

Q2FY25 Performance

- Revenue from operations declined ~2% YoY to ₹295crs in Q2FY25 impacted mainly due to aggressive price strategies vis-à-vis growth in volume by 2%. For H1FY25 volume grew by 5%, and the value grew by 2%. The industry continues to witness aggressive price strategies and resistance to price increases.
- Additionally, demand usually associated with the festive season has shifted to Q3FY25. Management expects improved performance in the coming quarters, with a potential boost from thermal wear sales, athleisure, and modern trade business.
- EBITDA declined 12% YoY to ₹28.5crs for Q2FY25. The EBITDA margin for the quarter stood at 9.6%, down by 110 basis points YoY. The net profit stood at ₹18crs against ₹21crs in Q2 FY24, which degrew by 10% YoY. The PAT margin for the quarter stood at 6.2%, down by 60 basis points year-on-year.
- The pilot project Pragati launched in Q4FY24, has received encouraging feedback from distributors and expects healthy expansion of the project going forward.

Important Statistics

Nifty	23,914
Sensex	79,044
M.CAP (₹ crs)	₹2068.04
52 Week H/L (₹)	₹362/₹227
NSE Code	RUPA
BSE Code	533552
Bloomberg Code	RUPA:IN

Shareholding pattern (%)	Sep'24
Promoter	73.28
Institutions	05.32
Public & Others	21.40

Key takeaways from Q2FY25 Concall

- For H1FY25 volume grew by 5%, and value grew by 2% led by volume growth of 6% YoY & 12% YoY in the economy segment with lower margins. The athleisure segment also showed promising volume growth of 35% in H1FY25.
- In terms of sales volumes for H1FY25, the athleisure segment showed a promising growth of 35%. Revenues from Modern Trade also demonstrated robust growth of 35% in H1FY25, contributing 7% to the overall revenues. This underscores a strong presence in major online platforms. Additionally, Rupa has also observed a significant growth of 25% in X-factors areas in H1FY25. This showcases the successful utilization of diverse revenue streams. Exports remained subdued, with export revenue at ₹14crs, contributing 3% to total revenues.
- As of Sept'24, net debt stands at ₹20crs. The branding and advertisement expenses on H1FY25 stood at ₹33crs, which stood at 6.5% of overall revenues. Exclusive Brand Outlet (EBO) reached 31 stores as of H1FY25 and continued to expand the retail footprint to reach a broader customer base.
- The Management has lowered its revenue growth guidance ~8% for FY25 and between 10% to 12% for H2FY25. EBITDA guidance will be in the range of 10% to 11% for FY25. There would be no major capex plan for FY25, only a routine capex of around ₹15-20crs. The company plans to maintain advertising expenses of ~7% of revenue in FY25.
- The volume growth for Q2FY25 in the economy segment is ~6%, for the mid-premium, it decreased by 2%, and for the premium segment, it decreased by 10%. For H1FY25, the volume growth for the economy segment is around 12%, for mid-premium, it de-grew by 2%, and for premium it de-grew by 3%.
- The company is building a strong team to improve the performance of modern trade. Currently, it is contributing 7% to overall revenue in Q2FY25. The company is taking strategic actions to enhance modern trade growth. The Company has 31 EBOs and plans a Pan India presence with 50 EBOs in FY25.
- The company has invested ~16cr in branding and advertising, which constitutes ~9% of revenues in Q1FY'25, and expects 6-7% in FY25. The

Relative Performance

Absolute Return (%)	1Yr	3Yr	5Yr
RUPA	-4	-39	36
Nifty 50	19	39	101
Sensex	18	37	96

Source: Company, Way2Wealth Research

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 29th November 2024

CMP – ₹260/-

 View – **Hold**

company also launched a new pilot project 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.

- Net debt stands on H1FY25 is ₹20crs. Working capital as of H1FY25 stands at ₹790crs. Working capital days for H1FY25 is 228 days.
- 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

Revenue in Q2FY25 declined by 1.6% YoY with modest volume growth of 2% YoY impacted mainly due to aggressive price strategies led by the competition. Additionally, part of the festive demand shifted to Q3FY25, affecting the quarter's performance. The mid-premium and premium segments witnessed a decline in volumes during both Q2 and H1FY25; however, Rupa is gradually strengthening its presence in these categories.

