

India

ADD (no change)

Consensus ratings*: Buy 5 Hold 0 Sell 0

Current price:	Rs1,974
Target price:	Rs2,320 ▲
Previous target:	Rs2,200
Up/downside:	17.5%
InCred Research / Consensus:	5.7%
Reuters:	RYMD.NS
Bloomberg:	RW IN
Market cap:	US\$1,810m Rs131,407m
Average daily turnover:	US\$7.0m Rs505.9m
Current shares o/s:	66.6m
Free float:	50.9%

*Source: Bloomberg

Key changes in this note

- Raised our target price to Rs2,320 from Rs2,200 earlier.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	8.4	22.3	110.8
Relative (%)	9.6	16.1	91.9

Major shareholders	% held
Promoter	49.1
Nippon Life India AMC	2.1
UTI AMC	0.3

Analyst(s)



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Raymond Ltd

On a strong footing despite seasonality

- Net sales growth of 2.5% yoy in 1QFY24 is healthy, despite a seasonally weak quarter for the company. Store network optimization continues.
- We expect better sales growth in 2HFY24F due to the upcoming festive and wedding-related demand. Growth in bookings in the realty segment is healthy.
- Maintain our FY24-26F estimates. Retain ADD with higher SOTP Sep 2024F based target price of Rs2,320 (upside of ~18%).

Healthy performance in 1QFY24 despite seasonality

Raymond posted a healthy 1QFY24 sales growth of 2.5% yoy in a seasonally weak quarter aided by 16%/13%/7.1%/6.2% growth in the branded apparel/shirting/garmenting/textile segments, respectively, which were dragged by an 18% fall in the realty business due to the percentage-of-completion accounting method, despite maintaining the healthy booking momentum. The engineering segment posted flat sales growth. Optimization of the retail network continued, with 39 stores closed due to relocation and the planned closure of Parx EBOs (shifted to MBO counters) but 15 new Ethnix stores were opened in 1QFY24, which is expected to see continued expansion in the medium term (target of 150-200 stores by FY24F). Management is optimistic about better growth in the upcoming festive season.

Realty division continues to witness strong booking momentum

Raymond's realty business commands a 28-30% market share in Thane's micro market over the last five quarters and it plans to extend its brand further in the Mumbai Metropolitan Region or MMR. Management expects a revenue potential of Rs90bn from current projects and the rest of the Thane land parcel is expected to garner another Rs160bn in revenue. Future projects under the asset-light joint development (JD) model are expected to drive incremental revenue, with the first JD project in Bandra to commence soon, which has a revenue potential of Rs20bn.

Utilization of Rs15bn cash surplus remains a key monitorable

With the proceeds from the sale of the FMCG portfolio and the infusion led by the promoter into RCCL used to pare debt, the Raymond group is currently sitting on a cash surplus of Rs15bn. Net working capital inched up to Rs15.8bn in 1QFY24 (Rs12.6bn in 4QFY23) due to inventory build-up for the upcoming festive season and higher construction costs relating to new real estate projects. We expect a higher thrust to advertising expenses in 2HFY24F before the upcoming festive season in order to drive footfalls across its retail store network.

Poised for growth; retain ADD rating with a higher TP of Rs2,320

Raymond is poised for growth, in our view, with a strong balance sheet now in place. Expansion of the realty segment, both in Thane and the MMR, as well as aggression on retail network expansion are in the right direction. We retain ADD rating on the stock with a higher SOTP-Sep 2024F based target price of Rs2,320 (Rs2,200 earlier). Downside risks: Rising input costs, 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)	50.47	24.84	17.19	14.56	13.10
DPS (Rs)	3.0	3.0	4.0	5.0	6.0
Dividend Yield	0.15%	0.15%	0.20%	0.25%	0.30%
EV/EBITDA (x)	19.51	11.16	9.59	8.07	6.86
P/FCFE (x)	42.35	84.11	45.32	19.27	14.10
Net Gearing	72.1%	60.4%	25.5%	1.1%	(15.7%)
P/BV (x)	5.57	4.53	3.64	2.95	2.43
ROE	19.0%	24.2%	23.5%	22.4%	20.4%

% Change In Core EPS Estimates
InCred Research/Consensus EPS (x)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

