

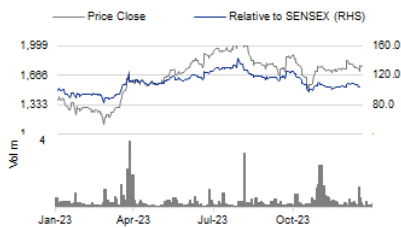
India

ADD (no change)

Consensus ratings*:	Buy 7 Hold 1 Sell 0
Current price:	Rs1,780
Target price:	Rs2,327 ▲
Previous target:	Rs2,320
Up/downside:	30.7%
InCred Research / Consensus:	-1.3%
Reuters:	
Bloomberg:	RW IN
Market cap:	US\$1,429m Rs118,478m
Average daily turnover:	US\$8.5m Rs707.4m
Current shares o/s:	66.6m
Free float:	50.9%
*Source: Bloomberg	

Key changes in this note

- Raise target price to Rs2,327 from Rs2,320.
- Raise FY25F/26F revenue by 9%/10%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3.5	(1.9)	24.6
Relative (%)	3.4	(12.4)	5.2

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

Research Analyst(s)



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Raymond Ltd

Continues to build on its strengths

- Net sales grew 10% yoy in 3QFY24 led by strong growth in the real estate and branded apparel segments. Retail network expansion continues.
- Corporate actions such as restructuring the business via demerger, acquisition of MPPL and significant debt reduction by the group are in the right direction.
- We retain our ADD rating on the stock with a higher SOTP-based target price of Rs2,327 based on Mar-2025F metrics, as we roll forward our valuation.

Sales growth driven by real estate and apparel segments

Raymond posted a healthy sales growth of 10% yoy in 3QFY24 led by strong growth of 50%/20.5% in its real estate/branded apparel segments, respectively. Garmenting/textiles businesses were flat yoy while the high-value shirting division posted a 10.1% yoy growth led by healthy demand for cotton and linen fabric from B2B customers in the domestic market. The engineering division posted a 4% yoy growth led by the automobile components segment's growth of 20.3% but was hit by an 8.5% yoy decline in tools and hardware business, which was dragged by files, drills and tools segments due to sluggish export demand. Retail network expansion continued, with the total store count at 1,512 stores in 3QFY24. Ethnix by Raymond topped the 100-store mark, closing the quarter at 105 stores.

Realty division steps up aggressively across own/JDA projects

Raymond Realty's pace of launching new projects, maintaining strong booking momentum as well as the ability to deliver projects ahead of the slated RERA timeline is commendable. Within its own land parcel, the company announced two new projects this year – The Address by GS 2.0 & Invictus by GS – and under the joint development model (JDA) it has announced three projects this year, one each in Bandra, Mahim and Sion in Mumbai. In terms of revenue potential, projects under development (c.40 acres) at the Thane land parcel (c.100 acres) can generate Rs90bn in revenue, of which the units booked so far are worth Rs53bn, with Rs37bn worth of sales runway left. The remaining land parcel (c.60 acres) has a revenue potential of Rs160bn. Under the JDA model, its projects have a revenue potential of over Rs51bn. The Bandra project is likely to commence sales soon.

