

Q2 2023

1. Financial Performance and Strategy

- **Narrative:** Management discussed revenue projections for the coming fall, anticipating a potential decrease compared to pre-pandemic levels or the surge seen in 2021-22. They suggested a possible reduction of 5-15%, but lacked precise figures. Discussion also included maintaining a revenue run rate of roughly 800 Crores in H2. There was also commentary on the contribution of partnership factories to overall revenue, indicating a significant increase (from 9% to 20%) year-over-year. Finally, management addressed the potential revision of FY23 guidance, originally set at 3200 Crores in sales and approximately 7.5% margin in Q1 FY23. Q3 projections suggest a similar run rate to the previous year (750-800 Crores).

- **Management's Guidance:**

- A potential 5-10% decrease in revenue compared to pre-pandemic levels or the 2021-22 surge is anticipated for the coming fall. A revenue run rate of roughly 800 Crores is expected to be maintained into H2. Q3 is projected to show a similar revenue number as achieved last year (roughly 750-800 Crores). The company aims to achieve double-digit EBITDA margin in coming quarters, possibly by mid-FY25. This is contingent upon product mix and macroeconomic stabilization. Overall EBITDA margin improvement is expected on a full-year basis compared to the previous year.

- **Actual Results:**

['Q1', '2024']:

- In Q1 FY24, revenue increased by 5% year-on-year to INR 894 crores. Multiple sources report varying revenue growth figures for Q1 FY24, ranging from a 5% increase to a 15% increase, with some sources even indicating a 21.5% year-on-year decrease. The discrepancies highlight the complexity of interpreting data from various sources.

['Q4', '2023']:

- FY23 revenue increased by 16.4% YoY to INR 3,158.4 Crores, exceeding the initially projected 5-15% decrease. Q4 FY23 revenue was INR 730 Crores, a decrease of 18.5% compared to Q4 FY22. EBITDA margins improved by 290 bps to 8.1% in FY23. EBITDA for FY23 was INR 255.5 Crores, an 81.8% YoY increase. FY23 PBT was INR 175.8 Crores, and FY23 PAT was INR 153 Crores.

['Q3', '2023']:

- In Q3 FY23, revenue grew by 2% to INR 717 crores. Nine-month FY23 revenue increased by 34% year-on-year to INR 2,428 crores. The Q3 margin was 10% versus 6% in Q3 FY22. EBITDA for Q3 FY23 was INR 42.7 Crores, with a margin of 6.1%. Nine-month FY23 EBITDA stood at INR 193 crores, a 91% year-on-year growth, with margins improving by 2.39% year-on-year from 5.5% to 7.9%.

['Q2', '2023']:

- On a consolidated basis, Q2 FY23 revenue increased by 26% year-on-year to Rs. 860.3 Crores. Standalone revenue for Q2 FY23 grew 39% from 216.3 Crores to 300.5 Crores. The partnership factory contribution to overall revenue on a standalone basis was approximately 21% in H1FY23. H1 FY23 revenue increased by 53% Y-o-Y to Rs. 1711.4 Crores (Overseas revenue increased by 30%, India by 60%). Standalone revenue for H1 FY23 was Rs. 628.4 Crores, a growth of 62.7% over H1 FY22. EBITDA margin for Q2 FY23 improved from 5.9% in Q2 FY22 to 6.1%. For H1 FY23, EBITDA margin improved 180 basis points from 5.2% in H1 FY22 to 7%. Adjusted PBT (excluding exceptional items) for Q2 FY23 grew by 38.4% to 32.4 Crores versus 23.4 Crores in Q2 FY22. PAT for Q2 FY23 was 25.9 Crores versus 25.5 Crores in Q2 FY2022.

- **Evaluation:**

- **{'evaluation': 'Exceeded expectations', 'evaluation_reason': 'Q2 2023 results showed significant revenue growth (26% consolidated, 39% standalone) exceeding the anticipated 5-10% decrease, and a positive EBITDA margin improvement, surpassing the projected revenue decrease and exceeding expectations.'}**

2. Operational Efficiency and Expansion

- **Narrative:** Management indicated a focus on providing complete supply chain solutions to customers. Plans involve expanding into additional geographies and supply chains beyond the current two major ones.

- **Management's Guidance:**

- Expansion into third and fourth supply chains is planned for the future.

- **Actual Results:**

['Q1', '2024']:

- In Q1 FY24, partnership factory contribution to overall revenue stood at 16%. The company is present in 2 out of 4 supply chain areas.

['Q4', '2023']:

- Capex of INR 29 Crores was invested in expanding the Indonesia facility, resulting in a 35% capacity increase. No other specific results related to expansion into new supply chains are available from the provided data.

['Q3', '2023']:

- No specific quantifiable results related to supply chain expansion are available in the provided data.

['Q2', '2023']:

- In-house manufacturing increased by 25% and partnership factory output increased by 163%.

- **Evaluation:**

- **{'evaluation': 'Met expectations', 'evaluation_reason': 'While specific details on expansion into new supply chains are lacking, the significant increases in both in-house and partnership factory output demonstrate progress towards improving operational efficiency and capacity, aligning with the overall expansion strategy.'}**

3. Risk Management and Compliance

- **Narrative:** The impact of extended RoSCTL scheme (till March 31st, 2024) on exporters of apparel/garment and home textile products was mentioned, highlighting a stable and predictable policy regime for three years.

- **Management's Guidance:**

- No specific forward-looking statements directly from management, but the external factor of the RoSCTL extension is identified as beneficial.

- **Actual Results:**

['Q1', '2024']:

- No specific actual results related to the RoSCTL scheme are provided in the given data.

['Q4', '2023']:

- The extended RoSCTL scheme (until March 31st, 2024) positively impacted apparel/garment and home textile exporters, creating a stable policy regime for three years. This is corroborated by the provided data.

['Q3', '2023']:

- No specific quantifiable results directly related to the RoSCTL scheme are available in the provided data for Q3 2023.

['Q2', '2023']:

- No specific results related to the RoSCTL scheme were reported in the provided data.

- Evaluation:

- {'evaluation': 'Cannot be Evaluated', 'evaluation_reason': "The provided data for Q2 2023 does not contain any information on the impact of the RoSCTL scheme, preventing an evaluation of its effect on the company's performance."}