On a strong footing despite seasonality

Key takeaways from the earnings call

Highlights ►

- **Demand:** The overall demand scenario remained weak led by weather conditions leading to lower footfalls in malls and high street stores, but some improvement was seen in May-Jun 2023 due to the wedding season-related demand. The garment export order book (formal wear) remained healthy in the US, UK and European markets.
- **Discounts:** Store-level sales were impacted by the early end-of-season-sales (EOSS) in Jun 2023 and higher discounts offered on e-commerce channels.
- **Input cost:** Prices of cotton, poly-viscose and wool remained stable but those of linen flax seeds saw an uptick.
- **ESOP policy:** Under the Employee Stock Option or ESOP scheme, 2% of the outstanding shares have been given to eligible employees. The cost related to the scheme stood at Rs39m.
- **Use of FMCG business sale proceeds:** From the post-tax proceeds of Rs22bn, Rs10.3bn was used for the repayment of external debt and the remaining amount (in both Raymond and RCCL) has been parked in liquid investments. The company issued non-convertible debentures or NCDs to RCCL (up to Rs17bn), which are temporary in nature and will be reversed post demerger.
- **Capex:** The company incurred a capex of Rs580m (inc. maintenance capex) on capacity expansion in the engineering and garmenting segments. It is expanding the capacity in the garmenting segment, with a focus on the mass range of products, which is expected to cost Rs2bn over the next one-to-two years. The company also plans to invest Rs1bn over the next two-to-three years in technology to drive efficiency in the lifestyle business.

Branded textiles ►

- **Shirting:** Sales growth was driven by strong volume growth in B2C shirting, with a healthy mix of the recently launched casual wear range and the cotton/poly blends range, which saw good traction in trade channels.
- **Suiting:** Sales growth was driven by volume growth, with an improvement in realization. Customers purchased more, which led to an 8% growth in the average transaction value (ATV) in the TRS network.
- The EBITDA margin contracted by 60bp yoy to 17% in 1QFY24.
- **Outlook:** The company has launched a series of innovative products in the mass and premium range of suitings, where the mass range is expected to see better growth in MBOs, with the premium range to be launched in Oct-Nov 2023F. In the shirting segment, the company has also launched products at both the mass and premium end, which are expected to drive growth aided by continued distribution expansion.

Branded apparel ►

- Sales growth was led by a healthy performance across brands, with Color Plus, Raymond Ready to Wear (RRTW) and Parx driving growth aided by higher sales from EBOs and Large Format Stores (LFS).
- **Ethnix:** Raymond plans to double the store count in the next 9-10 months (from 75 currently) and will invest aggressively in advertising from Oct 2023 to drive footfalls in stores during the upcoming festive/wedding season.
- **Store network:** Out of the 1,407 stores currently, c10-12% are COCO stores. Management aims to open 450-500 stores over the next four-to-five years driven by franchise expansion, with the growth in Parx expected to be driven

by increasing presence in MBO counters, where mass brands tend to perform better while the other brands will continue to see retail expansion in EBOs, with Ethnix seeing a faster growth in the medium term.

- The EBITDA margin expanded by 51bp yoy to 6.2% in 1QFY24.
- **Outlook:** Casualization of Park Avenue and Raymond Ready to Wear have aided growth and this is expected to continue in the medium term. New marketing campaigns are expected to roll out from Sep 2023F to target the upcoming festive/wedding demand. Management expects the EBITDA margin in the range of 13-15% in the next three-to-four years, with revenue touching Rs20-22bn.

Garmenting ▶

- The growth was led by a healthy momentum in the order book, driven by demand from the US and European markets, from both the existing and new customers.
- The EBITDA margin expansion of 299bp yoy to 9.1% was aided by operating leverage and efficiencies.

High-value cotton shirting ▶

- The growth was led by sustained demand for both cotton and linen fabrics from B2B customers.
- The EBITDA margin contracted by 10bp yoy to 9.9% in 1QFY24.

Engineering ▶

- The tools and hardware segment posted a sales decline of 11.2% yoy while the automobile components segment witnessed a 16% growth driven by ring gear, flex plates and bearings, thereby leading to a flat yoy growth for the engineering division. Exports of automobile components remained healthy.
- The EBITDA margin improved by 93bp yoy to 13.9%, driven by operational efficiencies.

