



RUPA & COMPANY LIMITED



Date: May 31, 2024

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

Sub: Transcript of the Earning Call held on May 24, 2024

Dear Sir/ Madam,

In continuation to our letter dated May 21, 2024 and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of the Earning Call held on May 24, 2024, to discuss the Audited (Standalone and Consolidated) Financial Results of the Company for the quarter and financial year ended March 31, 2024.

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

Kindly take the same on record.

Thanking you.

Yours faithfully,

For Rupa & Company Limited

Manish Agarwal

Company Secretary & Compliance Officer



“Rupa & Company Limited
Q4 FY '24 Earnings Conference Call”

May 24, 2024



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

MODERATOR: **MR. SUMEET KHAITAN – ORIENT CAPITAL**



Moderator:

Ladies and gentlemen, good day, and welcome to the Q4 and FY '24 Earnings Conference Call of Rupa & Company Limited, hosted by Orient Capital. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sumeet Khaitan from Orient Capital. Thank you, and over to you, Mr. Sumeet.

Sumeet Khaitan:

Good evening, everyone. Thank you for joining us on the call today. We are joined by the management of Rupa & Company Limited, represented by Mr. Vikash Agarwal, Whole-Time Director; and Mr. Sumit Khowala, CFO. They will take you through the results and the business performance, post which we will open the forum for Q&A session.

With this, now I hand over the call to the management for your opening remarks. Over to you, sir.

Vikash Agarwal:

Thank you, Sumeet, and good evening, ladies and gentlemen. On behalf of Rupa & Company Limited, I would like to extend a very warm welcome to all of you who have joined us for this results con call. We appreciate your time and interest in our company's performance. I hope that everybody had an opportunity to go through the financial results and investor presentation, which have been uploaded on Stock Exchange.

We are pleased to present an insightful overview of our company's performance during financial year 2024. At outset, we acknowledge that our performance did not meet expectations set at the beginning of the year. This was largely due to challenges in maintaining prices within the business landscape. Notably, we achieved a healthy 17% annual growth in volume, driven by a 16% growth in economy segment, 17% in mid-premium segment and 25% growth in premium segment.

However, in value terms, our revenue grew by approximately 6.4% year-over-year. The premium segment showed superior value growth of 20%, while economy and mid-premium segments each grew by 7%. Despite our efforts, initiatives to boost revenue from export, thermal wear and women segment did not materialize this year. But looking ahead, we are optimistic about refining our business strategies to achieve a rebound. Modern Trade continues to perform well, contributing 4% to our overall revenue in financial year 2024.

Our proactive marketing efforts, including collaborations with the renowned celebrities have efficiently enhanced our brand visibility. This is reflected in the increased sales volumes across our segments in financial year '24. We invested approximately INR66 crores in the branding and advertising, which constitutes about 5% of our revenues in financial year '24. We also launched a new pilot projects for our retailers under the Pragati scheme, a loyalty program with stand out



features like lifetime validity of reward points, which will help us to map secondary better as well.

Currently implemented in two states, we will monitor its progress before expanding to more states. In a recent development, we launched a new range in the premium segment. The signature collection, in collaboration with renowned fashion designer, Rohit Bal, under Macroman M Series. We also expanded the portfolio of the Colours brand, which has gained significant market traction since its launch. Further launches are anticipated in the near future. Additionally, the management has decided to discontinue the licensed brands of FOTL and FCUK, which did not deliver the desired results post-COVID disruption.

Though we note that in financial year '24, we did not meet the expectations set, but your confidence in us and conducive market opportunities would continue to boost and inspire us to do better and enhance shareholders value. In fact, we take that as one of our prime responsibility. We anticipate our revenue growth to be in the range of 13% to 15% in financial year '25, primarily driven by volume with an EBITDA margin in the range of 10% to 11%. For quarter one, financial year '25, we expect our revenue to grow in the range of 18% to 20% year-on-year.

I'm also happy to share that Rupa brand has been recognized as a well-known trademark brand by Trademark Bureau. This only shows how strong the brand is and how it is well recognized by the consumers. And I'm sure it will help us to reap more and more benefits in the coming future.

With this, I will now conclude my speech and would like to hand over the floor to our CFO, Mr. Sumit Khowala, to brief you our account financial performance. Over to you, Sumit.

