

## India

**ADD** (no change)

Consensus ratings\*: Buy 6 Hold 1 Sell 0

Current price: Rs2,192  
 Target price: ▲ Rs2,500  
 Previous target: Rs2,327  
 Up/downside: 14.1%  
 InCred Research / Consensus: -3.3%

Reuters:  
 Bloomberg: RW IN  
 Market cap: US\$1,748m  
 Rs145,930m  
 Average daily turnover: US\$8.0m  
 Rs668.5m  
 Current shares o/s: 66.6m  
 Free float: 50.9%

\*Source: Bloomberg

**Key changes in this note**

- Raise target price to Rs2,513 from Rs2,327.
- Raise FY25F/26F EPS by around 9% each.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	14.5	25.0	37.0
Relative (%)	15.1	22.1	13.2

Major shareholders	% held
Promoter	49.1
Vanguard Group	2.1
UTI AMC	1.7

# Raymond Ltd

## Healthy performance; positive outlook

- Net sales grew 21.3% yoy in 4Q, led by strong growth in the real estate division and the apparel segment. Retail shop units boosted realty division's growth.
- Gross margin/EBITDA margin improved by 1,370bp/100bp yoy to 76.5%/16.7% in 4Q. Corporate actions & acquisitions are in the right direction.
- Maintain ADD rating on Raymond with a higher SOTP-based target price of Rs2,500 based on Mar-2026F estimates, as we roll forward our valuation.

**Healthy performance led by real estate and apparel businesses**

Raymond recorded strong sales growth at 21.3% yoy to Rs26.1bn in 4QFY24 led by a 131.8% growth in the real estate division and a 23.2% yoy growth in the branded apparel division. High-value cotton shirting and engineering divisions grew 14%/7% yoy, respectively. The automobile components business performed well. Branded textiles grew just 2% on account of the subdued demand environment while the garmenting segment fell 8% yoy due to the Red Sea crisis but its EBITDA margin improved from 6.6% in the base to 11.3% in 4QFY24 led by a better mix. The acquisition of Maini Precision Products (MPPL) was completed in 4Q, along with the new engineering business, through a composite scheme of arrangement to consolidate JK Files, Ring Plus Aqua (RPAL) and MPPL into two new subsidiaries, one of which will host the aerospace, defence and EV business while the other will include JK Files (engineering consumable business), RPAL and MPPL's automobile components business.

**Real estate biz's contribution to sales has been inching up steadily**

The real estate business' contribution to consol. sales has been inching up steadily, now at 17.7% of sales (11.5%/13.6% in FY22/FY23). Real estate biz revenue growth of 131.8% was led by the sale of retail shop units in its TenX project in Thane and strong sales at the newly launched JDA project in Bandra, which saw 62% of its launched units sold within the first 40 days. Construction momentum was healthy across other current projects. We expect the pace of new projects under the JDA model to remain healthy. EBITDA margin expanded by 90bp yoy to 25.2%. The pace of new bookings was healthy during the quarter.

**Retain ADD rating with a higher target price of Rs2,500**

Strategic actions with respect to demerger of the lifestyle business which is expected to be completed between Jul-Aug 2024, the decision to split engineering division into two entities (one focused on aerospace & defence and the other to house the rest) and debt reduction efforts at the group level are in the right direction. We raise our FY25F/26F EPS estimates by around 9% each and retain our ADD rating on it with a higher sum-of-the-parts (SOTP) valuation-based target price of Rs2,500 (Rs2,327 earlier), as we roll forward our valuation to Mar 2026F. Downside risks: Rising input costs, subdued demand environment and changes in its core strategy.