Real estate ▶

- The newly launched Address by GS 2.0 project witnessed 50 bookings on the very first day of its launch. Its earlier three projects sold 215 units during the quarter.
- The EBITDA margin at 23.1% was down by 455bp due to higher cost from the initial launch of TenX Era and the percentage-of-completion accounting method.
- Raymond aims to build three strong brands through TenX, The Address by GS and Invictus by GS, where each will target aspirational, premium and ultra-luxury customers.
- The re-development project in Bandra has commenced via the JDA model and is expected to add Rs20bn in incremental revenue.

Figure 1: Quarterly results summary – consolidated

Rs m	1QFY23	4QFY23	1QFY24	YoY (%)	QoQ (%)
Revenue	17,281	21,502	17,715	2.5	-17.6
Expenditure	15,197	18,134	15,748	3.6	-13.2
Consumption of Raw Materials	5,629	7,996	6,881	22.2	-14.0
as % of sales	32.6%	37.2%	38.8%		
Employee Cost	2,426	2,644	2,843	17.2	7.6
as % of sales	14.0%	12.3%	16.0%		
Other Expenditure	7,142	7,494	6,025	-15.6	-19.6
as % of sales	41.3%	34.9%	34.0%		
EBITDA	2,085	3,368	1,966	-5.7	-41.6
Depreciation	584	616	597	2.3	-3.1
EBIT	1,501	2,752	1,369	-8.8	-50.2
Other Income	263	420	550	109.5	30.9
Interest	591	643	795	34.4	23.7
PBT	1,172	2,529	1,125	-4.1	-55.5
Total Tax	365	-231	267	-26.8	-215.8
Adjusted PAT	807	2,760	857	39.4	-59.3
(Profit)/Loss from JV's/Ass/MI	2.1	113.6	9,889.6	NA	NA
APAT after MI	809	2,874	10,747	1228.4	274.0
Extraordinary Items	0	930	94	NA	NA
Reported PAT	809	1,944	10,653	1216.8	448.1
Adj. EPS	12.2	29.2	160.0	1216.8	448.1
Margins (%)	1QFY23	4QFY23	1QFY24	(bp)	(bp)
Gross margin	67.4	62.8	61.2	-630	-170
EBITDA	12.1	15.7	11.1	-100	-460
EBIT	8.7	12.8	7.7	-100	-510
EBT	6.8	11.8	6.3	-40	-540
PAT	4.7	13.4	60.7	5,600	4,730
Effective Tax Rate	31.2	-9.1	23.8	-740	3,290

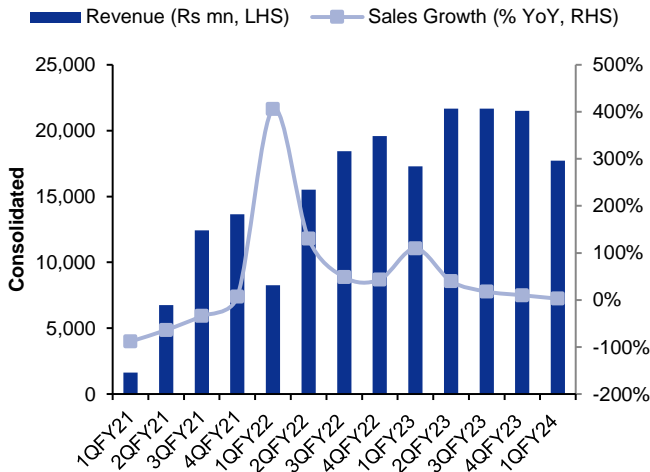
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Segmental breakup

Segment revenue (Rs m)	1QFY23	4QFY23	1QFY24	YoY (%)	QoQ (%)
Textile	6,482	9,018	6,884	6.2	-23.7
Shirting	1,695	1,872	1,919	13.2	2.5
Apparel	2,624	3,315	3,045	16.0	-8.1
Garment	2,473	3,054	2,648	7.1	-13.3
Tools & Hardware	1,239	1,155	1,101	-11.2	-4.7
Auto Components	856	1,031	993	16.0	-3.6
Real Estate	2,893	2,923	2,369	-18.1	-19.0
Less: Intersegment	979	865	1,244		
Total Revenue	17,283	21,502	17,715	2.5	-17.6
Segment PBIT	1QFY23	4QFY23	1QFY24	YoY (%)	QoQ (%)
Textile	971	1,802	1,008	3.9	-44.0
Shirting	68	99	97	44.3	-1.7
Apparel	-34	322	-35	2.3	-110.9
Garment	101	153	202	100.4	32.2
Tools & Hardware	111	83	67	-39.4	-18.7
Auto Components	114	185	174	53.3	-5.9
Real Estate	748	652	507	-32.2	-22.2
Less Inter Segment (Profit) / Loss	-58	-11	2		
Less Interest	530	552	707	33.4	27.9
Other Unallocable Expenditure Net Off Un-Allocable Income	317	203	192		
Total PBIT	1,172	2,529	1,125	-4.1	-55.5
PBIT Margin (%)	1QFY23	4QFY23	1QFY24	(bp)	(bp)
Textile	15.0	20.0	14.6	-30	-530
Shirting	4.0	5.3	5.1	110	-20
Apparel	-1.3	9.7	-1.1	20	-1,090
Garment	4.1	5.0	7.6	360	260
Tools & Hardware	8.9	7.1	6.1	-280	-100
Auto Components	13.3	18.0	17.6	430	-40
Real Estate	25.8	22.3	21.4	-440	-90

