Raymond

23 March 2023

Stepped-up execution and growth trajectory still under-appreciated

INITIATING COVERAGE

Sector: Retail | **Rating: BUY**

CMP: Rs 1,261 | **Target Price: Rs 1,832**

Stock Info

Sensex/Nifty	58,215/ 17,152
Bloomberg	RW IN
Equity shares	67mn
52-wk High/Low	Rs 1,644/718
Face value	Rs 10
M-Cap	Rs 84bn/US$ 1bn
3-m Avg volume	US$ 5.4mn

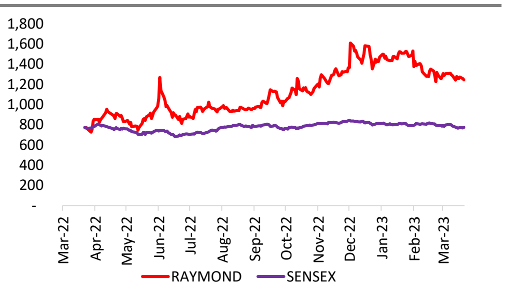
Financial Snapshot (Rs mn)

Y/E Mar	FY23E	FY24E	FY25E
Sales	80,447	89,799	99,786
Adj. PAT	4,693	6,656	8,185
Adj. EPS (Rs)	70.5	100.0	123.0
PE (x)	17.9	12.6	10.3
EV/EBITDA (x)	6.5	6.2	6.0
P/BV (x)	3.0	2.4	2.0
EV/Sales	0.9	0.9	0.9
RoE (%)	18.2	21.3	21.2
RoCE (%)	24.9	29.1	33.1
NWC (days)	80	70	60
Net gearing (x)	0.2	0.0	(0.2)

Shareholding pattern (%)

	Dec 22	Sep 22	Jun 22
Promoter	49.2	49.2	49.2
–Pledged	-	-	-
FII	16.3	15.0	14.2
DII	5.0	5.1	4.9
Others	29.6	30.8	31.8

Stock Performance (1-year)



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RAYMOND finally looks well placed to realize its full potential and unlock shareholder value, post a change in management and a strategy rejig. While past growth has been slow and the branded apparel business performance has been volatile, the current management team looks committed and energized to aggressively drive its agenda of Go To market revamp, digital integration, cash generation and cost rationalization. Branded shirting, branded apparel (especially ethnic wear), garmenting and real estate are key growth engines, with margins likely continuing to inch up on continued premiumisation across segments, coupled with operating leverage benefits. Recent initiatives on planned listing of the engineering business, subsidiarizing the real estate business and consolidation of B2C businesses including apparel into Raymond Ltd are value-accretive moves, in our view. While RAYMOND's manufacturing excellence, product quality and brand equity were never in question, execution and agility posed question marks, which the new leadership under Mr. Atul Singh (erstwhile APAC head of Coca Cola) has begun to address. The company's new-found success in real estate and recovery in branded apparel segments inspire a lot of confidence on the sustenance of the upward growth trajectory witnessed in the recent past.

We have built in 11%/13% revenue/EBITDA CAGR over FY23-25E, respectively, on a consolidated basis. Continued strong cash generation should aid constant reduction in leverage and improvement in RoCE to 33% in FY25E from 17% in FY22. An IPO of the engineering business and any fund-raising in the real estate business could help reduce the leverage and support future growth. Despite the strong up move from COVID-lows, valuations at 6x FY25E EV/EBITDA look quite attractive given the visible step-up in execution and growth trajectory. We initiate coverage on RAYMOND with a BUY rating, and an SOTP-based TP of Rs 1,832. Given its lower historical growth trajectory and diversified presence in multiple business segments, the company is still ascribed lower-than-peer multiples across its businesses, which should re-rate as it displays consistent earnings delivery going forward. Real estate and FMCG could provide further triggers, as there is a large opportunity in both, which remains undiscovered.

Branded textiles strong cash cow; shirting to boost growth: With a dominant 65% market share in worsted suiting, RAYMOND is set to consolidate its leadership position, as continued new product and range development along with improved sourcing would help maintain 7-8% growth with gradual premiumisation-led improvement in margins. Shirting could become a key growth driver, with the company looking to push the accelerator through focused marketing campaigns and increasing focus on mass-premium segment, given increased consumer acceptance for the same. We expect revenue from shirting to more than double over the next 3-4 years from 25 mn mts in FY22.

***Ethnix* and *Raymond RTW* to help achieve lost glory in branded apparels:** The company was late in jumping into the ethnic wear opportunity, but we now expect sustained aggression in terms of footprint expansion. It now seems to have got a well-diversified product portfolio, superior quality and a settled back-end in place, which ensures decent operating metrics. Other brands may also expand aggressively, by entering multiple new categories, brand extensions and premiumisation. We expect continued margin improvement in this segment, despite aggressive marketing spends, led by operating leverage, premiumisation and cost optimisation. Other brands like *Raymond RTW* and *Park Avenue* should also deliver strong growth, with steady performance from *ColorPlus* and *Parx,* which would drive the casualisation theme. We expect RAYMOND to add 140-150 stores annually, most of which from *Ethnix.* The segment is estimated to deliver 18% revenue CAGR, with margins expected to improve from 4.8% in FY22 to 10% in FY25E.

Unlocking value in real estate, FMCG and engineering businesses: The planned IPO of the engineering business (its steady performance in niche areas of ring gears and steel files should continue) has been delayed for some time due to market conditions. IPO proceeds should further help in deleveraging the balance sheet. Post consolidating its FMCG business under Raymond Consumer Care (RCC), it has created a strong FMCG platform with brands like *Kama Sutra*, *Park Avenue* and *Premium.* The company owns 48% stake in RCC, where the value addition potential remains underappreciated. Its real estate business saw a solid start attracting a strong response to first couple of projects, with 30% of the first project being delivered two years ahead of schedule. This has boosted RAYMOND's confidence, pushing its foray into projects outside its own Thane land parcel, where it has 60 more acres of developable land at its disposal; it expects to develop these in phases. The subsidiarization of this business opens up the possibility of the company raising external funds in future for business expansion.

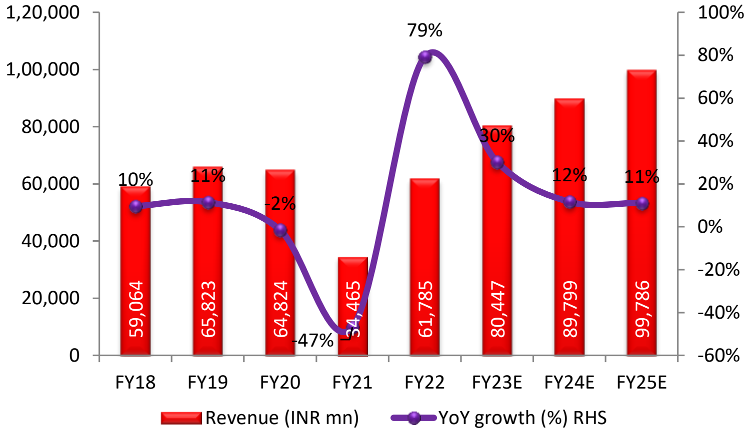
B2B textile businesses also on a solid footing: Despite inflation concerns in developed markets, RAYMOND is witnessing solid order book traction in the garmenting business, where it has 11mn pieces of annual capacity. With China plus one adoption and vendor consolidation by leading global brands driving strong momentum for tailored clothing, management is now confident of increasing capacities in a modular manner in this business. Additionally, strong demand for cotton and linen fabrics and manufacturing superiority have driven decent growth in the High Value Cotton Shirting (HVCS) business as well.

Stronger balance sheet with improved cash generation: Since last couple of years, Management's focus on collections and improving efficiency in inventory and production cycle management since last couple of years has helped it lower the NWC cycle from a peak of 98 days in 2QFY20 to 55 days in 3QFY23. This in turn has helped it reduce net debt from Rs 23.8bn in 2QFY20 to Rs 9.3bn in 3QFY23. We expect this focus on liquidity management to continue, and estimate free cash generation of Rs 28.13 bn over FY22-25E to help improve RoCE from 17% in FY22 to 33% in FY25E. Segmental RoCEs present an even better picture, with branded textiles, engineering and real estate, posting strong return ratios, partially offset by branded apparel, corporate overheads and liquidity maintained on the books.

Initiate BUY with 45% upside: The stock has seen a significant re-rating in the past year (61% one-year return), as the company turned around operations and achieved its stated objectives. Presence of multiple triggers like real estate, ethnic wear, FMCG coupled with the new management's efforts to pivot the businesses and make them more relevant, should help drive consistent growth and earnings going forward. As a result, we expect the group's businesses to command superior valuation multiples. We initiative coverage with a BUY rating, with a TP of Rs 1,832, based on EV/EBITDA multiples of 10x for branded textiles (premium to *Siyaram* given larger scale and category dominance), 8x for branded apparel (discount to *Madura* given lower scale and lesser margins), 12x for engineering, 6x for garmenting and cotton shirting (in-line with B2B peers), 1x EV/Sales for FMCG (lower than peers given sub-optimal margins) and NAV-based value of Rs 24 bn for the real estate. **Key risks to our call**: Failure to scale-up the B2C shirting and/or the branded apparel business, any unexpected leveraging in real estate and unexpected attrition in leadership, which could lead to further changes in strategy.

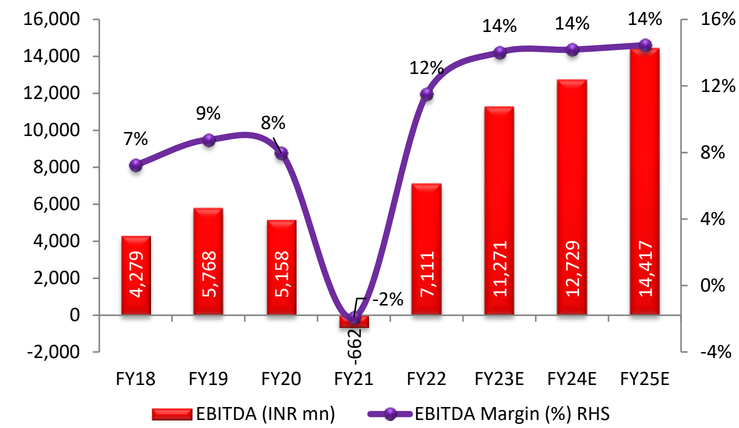
Story in Charts

Exhibit 1: Becoming a double-digit growth story…



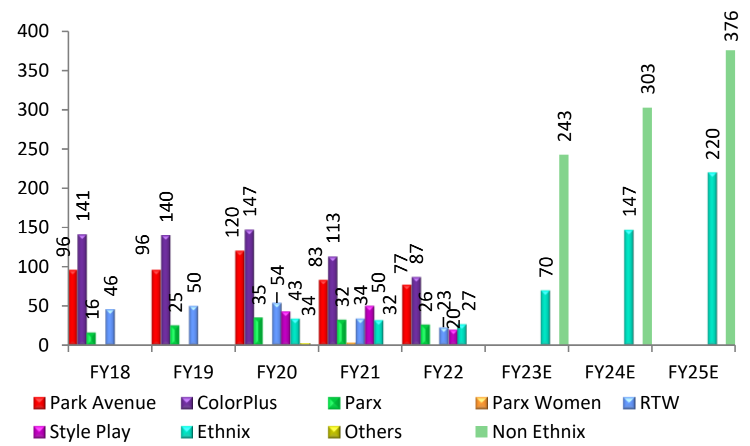
Source: Company, Systematix Institutional Research

Exhibit 2: … with consistent margin delivery as well



Source: Company, Systematix Institutional Research

Exhibit 3: Expect strong expansion in store footprint (esp. *Ethnix*)



Source: Company, Systematix Institutional Research

Exhibit 4: Superlative start to the real estate business

Particulars	Project till date
TenX Habitat (Total units)	**3,103**
No. of Bookings	2,337
Inventory pending (%)	25%
Saleable Area (mn sq.ft)	2.06
Value of Bookings (INR Bn)	24.02
Customer collections (INR Bn)	18.31
The Address by GS (Total units)	**549**
No. of Bookings	411
Inventory pending (%)	25%
Saleable Area (mn sq.ft)	0.81
Value of Bookings (INR Bn)	10.22
Customer collections (INR Bn)	2.82