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**Financial Summary**

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue (Rsm)	61,785	82,147	90,195	105,908	116,592
Operating EBITDA (Rsm)	7,111	11,994	13,091	16,582	19,316
Net Profit (Rsm)	2,604	5,289	16,378	7,893	10,034
Core EPS (Rs)	63.7	95.6	252.5	118.6	150.7
Core EPS Growth	(240.7%)	50.1%	164.3%	(53.0%)	27.1%
FD Core P/E (x)	56.05	27.59	8.91	18.49	14.54
DPS (Rs)	3.0	3.0	0.0	5.0	6.0
Dividend Yield	0.14%	0.14%	0.00%	0.23%	0.27%
EV/EBITDA (x)	21.55	12.37	10.92	7.38	5.81
P/FCFE (x)	47.03	93.40	20.73	8.47	11.66
Net Gearing	72.1%	60.4%	57.4%	14.3%	(2.5%)
P/BV (x)	6.19	5.03	3.16	2.72	2.31
ROE	19.0%	24.2%	44.7%	15.8%	17.2%
% Change In Core EPS Estimates			117.38%	8.80%	9.26%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Healthy performance; positive outlook

### Highlights from the earnings call

#### Highlights

- Low-income households continued to curtail spending. In Mar 2024, there was an uptick due to pre-EID shopping.
- MPPL's P&L is not consolidated yet. Only the balance sheet has been consolidated.
- On an FY basis, MPPL's revenue was at Rs9.35bn and EBITDA at Rs1.46bn. 15.6% EBITDA margin.
- Cash surplus now at Rs6.8bn at the group level. Adjustments: Paid close to Rs7bn for MPPL and cleared some debt, which is now at Rs6.8bn. It would be Rs17bn cash if not for the MPPL acquisition.
- Demerger update: Progressing as planned. SEBI, shareholder and creditor approvals secured. Shareholders' meeting on 9 May 2024. Demerged businesses expected to list by the end of Jul or mid-Aug 2024F.

#### Branded apparel

- 23% yoy growth driven by the addition of 200 stores in the last 12 months.
- Will add 200+ stores in FY25F on an asset-light model.
- Ethnix:
  - Will target topping the 200-store mark in FY25F. Despite 4Q having weddings, sales growth was muted.
  - Pricing and store ambience has been improved.
  - The upcoming wedding season should be good. Saw around five months of weddings in FY24. Not a single store has seen two full wedding seasons yet and hence, no numbers are being shared yet.
  - Gross margin in line with the industry. No BTL spending as there are no discounts or end-of-season sales or EOSS. Entire capital allocation is on brand building.
  - Currently, the spending is on 1) branding - across mass media and digital, and 2) retail store marketing in each catchment area in the first three-to-four months of opening a new store.
  - Kurtas are 40-50% of Ethnix (some also used in wedding ceremonies). Rest from other wedding wear like sherwanis and indo-western. Bandis are about 10%.
- Overall same-store sales growth or SSSG for 4Q/FY24 was in mid-single digits.

#### Branded textiles

- Grew 2% led by moderate consumer sentiment in the first half of the quarter. The EBITDA margin was flat.

#### Garmenting

- Revenue was down 8% yoy because of the Red Sea crisis. The EBITDA margin was at 11.3% vs. 6.6% in the base due to an improved mix and operational efficiency.

#### High-value cotton shirting

- Grew 14% yoy led by higher demand for linen from domestic B2B customers.
- The EBITDA margin stood at 11.5%, higher than 10.4% in the base.

## Engineering

- The automobile components business did well in domestic as well as export markets.
- Tools and hardware saw sluggishness in the export market.
- EBITDA at 15.8% was higher due to a better mix.
- MPPL acquisition was completed.
- Automobile ancillaries and tools consume steel while the aerospace components use other metals. Hence, it was appropriate to demerge the aerospace (Rs2.75bn in revenue) division. 25%+ gross margin.

## Real estate

- In Feb 2024, launched the first JDA project in Bandra - sold 62% percent of inventory within 40 days of the launch.
- New JDAs are in the pipeline. Will update going ahead.
- Based on current bookings - Rs23bn of pre-sales bookings. Over three-to-four years can do Rs30-40bn per year as more JDA projects are scaled up. On a pre-sales basis, it can do 18-20% yoy growth per year in the next two years.

Real estate business is net cash positive. Will not procure land under the JDA model and hence, no upfront payment required. Peak cash requirement does not require much debt. The targeted internal rate of return or IRR is 25%+ for any JDA project.

