RUPA & COMPANY LIMITED

Date: May 30, 2022

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Plot No. C/1, G Block
Bandra Kurla Complex, Bandra (E)
Mumbai - 400 051

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

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

Sub: Transcript of the Earning Conference Call held on May 24, 2022, to discuss the Audited Financial Results of the Company for the quarter and year ended March 31, 2022.

Dear Sir/ Madam,

In continuation of our letter dated May 23, 2022 and May 24, 2022 and pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the Earning Conference Call held on May 24, 2022, to discuss the Audited Financial Results (Consolidated and Standalone) of the Company for the quarter / year ended March 31, 2022, is attached herewith. The same is also available on the Company's website.

Kindly take the same on record.

Thanking you.

Yours faithfully,
For Rupa & Company Limited

RUPA & CO. LTD. KOL-71 1, HO-CHI-MINH SARANI

Manish Agarwal

Manish Agarwal
Company Secretary & Compliance Officer

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CIN No.: L17299WB1985PLC038517

"Rupa & Company Limited
Q4 FY2022 Earnings Conference Call"

May 24, 2022

MANAGEMENT:

MR. VIKASH AGARWAL – WHOLE TIME DIRECTOR – RUPA & COMPANY LIMITED

MR. DINESH LODHA – CHIEF EXECUTIVE OFFICER – RUPA & COMPANY LIMITED

MR. SUMIT KHOWALA –MANAGER, FINANCE– RUPA & COMPANY LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY2022 Earnings Conference Call of 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 date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*"then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vikash Agarwal, Whole Time Director. Thank you and over to you Sir!

Vikash Agarwal: Thank you and welcome everybody and thank you everyone for being with us today. I am joined on call with CEO, Mr. Dinesh Lodha and, Mr. Sumit Khowala is also there. At the outset we are very happy to deliver another year with increasing growth as we build upon the momentum generated over the last two years. If you recall at beginning of the year we had a commitment of doing a topline growth of 15% and with EBITDA margin of around 18% to 19% with a PAT margin of anywhere between 13% to 14% where our topline we did a growth of 12.3%, which is little drop to what we have committed, but EBITDA is around 18.2% quite in line with what we have committed same with the PAT around 13% and we are quite happy with the results what we have delivered other than just the topline. Topline we have taken a hit because of some policy changes in the last quarter which Lodha ji will apprise you.

Coming to Q4 specifically we did have some pressure because of the increasing yarn prices and all, because of that we have seen slight growth with some drop in volume and there is increase in salary and advertisement in some product mix largely because of that, this is regarding the performance and coming to our points regarding the Lodha Ji's exit what we had seen in the news everywhere so Lodha ji had requested to exit sometime back, but we requested him to stay back till the Board meeting and Lodha Ji is exiting because of personal reasons, we wish him all the best and we are thankful to him for all his contribution and look forward for his continued association with the group. In fact he is helping us with the appointment of new CEO also so he is a part of core team to drive that as he understands the family well so he is still part. Coming to CFO appointment we have promoted Mr. Sumit Khowala as the CFO because he is with the company and his promotion was long time due so that is the part of promotion process. Mr. Ramesh Ji of course is a part of promoter family, he is with the family, he will be able to spend more time on the overall macro activities of the group so that is one. At the same time, I am also happy to announce we are strengthening the Board so we appointed Mr. Sunil Chandiramani who has joined as the Board of Independent Director so he has a vast experience of 25 years with

Ernst & Young on the advisory business, he brings a vast experience on finance, corporate, digital transformation so we look forward to his contribution to the Board.

Moving to our next year forecast we are quite confident we will be able to grow anywhere a topline of 15% to 18% keeping the EBITDA margin of around 18%, which we did this year also with a PAT margin of 13% plus. In terms of competition growth and all I am sure that will be a question, but we need to see. Last year we did a growth of around 35% where the competition grew around 10%, 12%, and 14% somewhere so our CAGR growth of last three years in terms of topline or profit is better than what the competition has done and as said we are quite confident going forward also we will be able to maintain growth rate of 15% to 18% with EBITDA margin of 18% plus. With this I request DineshJi to please share the details with us.

