Q3 2023

1. Revenue Growth and Acquisition Integration

- **Narrative:** Management expressed optimism regarding revenue growth, targeting 15-20% cumulative growth. The Alpha acquisition is expected to be immediately accretive to both revenue and EBITDA, with a targeted return on capital employed (ROCE) of 18-20% in the first year. Longer-term, management projects 20% annual revenue growth for the next three years, even within existing capacity. However, they acknowledge that the growth trajectory of the previous year might not be fully replicable. The potential of Alpha to generate $20-$25 million annually was also highlighted.
- **Management's Guidance:**
- Target of 15-20% cumulative revenue growth; Alpha acquisition to be revenue and EBITDA accretive from year one, with ROCE of 18-20%; Potential for 20% annual revenue growth for the next three years; Alpha's potential to generate $20-$25 million annually.
- **Actual Results:**
['Q1', '2024']:
- In Q1 FY24, reported revenue growth varied considerably, ranging from a 5% year-on-year increase to a 15% increase, with one source even reporting a 21.5% year-on-year decrease. These discrepancies highlight a need for clarification on the exact figures and calculation methods. Data on Alpha's contribution to revenue is unavailable.
['Q2', '2024']:
- In Q2 FY24, consolidated revenue grew by 12% year-on-year. However, standalone revenue decreased by 23% year-on-year. H1 FY24 consolidated revenue showed an 8% year-on-year increase, including Rs. 72 crore from Alpha's integration.
['Q4', '2023']:
- In Q4 FY23, revenue from operations was INR 730.0 crores. Consolidated revenue for FY23 increased by 16.4% YoY to INR 3,158 crores (compared to INR 2,713.5 crores in FY22). Revenue growth was driven by increased orders from existing customers and improved realisations from acquired customers. The revenue contribution from customers added in the last 5 years doubled in FY23.
['Q3', '2023']:
- Revenue for Q3 FY23 grew by 2% to INR 717 crores. Revenue for nine months FY23 grew by 42% year-on-year to INR 829 crores. The revenue increase is attributed to improved realisations, Alpha unit integration from Q3 FY23, and improved operational efficiency in Bangladesh units.
- **Evaluation:**
- {'evaluation': 'Did not meet expectations', 'evaluation_reason': "The 2% revenue growth in Q3 2023 significantly fell short of the guided 15-20% cumulative growth, and while Alpha's integration began, its specific financial impact remains unclear, preventing a full assessment of its contribution to revenue."}

2. Profitability and Margin Improvement

- **Narrative:** Management anticipates high single-digit margins for the full year due to improved efficiency and capacity utilization. The long-term goal is to achieve stable double-digit margins, contingent on stable global economic conditions. The ROCE improvement from 12.4% to 22% in nine months of FY23 was highlighted.
- **Management's Guidance:**
- High single-digit margins for the full year; Transition to double-digit margins in the medium to long term; Alpha acquisition targeting 15-20% ROCE in the first year, stabilizing at 18-20% over two to three years.
- **Actual Results:**
['Q1', '2024']:
- In Q1 FY24, EBITDA margin expanded by 140 basis points year-on-year to 9.3%. Other sources provided various PAT margins and EPS data for different quarters, but these don't directly align with management's guidance of high single-digit margins for the full year. Available data shows varied profitability metrics, making accurate assessment complex. Information on Alpha's impact on profitability is missing.
['Q2', '2024']:
- In Q2 FY24, the adjusted EBITDA margin reached 8.3%, a 220 bps year-on-year increase. The H1 FY24 adjusted EBITDA margin (excluding ESOP expenses) was 8.8%, representing a 180 bps year-on-year improvement. H1 FY24 ROCE improved by 660 bps to 30.8% from 24.2% in FY23. However, the standalone Q2 FY24 adjusted EBITDA margin was 4.2%.
['Q4', '2023']:
- FY23 EBITDA margin improved by 290 bps to 8.1% from 5.2% in FY22. ROCE improved from 12.2% in FY22 to 24.2% in FY23. Q4 FY23 EBITDA was INR 62.8 crores, with an EBITDA margin of 8.6%. FY23 PAT was INR 153 crores.
['Q3', '2023']:
- Q3 FY23 margin was 6.1%. EBITDA for Q3 FY23 was 42.7 INR crores. PAT for Q3 FY23 was 37.4 INR crores. Adjusted PBT for Q3 FY23 increased by 115.8% compared to Q3 FY22. EBITDA grew 71% year-on-year for nine months FY23.
- **Evaluation:**
- {'evaluation': 'Met expectations', 'evaluation_reason': "The Q3 2023 margin of 6.1% falls within the management's guidance of high single-digit margins for the full year."}

3. Market Expansion and Government Initiatives

- **Narrative:** Management is exploring expansion strategies in India, leveraging the PLI scheme or expanding existing units. The potential for significant growth in the Indian market ($120 million turnover currently) was emphasized. The company is also aware of and considering the implications of the MITRA scheme for mega textile parks. The impact of PLI scheme benefits is anticipated in a couple of years. The extension of the RoSCTL scheme until March 2024 is viewed positively due to its impact on export predictability.
- **Management's Guidance:**
- Potential for significant growth in the Indian market beyond the current $120 million turnover; Positive outlook on the extension of the RoSCTL scheme until March 2024.
- **Actual Results:**
['Q1', '2024']:
- The provided data lacks specific, quantifiable results regarding market expansion in India or the impact of government initiatives in Q1 FY24. While there is mention of geographical revenue split and export performance, these are broad market trends and not directly linked to the company's specific performance related to the stated guidance.

['Q2', '2024']:
- No specific quantifiable actual results related to market expansion or government initiatives are provided in the Q2 FY24 data.
['Q4', '2023']:
- No specific Q4 FY23 results directly related to market expansion or government initiatives are provided in the data.
['Q3', '2023']:
- No specific quantifiable results related to market expansion or government initiatives are provided in the data for Q3 2023.
- **Evaluation:**
- {'evaluation': 'Cannot be Evaluated', 'evaluation_reason': "The provided data lacks specific quantifiable results for Q3 2023 regarding market expansion in India or the impact of government initiatives, preventing any evaluation against management's guidance."}

4. Working Capital Management
- **Narrative:** The company is adopting a cautious approach to raw material procurement, anticipating purchasing 10-20% less to maintain financial flexibility.
- **Management's Guidance:**
- Plan to purchase 10-15% or 20% less raw materials.
- **Actual Results:**
['Q1', '2024']:
- No information is available in the provided Q1 FY24 data regarding the actual reduction in raw material purchases.
['Q2', '2024']:
- No specific quantifiable actual results related to working capital management are directly provided in the Q2 FY24 data. However, the reduction in inventory in India is mentioned in relation to revenue reduction.
['Q4', '2023']:
- No specific Q4 FY23 results directly related to working capital management (raw material purchases) are provided in the data. However, data shows improvements in working capital days (from 63 to 40) and other working capital metrics.
['Q3', '2023']:
- No specific quantifiable results related to working capital management are provided in the data for Q3 2023.
- **Evaluation:**
- {'evaluation': 'Cannot be Evaluated', 'evaluation_reason': 'The provided data for Q3 2023 does not contain information on the actual reduction in raw material purchases, preventing an evaluation of the working capital management strategy.'}