

### Q1-FY23 Result Update

- ❑ Rupa & Company Limited is one of the leading and largest knitwear brand in India. The Company is present across the entire value chain in the knitted garment space offering a gamut of products from innerwear to fashion wear. It is engaged in the manufacturing, marketing, selling and distribution of men's and women's innerwear, thermal wear and fashion wear across economy, mid-premium, premium and super-premium categories.
- ❑ The Company operates through its state-of-the-art manufacturing facilities in West Bengal, Tamil Nadu, Karnataka and Uttar Pradesh. The company has a PAN-India as well as international presence with a large distribution network consisting of 4 central warehouses, 7 exclusive brand outlets, more than 1200 dealers and 1,25,000 retailers. Further, the company is present through online platforms like Rupaonlinestore, Amazon, Flipkart, Myntra, etc.
- ❑ The company reported under performance during the quarter under review as revenue from operations declined by 1.5% YoY to ₹2,147 million & volume de-growth by more than 15%. Primary reason for this under performance according to the management is due to price hike and tightening of credit policy of the company in key few key rural areas of Bihar, Rajasthan, UP. However, the management believes the right credit culture is in the long term interest of the company.
- ❑ On profitability front, the EBITDA from operations for the quarter declined by 56.1% year-on-year to ₹185 million with an operating margin of 8.6%. The company reported PAT of ₹125 million, declined by 57.3% year-on-year with a net margin of 5.8% translating into EPS of ₹1.57 per share for the quarter.
- ❑ The decline in EBITDA margin was majorly attributed to the volatile raw material prices and which impacted gross margin as well as significant increase in marketing expenses. Further increased administrative and manpower expenses have not been absorbed completely due to the flat revenue in the quarter. The working capital cycle stood at 212 days which is stressed and due to the stocking of finished goods and semi-finished goods. However, company expects to moderate its working capital cycle in quarter to come.
- ❑ Given the company's extensive range of branded products across all segments, strong balance sheet and attractive valuations. We maintain our **BUY** rating on RUPA, with a revised target price of **₹500 per share**.

## Financials:

(In ₹ mn)	Q1-FY23	Q1-FY22	Chg
Net Sales	2,147	2,180	-1.5%
Operating Expense	1,962	1,758	11.6%
EBITDA	185	421	-56.1%
Other Income	56	20	
Depreciation	33	34	
EBIT	208	407	-49.0%
Interest	58	32	
PBT	150	375	-60.1%
Tax	25	83	
Exceptional Items	-	-	
PAT	125	292	-57.3%
Minority /Other Adj.	-	-	
Consolidated PAT	125	292	-57.3%

Margins	Q1-FY23	Q1-FY22	Chg BPS
Operating Margin %	8.6%	19.3%	-1072
Net Margin %	5.8%	13.4%	-758

## Consolidated Financials:

(In ₹ mn)	FY-21	FY-22	FY-23E	FY-24E
Net Sales	13,127	14,741	16,510	19,152
Operating Expense	10,553	12,056	14,450	15,474
EBITDA	2,573	2,685	2,060	3,678
Other Income	73	108	121	140
Depreciation	138	139	148	172
EBIT	2,508	2,654	2,033	3,646
Interest	134	187	208	238
Misc. items	-	-	-	-
PBT	2,374	2,467	1,825	3,408
Tax	621	549	406	758
Minority Interest	-	-	-	-
PAT	1,753	1,918	1,419	2,650

Margins	FY-21	FY-22	FY-23E	FY-24E
Sales Growth %	34.7%	12.3%	12.0%	16.0%
Operating Margin %	19.6%	18.2%	12.5%	19.2%
Net Margin %	13.4%	13.0%	8.6%	13.8%

(In ₹ mn)	FY-21	FY-22	FY-23E	FY-24E
<b>Liabilities</b>				
Equity Share Capital	80	80	80	80
Reserves & Surplus	7,216	8,738	10,158	12,808
Total Shareholder's Funds	7,295	8,818	10,237	12,887
Minority Interest	-	-	-	-
Long-Term Liabilities	135	159	159	159
Other Long-term Liabilities	169	156	156	156
Deferred Tax Liability	(11)	117	117	117
Short-term Liabilities	3,960	6,521	7,304	8,472
<b>Total</b>	<b>11,549</b>	<b>15,771</b>	<b>17,973</b>	<b>21,793</b>
<b>Assets</b>				
Net Fixed Assets	2,124	2,367	2,413	2,744
Long-Term L&A	200	198	198	198
Non Current Investments	0	0	0	0
Other Non-Current Assets	15	18	18	18
Current Asset	9,210	13,188	15,344	18,832
<b>Total</b>	<b>11,549</b>	<b>15,771</b>	<b>17,973</b>	<b>21,793</b>

Key Ratios	FY-21	FY-22	FY-23E	FY-24E
EPS (₹)	22.0	24.1	17.8	33.3
P/E (x)	15.4	14.0	19.0	10.2
P/B (x)	3.7	3.1	2.6	2.1
ROE	24.0%	21.8%	13.9%	20.6%

Source: Company, Anand Rathi Research

Key Risks:

- Regulatory Risks.
- Credit Risk.
- System Risk.
- Cyber Security Risk.
- Technology Risk.
- Liquidity Risk.



## Rating and Target Price history:

RUPA's rating history & price chart



RUPA's rating details

Date	Rating	Target Price (₹)	Share Price (₹)
5-Jul-2021	Buy	607	495
1-Sep-2022	Buy	500	339

Source: Bloomberg, Anand Rathi Research

NOTE: Prices are as on 1 September 2022 close.

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