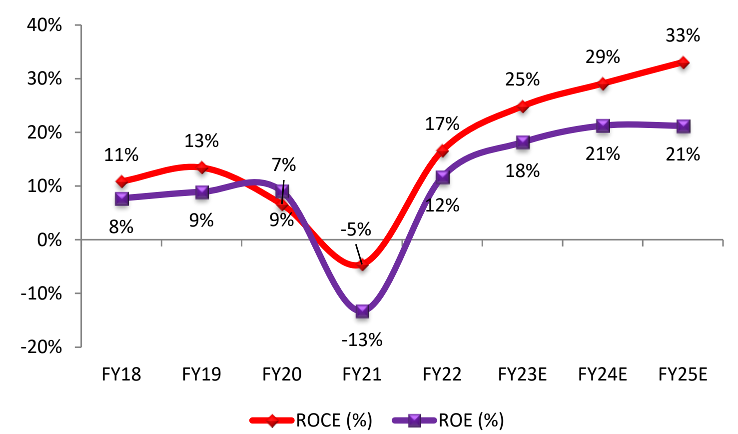
Source: Company, Systematix Institutional Research

Exhibit 5: Strong segmental ROCE in multiple segments

ROCE (%)	FY17	FY18	FY19	FY20	FY21	FY22
Textile	25%	32%	30%	27%	6%	66%
Shirting	7%	6%	9%	9%	-8%	5%
Apparel	-7%	1%	9%	-20%	-79%	-2%
Garmenting	14%	6%	6%	2%	-2%	11%
Engineering	9%	34%	39%	24%	36%	54%
Real Estate	NA	NA	-2%	3%	5%	31%

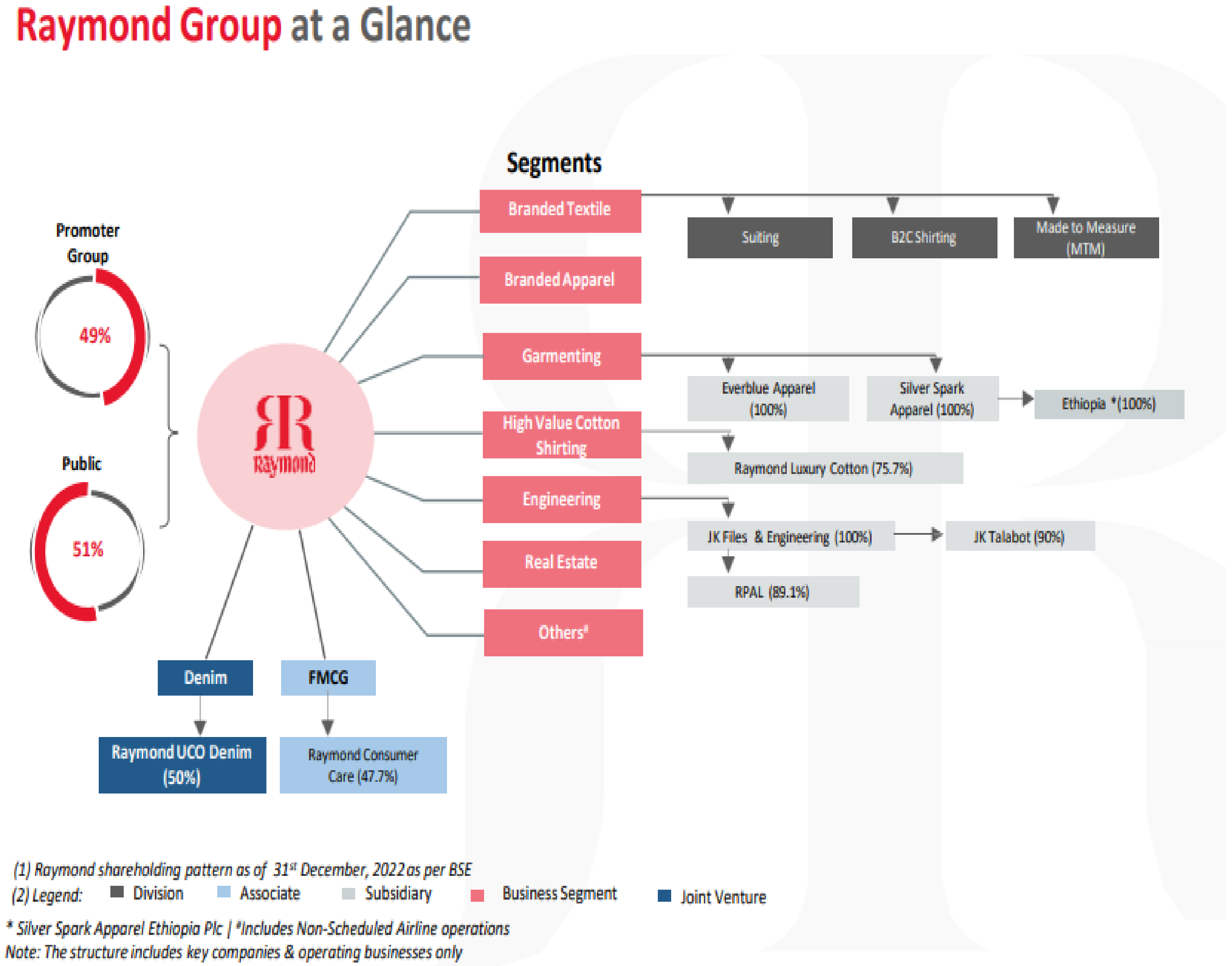
Source: Company, Systematix Institutional Research

Exhibit 6: RoCE & RoE at 33% & 21% during FY25E, respectively



Source: Company, Systematix Institutional Research

Exhibit 7: Raymond Group



Source: Company, Systematix Institutional Research

Key management personnel

Exhibit 8: Key Managerial Personnel

Name	Designation	Details
Mr. S L Pokharna	Director	40+ years of experience in finance, sales, marketing and commercial functions
Mr. Atul Singh	Executive Vice Chairman	Ex – Coca Cola, Colgate Palmolive
Mr. Amit Agarwal	Group CFO	31+ years of extensive experience in steel, aviation and energy sectors (Ex - JSW, Jet Airways, Essar Group
Mr. Sunil Kataria	CEO - Lifestyle	26+ years of experience in leadership and driving transformation across leading consumer companies (ex - Godrej Consumer Products)
Mr. Balasubramanian V	MD - JK Files & Engineering	39+ years of diverse experience in the automotive industry in domestic, German and American MNCs (Ex - Eaton Industrial, Bosch Chassis)
Mr. Harmohan H Sahni	CEO - Realty	30+ years of experience in real estate and core sectors (ex - ECL Finance, GCorp Developers)
Mr. Arvind Mathur	CEO - Denim	33+ years of experience in marketing, strategy, M&A and business leadership in Asian and global markets (Ex - Coats Plc)
Mr. Debjit Rudra	CEO - FMCG	Ex - Dr Reddy's Lab, GSK Consumer Healthcare, HUL

Source: Company, Systematix Institutional Research

Segmental analysis

Branded textiles

RAYMOND is a market leader and India's leading branded player in suiting and shirting fabrics. It is a market leader in domestic worsted suiting industry with a majority share in branded textiles. It has also emerged as the largest over-the-counter (OTC) branded shirting player in the domestic organised market since its launch in 2015. The company is among the world's largest horizontally and vertically-integrated worsted suiting manufacturer. Globally, it is renowned for manufacturing *Super 250s*, the world's finest worsted suiting fabric.

It has state-of-the-art facilities across Vapi (Gujarat), Chhindwara (Madhya Pradesh) and Jalgaon (Maharashtra), with aggregate capacity of c. 43mn mtrs of suiting fabric across wool, poly-wool, silk, and other premium blends. RAYMOND provides extensive choices between Rs 300 to Rs 3lakh per metre price range to suit diverse customer groups, with 20,000+ SKUs.

Growth strategy in suiting fabric

- Building categories through premiumisation – wool-rich blends
- Positioning from 'Occasion Wear' to 'Daily Wear'
- High-impact product innovations include – shape retention, anti – stain, self-cleaning, stretch collections (Spanax), quick dry/water repellant, fashion first casual collection, sustainable collection.

Growth strategy in shirting fabric

- Building the RAYMOND brand for shirting across the consumer chain
- Strong growth in linen category
- Premiumisation in cotton through portfolio enhancement
- Volume growth in mass segment and enhancing distribution network
- New trends and fashion-focused categories through design and product innovation

Growth strategy in Raymond Home

- Unique offerings in focused categories
- Multi-channel expansion
- Build consumer awareness

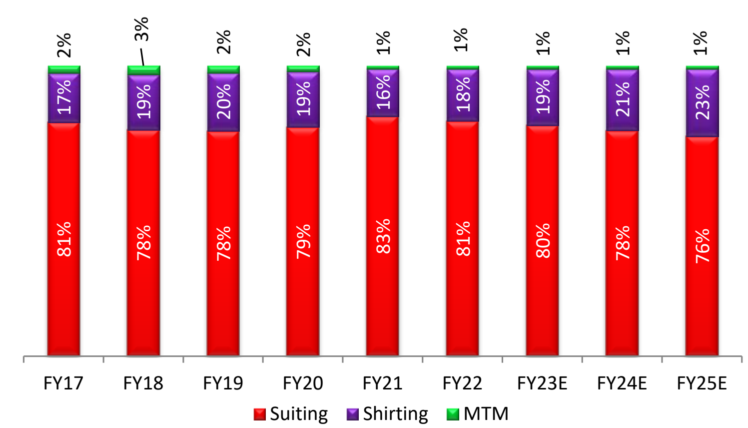
Margin improvement drivers for branded textiles

- Focus on premiumisation
- Focus on operational efficiency in manufacturing and supply chain
- Optimising channel mix
- Continuing cost-saving initiatives

We expect consumer demand to stay robust with high number of weddings coupled with social gatherings, and opening up of physical workspaces leading to higher footfalls in the retail network. Moreover, the company plans to make a shift in positioning in suiting fabric from 'Occasion Wear' to 'Daily Wear'. Product and service innovation are expected to drive sustainable growth momentum. Scaling of the institutional business and capitalising international business opportunities should aid sales growth. The company aspires for growth in its suiting business to surpass industry growth rate. Premiumisation in suiting (wool-rich blends) is expected to drive margin expansion while premiumisation in shirting is expected to be driven in cotton, silk and linen categories. In shirting, company targets to double revenue and market share in coming 3-4 years. In the home textiles category, the company aims to gain a prominent share in the USD 7bn domestic market through innovative offerings. We expect revenue in branded textiles to expand at 8% CAGR over FY23E-FY25E with consolidation of leadership position in suitings (80% of segment revenue) and strong growth in shirtings. EBITDA margin is estimated to remain flat at 20% during FY23E-FY25E with benefits of premiumization offset by slightly lower margins in the faster growing shirting business.

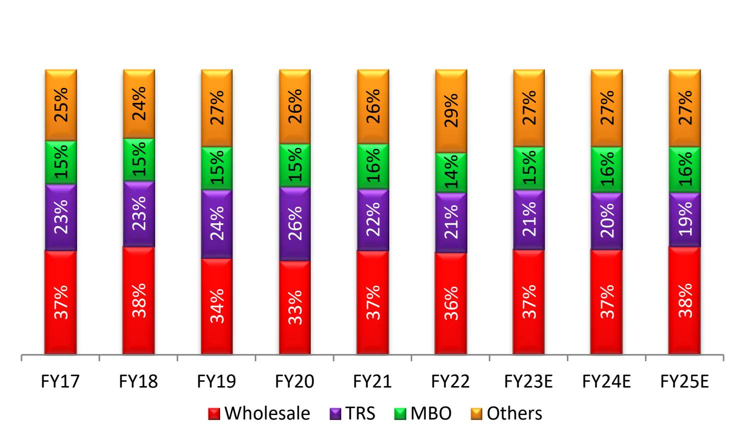
Key risks:1) Rising input prices and inflationary pressures may have short-to mid-term impact on demand; price hikes undertaken may not be commensurate with the increase in costs, 2) Modest growth in fabric business with increasing competition from ready-made garments.

