

Q1FY25 Performance

- Revenue from operations grew ~7% YoY to ₹208crs primarily driven by strong sales in the core product line. The volume growth for the quarter reached 9%, supported by strong sales in the economy and athleisure segments.
- EBITDA grew 59% YoY to ₹18crs for the quarter driven by cost management and operational efficiency. Operating margins also improved by 280 basis points to 8.6% YoY compared to the same period last year. Furthermore, net profit experienced a substantial growth of 149% YoY to ₹10.5crs for the quarter.
- The pilot project ‘Pragati’, which was launched last quarter, has received encouraging feedback from distributors and expects healthy expansion of the project going forward.
- Cash flow from operations remains strong, generating ₹44crs in Q1FY25. The company has made significant progress in reducing debt, achieving a net debt-free status at the end of Q1FY25 (₹6crs in Q4FY24).
- The branding and advertising strategies accounted for 9% of revenues in Q1FY25.

Important Statistics

Nifty	24,144
Sensex	79,106
M.CAP (₹ crs)	₹2325
52 Week H/L (₹)	₹331/₹227
NSE Code	RUPA
BSE Code	533552
Bloomberg Code	RUPA:IN

Shareholding pattern (%) Jun'24

Promoter	73.28
Institutions	05.48
Public & Others	21.24

Key takeaways from Q1FY25 Concall

- The company reported stable performance in Q1FY25, though the industry continues to witness resistance to any price increase.
- The economy segment grew 16% YoY followed by 8% premium segment and 1% Mid-premium segment in Q1FY25.
- X-factor areas (West Bengal, Maharashtra [Ex Mumbai Pune], Gujarat, MP, Chattisgarh, Western UP, Utrakhand, Haryana, HP, Punjab, Tamil Nadu, Andhra Pradesh & Kerala) grew 18% YoY in Q1FY25.
- With the stabilization of cotton prices and competitive intensity, management does not see a price increase in the next 2-3 quarters.
- The company is building a strong team to improve the performance of modern trade. Currently, it is contributing 8% to overall revenue in Q1FY25. The company is taking strategic actions to enhance modern trade growth. The Company has 29 EBOs and planning to open 5-6 EBOs in Q2FY25 and plans a Pan India presence with 150 EBOs in the next 2-3 year.
- The company has invested ~16cr in branding and advertising, which constitutes ~9% of revenues in Q1FY25, and expects 6-7% in FY25. The company also launched a new pilot projects in UP, Rajasthan, and Chhattisgarh for retailers under the Pragati scheme, a loyalty program with standout features like lifetime validity of reward points, which will help to map secondary better as well.
- **Export (4% of revenue in Q1FY25)** – exports have shown progress, with a healthy 32% YoY growth, reaching ₹8crs. This reflects steady penetration into international markets.
- Revenue contribution from modern trade remains robust at 8% in Q1FY25.
- Net working capital stood at ₹716crs vs ₹762crs in FY24. Cash and cash equivalent stood at ₹36crs in Q1FY25

Relative Performance

Absolute Return (%)	1Yr	3Yr	5Yr
RUPA	12	-29	80
Nifty 50	27	49	126
Sensex	23	45	119

Source: Company, Way2Wealth Research

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16th August 2024

CMP – ₹297/-

View – **Accumulate**

- **Net Debt** – Cash generated from operations stands at ₹44crs positive which is mainly utilised in reducing net debt. The company has now become a net debt-free company
- **Guidance** – Management targets 12-15% revenue growth driven by volume growth and improved consumer demand and EBITDA margin to expand 10-11% in FY25. Better product mix as well as control on ad spend and other operational overheads, which would lead to improved margins in coming years.
- There is no expansion plan for FY'25. So, there will be a routine capex of ₹12-15crs.
- The company has five subsidiaries, Oban Fashion, Imoogi, Euro, Rupa Fashion, and Rupa Bangladesh. Three subsidiaries; Oban, Imoogi and Euro, are EBITDA positive. Rupa Fashion and Rupa Bangladesh has not started its operation yet.