Sumit Khowala:

Thank you, sir. Hello, everyone, and thank you for joining us for our quarter 4 and FY '24 Earnings Call. I will provide a brief overview of our financial performance for the quarter 4 and FY '24. On quarterly performance, revenue from operations for Q4 FY24 is INR400 crores, we grew by 1.6% year-on-year. The EBITDA for the quarter stood at INR40 crores as compared to INR27 crores same period last year registering a growth of 48% year-on-year.

EBITDA margin for the quarter stood at 10.1% up by 340 basis point year-on-year. The net profit for the quarter stood at INR24 crores against INR19 crores in Q4 FY23 which grew by 29% year-on-year. PAT margins for the quarter stood at 6.1% up by 150 basis point year-on-year.

On yearly performance, our revenue from operations for FY24 stood at INR1,217 crores against INR1,143 crores in FY23 up by 6.4% year-on-year. EBITDA stood at INR117 crores grew by 32% year-on-year and EBITDA margins for FY24 stood at 9.6% up by 180 basis point year-on-year. Profit after tax stood at INR70 crores as against INR54 crores same period last year registering a growth of 30% year-on-year.

PAT margins stood at 5.7% up by 100 basis point year-on-year. Cash generated from operations stands at INR156 crores positive which is mainly utilised in reducing our net debt. Our net debt has reduced significantly as on March 24 and stands at INR6 crores versus INR134 crores last year.

There is an exceptional item in the profit and loss account for INR3.82 crores which is a write-off for unamortised balance of business rights for our licensed brand FCUK which we are not going to continue in near future. With this I conclude my submission and open the floor for question and answer session.

Thank you everyone.

- Moderator:** The first question is from the line of Sahil Vora from M&S Association. Please go ahead.
- Sahil Vora:** So, I wanted to know how is the progress on opening new stores in places like airports and train stations and how do we think they will help our sales?
- Vikash Agarwal:** Well, opening stores in airport and railways is a great idea. In fact, we are trying but airports rentals are quite high. But we are, do talking to railways to have space there. At the same time, we are having 29 EBOs now and we are planning to open another 20 EBOs this year. But that's a great idea and we make a note of it. We are trying and railway is definitely on our focus area.
- Sahil Vora:** Thank you. My next question was, can you give us an idea of how many new stores we plan to open in malls like our own outlets, warehouses for next year?
- Vikash Agarwal:** Around 20 EBOs, which will be a mix of high street and malls.
- Sahil Vora:** Lastly, our working capital has increased from last quarter. Like as of December, it was around INR736 crores and now it is substantially higher at INR762 crores. Can you specify some of the reasons for this substantial increase?
- Sumit Khowala:** If you see working capital in terms of days, it's almost the same. The working capital increase is in proportion and in line with the turnover increased.
- Sahil Vora:** Okay, that helps. Thank you so much.
- Vikash Agarwal:** Thank you.
- Moderator:** Thank you. The next question is from the line of Mamta Agarwal from Singhania Association. Please go ahead.
- Mamta Agarwal:** Hello. Sir my first question is, how are subsidiary companies like Rupa Bangladesh and Rupa Fashion performing this quarter?
- Sumit Khowala:** Pardon, ma'am. Didn't get you.
- Vikash Agarwal:** Your voice is breaking down.
- Mamta Agarwal:** My question is, how are our subsidiary companies like Rupa Bangladesh and Rupa Fashion performing this quarter?
- Sumit Khowala:** Ma'am, for both these subsidiaries, operations have not yet started. And means the performance is basically, we have very negligible negative EBITDA for these two subsidiaries.