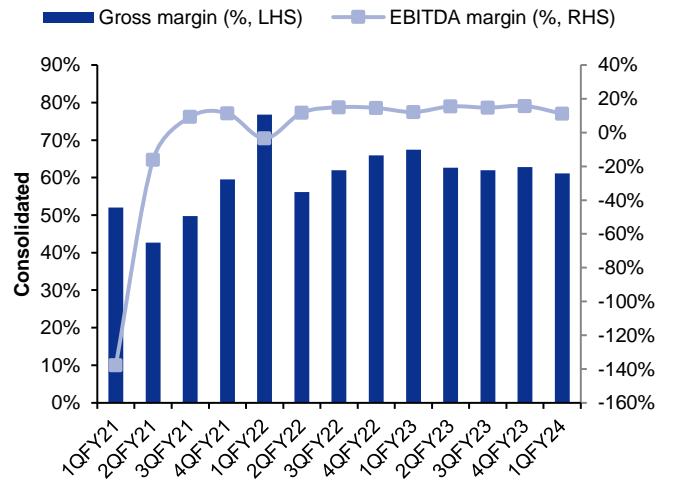
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Net sales grew by 2.5% yoy in 1QFY24 to Rs17.7bn



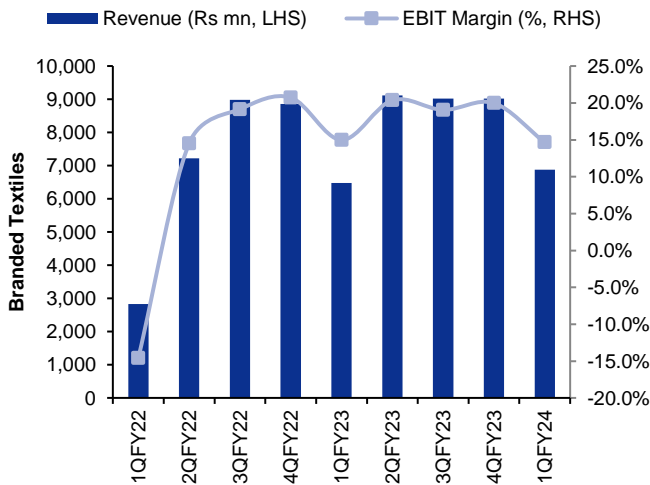
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Gross margin contracted by 630bp yoy to 61.2%



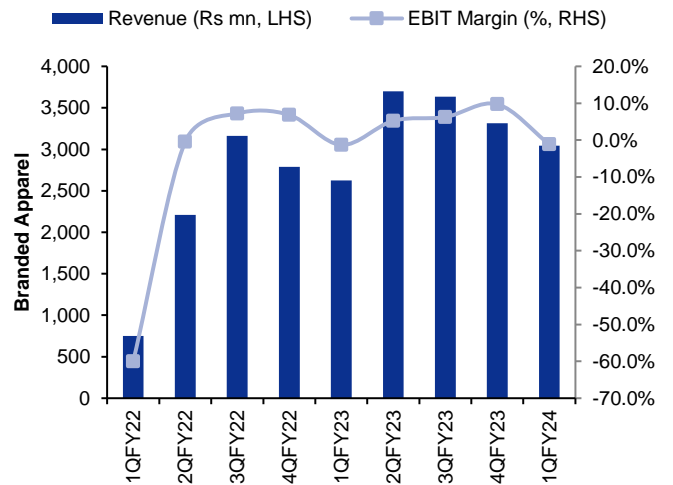
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Branded textile segment's revenue grew by 6% yoy in 1QFY24