Strong growth pillars in place; Retain ADD rating with a TP of Rs2,327

Corporate actions around 1) restructuring of the business via demerger, which is expected to be completed by 1QFY25F, 2) strengthening of the engineering division via foray into the aerospace and defence segment by acquiring Maini Precision Products (MPPL), and 3) significant debt reduction at the group level, with Rs13bn in cash surplus, are the steps in the right direction. We raise our FY25F/26F sales estimates by 9%/10%, respectively, and retain our ADD rating on Raymond with a higher sum-of-the-parts or SOTP-based target price of Rs2,327 (Rs2,320 earlier) as we roll forward our valuation to Mar 2025F. 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	110,561	108,285	118,688
Operating EBITDA (Rsm)	7,111	11,994	15,805	15,405	17,758
Net Profit (Rsm)	2,604	5,289	17,633	7,255	9,183
Core EPS (Rs)	63.7	95.6	116.2	109.0	138.0
Core EPS Growth	(240.7%)	50.1%	21.6%	(6.2%)	26.6%
FD Core P/E (x)	45.50	22.40	6.72	16.33	12.90
DPS (Rs)	3.0	3.0	4.0	5.0	6.0
Dividend Yield	0.17%	0.17%	0.22%	0.28%	0.34%
EV/EBITDA (x)	17.69	10.08	7.33	6.94	5.59
P/FCFE (x)	38.18	75.84	4.77	9.70	11.47
Net Gearing	72.1%	60.4%	34.4%	8.8%	(7.4%)
P/BV (x)	5.02	4.09	3.27	2.76	2.30
ROE	19.0%	24.2%	23.7%	18.3%	19.5%
% Change In Core EPS Estimates			1.19%	(19.60%)	(8.43%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Continues to build on its strengths

Key takeaways from the earnings call

Key highlights

- 3QFY24 started on a strong note. Post-Diwali festival demand was muted. Discretionary spending on fabric and apparel has been weak because of inflation pressure.
- Retail demand remained buoyant. Raymond, however, was able to continue its strong growth momentum.
- The inventory level came down during the quarter.

Branded apparel

- The focus on expanding its distribution and retail network aided growth, despite a muted demand environment.
- Spending on advertisements was higher to drive its brand.
- Added more MBOs and LFS stores during the quarter. All brands performed well. Parx growth was slightly slower than the others.
- Added 65 stores this quarter. More focus was on Raymond Ready-to-Wear, but all brands saw expansion. The apparel sales mix has been improving at Raymond stores.
- Ethnix expanded beyond the 100-store mark at 105 (20% COCO store mix). Post Covid-19 pandemic, Ethnix has seen a healthy pace of franchise expansion. If it reaches 300 stores in top cities, it could reach 85% of the market, which would be a good addressable market, as per management. Smart Ethnix is currently small in terms of contribution - being positioned as a regular/daily wear portfolio.
- Like-to-like growth was better than the industry. Sales per sqft remains healthy across brands.

Branded textiles

- The festive season led to buoyancy in secondary channels, which slowed down after the festive season.
- Raymond Home: It has been doing well, supplying to large MBOs and LFS stores. Now doing Rs1.50-1.70bn of business but can double over three-to-four years. Will do more work around 1) premiumization the portfolio, and 2) invest more in distribution expansion.

Garmenting

- The capacity has been expanded to support growing demand.
- Denim market demand was muted. There was a shipment, which was to be made during the quarter, but it got delayed.
- The US and the UK are strong markets for Raymond. The focus is on expanding in new geographies like Europe and Japan.

Engineering

- Exports were sluggish.
- The strategy is to participate in sunrise sectors of aerospace, defence and electric vehicles or EVs post-acquisition.

Real estate

- JDA: Added new projects in Mahim, Sion and Bandra. The potential is above Rs51bn. Margins will be similar to its own projects due to the floor space index or FSI norms. Thane is in the range of 20,000 while in other markets it is 30,000

or higher, due to which margins are similar even after accounting for the land in the JDA. Each JDA project requires a peak investment of Rs2.5-3bn, depending on the type of project.

- The Bandra project was supposed to be launched in 3QFY24, but RERA approval should come in soon. Likely to launch the project in 4QFY24F.
- Two new projects launched on the Thane land bank. Further potential to generate Rs160bn from the remaining land parcel.
- Margins were dragged due to upfront expenses for the two new projects that were announced.
- Within the Thane land parcel, expansion will largely be residential. Now that three brands have been created (TenX, Address by GS, Invictus by GS), the focus would be on expanding projects under these brands.
- Competitive intensity and pricing: Oberoi Realty launched a new project in Thane, but no impact was seen in terms of demand. No rapid price hikes expected. Average price hikes are 6-8% in the Mumbai Metropolitan Region or MMR and the same trend is expected to continue in the near term.
- Over four-to-five years, JDA projects, in our view, should account for 35-40% of the realty division's sales.

