

India

**ADD** (no change)

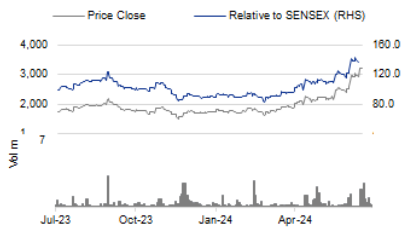
Consensus ratings\*: Buy 5 Hold 1 Sell 0

Current price:	Rs3,209
Target price: ▲	Rs3,650
Previous target:	Rs2,500
Up/downside:	13.7%
InCred Research / Consensus:	5.5%
Reuters:	RYMD.NS
Bloomberg:	RW IN
Market cap:	US\$2,942m Rs213,612m
Average daily turnover:	US\$13.7m Rs997.2m
Current shares o/s:	66.6m
Free float:	50.9%

\*Source: Bloomberg

**Key changes in this note**

- Raise target price to Rs3,650 from Rs2,500.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	29.8	67.8	83.6
Relative (%)	24.5	56.7	49.9

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

**Research Analyst(s)**



**Rohan KALLE**

T (91) 22 4161 1561  
E rohan.kalle@incredresearch.com

**Nishant BAGRECHA**

T (91) 22 4161 1564  
E nishant.bagrecha@incredresearch.com

# Raymond Ltd

## Multi-pronged value unlocking at play

- The first leg of demerger starts soon, with the record date fixed on 11 Jul 2024, post which Raymond will trade ex-RLL, which should get listed by Aug-Sep.
- Management’s focus on running three pure play businesses under a separate professional-led leadership indicates scope for improvement across verticals.
- Retain ADD rating with a higher TP of Rs3,650 based on Mar 2026F SOTP. We value RLL/RRL/Raymond at Rs1,982/1,086/499 per share, respectively.

### First leg of demerger commences; second leg to further unlock value

The first leg of the demerger will commence soon, with the record date fixed on 11 Jul 2024, after which Raymond will trade ex-lifestyle business. By the end of Aug-early Sep 2024, the shares of the lifestyle business are expected to list separately as Raymond Lifestyle (RLL; 4:5 share swap ratio). The announcement of the demerger of the real estate business is expected to take 12-15 months to fructify (1:1 share swap ratio). By the end of 12-15 months, there will be three pure play Raymond entities listed on stock exchanges.

### Real estate biz is now sizeable; focus shifts to drive further scale

Raymond’s realty arm started operations in FY20 and has posted a CAGR of 73% to garner Rs15.9bn revenue in FY24 (18% of the group’s sales). It currently has six projects (on 40 acres; 4m sqft under construction) on its Thane land parcel and four projects under the asset-light JDA model (2m sqft under development). From 6m sqft under construction currently, the company can reach 8-10m sqft over 3-4 years, topping Rs40bn in revenue. The business is debt-free with a cash surplus of Rs5bn and a strong project pipeline.

### Building pure play businesses – all eyes on engineering biz next

Raymond’s management stated that once its businesses reach a certain scale, they will be made into pure-play entities. The next value unlocking initiative is expected under the engineering division, after the acquisition of Maini Precision Products (MPPL) for Rs6.82bn, which will be split into two subsidiaries, one housing the aerospace & defence (A&D) business of MPPL and the rest consolidated under a single entity. The Raymond group aims to double the A&D business, which currently garners ~Rs2.7bn in revenue over 3-4 years led by aircraft components business & targets to retain 25-26% EBITDA margin.

### Outlook remains promising; raise target price to Rs3,650

We raise our target price to Rs3,650 based on our Mar 2026F SOTP valuation and maintain our ADD rating on Raymond on account of the strong traction in real estate business, aided by new JDAs beyond the Thane land parcel and value unlocking of the engineering business. As per our SOTP valuation, we value the lifestyle business at Rs1,982, the realty business at Rs1,086 & Rs499 per share for the engineering business. As per the first leg of the demerger, we expect Raymond/RLL to have a fair value of Rs1,586/Rs1,982, respectively (refer Fig. 4). We believe any mispricing of Raymond after the first demerger (post 11 Jul 2024), below our estimated fair value, would present a buying opportunity.