- Mamta Agarwal:** So my second question is, can you provide us with the revenue contribution across our segments for the quarter as well as for FY24?
- Sumit Khowala:** Okay, the revolume contribution from economy segment for quarter 4 FY24 for economy segment is around 45% and mid-premium is around 50% and premium for 5%. And for FY24 economy segment is 47%, mid-premium is 50% and premium is 3%.
- Mamta Agarwal:** Okay. Thank you sir.
- Moderator:** Thank you. The next question is from the line of Sunidhi Joshi an Individual Investor. Please go ahead.
- Sunidhi Joshi:** Congratulations on the results, sir. Can you help us understand the current status and impact of the big stores and exclusive brand outlets that we have opened?
- Vikash Agarwal:** We are still not very high on EBOs in terms of number it is just 29. So once we reach a landmark say 50 - 60 EBOs that will be a good set of numbers to actually make a difference to our numbers and all. We are still in the process of learning and opening EBOs and make it a viable model here.
- Sunidhi Joshi:** Okay. And what was our total capex in FY '24 and our capex plan for FY '25?
- Sumit Khowala:** The total capex for FY '24 is around INR 7 -8 crores and we don't have any capacity expansion plan for FY '25. So there will be a routine capex of INR 12 - 15 crores.
- Moderator:** Thank you. The next question is from the line of Reshma Mehta from GreenEdge Wealth. Please go ahead.
- Resha Mehta:** This is Resha. The first question is can you talk about what is the channel inventory in the system like now it is how many days hasn't gone back to the old days of 30 days or below or is it still in that range of 10 to 15 days?
- Vikash Agarwal:** Ma'am our standing is inventory level is still low with the dealers and all. It's not still very high.
- Resha Mehta:** Okay. So how far away would it be from the old inventory levels in the system?
- Vikash Agarwal:** I think once the yarn prices are still -- it's not falling anymore stable. Once the yarn prices are firm and I think dealers will start building more inventory in coming time, but that will only depends upon on the raw material prices. Once it's strong, then dealers have to be a little more confident of building the stock plan.
- Resha Mehta:** So you are attributing the low channel inventory purely to the raw material or even the subdued demand scenario that we are witnessing?
- Vikash Agarwal:** Subdued demand still that whatever demand is there they maintain an inventory level of month that is the standard stock they maintain, but it is more due to subdued raw material prices.

- Resha Mehta:** Okay. And in the last financial year FY '24 we've grown at 6% versus one of our peer dollar. They have grown at almost double the rate around 11% - 12%. So clearly we seem to be losing some market share here. So what steps have we taken to kind of revise this growth and yeah if you could just elaborate on what strategic steps are we taking?
- Vikash Agarwal:** One of our peers have grown negative also on annual basis. So we won't be able to comment on what competition has done. But initially as commented we are not happy, not satisfied with our performance. We feel we could have done better, but we have taken lot of initiatives in the last year. I am sure that did work well last year, but in coming quarters we should be able to do better.
- Resha Mehta:** Yes. So my question is, what are those steps and what kind of results are we expecting from those steps?
- Vikash Agarwal:** As I told you we expect around 15% growth for the coming financial year with a 10% to 11% EBITDA margin. And coming quarters first quarter, we are looking for a growth of 18% to 20%. And in terms of steps there are like innumerable number of steps in terms of building the team, in terms of endorsing a celebrity for our economy range, in terms of launching a new brand which is signature collection with first time in India it has been done Rohit Bal which is a very popular designer. So innumerable we are building a very strong IT team. We have in fact, hired a new EBO manager in process of hiring the new senior export manager to focus on the export area. So a lot of initiatives. It is a continuous process ma'am.
- Resha Mehta:** Sir, do you yourself as per your internal assessment see that you're losing market share?
- Vikash Agarwal:** Yes. Last year you can say it we have probably lost a bit of market share, but we are talking about only one competition which you name. There are other competition as well, but I think one of the competition has degrown to a certain percentage on overall year-to-year basis. So just a year probably yes, but I think coming year it will be more clear ma'am.
- Resha Mehta:** And in terms of some strategic initiatives the presentation mentions rapid expansion in high potential areas and one more being reorganizing the distribution channel. So can you like please elaborate on these two strategic initiatives?
- Sumit Khowala:** Ma'am, the expected areas have performed well with good volume numbers. We have built up a strong team there and there is a continuous focus there to gain the market share and regarding the reorganization of distribution channel we have launched a Pragati scheme for our retailers and which would provide us a better distribution management system, which will distribute the reward point to our retailers and which will be redeemable in kind and that reward point is valid for a lifetime.
- Vikash Agarwal:** Basically, it helps us to map our secondary sales better which is majorly primary now. So it will help us to do a secondary mapping also which will help us in long run.
- Resha Mehta:** So with this...

