or Vidharba belt or for that matter Solapur and Kolhapur all the belts we not engaged so I think we have gone through market very deep, deep understanding and deep and data driven there in terms of understanding where we are weak, which socket we have to go after and accordingly we have to identify now these eight to nine areas rather than states where we use the potential to grow maybe what we are talking here is to 3x and two to three years, but I think the chances are that the potential is far bigger. MP we have to grow maybe 10 times in next one a year time but we have grown this year maybe three times only. That is not good enough. We have to grow maybe 10 to 12 times by next year so I think we have the area wise we have identified where we have to go after. We need to build a complete momentum. We have to build complete team and so even in South also again we are very strong in Karnataka. We are very strong in Telangana, but when it comes to Andhra and when it comes to Kerala, when it comes to Tamil Nadu we are weak so we need very lot of study and lot of work has gone into the whole exercise and we have gone into each of the distribution network of the strength of the each of the companies and then we have drive our strategy.

**Dhruv Kashyap:** Perfect. Sir my last and final question is on exports? Now I understand that we are currently doing about Rs.20 Crores to Rs.25 Crores of exports and we are looking at 5x which is Rs.100 Crores eventually? Now my question Sir is that whether it is the Middle East or it is USA, Singapore, and Russia two things one is that how are we going in there? Are we going in there as applying to someone? Are we going in and setting up our own brand and hence distribution marketing, etc., and secondly while the ambition of 5x is good, but do not you think given the given the number of countries and all we are going to Rs.100 Crores 100 seems like quite a small number?

**Vikash Agarwal:** It is true and as I said we believe in committing and delivering or believing it is more. Our more idea is we want to have our own brand in most of the countries. We do not to have basically driven only by contract manufacturing because the stickiness in the contract manufacturing is very difficult to get sop one of the things which we are trying right now are multiple markets where our own brand is where we are selling and that stickiness is much higher and long term so to your point I guess there are opportunity of doing a lot of contact manufacturing others but we are actually working hard in terms of building our own brand in some of the select countries by investing in the team as well as on the network so yes opportunities far as you rightly said and inside also we know that we have bigger opportunity like this here we are looking to Rs.38 Crores from Rs.20 Crores, which is 90% growth. At this rate if you go three to four years you will be much bigger number than what you are talking here, but let us see how things move but this is what it is right now and we can better it as you go forward and we can always revise it.

**Dinesh Lodha:** The idea is not to stop at Rs.100 Crores. That is the first milestone.

**Dhruv Kashyap:** Correct. Thank you so much Dinesh and Vikash and as I said in the beginning a big thank you to both of you for the kind of stewardship that you provided in these tough times and really led Rupa to be a company where the investors are very proud of it. Thanks a lot.

**Moderator**: Thank you. Our next question is from Nitin A Khandkarr from Proprietary Investor. Please go ahead.

**Nitin A Khandkarr:** I understand that the organized sector has been taking market share away from the unauthorized sector in the enable segment for quite some time so currently there are like six seven national level players with strong brands so based on the advertising expense of all the players would you say that all these brands are now competing against each other rather than against the unorganized sector and what is your estimate of the current share of the organized sector and where would it be in three to five years thank you?

**Dinesh Lodha:** This is very difficult to say what exactly the numbers look like but normally the 60:40 is the ratio of organized and unorganized. As you rightly said I think post GST there is a 6:1 unorganized to organize, but I think going forward I think this is already a plateau and now it will be a sort of growth both the site it will be there. I think the movement has been done and there may some more movement will be there, but I think post that it will be a plateau. As far as competition yes always the brand will compete each other and that is something not new. I think it is always there. I do not see there is something a new train. It is available like that but the opportunities the market will expand now onward further with all your outerwear and other stylists and all and what we are seeing also surprised that some of the products like our brand is not taking care of the traditional competition, but we are taking some of those competition like Reebok and Nike. There the product what we are now offering we are competing going forward and we are trying to see whether we have a product line which can compete with those guys also and there we see a huge potential like Vikash has said for outer wear both will have a huge potential so I think it will not be just taking share from each other. There will be a potential to take some of the fare from other side as we move more towards the outer wear and not just beside the inner wear. I think those fare also will be coming.

**Vikash Agarwal:** And that is valid only for probably only the economy range shifting from unorganized to organized not for your mid premium or premium range.

**Nitin A Khandkarr:** Thank you.

**Moderator**: Thank you. The next question is from the line of Namit Mehta from KC Capital. Please go ahead.

**Namit Mehta:** Congratulations on a great quarter? Just a couple of questions from my side? One if you can talk a little bit about the transformation of your distribution channel from wholesale to distributor led and if you can discuss that quantitatively in terms of how many distributors you have been able to push from wholesale to direct and also qualitatively in terms of how you are able to lead this transformation?