**Figure 1: Quarterly summary - consolidated**

Rs m	4QFY23	3QFY24	4QFY24	YoY (%)	QoQ (%)	FY23	FY24	Gr (%)
<b>Revenue</b>	<b>21,502</b>	<b>23,862</b>	<b>26,085</b>	21.3	9.3	<b>82,147</b>	<b>90,195</b>	9.8
<b>Expenditure</b>	<b>18,134</b>	<b>20,242</b>	<b>21,726</b>	19.8	7.3	<b>70,153</b>	<b>77,104</b>	9.9
Consumption of RM	7,996	4,536	6,129	-23.3	35.1	29,983	25,750	-14.1
as % of sales	37.2%	19.0%	23.5%			36.5%	28.5%	
Employee Cost	2,644	2,912	3,013	14.0	3.5	10,242	11,606	13.3
as % of sales	12.3%	12.2%	11.5%			12.5%	12.9%	
Other Expenditure	7,494	12,794	12,584	67.9	-1.6	29,928	39,748	32.8
as % of sales	34.9%	53.6%	48.2%			36.4%	44.1%	
<b>EBITDA</b>	<b>3,368</b>	<b>3,620</b>	<b>4,359</b>	29.4	20.4	<b>11,994</b>	<b>13,091</b>	9.1
Depreciation	616	703	883	43.3	25.6	2,354	2,837	20.5
<b>EBIT</b>	<b>2,752</b>	<b>2,917</b>	<b>3,476</b>	26.3	19.2	<b>9,640</b>	<b>10,254</b>	6.4
Other Income	420	642	797	89.6	24.2	1,223	2,661	117.7
Interest	643	1,035	1,035	61.1	0.0	2,573	3,758	46.1
<b>PBT</b>	<b>2,529</b>	<b>2,523</b>	<b>3,238</b>	28.0	28.3	<b>8,290</b>	<b>9,157</b>	10.5
Total Tax	-231	626	826	-457.7	31.9	2,004	2,227	11.1
<b>Adjusted PAT</b>	<b>2,760</b>	<b>1,897</b>	<b>2,412</b>	-12.6	27.1	<b>6,287</b>	<b>6,931</b>	10.2
(Profit)/loss from JV's/Ass./MI	113.6	-61.5	-11.6	NA	NA	73.9	9,447.2	NA
<b>APAT after Minority Interest</b>	<b>2,874</b>	<b>1,835</b>	<b>2,400</b>	-16.5	30.8	<b>6,213</b>	<b>16,378</b>	163.6
Extraordinary items	930	0	108	NA	NA	-1,072	-432	NA
<b>Reported PAT</b>	<b>1,944</b>	<b>1,835</b>	<b>2,292</b>	17.9	24.9	<b>7,284</b>	<b>16,810</b>	130.8
<b>Adj. EPS</b>	<b>29.2</b>	<b>27.6</b>	<b>34.4</b>	17.9	24.9	<b>79.5</b>	<b>246.1</b>	209.7
<b>Margins (%)</b>	<b>4QFY23</b>	<b>3QFY24</b>	<b>4QFY24</b>	<b>(bp)</b>	<b>(bp)</b>	<b>FY23</b>	<b>FY24</b>	<b>(bp)</b>
Gross margin	62.8	81.0	76.5	1,370	-450	63.5	71.5	800
EBITDA	15.7	15.2	16.7	100	150	14.6	14.5	-10
EBIT	12.8	12.2	13.3	50	110	11.7	11.4	-40
EBT	11.8	10.6	12.4	60	180	10.1	10.2	10
PAT	13.4	7.7	9.2	-420	150	7.6	18.2	1,060
Effective Tax Rate	-9.1	24.8	25.5	3,460	70	24.2	24.3	10