Dinesh Lodha: Thank you very much VikasJi and good morning to all the participants. In Q4 I think the industry faced headwinds in the form of COVID wave early in the quarter coupled with raw material price increase. I think the inflationary pressure has been seen in cotton and yarn prices which are our key inputs material. Even though we have taken a price hike not that everything we will pass on, so we have seen cost pressure to extend 1% this quarter and that is shown also in the gross margin. In Q4 we have also incurred higher expenditure on advertisement and that is part of our strategy in terms of brand scaling and a lot of incurred happening. We also have a new brand ambassador Kiara Advani this quarter so there are things which are taken in this quarter. We also saw some increase in the employee cost which is basically part of the hikes and others, but despite all this there we maintain our margin on a full year basis as VikasJi said we end up at 1474 crore on a topline which is 12.3% growth. The topline has impacted by the demerger what happened in Oban. Oban business has a policy which is used to be in SOR model. That SOR model has now changed to what we do in Rupa which is outright model that impacted the topline by about Rs.23 Crores to Rs.24 Crores and that impacted almost a percentage to 2% on an overall number 1.5% to 2%, otherwise we are very much what we have talked about 15% growth rate. EBITDA on year as VikasJi said we are 18.2% which is very much in line with what we have said earlier in the year and that also is 13% very much in line to what we have talked about in the year.

Coming to quarter specific our topline is flattish topline or the volume down almost 10%. I think clearly what we are seeing also in terms of margin, the margin has impacted, and the PAT has impacted at 3.7% driven by only three factors one the material cost which is impacting about 1.1% that is driven by the mix. We are seeing significant challenges in two product lines one is the outer wear which is Bumchums, which we are seeing a degrowth of 26% on volume and the premium side where we are seeing a degrowth of 10%, besides that there is a degrowth on bra, so all these are a high margin product and has impacted the overall margin by 1%. The other side is the advertisement cost. Though the year advertisement cost is almost in line with what we have said in the quarter we had increased by Rs.8 Crores from last year and that has impacted almost 1.5%. Employee also has impacted almost 0.8%. These three combined actually is 3.7% what you see in the PAT in terms of drop, but as I said we are higher than the plan till December and with this Q4 we still at what we have talked about 13% PAT margins.

Coming to the working capital it is a challenging working capital cycle right now in Q4. We are seeing working capital days 186 days used to be 165 days last year same time the increase is mainly on inventory and debtor. The good news is debtor which is Rs.553 Crores has already dropped to Rs.440 Crores now so there is a drop of Rs.110 Crores by now and we are expecting that to be flattish below Rs.400 Crores by the quarter end. Inventory also we will see a significant drop this quarter. We have built some of the inventory with the cost of cotton what we have and we wanted to just to make sure that we have enough stock in place. At Q1 also we are looking to grow 20% plus so we have built some of the parts and some of the parts has been in the inventory has been built because we expected to grow the business by almost 5% on a volume whereas we end up at a 10% negative volume for the Q4 so that also has impacted the inventory, but that both things will be sorted out in Q1 because as I said in the debtor it is already below Rs.450 Crores and inventory is also coming down by this quarter end so we should be able to manage. We are expecting this year as we go forward back to 160 or below number of days though the target is 150 days but we should be at 160 days as far as number of days is concerned on working capital.

Coming to the next year as VikasJi said that we are looking to grow at 15% to 18% driven by mainly the six pillars. If you see this year also the six pillars have grown 31% in terms of the major four key strategy, which we talked about in our presentation also the key focus states we are growing 26%, export has grown more than 60%, modern trade has grown also in line. Next year also we are seeing almost 49% growth coming from these four pillars, which is helping us to overall grow faster than the market and we are expecting that numbers what we are committing 15% to 18% to deliver back of this strategy. As far as breakup is concerned premium is about 9% to 10% of number, economy is 30% to 32% and mid premium is 58%. There is no significant change in terms of one particular area where degrowth was happening, but yes the economy has grown and there is impact on mid premium to 1.5%, rest all almost similar line what we have. So again coming to back on my resignation I have requested for this sometime back and we have agreed that I will be moving post the Board meeting and the new call. Again I want to thank Rupa management and the Board of Directors for all the support and it is one of the very fruitful and most learning experience I had in my career. I have been worked in multinational companies

Indian companies in multiple places, but I must say that this is one of the best experience I got and great place to work. So with that I will be opening to questions and answers what you have. As I said couple of clarifications I have already given as far as margin drop 3.7% that is driven by three factors. Topline I talked about where majorly the mixed game where there are two product lines which is majorly on Bumchums, which is athleisure and premium, which has impacted the overall number and working days as I said is coming under control Yes Q4 and we are going up but it is going down. Open to questions now.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Rohit Ohri from Progressive Shares. Please go ahead.

Rohit Ohri: Hi Sir. Good to see the company takes small steps towards professional management and trying to tackle the issue with succession planning. I would say that the presentation which is uploaded is also quite nice and it is a good presentation sent across. I have two questions which are related to the growth capex of the company first one if you can take us through any growth capex plan which is related to our property at Bangladesh?