Outlook

- **Debt:** Rs27.5bn (Rs1.55bn external; Rs17bn from RCCL inter-corporate deposits or ICDs). Net debt at Rs9.19bn. Interest costs stood at Rs1.04bn during the quarter, which were attributed to 1) Rs0.38bn on non-convertible debentures or NCDs issued to RCCL, and 2) Rs0.1bn to the Maharashtra Housing and Area Development Authority (MHADA) for the Bandra project.
- **Demerger date:** It is 1 Apr 2024. The company has received the Securities and Exchange Board of India's approval.
- Two net debt-free businesses will be listed with surplus liquidity at the group level.
- **Outlook:** 4QFY24 began with moderate consumer sentiment but impulse purchases were down. The trade channel is expected to gain momentum and secondary sales will likely drive growth. Will add 250-300 stores via franchise expansion. Ethnix and other brands are likely to witness rapid expansion.

Figure 1: Quarterly results summary – consolidated

Rs m	3QFY23	2QFY24	3QFY24	YoY (%)	QoQ (%)	9MFY23	9MFY24	Gr (%)
Revenue	21,682	22,534	23,862	10.1	5.9	60,645	64,110	5.7
Expenditure	18,490	19,388	20,242	9.5	4.4	52,019	55,378	6.5
Consumption of RM	8,253	8,204	4,536	-45.0	-44.7	21,987	19,621	-10.8
as % of sales	38.1%	36.4%	19.0%			36.3%	30.6%	
Employee costs	2,617	2,838	2,912	11.3	2.6	7,599	8,593	13.1
as % of sales	12.1%	12.6%	12.2%			12.5%	13.4%	
Other expenditure	7,620	8,345	12,794	67.9	53.3	22,433	27,164	21.1
as % of sales	35.1%	37.0%	53.6%			37.0%	42.4%	
EBITDA	3,192	3,146	3,620	13.4	15.0	8,626	8,732	1.2
Depreciation	579	654	703	21.5	7.5	1,738	1,954	12.5
EBIT	2,613	2,493	2,917	11.6	17.0	6,889	6,778	-1.6
Other income	314	673	642	104.5	-4.6	802	1,864	132.4
Interest	705	893	1,035	46.9	16.0	1,930	2,723	41.1
PBT	2,222	2,273	2,523	13.5	11.0	5,761	5,920	2.8
Total tax	1,161	507	626	-46.1	23.4	2,235	1,401	-37.3
Adjusted PAT	1,062	1,765	1,897	78.6	7.4	3,527	4,519	28.1
(Profit)/loss from JV's/Ass/MI	-68.1	62.7	-61.5	NA	NA	-39.7	9,566.6	NA
APAT after MI	994	1,828	1,835	84.7	0.4	3,566	14,086	295.0
Extraordinary items	45	230	0	NA	NA	-141	-324	NA
Reported PAT	948	1,598	1,835	93.5	14.9	3,708	14,410	288.7
Adj. EPS	14.2	24.0	27.6	93.6	14.9	50.3	211.7	321.1
Margins (%)	3QFY23	2QFY24	3QFY24	(bp)	(bp)	9MFY23	9MFY24	(bp)
Gross margin	61.9	63.6	81.0	1,910	1,740	63.7	69.4	570
EBITDA	14.7	14.0	15.2	40	120	14.2	13.6	-60
EBIT	12.1	11.1	12.2	20	120	11.4	10.6	-80
EBT	10.2	10.1	10.6	30	50	9.5	9.2	-30
PAT	4.6	8.1	7.7	310	-40	5.9	22.0	1,610
Effective Tax rate	52.2	22.3	24.8	-2,740	250	38.8	23.7	-1,510