With no major capex planned for FY25, the company is expected to maintain a healthy balance sheet, supporting steady long-term growth.

At the current price of ₹260 it is trading at 27.6x times P/E to its TTM EPS of ₹9.3. We recommend investors to Hold the stock.

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Quarterly Performance

(₹ Cr)

Particulars	Q2FY25	Q2FY24	VAR	Q1FY25	VAR	H1FY25	H1FY24	VAR
Net Sales	295.0	299.8	-1.59%	208.1	41.8%	503.2	494.0	1.85%
Other Operating Income	2.1	2.3	-9.3%	2.2	-4.6%	4.2	3.5	19.9%
Other Income	4.3	4.4	-1.6%	4.7	-8.3%	9.1	7.6	18.5%
TOTAL INCOME	301.4	306.5	-1.7%	215.0	40.2%	516.4	505.2	2.2%
Cost Of Materials Consumed	170.9	149.8	14.0%	162.3	5.2%	333.2	268.9	23.9%
Purchase of stock in trade	4.1	6.0	-31.3%	5.3	-22.4%	9.5	9.9	-4.7%
Stock Adjustment	(54.1)	(11.3)	379.3%	(101.2)	-46.6%	(155.3)	(56.6)	174.4%
<i>RMC as a %age of sales</i>	<i>40.7%</i>	<i>47.8%</i>		<i>31.6%</i>		<i>36.9%</i>	<i>44.7%</i>	
Employee Benefit Expenses	15.9	14.1	12.4%	14.4	10.4%	30.2	27.5	10.1%
<i>EPC as a %age of sales</i>	<i>5.3%</i>	<i>4.7%</i>		<i>6.8%</i>		<i>6.0%</i>	<i>5.5%</i>	
Subcontracting / Jobbing	90.6	67.0	35.2%	67.5	34.2%	158.0	116.1	36.1%
<i>Subcontracting/jobbing Expenses as a %age of sales</i>	<i>30.5%</i>	<i>22.2%</i>		<i>32.1%</i>		<i>31.1%</i>	<i>23.3%</i>	
Other Expenses	41.2	44.0	-6.3%	44.0	-6.3%	85.3	88.0	-3.1%
<i>Other Expenses as a %age of sales</i>	<i>13.9%</i>	<i>14.6%</i>		<i>20.9%</i>		<i>16.8%</i>	<i>17.7%</i>	
TOTAL EXPENDITURE	268.6	269.6	-0.4%	192.3	39.7%	460.9	453.7	1.6%
EBIDTA	28.5	32.5	-12.1%	18.0	58.4%	46.5	43.8	6.2%
<i>EBIDTA Margins %</i>	<i>9.6%</i>	<i>10.7%</i>	<i>-1.1%</i>	<i>8.6%</i>		<i>9.2%</i>	<i>8.8%</i>	<i>0.4%</i>
Finance Costs	5.0	5.2	-3.1%	4.9	3.7%	9.9	10.4	-5.0%
PBDT	27.8	31.7	-12.1%	17.9	55.7%	45.7	41.0	11.3%
Depreciation	3.7	3.8	-3.9%	3.6	1.4%	7.3	7.3	0.1%
PBT	24.2	27.9	-13.2%	14.3	69.4%	38.4	33.8	13.7%
Tax	5.7	7.3	-21.9%	3.8	50.3%	9.5	9.0	5.5%
<i>Tax Rate</i>	<i>23.6%</i>	<i>26.2%</i>		<i>26.6%</i>		<i>24.8%</i>	<i>26.7%</i>	
Reported Profit After Tax	18.5	20.5	-10.2%	10.5	76.4%	28.9	24.8	16.7%
<i>PATM %</i>	<i>6.2%</i>	<i>6.8%</i>	<i>-0.6%</i>	<i>5.0%</i>		<i>5.7%</i>	<i>5.0%</i>	<i>0.7%</i>
Other Comprehensive Income (Net of tax)- net credit / (charge)	0.1	0.0		0.8		0.9	0.3	
Total Comprehensive Income	18.5	20.6	-9.8%	11.3	64.7%	29.8	25.1	18.9%
EPS	2.3	2.6	-10.2%	1.3	76.4%	3.6	3.1	16.7%
Equity	8.0	8.0		8.0		8.0	8.0	
Face Value	1.0	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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