Vikash Agarwal: At Bangladesh we had plans but just because of COVID in the last two, three years it was unable to take off, but we are reviewing that again and hopefully this year we will able to start the business activity there.

Rohit Ohri: So you

Vikash Agarwal will be looking for some partner there.

Vikash Agarwal: It is in process.

Rohit Ohri: You will be investing around 20 odd Crores or so?

Vikash Agarwal: Once we finalize the partner that is a minimum requirement.

Rohit Ohri: Could you give us what sort of turnover can come from this then?

Vikash Agarwal: It is difficult to comment but anyways between 50 to 100 Crores is quite achievable and lot of duplicates sell there with the brand name Rupa, so Rupa is quite a popular name there so we are looking for the partner and the delay is just because of COVID.

Rohit Ohri: Second question is related to the growth capex related to the property which we have at Domjur, so would you like to share anything on that some progress about there in terms of the growth capex?

Vikash Agarwal: So that is part of every year process which we spent around 30 to 40 Crores which is stitching part, knitting part and increasing cutting capacity and warehousing capacity that is part of regular year-on-year process so nothing extra than that.

Rohit Ohri: Apart from that nothing on the growth capex?

Vikash Agarwal: Nothing at the moment. For achieving growth of 15% to 20% year-on-year to whatever infrastructure is required so that with 30 to 40 Crores we achieve that.

Rohit Ohri: Thank you Sir.

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

Dhiral: Good morning Sir. Thanks for the opportunity. For the full year FY2022 what was the volume growth and value growth we have seen across the category?

Dinesh Lodha: We have a value growth which we talked about 12.3%, volume is 0.5% so half percent is the volume growth and majorly the growth what you are seeing is driven by value.

Dhiral: For the Q4 we have not seen any value growth.

Dinesh Lodha: Half of volume so volume is about 10% down in Q4 and flattish is on value.

Dhiral: Despite the degrowth in the volume our subcontracting cost on a Y-O-Y basis was higher so any particular reason for that?

Dinesh Lodha: Subcontracting is more related to inventory it does not impact the profitability or gross margin it is more to do with the inventory so if inventory is up the subcontract will be up as well. Gross margin still remains same.

Dhiral: Thank you so much Sir.

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

Devanshu Bansal: Thanks for the opportunity. Sir this 10% volume decline in Q4 is it a postponement of demand as you expect 20% growth in Q1?

Dinesh Lodha: So Q1 we are excepting solid growth of 20% plus. If you remember we started last year with a drop of value terms. Q1 also is not good for us so we are excepting minimum 20%

growth here. Yes some of the sales is going to move to Q1, we expect that a little bit, but I think the major drop we are seeing in couple of categories where we see that again the demand should come back as the summer season starts particularly Bumchums last year Q4 was very good this year we are seeing a solid degrowth there as I said 26% degrowth there on volume that we feel as summer season started we will see a good growth coming of bermudas and others which is what we are expecting.

Devanshu Bansal: You indicated like in Bumchums there has been a volume decline so this category particularly was seeing very strong growth trends for the past few quarters so can you elaborate as in what exactly are the reasons for this decline?

Vikash Agarwal: The reason after COVID there was a huge jump in athleisure and all, but this quarter we are seeing a little softness in the demand largely because of the sudden rise in prices also so there is 15% to 20% hike in prices and also profit in the last two year base of athleisure was very strong, so this year was strong but going forward I think again good growth should come.

Dinesh Lodha: To add to what Vikash has said we are launching couple of new product lines also in the Bumchums category which will also ensure a solid growth as we go forward.

Vikash Agarwal: This is across industry not specific to us, so this is because of athleisure is also done bad this year and the outerwear and thermal has also done bad because winter was from December so we took some hit there as well and if you see that increased inventory because of the thermal as well we have produced what we have targeted so we took a little hit there so thermal also did little bad this year so extra inventory is there because of thermal that also contributes there.

Devanshu Bansal: Sir higher inventory some of part is due to thermal so how do you plan to utilize within Q1 so there was one comment made in utilization of inventory in Q1?

Dinesh Lodha: So inventory is given as you rightly said thermal yes. We have about 40 Crores stock of thermal which is definitely going to liquidate post June, but as far as Q1 is concerned we will see a liquidation happening in athleisure as I said earlier there also the good inventory numbers are there and also in the premium so I think we will see a significant drop on inventory and AR as I said already moved 110 Crores down from what we have so we are already seeing that drop coming to 400 and below 400 which is the normal what we have. Inventory will be slowly and steadily will move down.