Exhibit 9: Shirting share to increase going ahead



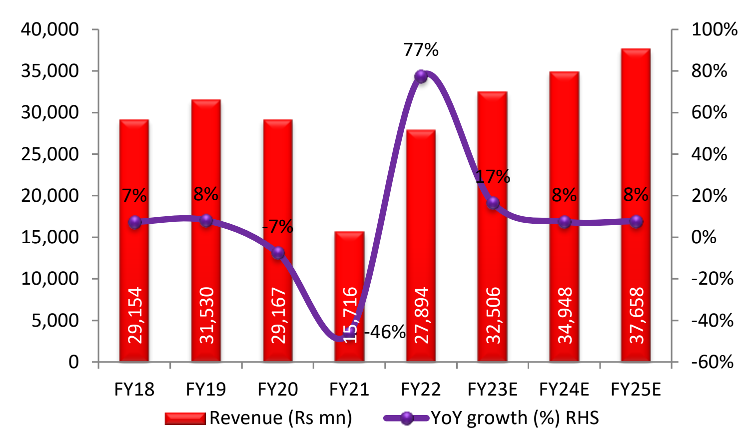
Source: Company, Systematix Institutional Research

Exhibit 10: Wholesale contribution to expand



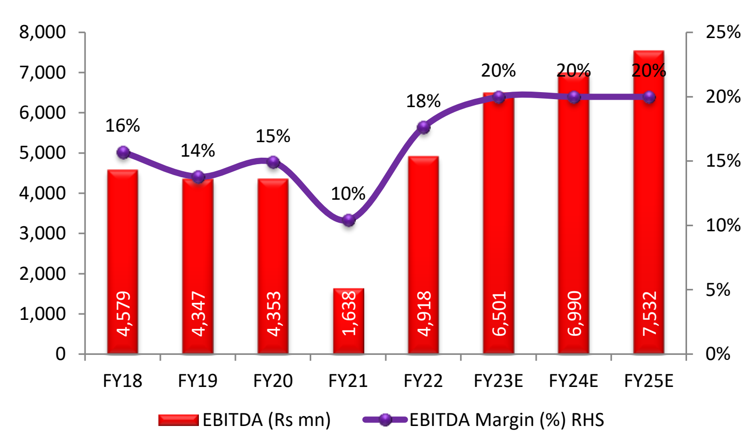
Source: Company, Systematix Institutional Research

Exhibit 11: 8% CAGR in revenue during FY23-25E



Source: Company, Systematix Institutional Research

Exhibit 12: EBITDA margin to remain flat at 20% during FY23-25E



Source: Company, Systematix Institutional Research

Branded apparel

RAYMOND is a pioneer in India's apparel brand, *Park Avenue*. Launched way back in 1986, *Park Avenue* defined formal wear for the Indian diaspora. The company has come a long way since, and now offers diversified silhouettes and creative lines of high-fashion apparel through power brands like — *Raymond Ready to Wear (RRTW)*, *Park Avenue*, *ColorPlus* and *Parx*. Catering to discerning consumers for their wedding and celebration needs, '*Ethnix by Raymond*' offers a wide range of menswear suited for special occasions, weddings, and celebrations.

Exhibit 13: Growth strategy in branded apparel

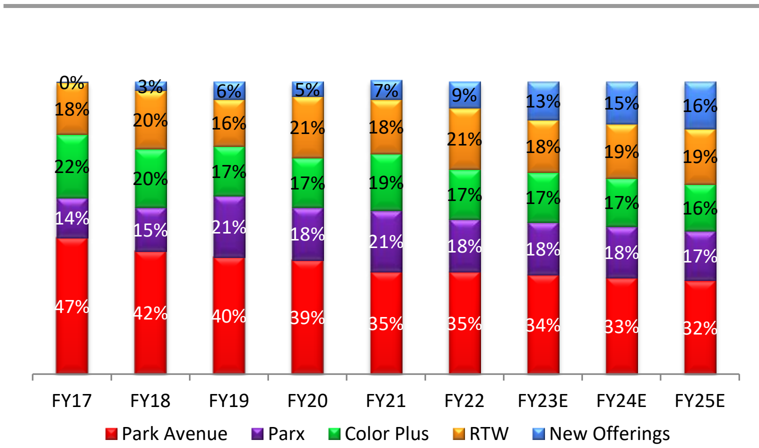
<table>
<tr>
<td>RR Raymond
▪ Establish RR as a readymade premium fashion wear
▪ Widen product portfolio through stylish formals, ceremonial, casualisation
▪ Expand channels by increasing the retail and LFS network</td>
<td>▪ Establish as a hybrid formal wear brand
▪ Widen product portfolio through casualisation, athleisure collections, stylish hybrid workplace dressing
▪ Expand channels through retail & LFS network and online platform</td>
</tr>
<tr>
<td>CP ColorPlus
▪ Focus on making the brand relevant to millennials
▪ Widen product portfolio through chinos category, launch of CP Sport, casuals with focus on colors and comfort & premiumness as key product propositions
▪ Retail & LFS network-led channel expansion</td>
<td>parx
▪ Position as a trendy casual wear for Gen Z
▪ Widen product portfolio through value for money casual wear, denim and athleisure
▪ MBO, LFS network and online platform to lead channel expansion</td>
</tr>
<tr>
<td colspan="2">ethnix by Raymond
▪ Differentiated designs for all occasions, high quality offerings at affordable pricing, strong presence in wedding category
▪ Optimal portfolio mix of core (wedding) and smart ethnics (casual), catering from occasion wear to regular wear
▪ Expand EBO network to ~150 stores over the next 12-18 months (46 as of December 2022)
▪ Leverage channel strength of TRS network, LFS, selective partnering with MBO and online portals</td>
</tr>
</table>

Source: Company, Systematix Institutional Research

We believe the company will likely continue to focus on widening the product range in this business through new launches in its core portfolio by increasing casualisation, blending of performance garments with fashion and extending the ethnic wear category. Premium and occasion wears are expected to gain traction, as consumers are transitioning towards comfort clothing and athleisure. Enhance omni-channel capabilities by collaborating with large online marketplaces and expanding curated online merchandise. The company will likely continue its efforts to improve margins by optimising channel mix, maintaining profitability in online channels and constantly endeavour to consolidate at the back end to improve overall efficiencies. We expect branded apparel revenue to expand at 18% CAGR during FY23E-FY25E led by aggressive footprint expansion across brands with steady SSSGs helped by more relevant marketing campaigns. EBITDA margin is estimated to grow 50bps to 10% in FY25E from 9.5% in FY23E helped by positive operating leverage.

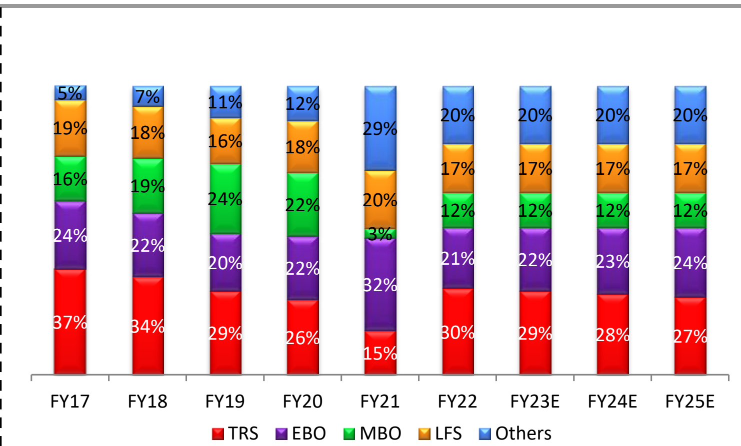
Key risks: 1) Growing competition and fast-paced evolving fashion leading to shortened product cycle. 2) High influx of international fashion brands could intensify competition through value-based retail formats.

Exhibit 14: New offerings such as *Ethnix* to drive growth



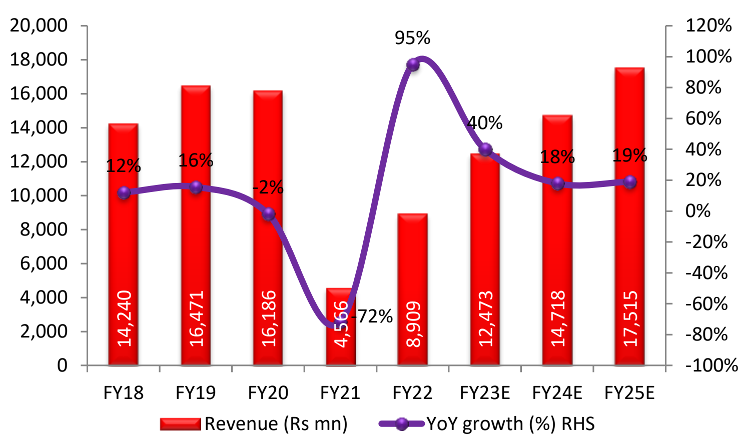
Source: Company, Systematix Institutional Research

Exhibit 15: Share of EBOs to improve; TRS share to decline



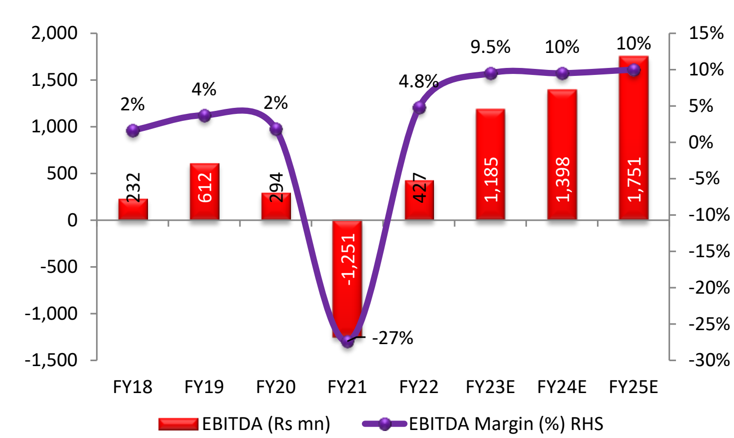
Source: Company, Systematix Institutional Research

Exhibit 16: Revenue to grow at 18% CAGR during FY23-25E



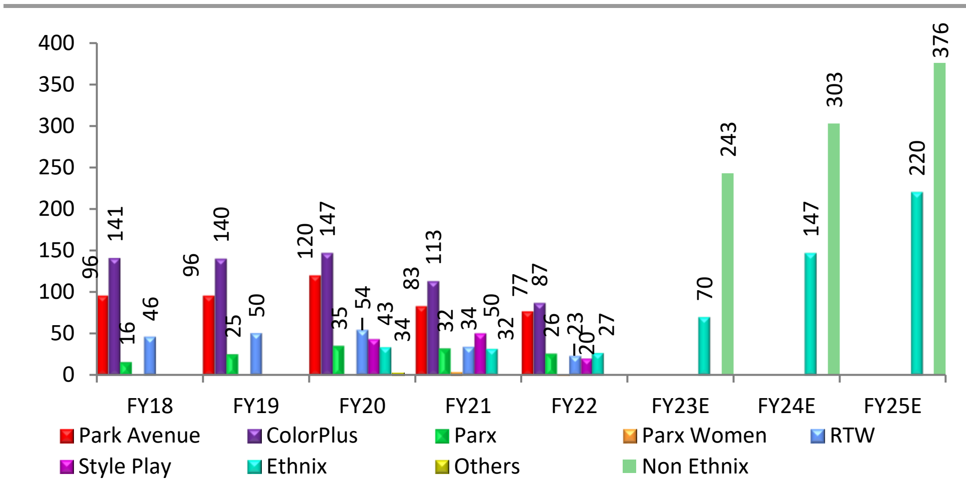
Source: Company, Systematix Institutional Research

Exhibit 17: EBITDA margin to expand 50 bps during FY23-25E



Source: Company, Systematix Institutional Research

Exhibit 118: Aggressive store expansion plans in *Ethnix* (brand-wise EBOs)



Source: Company, Systematix Institutional Research

Garmenting

RAYMOND's garmenting unit is now a preferred choice and enjoys critical supplier status for leading international brands with par-excellence production facilities that offer products in menswear, such as suits, formal blazers, jackets, formal trousers, denims and shirts.

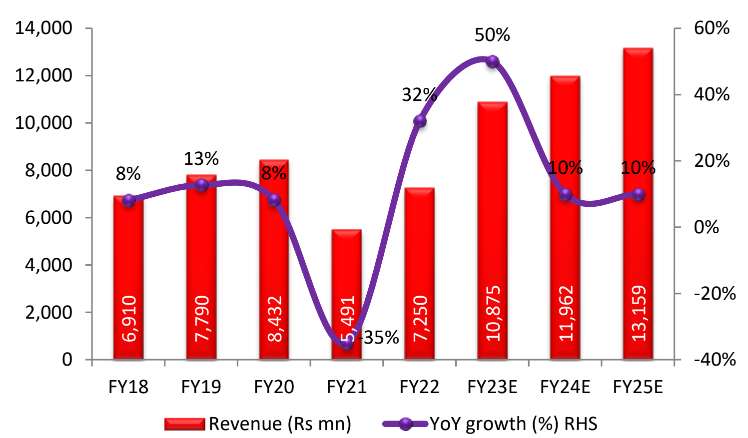
Growth enablers in garmenting

- Adoption of 'China +1 strategy by global brands
- Maintain critical supplier status for all key customers
- USP in high-value shirts, trousers & suits categories, complete solution provider – fabric to garmenting
- Acquiring new customers/markets through product innovation & adjacencies and cross selling through vertical integration
- Addressing rise in demand through efficient supply chain and expansion in line capacity
- Margin expansion driven by optimising capacity utilisation and operating leverage

We expect the company to capitalise on global brands, which are consolidating their vendor propositions and adopting China +1 strategy. The company is also enhancing capacity to fulfill its current order book and cater to continued high demand from the US, UK, Europe and Japan markets. Positively, there has also been a resurgence in demand for tailored clothing and revival in retail, mainly in the US. The T&A sector is likely to benefit from recent Free Trade Agreements (FTAs) with UAE (ongoing) and Australia. RAYMOND continues to focus on optimising its Ethiopian capacity utilisation through a strong order book. The company currently has 29 garmenting lines and plans to add 19 more to expand its manufacturing capabilities. We expect Garmenting revenue to expand at 10% CAGR during FY23E-FY25E. EBITDA margin may grow 80bps to 9% in FY25E from 8.2% in FY23E.

