Management Discussion

Pradnya Singh - Investor Relations, MUFG Intime
Thank you. Good evening, everyone. I welcome you all to the earnings conference call to discuss Q2 and H1 FY '27 results of Rupa & Company Limited. To discuss our results, we have with us from the management Mr. Vikash Agarwal , the Whole -Time Director; and Mr. Sumit Khowala , the Chief Financial Officer. They will take you through the results and then we will proceed to Q&A session. Before we proceed to the call, a small disclaimer. This conference may contain certain forward-looking statements about the company, which are based on beliefs, opinions and expectations as on date of this call. The actual results may differ materially. These statements are not guarantee of future performance and involve risk and uncertainties that are difficult to predict. A detailed safe harbor statement is also given on page two of the company's investor presentation.

Now I would like to hand over the call to Mr. Vikash Agarwal. Thank you, and over to you, sir.

Vikash Agarwal - Whole-Time Director, Rupa & Company Limited
Thank you. Good afternoon, ladies and gentlemen. On behalf of Rupa & Company Limited, I extend a very warm welcome to all the participants joining us today for our Q2 and H1 financial year '27 results conference call. We appreciate your continued engagement with the company. The financial results and the investor presentation has been uploaded on the stock exchange for your review. During the quarter, the company delivered a steady performance amid a highly competitive market environment. While overall revenue remained broadly flat. Athleisure and thermal wear categories demonstrated increasing traction during the quarter. We continue to strengthen and scale up these areas with an emphasis on enhancing its product mix and increasing the contribution of these categories. These initiatives are expected to support sustainable revenue growth and drive improved profitability margins over the medium to long term.

Modern Trade contributed 5% to our overall business, providing opportunities to strengthen and diversify our distribution channels. EBITDA for the quarter stood at INR26 crores, registering a year-on-year improvement of 15.9%, with an EBITDA margin of 8.1%. PAT for the quarter stood at INR17 crores, registering a year-on-year improvement of 17.4% with a PAT margin of 5.3%. The improvement in operating profitability was supported by the company's continued focus on cost optimization and operational efficiencies. During the quarter, the Board also approved the appointment of Mr. Sunirmal Talukdar as an Independent Director of the company. He retired as Group Executive President and CFO of Hindalco Industries and currently serves on the board of various companies including Aditya Birla Fashion and Retail Limited and Vodafone Idea Limited. His appointment further strengthens the company's governance framework and brings additional experience and perspective to the Board. We welcome him and look forward to his valuable contribution towards the company's strategic direction and long-term growth. Looking ahead, the company remains focused on driving sustainable growth through expansion of its distribution network, strengthening secondary sales, and building a stronger sales leadership and execution team comprising experienced industry professionals. As we move into the second half of the financial year, we are hopeful to achieve revenue growth of around 10% with an EBITDA margin of around 9%.

With this, I would like to hand over the call to our CFO, Mr. Sumit Khowala , to take you through the financial highlights of the quarter and the first half of financial year '27. Thank you.

Sumit Khowala - Chief Financial Officer, Rupa & Company Limited
Thank you, sir, and good afternoon everyone. I will now take you through the key financial highlights for the period. For quarter two, FY '27, revenue from operations stood at INR320.4 crores as against INR320.2 crores in quarter two, FY '26, which remained flat on a year-on-year basis. Gross margin for the quarter stood at 27.6% as compared to 27.4% in the corresponding quarter last year. EBITDA for the quarter stood at INR26 crores as compared to INR22.4 crores in the same period last year, registering a growth of 15.9% year-on-year basis. EBITA margin for the quarter stood at 8.1% , improving by 110 basis points year -on -year. Net profit after tax for the quarter stood at INR17 crores as against INR14.5 crores in quarter two, FY '26, registering a growth of 17.4% year -on -year. PAT margin for the quarter stood at 5.3%, improving by 80 basis points year-on-year basis.