- Moderator:** Sorry to interrupt Ms. Resha, I request you to rejoin the queue for your follow-up questions. Thank you. The next question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead.
- Darshil Jhaveri:** Hello. Good evening, sir. Thank you so much for taking my question. So, sir, just wanted to get an idea of how do you see the demand scenario in the industry wide being right now. Are we now at the uptrend of a new cycle or what do you see the demand scenario as currently, sir?
- Vikash Agarwal:** Demand scenario, seeing India's population and the opportunity, we see a huge opportunity there. But at the same time, industry is getting competitive. But there are various avenues in terms of export, in terms of modern trade, in terms of women's wear, in terms of thermal wear. So definitely opportunities are also there. So it's identifying the right opportunity and work on same is what we are doing.
- Darshil Jhaveri:** Fair enough, sir. Also, sir, just wanted to ask any chance of a price hike in this year? Do we see it as possible or how is that? Do we have or is there pressure?
- Vikash Agarwal:** That's on our wish list. We will be trying to do around 3% to 5% of price hike, but it will all depend upon the raw material prices to a great extent.
- Darshil Jhaveri:** Okay, sir. And, sir, just wanted to know, sir, we are guiding for a 15% growth. But is there like some risk that this cannot be achieved or because of what is it dependent upon, you know, our growth? If we can put it that way, like which sector has to fire so that we will be able to achieve this growth, sir?
- Vikash Agarwal:** There are a lot of factors like in terms of export is there, which is not very big for us. Women's wear, which is not again very big for us. Athleisure hasn't done, in last two years, hasn't done well. So that are the two segments. Winter wear, still numbers are very less compared to what we did a couple of years back. So, winter, if it does well, winter wear should do well. In economy segment, we have invested heavily in last one year with endorsement with Ranbir Kapoor and all that should do well. Modern trade should do well.
- In fact, with signature collection with Rohit Bal, what we have introduced, that should help us. So, there are various things what we are doing. Opportunities are everywhere. We are working on all, actually on all of them, building up a strong team and we are hopeful, we should be able to do better this year.
- And the launch of new retail Pragati scheme, loyalty scheme, that will actually help us to map, better secondary map retailers also where we are doing primary. But where secondary is happening, that mapping will also be done. So, that's another initiative what we have started. So, how better we expand will all depend now.
- Darshil Jhaveri:** And just my last question, when can we get back to the trajectory of 14%-15% EBITDA? This year we are hiding around 10%-11%. So, you know when can we, what pathway do we see that we can return to our maybe historical margins?

- Vikash Agarwal:** I think right now the challenge once we do a fair top line of around 15% and above this year. And coming year or two, once we have a fair top line, those numbers are quite achievable as well.
- Darshil Jhaveri:** Okay, okay. Fair enough, sir. That's it from my side. Thank you, sir.
- Vikash Agarwal:** Also, the lot will depend on raw material prices. The last few years, raw material prices has taken a huge hit. So, that was the main reason which is very unique and which is not normal to a business, to any business standard procedure. So, that we are getting out of it. So, probably this is the last year of the pain period. And I think coming year should definitely do better.
- Darshil Jhaveri:** Okay. Thank you so much, sir. All the best.
- Moderator:** Thank you. The next question is from the line of Rehan from Equitree Capital. Please go ahead.
- Rehan:** Hi, sir. Thanks for the opportunity. My question is on the gross margin. We've seen raw material price be fairly stable over last year. But your gross margins haven't supposedly improved drastically in terms of the overall market kind of situation. So, can you throw some light on why are we struggling on that?
- Sumit Khowala:** The ASP has not been increased. So, the net realizable is less. So, we have maintained the gross margin that we have maintained in the last quarter, for the December quarter. And the gross margin for the fourth quarter remains the same. Going forward, if there is a price hike, we'll definitely improve on gross margins.
- Rehan:** Is the product mix changing? That's mainly my question. Because, you know, we're not, the contribution seems to be same versus Y-o-Y. So, are we selling more on the economy segment? I mean, I'm just trying to understand that. Because the gross margin is purely flattish versus industry standard.
- Vikash Agarwal:** Rehan, as of now, the product mix hasn't changed. But we have taken a lot of initiatives to launch the premium segment and like colours in the mid-premium segment. And once the sale of women's wear, ladies wear and thermal wear picks up, those numbers will change. The gross margin will definitely change.
- Rehan:** Okay. So, basically, is the company focusing more on premium or mass market? I mean, where are you trying to find your strength and capital...
- Vikash Agarwal:** Everywhere, we find enough opportunity in all the segments and our focus is everywhere. We have equal focus on economy, we have equal focus on premium also. And other segments, what are not very huge, big for us, but the opportunity is great. Like, as I mentioned again, like women's wear, athleisure, thermal wear, those are high gross margin businesses, where, of course, the focus is also there as well, that's including export...
- Rehan:** In your segmental volume growth, could you repeat the volume growth for year-on-year segmentally, like economy, mid-premium and premium, for year and a quarter?

