India

ADD *(Initiating coverage)*

Consensus ratings*:	Buy 4	Hold 0	Sell 0

Current price:	Rs1,713
Target price:	Rs2,200
Previous target:	NA
Up/downside:	28.4%
EIP Research / Consensus:	0.5%
Reuters:	RYMD.NS
Bloomberg:	RW IN
Market cap:	US$1,570m
	Rs114,014m
Average daily turnover:	US$7.1m
	Rs516.1m
Current shares o/s:	66.6m
Free float:	50.9%

**Source: Bloomberg*

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	8.7	43.5	94.6
Relative (%)	4.3	30.0	58.9

Major shareholders	% held
Promoter	49.2
Nippon Life India AMC	2.4
UTI AMC	0.3

Raymond Ltd

Restructuring initiatives in the right direction

- Raymond is well-placed from a growth perspective led by the changes in its leadership, focus on pruning inefficiencies and improving business health.
- The sale of non-core FMCG portfolio at a rich valuation has driven the group to a net debt-free status. The demerger is expected to create additional value.
- Initiate coverage on the stock with an ADD rating and a SOTP-based target price of Rs2,200 (~28% upside from the CMP).

Successive moves undertaken to drive the group to debt-free status

Raymond, through its associate company Raymond Consumer Care or RCCL, has sold its FMCG business to Godrej Consumer Products (GCPL) for a slump-sale consideration of Rs28.25bn, valuing the deal at 4.4x FY23 sales. With Rs6.9bn in net debt currently and an inflow of Rs22bn, the group has been driven to a net debt-free status. Raymond Ltd will be demerged into two separate pure-play listed entities post-restructuring, with the lifestyle business comprising textiles, apparel and garment segments to be housed under RCCL post-demerger while the current entity will house the realty, engineering and denim (joint venture) divisions.

Promoter increasing stake in RCCL is a display of high confidence

The promoter has historically infused cash into the business, like in 2019 where Rs3.5bn was infused into the company to pare debt. He also reinvested his entire share of proceeds from the sale of the FMCG business (Rs11bn) into RCCL, in which he owns a 49.6% stake (47.6%/2.6% held by Raymond/public shareholders, respectively), thereby increasing his stake to 54.87% in RCCL post-restructuring, showing his high confidence in the business.

Expansion of Ethnix - a frontrunner in the branded apparel division

Despite being a late entrant in the ethnic-wear space, Raymond has successfully stepped up its play through its Ethnix brand and now holds a well-balanced and diversified branded portfolio. We expect a ~10% revenue CAGR in the branded apparel business (~16% revenue share) over FY23-25F led by strong store expansion target (~150 by FY24F) while the segment's margins are likely to remain flat at ~11% (30bps improvement) in FY25F.

Realty division inching up to become a key pillar for the group

After a strong success in its maiden project (TenX Habitat), Raymond has been able to cash in on the opportunity with the successful launch of its next set of projects (The Address by GS; TenX Era). Expansion in the Mumbai Metropolitan Region or MMR beyond its land parcel in Thane via joint development projects will aid asset-light expansion of the division, thereby driving a 18.3% revenue CAGR over FY23-25F.

Initiate coverage with an ADD rating and a target price of Rs2,200

We feel Raymond is all set to deliver stellar growth led by enhanced segmental focus, improving operating metrics and key management-level changes. We initiate coverage on it with an ADD rating and a FY25F SOTP-based target price of Rs2,200 (~28% upside from the CMP). Downside risks: Rising input cost, subdued demand environment and changes in its core strategy.

Financial Summary	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue (Rsm)	61,785	82,147	90,744	99,369	107,787
Operating EBITDA (Rsm)	7,111	11,994	13,072	14,442	15,663
Net Profit (Rsm)	2,604	5,289	7,642	9,023	10,028
Core EPS (Rs)	63.7	95.6	114.8	135.5	150.6
Core EPS Growth	(240.7%)	50.1%	20.1%	18.1%	11.1%
FD Core P/E (x)	43.79	21.55	14.92	12.63	11.37
DPS (Rs)	3.0	3.0	4.0	5.0	6.0
Dividend Yield	0.18%	0.18%	0.23%	0.29%	0.35%
EV/EBITDA (x)	17.06	9.71	8.26	6.86	5.75
P/FCFE (x)	36.75	72.98	39.33	16.72	12.23
Net Gearing	72.1%	60.4%	25.5%	1.1%	(15.7%)
P/BV (x)	4.83	3.93	3.16	2.56	2.11
ROE	19.0%	24.2%	23.5%	22.4%	20.4%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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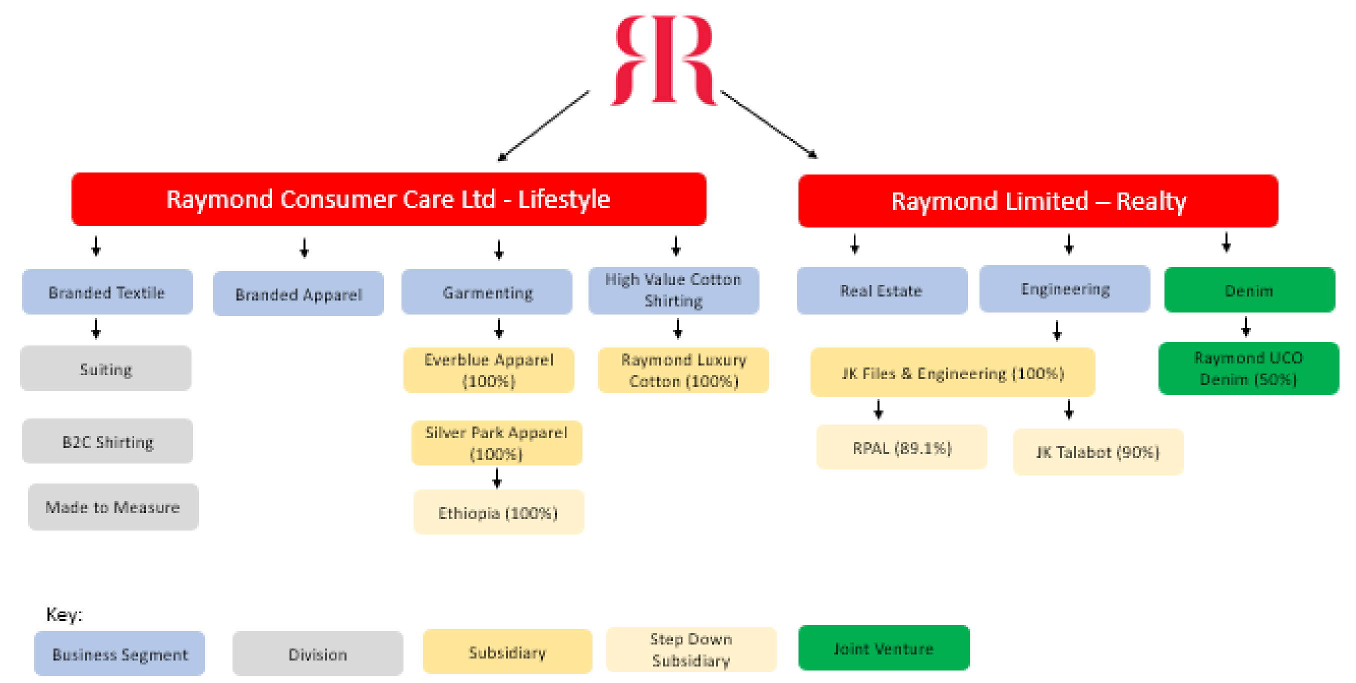
Summary overview

Figure 1: Group operations snapshot

Group Operations Snapshot	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24F	FY25F
Branded Textiles											
Revenue (Rs m)	25,450	27,020	27,144	29,150	31,527	29,167	15,716	27,894	33,641	35,989	38,937
Revenue contribution (%)	47.4%	52.2%	50.3%	49.4%	47.9%	45.0%	45.6%	45.3%	41.1%	39.7%	39.2%
EBITDA (Rs m)	4,470	4,670	3,840	4,579	4,347	4,353	1,638	4,918	7,020	7,270	7,710
EBITDA Margin (%)	17.6%	17.3%	14.1%	15.7%	13.8%	14.9%	10.4%	17.6%	20.9%	20.2%	19.8%
EBITDA Contribution (%)	70.7%	77.2%	75.9%	70.1%	61.9%	73.2%	121.5%	55.8%	53.1%	50.7%	48.8%
RoCE (%)	33.6%	29.1%	24.9%	32.2%	30.0%	27.2%	-16.9%	66.4%	80.3%		
Branded Apparel											
Revenue (Rs m)	10,110	11,185	12,703	14,240	16,475	16,187	4,566	8,910	13,276	14,522	16,044
Revenue contribution (%)	18.8%	21.6%	23.6%	24.1%	25.0%	25.0%	13.2%	14.5%	16.2%	16.0%	16.1%
EBITDA (Rs m)	120	220	(120)	232	612	294	(1,251)	427	1,440	1,554	1,765
EBITDA Margin (%)	1.2%	2.0%	-0.9%	1.6%	3.7%	1.8%	-27.4%	4.8%	10.8%	10.7%	11.0%
EBITDA Contribution (%)	1.9%	3.6%	-2.4%	3.5%	8.7%	4.9%	-92.8%	4.8%	10.9%	10.8%	11.2%
RoCE (%)	-2.6%	0.9%	-6.9%	1.0%	9.5%	-44.8%	-36.0%	-2.1%	24.7%		
High Value Cotton Shirting											
Revenue (Rs m)	3,930	4,671	5,001	5,753	6,481	6,218	2,578	5,718	7,620	8,069	8,554
Revenue contribution (%)	7.3%	9.0%	9.3%	9.7%	9.8%	9.6%	7.5%	9.3%	9.3%	8.9%	8.6%
EBITDA (Rs m)	470	440	490	587	889	854	41	598	850	888	941
EBITDA Margin (%)	12.0%	9.4%	9.8%	10.2%	13.7%	13.7%	1.6%	10.5%	11.2%	11.0%	11.0%
EBITDA Contribution (%)	7.4%	7.3%	9.7%	9.0%	12.7%	14.4%	3.0%	6.8%	6.4%	6.2%	6.0%
RoCE (%)		6.1%	4.8%	5.8%	8.8%	8.5%	-8.1%	5.0%	11.8%		
Garmenting											
Revenue (Rs m)	5,330	5,933	6,388	6,915	7,787	8,432	5,491	7,250	11,003	12,016	13,145
Revenue contribution (%)	9.9%	11.5%	11.8%	11.7%	11.8%	13.0%	15.9%	11.8%	13.4%	13.2%	13.2%
EBITDA (Rs m)	520	490	540	358	401	327	190	474	840	961	1,117
EBITDA Margin (%)	9.8%	8.3%	8.5%	5.2%	5.1%	3.9%	3.5%	6.5%	7.6%	8.0%	8.5%
EBITDA Contribution (%)	8.2%	8.1%	10.7%	5.5%	5.7%	5.5%	14.1%	5.4%	6.3%	6.7%	7.1%
RoCE (%)	17.9%	13.7%	14.5%	5.9%	5.7%	2.2%	-2.4%	11.0%	27.8%		
Engineering											
Revenue (Rs m)	6,550	5,703	5,144	5,825	6,601	5,839	5,416	8,120	8,641	9,315	10,069
Revenue contribution (%)	12.2%	11.0%	9.5%	9.9%	10.0%	9.0%	15.7%	13.2%	10.5%	10.3%	10.1%
EBITDA (Rs m)	280	230	310	780	1,010	730	830	1,230	1,220	1,304	1,440
EBITDA Margin (%)	4.3%	4.0%	6.0%	13.4%	15.3%	12.5%	15.3%	15.1%	14.1%	14.0%	14.3%
EBITDA Contribution (%)	4.4%	3.8%	6.1%	11.9%	14.4%	12.3%	61.6%	14.0%	9.2%	9.1%	9.1%
Real Estate											
Revenue (Rs m)						1,762	1,411	7,075	11,151	13,467	15,598
Revenue contribution (%)						2.7%	4.1%	11.5%	13.6%	14.8%	15.7%
EBITDA (Rs m)						130	220	1,470	2,870	3,367	3,822
EBITDA Margin (%)						7.4%	15.6%	20.8%	25.7%	25.0%	24.5%
EBITDA Contribution (%)						2.2%	16.3%	16.7%	21.7%	23.5%	24.2%
RoCE (%)						0.1%	2.8%	31.3%	57.5%		

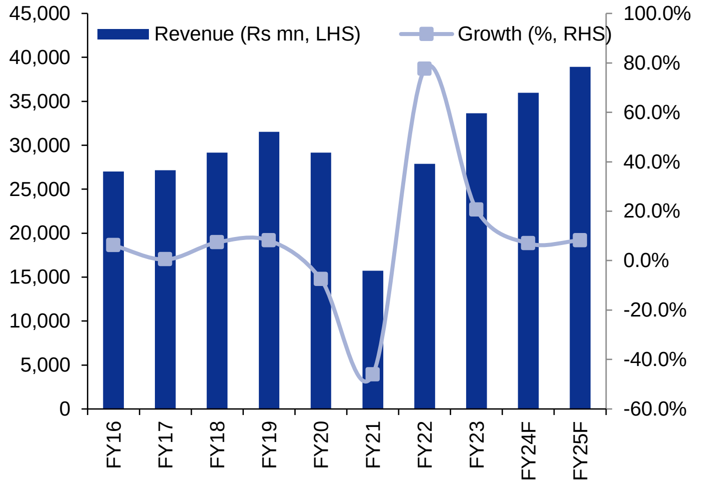
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Overview of the demerged business



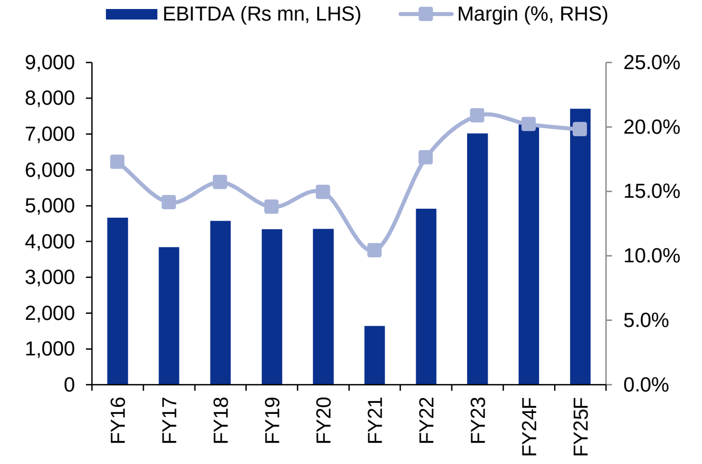
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Branded textiles segment sales are expected to grow at a CAGR of 7.6% over FY23-25F



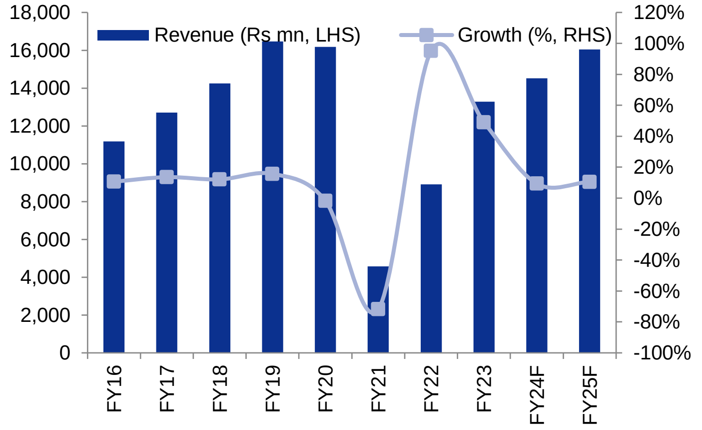
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: EBITDA margin expected to remain at a similar level over FY23-25F



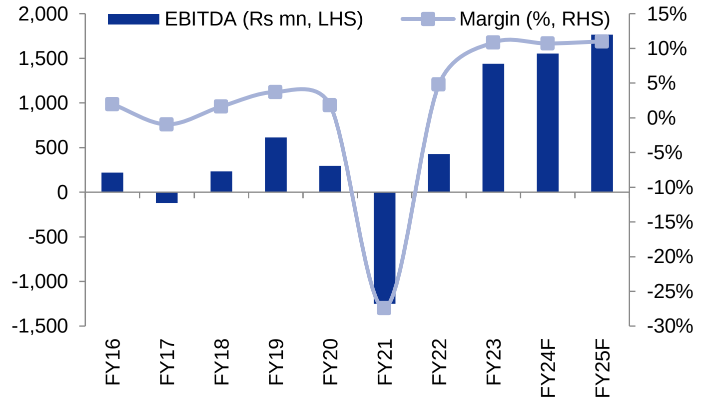
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Branded apparel segment's revenue growth momentum expected to normalize to pre-Covid level



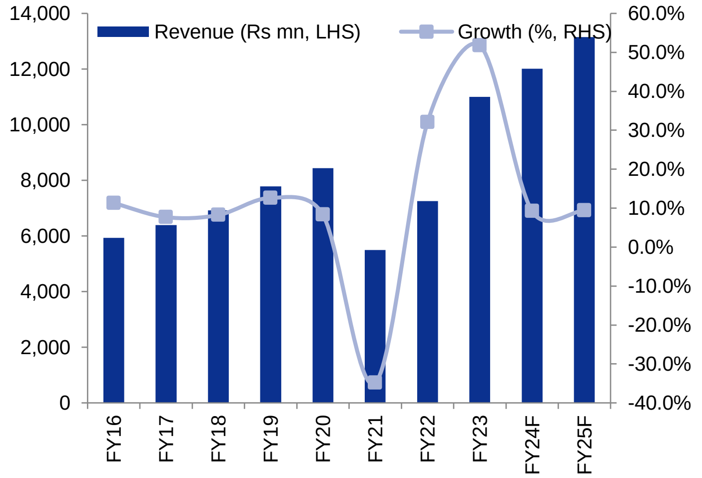
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: EBITDA margin expected to remain flat yoy post FY23



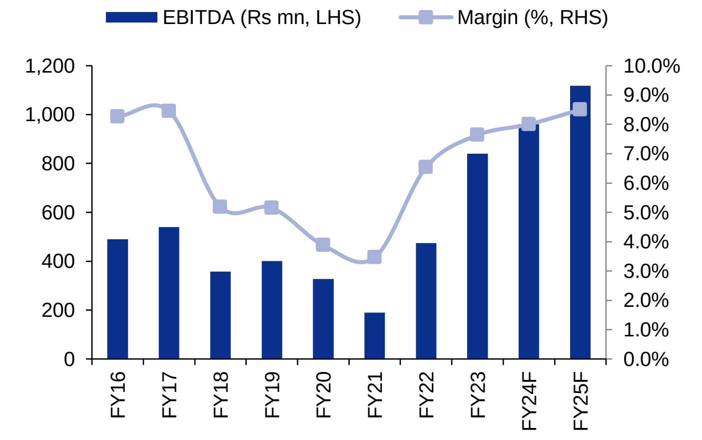
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Garment segment's revenue growth returns to normal level post Covid-19 pandemic



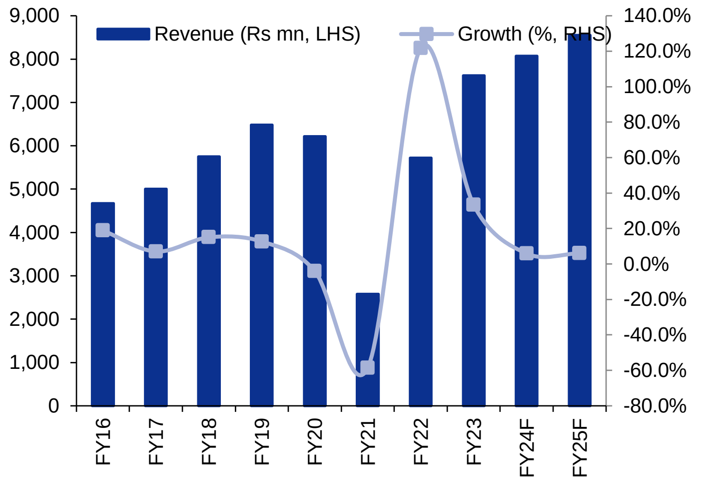
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: EBITDA margin is expected to gradually improve after FY23