### Financial Summary

	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue (Rsm)	61,785	82,147	90,195	110,156	125,651
Operating EBITDA (Rsm)	7,111	11,994	13,091	16,555	19,941
Net Profit (Rsm)	2,604	5,289	16,378	7,609	10,711
Core EPS (Rs)	63.7	95.6	252.5	114.3	160.9
Core EPS Growth	(240.7%)	50.1%	164.3%	(54.7%)	40.8%
FD Core P/E (x)	82.04	40.38	13.04	28.07	19.94
DPS (Rs)	3.0	3.0	0.0	5.0	6.0
Dividend Yield	0.09%	0.09%	0.00%	0.16%	0.19%
EV/EBITDA (x)	31.07	18.02	16.60	12.48	10.00
P/FCFE (x)	68.85	136.71	30.34	161.10	24.16
Net Gearing	72.1%	60.4%	57.4%	31.7%	16.4%
P/BV (x)	9.05	7.37	4.63	4.00	3.36
ROE	19.0%	24.2%	44.7%	15.3%	18.3%
% Change In Core EPS Estimates				(3.59%)	6.75%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Multi-pronged value unlocking at play

### Highlights

#### Summary of demergers announced so far ►

- **First phase:** The NCLT approved the demerger of the lifestyle business into Raymond Lifestyle (RLL) based on a swap ratio of four shares of RLL for every five shares held in Raymond. The record date is set at 11 Jul 2024, post which Raymond would trade ex-lifestyle businesses. By Aug-Sep 2024, RLL & Raymond will trade on the stock exchanges independent of each other.
- **Second phase:** Raymond's board approved the demerger of the real estate business from Raymond with a 1:1 swap ratio, which is expected to take 12-15 months to fructify, post which RLL (lifestyle business), RRL (real estate business) and Raymond (engineering business) will trade on the stock exchanges separately.

Figure 1: Overview of the Raymond group post second phase of demerger



#### Other highlights ►

- **Debt level & working capital:** Post demerger, all entities will remain net debt-free. The lifestyle business (RLL) is expected to have a net cash of Rs2bn while the real estate business is likely to have cash of Rs5bn. In terms of working capital requirements, RLL will require working capital of Rs12bn, RRL will require Rs5bn while the engineering division will require Rs3.5bn.
- **Real estate segment:** Out of the Rs250bn revenue potential of the Thane land parcel, the company has booked Rs35bn in revenue so far. Including the JDAs (Rs70bn potential), the execution period is 7-8 years for the current Rs320bn potential. The ongoing JDAs are expected to be launched by 1HFY26F. Over the next 3-5 years, management expects the realty business to clock revenue greater than Rs40bn (with a 20-25% EBITDA margin).
- **Engineering business:** The A&W business will be separated into another subsidiary going ahead, with the rest of MPPPL + Raymond Engineering housed under one entity. The A&W business has been growing at a rate of 25-30% while the automobile/engineering businesses have been growing at 12-15%/8-12%, respectively. Over the next 4-5 years, the company aims to double the revenue of the engineering division.

Figure 2: Strong pipeline of projects across both Thane land as well as JDA model present a revenue potential of Rs320bn



Figure 3: 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	8,178	10	81,776	1,228	34%
Branded apparel	EBITDA	2,304	14	32,250	484	14%
High value cotton shirting	EBITDA	1,177	8	9,414	141	4%
Garmenting	EBITDA	1,067	8	8,535	128	4%
Engineering	EBITDA	3,342	15	33,238	499	14%
Real estate	EBITDA	6,026	12	72,312	1,086	30%
<b>Total</b>		<b>22,093</b>	<b>11</b>	<b>2,37,525</b>		
Cash & Investments				25,795		
Total Debt				20,375		
<b>Intrinsic Market Cap</b>				<b>2,42,945</b>		
Outstanding Shares (m)				66.6		
<b>Fair Value Per Share (Rs)</b>				<b>3,650</b>		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Snapshot of the first leg of demerger

First Phase of Demerger	Entity Name	FV (Rs/share)	Implied market cap (Rs m)
Lifestyle	Raymond Lifestyle	1,982	1,20,734
Real Estate	Raymond Realty	1,586	1,05,550
Engineering	Raymond		