- Sumit Khowala:** Yeah, the volume growth for economy segment for FY'24 is 7%. And for mid-premium, it's 8.6%. And for premium segment is 25%.
- Rehan:** This is volume, right?
- Sumit Khowala:** Yeah, just a second. Economy segment, there is 16%, mid-premium 17% and premium is 25%.
- Rehan:** But these are all volume numbers, that's correct?
- Vikash Agarwal:** Yeah, volume numbers.
- Rehan:** And your for the quarter is 27% and 7%, is that correct?
- Vikash Agarwal:** Yeah.
- Rehan:** Okay. And lastly, what kind of contribution have we seen from the women's wear this segment, this quarter?
- Sumit Khowala:** Contribution from women's segment for FY'24 is around 10%.
- Rehan:** And can you tell, what was the ASP's like for the year, for the entire year?
- Sumit Khowala:** Pardon?
- Rehan:** What was the ASP's like for FY'24?
- Sumit Khowala:** INR70 to INR75, ranges between INR70 to INR75.
- Moderator:** Thank you. The next question is from the line of Aniket Kulkarni from BMSPL Capital. Please go ahead.
- Aniket Kulkarni:** So, I just wanted to understand what basically drives the demand in this industry. So, as you said, the raw material prices are at multi-year lows. So, the product prices too should be at lower prices, right? So, if that is the case, then why is the demand side not yet picking up? I mean, I just wanted to understand what are the factors which drive demand? Is it better consumption, better economic performance on the rural side or I mean what exactly drives demand here? Because if the prices are low, then demand shouldn't be a problem, right?
- Vikash Agarwal:** It's not about the price. Like as we have said, we have grown 17% in terms of volume. But yes, demand definitely depends a lot upon the prices also. But rural demand has been a little soft for us. So, if we see rural demand in last quarter, we are a little soft. Incoming quarter should do well, which will definitely help us in better numbers as well. But our understanding was a weak rural demand in last few quarters.
- Aniket Kulkarni:** Okay, okay. I understood. Thank you so much.
- Vikash Agarwal:** Inflation, probably beyond our understanding, we assume it is largely because of inflation.

- Moderator:** Thank you. The next question is from the line of Junaid from Counter Cyclical PMS. Please go ahead.
- Junaid:** Sir, you have been mentioning about the Pragati scheme. So, can you just throw some more light on what that actually is and how will it impact the company going forward?
- Vikash Agarwal:** It is basically a retail loyalty scheme. So long, historically, we are doing more of primary, selling to our distributors and wholesalers. Now, this is further mapping. Once we do primary and the dealers build it to our retailers that is secondary what we call. So, that is actually a secondary mapping what we are doing. And anybody who is billing through DMS, through the system, will get the reward points.
- So, those reward points are for lifelong where retailers, it is basically a loyalty program for retailers. More he buys, more incentive he gets. And more wider range he buys, more incentive he gets. It is basically to incentivize retailers who are associated with us.
- Aniket Kulkarni:** Alright, sir. So, this is just to improve the stickiness of the retailer with us. Absolutely.
- Vikash Agarwal:** And to inspire him to sell a wider range and to do a regular business.
- Aniket Kulkarni:** Alright, sir. When was this launched and have you seen any impact of this?
- Vikash Agarwal:** Few stations we have launched. Those stations it has done well. So, now we are increasing it to two states. We have started the process. It takes little time to stabilize a city or a state. So, it is a little lengthy process. But we are hopeful in a quarter or two, we will be able to get a better traction from that.
- Junaid:** Alright, sir. Got it. Sir, can you also share the price trend of raw materials for FY '24 and how are they failing right now?
- Vikash Agarwal:** Like it is stable now. And coming quarters we see it should stay stable. Until and unless export demand is not very huge, which we don't see. Export demand is better from previously. But coming quarters it should not be weak, it should be firm.
- Junaid:** Sir, can you quantify the numbers?
- Vikash Agarwal:** In terms of yarn prices?
- Junaid:** Raw materials prices, yes. Yarn prices.
- Vikash Agarwal:** Primarily say yarn prices are around 285 to 290. 285 to 290 for a 40s count. So, that should stay around these levels is our assumption.
- Junaid:** Okay, sir. And how much is in Q4 FY '23?
- Vikash Agarwal:** '23 it was 350.
- Junaid:** Okay, sir. Got it. That's all from my side. Thank you.