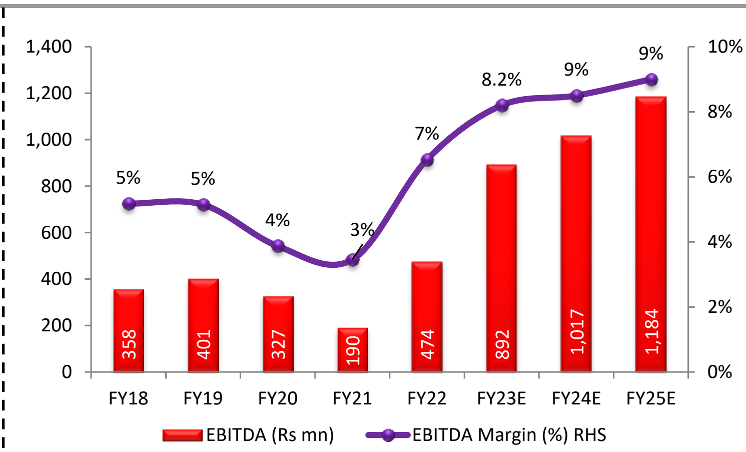
Key Risks:1) Intense competition from neighboring Asian countries that offer low-cost garmenting solutions with the support of their government, along with India's lack of clarity on FTA, especially with the US and the European regions, 2) Intermittent disturbance in global supply chain and escalated levels of freight costs, 3) Foreign currency fluctuations, especially weakening Euro could impact margins.

Exhibit 19: Revenue to grow at 10% CAGR during FY23-25E



Source: Company, Systematix Institutional Research

Exhibit 20: EBITDA margin to expand 80 bps during FY23-25E



Source: Company, Systematix Institutional Research

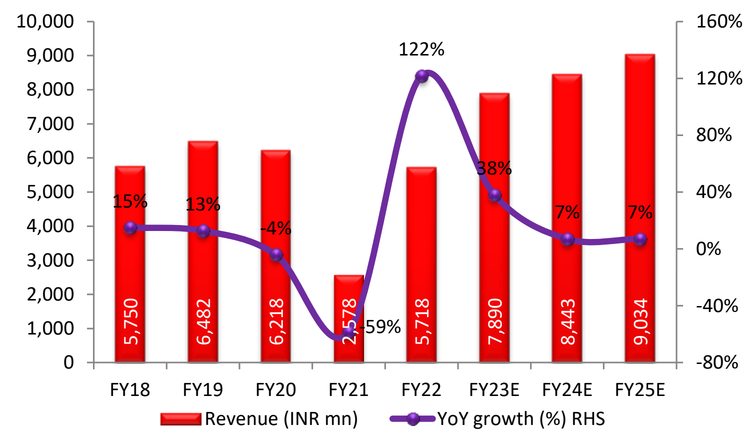
High-value cotton shirting

With a clear domain in crafting natural fabrics in India, RAYMOND has an edge in creating the best cotton and linen fabrics. It has the prowess to manufacture 340s count cotton and 150s linen, which makes it a leading supplier for domestic and international brands, both in high-value cotton and linen fabrics, along with bottom weight fabrics. Diversified proximity to weaving clusters enables better efficiencies in procurement, enabling cost advantages.

We believe RAYMOND's innovation and high-value differentiated product offerings and services to customers would continue, as we expect value addition to improve realisation. Increasing footprints across new geographies should help it in expanding its customer base. Sustainable cost saving initiatives would enable operational efficiencies to enhance profitability. We expect high-value cotton shirting revenue to grow at 7% CAGR during FY23E-FY25E. EBITDA margin to expand 40bps to 11.4% in FY25E from 11% in FY23E.

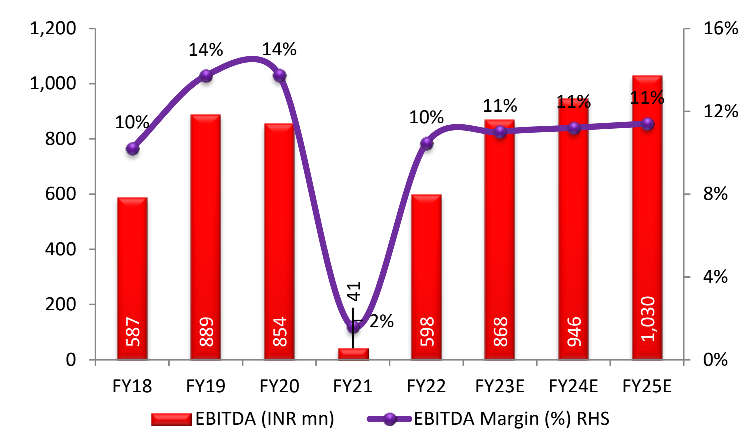
Key Risks: 1) Continued rise in cotton prices could impact profit margins, 2) Alternate low-priced, low-quality fabrics from China could be a dampener.

Exhibit 21: Revenue to grow at 7% CAGR during FY23-25E



Source: Company, Systematix Institutional Research

Exhibit 22: EBITDA margin to expand 50 bps during FY23-25E



Source: Company, Systematix Institutional Research

Engineering

Under its engineering business, the company manufactures and sells precision-engineered components for tools and hardware such as steel files, drills, hand tools and power tool accessories as well as auto components such as ring gears, flex plates and water pump bearings. The business has successfully maintained long-term relationships with domestic and international customers over the decades, which is a testimony and recognition of it being a reliable partner that ensures consistent high-quality products.

Growth strategy in engineering

❖ **Consolidation**

- Consolidate market leadership position, mainly in the automotive and industrial files segment
- Continue to build relationships with white-label customers in engineering products
- Increase wallet share with existing customers
- Increase presence in non-auto exports market

❖ **Expansion plans**

- Add new customers and products
- Develop new engine-agnostic products
- Expand capacity in ring gears, water pump bearings, flexplates product categories through internal cash accruals

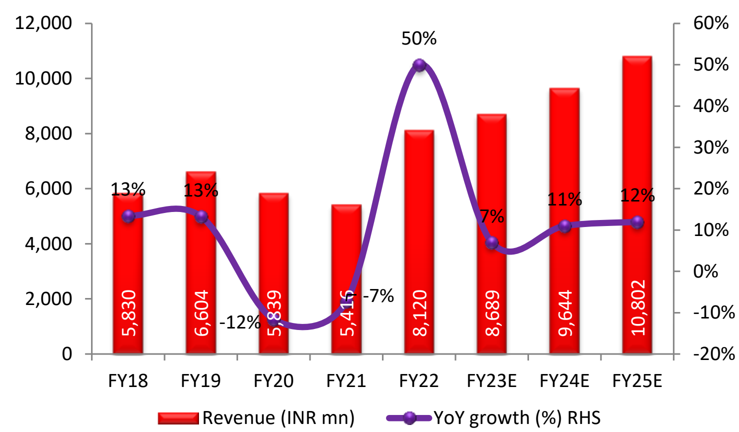
❖ **Margin expansion**

- Build operational efficiencies across manufacturing and supply chain processes
- Manufacturing efficiency – outsourcing, ancillaries, modernisation and automation

The company plans to expand capacity in drills, hand tools and power tools. We expect by increasing its manufacturing capacity, the company should be able to leverage the growing opportunity in the industrials space. Focus on development and introduction of new products should drive revenue growth. Long-term initiatives are expected to grow domestic and global market shares, with business likely increasing from existing customers along with new customer acquisitions. We expect engineering revenue to grow at 11% CAGR during FY23E-FY25E and EBITDA margin to grow 10bps to 14% in FY25E from 13.9% in FY23E.

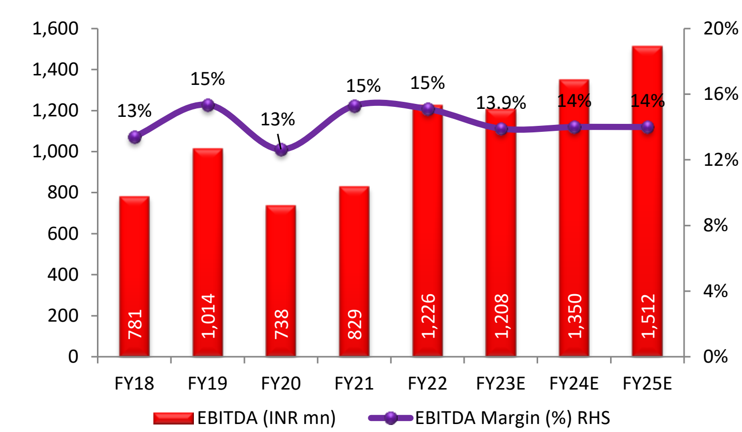
Key risks: 1) Weakening currency of certain countries may lower imports. 2) Competition could intensify in international markets, 3) Rising commodity prices and freight costs, as a result of macroeconomic events could have an impact across industries, and 4) Supply-chain issues could result in lower production volumes in the automobile sector.

Exhibit 23: Revenue to grow at 11% CAGR during FY23-25E



Source: Company, Systematix Institutional Research

Exhibit 24: EBITDA margin to expand 10 bps during FY23-25E



Source: Company, Systematix Institutional Research

Real estate

RAYMOND launched its real estate business in 2019, by beginning to develop company-owned land parcel in Thane. With distinct advantages of offering the right product, at the right price with location advantage, Raymond Realty is now reckoned as one of the best-selling real estate projects in Thane, Maharashtra within a short span. The company has developed 2 residential real estate projects across a 20-acre land parcel. TenX Habitat consists of 10 towers with c. 2.8mn sq ft of saleable area and The Address by GS has 2 towers with c. 1.1mn sq ft of saleable area.

With tailwinds from increase in affordability, supportive government policies, revival in consumption cycle and aspiration to upgrade homes, we expect the real estate sector to maintain growth momentum. The company is evaluating numerous options to unlock value from the remaining 60-acre land parcel in Thane, in addition to the ongoing aspirational 1 and 2 BHK 'TenX' project and the premium residential 3,4,5 and above BHK 'The Address by GS' project. It launched its 3rd project in February 2023 in Thane, 'TenXEra' – these are 2 towers having a carpet area of 0.6 mn sq ft. The company is also expanding its real estate business beyond Thane in MMR region through an asset-light model of joint development with land owners by focusing on value-based offerings in projects with a topline of c. Rs 15-20bn. We expect the real estate business to grow at 19% CAGR, and sustain EBITDA margin at >25% during FY24E and FY25E. The current projects (TenX Habitat & Address by GS) are expected to generate a cumulative FCF of Rs 12bn.

Key risks:1) Increasing interest rates have raised the cost of finance for homebuyers, which could impact the overall demand scenario, 2) Increase in commodity prices could fuel inflation, which has been a key challenge for the realty sector; potential price hikes may not cover the entire increase in input costs.

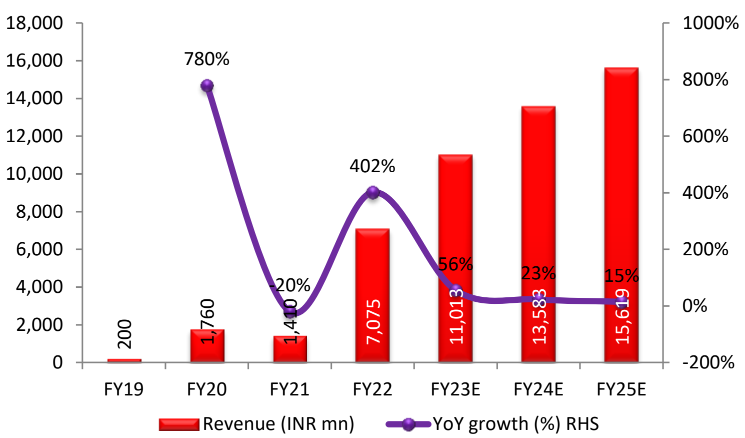
Exhibit 25: Ten X Habitat - 3 towers delivered 2 years ahead of RERA timeline

Source: Company, Systematix Institutional Research

Exhibit 26: The Address by GS - Construction in full swing

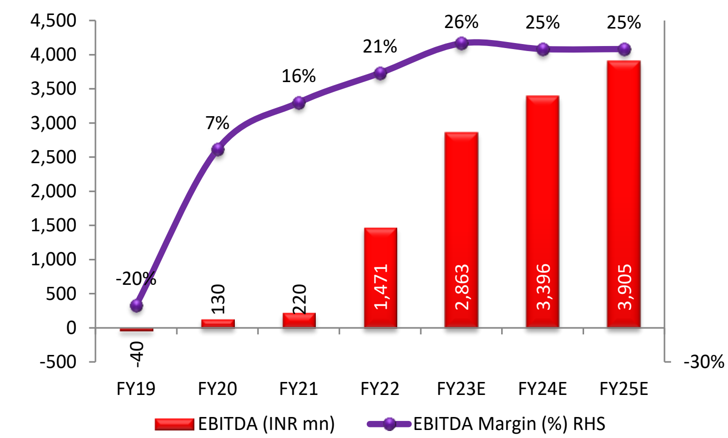
Source: Company, Systematix Institutional Research

Exhibit 27: Revenue to grow at 19% CAGR during FY23-25E



Source: Company, Systematix Institutional Research

Exhibit 28: EBITDA margin of 25% during FY24E & FY25E



Source: Company, Systematix Institutional Research

Business through JV & Associates

Denim JV

Raymond UCO Denim Private Limited is a preferred supplier of high-quality denim fabrics and apparels to the world with its denim garmenting unit in Bengaluru, Karnataka. It services the most reputed denim brands spread across the US, Europe, Asia and India. The company's strength lies in producing fabrics comprising premium cotton, stretch, exotic blends, special finishes and performance denims, amongst others. Its denim fabric manufacturing facility is located in Yavatmal, Maharashtra that supplies to varied denim brands.