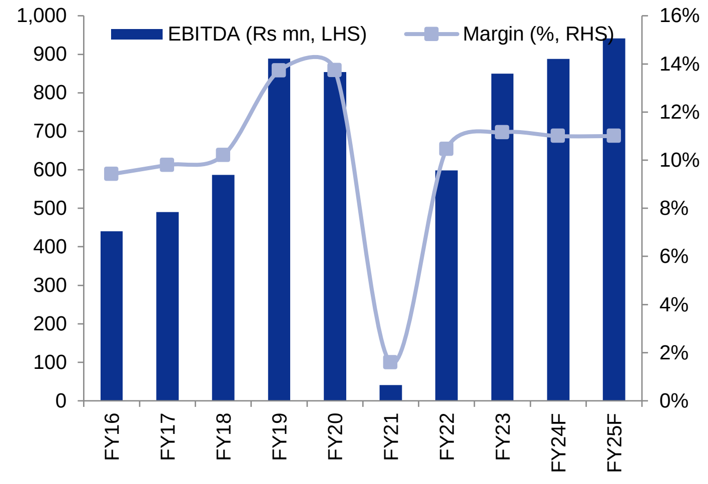
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: High-value cotton shirting segment's growth momentum is expected to remain in line with pre-Covid levels over FY23-25F



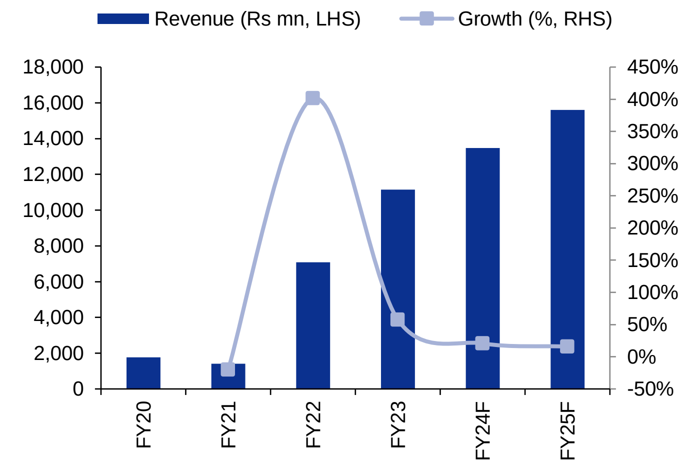
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: High-value cotton segment's EBITDA margin is expected to remain flat post FY23



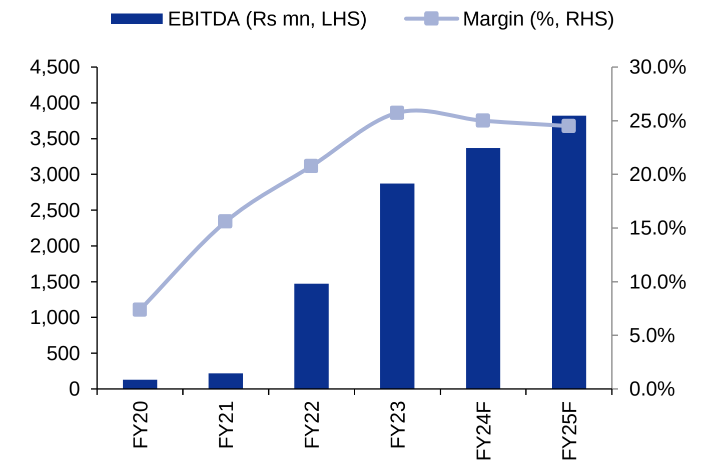
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: Real estate segment's revenue expected to remain healthy



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 12: Real estate segment's EBITDA margin expected to be range-bound between 24-25% post FY23



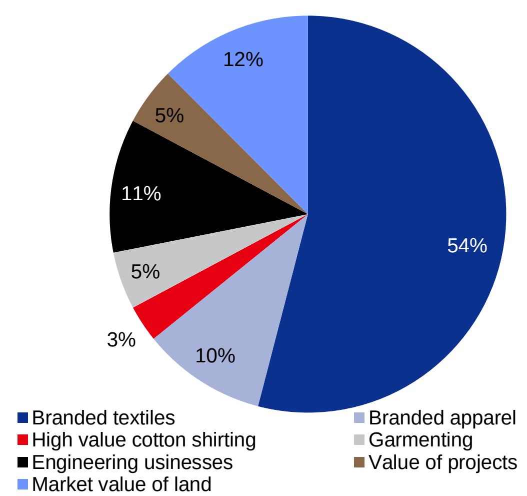
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 13: Valuation summary (SOTP)

SOTP Valuation (FY25F)	Metrics	(Rs m)	Multiple (x)	EV (Rs m)
Branded textiles	EBITDA	7,710	10	77,096
Branded apparel	EBITDA	1,765	8	14,472
High value cotton shirting	EBITDA	941	6	4,274
Garmenting	EBITDA	1,117	6	6,704
Engineering	EBITDA	1,440	12	15,551
Real estate				
Value of projects	DCF			6,731
Market value of land	DCF			17,810
Total		**12,973**	**11**	**1,42,637**
Elimination		1,342	9	12,075
Segment EV		**11,631**	**11**	**1,30,562**
Cash & Investments				25,756
Total Debt				9,875
Intrinsic Market Cap				**1,46,443**
Outstanding Shares (m)				66.6
Fair Value Per Share (Rs)				**2,200**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 14: Segment wise share of EV



SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Restructuring initiatives in the right direction

Successive initiatives undertaken to unlock value

Sale of FMCG business to Godrej Consumer Products

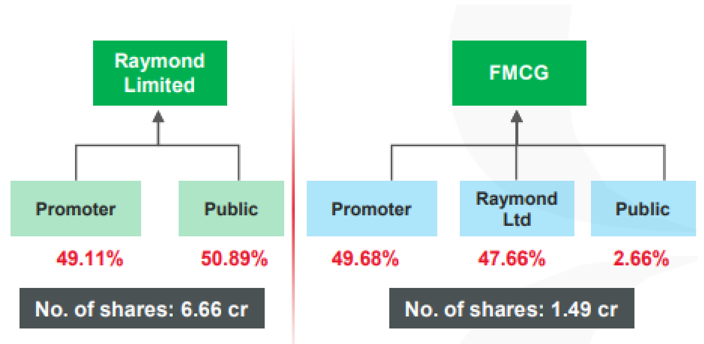
Raymond's shareholders get four shares of RCCL for every five shares held in Raymond.

Raymond has sold its FMCG business to Godrej Consumer Products (GCPL) for a consideration of Rs28.25bn, implying a very attractive valuation of 4.4x to FY23 sales. As a part of the deal, GCPL now owns the trademarks of Park Avenue (deodorant and FMCG range), Premium, KS (deodorants) and Kamasutra's sexual wellness portfolio. Raymond retained its condom manufacturing facility in Aurangabad and will continue to supply condoms to GCPL along with B2B sales in domestic and international markets via contract manufacturing.

Demerger of apparel business into a separate listed entity

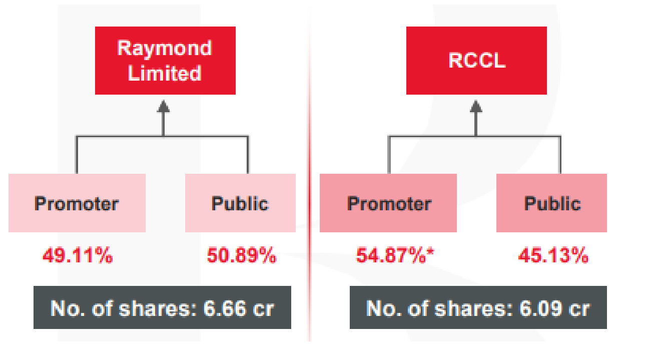
Raymond is restructuring its business into two listed entities and will transfer the lifestyle business, which includes branded textiles, branded apparel, garmenting and high value cotton shirting to Raymond Consumer Care (RCCL), which will be listed separately on the stock exchanges, with Raymond shareholders getting four shares of RCCL for every five shares held in Raymond. After the transfer of these segments, Raymond will be left with the real estate division as the core business with investments in the engineering business (JK Files) and Denim (JV with UCO NV).

Figure 15: Existing business structure



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 16: Structure post demerger

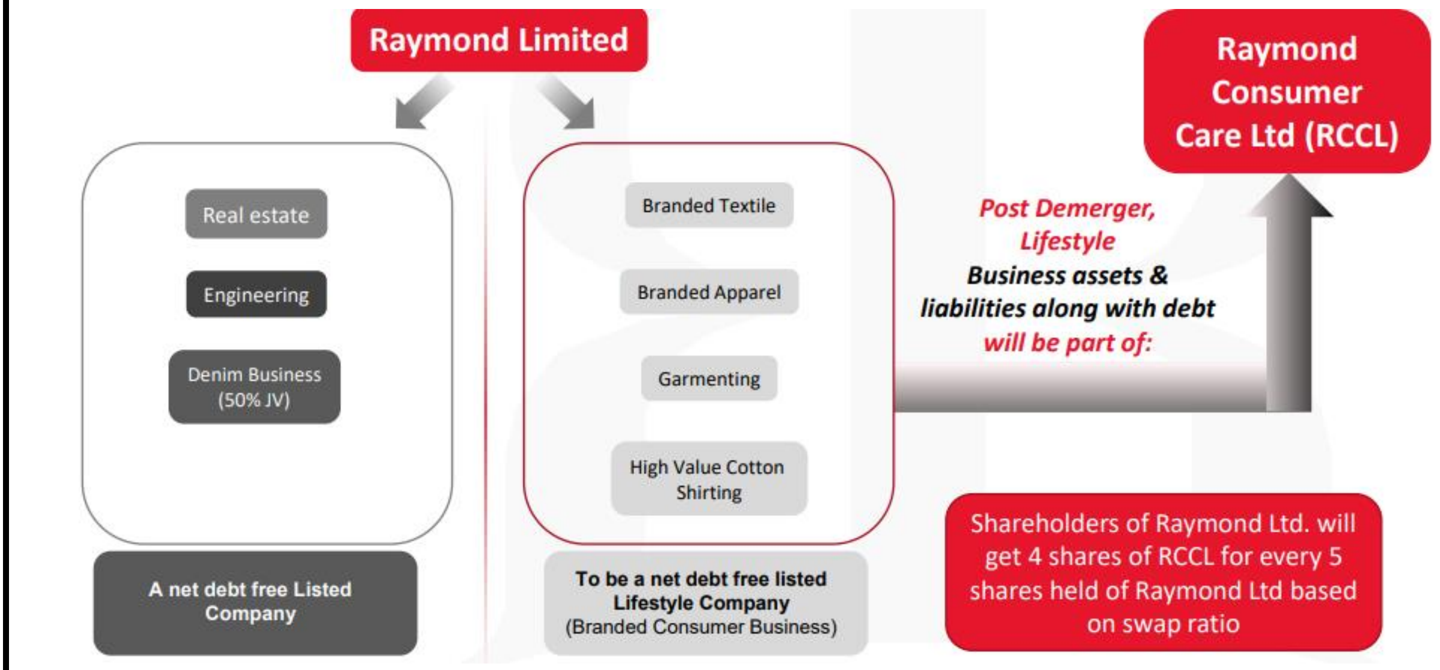


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Show of strength by the promoter by increasing stake in RCCL

The promoter has historically infused cash into the business, like in 2019 where Rs3.5bn was infused into the company. He also reinvested his entire share of proceeds from the sale of the FMCG business (Rs11bn) into RCCL, in which he owns a 49.6% stake (47.6%/2.6% held by Raymond/public shareholders, respectively), thereby increasing his stake to 54.87% in RCCL post-restructuring, showing his high confidence in the business. The entire proceeds have been utilized to deleverage the balance sheet, driving the group to a net debt-free status.

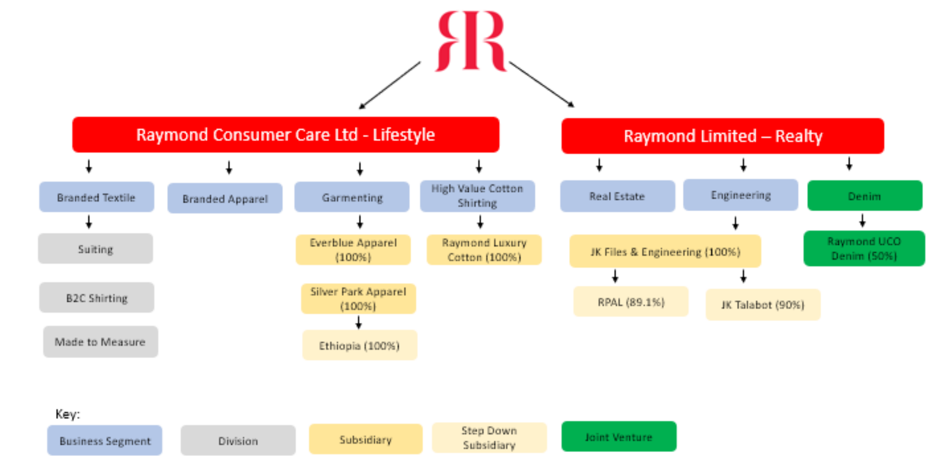
Figure 17: Overview of the demerged business



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Segmental analysis

Figure 18: Overview of the Raymond Group



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Branded textiles

Industry details ›

Global textile industry ›

The global textile market grew by ~6.6% CAGR over the past five years, with a total estimated market size of approximately US$610bn in 2023. The ongoing Russia-Ukraine war had profound effects on global commodity prices and supply chains, leading to inflationary pressure hurting several economies & industries worldwide with textiles market being no exception. Despite these challenges, the textile industry is projected to continue its growth trajectory, reaching approximately US$755bn by 2027F at a CAGR of 5.5%.

- The textile industry faced immense challenges due to the Covid-19 pandemic and the Russia-Ukraine war, but it is now in the process of recovering. The industry is expected to be driven by rising demand for apparel from the fashion sector and the continuous growth of e-commerce platforms in the coming years. It is worth noting that the textile industry is a constantly expanding market, with key competitors such as China, the European Union, the United States, and India. China holds the top position as the world's leading producer and exporter of raw textiles and garments.

- India, on the other hand, is one of the top five textile manufacturing countries and accounts for over 6% of global textile production. The rapid industrialization in both developed and developing nations, along with advancements in technology, has played a crucial role in enabling the textile industry to adopt modern installations capable of highly efficient fabric production. This progress has contributed to the industry's ability to keep up with growing demands and remain competitive in the market.

Indian textile industry

India is a significant player in the textile and apparel industry, ranking second in global production and sixth in exports across various categories such as apparel, home, and technical products. Forecasts indicate that this industry will experience a CAGR of 10% from 2019-20, reaching a value of US$190bn by 2025F-26F. India currently holds a 4% share in the global trade of textiles and apparel.

- The textiles and apparel sector contributes significantly to India's economy, making up 2.3% of its gross domestic product or GDP, 13% of industrial production, and 12% of total exports. Employment opportunities are abundant in this industry, with approximately 45m workers employed in the textiles sector, including 3.5m handloom workers. In the fiscal year 2021-22, India's textile and apparel exports, including handicrafts, reached a value of US$44.4bn, marking a 41% year-on-year increase. Projections indicate that total textile exports will touch US$65 bn by fiscal year 2025F-26F.
- The growth of the textile and apparel market is driven by rising demand and the government's support through initiatives like the Production- Linked Incentive (PLI) and Mega Investment Textile Parks (MITRA), aiming to achieve a target of US$250bn. Furthermore, the Ministry of Textiles has taken steps to position India as a global leader in manufacturing technical textiles. This includes inviting research proposals for funding related to the design, development, and manufacturing of machinery, tools, equipment, and testing instruments under the National Technical Textiles Mission (NTTM). In the fiscal year 2022-23, exports of readymade garments made of cotton, including accessories, reached a value of US$7.68bn as of Jan 2023-end. Projections indicate that this figure will surpass US$30bn by 2027F, accounting for approximately 4.6-4.9% of the global market share.

Raymond's branded textiles segment

Raymond's branded textile segment is the flagship business of the Raymond group, contributing 41.1% to FY23 overall sales. Raymond is a dominant player in the Indian suiting and shirting fabric industry, holding a significant market share as a leading branded player. It has achieved leadership position in the domestic worsted suiting sector and is the largest provider of branded shirting fabrics in the organized market. Also, it is one of the world's most preferred worsted suiting manufacturers, with both horizontal and vertical integration, and has a global reputation for producing the world's most exquisite worsted suiting fabric, the Super 250's.

Figure 19: Snapshot of the branded textiles segment

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Raymond is among the largest domestic providers of worsted suiting fabrics.

- The segment comprises **suiting, B2C shirting and made-to-measure (MTM)** in both B2B and B2C space.
- With a vast range of over 20,000 unique stock-keeping units or SKUs available, the company offers an extensive selection of suiting fabrics at prices ranging from Rs300 to Rs300,000 per metre, catering to a diverse range of customers.
- Raymond has a reach of 20,000+ points-of-sale across 600+ towns and cities. The franchise tailoring hub network stands at 49 hubs across 43 cities, with the capacity to convert 1.5m metres per annum.
- The SKUs are distributed across 170+ wholesalers, 1,430+ multi-brand outlets (MBOs), and The Raymond Stores (TRS) & are also exported to over 90 countries.
- Most TRS stores operate on a franchisee model, allowing the company to expand with an asset-light model across T1-T6 towns.
- The company also has a format of mini TRS across semi-urban markets. As of FY23-end, there were 363 mini TRS across urban and semi-urban markets in India.

Manufacturing capabilities

Raymond has manufacturing facilities at Vapi, Chhindwara and Jalgaon, which have the capacity to produce c.43m metres of various types of suiting fabrics, including wool, poly-wool, silk and other high-quality blends.

Figure 20: World-class manufacturing capabilities

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Suiting division

Raymond is the leader in worsted suiting fabrics in India and is one of the largest exporters of tailored suits, jackets, and trousers. Raymond has a dominant market share of over 60% in India in worsted suiting fabrics. The demand for its products is largely influenced by festive occasions and wedding-related purchases.

- The division has an aggregate capacity of 43m metres of suiting fabric across wool, poly-wool, silk and other premium blends across its facilities in Gujarat, Maharashtra and Madhya Pradesh.

- **Offerings across various price points:** Raymond's suiting fabrics cover the pricing pyramid, catering to mass fabrics (Rs300/metre onwards) as well as premium blends like the Super 250s, which is among the world's finest suiting fabrics (Rs3,00,000/metre).
- Suiting fabrics contributed 79% to sales mix of the textiles division in FY23. On the export front, demand has been healthy globally, with improved demand from customers in the US & Europe markets.
- Sales volume of suiting fabrics (m metres) grew to 56m in FY23, up 9.8% yoy from 51m in FY22. The company has launched various innovative fabrics across categories like 'Technostretch' & 'Spanax' and aims to further improve the contribution of innovative fabrics to drive margins higher.

Sales volume of suiting/shirting grew 18.8%/9.8% yoy, respectively, in FY23.

Shirting division (B2C)

Raymond's shirting division offers a wide range of high-quality fabrics and designs for both formal and casual wear under 'Raymond Fine Fabrics', one of the largest OTC branded fabric players in the organized shirting segment. Its shirting fabrics include a variety of materials such as cotton, linen, and blends. The brands fabrics are known for their durability, comfort, and style, and are available through their retail stores, online platforms, and authorized dealers.

- Shirting contributed 20% to sales mix of the textile division in FY23. Demand for cotton, poly-blend and linen along with casual wear have remained healthy, driving high volume growth in FY23.
- Sales volume of shirting fabrics (m metres) grew to 19m in FY23, up 18.8% yoy from 16m in FY22. The volume of shirting fabrics is expected to grow faster in the medium term.
- With a focus on innovation and sustainability, Raymond continues to evolve and meet the changing needs of its customers in the shirting business, with the aim of improving the sales mix of innovative ranges to drive margins higher.

Made-to-measure division

- Raymond's made-to-measure (MTM) division is a premium service that offers customized clothing solutions for men. The MTM division uses high-quality fabrics and sophisticated tailoring techniques to create bespoke suits, blazers, trousers, and shirts that fit the customers style preferences, and lifestyle needs.
- The process involves a detailed consultation with a personal stylist who helps the customer choose the right fabric, colour, pattern, and design elements. Once the measurements and preferences are finalized, the garment is made in-house by expert craftsmen and delivered within a few weeks.
- MTM is a minority contributor to the textiles division (1% of FY23 sales) and is expected to remain so in the near term.

Figure 21: Shirting materials in TRS stores

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 22: Suiting fabrics in TRS stores

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 23: Made-to-measure store format

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Home textiles

- Raymond's Home textiles brand caters to products in the bed and bath category. The brand has remained under the radar for the last few years and is largely a trading business.
- The category witnessed growth led by increased consumer spending in home improvement products, especially in the bed and bath segment.
- With improved demand and steady growth in the category, Raymond plans to improve the focus on this segment.