- Moderator:** Thank you. The next question is from the line of Anushka Chitnis from Arihant Capital. Please go ahead.
- Anushka Chitnis:** Thank you so much for the opportunity. I just wanted to ask if the management has any capital allocation policy for the years to come? If there is any major capex planned? If you can just talk about that a little.
- Sumit Khowala:** There is no expansion plan for FY '25. So, there will be a routine capex of INR12 crores to INR15 crores. We are operating at around 70% to 75% of our actual working capacity. So, whenever we would require an increase in capacity, we can invest. We have cash in our books and we can expand easily.
- Vikash Agarwal:** And at the same time, we are do looking for some inorganic opportunities always on the cards.
- Anushka Chitnis:** Okay, sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Manish Shah, an individual investor. Please go ahead.
- Manish Shah:** Thank you for the opportunity, sir. So, in this quarter, our margins have gone up. What is the primary reason for that, sir? Hello.
- Vikash Agarwal:** Hello.
- Manish Shah:** Yes.
- Sumit Khowala:** The gross margin compared to last year's quarter 4 has been increased. And the reason for the same is basically the change in mix as well as calibration of prices.
- Manish Shah:** So, sir, is this thing sustainable in the foreseeing quarters also?
- Sumit Khowala:** Yes. Going forward, if the price remains the same, we will maintain the same level of gross margin. If the raw material price rises, if the market supports, we will take a price hike and improve our gross margin.
- Manish Shah:** Sir, in this quarter, our high margin products have given a good sale. So, is this our focus product for the foreseeing quarter also?
- Vikash Agarwal:** Absolutely, yes.
- Manish Shah:** And sir, who are our major, two, three major competitors?
- Vikash Agarwal:** Major competitors is all the district you are aware of. Of course, Jockey is there, there are other brands are there. All the district brands are there.
- Manish Shah:** Sir, but, yes, in the listed, I think there are two, three people, only Dollar, Lux and other people. But what about these other Dixie Scott and Macho Spoto, Amul and all these people?

- Vikash Agarwal:** Of course, all these are competition. Whoever is in the market is all competition somewhere or in some region.
- Manish Shah:** But these are smaller than us, these people?
- Vikash Agarwal:** These are unlisted brands, so we are unable to, we are not able to gauge what numbers they are doing.
- Manish Shah:** So, but our major competitors are the listed ones only. I think these are bigger people like Dollar and Lux.
- Vikash Agarwal:** Those numbers are visible to everybody, so we know that.
- Manish Shah:** So, we don't know about these other people who are not listed?
- Vikash Agarwal:** We are not sure about their numbers and all.
- Moderator:** Sorry to interrupt Mr. Shah, I request you to rejoin the queue.
- Manish Shah:** Yes, thank you.
- Moderator:** Thank you, sir. The next question is from the line of Yash Sonthaliya from Bonit Capital. Please go ahead.
- Yash Sonthaliya:** Hi, thank you for the opportunity. So, few questions on our Pragati scheme. So, are we doing this scheme only in the new states and regions or also applying to the older regions or the existing regions?
- Vikash Agarwal:** No, we have applied to an older region and to a new region, both, just to experiment how it goes.
- Yash Sonthaliya:** So, currently the two states what we are mentioning, both are new or the older states?
- Vikash Agarwal:** One is new, one is old.
- Yash Sonthaliya:** Sorry?
- Vikash Agarwal:** One is new, one is old.
- Yash Sonthaliya:** Okay, and second question, like follow up on this, in the older states, how we are dealing with our distributors? Because if I am not wrong, directly connecting or giving incentive to retailers can hamper the connection with distributors, right?
- Vikash Agarwal:** Through distributors only. The program is through distributors only, it's not a direct program. So, distributor is a channel partner, through him we are doing, it's not a direct jumping to retailers. In fact, it will help distributors also to have a better payment rotation from retailers, because that relationship will then continue with retailers, it's not one time. So, the idea is to have a continued relationship between dealer and retailer.