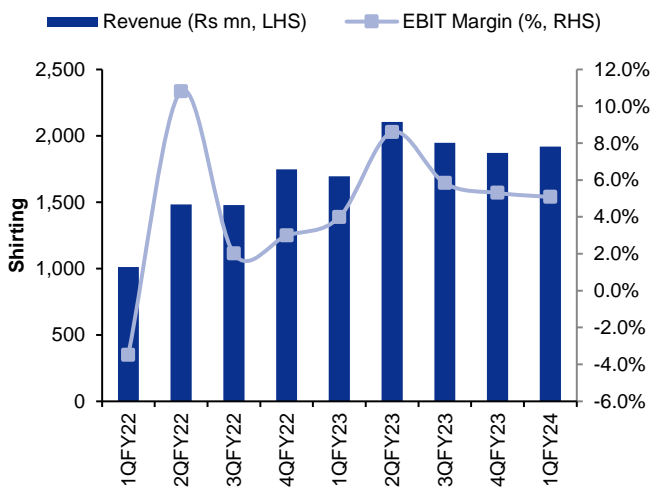
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Branded apparel segment's sales grew by 16% yoy in 1QFY24



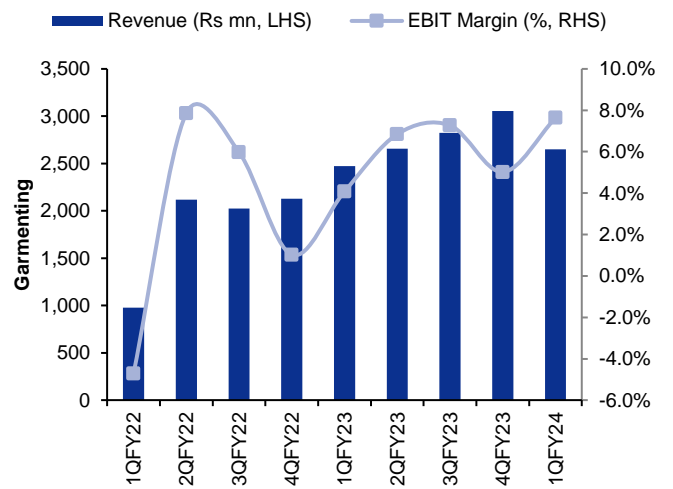
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: High-value cotton shirting sales grew by 13% yoy



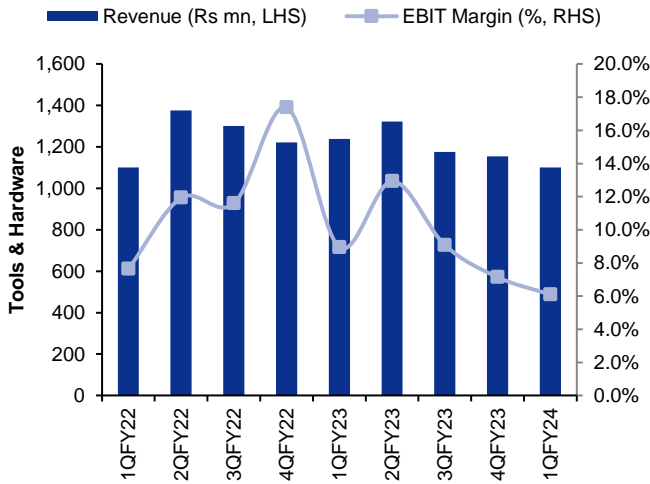
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Garmenting segment's sales grew by 7% yoy in 1QFY24



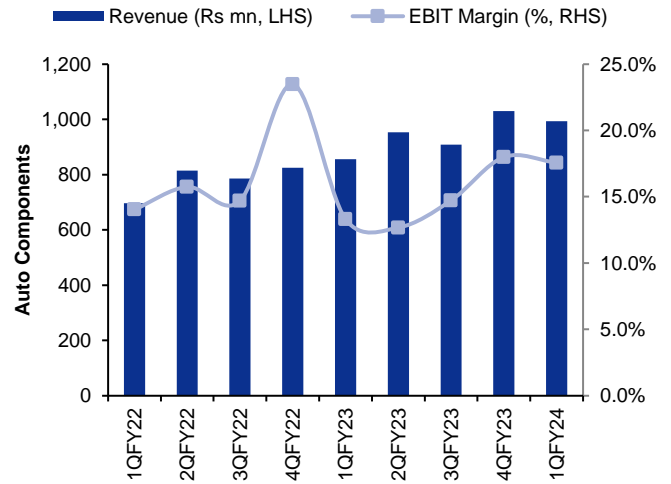
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Tools and hardware segment posted a sales decline of 11.2%