Home textiles will see renewed focus and are expected to post a healthy growth in the near term.

Figure 24: Raymond Home décor range caters to bed and bath products

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key highlights

- Raymond has emerged as the largest OTC branded shirting player in the domestic organized market since its launch in 2015.
- In the medium term, the volume of shirting fabrics is expected to pick up faster compared to suiting fabrics.
- The textile division has a high reliance on wholesale channels, which contributed 36% to FY23 sales. Its products are also sold through TRS (23% of FY23 sales), Multi-Brand Outlets (15% of FY23 sales) and others (26% of FY23 sales). Average transaction value (ATV) grew 25% yoy in TRS stores in FY23.
- The suiting business witnessed growth across categories, with a surge in demand for wool blends at attractive price points, led by strong festive season demand and an increase in wedding-related purchases.
- The B2C shirting business saw strong volume growth, led by strong performance across channels. There was higher demand for cotton, poly-blend and linen fabrics along with casual wear fabrics.

- In FY23, the MTM business gradually picked up pace due to the demand for work wear along with increased frequency of celebrations, despite trimming of non-performing stores. Store expansion was back on track with the addition of 5 MTM stores, totaling 40 stores by the end of FY23.
- The Home décor business, which includes the bed & bath category, has historically been a segment which Raymond was not focusing on, but is gradually becoming a strong product segment. It is largely a trading business (done via contract manufacturing) and Raymond makes lower margins here vs. its other fabrics businesses. Raymond aims to focus on this segment going ahead and will focus more on the bed and bath segment.
- Suiting fabric exports witnessed strong growth in FY23, led by demand from the US and European markets.

Recent innovations

- Stretched collections – Technostretch and Spanax come in two variants – 'multi direction stretch' and 'Weft stretch'. Also launched stain, water and oil-resistant fabrics under 'Techno Smart'.
- Zenpel – Uses nano technology to deliver water and stain-resistant fabric finishes.
- La-Miraco – A new brand launched in the wool blend category, available at popular price points across pastel colours.
- Vibez – a collection catering to the increased trend of casualization.
- New range of eco-friendly fabrics – Sustainova, Ecomoda, Ecogreen and active formal work wear in knit bases.

Service offerings

- To deliver better customer experience under Made-to-Fit, Raymond has been focusing on improving the digital experience for customers.
- Myraymond.com has been revamped to improve shopping experience, offering fabrics, MTM and custom fit garments.
- Franchise-led tailoring hub network comprising 49 operational hubs across 43 cities can convert c.1.5m metres annually.

Our view

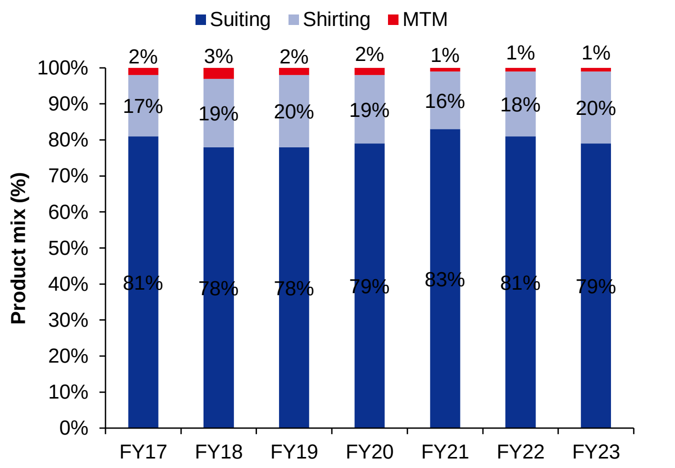
Factors such as a high number of weddings, social gatherings, and the reopening of physical workspaces are expected to keep consumer demand strong. Raymond has been a preferred textile and apparel brand for wedding-related demand over the last nine decades and enjoys a pan-India presence. The company plans to shift its positioning in suiting fabric from 'Occasion Wear' to 'Daily Wear' and drive sustainable growth momentum through product and service innovation. Scaling of institutional business and capitalizing on international business opportunities are expected to aid sales growth. The company aims to surpass industry growth rate in its suiting business and achieve margin expansion through premiumization in wool-rich blends. Additionally, in shirting, the company targets to drive revenue and market share growth in the next three-to-four years through premiumization in cotton, silk, and linen categories. The company also seeks to gain a significant share in the US$7bn domestic market for home textiles through innovative offerings. Branded textile revenue is expected to expand at a 7.6% CAGR over FY23-25F with consolidation of the leadership position in suiting (~80% of segment revenue) and strong growth in shirting. EBITDA margin is expected to remain at a similar level as in FY23, owing to higher volume growth from the shirting category expected in the medium term.

Risks

- Rising input cost and inflationary pressure may have a short- to mid-term impact on demand, and the price hikes undertaken may not be enough to offset inflation.

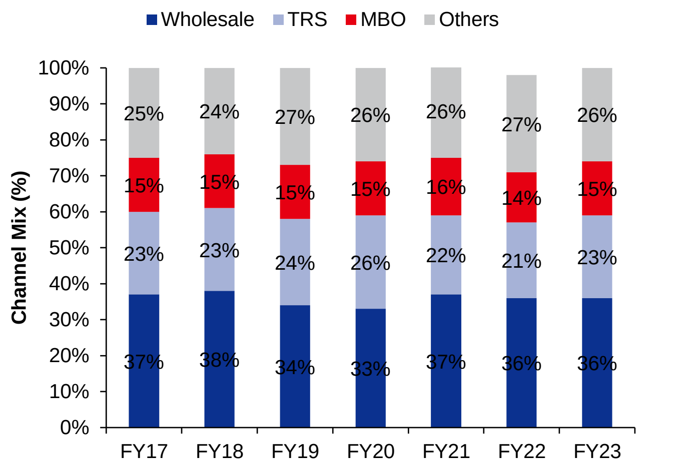
- Modest growth in fabrics business with rising competition from readymade garments.
- The tailoring profession is facing a decline due to lack of formal training opportunities and social status associated with it, resulting in fewer people pursuing this career.

Figure 25: Shirting segment's share expected to inch up gradually going ahead owing to higher volume growth



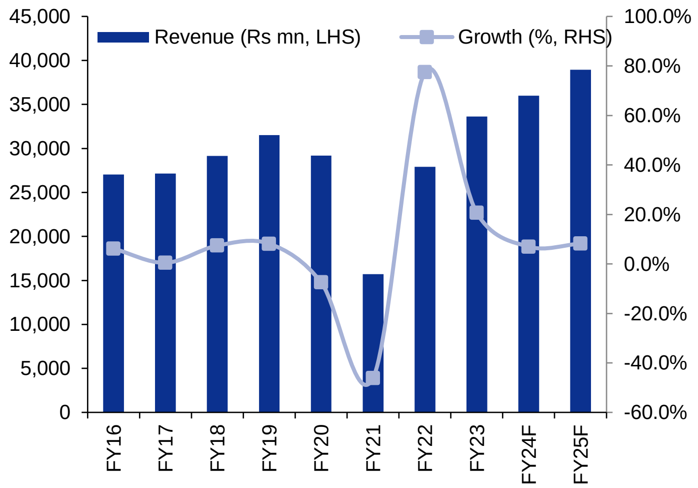
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 26: Wholesale segment's contribution is likely to remain steady



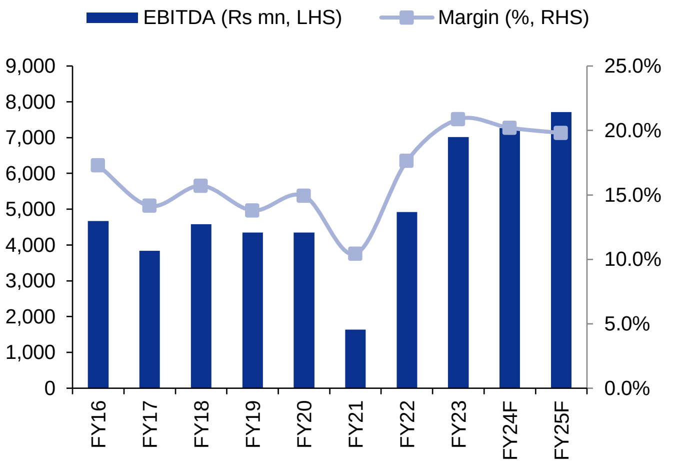
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 27: Branded textiles segment's sales are expected to grow at a CAGR of 7.6% over FY23-25F



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 28: EBITDA margin is expected to remain at a similar level over FY23-25F



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Branded Apparel

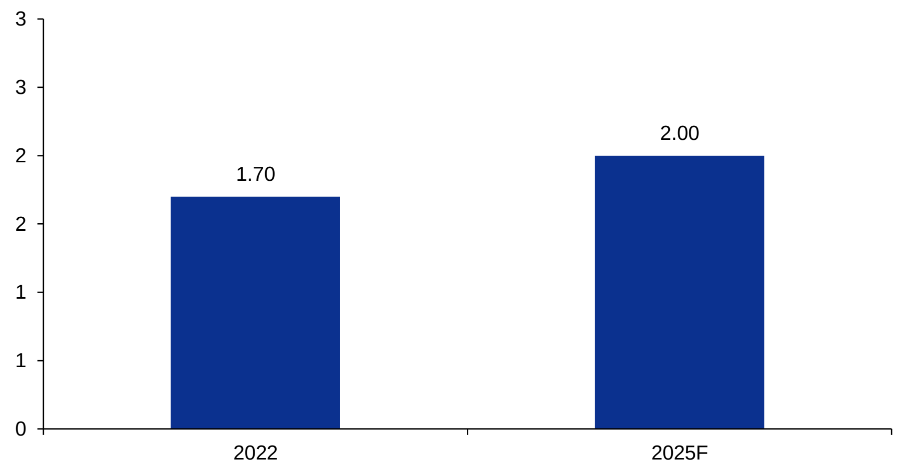
Industry

Global apparel retail market

The global apparel market is expected to grow at a strong 6% CAGR from approximately US$1.7tr in 2022 to US$2tr by 2025F. One notable trend in the market is the rising consumer demand for sustainable products, which has been amplified since the onset of the pandemic. As a result, there has been a rise in the demand for conscious clothing. The apparel business is widely acknowledged as one of the most challenging industries. This is primarily due to factors such as the short lifespan of products, volatile fashion trends, unpredictable market shifts, and the impulsive purchasing nature of customers.

Industry players must prioritize these factors to ensure their sustainability in the market. Inflation poses a potential challenge for the apparel industry as it can impact consumer demand. However, despite these challenges, the industry is expected to generate substantial revenue and employment opportunities on a global scale.

Figure 29: Global textile and apparel industry (US$tr)

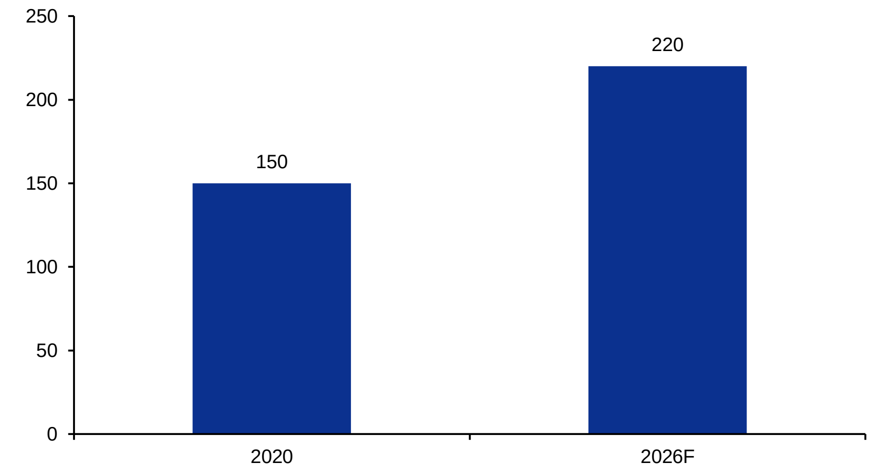


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Indian apparel retail market

- The Indian apparel market, valued at US$150bn in FY20, is expected reach US$220bn by 2025F, growing at ~8% CAGR. This growth can be attributed to the revival of festivals and weddings, which have returned to pre-pandemic levels. During these occasions, there is a higher demand for ethnic and occasion-based clothing. Additionally, the shift to hybrid work models, even as people return to offices, has further fueled the trend towards casual attire.
- As disposable incomes rise and social media continues to have a significant impact, apparel sales are expected to increase, especially among the dominant Gen Z and Gen Alpha population in India. Despite global economic challenges, India is projected to experience minimal impact compared to other countries, thanks to its favourable economic conditions.
- The Indian branded apparel industry has grown significantly over the past few decades, driven by a combination of factors, including rising disposable income, changing consumer preferences, urbanization, and the growth of organized retail.
- The industry has both domestic and international brands that offer a wide range of products, including formal and casual wear, ethnic wear, sportswear, and accessories. Some of the popular domestic brands include Raymond, Fab India, Allen Solly, and W for Women, while international brands such as Zara, H&M, Levi's, and Nike have also established a strong presence in the Indian market.

Figure 30: Indian textile and apparel industry (US$bn)



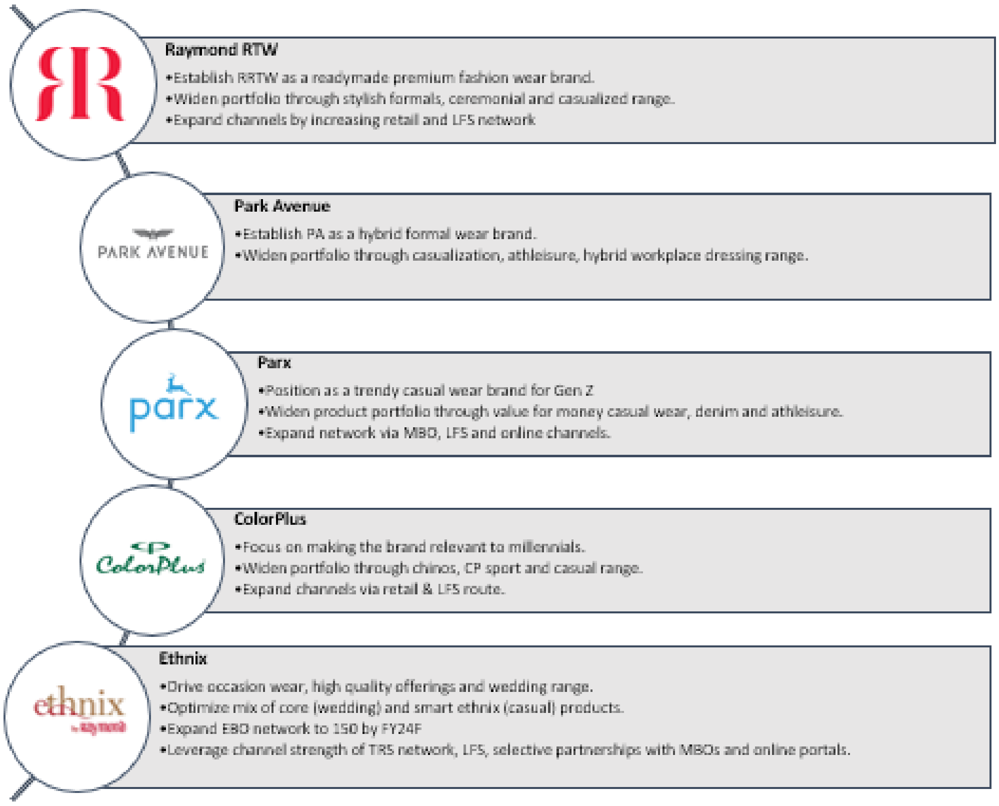
SOURCE: INCRED RESEARCH, COMPANY REPORTS

- The Indian branded apparel industry is highly competitive, with companies investing heavily in branding, marketing, and product innovation to stand out in a crowded market. In addition to offline retail channels, many brands have also expanded their online presence through e-commerce platforms, social media, and mobile applications to tap into the growing digital-savvy consumer base. With rising emphasis on sustainability, many brands have also started incorporating eco-friendly materials, ethical sourcing practices, and circular business models into their operations.
- Despite the challenges posed by the Covid-19 pandemic, the Indian branded apparel industry has shown resilience and adaptability, with brands shifting their focus towards comfort and lounge wear to cater to changing consumer needs. The industry is poised for continued growth in the coming years with rising urbanization, increased brand awareness, and the growing popularity of e-commerce expected to fuel demand for branded apparel in India.

Raymond's branded apparel segment

- Raymond, one of India's leading textile and apparel companies, has a strong presence in the branded apparel segment. The company's branded apparel business (16.2% of FY23 sales) comprises a diverse range of products, including formal and casual wear, ethnic wear, and accessories. Raymond has a wide network of stores and retail outlets across India, offering customers a premium shopping experience.
- The company's flagship brand, Raymond, is the market leader in the men's formal wear segment, offering a wide range of products such as suits, jackets, trousers, and shirts. Apart from Raymond, the company also has other popular brands such as Park Avenue, ColorPlus, Parx, and Ethnix catering to different segments of the market.

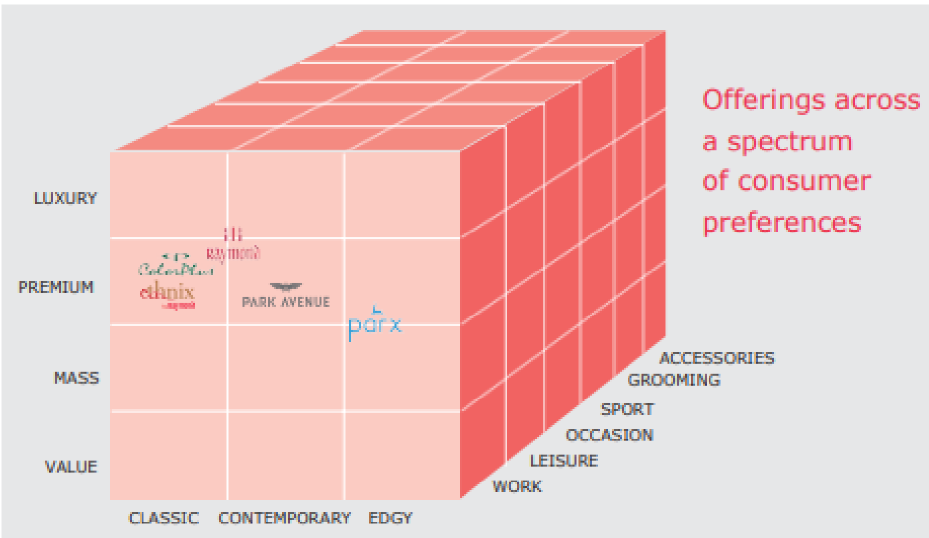
Figure 31: Growth drivers across brands



SOURCE: INCRED RESEARCH, COMPANY REPORTS

- Raymond's branded apparel business has been at the forefront of innovation and sustainability, incorporating eco-friendly materials and ethical production practices into its operations. The company has also been leveraging technology to enhance the customer experience, such as through improved data analytics and personalized recommendations.

Figure 32: Brands across various value spectrums



SOURCE: INCRED RESEARCH, COMPANY REPORTS

- The branded apparel segment of Raymond has been a key growth driver for the company, with strong revenue growth and market share gains over the years. Despite the challenges posed by the Covid-19 pandemic, the company has shown resilience and adaptability with a focus on digital transformation and e-commerce to cater to changing consumer needs.
- Overall, Raymond's branded apparel segment is well-positioned to capitalize on growth opportunities in the Indian apparel market, driven by rising disposable income, urbanization, and changing consumer preferences.

Figure 33: Snapshot of the branded apparel segment

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Higher store expansion under Ethnix and Raymond RTW is likely in the near term.

Brand-wise details

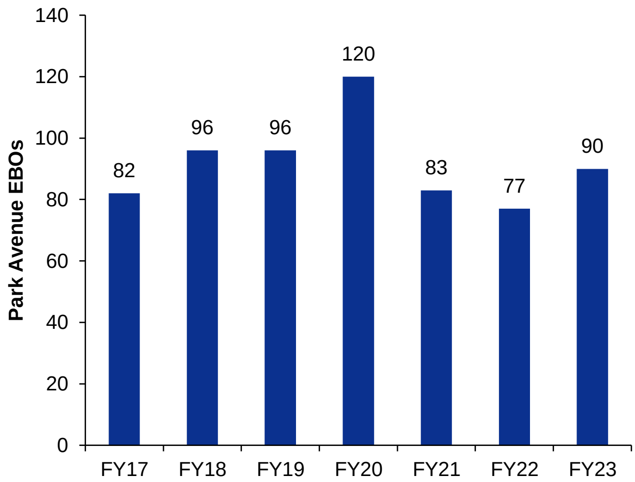
Park Avenue's portfolio is being expanded with more focus on casualization ➤

- Park Avenue, launched in 1986, is a popular clothing brand under the umbrella of the Raymond Group.
- Park Avenue offers a wide range of formal and semi-formal clothing for both men and women, including shirts, trousers, suits, blazers, dresses, and accessories such as ties, belts, and wallets.
- The brand's commitment to excellence has made it a household name in India and beyond, and it is recognized as one of the country's leading clothing brands for those seeking quality and style.
- The company is widening its product portfolio with more focus on casualization and increasing athleisure collections, to evolve the brand into a hybrid formal wear brand.