Now moving to the first half performance. Revenue from operations for H1 FY '27 stood at INR522.8 crore as compared to INR504.1 crore in H1 FY '26, registering a growth of 3.7% year-on-year basis. Gross margin for H1 FY '27 stood at 31.4% as compared to 31.2% in the corresponding period last year. EBITDA for H1 FY '27 stood at INR41.7 crore as compared to INR34.6 crores in H1 FY '26, registering a growth of 20.4% year-on-year basis. EBITDA margin for H1 FY '27 stood at 8% as compared to 6.9% in H1 FY '26. Net profit after tax for H1 FY '27 stood at INR25.3 crores as against INR20 crores in H1 FY '26, registering a growth of 25.9% year-on-year basis. PAT margin for H1 FY '27 stood at 4.8% as compared to 4% in the corresponding period last year. We remain committed towards improving profitability through better product mix, efficient channel management, focused investment in high-growth categories and disciplined cost optimization initiatives.

With this, I conclude my remarks and open the floor for question -and -answer session. Thank you.

Questions & Answers

Operator
Thank you very much. We will now begin the question -and -answer session. [Operator Instructions] The first question is from the line of Raj Patel from RK Securities. Please proceed.

Raj Patel - Analyst, RK Securities
Yeah, hi, am I audible?

Operator
Yes, sir.

Raj Patel - Analyst, RK Securities
Yeah, so thank you for the opportunity. Just a quick question from my end. So I was keen to know what are the reasons behind the EBITDA growth whereas we see there was a flat revenue? Can you just throw some color on it?

Sumit Khowala - Chief Financial Officer, Rupa & Company Limited
The main reason for improvement in EBITDA is because of the improvement in gross margin. Gross margin is improved by almost 30 basis points. Then there is an improvement, then there is saving in advertisement cost. Last year, corresponding quarter it was 5.1%. This year it's 4.7%. And other, all other expenses contribute to the savings somewhere around 40 basis points. Consequently, the EBITDA is improved by around 110 basis points.

Raj Patel - Analyst, RK Securities
Got it, sir. That was all from my side. Thank you.

Operator
Thank you. The next question is from the line of Santosh Shetty from LGC Capital. Please go ahead.

Santosh Shetty - Analyst, LGC Capital
So thanks for the opportunity. What is the growth in thermals for the quarter and please guide on the order book for thermals?

Sumit Khowala - Chief Financial Officer, Rupa & Company Limited
Thermal showed a good traction during the quarter and registered a growth of 30% -plus in this quarter. And going forward, we hope that thermal will perform well and there will be good performance from the thermal by this year.

Santosh Shetty - Analyst, LGC Capital
All right, thank you so much. All the best.

Operator
Thank you. The next question is from the line of Payhal Sharma from DD Capital. Please go ahead.

Payal Sharma - Analyst, DD Capital
Hi sir, thanks for the opportunity. Sir, I have one question that last three, four quarters you were a debt-free company. C urrently you are debt positive. So please explain the reasons for this.

Sumit Khowala - Chief Financial Officer, Rupa & Company Limited
If you see from March '26 to September '26, there is an increase in working capital by almost INR75 crores. So in order to meet the working capital requirements, our borrowing has been increased.

Payal Sharma - Analyst, DD Capital
Okay, sir, thank you so much. Understood.

Operator
Thank you. The next question is from the line of Yash Mehta from Grit Securities . Please go ahead.

Yash Mehta - Analyst, Grit Securities
Hello, everyone. So I just wanted to know, like, what will be your capex plan?

Sumit Khowala - Chief Financial Officer, Rupa & Company Limited
Capex plan? Recently our Board approved a capex of around INR83 crores, out of which around INR58 crores will be used for development of factory cum warehouse at West Bengal, Huzuri Park and another INR25 crores will be used for construction of warehouse and storage of accessories -- for storage of accessories and for and dedicatedly for Modern Trade business. So it will cost around INR25 crores. The total outlay will be INR83 crores and it will be spending another two, 2.5 years.