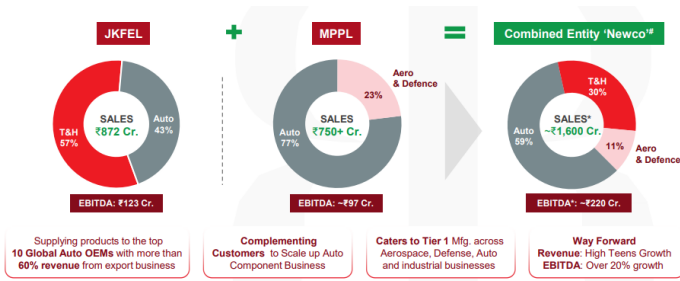
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Segmental breakup

Segment Revenue (Rs m)	3QFY23	2QFY24	3QFY24	YoY (%)	QoQ (%)	9MFY23	9MFY24	Gr (%)
Textile	9,023	9,327	9,089	0.7	-2.5	24,623	25,300	2.7
Shirting	1,948	2,108	2,144	10.1	1.7	5,748	6,171	7.4
Apparel	3,636	4,366	4,373	20.3	0.1	9,961	11,784	18.3
Garment	2,823	3,124	2,814	-0.3	-9.9	7,951	8,587	8.0
Tools & Hardware	1,176	926	1,076	-8.5	16.2	3,738	3,102	-17.0
Auto Components	909	1,082	1,093	20.3	1.0	2,718	3,167	16.5
Real Estate	2,954	2,440	4,390	48.6	79.9	8,260	9,150	10.8
Less: Inter-segment	787	839	1,134			2,744	3,216	
Total Revenue	21,682	22,534	23,844	10.0	5.8	60,254	64,045	6.3
PBIT Margin (%)	3QFY23	2QFY24	3QFY24	(bp)	(bp)	9MFY23	9MFY24	(bp)
Textile	19.0	20.2	19.5	50	-70	18.5	18.4	0
Shirting	5.8	8.7	6.4	60	-220	6.3	6.8	50
Apparel	6.3	6.2	4.8	-150	-150	3.9	3.8	-10
Garment	7.3	5.8	9.2	200	340	6.1	7.5	140
Tools & Hardware	9.1	-0.6	3.0	-600	360	10.4	3.0	-740
Auto Components	14.7	19.3	20.1	540	80	13.6	19.0	550
Real Estate	23.9	17.0	21.5	-250	450	24.8	20.4	-440

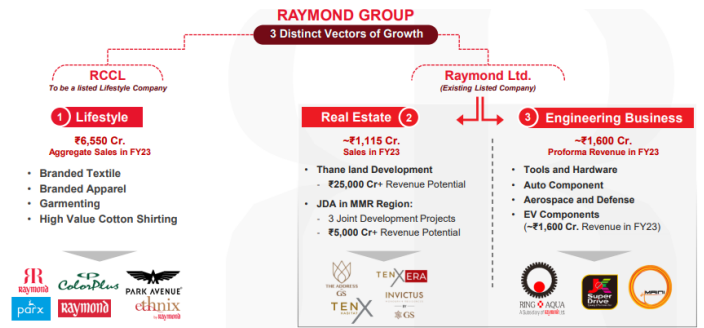
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Engineering division fortified with the acquisition of MPPL



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Three strong pillars of growth



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Existing projects continue to scale up

Particulars	FY23	Q3 FY24	9M FY24	Project Till Date	% UNIT SOLD
TENX HABITATS					
10 towers with RERA carpet area -1.7 Mn sq.ft.					~88%
Total Units Planned: 3,103 (2BHK: 2,463; 1BHK: 640)					
No of Bookings	542	100	287	2,738	
RERA Carpet Area*	0.31	0.06	0.17	1.48	
THE ADDRESS GS					
02 towers with RERA carpet area -0.7 Mn sq.ft.					~90%
Total Units Planned: 551 (4BHK: 188; 3BHK: 316; 2BHK & above: 45)					
No of Bookings	255	7	63	497	
RERA Carpet Area*	0.34	0.01	0.07	0.61	
TENX ERA					
03 towers with RERA carpet area -0.6 Mn sq.ft.					~38%
Total Units Planned: 905 (3BHK: 381; 2BHK: 494)					
No of Bookings	141	75	199	340	
RERA Carpet Area*	0.10	0.05	0.14	0.25	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Recent launches garner strong traction