Figure 34: Park Avenue retail store format

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 35: Park Avenue brand retail network is expected to grow via EBO, LFS & e-commerce channels in the near term



SOURCE: INCRED RESEARCH, COMPANY REPORTS

ColorPlus is being revamped to become more relevant to millennials ➤

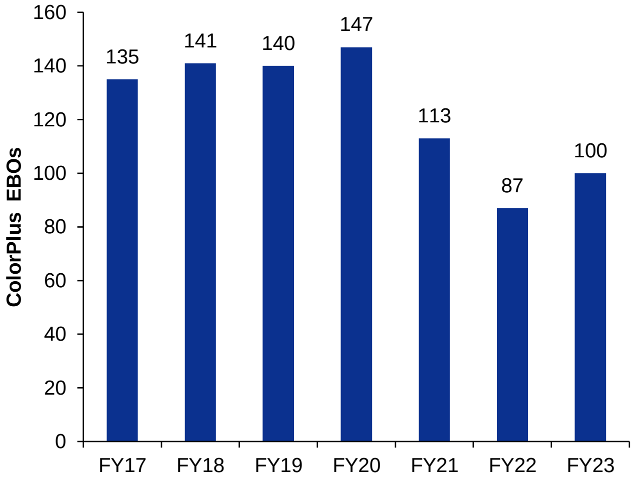
- ColorPlus is a premium clothing brand that is part of the Raymond group. Established in 1993, the brand is known for its elegant and sophisticated range of men's clothing. ColorPlus is committed to providing high-quality clothing with a perfect blend of contemporary style and classic design.
- The ColorPlus clothing range includes shirts, trousers, t-shirts, jackets, and accessories that are crafted from the finest fabrics and materials. The brand's attention to detail and emphasis on quality is reflected in every piece of clothing it produces.
- ColorPlus is a popular brand among professionals who value quality and style. The brand's clothing is suitable for both formal and casual occasions, making it an apt choice for any wardrobe.

- Raymond aims to expand the product portfolio by establishing leadership in the Chinos category, adding more collections under CP Sport and casualization to make the brand more attractive to millennials.

Figure 36: ColorPlus retail store format

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 37: ColorPlus will be expanded largely by EBO and LFS stores in the near term



SOURCE: INCRED RESEARCH, COMPANY REPORTS

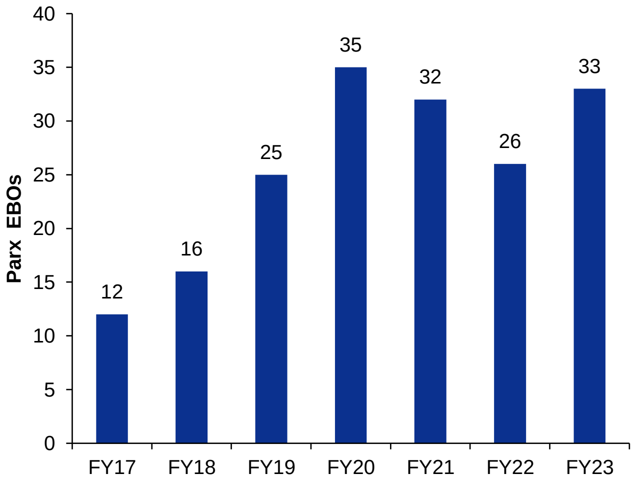
Parx is being positioned as a trendy casual wear brand for Gen Z

- Right from its inception in 1999, Parx has been the preferred choice of brands in the casual wear segment with continuous innovations and international trends and styling.
- It is positioned to meet the consumer needs for 'beyond work' requirements. The brand was later relaunched between the end of 2011 and early 2012 with the 'Live Easy' brand identity, new logo and brand positioning across retail outlets.
- The company is widening its product mix, with a higher focus on adding value-for-money casual wear, denims and athleisure. The brand will continue its network expansion led by MBO, LFS and online channels.

Figure 38: Parx retail store format

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 39: Parx network expansion is expected via MBO, LFS and online channels in the near term



SOURCE: INCRED RESEARCH, COMPANY REPORTS

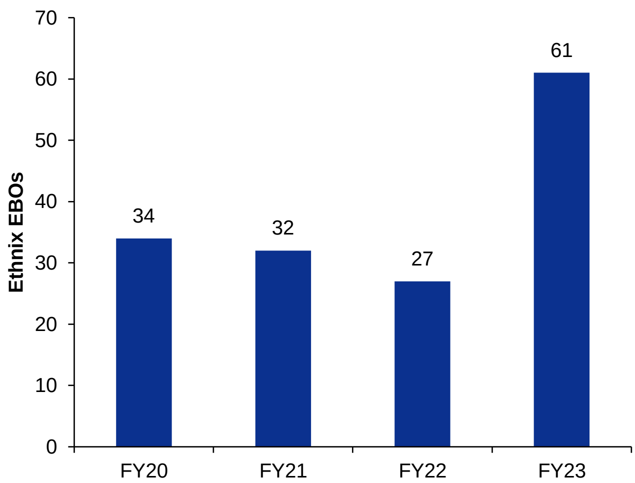
Ethnix will be the next big focus area

- Ethnix offers a range of contemporary ethnic wear for men that embodies the essence of India's rich cultural heritage while also embracing modern fashion sensibilities. In FY23, Ethnix clocked Rs500-550m in sales, with gross margin at 60-65%, which is expected to remain at that level as Raymond aims to deliver superior product quality. Management believes gross margin can improve by c.200bp as the brand scales over time.
- The brand's collection includes a variety of ethnic wear such as kurtas, sherwanis, bandhgalas, Nehru jackets, and fusion wear. Ethnix's designs incorporate traditional Indian motifs and intricate embroideries, which are meticulously crafted by skilled artisans, making each piece unique and exclusive. The brand is committed to using high-quality fabrics, with a focus on natural fibres such as silk, linen, and cotton.
- The company aims to create a unique position for itself in the men's ethnic wear segment and plans to expand its product and category mix as well as improve its route-to-market strategy.
- As Raymond was a late entrant to the ethnic wear space, we believe there will be higher aggression in expansion of Ethnix stores in the medium term. To drive confidence at the franchisee level, Raymond keeps the inventory in franchisee outlets on its own books. Raymond aims to drive the total Ethnix stores to 150 by the end of FY24F, including 61 as of FY23, indicating that there is a target of expanding by 77-80 stores this year.

Figure 40: Ethnix retail store format

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 41: Aggressive EBO expansion expected under Ethnix



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key highlights

- In FY23, the apparel business of Raymond registered a 49% yoy growth led by robust growth across all channels backed by the rise in office-wear demand and the ready-to-wear segment. EBITDA margin improved from 4.8% in FY22 to 10.8% in FY23 owing to improved demand, better mix and cost-saving initiatives. Management aims to keep the momentum intact and aims to further drive margins up gradually.
- New launches in the product portfolio, especially in casual wear and product line extension in ethnic wear, helped achieve strong yoy growth. The company aims to target ethnic wear across regular, festive seasons and weddings by creating targeted ranges for each occasion.
- In FY23, all brands of Raymond witnessed steady growth led by store addition and new product launches. A strong wedding season, coupled with new range launches under brand Ethnix, led to strong ethnic-wear sales.
- Rejig at the brand level to drive casualization is underway. Out of its current brands, ColorPlus and Parx are casual wear brands. Raymond RTW and Park Avenue are largely hybrid formal wear brands and are gradually increasing the

mix of casual wear within the portfolio, targeting a 20-30% casual mix over the next few years (from 10-12% currently).

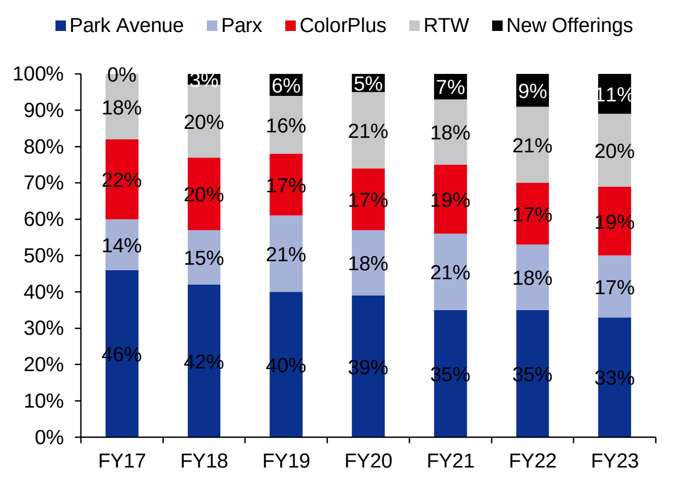
Our view

We expect Raymond to continue widening its product range by introducing new products in its core portfolio. This will be achieved through an increase in casualization, a fusion of performance garments with fashion, and an extension of the ethnic-wear category. Premium and occasion wears are also expected to gain popularity, as consumers shift towards more comfortable clothing and athleisure. Margin improvement can be achieved by optimizing the channel mix, maintaining profitability in online channels, and focusing on cost savings. It is expected that the company's branded apparel revenue will expand at a CAGR of 9.9% over FY23-25F, driven by aggressive expansion of retail footprint across brands, steady same-store sales growth (SSSG), and more relevant marketing campaigns. EBITDA margin is expected to remain flat at 11% in FY25F from 10.8% in FY23 owing to the renewed focus on store expansion and higher advertisement expenditure.

Risks

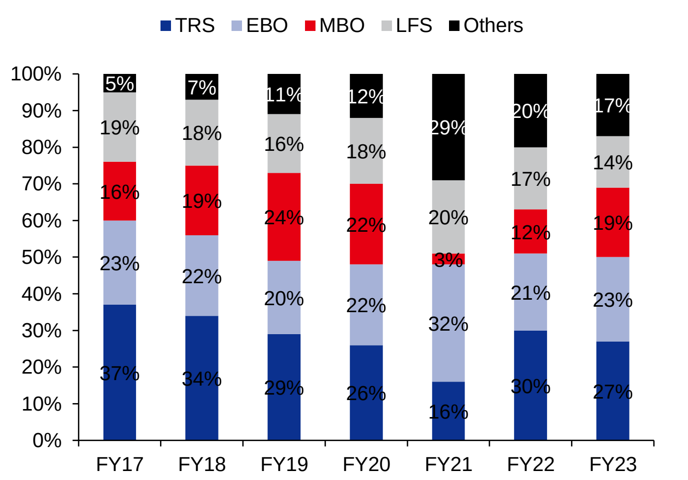
- Growing competition and fast-paced evolving fashion leading to shortened product cycles.
- High influx of international fashion brands could intensify competition through value-based retail formats.

Figure 42: New offerings expected to pick up led by expansion of Ethnix



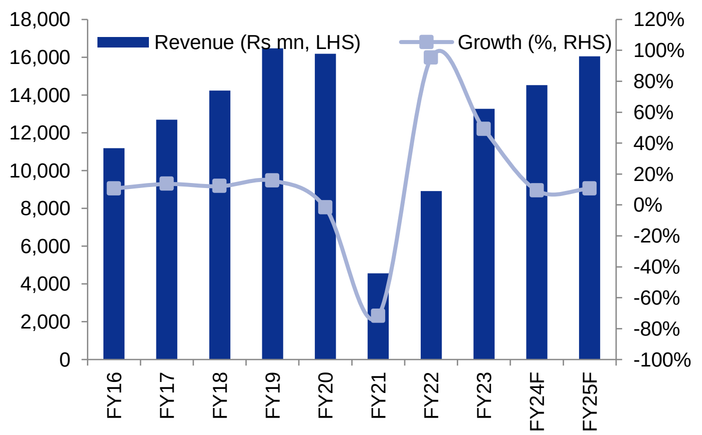
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 43: Channel mix expected to remain healthy in the medium term



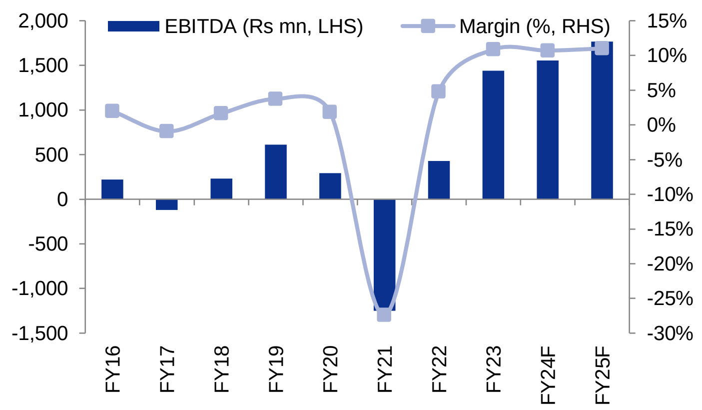
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 44: Branded apparel segment's revenue growth momentum expected to normalize to pre-Covid level



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 45: EBITDA margin is expected to remain flat yoy post-FY23



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Garment business

Apparel exports from India ➤

India is one of the world's largest exporters of textiles and garments, and the industry has experienced significant growth in recent years. Here are some key trends related to apparel and garment exports from India:

- **Rising export value:** The export value of Indian apparel and garments has been steadily increasing over the years. In 2020-21, India's textiles and garment exports were valued at US$27.2bn, a growth of 16.36% compared to the previous year.
- **Growing demand in key markets:** India's apparel and garment exports are mainly driven by the demand from key markets such as the US, Europe, and the UAE. The US is the largest market for Indian textiles and garments, followed by the UAE, the UK, and Germany.
- **Focus on sustainable and eco-friendly practices:** With rising global awareness of environmental issues, there has been a growing demand for sustainable and eco-friendly textiles and garments. Indian textile and garment manufacturers are increasingly adopting sustainable practices, such as using organic cotton and recycled fabrics, to cater to this demand.
- **Diversification of product offerings:** Indian textile and garment manufacturers are also diversifying their product offerings to cater to the changing preferences of consumers. For instance, there has been a growing demand for athleisure wear, which has led to an increase in the production of activewear in India.
- **Investment in technology and innovation:** Indian textile and garment manufacturers are investing in technology and innovation to improve their production processes and create high-quality products. This includes the use of automation, artificial intelligence, and 3D printing to improve efficiency and reduce production costs.

As per the Apparel Export Promotion Council, during FY22-23 (until Sep 2022), exports of readymade garments (RMG) stood at US$8,127.3m, up 10.8% yoy. Based on product category, during 2021-22, exports recorded the highest yearly growth of 54% in cotton textiles, followed by 51% growth in MMT, 30% in RMG and 22% in handicrafts. Cotton textiles was a major export contributor, accounting for a 39% share of total exports of the T&A industry, while the share of RMG, MMT and handicrafts in exports stood at 36%, 14% and 5%, respectively. Exports of cotton yarn/fabs/made-ups, handloom products, etc., stood at US$767.50m in Sep 2022, accounting for 2.35% of total exports.

Top apparel export markets for India ➤

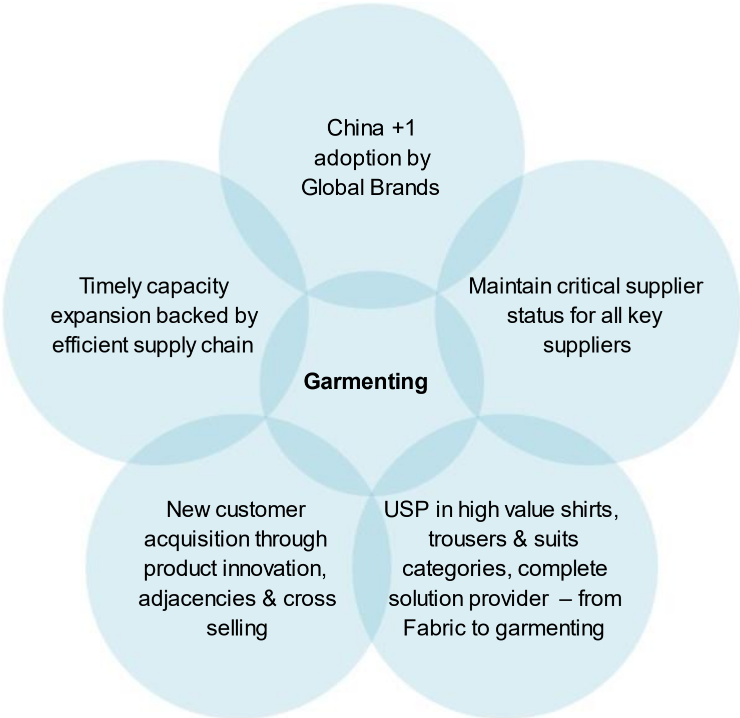
- India's T&A products, including handloom and handicrafts, are exported to more than 100 countries across the globe. India's key export destinations for textiles and apparel products are the US, the UAE, the UK, Bangladesh, Germany, China, Spain, France, Italy, Netherlands, Saudi Arabia, etc. Of these, the US is the largest importer, accounting for about one-fourth of total exports from India.
- The US was top export destination for the T&A industry during 2021-22, accounting for ~27% share of overall exports, up from ~24% share in 2019-20. Among other key countries, Bangladesh has grown its share of imports significantly from 6% to 12% over the same period.
- India and the UAE recently signed a free trade agreement (FTA) and is also in the process of negotiating FTAs with the EU, Australia, the UK, Canada, Israel and other countries, which are likely to boost exports of Indian T&A in future by providing a competitive edge over other exporting countries. Also, India's consolidated foreign direct investment (FDI) policy circular 2020 provides for 100% FDI in a single brand product retail trading and up to 51% FDI in multi-brand retail trading, subject to certain conditions. This continues to attract

leading international retailers in sourcing their garment and home textile requirements from India.

Raymond's garment segment

- Raymond's garment unit is a preferred choice and enjoys critical supplier status from leading international brands with par-excellence production facilities that offer products in men's wear such as suits, formal blazers, jackets, formal trousers, denims and shirts.
- The garmenting business operates through Raymond's wholly-owned subsidiaries - Silver Spark Apparel (suits), EverBlue Apparel (denim – jeans) and Celebrations Apparel (shirts).
- 90% of the garmenting segment's demand comes from international markets, which are expected to remain strong in the medium term. High-end suits, jackets, trousers and shirts are exported to the US, Europe and Japan.
- Silver Spark Apparel is among the only Indian manufacturers with the capability to craft full canvas suits.

Figure 46: Key growth enablers in the garment business



SOURCE: INCRED RESEARCH, COMPANY REPORTS

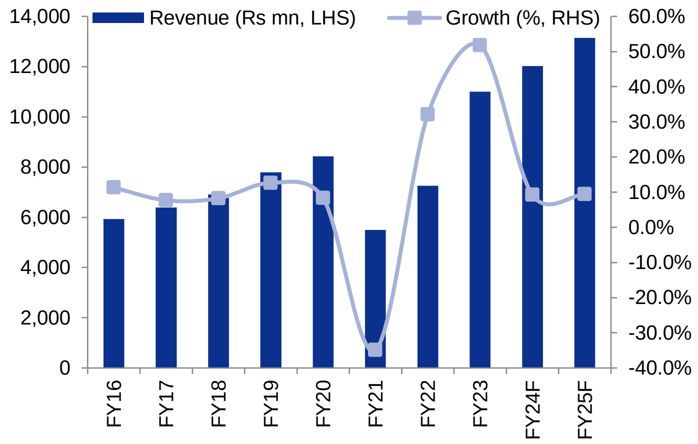
Our view

We believe Raymond will take advantage of the current trend of global brands consolidating their vendor propositions and adopting the China +1 strategy. Additionally, the company is investing in increasing its production capacity to meet the demand from key markets such as the US, the UK, Europe, and Japan. It's worth noting that there has been a positive shift towards tailored clothing and retail resurgence, particularly in the US. The textiles and apparel sector is set to benefit from recent FTAs with the UAE and Australia. Raymond is committed to optimizing its Ethiopian capacity utilization through a strong order book. The company plans to add 19 more garment lines to its current 65, to expand its manufacturing capabilities. Our forecast indicates that its garmenting segment's revenue will grow at a CAGR of 9.3% over FY23-25F. We also expect the EBITDA margin to expand to 8.5% in FY25F, up 550bp over FY23-25F.