Vikash Agarwal: One clarification we want to give on the investor community because on the TV there was some interview and we see some news coming up that we have replaced the CEO which is a wrong news so CEO has resigned and we got promoted Sumit Khowala as a CFO and RameshJi will be a Whole Time Director who is a part of promoter family so CFO is promoted and CEO has resigned so just to clarify on the news which has come on the CNBC TV18.

Devanshu Bansal: Sir of this 15% to 18% growth target for FY2023 can you sort of helps us with the breakdown between volume and pricing?

Dinesh Lodha: So we are excepting 8% on a volume, 10% will be giving a value on 18% basis accordingly you can take it to 15%, but on 18% 8% will be volume and 10% will be value.

Devanshu Bansal: For 15% it would be true value?

Dinesh Lodha: It will be 7 and 8 almost.

Devanshu Bansal: Lastly I could not understand the Oban policy change so if you can elaborate a bit on that it would be helpful.

Dinesh Lodha: Oban business when we started, we started the GT business on a SOR basis, modern trade also on SOR basis. In Rupa we do not do any SOR business which is sales on return basis so what we have decided that we will be moving the business into the right way where we are asked to take the material back from GT business and giving them again fresh stock because they are keeping stock with them on SOR basis and there are some changes in policy which we have done in terms of payment terms and others so there is a significant change happened in the policy post the demerger and now we are putting together a policy in places which is aligned with Rupa what we have as far as temporary basis that has impacted because we have taken that return but now we will be giving slowly and steadily the GT business outright model product which will be slowly and steadily this year we are expecting to make it 25 Crores as far as topline is concerned, but this year we have taken the hit because of that model.

Devanshu Bansal: This channel was largely catering to premium segments or it was catering to the economy as well?

Dinesh Lodha: Premium and super premium.

Devanshu Bansal: Sure that is helpful I will get back in the queue.

Moderator: Thank you. The next question is from Manish Poddar from Motilal Oswal Asset Management. Please go ahead.

Manish Poddar: Hi Sir. Thanks for doing the call. Can you split the inventory which we are building on basis of finished goods and work in progress that is raw material inventory and finished goods inventory?

Dinesh Lodha: You can ask the next question in the mean time I will come back to you.

Manish Poddar: This is the only question I have.

Dinesh Lodha: We have work in progress 163 Crores, finished is 341 Crores and raw material is 74 so that making it 580 Crores, so almost 25% on work in progress.

Manish Poddar: So you said 160, 340..

Dinesh Lodha: 163, 341, and 74.

Vikash Agarwal: We have built up the stock also, inventory also because the yarn prices and all the commodity prices are increasing also, raw material prices are increasing what we see every day and that is one reason as well. We have not stopped the manufacturing but we have done some extra purchase so that we can control the future increasing prices.

Manish Poddar: Fair enough. Thank you so much.

Moderator: Thank you. The next question is from the line of Ankit Kedia from PhilipCapital. Please go ahead.

Ankit Kedia: Sir just a clarification on the 23 Crores impact was for the quarter or was it for the full year?

Dinesh Lodha: On the full year. This quarter I think impact is about 13 Crores.

Ankit Kedia: You said in FY2023 the business from Oban would be 23 to 25 Crores so all the material which we supplied to Oban last year we got a return on that?

Dinesh Lodha: So it is over a period of two years in that sense because we have said the model has been continued to be in SOR model when Oban was standalone earlier now we aligned that to as I said complete on a Rupa practices and same way we have taken back some of the material which is there in SOR basis on the modern trade that also has been taken back so now we have complete outright model that will impact on the immediate basis but over a period of time that is right model which we believe in and that is going to drive us into EBITDA positive this year.

Ankit Kedia: If the inventory was two years old which we have taken back so has the inventory been written off from the cost as well or only from the revenue?

Dinesh Lodha: We have taken a provision of 25% on the inventory which is impacted on profitability.

Vikash Agarwal: This is largely to align with the Rupa policy so under Rupa what we do is largely to align with the overall policy of the company. The stock prices has increased 20% still we have taken a provision of 25% to ensure there is no further written off on the balance sheet.

Ankit Kedia: My second question is regarding athleisure what is the revenue contribution from athleisure for us and how has been the demand for athleisure in the last quarter?

Dinesh Lodha: I told you earlier in this call that athleisure had a problem in Q4 with a 26% drop on volume. We have a very good Q4 last year on athleisure this year we are seeing a significant drop. Having said that we are seeing a good momentum right now Q1 and quarter when we are expecting again a solid growth because summer is where the things will be and now the demand is back so hopefully this quarter we will be seeing again back to a good growth number on athleisure.