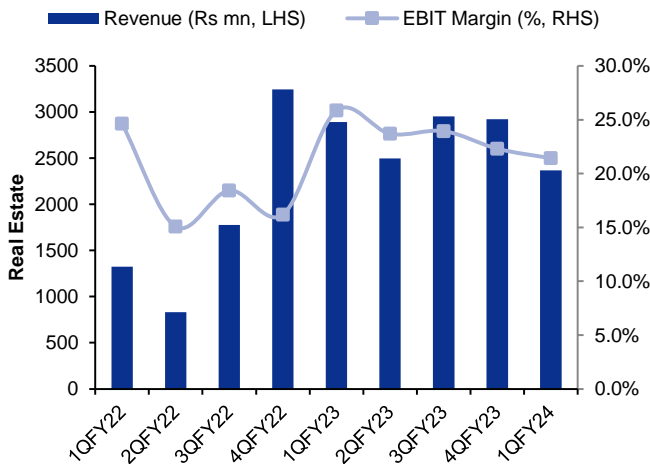
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Auto component segment's sales grew by 16% yoy in 1QFY24



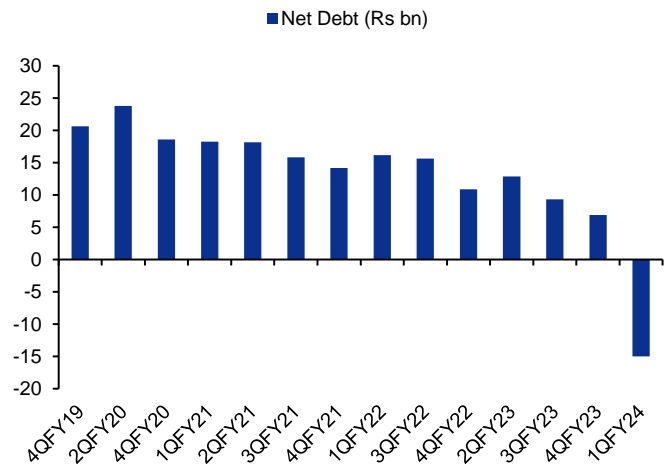
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: Real estate segment posted a sales decline of 18% yoy in 1QFY24



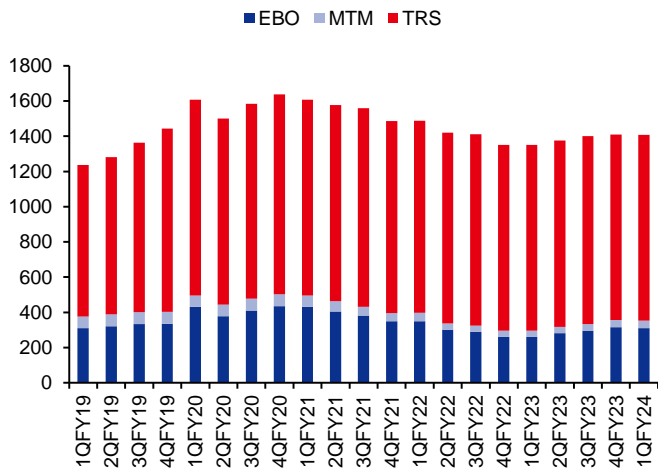
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 12: The Raymond group now has a cash surplus of Rs15bn



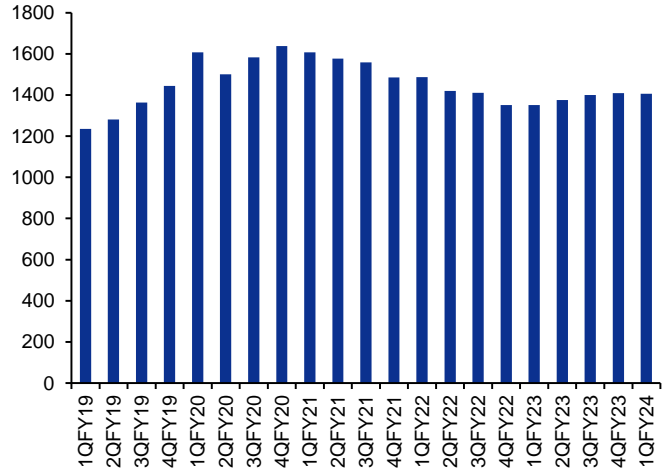
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 13: Network expansion continued...