Risks

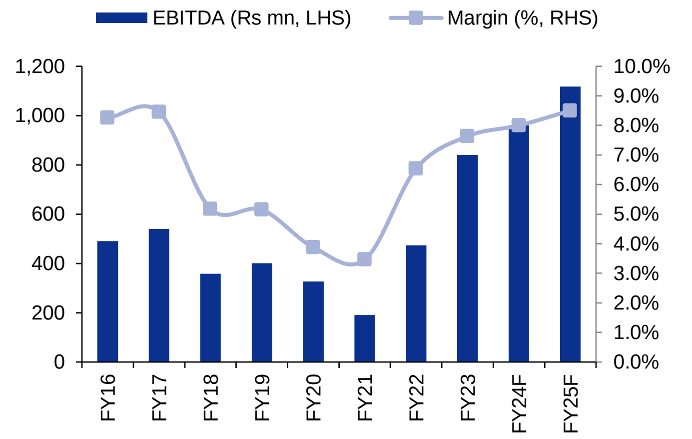
- Intense competition from neighbouring Asian countries that offer low-cost garment solutions with the support of their government, along with India's lack of clarity on FTA, especially with the US and the European region.
- Intermittent disturbance in global supply chain and escalated level of freight cost.
- Foreign currency fluctuations, especially a weakening Euro, could impact margins.

Figure 47: Garment segment's revenue growth returns to normal level post Covid-19 pandemic



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 48: EBITDA margin is expected to gradually improve after FY23



SOURCE: INCRED RESEARCH, COMPANY REPORTS

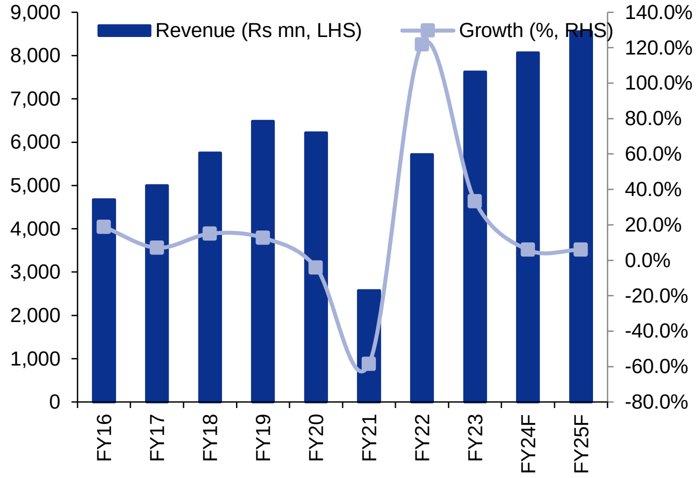
High-value cotton shirting

- Raymond is a leading manufacturer of high-quality cotton and linen fabrics in India, with a particular focus on natural materials. Its expertise in producing fabrics with high thread counts, such as 340's count cotton and 150's linen, has made it a top supplier to both domestic and international brands.
- Raymond's strategic proximity to weaving clusters has allowed it to achieve cost efficiency in procurement, which provides it with a competitive advantage. The company's commitment to innovation and providing high-value differentiated products and services to customers is expected to continue, leading to increased revenue and profitability.
- The company has 28.6m metre manufacturing unit at Kolhapur which produces high-value cotton and linen shirting and bottom-weight fabrics for leading domestic and international brands.
- Raymond's expansion into new geographies will further expand its customer base. Additionally, the company is implementing sustainable cost-saving measures to enhance operational efficiency and profitability.
- We expect high-value cotton shirting revenue to grow at a CAGR of 5.9% over FY23-25F. EBITDA margin is likely to remain flat over the medium term, at 11% in FY25F.

Risks

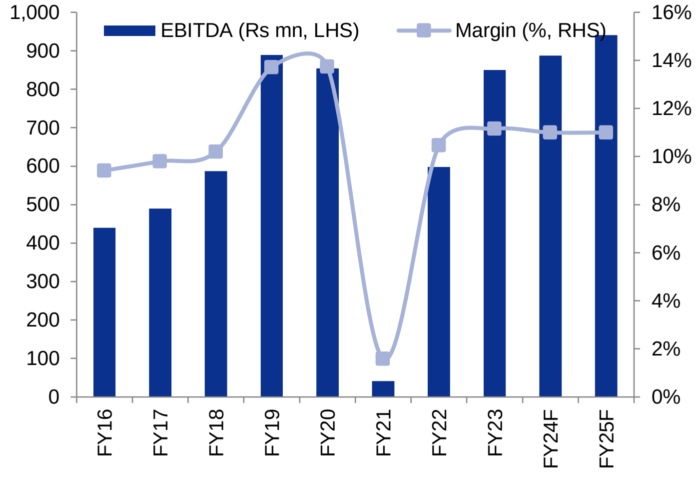
- Continued inflationary pressure on cotton prices could impact profit margins.
- Alternate low priced-low quality fabrics from China could also negatively impact growth.

Figure 49: High-value cotton shirting segment's growth momentum is expected to remain in line with pre-Covid levels over FY23-25F



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 50: High-value cotton segment's EBITDA margin is expected to remain flat post FY23



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Real estate business

Global real estate market

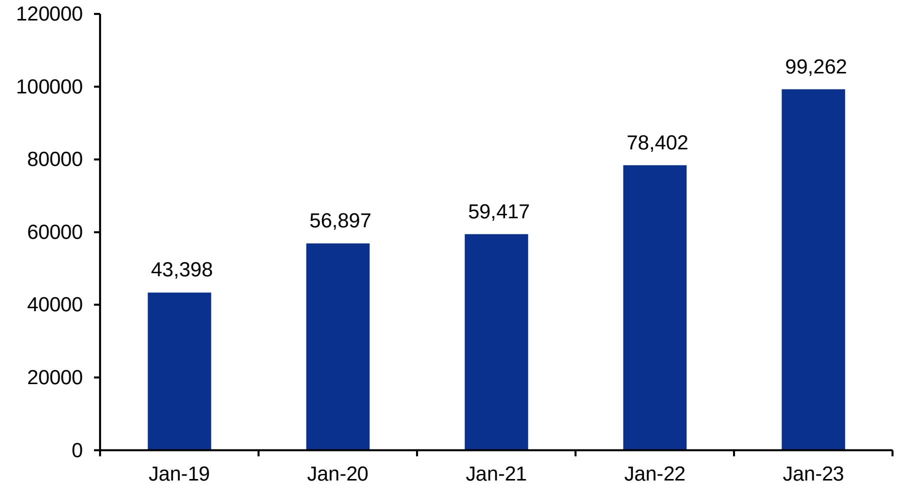
According to projections, the global real estate market will increase in value to US$7.8tr by 2027F, growing at a compounded annual growth rate (CAGR) of 1.90% over 2022-27F. The market's expansion will be driven by rapid urbanization that is taking place worldwide.

- Growing population, rising demand for quality housing and infrastructure, and the trend toward nuclear families are among the main factors propelling the real estate market's growth.
- Consumer preferences have shifted toward a clean, safe, and secure environment, which has created a favourable environment for the market. Additionally, the market is benefiting from significant infrastructural developments, including enhanced connectivity through roads, air, and railways.

Indian real estate market

- Starting in 2022, the Indian real estate market began to rebound, driven by an uptick in demand for residential properties. The sector's recovery was bolstered by low interest rates, duty waivers in some states, realistic property pricing, and attractive offers from developers.
- The Indian real estate industry is the second-largest employment generator and is projected to reach US$1tr by 2030F. Urbanization is critical to the industry's success, as the number of Indians residing in urban areas is predicted to rise to 525m by 2025F and to 600m by 2036F.
- The construction sector is the third-largest recipient of FDI inflows. The Indian government's 'Housing for All' initiative aims to attract US$1.3tr in investment in the housing sector by 2025F. Furthermore, India's position in the Global Real Estate Transparency Index is steadily improving.

Figure 51: Number of projects (cumulative) registered under RERA in India grew 27% yoy to 99,262 in Jan 2023 (in units)

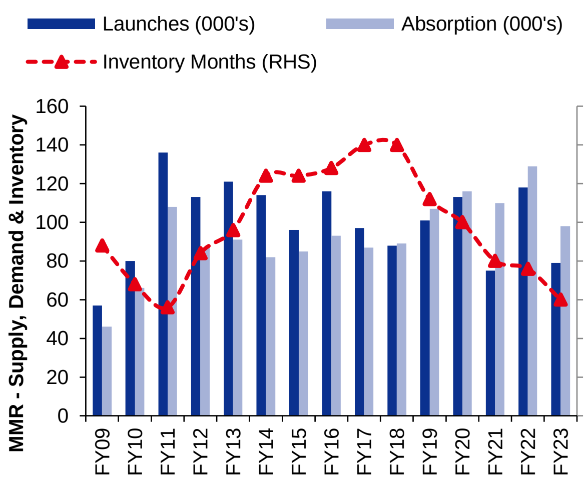


SOURCE: INCRED RESEARCH, ASSOCHAM-JLL RERA REPORT

MMR

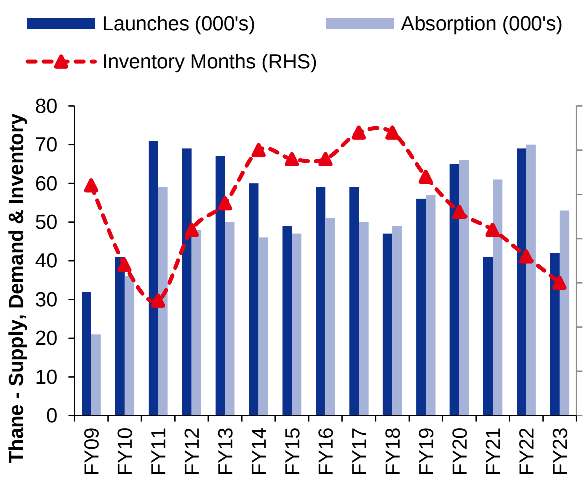
- The Mumbai Metropolitan Region (MMR) comprises Mumbai, Thane district and Navi Mumbai. Thane contributes c.55% to both supply and demand of the whole region. Thane city has a presence of all the top developers in the MMR due to well-established social infrastructure like business parks, multispecialty hospitals, hotels and malls.
- From FY18 to Oct 2022, Thane district's total absorption of 3,56,987 units outpaced supply of 3,20,722 units, thereby reducing the inventory overhang from 32 months to 15 months. Thane city's inventory overhang dropped to 13 months from 34 months.
- In the current cycle, developers with strong delivery track record, quality products and established brands have been clear winners in Thane district. Since 2015, the top 10 developers' sales contribution moved up from 34% to 60%, while launches have grown from 33% to 65%.

Figure 52: MMR supply, demand & inventory levels



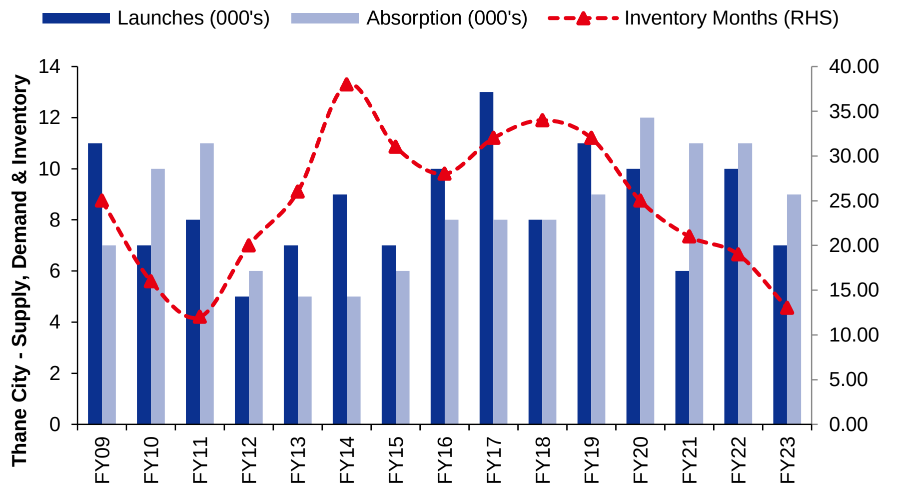
SOURCE: INCRED RESEARCH, PROPEQUITY

Figure 53: Thane district supply, demand & inventory levels



SOURCE: INCRED RESEARCH, PROPEQUITY

Figure 54: Thane city supply, demand & inventory levels



SOURCE: INCRED RESEARCH, PROPEQUITY

- As Mumbai is landlocked and Thane has excellent physical infrastructure along with well-established social infrastructure, more Tier-1 developers are attracted to Thane.
- In recent years, Thane city has witnessed the entry of the likes of Oberoi Realty, **Raymond Realty**, Shapoorji Pallonji, Godrej Properties while players like Lodha, Rustomjee, Runwal, Dosti, Tata Realty, Kalpataru and Wadhwa Group have been present since a long time.
- Post Covid-19 pandemic, Thane market, like other markets, witnessed robust demand with supply increasing steadily.
- Demand for large-sized homes has picked up post-pandemic before which demand was more pronounced for homes priced below Rs10m.

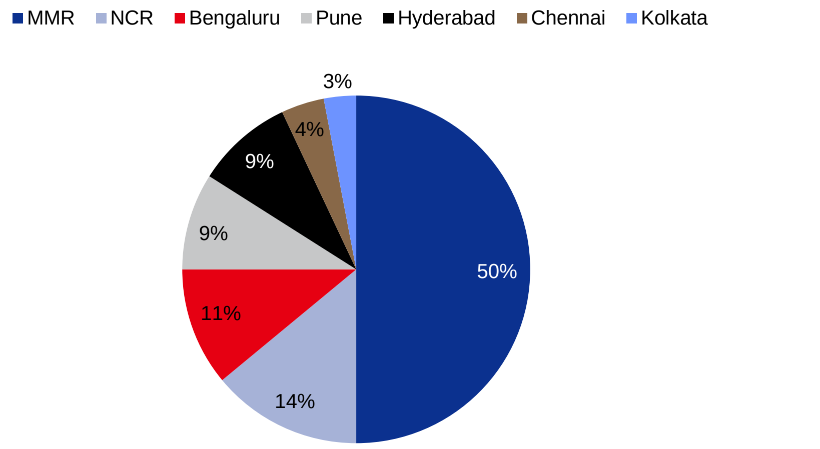
Mumbai remains the dominant real estate market in India, followed by the National Capital Region or NCR and Bengaluru in terms of sales value. Mumbai accounts for ~50% of residential real estate sales in top seven micro-markets. In CY21, ~Rs2tr worth of residential units were sold across top-7 cities in India. With a 50% share in value, Mumbai remains the largest residential real estate market in India.

Figure 55: City-wise absorption (in units)

City	*2021*	*2022*	*YoY Change (%)*
NCR	40,053	63,712	59%
MMR	76,396	1,09,733	44%
Bengaluru	33,084	49,478	50%
Pune	35,975	57,146	59%
Hyderabad	25,406	47,487	87%
Chennai	12,525	16,097	29%
Kolkata	13,077	21,220	62%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

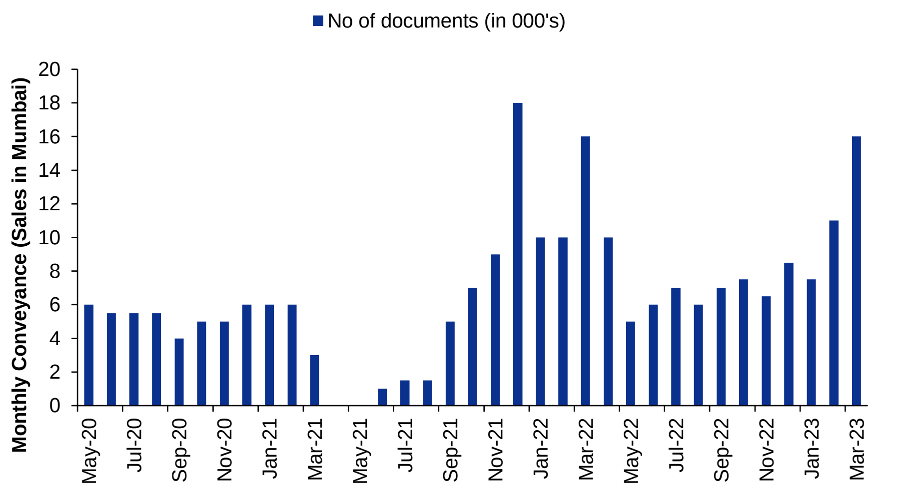
Figure 56: Residential sales value mix (CY21)



SOURCE: INCRED RESEARCH, ANAROCK RESEARCH

- Further, while stamp duty cut by the government (Sep 2020-Mar 2021) apart from decadal-low interest rates and stagnated prices were the key triggers over the last few years, MMR continues to witness healthy real estate sales momentum despite normalization of stamp duty apart from the recent hike in stamp duty and revision in prices in the Ready Reckoner.

Figure 57: Real estate sales momentum in Mumbai continues despite the hike in stamp duty and revision of real estate prices in the Ready Reckoner



SOURCE: INCRED RESEARCH, GOVERNMENT OF MAHARASHTRA

Raymond's realty division

Raymond Realty accounts for 30% of the Thane region's unit sales.

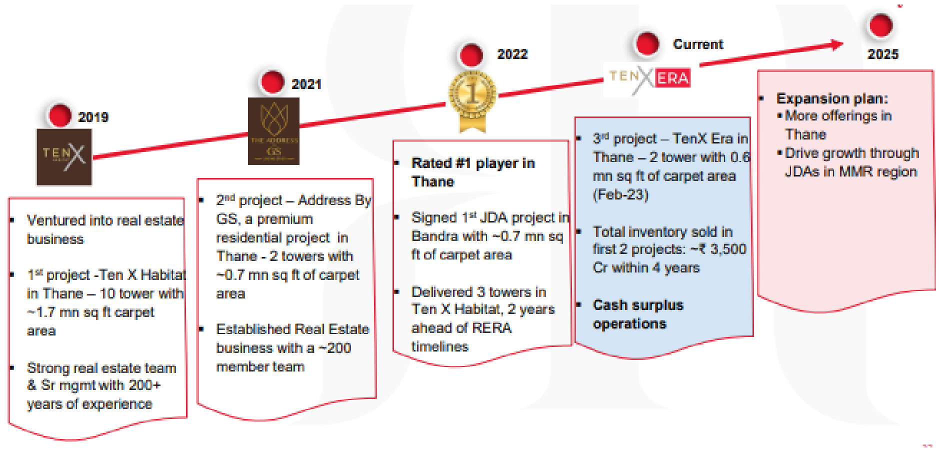
Raymond ventured into the real estate sector in 2019 by initiating the development of its company-owned land parcel in Thane. With the advantages of offering a well-priced offering in a prime location, Raymond Realty has become one of the top-selling real estate projects in Thane, Maharashtra, in a short time. TenX Realty Limited will solely focus on development / joint development of land and properties and expand beyond the Thane region into the MMR region.

- The first project, TenX Habitat, consists of 10 towers, offering approximately 0.7m sq.ft of RERA carper area, and has made steady progress in terms of sales.
- The second project, The Address by GS, has two towers and offers 0.7m sq. ft. of RERA carpet area. Given the rising affordability, supportive government policies, a rebound in consumption, and the desire to upgrade homes, we expect the real estate sector to maintain its growth momentum. This project was launched in 3QFY22.
- In Feb 2023, the company launched its third project in Thane, TenX Era, comprising two towers with a RERA carpet area of 0.6m sq.ft.

Out of the units launched so far, 80% have been booked in TenX Habitat & The Address by GS, while 25% of the units have been booked in TenX Era.

- Additionally, the company plans to expand its real estate business beyond Thane in the MMR region, using an asset-light model of joint development with landowners. The company has received c.250-300 proposals already for joint development and will strategically select projects with an internal rate of return or IRR above 25%, with a target of adding 2-3m sq. ft. in the next few years.
- We expect the real estate business to grow at a CAGR of 18.3% over FY23-25F, maintaining the EBITDA margin between 24%-25% during FY24F and FY25F.

Figure 58: Realty business snapshot



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Performance highlights

- As of 4QFY23-end, construction activity continued in full swing, with strong booking momentum maintained across all three projects - TenX Habitat, The Address by GS and TenX Era.
- The company was able to deliver three towers of TenX Habitat, two years ahead of the RERA timeline, in Dec 2022.
- 80% of the total inventory across both projects TenX Habitat and The Address by GS were booked while 25% of TenX Era's units (launched so far) were booked by 4QFY23-end.
- The total value of the bookings for all three projects amounted to over Rs16bn in FY23.