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Segmental breakup

Segment Revenue (Rs m)	4QFY23	3QFY24	4QFY24	YoY (%)	QoQ (%)	FY23	FY24	Gr (%)
Textile	9,018	9,089	9,199	2.0	1.2	33,641	34,499	2.6
Shirting	1,872	2,144	2,129	13.8	-0.7	7,620	8,300	8.9
Apparel	3,315	4,373	4,086	23.2	-6.6	13,276	15,870	19.5
Garment	3,054	2,814	2,800	-8.3	-0.5	11,005	11,386	3.5
Tools & Hardware	1,155	1,076	1,192	3.2	10.8	4,893	4,294	-12.2
Auto Components	1,031	1,093	1,144	11.0	4.7	3,748	4,311	15.0
Real Estate	2,923	4,390	6,774	131.8	54.3	11,267	15,972	41.8
Less: Inter-segment	865	1,134	1,258			3,609	4,474	
<b>Total Revenue</b>	<b>21,502</b>	<b>23,844</b>	<b>26,066</b>	<b>21.2</b>	<b>9.3</b>	<b>81,840</b>	<b>90,159</b>	<b>10.2</b>
PBIT Margin (%)	4QFY23	3QFY24	4QFY24	(bp)	(bp)	FY23	FY24	(bp)
Textile	20.0	19.5	18.9	-110	-60	18.9	18.6	-30
Shirting	5.3	6.4	7.0	170	50	6.1	6.8	80
Apparel	9.7	6.6	2.3	-740	-430	5.3	3.9	-140
Garment	5.0	9.2	9.2	420	0	5.8	7.9	210
Tools & Hardware	7.1	3.0	5.5	-160	250	9.6	3.7	-590
Auto Components	18.0	20.1	21.5	360	140	14.8	19.7	490
Real Estate	22.3	21.5	24.7	240	330	23.9	22.2	-180

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Demerger expected by Jul-Aug 2024