Particulars	Q3FY24	Project Till Date	% UNIT SOLD LAUNCHED UNITS
THE ADDRESS GS - SEASON 2			
2 Towers with RERA Carpet Area -0.5 Mn sq.ft.			~39%
Total Units Planned: 440 (5BHK & above: 24; 4BHK: 156; 3BHK: 260)			
No of Bookings	63	170	
RERA Carpet Area*	0.07	0.20	
INVICTUS MONDRIAN RESIDENCES BY GS			
1 tower with RERA carpet area -0.2 Mn sq.ft.			~32%
Total Units Planned: 102 (4.5BHK: 102)			
No of Bookings	7	33	
RERA Carpet Area*	0.02	0.08	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Real estate division has a revenue potential of Rs141bn from ongoing projects (incl. JDA projects that were announced)

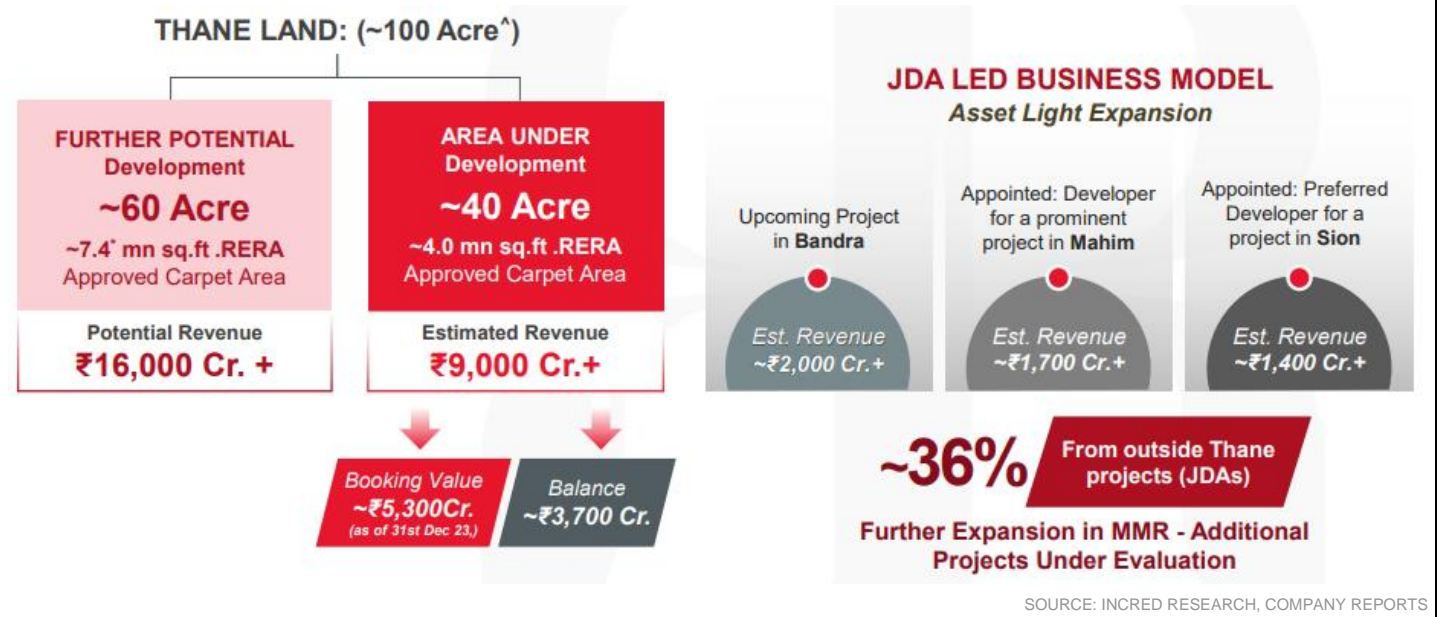


Figure 8: Our revised earnings estimates

Y/E, Mar (Rs M)	FY24F			FY25F			FY26F		
	Earlier	Revised	% Change	Earlier	Revised	% Change	Earlier	Revised	% Change
Revenues	90,744	1,10,561	21.8	99,369	1,08,285	9.0	1,07,787	1,18,688	10.1
EBITDA	13,072	15,805	20.9	14,442	15,405	6.7	15,663	17,758	13.4
EBITDA Margin (%)	14.4%	14.3%	0bp	14.5%	14.2%	0bp	14.5%	15.0%	0bp
Net Profit	7,642	17,633	130.7	9,023	7,255	(19.6)	10,028	9,183	(8.4)
EPS	114.8	264.9	130.7	135.5	109.0	(19.6)	150.6	138.0	(8.4)

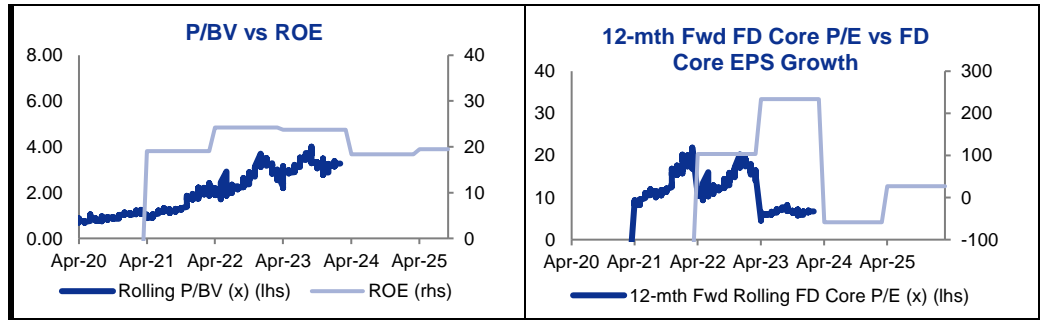
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: SOTP valuation based on FY26F estimates

SOTP Valuation (FY26F)	Metrics	(Rs m)	Multiple (x)	EV (Rs m)	EV per share	EV mix (%)
Branded textiles	EBITDA	7,665	10	76,654	1,151	50%
Branded apparel	EBITDA	2,114	10	21,143	318	14%