FMCG

Raymond Group has a presence in the FMCG industry through its associate company, Raymond Consumer Care Limited (RCCL). The FMCG businesses of personal care, sexual wellness and home care were integrated in RCCL in FY2019-20. The integration has brought about business synergies, operational efficiencies and channel distribution strengths. RCCL is amongst the top players in India's fragrances and sexual wellness categories, with aspirational brands like *Park Avenue*, *KamaSutra*, *KS* and *Premium* encompassing its personal care, sexual wellness and home care segments. Raymond Consumer Care also has a worldclass condom manufacturing facility with 400mn per annum capacity in Aurangabad, Maharashtra. The company expects its FMCG business to grow at 15% CAGR going forward.

Key growth drivers

Aggressive product diversification and innovation initiatives across segments to drive volumes and premiumisation

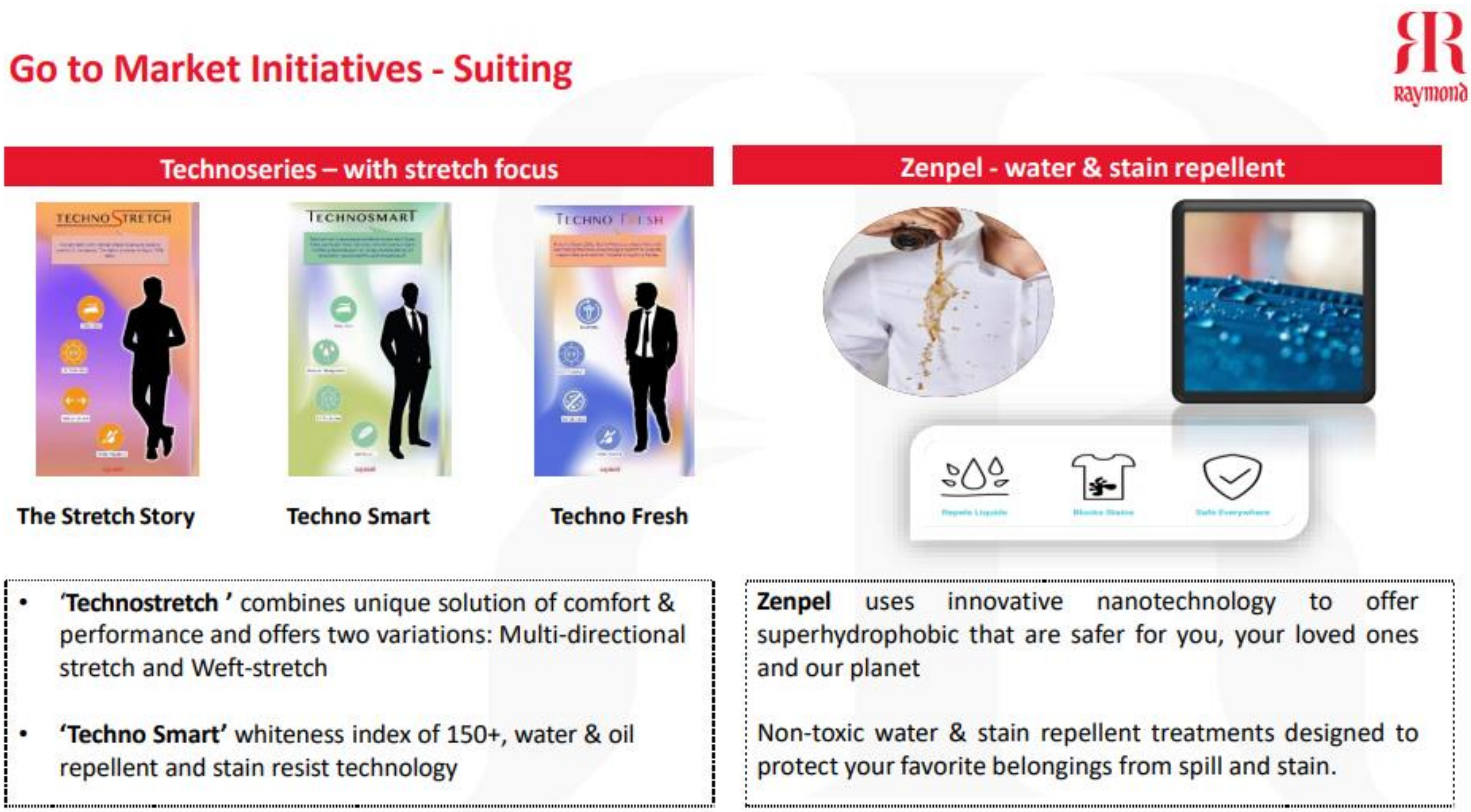
Under suiting, the focus is on casualisation; the company plans to introduce innovative designs such as stain-free, water-resistant suits. Within shirting, premiumisation (linen blends, Italian fabrics) and massification (plans to launch shirts in Rs 250-300 price range) are slated to drive growth.

Considering the increased consciousness towards eco-friendly, sustainable, and functional fabric, the company has introduced a range of offerings such as ‘Sustainova’, ‘Ecomoda’ and ‘Ecogreen’, advanced flexi, auto fit range and active formal work wear in knit bases.

As the shirting category requires high degree of innovation, the company has launched a unique set of collections across product categories and exclusive channel merchandise. These have received encouraging response from trade partners and retail outlets.

RAYMOND recently launched its stretched collection, ‘Spanax’, which has multi-directional and shape retention features as a performance and comfort fabric. It has introduced vibrant and vivid shirting fabrics under ‘Vibez’ collection, that caters to an increasing casualisation trend.

Exhibit 29: Technoseries and Zenpel Suiting



Source: Company, Systematix Institutional Research

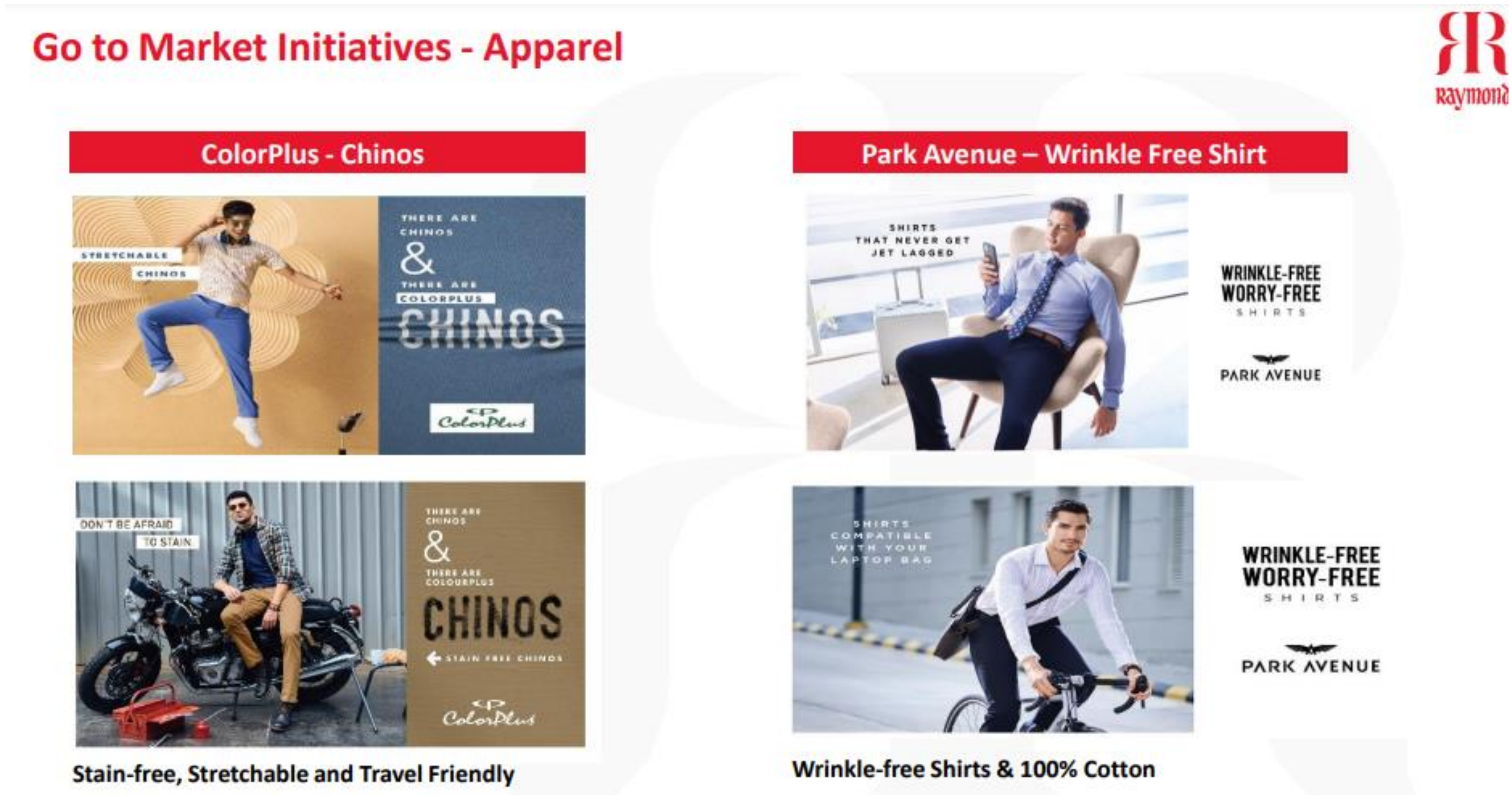
Exhibit 30: Launch of *Ultimo* black superior fabric

Source: Company, Systematix Institutional Research

Exhibit 31: *Vibez – 2.0* and *Sustainova* range in shirting

Source: Company, Systematix Institutional Research

Exhibit 32: Go to market initiatives in apparel



Source: Company, Systematix Institutional Research

Service innovation, digitization and SKU rationalisation to improve execution

In order to provide best in class service to customers RAYMOND is increasing its focus on service innovation. This includes developing the tailoring ability to do casualwear in TRS, investment in focused training – on time delivery, soft skill training and grooming of Master Tailors, ensure quality trims with innovative styling. In the Made-To-Measure segment, personalized engagement with customers coupled with an immersive experience is expected to drive service innovation.

1) **Cashing on customer loyalty programme**

   'Raymond Reward Points' is instrumental in rendering the omni-channel loyalty programme attractive. It is a flexible, versatile, and real-time solution for repeat customers to choose how they use their reward points and earn more from the diverse touchpoints. This improves their ability to provide relevant offers and increase offtake. The company has a member base of 12.2mn 'Raymond Rewards' loyalty programme (1.2mn members added in FY22, 1.6mn members added during YTDFY23). During FY22, repeat purchases from loyalty members grew in double digit. Member ATV was 30% higher in YTDFY23 compared to non-members.

2) **Strengthening omni-channel engagement**

   Technology-driven customisation enables the company to track sales on a real-time basis across the retail network. A large part of the EBO network is enabled with a unified inventory catalogue, through which a customer's need can be fulfilled by cross selling across the network, in case a particular size or color option is not physically available. The company has also made a network of stores live across third party e-commerce platforms to help online customers shop the latest collections at a click. Efforts are underway to wire all the leading e-commerce platforms across the EBO network.

3) **SKU rationalisation**

The company is targeting to rationalise its portfolio of SKUs in a bid to have better control of its product portfolios and thereby improve its bottom line. This will enable it to a) lower inventory costs, b) increase forecast accuracy by eliminating the variability risk of producing multiple similar products, and c) simplifying and streamlining its business by limiting the number of suppliers, equipment, workers, and storage space.