**Vikash Agarwal:** So what we are trying to do actually in some of the new areas of geographical where we are extending we are trying to have direct distributed. There is not much of a wholesale at this distributor level direct retail chain so most of the places we are now expanding which is a new geographical extension that will be the case. Also some of the market we are doing some change from what we have but some of the market will continue to be in terms of wholesale more, but as we go forward I think this is changing as the new geography I talked about and the product is completely, completely directly retail chain basis and where we have network or the retailer chain basis where we are tracking each retailers what is the final outgoing happening from our distributor through our CRM tool so I think it will be a mix of all the three in case of M3 is at the retail level focus. In case of new geographical it is distributed retailer focus and also traditional states like Bihar and all it will continue to be dominated by wholesale but we will see where we are also looking opportunities areas where we can have more distribution base.

**Namit Mehta:** Understood and the second question I have is that today the online penetration in this category is quite low you know probably less than 5% to 10%? How do you see this going forward maybe five to 10 years down the line do you see the share becoming 20%, 30% and 40% like some of the other apparel categories worldwide or do you still see it being a largely GPL and LFL driven category?

**Vikash Agarwal:** I think one of the challenges is a hygiene factor and we need to be very careful on that when we deal with the ecommerce and one of the condition always we have that hygiene factor has to be at utmost taken care by all these partners. Having said that we are also working dedicated product only on online channel and we will be announcing soon some of the product portfolio which will go to online channels, which will have no hygiene problem so our plant we feel that this will become 10% to 12% of revenue in the next three to four years time, but I do not see we will become 20% to 30%, but it will be definitely 10% to 15% from 2% to 3% what we have today. The opportunity is strong but we need to be careful and hygiene factor, which is where a lot of problem arise when you start doing push too much and then the pricing erodes and you have impact on the whole retail chain so just that is one thing which we are very, very careful.

**Namit Mehta:** But I am not saying from going to the 25% to 30% number? In some other apparel categories we have already started seeing that shift worldwide that shift has happened even faster? Why do you think it is a little fair that 10% to 12%?

**Vikash Agarwal:** But in India if you see none of the apparel has more than above 10%. We are not aware about any brand which has a contribution of more than 10% so as of now our contribution is just 2% so our first milestone once we achieve 8% to 10% gradually the way economy is growing it will gradually grow, but at the moment we see 8% to 10% to be our first target in near future?

**Namit Mehta:** Got it and thanks.

**Vikash Agarwal:** And also the tendency of discounting products is very high in the scanners, which we are restricted to those guys that they cannot because we do not want to disturb our prime channel which is possible for any online exclusive brand. They can go for discounting up to 30% to 40% which we cannot so we are building up a separate strategy for that and our first target is to have 8% to 10% in the near future in next two to three years and after probably we will look for higher percentage.

**Namit Mehta:** Thanks a lot Sir.

**Moderator**: Thank you. Our next question is from M S Rajasekar an Individual Investor. Please go ahead.

**M S Rajasekar:** Good morning Sir. Congrats on a good set of numbers and seeing that as a company Rupa is now transforming to an excellent bigger, bigger company? All the best for you? My question is you are investing on the IT infrastructure? Have you completed that and how is it helping in your journey forward?

**Vikash Agarwal:** We have invested heavily on latest advanced AFF system which is advanced fashion management system. This is under implementation through PWC and we are expecting this to run from Q1 because at mid of the year, it will be difficult to implement that but a lot of work has been already done and testing has been done so expecting that to be Q1. It will help in complete in terms of transformation in terms of planning both for inventory planning, in terms of ordering, and in terms CRM connect so all the three to four areas which is going to impact and overall I think it will help both on working capital as well as the speed of execution. At the same time, we are spending a lot on the DMA and on the SFA for better management of the sales team also so either it is backward or forward so we are ensuring we have the proper technology in place.

**M S Rajasekar:** Correct Sir and in between a couple of calls back I think you were informing that you were also revamping your management team? You were recruiting lot of people? Is your entire management team now in place for your next leap forward journey?

**Vikash Agarwal:** To a great extent yes. We have export head with us. We have a production head with us. At the same time we are looking for somebody who is very strong with technology to drive our digital business to a next level, which is more futuristic so yes that is an ongoing situation. Also we have increased our bandwidth in the regional level.

**M S Rajasekar:** In the various regions where you want to expand, you have expanded?

**Vikash Agarwal:** We have a solid team in place now. We are investing heavily on sales team.

**M S Rajasekar:** That is all Sir. That is all from my side. Thank you very much.

**Moderator**: Thank you. Ladies and gentlemen that would be our last question for today. I now hand the conference over to the management for their closing comments. Thank you and over to you.

**Vikash Agarwal:** Thank you everybody for all your time and your feedback. We look forward to continuously interacting with you for more feedback and any suggestions you have and definitely as a management we are quite hopeful and as a segment and as an industry as a sector to grow at least 20% to 25% year-on-year to be conservative at least 18% to 20% for the next three to four years. Any suggestions and any feedback we will be happy to connect offline. Thank you again.

**Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Rupa & Company Limited that concludes this conference. Thank you all for joining us and you may now disconnect your lines.