Risks

- Inflation in raw material prices
- Competition from both organized & un-organized players
- Slowdown in the economy

View

The company notably registered a 9% & 17% volume growth in Q1FY25 and FY24 respectively. Growth in volumes reflects strong brand recognition, innovative product lines, and effective business strategy.

The company's focus on operating efficiencies, enhancing its share of premium products, and deleveraging the balance sheet would keep the growth momentum steady for the long term.

At the current price of ₹297 it is trading at 33.7x times P/E to its FY24 EPS of ₹8.8. We recommend investors to accumulate the stock.

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 View – **Accumulate**
Quarterly Performance

(₹ Cr)

Particulars	Q1FY25	Q1FY24	VAR	Q4FY24	VAR	FY24
Net Sales	208.1	194.2	7.18%	399.3	-47.9%	1,210.5
Other Operating Income	2.2	1.3	72.8%	1.2	80.0%	6.0
Other Income	4.7	3.2	45.7%	5.0	-5.0%	16.8
TOTAL INCOME	215.0	198.7	8.2%	405.5	-47.0%	1,233.3
Cost Of Materials Consumed	162.3	119.1	36.3%	146.9	10.5%	516.5
Purchase of stock in trade	5.3	3.9	36.1%	7.8	-31.6%	23.3
Stock Adjustment	(101.2)	(45.3)	123.4%	66.6	-252.1%	77.3
	<i>RMC as a %age of sales</i>	<i>31.6%</i>	<i>39.7%</i>	<i>55.3%</i>		<i>50.7%</i>
Employee Benefit Expenses	14.4	13.3	7.7%	14.2	1.1%	56.6
	<i>EPC as a %age of sales</i>	<i>6.8%</i>	<i>6.8%</i>	<i>3.5%</i>		<i>4.6%</i>
Subcontracting / Jobbing	67.5	49.1	37.4%	71.9	-6.1%	247.6
<i>Subcontracting/jobbing Expenses as a %age of sales</i>	<i>32.1%</i>	<i>25.1%</i>		<i>17.9%</i>		<i>20.4%</i>
Other Expenses	44.0	44.0	0.1%	52.7	-16.5%	178.2
	<i>Other Expenses as a %age of sales</i>	<i>20.9%</i>	<i>22.5%</i>	<i>13.2%</i>		<i>14.6%</i>
TOTAL EXPENDITURE	192.3	184.1	4.5%	360.1	-46.6%	1,099.4
EBIDTA	18.0	11.4	58.6%	40.4	-55.4%	117.1
	<i>EBIDTA Margins %</i>	<i>8.6%</i>	<i>5.8%</i>	<i>2.8%</i>		<i>9.6%</i>
Finance Costs	4.9	5.2	-6.9%	4.9	0.0%	20.7
PBDT	17.9	9.4	90.5%	40.5	-55.9%	113.3
Depreciation	3.6	3.5	4.6%	3.7	-3.0%	14.7
Profit before Exception item	14.3	5.9	140.5%	36.8	-61.2%	98.5
Exceptional items			#DIV/0!	3.8	-100.0%	3.8
PBT	14.3	5.9	140.5%	33.0	-56.8%	94.7
Tax	3.8	1.7	123.5%	8.7	-56.4%	24.9
	<i>Tax Rate</i>	<i>26.6%</i>	<i>28.7%</i>	<i>26.4%</i>		<i>26.3%</i>
Reported Profit After Tax	10.5	4.2	147.3%	24.3	-56.9%	69.8
	<i>PATM %</i>	<i>5.0%</i>	<i>2.2%</i>	<i>2.8%</i>		<i>5.7%</i>
Other Comprehensive Income (Net of tax)- net credit / (charge)	0.8	0.3		0.3		0.0
Total Comprehensive Income	11.3	4.5	150.2%	24.5	-54.1%	69.9
EPS	1.3	0.5	147.3%	3.1	-56.9%	8.8
Equity	8.0	8.0		8.0		8.0
Face Value	1.0	1.0		1.0		1.0

Source: Company, Way2wealth Research

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Name of the Security	Rupa & Company Ltd.
Name of the analyst	Ashwini Sonawane
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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