High-value cotton shirting	EBITDA	894	6	4,060	61	3%
Garmenting	EBITDA	1,190	6	7,140	107	5%
Engineering	EBITDA	2,152	12	17,122	257	11%
Real estate						
Value of projects	DCF			10,012	150	7%
Market value of land	DCF			17,810	268	12%
Total		14,015	11	1,53,940		
Elimination		1,650	7	11,547	173	
Segment EV		12,366	12	1,42,392		
Cash & Investments				38,382		
Total debt				25,875		
Intrinsic market cap.				1,54,900		
Outstanding shares (m)				66.6		
Fair value per share (Rs)				2,327		

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	110,561	108,285	118,688
Gross Profit	39,380	52,164	71,533	70,060	76,791
Operating EBITDA	7,111	11,994	15,805	15,405	17,758
Depreciation And Amortisation	(2,398)	(2,354)	(2,390)	(2,522)	(2,654)
Operating EBIT	4,713	9,641	13,415	12,883	15,103
Financial Income/(Expense)	(2,277)	(2,573)	(3,619)	(3,964)	(3,754)
Pretax Income/(Loss) from Assoc.	(64)	154	139	125	112
Non-Operating Income/(Expense)	1,695	1,223	1,167	1,381	1,724
Profit Before Tax (pre-EI)	4,068	8,445	11,102	10,425	13,186
Exceptional Items					
Pre-tax Profit	4,068	8,445	11,102	10,425	13,186
Taxation	219	(2,004)	(3,289)	(3,090)	(3,922)
Exceptional Income - post-tax	(1,636)	(1,072)	9,900		
Profit After Tax	2,651	5,370	17,713	7,335	9,264
Minority Interests	(48)	(80)	(80)	(80)	(80)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	2,604	5,289	17,633	7,255	9,183
Recurring Net Profit	4,239	6,361	7,733	7,255	9,183
Fully Diluted Recurring Net Profit	4,239	6,361	7,733	7,255	9,183