Manufacturing excellence to help maintain quality and solid brand equity

Raymond has state-of-the-art manufacturing facilities at 19 strategic locations in India and 1 in Ethiopia.

Fabric & garmenting

RAYMOND is among the world's largest horizontally and vertically integrated worsted suiting manufacturer. The company is renowned globally for manufacturing *Super 250s*, the world's finest worsted suiting fabric. It has c. 120mn meters of fabric and c. 11mn meters of garmenting capacity p.a. Fabric and garment plants are strategically located near cotton rich belts, weaving clusters and places where the skilled workforce is available.

FMCG

RAYMOND's FMCG vertical has an aggregate capacity of c. 400mn pieces, which has made the company India's top player in in the sexual wellness category.

Engineering

RAYMOND's engineering business has an aggregate capacity of the following components; files – 7.4mn dozens, drills – 20.4mn units, ring gears – 9.1mn units, flex plates – 0.6mn units and bearings – 5.7mn units.

Real estate

Under its real estate business, it has 10 towers in 'Ten X Habitat' with 2.8mn sq.ft of saleable area and 2 towers in 'The Address by GS' with 1.1mn sq.ft of saleable area. Ten X Habitat has an inventory of 3,143 units, while The Address by GS has an inventory of 549 units.

Leveraging branded textile leadership to drive growth in other segments

Suiting – Commands 65% market share in worsted suiting business

Shirting – Largest branded player in shirting fabrics

Apparel – Amongst top 3 menswear players

Garmenting – Largest exporter of men's suits, jackets, and denims

Engineering – Holds no. 1 position in steel files; >60% market share in India; >50% market share in Africa. Commands no. 1 spot in ring gears in domestic PV & CV auto markets (55% in PV, 45% in CV). Sole domestic manufacturer with c. 25% market share in flexplates in India

Denim – Leading manufacturer of international brands

FMCG – Market leader in aerosol in fragrances

Aims to increase share of wedding and ethnic wear through Ethnix expansion

RAYMOND plans to increase its share in the wedding wear market in India, as it expects this category to drive growth. The apparel business aims to achieve this by expanding its *Ethnix* brand, for which it is opening stores across India. RAYMOND aims to capture a larger market share by leveraging its distribution network and opening new stores.

Over last one and a half years, the company has opened 46 stores for *Ethnix,* and plans to bring the label's brick and mortar total to 70 by the end of FY23, extend it to 150 by the end of FY24, touching 200-250 stores by FY25E. The company aspires to have 400-500 *Ethnix* stores in the coming 4-5 years. *Ethnix* stores are expected to generate Rs 600-700mn in revenue in FY23. 250 stores by FY25E translate into revenue of Rs 3.5-4bn. These will largely be franchisee (FOFO) stores, but some flagship stores will be owned. Store margins in *Ethnix* will likely be comparable to industry benchmarks.

An end to pandemic-led restrictions on social gatherings and moderation in gold prices heralded a return to traditional, large-scale weddings for many Indians. The company also plans to develop the untapped *Smart Ethnix* category and keep an optimal portfolio of core ethnic and casual ethnic. Increased traction in this sub-segment would help in reducing the wedding-dominated seasonality in this business. RAYMOND aspires to become a leading player in the ethnic wear space in the next 5-6 years.

Exhibit 33: *Ethnix* poised to capture a large share of the growing wedding market

Source: Company, Systematix Institutional Research

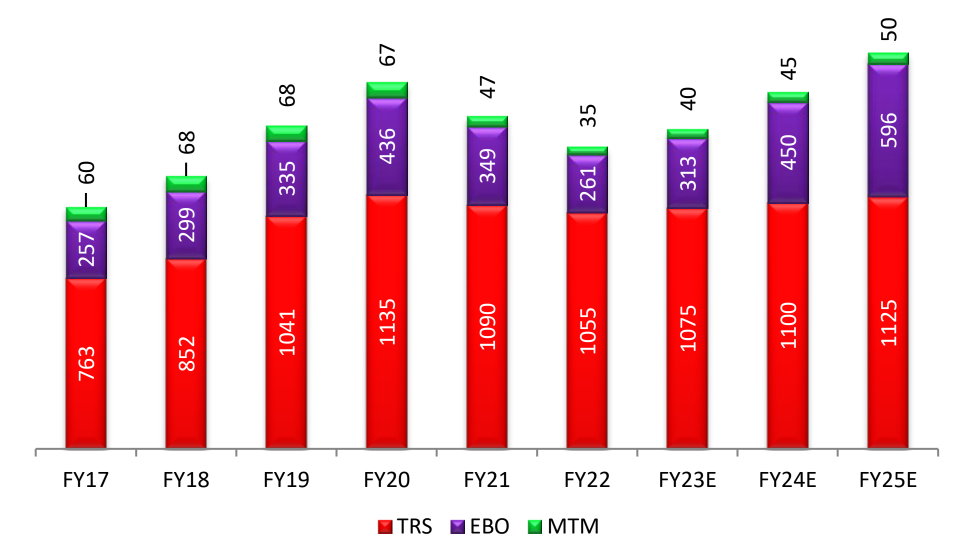
Aggressive store expansions to drive brand penetration

The company had retail network of 1,400 stores (95% franchisee) as on 31st Dec 2022, of which, 296 were EBOs, 1,067 The Raymond Shop (TRS) and 37 Made To Measure (MTM) with retail area of 2.34mn sq.ft. The company also has 45 retail stores in overseas locations.

RAYMOND closed loss-making/low-profit stores during FY21 and FY22. During FY21, the company closed 198 stores (72 TRS, 22 MTM, 104 EBO) and 160 in FY22 (47 TRS, 12 MTM, 101 EBO).

Going forward, *Ethnix* is expected to contribute to 40-50% of the total store count. Channel mix is expected to change with EBOs likely to increase by 3-4% and TRS to shrink by a similar percentage. MBOs are expected to grow, while online sales are expected to fall.

Exhibit 34: Retail network – aggressive EBO expansion



Source: Company, Systematix Institutional Research

Garmenting division holds strong export prospects

RAYMOND is among the largest exporter of men's tailored suits, jackets, and trousers from India (20+ countries). Exports constituted +90% of its garments business in FY22, with the business seeing strong export momentum in the US, UK, and European markets. RAYMOND's garmenting business emerged as a strong player to cater to global demands in the wake of China +1 strategy adopted by global brands. High demand in bulk business and tailored clothing from existing customers and new customer acquisitions in the US and European markets propelled sales growth.

Raymond has recently secured manufacturing contracts from leading global brands in the apparel space. The company is looking to expand its garment manufacturing capacity over the next 2 years to cater to the growing demand. It currently has 29 manufacturing lines and plans to add 19 lines to expand manufacturing capabilities. We expect garmenting revenue to double in next 4-5 years.

Aggressive expansion plans after initial success in real estate business

Raymond Realty recently developed two residential real estate projects in Thane on 20 acres of land, of which, 1) TenX Habitat has 10 towers with c. 2.8mn sq.ft of saleable area (total units: 3,103; 1&2 BHKs), and b) The Address by GS has 2 towers with c. 1.1mn sq.ft of saleable area (total units: 549; 3,4,5 & above BHKs). The company delivered 3 towers in TenX Habitat 2 years ahead of the RERA timeline. Bandra JDA is currently under clearance, and the approval process is on. The company has launched its 3rd project TenX Era in Thane – 2 towers with 0.6mn sq.ft of carpet area, which has received encouraging response.

In last 4 years, the company has increased flat prices by 15-20%. With the tagline 'Building India 123 – 1BHK, 2BHK, 3BHK' – company would be focusing on the belly of the market, with value for money offerings across various configurations.

Exhibit 35: Real estate booking update as on 31st December 2022

Particulars	Project till date
TenX Habitat (Total units)	3,103
No. of Bookings	2,337
Inventory pending (%)	25%
Saleable Area (mn sq.ft)	2.06
Value of Bookings (INR Bn)	24.02
Customer collections (INR Bn)	18.31
The Address by GS (Total units)	549
No. of Bookings	411
Inventory pending (%)	25%
Saleable Area (mn sq.ft)	0.81
Value of Bookings (INR Bn)	10.22
Customer collections (INR Bn)	2.82

Source: Company, Systematix Institutional Research

Continued focus on cost optimisation to help sustain margins

Post cost optimisation during last 2 years, the increase in costs was mainly due to inflation, which was on a lower cost base. Operating leverage helped the company achieve 15% EBITDA margin during 3QFY23 vs 11% during the pre-pandemic period. Variable costs are in line with higher sales and planned increase in A&P spends to meet the festive season demand.

Exhibit 36: Margin expansion compared to pre COVID

Particulars (INR mn)	3QFY23	2QFY23	3QFY22	3QFY20
Employee Cost	2,620	2,560	2,270	2,550
A&P spends	650	600	410	710
Other Expenses	2,610	2,240	2,100	2,530
Total Opex	5,880	5,400	4,780	5,790
Revenue	21,682	21,682	18,434	18,854
Total Opex as % of Revenue	**27%**	**25%**	**26%**	**31%**
EBITDA Margin	**15%**	**15%**	**15%**	**11%**

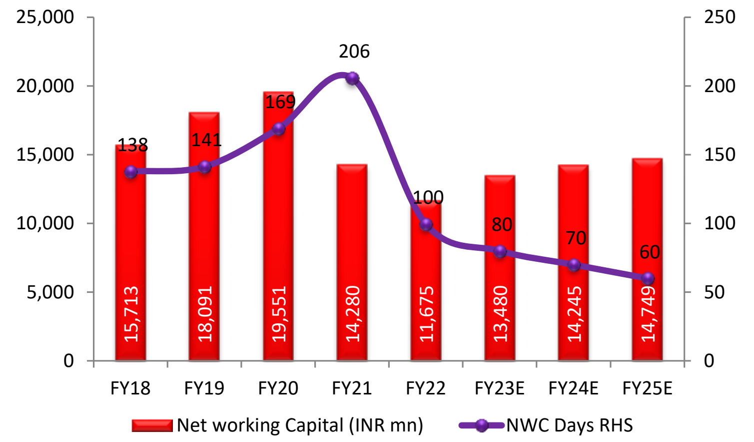
Source: Company, Systematix Institutional Research

Improving working capital days and reducing net debt to drive strong RoCE

Net working capital (NWC) days reduced by more than c. 45% from its peak level of 98 days as on Sept'19 to 55 days as on Dec'22. Key initiatives such as strong emphasis on collections, efficient inventory management and related production cycles aided the reduction in NWC days.

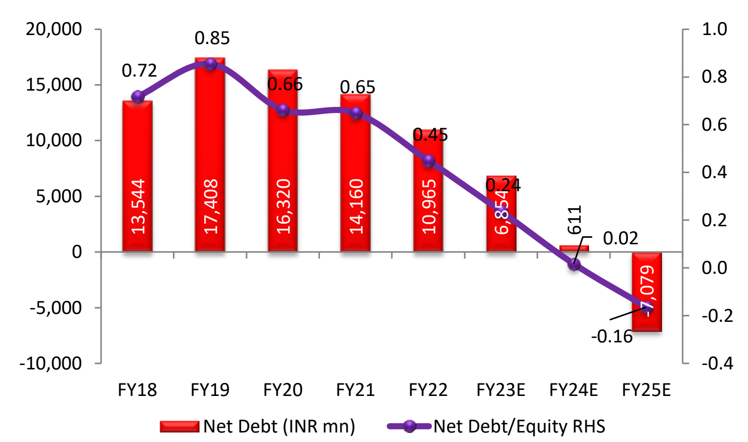
Net debt reduced by 39% from Rs 23.78bn in Sep'19 to Rs9.32bn in Dec'22 through free cash flow (FCF) generation. Key initiatives such as focused revenue growth, cost optimisation and effective working capital management aided FCF, which helped reduce the debt significantly. The company reduced net debt of Rs 14.46bn by generating Rs 10.96bn FCF during FY21, FY22 and YTDY23 (pandemic-impacted period) and Rs 3.5bn from sale of land in Dec'19. Net debt to equity ratio improved from 1.1x as on Sept'19 to 0.33x as on Dec'22.