Figure 59: TenX Habitat – Artist's impression

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 60: The Address by GS

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 61: TenX Era

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 62: Actual project snapshot (TenX Habitat, Towers 5-10)

SOURCE: INCRED RESEARCH, SITE VISIT

Figure 63: Actual project snapshot (The Address by GS)

SOURCE: INCRED RESEARCH, SITE VISIT

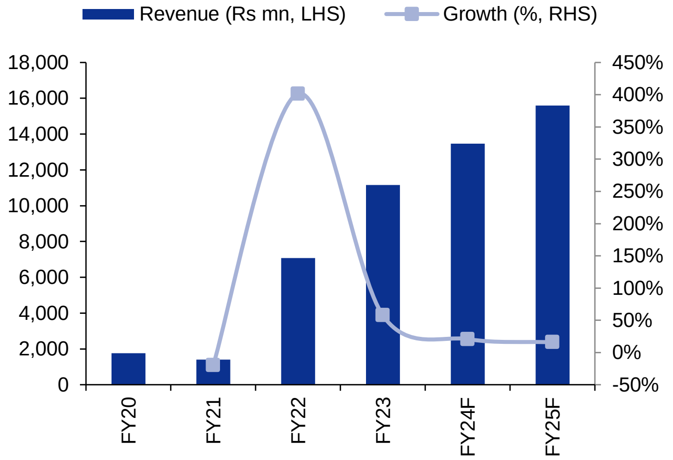
Key takeaways from our management interaction ›

- The realty vertical is generating Rs1-1.25bn in sales every month and management expects the division to grow by 20% yoy going ahead.
- The company plans to develop projects on its own land and through joint development agreements, where Raymond will develop the property but not own the land – allowing the company to focus on the wider MMR beyond Thane.
- The company recently signed a project on the Western Expressway of Mumbai worth Rs20bn (over five years). Raymond Realty has received 300+ proposals for joint development, out of which it will consider projects with an IRR above 25%.
- TenX and The Address by GS projects currently have an EBITDA margin of 25%. The cash generated from all three projects, which amounts to Rs16bn, can be used to construct another 2-3m sq ft per year, given a peak funding requirement of Rs3.5bn per project (joint development).

Risks ›

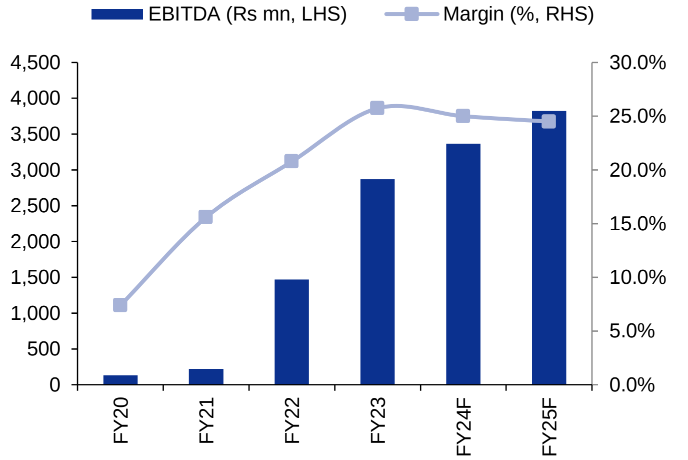
- The rise in interest rates has led to an increase in finance cost for potential home buyers, which could negatively impact demand.
- Additionally, the real estate industry faces the challenge of inflation pressure from the escalation of commodity prices, which may not be fully compensated by potential price hikes to cover rising input cost.
- For new real estate development businesses, it is essential to identify and monitor regulatory and legal compliance requirements to ensure proper adherence.

Figure 64: Real estate segment's revenue expected to remain healthy



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 65: Real estate segment's EBITDA margin is expected to be range-bound between 24-25% post-FY23



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Engineering

About the engineering business

- Raymond's engineering division produces and markets accurately crafted parts for various tools and hardware, including steel files, drills, hand tools, power tool accessories, and automobile components such as ring gears, flex plates, and water pump bearings.
- Throughout the years, this business has been able to cultivate enduring partnerships with both domestic and international clients, a testament to its reputation as a dependable collaborator committed to delivering top-notch products.
- The company ventured into the engineering business after establishing JK Files (India) in 1949, which today is a leading manufacturer of steel files in the world with a domestic market share of 65% in the files business. The group also has a presence in automobile components through its subsidiary Ring Plus Aqua, which manufactures ring gears, flex plates and water pump bearings. The company is present in diverse industry segments such as automotive, industrial and power generators, and agricultural and marine applications, having a strong relationship with domestic and international original equipment manufacturers or OEMs.

Figure 66: Some of the brands under JK Files & Engineering

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Ring Plus Aqua operates in three broad segments such as 1) starter gears, 2) flex plates, and 3) shaft bearings.

- Ring Plus Aqua's **starter gear division** specializes in the manufacturing of flywheel starter ring gears for petrol, diesel and gas engines. The starter gear division is well equipped with state-of-the-art ring forming equipment and CNC turning and hobbing machines coupled with in-house heat treatment facilities to meet stringent quality requirements.
- **Flex plates** are manufactured in the starter gear division of Ring Plus Aqua. With a sophisticated manufacturing line, stringent process control & enhanced validation & testing facility, Ring Plus Aqua is able to offer a complete design solution. The company has in-house presses & expertise in tool design to develop numerous intricate shapes. The current capacity can make 0.6m pcs of flex plates per annum, which is in the process of further expansion.
- The **shaft bearing** division is a specialized bearing unit dedicated solely to the manufacture of integral shaft bearings in ball/ball and ball/roller configuration for automotive application. The company started commercial production in Mar 1989. It has an installed capacity of manufacturing 3m pieces per annum.

Key highlights

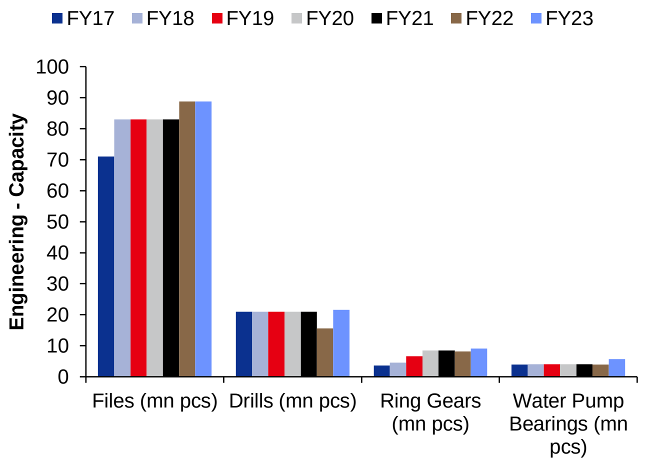
- The company aims to expand its reach by adding new customers and products, developing new products and expanding capacity across ring gears, water pump bearings and flex plates. It aims to drive efficiency across its manufacturing and supply chain processes along with a focus on automation and modernization.
- The files and drills segment has been performing well as of FY23. The files segment is doing well in domestic markets but has witnessed some pressure in international markets owing to foreign currency constraints in Africa and Latin America, as a result of which Raymond had restricted its supply in these markets, but they are expected to gradually recover.
- Raymond is investing in capacity expansion of drills owing to healthy demand outlook for drills and power tool accessories. Management believes this will become sizeable by FY26F-28F.
- The ring gear segment continued to perform well in FY23. Exports have been recovering, barring European markets.

Figure 67: Engineering division capacity (m pieces)

Capacity (m pieces)	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Files (m pcs)	71.0	83.0	83.0	83.0	83.0	88.8	88.8
Drills (m pcs)	21.0	21.0	21.0	21.0	21.0	15.6	21.6
Ring Gears (m pcs)	3.6	4.6	6.6	8.5	8.5	8.2	9.1
Flexplate (m pcs)	0.4	0.6	0.6	0.6	0.6	0.6	0.6
Water Pump Bearings (m pcs)	3.9	4.0	4.0	4.0	4.0	3.9	5.7

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 68: Files, drills, ring gear & water pump bearings saw capacity expansion between FY22 and FY23

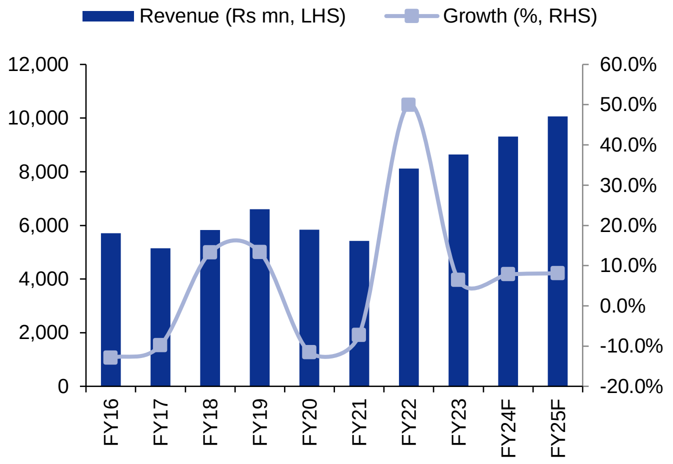


SOURCE: INCRED RESEARCH, COMPANY REPORTS

- With increased manufacturing capacity and improved outlook on demand, we feel the company should be able to leverage its brand equity in growing the industrial segment, and its focus on development and innovation in the product range should aid revenue growth.

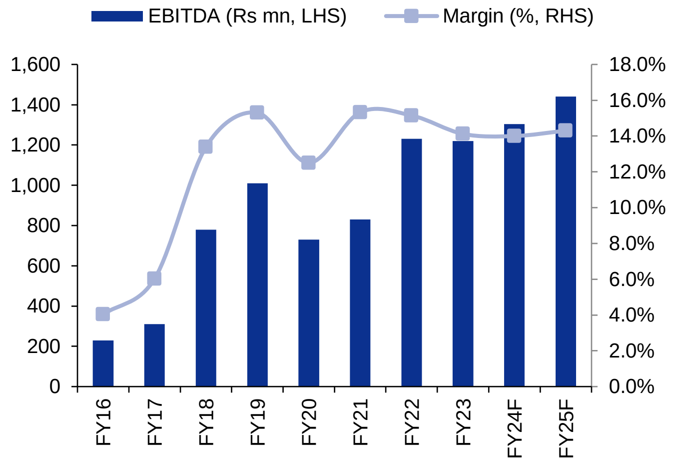
- Long-term initiatives are expected to boost market share, both domestically and globally. We expect the engineering segment's revenue to grow at a 7.9% CAGR over FY23-25F and the EBITDA margin to remain flat 14.3% in FY25F.

Figure 69: Engineering segment's revenue growth is expected to improve gradually



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 70: EBITDA margin is expected to remain flat post FY23F



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Joint ventures and associates

Denim

- Raymond UCO Denim (a JV between Raymond and UCO NV of Belgium) is a highly regarded provider of top-notch denim fabrics and clothing on a global scale. The company's denim garment unit, located at Bengaluru in Karnataka, caters to some of the most renowned denim brands spanning across the US, Europe, Asia, and India.
- The company's forte lies in creating fabrics made from superior cotton, stretch materials, unique blends, specialty finishes, and performance denims, among other things.

Figure 71: Denim manufacturing facility in Bengaluru

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key takeaways from our management interaction

We had an interaction with Raymond's management at JK Gram in Thane prior to our initiating coverage on the stock. The following are the key takeaways from the meeting:

Real estate projects ›

We visited the project sites of TenX Habitat, The Address by GS and the newly launched TenX Era. The following are the key takeaways:

- **TenX Habitat**: The first project, TenX Habitat, is a 10-tower project catering to aspirational homes (1 & 2BHKs), which is the only project to deliver its first three towers two years ahead of the RERA timeline. Units are priced at Rs15m onwards.

Figure 72: Additional project details of TenX Habitat

Particulars	Company
Architect	Hafeez Contractor
Construction	Capacite Infra
Landscaping	Cracknell
Interiors	Faquih & Associates
Structural consultant	Epicons
Green home certification	Godrej & Boyce
Vaastu consultant	M/s Srijana

SOURCE: INCRED RESEARCH, SITE VISIT

- **The Address by GS:** It is the second project catering to premium homes (3BHK, 4BHK and 5BHK), starting at Rs25m for its base 3BHK offering, and Rs36m for the 4BHK. The first tower is expected to be ready by 2026F.
- **TenX Era:** The third project is a mid-ranged project, with three towers (of which Tower B & C are under pre-launch sale). 25% of the units launched have been sold as of Mar 2023-end. Tower B comprises only 2BHKs (Rs15m onwards) and Tower C has only 3BHKs (Rs20m onwards).
- As per management, peak funding of Rs3.5bn is required to deliver 1m sq.ft. FCF (post tax) generated from the first three projects worth Rs16bn can be used to construct another c.2-3m sq.ft per year going ahead.
- **Owing to successful launches and strong pre-launch bookings, Raymond's realty division is able to fund its future projects** using cash flow from these launches and is expected to continue doing so in the medium term. Projects under joint development (Pipeline: One expected in Bandra) will be the next focus area, once the three projects mentioned above are completed.
- Raymond has already received 300 plus proposals (as of FY23-end) for joint development in the MMR, of which it aims to undertake projects which generate an IRR of 25% plus.

Ethnix Lab, Thane ›

We visited Ethnix Lab at JK Gram in Thane and had a meeting with the category head of Ethnix and the lead designer. The following are the key takeaways:

- **Ethnix by Raymond** was launched in 2017 but was subsequently scaled down owing to the Covid-19 pandemic. Since then, the team has improved its product mix and now aims to expand by at least 100 stores every year and take a larger slice of the Rs130bn ethnic wear market in India. Prior to 2017, the brand was present in many Raymond stores, with products like bandis, sleeveless jackets, etc. under the name of 'Smart Ethnix' which, since 2017, has been made into a full-fledged ethnic wear brand.
- The product mix caters to three main categories: 1) regular, 2) festive, and 3) weddings, based on occasions. The brand houses various categories of products like kurtas, sherwanis, bandhgalas (using Raymond polywool), tuxedos and more.

Figure 73: Additional details about Ethnix

Price range of sherwanis	ASP (Rs, 000's)
Basic-Range	10-15
Mid-Range	20-40
High-End Range	50-70 & above

SOURCE: INCRED RESEARCH, COMPANY REPORTS

- Ethnix products start from Rs1,700 per product and go above Rs70,000/product. Its basic range of sherwanis have an average selling price (ASP) of Rs10,000-15,000 while its mid-range products have an ASP of Rs20,000-40,000 with the high-end range (comparable to leading designer brands, typically priced above Rs1,00,000) ASP at Rs50,000 and above.
- Raw materials are sourced mainly from Banaras, Surat, Mumbai and Chanderi. Some of the raw materials are imported.
- **Upcoming launches:** Ethnix is expected to have launch its linen and silk range of ethnic wear between May-Jun 2023, which were to be rolled out at across stores. The brand is also in the process of launching Veshti's for the South Indian market. To cater to weddings in the winter season, the brand is also launching woollen (hand-woven) bandis and kurtas, which are likely to be launched between May-Aug 2023F.
- As the company expands its store network, A&P spending is expected to inch up as Raymond is currently more aggressive in this segment owing to its late entry. Management is targeting a total of 150 Ethnix stores in FY24F (61 stores as of FY23-end).

Key growth drivers

Premiumization, casualization and diversification of assortment to aid volume growth ➤

- Raymond is focusing on making suits more casual by introducing innovative designs such as stain-free and water-resistant materials. In shirts, the company plans to drive growth through premiumization (using high-end materials like linen blends and Italian fabrics) and massification (offering lower-priced shirts in the Rs 250-300/unit range).
- The company is also introducing eco-friendly and sustainable fabric options such as 'Sustainova', 'Ecomoda', and 'Ecogreen' in response to consumer demand. It has also launched a unique set of collections across product categories and exclusive channel merchandise to drive innovation in the shirting category.
- The company has received positive feedback from trade partners and retail outlets. Recently, it launched a new collection called 'Spanax', which has multi-directional and shape retention features for comfort and performance. Also, it has introduced vibrant shirting fabrics under the 'Vibez' collection to cater to the rising trend of casualization.
- The company has been focusing on shifting its brand mix to drive casualization across brands. The mix of casuals is expected to gradually move up to the 20-30% level from 10-12% currently in Park Avenue and Raymond Ready To Wear, which are largely formal-wear brands.

Figure 74: Recent innovation in the suiting segment

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 75: Recent innovation in the shirting segment

SOURCE: INCRED RESEARCH, COMPANY REPORTS

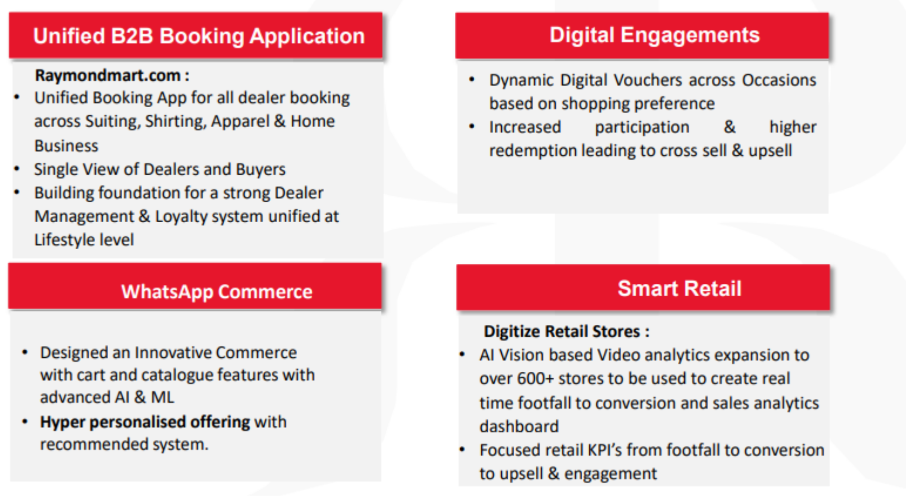
Optimization of product mix, innovative service offerings and focus on omni-channel to drive execution efficiencies ➤

- Raymond is ramping up its service innovation efforts to offer top-notch services to its customers. This involves improving the tailoring abilities to cater to casual wear in TRS, investing in specialized training for on-time delivery, soft skills, grooming of master tailors, and ensuring high-quality trims with innovative styling. Additionally, the company plans to provide personalized engagement with customers and create an immersive experience in the made-to-measure segment to drive service innovation.

Leveraging data analytics to drive repeat purchases ➤

- 'Raymond Reward Points' is an important component of the omni-channel loyalty program that makes it attractive for repeat customers. It's a real-time, versatile, and flexible solution that allows customers to choose how they use their reward points and earn more across touch points. This improves the company's ability to offer relevant promotions and increase sales by leveraging data analytics.
- The loyalty program had 12.2m members as of FY23-end, up 14% yoy. During FY22, repeat purchases from loyalty members grew in double digits.

Figure 76: Renewed focus on digital channels



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Improving the omni-channel experience to drive engagement ➤

- Raymond can track sales in real time across its retail network led by data analytics, allowing it to make better decisions with respect to inventory flow.
- The company has a unified inventory system that allows it to fulfill customer needs by cross-selling products from other stores in its network, if a specific size or colour option is not available at the current location.
- Raymond has also expanded its presence on third-party e-commerce platforms to make it easier for online customers to access the latest collections. The company is currently working to connect all the leading e-commerce platforms to its retail network and improve customer experience.

Rationalization of SKUs to play a big part in improving efficiency ➤

- During the Covid-19 pandemic, the company started pruning non-performing stores to improve the segment's profitability. With store expansion back in play now, optimization of SKUs, improving store-level profitability and cost savings initiatives are expected to drive margins going ahead.
- The company is also streamlining its business by optimizing the number of vendors, equipment, workers and storage space to control costs and improve efficiency.

Improving manufacturing and supply chain efficiency across textile and garment business➤

- Raymond is a leading player in the worsted suiting business, with both horizontal and vertical integration across the production process. The company is known for its high-quality Super 250's worsted suiting fabric (Rs3,00,000/metre), which is highly regarded worldwide.
- The company has a fabric production capacity of approximately 120m metres and garment capacity of approximately 11m metres annually.
- The production facilities (cotton) are situated in areas with abundant cotton resources (Kolhapur plant), weaving clusters, and are in the vicinity of skilled workforce to ensure efficient production. Raymond also has a fully integrated plant at Vapi in Gujarat.