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
EBITDA	7,111	11,994	15,805	15,405	17,758
Cash Flow from Invt. & Assoc.					
Change In Working Capital	46	(3,862)	(2,660)	1,618	(1,026)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(1,636)	(1,072)	9,900		
Other Operating Cashflow	1,695	1,223	1,167	1,381	1,724
Net Interest (Paid)/Received	(458)	(487)	(1,167)	(1,381)	(1,724)
Tax Paid	(344)	(724)	(3,289)	(3,090)	(3,922)
Cashflow From Operations	6,415	7,072	19,756	13,933	12,809
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	1,381	1,724
Cash Flow From Investing	(4,249)	(4,758)	(633)	(619)	(776)
Debt Raised/(repaid)	937	(752)	5,700	(1,100)	(1,700)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(96)	(201)	(266)	(333)	(399)
Preferred Dividends					
Other Financing Cashflow	(4,113)	(2,237)	(3,672)	(4,030)	(3,834)
Cash Flow From Financing	(3,272)	(3,189)	1,762	(5,463)	(5,933)
Total Cash Generated	(1,106)	(875)	20,885	7,851	6,100
Free Cashflow To Equity	3,103	1,562	24,823	12,214	10,333
Free Cashflow To Firm	2,624	2,801	20,291	14,695	13,757

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	14,184	21,991	28,059
Total Debtors	8,731	7,443	9,572	9,493	10,406
Inventories	20,113	24,966	33,320	31,150	34,143
Total Other Current Assets	7,606	7,348	9,803	9,606	10,505
Total Current Assets	39,813	43,015	66,879	72,241	83,112
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	12,067	10,467	9,767
Current Portion of Long-Term Debt					
Total Creditors	17,169	16,919	22,718	22,250	24,388
Other Current Liabilities	10,314	12,072	16,247	15,912	17,441
Total Current Liabilities	36,788	40,358	51,032	48,630	51,596
Total Long-term Debt	11,612	9,907	14,907	15,407	14,407
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	11,612	9,907	14,907	15,407	14,407
Total Provisions	(2,928)	(1,001)	(699)	(723)	(612)
Total Liabilities	45,473	49,264	65,241	63,314	65,392
Shareholders Equity	23,591	28,990	36,206	42,892	51,451
Minority Interests	772	850	930	1,011	1,091
Total Equity	24,363	29,840	37,136	43,902	52,542

Key Ratios					
	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue Growth	79.3%	33.0%	34.6%	(2.1%)	9.6%
Operating EBITDA Growth	(1,173.9%)	68.7%	31.8%	(2.5%)	15.3%
Operating EBITDA Margin	11.5%	14.6%	14.3%	14.2%	15.0%
Net Cash Per Share (Rs)	(263.70)	(270.65)	(192.14)	(58.35)	58.34
BVPS (Rs)	354.38	435.48	543.87	644.31	772.89
Gross Interest Cover	2.07	3.75	3.71	3.25	4.02
Effective Tax Rate		23.7%	29.6%	29.6%	29.7%
Net Dividend Payout Ratio	4.7%	3.1%	3.4%	4.6%	4.3%
Accounts Receivables Days	54.09	35.93	28.09	32.13	30.60
Inventory Days	296.91	274.38	272.55	307.81	284.41
Accounts Payables Days	234.65	207.49	185.35	214.70	203.15
ROIC (%)	17.7%	24.0%	28.6%	29.4%	33.4%
ROCE (%)	11.9%	21.3%	24.1%	19.8%	21.2%
Return On Average Assets	10.0%	11.3%	11.4%	9.6%	10.6%

Key Drivers					
	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Sale growth	79.3%	33.0%	34.6%	(2.1%)	9.6%
EBIDTA margins	11.5%	14.6%	14.3%	14.2%	15.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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