Exhibit 37: Continued reduction in NWC days



Source: Company, Systematix Institutional Research

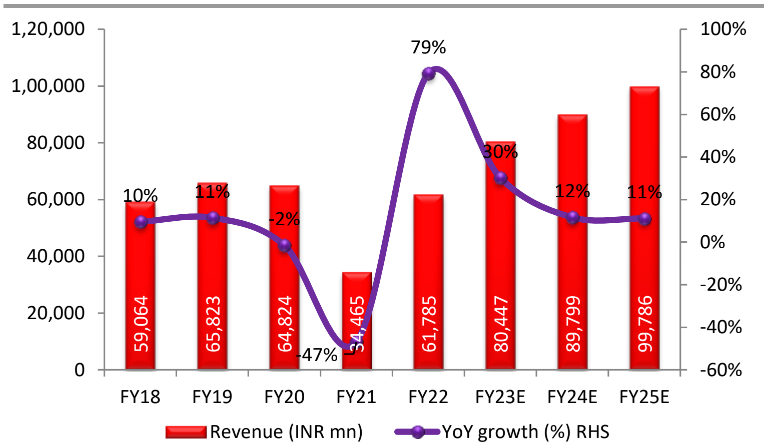
Exhibit 38: Improvement in net debt/ equity ratio



Source: Company, Systematix Institutional Research

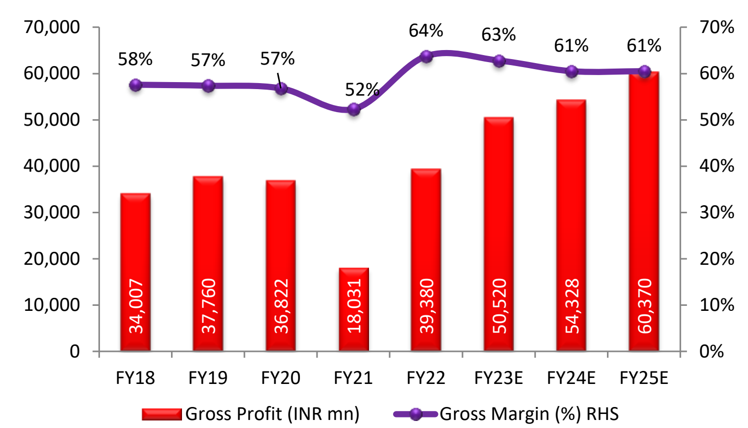
Consolidated financial summary

Exhibit 39: Consol revenue to grow at 11% CAGR during FY23-25E



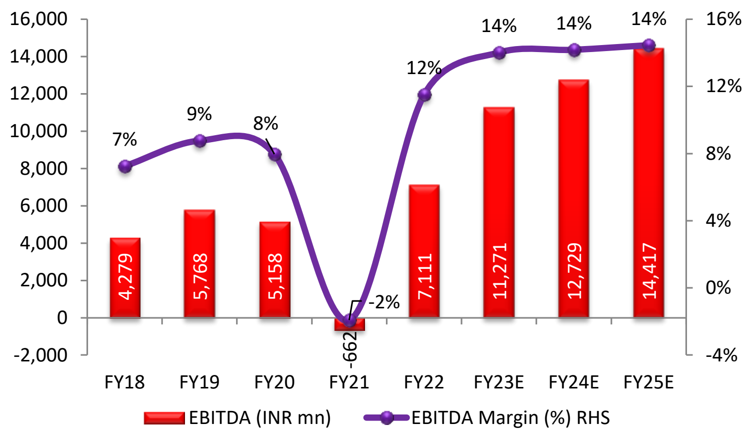
Source: Company, Systematix Institutional Research

Exhibit 40: Gross margin at 61% during FY24E & FY25E



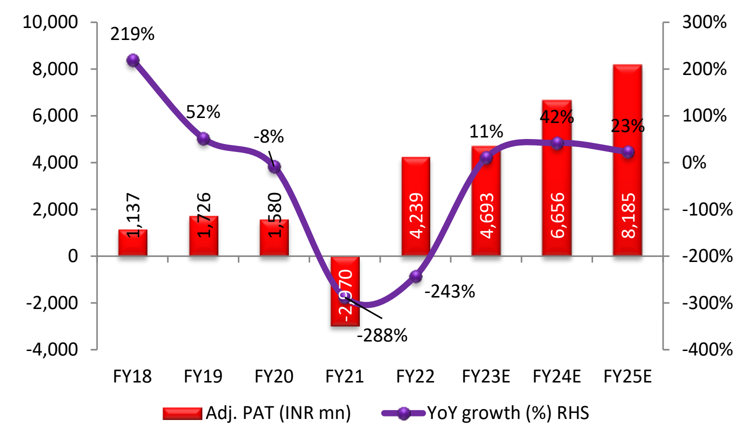
Source: Company, Systematix Institutional Research

Exhibit 41: EBITDA margin at 14% during FY24E & FY25E



Source: Company, Systematix Institutional Research

Exhibit 42: Adj. PAT to grow at 32% CAGR during FY23-FY25E



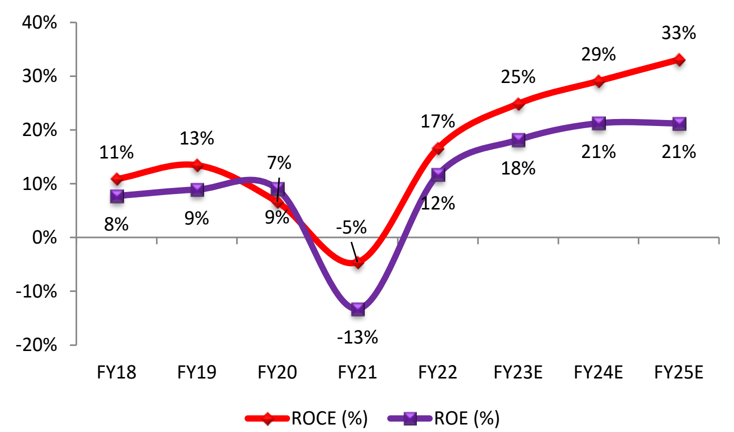
Source: Company, Systematix Institutional Research

Exhibit 43: Segmental RoCE (%)

ROCE (%)	FY17	FY18	FY19	FY20	FY21	FY22
Textile	25%	32%	30%	27%	6%	66%
Shirting	7%	6%	9%	9%	-8%	5%
Apparel	-7%	1%	9%	-20%	-79%	-2%
Garmenting	14%	6%	6%	2%	-2%	11%
Engineering	9%	34%	39%	24%	36%	54%
Real Estate	NA	NA	-2%	3%	5%	31%

Source: Company, Systematix Institutional Research

Exhibit 44: RoCE & RoE at 33% & 21% during FY25E, respectively



Source: Company, Systematix Institutional Research

Valuation

We forecast revenue/EBITDA CAGR of 11%/13%, respectively, during FY23-FY25E, with RoCE estimated to expand to 33% in FY25E from 17%/25% in FY22/FY23E. We expect the company to deliver consistent performance, as it showcased in last 5-6 quarters. We initiate coverage on RAYMOND with a BUY rating, and have valued the company on SOTP basis, with a target price of Rs 1,832 (45% Upside), as follows: a) Branded Textiles at 10x FY25E EV/ EBITDA, led by consolidation of leadership position in suiting, premiumisation and constant innovation in shirting, b) Branded Apparel at 8x FY25E EV/ EBITDA - performance likely driven by aggression in the *Ethnix* category, supported by strong store expansion, c) Garmenting at 6x FY25E EV/ EBITDA, led by sustained strong export momentum to the US, UK and the European markets, d) High-value cotton shirting at 6x FY25E EV/ EBITDA, driven by continuous innovation, high-value differentiated product offerings coupled with improving realisation, e) Engineering business at 12x FY25E EV/ EBITDA, with growth aided by consolidation in market leadership position in the automotive and industrial files segment, with renewed focus on increasing non-auto exports, f) Current real estate project at Rs 5.24 bn, led by strong bookings and customer collections since its launch in 2019. We believe the company would evaluate numerous options to unlock value from its remaining 60-acre land parcel in Thane. We value this prime property at Rs 18.3 bn, and g) FMCG JV (47.66% stake) at 1x FY25E EV/Sales. The stock currently trades at 6x FY25E EV/ EBITDA.

Exhibit 45: Valuation summary

SOTP Valuation	EBITDA (FY25E) INR Mn	Multiple (x)	Enterprise Value (EV) INR Mn	% contribution to EV
Branded Textile	7,532	10	75,316	53.4%
Branded Apparel	1,751	8	14,012	9.9%
Garmenting	1,184	6	7,106	5%
High Value Cotton*	1,030	6	4,678	3.3%
Engineering*	1,512	12	16,332	11.6%
Real Estate Project - Remaining FCF			5,240	3.7%
Real Estate Land - Potential FCF			18,333	13%
Corporate eliminations	1,200	10	12,000	
Enterprise Value			**129,016**	
Total Debt			18,500	
Cash			7,646	
Net debt			10,854	
JV/ Associates - FMCG*	7,974	1	3,800	
Intrinsic Market Cap			**121,962**	
Outstanding shares (Mn)			66.57	
Fair value per share (INR)			**1,832**	
Current Market Price			1,261	
% Upside/ (Downside)			**45%**	

*Source: Company, Systematix Institutional Research, *High Value Cotton 75.7% stake, *Engineering business 90% stake, *JV/ Associates – FMCG (47.66% stake) valued using EV/Sales multiple*

Industry background

Global textile industry

The textile industry faced drastic challenges from the COVID-19 pandemic, but is now on a recovery stage. Increasing demand for apparel from the fashion industry, coupled with the growth of e-commerce platforms is expected to drive market growth over the forecast period.

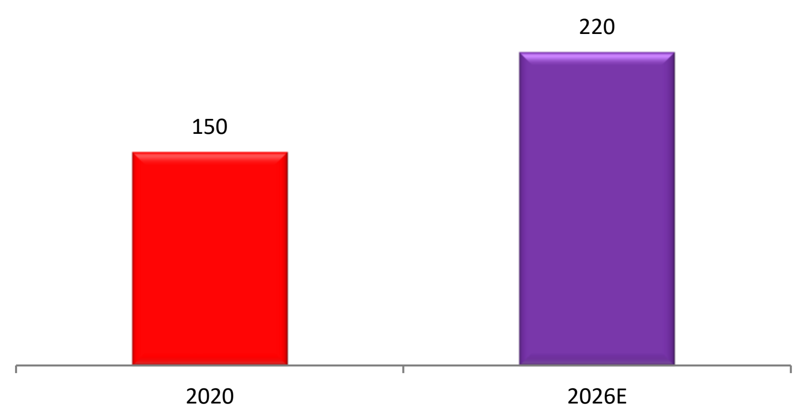
The textile industry is an ever-growing market, with China, European Union (EU), US and India as key competitors. China is the world's leading producer and exporter of both raw textiles and garments. After the US and the EU, India is the third-largest textile manufacturing industry and is responsible for more than 6% of the total textile production globally. Rapid industrialisation in developed and developing countries coupled with evolving technology have been aiding the textile industry in deploying modern installations capable of highly efficient fabric production. In 2022, the industry had a market size of USD 1,032.1bn with revenue forecast at USD 1,420.3bn by 2030.

Indian textile industry

India is world's second-largest producer of textiles and garments. It is also the fifth-largest exporter of textiles that span apparel, home, and technical products. The textiles and apparel industry contributes 2.3% to India's GDP, 13% to industrial production and 12% to exports. The sector employs around 40 million workers. As per IBEF report, India's textile market was a USD 223bn market in 2021, growing at 10.23% CAGR over 2016. Indian textile players have undertaken various initiatives to boost textile sales, like investing to expand production capacity, using technology to optimise the value chain, leveraging strategic partnerships and strengthen sustainable textiles business. The textile industry has been steadily recovering post pandemic, amid increased raw material prices and container shortages.

The Production Linked Incentive (PLI) scheme for textiles was launched to promote the production of man-made fibres (MMF) apparel, MMF fabrics and products of technical textiles in the country and to enable the textile sector of India to achieve size and scale. The scheme worth USD 1.2bn attracted investments of USD 185mn. In total, 64 applicants were selected under the scheme and 56 met the eligibility criteria. Approval letters were issued to these eligible applicants who met the criteria and informed the government. The Ministry of Textiles states that domestic cotton cultivation has also increased by 5% to 125.02 lakh hectares and a brand named 'Kasturi Cotton India' has been launched to encourage the harvesting of cotton.

Exhibit 46: Textile & apparel Industry to expand at 7% CAGR during FY20-FY26E (US$ bn)



Source: Company, Systematix Institutional Research

Global apparel & retail

After nearly two years of disruption, the global fashion industry is once again finding its feet. Companies are adapting to new consumer priorities, and digital is providing a nexus for growth. Still, the industry faces significant challenges amid supply-chain disruptions, patchy demand, and persistent pressure on the bottom line.

In 2022, the fashion industry returned to growth, as changing category landscapes, new digital frontiers, and advances in sustainability continued to present opportunities. Consumer digital engagement rose sharply during the COVID-19 pandemic, resulting in more hours being spent online and new shopping habits getting formed.

The apparel business is one of the most challenging businesses, as factors such as short product life cycle, volatile fashions, unpredictable market trends and impulse purchase nature of the customer are to be given utmost importance by manufacturers to sustain themselves in the apparel segment. We expect the apparel industry to face challenges, as inflation could impact consumer demand. But the industry should weather these challenges to generate revenue and employment from a global perspective, in our view.