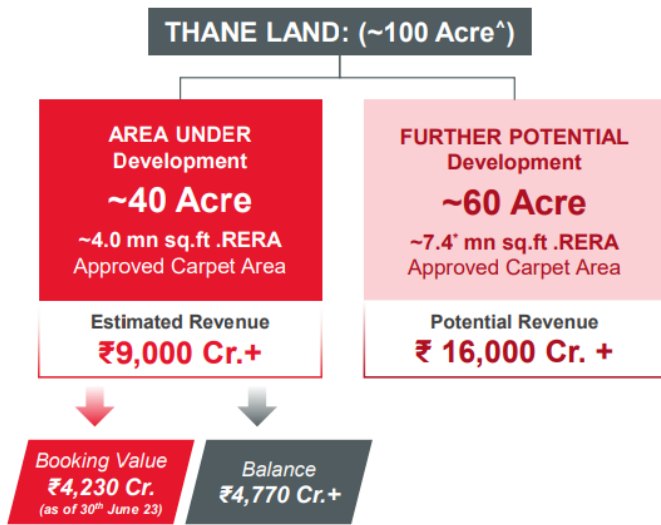
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 14: ... with a total 1,407 stores as of 1QFY24-end



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 15: Thane land parcel can generate Rs250bn in sales



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 16: First JDA project commences operations in Bandra



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 17: Our earnings estimates remain unchanged

Y/E, Mar (Rs m)	FY24F			FY25F			FY26F		
	Earlier	Revised	% Change	Earlier	Revised	% Change	Earlier	Revised	% Change
Revenue	90,744	90,744	-	99,369	99,369	-	1,07,787	1,07,787	-
EBITDA	13,072	13,072	-	14,442	14,442	-	15,663	15,663	-
EBITDA Margin (%)	14.4%	14.4%	0bp	14.5%	14.5%	0bp	14.5%	14.5%	0bp
Net Profit	7,642	7,642	-	9,023	9,023	-	10,028	10,028	-
EPS	114.8	114.8	-	135.5	135.5	-	150.6	150.6	-

SOURCE: INCRED RESEARCH, COMPANY REPORTS

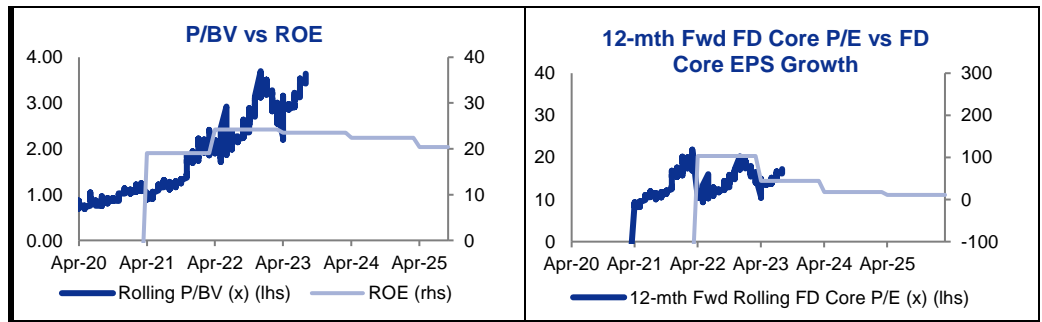
Figure 18: SOTP valuation based on FY25F estimates

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	14,119	212	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	14,903	224	11%
Real estate						
Value of projects	DCF			6,778	102	5%
Market value of land	DCF			17,810	268	13%
Total		12,973	11	1,41,682		
Elimination		1,342	9	12,075		
Segment EV		11,631	11	1,29,607		
Cash & Investments				25,756		
Total Debt				9,875		
Intrinsic Market Cap				1,45,489		
Outstanding Shares (m)				66.6		
Fair Value Per Share (Rs)				2,320		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

*HIGH-VALUE COTTON 75.7% STAKE, *ENGINEERING BUSINESS 90% STAKE

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

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Cash And Equivalents	3,363	3,258	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%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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