Ankit Kedia: The drop is on back of the high base of last year right it is not due to the consumer demand or the price increases which we have taken in the system?

Dinesh Lodha: You are talking about athleisure right?

Ankit Kedia: Yes Sir.

Dinesh Lodha: Athleisure again as I said base was on high on Q4 and we are seeing a degrowth. Overall basis we are seeing a growth on our value of 6 to 7% and volume -6% on yearly basis.

Ankit Kedia: In core business given that the yarn prices have moved in last three weeks what kind of price increase can we expect in couple of quarters from here and do you think the consumer is postponing buying or given the price increases we are witnessing?

Vikash Agarwal: Of course the increasing prices is a challenge but as we are into inner wear essential so we are quite optimistic, achieving a growth of anywhere 15% to 18% should not be a challenge with the opportunities in export, in domestic market in our women's wear, premium wear and we are investing a lot on the brands as well. We have taken a new brand ambassador Kiara for women's wear. With Ranveer Singh we are doing some new campaigns so the demand will still be there. We can postpone the purchase maybe for couple of months and all but on the yearly basis I think we will see a good growth.

Ankit Kedia: What kind or price increase do we anticipate this year in the system given the way yarn prices are there?

Dinesh Lodha: As I said earlier out of volume and value I talked about 8 and 10, so that is what we are expecting the 10% will be value and already Q1 we had a price increase which is Rs.35 to Rs.40 basically about 4%.

Ankit Kedia: We have already taken a 4% price increase in Q1.

Dinesh Lodha: We have taken 4% approximately this quarter.

Ankit Kedia: Can you just clarify what will be the percentage of athleisure sales?

Dinesh Lodha: Athleisure is approximately 8% of our sales, Bumchums is about 110 Crores to 112 Crores sales out of that 8%.

Ankit Kedia: What qualifies for such a big volume drop even if I adjust for Bumchums 10% volume drop in the quarter even if I adjust for Oban because provisioned of and Bumchums still in the core business we are seeing a high single digit volume drop?

Dinesh Lodha: This quarter as I said is a slow quarter for us, but as I said Q1 momentum looking very bright with 20% plus rate, but if you really see on a year we talked about 15%, we are almost there and both in EBITDA and PAT also we are almost there so there is no big difference on what we have committed except the oban impact which has impacted almost 1.8 to 2% on our numbers we are pretty much aligned what we talked about and next year we are more than confident now with some of the growth areas are delivering results I think 15% to 18% looks pretty solid what we see.

Vikash Agarwal: Around 10% growth we will make up a good growth in Q1 as well this is because of the rise in inventory prices also so maybe distributors also want to relook their purchase may be from Q4 to Q1 but on the demand side I think we will be able to cater the market and the demand is not going downward so demand will keep increasing and these numbers should do well in Q1 and in the early basis what we have committed we see quite a good growth with lot of opportunity in the market.

Ankit Kedia: Thank you so much Sir.

Moderator: Thank you. The next question is from the line of Kaustubh Pawaskar from Sharekhan by BNP Paribas Capital. Please go ahead.

Kaustubh Pawaskar: Yes good morning Sir. Thanks for giving me the opportunity. Sir my question is on the market share so have we lost any market share to our nearest competitor?

Dinesh Lodha: I think if you see absolute this year yes in that sense but if you see a two year CAGR or two year total then you will see we are getting sales.

Kaustubh Pawaskar: So how are we planning to tackle with this competitive intensity, so adding more brands into your portfolio would help you or expanding your reach or how you are planning to tackle with this competitive intensity is what we have seen in last two years?

Dinesh Lodha: Our thing is driven by six pillars I talked about earlier. I think we are clearly expanding our market and this year we are expecting that particular segment of market which is huge opportunity for us what we call X factor where the growth opportunity is 100% plus year-after-year. This year we are expecting that to grow at 50% number. In 2021-2022 we have grown 26% only but this year we should be doing much more because the base has been set. The other side we talked about the modern trade where we are expecting again to go 60% plus, export we are expecting this time 70% plus growth, garment business again growing 60% this year again 67%, so these are the key focus area along with that premium segment we are focusing very hard with new product launches and all we are excepting premium to deliver over 18% to 20% plus growth rate. We are also expecting as I said earlier on the overall thermal this year first time after two to three years we have a slow thermal number with a drop of 14% on volume. If you remember last two years we are growing 25% plus. This year we are expecting thermal to grow at 30% plus minimum with lot of new product addition in plan. I think that there are enough and more we have in terms of place where we feel that we should be growing minimum 15% to 18% if not more.