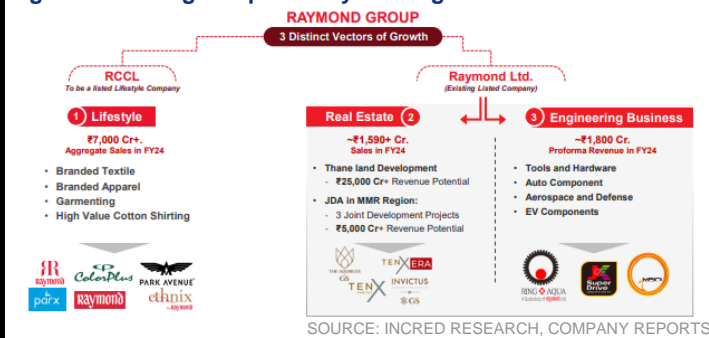


Figure 4: Engineering division to be strengthened

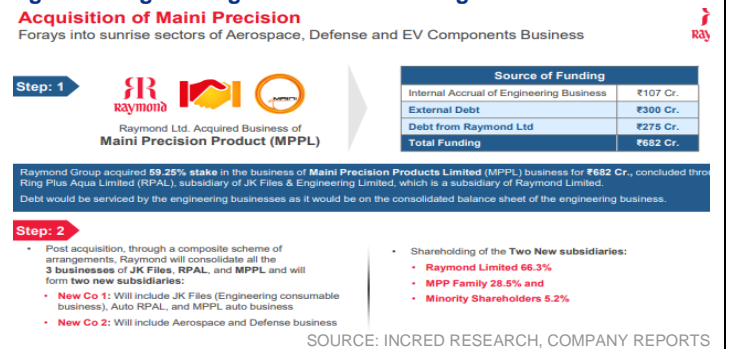


Figure 5: Total store network stood at 1,518 as of end-Mar 2024

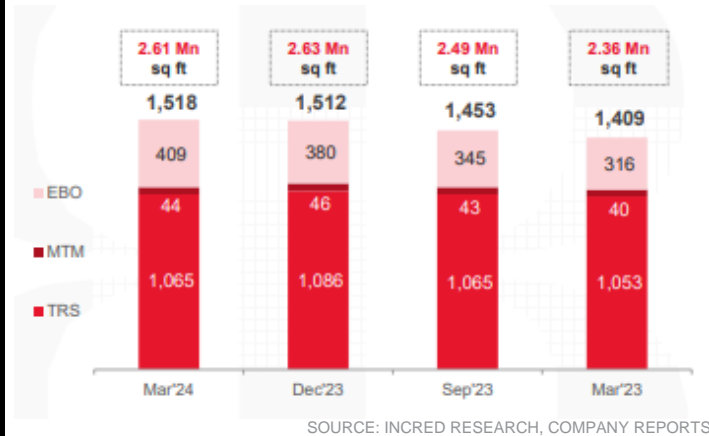


Figure 6: Huge potential in the real estate division

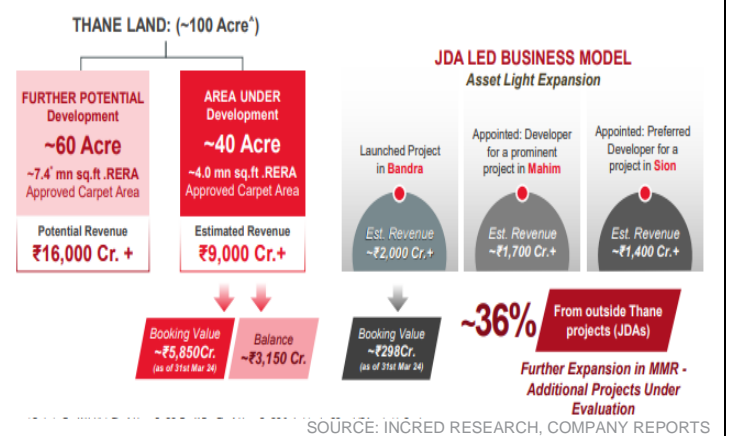


Figure 7: Our revised earnings estimates

Y/E Mar (Rs m)	FY25F			FY26F		
	Earlier	Revised	% Change	Earlier	Revised	% Change
Revenue	1,08,285	1,05,908	(2.2)	1,18,688	1,16,592	(1.8)
EBITDA	15,405	16,582	7.6	17,758	19,316	8.8
EBITDA Margin (%)	14.2%	15.7%	1bp	15.0%	16.6%	2bp
Net Profit	7,255	7,893	8.8	9,183	10,049	9.4
EPS	109.0	118.6	8.8	138.0	151.0	9.4

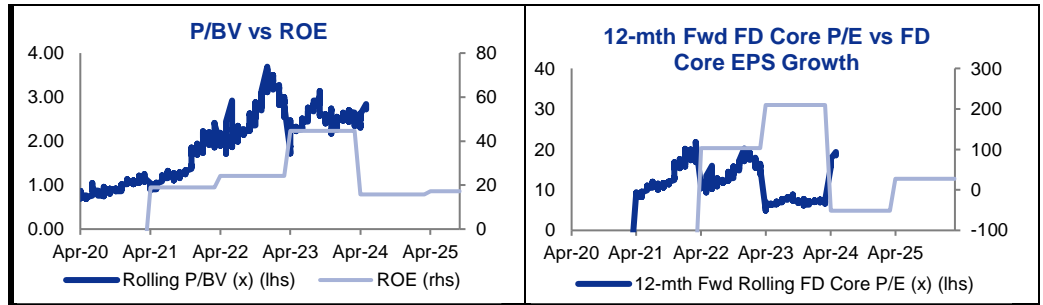
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 8: SOTP valuation based on FY26F estimates**