Indian apparel & retail

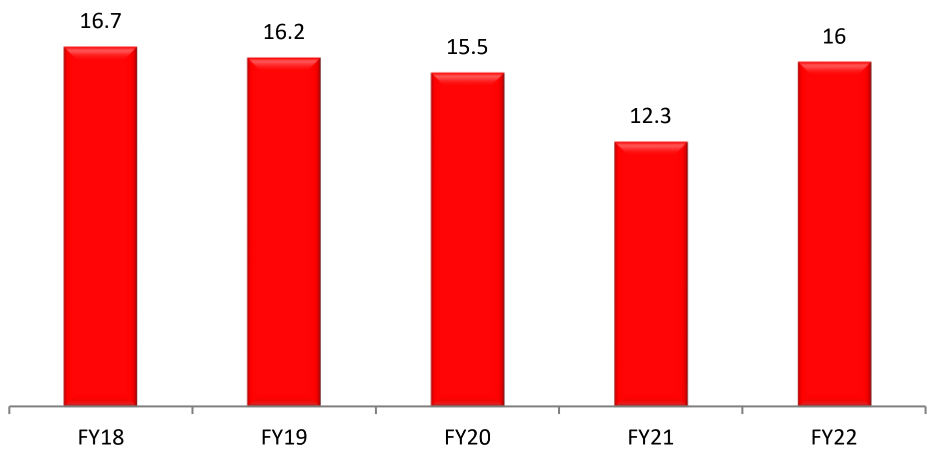
India's apparel market is undergoing a metamorphosis never seen before. We attribute the change to several factors such as work from home culture, subdued purchasing power of masses, shift in the buying behavior, demography dynamics, growing urbanisation, opening up of the retail segment to private and foreign players, and changing trends/lifestyles. The Indian apparel industry employs ~13mn people as part of its workforce; even today it is one of the largest providers of employment in the country. The industry contributes to 4.9% of India's total exports, as India is the 6th-largest exporter of apparels in the world.

Apparel & garment export trend in India

India is the 6th-largest exporter of textiles and apparel products in the world, with a massive raw material and manufacturing base. During 2020-21, textiles, apparels and handicrafts cumulatively contributed 11.4% share in India's total exports, with India in turn constituting 4% of the global trade share in textiles and apparels. Despite unprecedented logistics issues, in FY21-22, India registered highest-ever exports of USD 44.4bn in textiles and apparel (T&A), including handicrafts, recording 41% and 26% growth over FY20-21 and FY19-20, respectively. As per Apparel Export Promotion Council, during FY2022-23 (until Sep'22), exports of ready-made garments (RMG) stood at USD 8,127.3mn, expanding at 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 comprising 39% share of total exports of the T&A industry, while the share of RMG, MMT and handicrafts in exports was 36%, 14% and 5%, respectively. Exports of cotton yarn/fabs /madeups, handloom products, etc., stood at USD 767.50mn in Sep'22 and accounted for 2.35% of total exports.

Exhibit 47: India is the 6th-largest exporter of T&A products in the world, with T&A exports at USD 16bn in 2022 (USD bn)



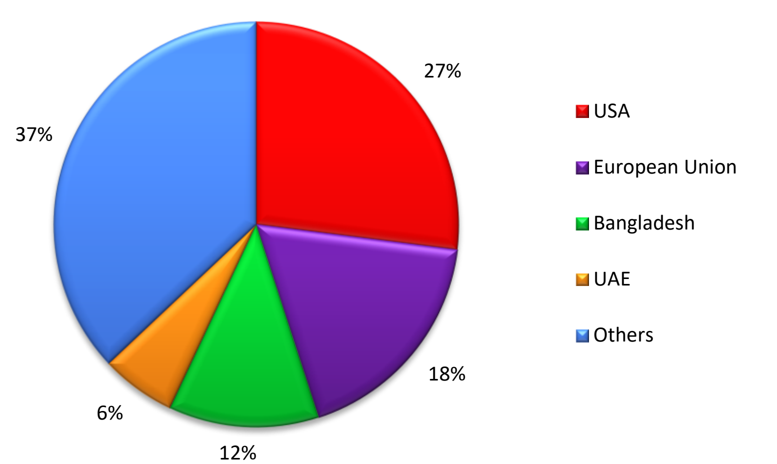
Source: Company, Systematix Institutional Research

Top T&A export destinations

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, UAE, UK, Bangladesh, Germany, China, Spain, France, Italy, The Netherlands, Saudi Arabia, etc. Of these, US is the largest importer, importing about one fourth of total exports from India.

US was the top export destination for the T&A industry during 2021-22, accounting for 27% share of overall exports, which grew from 24% share in 2019-20. Among other key exporting countries, Bangladesh has grown its share of imports significantly from 6% to 12% over the same period. India and UAE recently signed a Free Trade Agreement (FTA) and is also in the process of negotiating FTAs with the EU, Australia, UK, Canada, Israel and other countries/ regions, which are likely to boost exports of Indian T&A in future by providing a competitive edge over other exporting countries. Furthermore, India's consolidated foreign direct investment (FDI) policy circular 2020 provides 100% FDI in 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, as also drives interest from new export destinations.

Exhibit 48: India's key T&A export destinations



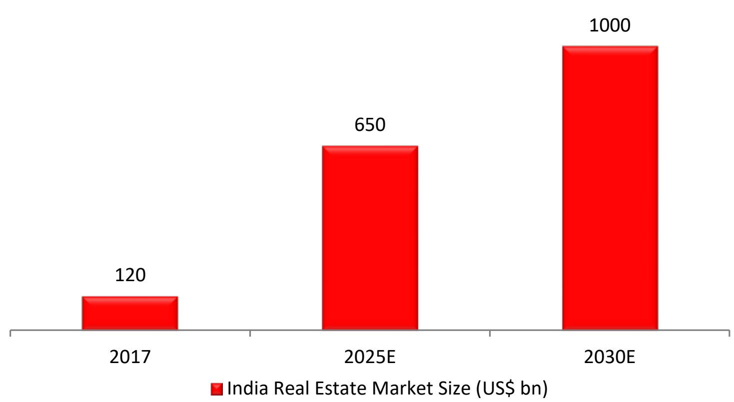
Source: Company, Systematix Institutional Research

India's real estate market

India's real estate market picked pace in 2022, spurred by increase in demand for residential spaces in particular. The sector made a strong comeback in the backdrop of low interest rates, coupled with duty waivers (in some states), realistic property pricing and attractive offers. In India, the real estate sector is the second-highest employment generator and is expected to reach USD 1trn by 2030. Rapid urbanisation is key in this sector, considering the number of Indians living in urban areas is expected to touch 543 mn by 2025 and 675 mn by 2035 as per the United Nations – Habitat's World Cities Report 2022.

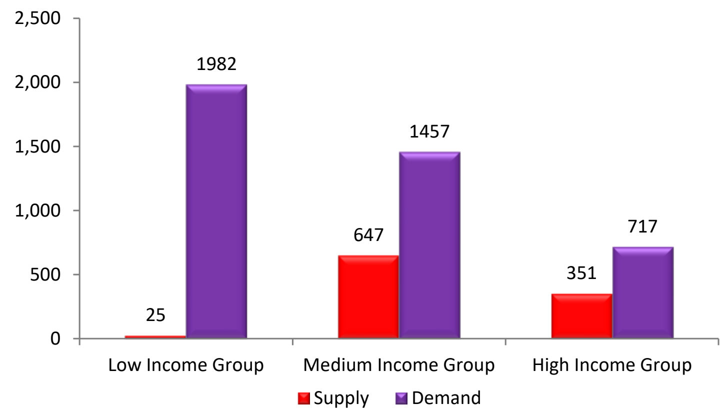
Construction is the third-largest sector in terms of FDI inflows. Government of India's (GoI) 'Housing for All' initiative is expected to fetch USD 1.3trn investments in the housing sector by 2025. India's Global Real Estate Transparency Index ranking has also been steadily improving. The transparency level in the county's real estate sector is now amongst the top ten most improved markets globally and is part of the semi-transparent category at 36th spot out of 94 countries, showed JLL's 2022 Global Real Estate Transparency Index (GRETI).

Exhibit 49: India's real estate sector to touch USD 1trn by 2030



Source: Company, Systematix Institutional Research

Exhibit 50: Cumulative housing demand supply in top 8 cities ('000 units)



Source: Company, Systematix Institutional Research

FINANCIALS

Profit & Loss Statement

YE: Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	**34,465**	**61,785**	**80,447**	**89,799**	**99,786**
Gross profit	18,031	39,380	50,520	54,328	60,370
GP margin (%)	52%	64%	63%	61%	61%
Operating profit	**-662**	**7,111**	**11,271**	**12,729**	**14,417**
OP margin (%)	-2%	12%	14.0%	14.2%	14.4%
Depreciation	3,142	2,398	2,383	2,528	2,709
EBIT	-3,804	4,713	8,888	10,201	11,708
Interest expense	2,760	2,277	2,590	2,400	2,040
Other income	2,014	1,695	1,046	1,167	1,297
Profit before tax	-4,551	4,131	7,344	8,968	10,965
Taxes	-1,609	-219	2,570	2,260	2,763
Tax rate (%)	35%	-5%	35%	25%	25%
JVs/associates/others	-29	-111	-81	-52	-16
Adj. PAT	**-2,970**	**4,239**	**4,693**	**6,656**	**8,185**
Exceptional loss	-	-1,636	-	-	-
Net profit	-2,970	2,603	4,693	6,656	8,185
EPS	**-45**	**39**	**70**	**100**	**123**

Source: Company, Systematix Institutional Research

Balance Sheet

YE: Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity capital	666	666	666	666	666
Reserves	21,127	23,697	28,168	34,625	42,610
Debt	20,759	20,663	18,500	15,000	12,000
Deferred tax liab (net)	-3,206	-3,853	-3,853	-3,830	-3,830
Other non current liabilities	4,059	3,551	3,551	3,551	3,551
Total liabilities	**43,405**	**44,724**	**47,032**	**50,012**	**54,997**
Fixed Asset	20,651	19,025	17,642	17,114	16,905
Investments	5,004	10,998	8,662	8,662	8,662
Other Non-current Assets	2,152	1,954	1,954	1,954	1,954
Inventories	16,338	20,113	22,957	24,295	25,917
Sundry debtors	9,580	8,731	11,020	12,301	13,669
Cash & equivalents	5,521	3,363	7,646	10,389	15,079
Loans and Advances	4,846	5,652	5,590	5,590	5,590
Sundry creditors	11,638	17,169	20,497	22,351	24,837
Other current liabilities	9,049	7,942	7,942	7,942	7,942
Total Assets	**43,405**	**44,724**	**47,032**	**50,012**	**54,997**

Source: Company, Systematix Institutional Research

Cash Flow

YE: Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
PBIT	-1,885	6,344	9,934	11,368	13,005
Depreciation	3,142	2,398	2,383	2,528	2,709
Tax paid	232	-344	-2,570	-2,260	-2,763
Working capital Δ	6,712	46	-1,805	-765	-504
Other operating items	-1,163	-1,670	2,356	-12	24
Operating cashflow	**7,037**	**6,774**	**10,298**	**10,859**	**12,470**
Capital expenditure	-206	-604	-1,000	-2,000	-2,500
Free cash flow	**6,832**	**6,170**	**9,298**	**8,859**	**9,970**
Equity raised	-	-	0	-0	0
Investments					
Debt financing/disposal	-3,861	-840	-2,163	-3,500	-3,000
Interest Paid	-2,821	-2,296	-2,590	-2,400	-2,040
Dividends paid	-1	-96	-200	-200	-200
Other items	-	-	-62	-17	-40
Net Δ in cash	**998**	**-706**	**4,283**	**2,743**	**4,691**

Source: Company, Systematix Institutional Research

Ratios

YE: Mar	FY21	FY22	FY23E	FY24E	FY25E
Revenue growth (%)	-47%	79%	30%	11.6%	11.1%
Op profit growth (%)	-113%	-1174%	58%	13%	13%
Adj. Net profit growth (%)	-288%	-243%	11%	42%	23%
OPM (%)	-1.9%	11.5%	14.0%	14.2%	14.4%
Adj. Net profit margin (%)	-9%	7%	6%	7%	8%
RoCE (%)	-5%	17%	25%	29%	33%
RoNW (%)	-13%	12%	18%	21%	21%
EPS (Rs)	-45	39	70	100	123
DPS (Rs)	0.0	3.0	3.0	3.0	3.0
BVPS (Rs)	315	354	422	519	639
Debtor days	101	52	50	50	50
Inventory days	363	328	280	250	240
Creditor days	258	280	250	230	230
P/E (x)	-28	32	18	13	10
P/B (x)	4	4	3	2	2
EV/EBITDA (x)	-104	9	6	6	6

Source: Company, Systematix Institutional Research

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