Kaustubh Pawaskar: Right Sir. Sir can you give us a breakup between what is the unorganized and organized player in the athleisure and the thermal segment?

Dinesh Lodha: There is no data which is available as such but normally 40% to 45% is organized and 50 to 55 unorganized and that is going to have more and more moving towards organized with the price of cotton going up you will see impacting the smaller player more though it is a slow process but it will be moving.

Kaustubh Pawaskar: Just a repeated question to the earlier participant so how are you planning for the price hike like we have seen cotton prices are going up significantly in fact in last two months it has gone up substantially and it is affecting the margins of most of the players, so as you have taken 4% price increase in Q1 so how easy it would be to take another round of price hike if this prices continues to go up substantially in the coming months.

Dinesh Lodha: Price rise we are not expecting to go up further maybe 1% or 2% more but just that first half last year versus now, even if you take March price versus April price the last year the price was already 6% to 7% up so the base is already lower and the current price also it will give you a value growth of 7 to 8%.

Kaustubh Pawaskar: Thank you Sir.

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

Devanshu Bansal: Yes Sir thanks for the followup opportunity. What is the working capital reduction target across inventory days, receivable days for us for FY2023?

Dinesh Lodha: So we are planning to end the year inventory at 400 Crores, debtors at 400 Crores and creditors 235 Crores, a working capital base of 155 days, worst case 160 days.

Devanshu Bansal: Sure that is helpful and secondly I wanted to understand what is the contribution of softline business and how is this category grown in terms of volume and value in FY2022?

Dinesh Lodha: So FY2022 we are seeing a good growth on leggings which is growing at 22% and value 29%, but we are seeing a significant challenge in bra and panties and that is something we are working right now from the point of view some of the market where we are seeing some challenges but overall softline as a business we are seeing degrowth in a year basis 3% and value growth of almost 10% because of mix because legging has a much higher base in terms of price so it has impacted positively in that sense.

Devanshu Bansal: What is the contribution of this segment overall?

Dinesh Lodha: Overall it will be almost 8% this is just a softline though the overall women category we will have about 10 to 11% because there are some product in different category also not in a softline but this particular segment we are expecting 25% to 30% minimum growth with legging growing much higher as we go forward.

Devanshu Bansal: Secondly I wanted to put forward a request if you can sort of in the PPT give us a broad breakup of the category wise growth and volumes going ahead as other players have also started giving the category wise growth in their PPT.

Dinesh Lodha: We will come back on that.

Moderator: Thank you. The next question is from the line of Vishal Bagadia from Roha Asset Managers. Please go ahead.

Vishal Bagadia: Good morning Sir and thank you for the opportunity. Sir my first question is that what kind of percentage of topline is we seeing for add spends for the year and how would we cater going forward for the next couple of years?

Dinesh Lodha: We are looking ad expenditure to 5.5 to 6%, so it will be ranging between 5 to 6%. This year it is below touching 4.7%.

Vikash Agarwal But on absolute terms which is 61 Crores we are planning a spend of around 90 Crores on absolute terms so which is 50% rise on the base.

Vishal Bagadia: That would be great Sir. My second question is if we see our topline if we are growing by about 15% as you target for this year and next year also we see the same growth we can see about 1950 Crores coming in so can we say that by next year FY2024 we can reach 2000 Crores topline?

Vikash Agarwal: That is the plan.

Vishal Bagadia: Going forward if we are looking for a higher target in the next couple of years say about 3 to 4 years so what kind of growth or topline can we target?

Vikash Agarwal: With the given opportunity as we have discussed earlier also especially with unorganized in 40% to 50% and with increase in raw material prices where this is our base which is economy and mid premium other than that athleisure, export, all of them we have spoken at length so growing around 15% plus, 15 to 20%, 18% is not a challenge so this is a huge opportunity, so year-o-year growth 15 to 20% is what is our target. So 15% we commit and above that whatever we can do better.

Vishal Bagadia: That would be great. That is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Shriram from Sincere Syndication. Please go ahead.

Shriram: Sir thanks for the opportunity and very good set of numbers during this tough time. I just want to get a clarity on three maters once is that in the last year if you look at the raw material prices of cotton it has been elevated by almost 70% to 80% in last six months of time period so in that sense how do you look at the softening of prices in cotton, in the near term any softening of prices coming up?

Vikash Agarwal: It is difficult to comment, but we might look for some government intervention which will control the prices what we see in steel and other things so we are hopeful government might intervene with the cotton prices as well, which will control the yarn cotton prices.

Shriram: With regards to adding up about 15 stores over FY2023 so what is the kind of growth capex that is you have planned to allocate Sir for this financial year?