SOTP Valuation (FY26F)	Metrics	(Rs m)	Multiple (x)	EV (Rs m)	EV per share	EV mix (%)
<b>Branded textiles</b>	EBITDA	7,796	10	77,959	1,171	49%
<b>Branded apparel</b>	EBITDA	2,466	10	24,660	370	16%
<b>High value cotton shirting</b>	EBITDA	1,083	6	6,495	98	4%
<b>Garmenting</b>	EBITDA	1,128	6	6,766	102	4%
<b>Engineering</b>	EBITDA	2,162	12	17,202	258	11%
<b>Real estate</b>						
<b>Value of projects</b>	DCF			7,454	112	5%
<b>Market value of land</b>	DCF			17,810	268	11%
<b>Total</b>		<b>14,634</b>	<b>11</b>	<b>1,58,346</b>		
<b>Segment EV</b>		<b>14,634</b>	<b>11</b>	<b>1,58,346</b>		
Cash & Investments				33,973		
Total Debt				25,875		
<b>Intrinsic Market Cap</b>				<b>1,66,444</b>		
Outstanding Shares (m)				66.6		
<b>Fair Value Per Share (Rs)</b>				<b>2,500</b>		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS



### Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
<b>Total Net Revenues</b>	<b>61,785</b>	<b>82,147</b>	<b>90,195</b>	<b>105,908</b>	<b>116,592</b>
<b>Gross Profit</b>	<b>39,380</b>	<b>52,164</b>	<b>64,445</b>	<b>68,523</b>	<b>75,435</b>
<b>Operating EBITDA</b>	<b>7,111</b>	<b>11,994</b>	<b>13,091</b>	<b>16,582</b>	<b>19,316</b>
Depreciation And Amortisation	(2,398)	(2,354)	(2,837)	(2,984)	(3,116)
<b>Operating EBIT</b>	<b>4,713</b>	<b>9,641</b>	<b>10,254</b>	<b>13,597</b>	<b>16,200</b>
Financial Income/(Expense)	(2,277)	(2,573)	(3,758)	(4,510)	(3,754)
Pretax Income/(Loss) from Assoc.	(64)	154	9,932		
Non-Operating Income/(Expense)	1,695	1,223	2,661	2,188	1,888
<b>Profit Before Tax (pre-EI)</b>	<b>4,068</b>	<b>8,445</b>	<b>19,089</b>	<b>11,276</b>	<b>14,334</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>4,068</b>	<b>8,445</b>	<b>19,089</b>	<b>11,276</b>	<b>14,334</b>
Taxation	219	(2,004)	(2,227)	(3,383)	(4,300)
Exceptional Income - post-tax	(1,636)	(1,072)	(432)		
<b>Profit After Tax</b>	<b>2,651</b>	<b>5,370</b>	<b>16,431</b>	<b>7,893</b>	<b>10,034</b>
Minority Interests	(48)	(80)	(53)		
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>2,604</b>	<b>5,289</b>	<b>16,378</b>	<b>7,893</b>	<b>10,034</b>
Recurring Net Profit	4,239	6,361	16,810	7,893	10,034
<b>Fully Diluted Recurring Net Profit</b>	<b>4,239</b>	<b>6,361</b>	<b>16,810</b>	<b>7,893</b>	<b>10,034</b>

### Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
<b>EBITDA</b>	<b>7,111</b>	<b>11,994</b>	<b>13,091</b>	<b>16,582</b>	<b>19,316</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	46	(3,862)	(7,551)	12,228	(193)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(1,636)	(1,072)	(432)		
Other Operating Cashflow	1,695	1,223	2,661	2,188	1,888
Net Interest (Paid)/Received	(458)	(487)	(1,037)	(2,188)	(1,888)
Tax Paid	(344)	(724)	(770)	(3,383)	(4,300)
<b>Cashflow From Operations</b>	<b>6,415</b>	<b>7,072</b>	<b>5,962</b>	<b>25,427</b>	<b>14,823</b>
Capex	(317)	(1,023)	(1,960)	(2,000)	(2,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(3,932)	(3,735)	(8,456)	2,188	1,888
<b>Cash Flow From Investing</b>	<b>(4,249)</b>	<b>(4,758)</b>	<b>(10,416)</b>	<b>188</b>	<b>(612)</b>
Debt Raised/(repaid)	937	(752)	11,494	(8,380)	(1,700)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(96)	(201)	(201)	(333)	(399)
Preferred Dividends					
Other Financing Cashflow	(4,113)	(2,237)	(6,270)	(4,576)	(3,834)
<b>Cash Flow From Financing</b>	<b>(3,272)</b>	<b>(3,189)</b>	<b>5,023</b>	<b>(13,290)</b>	<b>(5,933)</b>
Total Cash Generated	(1,106)	(875)	569	12,325	8,279
<b>Free Cashflow To Equity</b>	<b>3,103</b>	<b>1,562</b>	<b>7,040</b>	<b>17,235</b>	<b>12,512</b>
<b>Free Cashflow To Firm</b>	<b>2,624</b>	<b>2,801</b>	<b>(3,417)</b>	<b>27,803</b>	<b>16,100</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS...cont'd

