

Q4 2022

1. Financial Performance and Strategy

- **Narrative:** Management highlighted the company's focus on improving operational efficiencies to enhance its return on capital employed (ROCE). They linked this to expected robust growth in both topline (revenue) and bottom-line (profit) performance. The narrative also included external factors, specifically referencing the positive impact of favorable government policies and the company's asset-light business model. Additionally, the impact of the India-Australia Economic Cooperation and Trade Agreement (ECTA) on textile and apparel exports was mentioned.

- **Management's Guidance:**

- Management expects continued efforts to improve operational efficiencies will lead to a robust growth in both topline and bottom-line. Due to the India-Australia ECTA, Indian textile and apparel exports are projected to increase to US\$1100 million within the next 3 years. Indian textile exports are anticipated to grow at a ~11% CAGR, reaching \$65 billion by 2026 from a pre-COVID level of \$36 billion in 2019.

- **Actual Results:**

['Q3', '2023']:

- In Q3 2023, consolidated revenue grew by 2% to INR 717 crores. Nine-month FY23 revenue increased by 34% year-on-year to INR 2,428 crores due to improved product mix, better realization per piece, improved capacity utilization from Bangladesh and Vietnam factories, and improved operational efficiency in Bangladesh. Revenue for nine months FY'23 also grew 42% year-on-year to INR 829 crores. Various sources reported different revenue growth percentages for Q3 2023, ranging from 1% to 15%, reflecting inconsistencies in reporting or different business segments.

['Q4', '2022']:

- Revenue from Operations was INR 896.0 CRS in Q4 FY22. Revenue increased by 82% year-over-year. EBITDA increased by 132% to INR 140.6 CRS. PAT increased by 300% to INR 70.1 CRS. ROCE improved by 690 bps to 12.4% from 5.5% in FY21.

['Q2', '2023']:

- In Q2 FY23, consolidated revenue increased by 26% year-on-year to Rs. 860.3 Crores, and standalone revenue grew by 39% to Rs. 300.5 Crores. On a consolidated basis, H1 FY23 revenue increased by 53% year-on-year to Rs. 1711.4 Crores, with overseas revenue up 30% and India revenue up 60%. Standalone H1 FY23 revenue showed a 62.7% growth to Rs. 628.4 Crores. The H1 FY23 results represented the highest ever half-yearly revenue. EBITDA margin for Q2 FY23 improved to 6.1% from 5.9% in Q2 FY22, and H1 FY23 EBITDA margin improved by 180 basis points to 7% from 5.2% in H1 FY22. Consolidated EBITDA for H1 FY23 increased by 106%, and standalone EBITDA increased by 109.6%. Consolidated ROCE on a trailing twelve months (TTM) basis improved significantly to 20.4% from 12.4% in FY22. Standalone ROCE improved to 16.2% from 10.3% in FY22.

['Q1', '2023']:

- In Q1 2023, revenue from operations increased by 93% year-over-year to 327.9 INR CRS. The partnership factory contributed 21.3% to overall revenue (1.9 million on a standalone basis), up from 2.8% in Q1 FY22. Management described Q1 FY23 revenue as the highest ever first-quarter revenue since inception.

- **Evaluation:**

- **{'evaluation': 'Exceeded expectations', 'evaluation_reason': 'The 82% revenue growth, 132% EBITDA growth, and 300% PAT growth significantly exceeded the vaguely defined "robust growth" projected by management, demonstrating a substantial outperformance in Q4 2022. The ROCE improvement also surpassed any explicitly stated targets.'}**