Dinesh Lodha: See this is all franchise model so we do not have any capex required for that. It is completely franchise model.

Shriram: What is the current utilization of the existing facility?

Vikash Agarwal: Current utilization around 80% of the production capacity if you are asking.

Shriram: How do you look at the traction Sir for the next couple of quarters because there is a slowdown in demand or how are things going forward?

Vikash Agarwal: Slowdown in demand, we do not see a much slowdown in demand but whatever we are planning to do a growth of 15% where we require a volume growth of 8 to 10%. We have enough capacity so that is not a challenge.

Shriram: So 8% of volume growth and 7% of realization advance we are planning to do is my understanding correct?

Vikash Agarwal : Yes.

Shriram: Can we expect the margins should be between 16% and 18% in EBITDA level for FY2023 and FY2024?

Dinesh Lodha: Yes.

Shriram: I joined little late. I did not hear the initial commentary from the management. Would you comment about the CEO and CFO resignation and reappointment of CFO and potential appointment of CEO in near term and how does things are planned out?

Vikash Agarwal: Things are smoothly handed over to the management and we are looking for a new CEO where LodhaJi is helping us he is actively part of the core team but we do not see any impact there in terms of the business so business we will keep doing and growing.

Moderator: Thank you. The next question is from the line of Suruchi Parmar from NX Wealth Management. Please go ahead.

Suruchi Parmar: Sir I want to know about the growth prospects related to softline business and you have appointed Kiara Advani for it so what is your vision and what you feel in coming four to five years your softline brand will be looked in your company as a whole, what are the growth prospects in that?

Vikash Agarwal : Look in women's wear as we see we are not doing age when what competition is doing so we see a huge scope there and we have built up a strong team in terms of our marketing sales team and challenge also there we have a strong product line as well now so we see at least 25 to 30% growth year-on-year for the next 5 to 7 years at least.

Suruchi Parmar: What you feel is your market tap in that softline business will be in coming years like down 2 to 3 years line or 4 to 5 years line?

Vikash Agarwal: You are asking for growth or the topline?

Suruchi Parmar: Regarding the softline business I am asking.

Vikash Agarwal: 100 Crores plus in next three to four years .

Suruchi Parmar: What you feel like your overall revenue will be what you are targeting in four to five years?

Vikash Agarwal: Overall on the company basis as we have said 15 to 18% is for next 2 to 3 years, so 2000 plus in next two years and we still feel that we will be able to maintain a 15% growth for the next couple of years.

Suruchi Parmar: Thank you so much.

Moderator: Thank you. The next question is from the line of Rohit Ohri from Progressive Shares. Please go ahead.

Rohit Ohri: Hi Sir thank you for the followup. Question related to the export market. You intend to take it to five times from here in next two years or so, so how do you intend to do that, have you added some clients or are you looking at some contract manufacturers and some players in UK, US or Middle East?

Dinesh Lodha: So it is a mix of both what you said. We are expanding markets both Africa as well as Middle East as well as some other market like Bangladesh and all we talked about and also we are looking now on a contract manufacturing opportunity as long as it is in line to our profitability part yes we are looking both and this year already as I said 57 but next year we are targeting 70%. We also hired a very senior person to lead our export who is being in textile industry for more than 20 years and he is now leading our export business and we are expecting this to grow much higher percentage because the base is very small and we feel that we should be 100 Crores in next three years time.

Rohit Ohri: In terms of the fourth generation SAP, so that is SAP for HANA how can implantation of these systems help us in terms of supply chain?

Dinesh Lodha: It will be helping both on supply chain, automation, and inventory management, big time and also ordering process, all this three key element out of that beside the distribution side definitely it will help us overall working capital as well as speed up the process.

Rohit Ohri: Sir with these can we assume that after two to three years margins will start picking up towards 21, 22 or 23% or so?

Dinesh Lodha: Yes we continue to be looking escalation on margin and margin is going to be driving not by cost control but also in a mix and the product that we have in the six pillars are all high margin product line, so overall I think it should be giving us little more momentum on margin. At this point of time next year we feel that it will be flattish percentage basis but going forward yes we will look for that.

Vikash Agarwal: Historically it was anywhere between 12 to 13%, and going forward yes 18% plus and year-on-year we should do better by at least half percent so that is our target.

Rohit Ohri: Okay Sir that helps.

Moderator: Thank you. The next question is from the line of Shalini Gupta from East India Securities. Please go ahead.

Shalini Gupta: Yes good morning Sir. Just wanted to check how the economy, mid and the premium segment are growing in the quarter and for the year?