### Balance Sheet

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Cash And Equivalents	3,363	3,258	5,256	17,581	25,860
Total Debtors	8,731	7,443	14,072	10,156	11,180
Inventories	20,113	24,966	35,142	30,467	33,540
Total Other Current Assets	7,606	7,348	10,124	11,841	13,009
<b>Total Current Assets</b>	<b>39,813</b>	<b>43,015</b>	<b>64,593</b>	<b>70,045</b>	<b>83,589</b>
Fixed Assets	18,769	19,327	25,489	24,504	23,888
Total Investments	10,998	16,391	36,295	36,295	36,295
Intangible Assets	256	370	3,638	3,638	3,638
Total Other Non-Current Assets					
<b>Total Non-current Assets</b>	<b>30,023</b>	<b>36,089</b>	<b>65,421</b>	<b>64,436</b>	<b>63,820</b>
Short-term Debt	9,305	11,367	10,579	10,467	9,767
Current Portion of Long-Term Debt					
Total Creditors	17,169	16,919	20,640	21,762	23,957
Other Current Liabilities	10,314	12,072	22,994	27,000	29,724
<b>Total Current Liabilities</b>	<b>36,788</b>	<b>40,358</b>	<b>54,213</b>	<b>59,229</b>	<b>63,448</b>
Total Long-term Debt	11,612	9,907	23,676	15,407	14,407
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>	<b>11,612</b>	<b>9,907</b>	<b>23,676</b>	<b>15,407</b>	<b>14,407</b>
Total Provisions	(2,928)	(1,001)	1,572	1,799	1,953
<b>Total Liabilities</b>	<b>45,473</b>	<b>49,264</b>	<b>79,461</b>	<b>76,435</b>	<b>79,808</b>
Shareholders Equity	23,591	28,990	46,174	53,667	63,222
Minority Interests	772	850	4,379	4,379	4,379
<b>Total Equity</b>	<b>24,363</b>	<b>29,840</b>	<b>50,553</b>	<b>58,046</b>	<b>67,601</b>

### Key Ratios

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue Growth	79.3%	33.0%	9.8%	17.4%	10.1%
Operating EBITDA Growth	(1,173.9%)	68.7%	9.1%	26.7%	16.5%
Operating EBITDA Margin	11.5%	14.6%	14.5%	15.7%	16.6%
Net Cash Per Share (Rs)	(263.70)	(270.65)	(435.62)	(124.58)	25.31
BVPS (Rs)	354.38	435.48	693.61	806.17	949.70
Gross Interest Cover	2.07	3.75	2.73	3.02	4.32
Effective Tax Rate		23.7%	11.7%	30.0%	30.0%
Net Dividend Payout Ratio	4.7%	3.1%		4.2%	4.0%
Accounts Receivables Days	54.09	35.93	43.53	41.75	33.40
Inventory Days	296.91	274.38	425.99	320.27	283.82
Accounts Payables Days	234.65	207.49	266.19	206.99	202.73
ROIC (%)	17.7%	24.0%	17.3%	29.9%	35.9%
ROCE (%)	11.9%	21.3%	15.3%	16.1%	18.4%
Return On Average Assets	10.0%	11.3%	18.8%	8.4%	9.0%

### Key Drivers

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Sale growth	79.3%	33.0%	9.8%	17.4%	10.1%
EBIDTA margins	11.5%	14.6%	14.5%	15.7%	16.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS



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