- Yash Sonthaliya:** And one more follow up, like going ahead, if we are able to reorganize more of our distribution channel, how would it impact or apply to our inventories and margins?
- Vikash Agarwal:** That would definitely help us and Pragati Program is initiative in that line only. So, that will help us to organize our distribution structure also.
- Yash Sonthaliya:** Is there any ballpark quantifiable numbers on inventory and margins from this specific program?
- Vikash Agarwal:** Not as of now, but definitely it will do better. But on immediate term, it will be difficult to comment on anything specific.
- Yash Sonthaliya:** And one last question, like we are expecting 15% revenue growth next year. So, how much it is from the existing states and increasing volumes and how much it is from new penetration? Any ballpark number, if we have?
- Vikash Agarwal:** Ballpark number, but of course, new state the percentage will be high and the existing state the percentage will be low. But a mix of 15% is what we are targeting at.
- Yash Sonthaliya:** Thank you. Best of luck for the upcoming quarters.
- Moderator:** Thank you. The next question is from the line of Resha Mehta from Green Edge Wealth. Please go ahead.
- Resha Mehta:** Thank you for the follow up. Just on a related note, from the working capital side, what the previous participant mentioned. So, effectively, what would be the reduction in working capital that we see because of this program and also overall from, the other efforts on the inventory and, reduction of better day side. So, currently, we are at almost 63% of net sales. That's our working capital requirement. So, what is our aspiration number here and FY'25, where do we see this 63% number settling?
- Sumit Khowala:** Going forward, we are taking necessary efforts to reduce this working capital to around 170 days, 180 days for this year. We have taken a target to reduce it to total working capital to 180 days and we are taking necessary steps. We are providing channel financing scheme to our dealers. Already 65 dealers have been enrolled in this program. And we are also means preparing inventory. We have implemented S4 HANA system where we can have a real-time inventory check what to produce and have a business forecast for them.
- Resha Mehta:** And also the presentation mentions that this direct distribution channel that we have, it will be for the premium and super-premium product category. So, is the economy range out of the direct distribution channel?
- Vikash Agarwal:** So, initially we are targeting premium and super-premium range only through distribution. But the Pragati program, once we start, that will help economy range also to get into distribution model.
- Resha Mehta:** And what would be the revenue contribution of premium and super-premium categories to FY'24 revenue?



- Sumit Khowala:** Premium segment contributes around 7%.
- Resha Mehta:** And super-premium?
- Sumit Khowala:** Super-premium is basically 0.5% to 1%.
- Resha Mehta:** Okay. Got it. That's it from my side. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Ketan Athavale from RoboCapital. Please go ahead.
- Ketan Athavale:** Hello, sir. Thank you for the opportunity. I wanted to know your growth outlook for next 2 years to 3 years?
- Vikash Agarwal:** So, I think 15% year-on-year is what we target.
- Ketan Athavale:** So, we maintain that for next 3 years. Okay. And then you said if we continue to achieve that, then we can get up to 14% to 15% our historical margin?
- Vikash Agarwal:** Absolutely.
- Ketan Athavale:** Okay. Got it. And can you just name, top 2 drivers. I understand the Pragati scheme. But besides this, if you can name top 2 drivers of our growth.
- Vikash Agarwal:** Top 2 drivers of our growth are definitely Athleisure and women's wear is one. So, Athleisure and women's wear both are a big segment where we can have a huge growth and where our size is not quite big. So, opportunity is quite big there.
- Ketan Athavale:** Okay. Got it. Thank you. Those are my questions. Thank you so much.
- Moderator:** Thank you. That was the last question for the day. I would now like to hand the conference over to Mr. Sumeet Khaitan for closing remarks. Over to you, sir.
- Sumeet Khaitan:** Yes. Thank you everyone for joining the call. I hope management was able to answer all the queries today. We are Orient Capital Investor Relations Advisors to Rupa & Company Limited. For any queries, please feel free to reach out to us. Thank you everyone and have a nice day.
- Moderator:** Thank you. On behalf of Rupa & Company Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.