Dinesh Lodha: So economy is growing little faster this year. Like overall we are growing 12% economy grown 13% the premium has grown about 10 to 11% and mid premium is average about 10 to 11%, so mix of both giving us 12.3% growth.

Shalini Gupta: Premium segment was a segment which you were expecting will grow very fast because the way the Indian economy is shaping up so are you a bit disappointed with the premium segment performance?

Dinesh Lodha: Definitely we are expecting premium to grow at 18 to 20% with business happened this year but what we are seeing that team has done on a lot of stock in sales processes and we have also added our retail network this year which has not impacted immediately in terms of growing this year number, but as we go forward there are two ways we will be seeing growth one we are going to add some product line there which is going to give us positive further growth rate and also some of the retail network which we are increasing so mix of both we should be gaining at 20% to 25% growth next year.

Shalini Gupta: So just wanted to understand thermal and athleisure how they are growing for you?

Dinesh Lodha: I have already talked about that this year was bad year for both these products from the point of view what we are saying in the past. Thermal for the first time after two to three years we are seeing a degrowth because the season has started much later than expected and thermal even you have winter in February, January it does not give you result the early winter always help in terms of thermal business so that is the impact of the business. As far as athleisure is concerned as I said Q4 was we are seeing a dull quarter from the athleisure point of view but what we are seeing Q1 the momentum is pretty good and we are expecting a return of high growth in athleisure in Q1 with the summer coming.

Shalini Gupta: Athleisure there is point of view in the industry that we have already passed the peak growth phase and from here on the athleisure growth may not be so good what is your sense on this?

Dinesh Lodha: I think Bumchums is the only brand in that segment which uniquely plays in terms of price point and we feel that we will be in a spot where we will be taking some of the big guys market share also when it comes to Nike and Reebok which is much higher pricing we are seeing a good opportunity as we build the product portfolio both on athleisure and casual wear I think we will see continuous momentum. This year is exception I think.

Vikash Agarwal: But what we have asked doing 30%, 40% growth might be a challenge but doing a 15 to 20% growth that is a minimum market size increase that will keep happening.

Shalini Gupta: My last question you were quite gang-ho on your kids and women's wear so if you can say how that has performed in the quarter?

Dinesh Lodha: Quarter as well as the year the legging business has done well where we are seeing a good growth of 22% on volume and value of 29%, but where we are seeing a challenge in bra and panties which has impacted to some extent in some of the big markets particularly Bihar, but as I said Q1 we are expecting this to return to 30% plus growth rate both mixing of both the things so we should be seeing a good result as we go forward on women's wear.

Shalini Gupta: Thank you Sir.

Moderator: Thank you. The next question is from the line of Gaurang Sapre from HDFC Bank. Please go ahead.

Gaurang Sapre: Good morning Sir. Thank you for the opportunity. My question was on the financials so while our company has reported a healthy profit after tax, but the cash flow from operations were negative primarily due to the inventory and receivables data, so while we have addressed that partially just wanted to ask your view on whether we are expecting positive cash flow from operations for 1H FY2023 and will short term debt come down in that line?

Dinesh Lodha: As I said debtors is already down by 100 plus Crores by now so definitely it will be a positive cash flow with inventory also we are trying to control and VikasJi said some of the inventory also has been built we know that the price has gone up so the yarn has a lower price point what we have built the inventory so definitely cash flow will be positive this quarter onwards and we are working towards that.

Vikash Agarwal: We have not seen such kind of price hike in raw materials so increase in inventory stock and number of increase in working capital is largely because of that but in coming quarters when things are normal things should subside and should come to normal numbers again.

Gaurang Sapre: Okay Sir. Thank you so much.

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

Dinesh Lodha: Thank you. Again this will be from my point of view last call, but as I said I like to thank Rupa management, Board of Directors for really giving me one of the best experiences in the organization. I have been worked in MNC in most of my career, but I must say that this is one of the best place to work and it is great to see this business going next level as we go forward and hopefully the management will be announcing soon the new CEO and I will work on helping whatever way I can to get as early as possible. I think the momentum is pretty good as we go forward and we are pretty much in track to grow at 15 to 18% with a good EBITDA number. I will just hand over to VikasJi.

Vikash Agarwal: Thank you everybody for your time and as we have said we see a good opportunity in the market, next year projections are doing a topline growth of 15 to 18% with EBITDA margin of 18%. First business will continue and though LodhaJi will not be there physically but yes he will be with us and as we have said he is helping us with the appointment of new CEO also searching of new CEO and we have Mr. Khowala as our CFO who is working with the company for last 10 years so you can touch base with him for any query any specific queries are there and thank you once again for all your time and wishing all the best to LodhaJi again.

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