Yash Mehta - Analyst, Grit Securities
Understood, understood. Thank you so much.

Operator
Thank you. [Operator Instructions] The next question is from the line of Vinay Dadwani, an individual

investor. Please proceed.

Vinay Jadwani - Analyst, Individual Investor
Yeah, I would like to know that as you are guiding for a 10% growth in sales for the whole year. So March '26 sales are around INR1,260 crores and the second half sale for the last year was around INR750 crores. And keeping in mind the current first half sale, the max sum are something around INR880 crores. So are you saying that in the second half we are targeting sales of around INR880 crores?

Sumit Khowala - Chief Financial Officer, Rupa & Company Limited
Yes.

Vinay Jadwani - Analyst, Individual Investor
Okay. Yes, from last second, last second half...

Sumit Khowala - Chief Financial Officer, Rupa & Company Limited
We are hopeful that we achieve such a growth during the year.

Vinay Jadwani - Analyst, Individual Investor
Yeah, means 20% growth from the second half of last year.

Sumit Khowala - Chief Financial Officer, Rupa & Company Limited
Yeah.

Vinay Jadwani - Analyst, Individual Investor
And what about the competition intensity in the hosiery market as of now? Is that subsided or it's as status quo?

Sumit Khowala - Chief Financial Officer, Rupa & Company Limited
Yeah, there is an intense competition going in the hosiery market where there is a price war going in the market on the scheme side, discount side and also receivable granting credit days is a big challenge.

Vinay Jadwani - Analyst, Individual Investor
So it hasn't improved from the last quarter, which then the from the last call, the intensity is as it is, you mean to say?

Sumit Khowala - Chief Financial Officer, Rupa & Company Limited
Yes.

Vinay Jadwani - Analyst, Individual Investor
Because many large investors are also losing patience. I have seen checking the shareholding pattern, Abacus was holding some around 4% stake. It has come down to 2% actually. The sales is not growing. So what are what, what kind of two to three-year view we can see in the company? If you can give some kind of a color on this for this year, as you are guiding 10% with EBITDA of 9%. Earlier, the normal EBITDA margin used to be 13% to 14%. So by when...

Vikash Agarwal - Whole-Time Director, Rupa & Company Limited
It is not specific to us. This is like, if you see the industry, industry is going through a little tough competitive time. So all the industry, all the major brands have this issue. So I'm sure in coming

quarters things will improve.

Vinay Jadwani - Analyst, Individual Investor
Yeah, yeah, yeah, sure.

Vikash Agarwal - Whole-Time Director, Rupa & Company Limited
Raw material price is high and all. So industry went through a tough time.

Vinay Jadwani - Analyst, Individual Investor
So yeah, I understand that. Lux Industries today came with today's result, the sales were down actually 10%. We have maintained the sales for this quarter. Their sales were down actually by 10%. So whole industry is facing headwinds, you mean to say?

Vikash Agarwal - Whole-Time Director, Rupa & Company Limited
Yeah.

Vinay Jadwani - Analyst, Individual Investor
Yeah. Okay, got that. Yeah, thank you.

Vikash Agarwal - Whole-Time Director, Rupa & Company Limited
Thank you.

Operator
Thank you. [Operator Instructions] As there are no further questions from the participants, I now hand the conference over to Ms. Pradnya for closing comments. Over to you, ma'am.

Pradnya Singh - Investor Relations, MUFG Intime
Thank you everyone for joining us on the call today. I would also like to thank the management for sparing the time and answering all the queries. We are MUFG Intime, Investor Relations Advisors to Rupa & Company Limited. Thank you.

Sumit Khowala - Chief Financial Officer, Rupa & Company Limited
Thank you.

Vikash Agarwal - Whole-Time Director, Rupa & Company Limited
Thank you.

Operator
[Operator Closing Remarks]