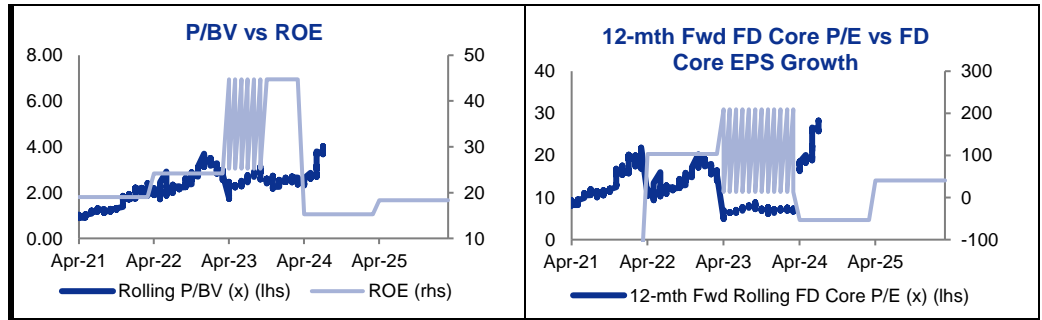
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Snapshot post complete demerger

Particulars	Entity name	FV (Rs/share)	No of shares (m)
Lifestyle	Raymond Lifestyle	1,982	61
Real Estate	Raymond Realty	1,086	67
Engineering	Raymond	499	67

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
<b>Total Net Revenues</b>	<b>61,785</b>	<b>82,147</b>	<b>90,195</b>	<b>110,156</b>	<b>125,651</b>
<b>Gross Profit</b>	<b>39,380</b>	<b>52,164</b>	<b>64,445</b>	<b>71,271</b>	<b>79,788</b>
<b>Operating EBITDA</b>	<b>7,111</b>	<b>11,994</b>	<b>13,091</b>	<b>16,555</b>	<b>19,941</b>
Depreciation And Amortisation	(2,398)	(2,354)	(2,837)	(3,411)	(3,543)
<b>Operating EBIT</b>	<b>4,713</b>	<b>9,641</b>	<b>10,254</b>	<b>13,143</b>	<b>16,397</b>
Financial Income/(Expense)	(2,277)	(2,573)	(3,758)	(4,097)	(2,929)
Pretax Income/(Loss) from Assoc.	(64)	154	9,932		
Non-Operating Income/(Expense)	1,695	1,223	2,661	1,824	1,833
<b>Profit Before Tax (pre-EI)</b>	<b>4,068</b>	<b>8,445</b>	<b>19,089</b>	<b>10,870</b>	<b>15,302</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>4,068</b>	<b>8,445</b>	<b>19,089</b>	<b>10,870</b>	<b>15,302</b>
Taxation	219	(2,004)	(2,227)	(3,261)	(4,590)
Exceptional Income - post-tax	(1,636)	(1,072)	(432)		
<b>Profit After Tax</b>	<b>2,651</b>	<b>5,370</b>	<b>16,431</b>	<b>7,609</b>	<b>10,711</b>
Minority Interests	(48)	(80)	(53)		
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>2,604</b>	<b>5,289</b>	<b>16,378</b>	<b>7,609</b>	<b>10,711</b>
Recurring Net Profit	4,239	6,361	16,810	7,609	10,711
<b>Fully Diluted Recurring Net Profit</b>	<b>4,239</b>	<b>6,361</b>	<b>16,810</b>	<b>7,609</b>	<b>10,711</b>