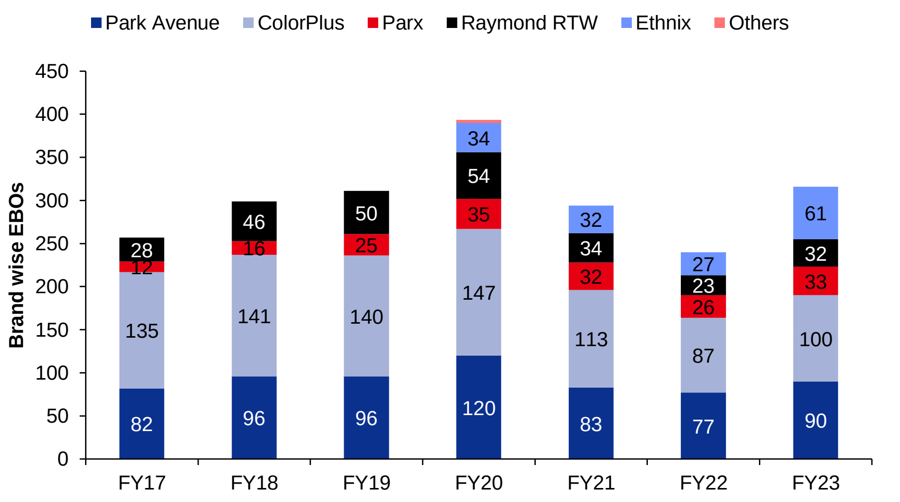
A play on capturing a larger share of the wedding-wear market pie through ethnic wear brand Ethinx

- Raymond aims to grow its share in the wedding-wear market in India and aims to double down on its brand Ethinx, which is being expanded pan-India.
- As of FY23-end, 61 Ethnix stores were operational, with a target of a total of 150 stores by the end of FY24F and targets taking the total store count to 200-250 by FY25F. The company aims to drive the Ethnix brand to 400-500 stores over the next five years, led by the franchisee model.
- Ethnix generated sales of Rs500-550mn in FY23, with gross margin at 60-65%. Franchisee expansion is expected to be strong as Raymond owns the inventory in its franchisee model, , which is a show of confidence by Raymond, in our opinion.
- Driving growth in sub-segments like 'Smart Ethinx' (regular-wear apparel like bandis) and optimizing its portfolio mix between core ethnic and casual ethnic can reduce the impact of seasonality of wedding demand. The company is targeting a strong position in the ethnic-wear space in the next five-to-six years.

Driving brand penetration backed by store expansion

- The company has pruned its loss-making stores since the Covid-19 pandemic and has shifted back into expansion mode. The company rationalized and reduced loss-making stores in FY21 and FY22, closing 152/135 stores, respectively, after which it went into the expansion mode, opening 58 stores (net of closures) in FY23.
- Raymond has a retail network comprising 1,409 stores (95% franchisee) in 4QFY23, with a retail area of 2.36m sq.ft, of which 45 retail stores are in international markets.
- Going ahead, 50% of the overall store expansion target (c.200 across brands per year) is expected to be led by Ethnix and Raymond RTW.

Figure 77: Ethnix is expected to see a higher expansion in the medium term



SOURCE: INCRED RESEARCH, COMPANY REPORTS

The global vendor consolidation trend is expected to support exports from the garment division

- Raymond is among the largest exporters of men's tailored suits, jackets and trousers to over 20 countries. Exports accounted for over 90% of its garment business in FY23, with strong demand from the US, the UK and European markets. Its order book from the US and the UK markets as of 4QFY23-end remained healthy, as per management.

- High demand in the bulk business and tailored clothing from existing customers, along with new contracts from the US and European markets, have aided sales growth for the segment.
- Over the next two years, the company aims to expand its garment manufacturing capacity by adding 19 lines, with an investment of Rs1.75bn, over its 65 current manufacturing lines in order to be able to cater to rising demand.

Expansion in real estate business to continue with a stronger focus post demerger ›

- Through its real estate arm TenX Realty, Raymond is developing three residential real estate projects in Thane across 24 acres of land. Its maiden launch TenX Habitat has 10 towers with 1.7m sq.ft of approved RERA carpet area, with 3,103 units while its second project, The Address by GS, has two towers with 0.7m sq.ft of approved RERA carpet area and a total of 549 units across 3,4,5 & above BHK configurations.
- The company was able to deliver three towers in TenX Habitat two years ahead of the RERA timeline. Its joint development project at Bandra in Mumbai is currently awaiting government clearance and the approvals are expected soon.
- The company launched its third project TenX Era in Thane with 0.6m sq.ft of approved RERA carpet area, across two towers, which has received an encouraging response (25% booked).
- The company has increased its unit prices by 15-20% over the past four years and will continue to focus on affordable housing projects across configurations (1-3 BHKs).
- The company aims to expand its realty business in an asset-light manner beyond its land parcel in Thane, by entering joint development projects. Raymond Realty has already received 300-plus proposals for joint development.
- Given a peak funding requirement of c.Rs3.5bn per project, Raymond Realty can deliver another 2-3m sq.ft per annum from the FCF generated from its three projects worth Rs16bn.
- We believe the company will continue to focus on the MMR and leverage its brand equity to continue to drive growth in this segment.

Figure 78: Bookings across its real estate segment as of 4QFY23-end

Projects	4QFY23
TenX Habitat	
No of bookings	114
RERA carpet area (m sq ft)	0.07
Value of bookings (Rs m)	1,480
Customer Collections (Rs m)	1,620
Total units planned	3,103
Units already sold (%)	80%
The Address by GS	
No of bookings	44
RERA carpet area (m sq ft)	0.05
Value of bookings (Rs m)	1,210
Customer Collections (Rs m)	1,330
Total units planned	549
Units already sold (%)	80%
TenX Era	
No of bookings	141
RERA carpet area (m sq ft)	0.10
Value of bookings (Rs m)	2,040
Rera approved carpet area (total project, m sq ft)	0.6
Total units planned	905
Units already sold (%)	25%

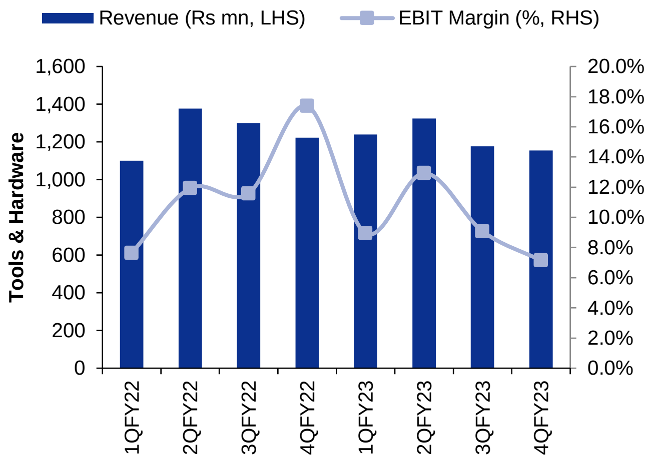
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Engineering ›

- The company has invested in advanced R&D facilities and has a well-diversified portfolio of high-quality precision engineering and automotive components.

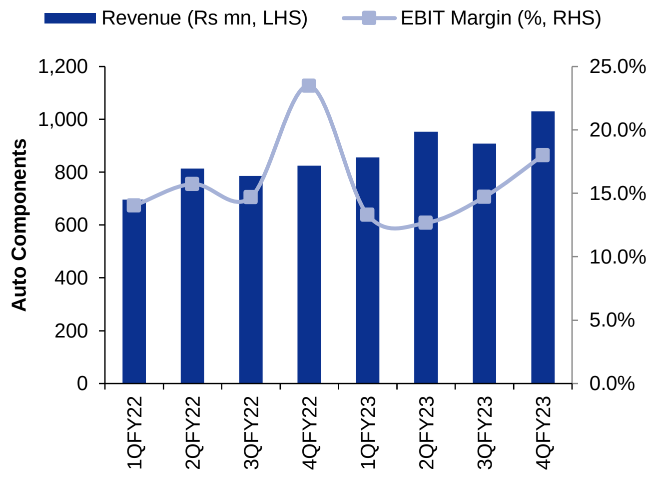
- The topline growth of 6.4% yoy in FY23 was driven by drills, hand tool accessories, ring gears, flex plates and shaft bearings. The files segment was impacted owing to low demand, global inflationary environment and forex concerns. The company aims to expand the capacity of drills and ring gear in the near term to be able to cater to demand.

Figure 79: Revenue from the tools & hardware business declined by 5.5% yoy and EBIT margin contracted by 1,023bp yoy in 4QFY23



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 80: Auto components' revenue grew 25% yoy while EBIT margin contracted by 550bp yoy in 4QFY23

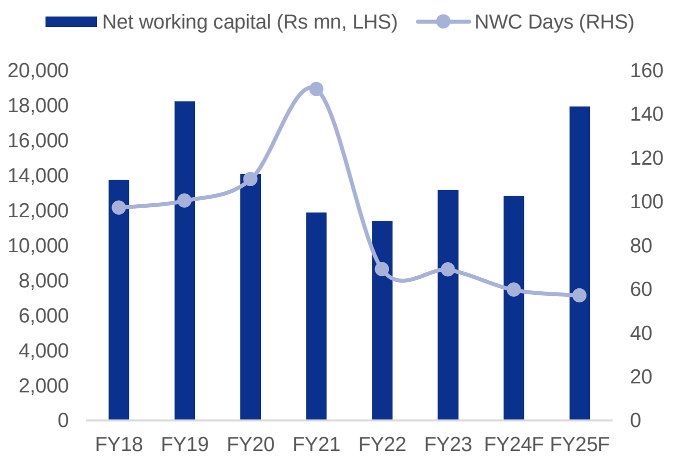


SOURCE: INCRED RESEARCH, COMPANY REPORTS

RoCE is expected to inch up led by reduction in net debt and a gradual improvement in working capital days ➤

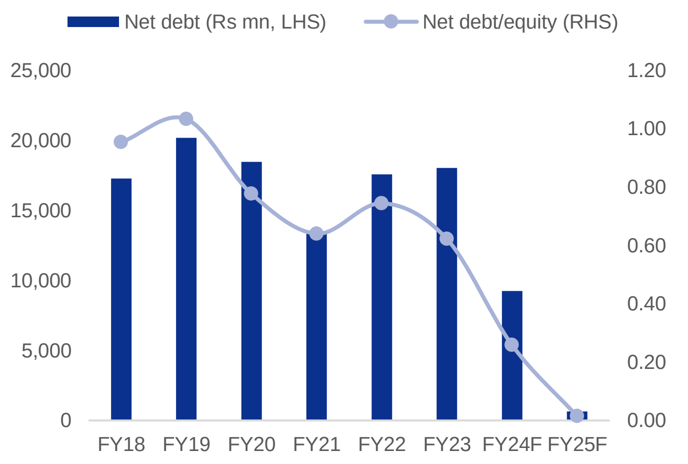
- Net working capital (NWC) days remained flat yoy at 69 days in FY23 owing to the strong focus on collections, inventory management and leaner production cycles. By FY25F, NWC days are expected to improve to 57 days.
- Net debt fell by 11% from its peak in FY19, from Rs20.17bn to Rs18.02bn in FY23, led by the focus on growing revenue, cost optimization and effective working capital management aiding FCF growth.
- RoCE is expected to expand to 23.5% in FY25F from 11.9%/21.3% in FY22/FY23, respectively.
- The company posted FCF of Rs6.5bn/Rs7bn in FY22/23, respectively, and is expected to post Rs10bn of FCF in FY24F.

Figure 81: Net working capital days are expected to improve gradually post FY23



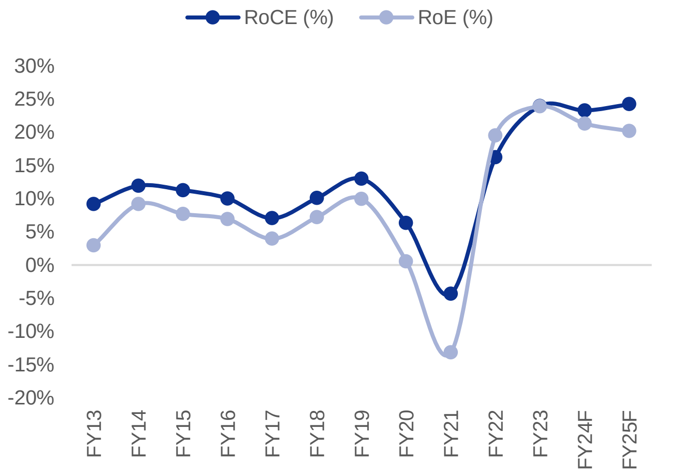
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 82: Net debt-equity ratio is expected to improve at an accelerated pace aided by restructuring initiatives



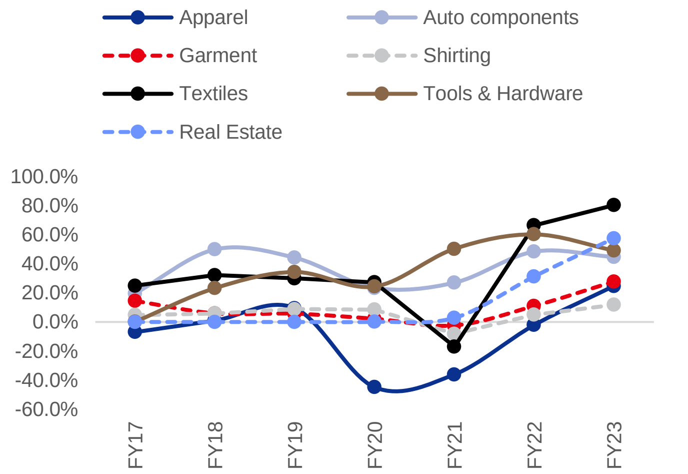
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 83: RoCE is expected to improve gradually



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 84: Segment-wise RoCE (%)



SOURCE: INCRED RESEARCH, COMPANY REPORTS

InCred Equities

Valuation

Our forecast for FY23-25F bakes in revenue/EBITDA CAGR of 10%/9.7%, respectively, with projected RoCE expansion to 23.2% in FY25F from 21.3%/21.7% in FY22/FY23, respectively. We expect the company to maintain its consistent performance, as demonstrated over the past five-to-six quarters. We believe that corporate governance concerns are a thing of the past, as the company has improved its audit governance by hiring reputed auditors like EY & Grant Thornton and also hired a new independent director who will oversee the audit committee together with Vice-Chairman (Designate) Mr. Atul Singh. We initiate coverage on Raymond with an ADD rating, valuing the stock on sum-of-the-parts or SOTP basis (FY25F), with a target price of Rs2,200 (~28% upside).

Our valuation comprises the following:

- **Branded textiles business** at 10x FY25F EV/EBITDA, a premium to peers like Siyaram Silk Mill, Vardhaman Textiles, Arvind Ltd etc. which are trading at around 8-9x FY25F consensus EV/EBITDA, owing to the company's leadership position in suiting, focus on premiumization, and ability to innovate in shirting.
- **Branded apparel business** at 8x FY25F EV/EBITDA, driven by aggressive expansion of the Ethnix brand, backed by strong store expansion with improving operating metrics. We've valued this segment at a discount to peers like TCNS Clothing and Aditya Birla Fashion, which trade between 10-11x FY25F consensus EV/EBITDA, closer to Arvind Fashion, which trades at 8.6x FY25F consensus EV/EBITDA.
- **Garment business and High value cotton shirting business** at 6x FY25F EV/EBITDA each, at similar levels to peers, supported by sustained export growth momentum to the US, the UK, and European markets for the garmenting division and ability to innovate and drive high value product offerings, which can lead to improved realizations.
- **Engineering business** at 12x FY25F EV/EBITDA, aided by market leadership consolidation in automotive and industrial files segments, and renewed focus on increasing non-auto exports.
- Current **real estate** projects are valued at Rs6.7bn, backed by strong bookings and customer collections since their launch in 2019. The company has laid down various plans to unlock value from its remaining 60-acre land parcel in Thane through commercial projects, which we have valued at Rs17.8bn.

Figure 85: SOTP valuation

SOTP Valuation (FY25F)	Metrics	(Rs m)	Multiple (x)	EV (Rs m)	EV Per share	EV Mix (%)
Branded textiles	EBITDA	7,710	10	77,096	1,158	54%
Branded apparel	EBITDA	1,765	8	14,472	217	10%
High value cotton shirting	EBITDA	941	6	4,274	64	3%
Garmenting	EBITDA	1,117	6	6,704	101	5%
Engineering	EBITDA	1,440	12	15,551	234	11%
Real estate						
Value of projects	DCF			6,731	101	5%
Market value of land	DCF			17,810	268	12%
Total		**12,973**	**11**	**1,42,637**		
Elimination		1,342	9	12,075	181	
Segment EV		**11,631**	**11**	**1,30,562**		
Cash & Investments				25,756		
Total Debt				9,875		
Intrinsic Market Cap				**1,46,443**		
Outstanding Shares (m)				66.6		
Fair Value Per Share (Rs)				**2,200**		

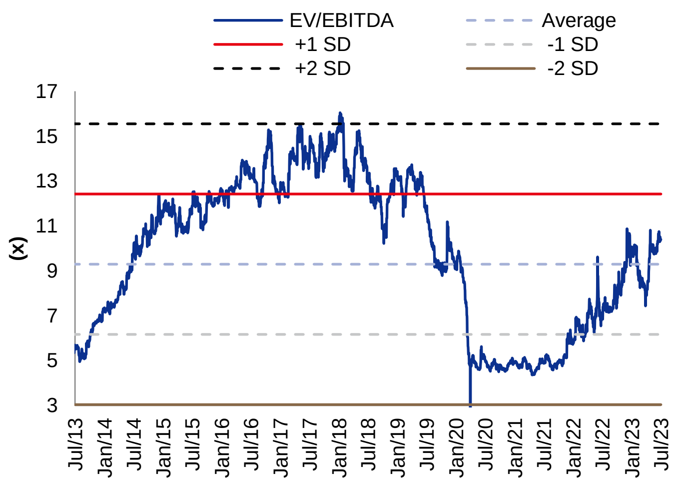
SOURCE: INCRED RESEARCH, COMPANY REPORTS
*HIGH-VALUE COTTON 75.7% STAKE, *ENGINEERING BUSINESS 90% STAKE

Figure 86: Peer valuation summary

Company	CMP (Rs)	M-cap (Rs mn)	CAGR FY23-FY25F			P/E (x)			EV/EBITDA (x)			EV/Sales (x)		
			Sales	EBITDA	EPS	FY23	FY24F	FY25F	FY23	FY24F	FY25F	FY23	FY24F	FY25F
Apparel														
Aditya Birla Fashion and Retail	213	2,01,952	16%	25%	NA	NA	102.3	58.6	17.3	13.5	11.1	2.1	1.8	1.6
Vmart	2,278	45,043	20%	27%	NA	NA	110.4	65.7	21.6	17.0	13.4	2.4	2.0	1.6
Shoppers Stop	816	89,495	14%	16%	42%	75.0	49.8	37.3	16.1	13.8	11.9	2.8	2.5	2.1
Trent	1,761	6,25,978	24%	29%	34%	140.8	100.2	78.0	62.0	46.5	37.3	8.1	6.4	5.2
Go Fashion	1,136	61,354	23%	25%	32%	74.1	55.7	42.3	29.7	23.5	18.9	9.5	7.7	6.3
Vedant Fashions	1,230	2,98,610	19%	19%	19%	69.6	59.1	48.8	44.0	37.6	31.3	21.8	18.4	15.3
TCNS Clothing	417	26,338	21%	54%	NA	NA	41.5	26.5	25.1	12.8	10.5	2.6	2.1	1.8
Arvind Fashions	354	47,090	12%	24%	142%	124.6	34.9	21.3	13.2	10.6	8.6	1.3	1.2	1.1
Engineering														
Triveni Engineering	282	61,631	10%	26%	-43%	3.4	13.0	10.5	11.4	8.7	7.2	1.2	1.2	1.0
Varroc Engineering	338	51,565	14%	25%	NA	NA	24.8	16.0	6.3	8.1	16.7	1.0	0.8	0.7
Real Estate														
Oberoi Realty	993	3,60,966	20%	22%	10%	19.0	19.8	15.7	18.6	15.7	12.5	9.4	7.7	6.5
Sunteck Realty	284	41,571	99%	151%	1261%	NA	22.1	15.3	73.0	16.0	11.6	12.9	4.2	3.3
Godrej Properties	1,576	4,38,174	28%	80%	41%	76.7	48.6	38.4	190.5	136.6	58.7	20.9	17.2	12.8
Prestige Estates	575	2,30,636	12%	-1%	-4%	24.5	34.6	26.5	9.9	12.8	10.2	3.6	3.4	2.8
Sobha	542	51,387	16%	35%	100%	49.3	15.1	12.3	14.5	9.0	8.0	2.0	1.8	1.5
Macrotech (Lodha)	687	6,62,237	15%	23%	110%	136.0	37.1	30.9	35.6	27.6	23.7	7.8	6.7	5.9

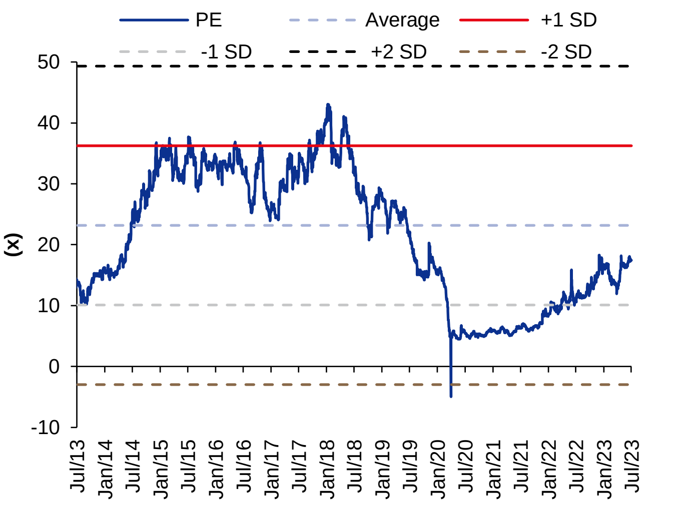
SOURCE: INCRED RESEARCH, BLOOMBERG

Figure 87: Raymond's one-year forward EV/EBITDA trades between its 5-year average and +1SD P/E



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 88: Raymond's one-year forward P/E trades between its 5-year average P/E and -1 SD P/E



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Annexure

History & accomplishments under each generation of leadership

1944-1979 – Mr. Lala Kailashpat Singhania

- In 1944, Mr. Lala Kailashpat Singhania purchased Raymond Woollen Mills (incorporated in 1925), which produced coarse woollen blankets and a small quantity of low-cost woollen garments. Soon after this acquisition, the company began a steady process of adopting new technology to drive product superiority.
- By 1950, the company set up a new manufacturing unit named JK Files & Tools, which crafted native engineering files.
- By 1958, Raymond became the first company to blend polyester with wool and introduced Terool, which became very popular through a series of superfine fabric blends that were launched shortly after. The company also opened its first exclusive retail showroom in Mumbai.
- In the 1960's, Raymond undertook a transformational journey, replacing its machinery in the pursuit of modernization.
- In 1967, Raymond launched Trovine, a first-of-its-kind fabric, which was suitable for the Indian summer season and by 1968, the company set up its readymade garment unit in Thane.
- In 1979, a new facility was set up at Jalgaon in Maharashtra to meet the increased demand for worsted woollen fabrics.