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
<b>EBITDA</b>	<b>7,111</b>	<b>11,994</b>	<b>13,091</b>	<b>16,555</b>	<b>19,941</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	46	(3,862)	(7,551)	1,589	(3,142)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(1,636)	(1,072)	(432)		
Other Operating Cashflow	1,695	1,223	2,661	1,824	1,833
Net Interest (Paid)/Received	(458)	(487)	(1,037)	(1,824)	(1,833)
Tax Paid	(344)	(724)	(770)	(3,261)	(4,590)
<b>Cashflow From Operations</b>	<b>6,415</b>	<b>7,072</b>	<b>5,962</b>	<b>14,882</b>	<b>12,208</b>
Capex	(317)	(1,023)	(1,960)	(1,500)	(3,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(3,932)	(3,735)	(8,456)	1,824	1,833
<b>Cash Flow From Investing</b>	<b>(4,249)</b>	<b>(4,758)</b>	<b>(10,416)</b>	<b>324</b>	<b>(1,667)</b>
Debt Raised/(repaid)	937	(752)	11,494	(13,880)	(1,700)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(96)	(201)	(201)	(333)	(399)
Preferred Dividends					
Other Financing Cashflow	(4,113)	(2,237)	(6,270)	(4,164)	(3,009)
<b>Cash Flow From Financing</b>	<b>(3,272)</b>	<b>(3,189)</b>	<b>5,023</b>	<b>(18,377)</b>	<b>(5,108)</b>
Total Cash Generated	(1,106)	(875)	569	(3,171)	5,433
<b>Free Cashflow To Equity</b>	<b>3,103</b>	<b>1,562</b>	<b>7,040</b>	<b>1,326</b>	<b>8,841</b>
<b>Free Cashflow To Firm</b>	<b>2,624</b>	<b>2,801</b>	<b>(3,417)</b>	<b>17,030</b>	<b>12,374</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Total Cash And Equivalents	3,363	3,258	5,256	2,085	7,518
Total Debtors	8,731	7,443	14,072	15,090	17,212
Inventories	20,113	24,966	35,142	39,233	44,752
Total Other Current Assets	7,606	7,348	10,124	12,306	14,000
<b>Total Current Assets</b>	<b>39,813</b>	<b>43,015</b>	<b>64,593</b>	<b>68,714</b>	<b>83,482</b>
Fixed Assets	18,769	19,327	32,101	30,190	30,147
Total Investments	10,998	16,391	29,682	29,682	29,682
Intangible Assets	256	370	3,638	3,638	3,638
Total Other Non-Current Assets					
<b>Total Non-current Assets</b>	<b>30,023</b>	<b>36,089</b>	<b>65,421</b>	<b>63,510</b>	<b>63,466</b>
Short-term Debt	9,305	11,367	10,579	10,467	9,767
Current Portion of Long-Term Debt					
Total Creditors	17,169	16,919	20,640	24,144	26,163
Other Current Liabilities	10,314	12,072	22,994	28,083	32,033
<b>Total Current Liabilities</b>	<b>36,788</b>	<b>40,358</b>	<b>54,213</b>	<b>62,694</b>	<b>67,964</b>
Total Long-term Debt	11,612	9,907	23,676	9,907	8,907
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>	<b>11,612</b>	<b>9,907</b>	<b>23,676</b>	<b>9,907</b>	<b>8,907</b>
Total Provisions	(2,928)	(1,001)	1,572	1,860	2,083
<b>Total Liabilities</b>	<b>45,473</b>	<b>49,264</b>	<b>79,461</b>	<b>74,461</b>	<b>78,954</b>
Shareholders Equity	23,591	28,990	46,174	53,383	63,615
Minority Interests	772	850	4,379	4,379	4,379
<b>Total Equity</b>	<b>24,363</b>	<b>29,840</b>	<b>50,553</b>	<b>57,763</b>	<b>67,994</b>

<b>Key Ratios</b>					
	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Revenue Growth	79.3%	33.0%	9.8%	22.1%	14.1%
Operating EBITDA Growth	(1,173.9%)	68.7%	9.1%	26.5%	20.5%
Operating EBITDA Margin	11.5%	14.6%	14.5%	15.0%	15.9%
Net Cash Per Share (Rs)	(263.70)	(270.65)	(435.62)	(274.74)	(167.59)
BVPS (Rs)	354.38	435.48	693.61	801.91	955.61
Gross Interest Cover	2.07	3.75	2.73	3.21	5.60
Effective Tax Rate		23.7%	11.7%	30.0%	30.0%
Net Dividend Payout Ratio	4.7%	3.1%		4.4%	3.7%
Accounts Receivables Days	54.09	35.93	43.53	48.31	46.92
Inventory Days	296.91	274.38	425.99	349.07	334.20
Accounts Payables Days	234.65	207.49	266.19	210.18	200.18
ROIC (%)	17.7%	24.0%	15.1%	19.1%	22.3%
ROCE (%)	11.9%	21.3%	15.3%	16.1%	19.8%
Return On Average Assets	10.0%	11.3%	18.8%	8.0%	9.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

---

## DISCLAIMER

---

This report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by Incred Research Services Private Ltd. (formerly known as Earnest Innovation Partners Private Limited) (hereinafter referred to as "IRSPL"). IRSPL is registered with SEBI as a Research Analyst vide Registration No. INH000011024. Pursuant to a trademark agreement, IRSPL has adopted "Incred Equities" as its trademark for use in this report.

The term "IRSPL" shall, unless the context otherwise requires, mean IRSPL and its affiliates, subsidiaries and related companies. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IRSPL and its affiliates/group companies to registration or licensing requirements within such jurisdictions.

This report is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means; or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of IRSPL.

The information contained in this report is prepared from data believed to be correct and reliable at the time of issue of this report.

IRSPL is not required to issue regular reports on the subject matter of this report at any frequency and it may cease to do so or change the periodicity of reports at any time. IRSPL is not under any obligation to update this report in the event of a material change to the information contained in this report. IRSPL has not any and will not accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant; (ii) ensure that the content of this report constitutes all the information a prospective investor may require; (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, IRSPL and its affiliates/group companies (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of IRSPL and its affiliates/group companies to any person to buy or sell any investments.

The opinions expressed are based on information which are believed to be accurate and complete and obtained through reliable public or other non-confidential sources at the time made. (Information barriers and other arrangements may be established where necessary to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations. In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request. The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

IRSPL may have issued other reports (based on technical analysis, event specific, short term views etc.) that are inconsistent with and reach different conclusion from the information presented in this report.

Holding of Analysts/Relatives of Analysts, IRSPL and Associates of IRSPL in the covered securities, as on the date of publishing of this report

	Analyst/ Relative	Entity/ Associates
any financial interests in the company covered in this report (subject company) and nature of such financial interest	NO	NO
actual/beneficial ownership of 1% or more in securities of the subject company at the end of the month immediately preceding the date of publication of the research report or date of the public appearance;	NO	NO
any other material conflict of interest at the time of publication of the research report or at the time of public appearance	NO	NO
received any compensation from the subject company in the past twelve months for investment banking or merchant banking or brokerage services or investment advisory or depository or distribution from the subject company in the last twelve months for products/services other than investment banking or merchant banking or broker- age services or investment advisory or depository or distribution from the subject company in the last twelve months	NO	NO
managed or co-managed public offering of securities for the subject company in the last twelve months	NO	NO
received any compensation or other benefits from the subject company or third party in connection with the research report	NO	NO
served as an officer, director or employee of the subject company	NO	NO
been engaged in market making activity for the subject company	NO	NO

**Analyst declaration**

- The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously in an unbiased manner.
- No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report or based any specific investment banking transaction.
- The analyst(s) has(have) not had any serious disciplinary action taken against him/her(them).
- The analyst, strategist, or economist does not have any material conflict of interest at the time of publication of this report.
- The analyst(s) has(have) received compensation based upon various factors, including quality, accuracy and value of research, overall firm performance, client feedback and competitive factors.

IRSPL and/or its affiliates and/or its Directors/employees may own or have positions in securities of the company(ies) covered in this report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities.

IRSPL and/or its affiliates and/or its Directors/employees may do and seek to do business with the company(ies) covered in this research report and may from time to time (a) buy/sell the securities covered in this report, from time to time and/or (b) act as market maker or have assumed an underwriting commitment in securities of such company(ies), and/or (c) may sell them to or buy them from customers on a principal basis and/or (d) may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) and/or (e) solicit such investment, advisory or other services from any entity mentioned in this report and/or (f) act as a lender/borrower to such company and may earn brokerage or other compensation. However, Analysts are forbidden to acquire, on their own account or hold securities (physical or uncertificated, including derivatives) of companies in respect of which they are compiling and producing financial recommendations or in the result of which they play a key part.