1980-1989 – Dr. Vijaypat Singhania

- In 1980, Dr. Vijaypat Singhania – son of Mr. Lala Kailashpat Singhania – took over the reins as the chairman of Raymond, under whose leadership the company forayed into several new areas like polyester filament yarn, indigo denim, cold rolled steel and prophylactics among others.
- In 1984, a new facility was set up which enabled Raymond to upgrade the quality of its traditional product line of woollen blankets and produce a superior variety of shawls and blankets. The company was the pioneer in developing machine washable wool and wool-blended suiting, with a plethora of finishes.
- In 1986, the company launched the Park Avenue brand of clothing.

1990- Present – Mr. Gautam Singhania

- In 1990, Mr. Gautam Singhania was appointed chairman and managing director of Raymond. During the year, the company opened its first overseas showroom in Oman.
- In 1991, Raymond launched the Kamasutra brand of condoms, which scaled up to becoming the second-largest selling brand in India within a year of its launch.
- In 1995, the company introduced a range of superfine pure wool collections (Super 100's to Super 140's) under the lineage line.
- In 1996, the company forayed into the aviation sector with the launch of Raymond Aviation, which provided air charter services to corporate travellers in India. In the same year, the company also forayed into manufacturing denim, making it the top producer of specialty ring denim in India with a 60% market share at that time.
- In 1999, the company launched Parx – a premium casual-wear brand and in 2002, it acquired ColorPlus.
- Silver Park Apparel was set up in 2003 for manufacturing suits and formal trousers, largely catering to overseas markets.
- In 2005, Raymond launched its latest suiting fabric, the Super 230's – made up of 11.8 microns of wool.
- In 2006, it set up a greenfield unit in Kolhapur to produce high-value cotton shirting, and also set up an integrated composite textile mill at Vapi in Gujarat to produce worsted fabrics.
- In 2008, readymade garments were launched under the Raymond brand (now known as Raymond RTW).
- By 2011, Raymond launched Super 250's fabric and other innovative fabrics like bamboo fibre, stain-resistant and ultraviolet rays or UVR- resistant fabrics.
- In 2016, the company set up a greenfield textile manufacturing plant in Amravati and began the construction of its garment manufacturing facility in Ethiopia, which was commissioned in 2017.
- In 2018, the company crossed the landmark of 900 stores in India, launched Raymond custom-tailoring business and planned a network of 100,000 tailors by 2020.
- In 2019, Raymond forayed into the real estate sector, now known as TenX Realty. During the year, the company also consolidated its consumer care business into Raymond Consumer Care.
- Between 2019 and 2020, the company reset its business model, optimized debt structure and maintained strong liquidity.
- Between 2021 till now, the company was able to set strong benchmarks in its realty business, with the delivery of the first three towers of its TenX Habitat project two years ahead of the RERA timeline.
- Going ahead, the focus will be on driving profitable growth led by expansion into new categories like home, ethnic wear, etc. and strengthening its distribution network.

Figure 89: Company's historical timeline

Year	Brief
1925	A small woollen mill named Raymond Woollen Mills was set up in Thane
1944	Mr. Lala Kailashpat Singhania purchased Raymond. The mill was producing coarse woollen blankets and a small quantity of low-cost woollen garments. Soon after, Raymond began a steady process of adopting new technology which resulted in manufacturing superior fabrics.
1950	In the post-independence desire for self-sufficiency, production began at the company's new manufacturing unit JK Files, which created native engineering files.
1952	Mr. Gopalkrishna Singhania arrived to assist his uncle Mr. Lala Kailashpat Singhania at Raymond Mills in Mumbai.
1958	Raymond became the first company to blend polyester with wool and introduced Terool - a runaway success that was the forerunner in the series of superfine fabric blends that was launched later.
1958	Raymond forayed into the retail sector by opening its first exclusive retail showroom in Kings Corner - Ballad Estate in Mumbai.
1960	1960s earmarked total replacement of machinery with sophisticated machinery and since then modernization has become a way of life at Raymond, which was the first company in India to import the most modern machinery available at that time.
1967	The company launched Trovine - a first-of-its-kind fabric ideal for the Indian summer season.
1968	Set up a readymade garment plant in Thane.
1979	A new manufacturing facility was set up at Jalgaon to meet the increased demand for worsted woollen fabrics.
1980	Dr. Vijaypat Singhania, son of Mr.Lala Kailashpat Singhania, took over the reins as chairman of Raymond. It was under his leadership that the group forayed into several new areas like polyester filament yarn, indigo denim, cold rolled steel, prophylactics etc.
1984	A new plant was set up that enabled Raymond to upgrade the quality of its traditional product line of woollen blankets and produce a superior variety of shawls and blankets. It was the pioneer in development of machine-washable wool and wool-blended suiting with a plethora of finishes.
1986	Launched the Park Avenue brand.
1990	Mr. Gautam Singhania was appointed chairman and MD of Raymond.
1990	Opened the company's first overseas showroom in Oman.
1991	Launched the Kamasutra brand of condoms, which became the second-largest selling brand in India within a year of its launch.
1995	Introduced a range of superfine pure wool collections under the lineage line (Super 100S to Super 140S).
1996	The group forayed into the aviation sector with the launch of Raymond Aviation, which provided air charter services to corporate travellers in India.
1996	The group also forayed into manufacturing denim, focusing on quality, innovation and creation of exclusive products and designs. It was among the top producers of specialty ring denim in India with a 60% market share at that time.
1999	Launched Parx - a premium casual-wear brand to offer customers a range of semi-formal and casual clothes.
2002	Acquired the ColorPlus brand.
2003	Silver Spark Apparel was set up for manufacturing suits and formal trousers, catering largely to export markets.
2005	Raymond achieved a rare feat, with the creation of Super 230S suiting fabrics, made up of 11.8 microns of wool.
2006	Set up a greenfield unit in Kolhapur to produce high-value cotton shirting.
2006	The world's largest integrated composite textile mill was set up in Vapi to produce worsted fabrics.
2008	Launched readymade garments under the Raymond brand name (now known as Raymond Ready to Wear).
2011	Raymond becomes the first company in the world to produce Super 250S fabric and the first to produce fabrics from bamboo fibre, stain-resistant and UV- resistant fabrics, and other such innovations.
2014	Opened the first EBO for Raymond Ready to Wear.
2016	Launched Technosmart fabrics.
2016	Set up a new regional office in Dubai, in the Middle East region.
2016	Laid the foundation stone for setting up a greenfield textile manufacturing plant in Amravati.
2016	Construction began for a greenfield manufacturing/garment facility in Ethiopia.
2017	Garmenting plant commissioned at Hawassa in Ethiopia.
2017	New office established in New York, USA.
2018	Launched Raymond custom-tailoring to create a strong ecosystem of 100,000 tailors by 2020.
2018	Raymond crossed the landmark of 900 stores across 500+ towns and cities in India, making this the fastest retail expansion by any brand in India.
2019	Raymond's forayed into the real estate sector with its maiden venture of building a 3,000-unit aspirational housing project in Thane.
2019	Consolidation of consumer care business into Raymond Consumer Care.
2019	Inauguration of Smt. Sunitidevi Singhania School in Thane
2020	Launched Virasafe – high-performance antiviral fabrics in India. During the Covid-19 pandemic, Raymond repurposed its garment factories to craft PPE offerings.
2021	Established real estate business, improved NWC management and optimized its debt structure.
2022	Set benchmarks in new business: Delivered the first three towers of the TenX Habitat project two years ahead of the RERA timeline.
2023	Restructuring initiatives commenced with 1) sale of FMCG portfolio, 2) demerger of Raymond Ltd into two separate listed entities, with the cash infused by the promoter driving the group to a net debt-free status.

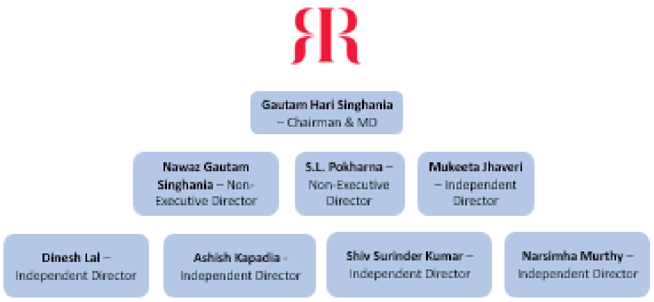
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 90: Key managerial personnel

Name	Designation	Introduction
Gautam Hari Singhania	Chairman & MD	Appointed as a whole-time director on the board of Raymond in 1990. Elevated to the position of chairman & managing director in 2000. Steered Raymond Group to emerge as an internationally reputed fabrics-to-fashion player.
Nawaz Gautam Singhania	Non-Executive Director	Established a reputation for being an astute and creative entrepreneur. Carved a niche for herself on the back of her aggressive zeal in the realm of creative design.
S.L. Pokharna	Non-Executive Director	40+ years of experience in finance, sales, marketing and commercial functions.
Mukeeta Jhaveri	Independent Director	Financial services professional and held leadership roles in DSP Merrill Lynch and DSP Blackrock Mutual Fund. An alumnus of NYU Stern School of Business, USA.
Dinesh Lal	Independent Director	40+ years of experience in the shipping and logistics industry. Instrumental in setting up new business ventures and has played a pivotal role in creating a mutually beneficial ground between companies and government bodies.
Ashish Kapadia	Independent Director	Established and managed several businesses across sectors such as textiles, financial services, and aviation. Managing Director of Delta Corp, engaged in the business of hospitality and gaming since Apr 2009.
Shiv Surinder Kumar	Independent Director	Amassed over 30 years of experience in asset management, merchant banking, capital markets and wealth management. Founded Bridge Capital.
Narsimha Murthy	Independent Director	Previously associated as a director with ONGC, IDBI Bank & LIC Housing Finance. Associated with the development of cost and management information systems for over 175 companies across 50 industries.
Atul Singh	Group Vice Chairman - Designate	Has over 35 years of diverse experience in leading multi-billion-dollar businesses across multiple geographies globally. He left Coca-Cola as chairman of Asia-Pacific, where he oversaw operations in over 25 countries.
Amit Agarwal	Group CFO	31+ years of extensive experience in steel, aviation and energy sectors.
K. A. Narayan	President - HR	40+ years of experience in large Indian global corporates, heading the HR function.
Sunil Kataria	CEO - Lifestyle	26+ years of experience in leadership and driving transformation across leading consumer companies.
Harmohan H. Sahni	CEO - Realty	30+ years of experience in real estate and core sectors.
Balasubramanian V.	MD - JK Files & Engineering Ltd	39+ years of diverse experience in the automotive industry in domestic, German and American MNCs.
Hemant Lakhotiya	CEO - Tools & Hardware	27+ years of experience in diverse roles in multiple geographies and executing business transformation,
Arvind Mathur	CEO - Denim	33+ years of experience in marketing, strategy, M&A and business leadership in Asian and global markets.

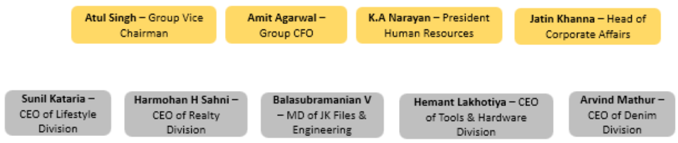
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 91: Board of directors



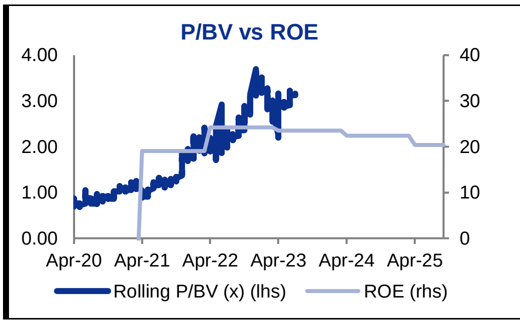
SOURCE: INCRED RESEARCH, COMPANY REPORTS

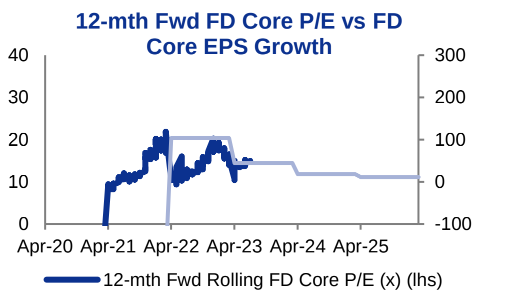
Figure 92: Management team



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS





Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Net Revenues	**61,785**	**82,147**	**90,744**	**99,369**	**107,787**
Gross Profit	**39,380**	**52,164**	**58,711**	**64,292**	**69,738**
Operating EBITDA	**7,111**	**11,994**	**13,072**	**14,442**	**15,663**
Depreciation And Amortisation	(2,398)	(2,354)	(2,390)	(2,522)	(2,654)
Operating EBIT	**4,713**	**9,641**	**10,681**	**11,920**	**13,008**
Financial Income/(Expense)	(2,277)	(2,573)	(1,737)	(1,051)	(835)
Pretax Income/(Loss) from Assoc.	(64)	154	139	125	112
Non-Operating Income/(Expense)	1,695	1,223	1,167	1,102	1,155
Profit Before Tax (pre-EI)	**4,068**	**8,445**	**10,250**	**12,096**	**13,441**
Exceptional Items					
Pre-tax Profit	**4,068**	**8,445**	**10,250**	**12,096**	**13,441**
Taxation	219	(2,004)	(2,528)	(2,993)	(3,332)
Exceptional Income - post-tax	(1,636)	(1,072)			
Profit After Tax	**2,651**	**5,370**	**7,722**	**9,103**	**10,109**
Minority Interests	(48)	(80)	(80)	(80)	(80)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	**2,604**	**5,289**	**7,642**	**9,023**	**10,028**
Recurring Net Profit	4,239	6,361	7,642	9,023	10,028
Fully Diluted Recurring Net Profit	**4,239**	**6,361**	**7,642**	**9,023**	**10,028**

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
EBITDA	7,111	11,994	13,072	14,442	15,663
Cash Flow from Invt. & Assoc.					
Change In Working Capital	46	(3,862)	788	(134)	(466)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(1,636)	(1,072)			
Other Operating Cashflow	1,695	1,223	1,167	1,102	1,155
Net Interest (Paid)/Received	(458)	(487)	(1,167)	(1,102)	(1,155)
Tax Paid	(344)	(724)	(2,528)	(2,993)	(3,332)
Cashflow From Operations	**6,415**	**7,072**	**11,332**	**11,316**	**11,865**
Capex	(317)	(1,023)	(1,800)	(2,000)	(2,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(3,932)	(3,735)	1,167	1,102	1,155
Cash Flow From Investing	**(4,249)**	**(4,758)**	**(633)**	**(898)**	**(1,345)**
Debt Raised/(repaid)	937	(752)	(7,800)	(3,600)	(1,200)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(96)	(201)	(266)	(333)	(399)
Preferred Dividends					
Other Financing Cashflow	(4,113)	(2,237)	(1,791)	(1,117)	(915)
Cash Flow From Financing	**(3,272)**	**(3,189)**	**(9,857)**	**(5,050)**	**(2,514)**
Total Cash Generated	(1,106)	(875)	842	5,368	8,006
Free Cashflow To Equity	**3,103**	**1,562**	**2,899**	**6,818**	**9,320**
Free Cashflow To Firm	**2,624**	**2,801**	**11,866**	**11,520**	**11,674**

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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	4,041	9,365	17,338
Total Debtors	8,731	7,443	7,856	8,712	9,450
Inventories	20,113	24,966	26,104	27,769	29,826
Total Other Current Assets	7,606	7,348	8,091	8,836	9,563
Total Current Assets	**39,813**	**43,015**	**46,093**	**54,681**	**66,177**
Fixed Assets	18,769	19,327	18,737	18,214	18,060
Total Investments	10,998	16,391	16,391	16,391	16,391
Intangible Assets	256	370	370	370	370
Total Other Non-Current Assets					
Total Non-current Assets	**30,023**	**36,089**	**35,498**	**34,976**	**34,821**
Short-term Debt	9,305	11,367	7,567	5,967	5,267
Current Portion of Long-Term Debt					
Total Creditors	17,169	16,919	18,646	20,418	22,148
Other Current Liabilities	10,314	12,072	13,335	14,602	15,839
Total Current Liabilities	**36,788**	**40,358**	**39,548**	**40,988**	**43,255**
Total Long-term Debt	11,612	9,907	5,907	3,907	3,407
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	**11,612**	**9,907**	**5,907**	**3,907**	**3,407**
Total Provisions	(2,928)	(1,001)	(910)	(818)	(728)
Total Liabilities	**45,473**	**49,264**	**44,546**	**44,077**	**45,934**
Shareholders Equity	23,591	28,990	36,115	44,569	53,974
Minority Interests	772	850	930	1,011	1,091
Total Equity	**24,363**	**29,840**	**37,045**	**45,580**	**55,065**

Key Ratios

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue Growth	79.3%	33.0%	10.5%	9.5%	8.5%
Operating EBITDA Growth	(1,173.9%)	68.7%	9.0%	10.5%	8.5%
Operating EBITDA Margin	11.5%	14.6%	14.4%	14.5%	14.5%
Net Cash Per Share (Rs)	(263.70)	(270.65)	(141.71)	(7.66)	130.14
BVPS (Rs)	354.38	435.48	542.51	669.51	810.79
Gross Interest Cover	2.07	3.75	6.15	11.34	15.58
Effective Tax Rate		23.7%	24.7%	24.7%	24.8%
Net Dividend Payout Ratio	4.7%	3.1%	3.5%	3.7%	4.0%
Accounts Receivables Days	54.09	35.93	30.77	30.43	30.75
Inventory Days	296.91	274.38	290.96	280.29	276.25
Accounts Payables Days	234.65	207.49	202.62	203.24	204.17
ROIC (%)	17.7%	24.0%	27.5%	31.0%	33.3%
ROCE (%)	11.9%	21.3%	21.8%	23.3%	22.5%
Return On Average Assets	10.0%	11.3%	11.2%	11.6%	11.3%

Key Drivers

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Sale growth	79.3%	33.0%	10.5%	9.5%	8.5%
EBIDTA margins	11.5%	14.6%	14.4%	14.5%	14.5%

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