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September 2023

Initiating Coverage | Sector: Retail

Raymond

Rejuvenating the Brand

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Raymond

Rejuvenating the Brand

Raymond is among the most established apparel brands in India, resonating with consumers seeking premium apparel wear. However, despite its rich heritage, the brand's market penetration has remained significantly underexplored. In the last two to three years, the company has revitalized its position through several initiatives in four critical domains: a.) Strengthening the senior leadership team throughout various management tiers (see exhibit 1). b.) Committing to technological advancements and instilling financial prudence, leading to a 21% reduction in Net Working Capital (NWC) over the past three years, bringing it down to 69 days. This strategic approach has facilitated the reduction of net debt by 60% over the last three to four years c.) Undertaking a comprehensive restructuring of the group's structure by divesting the FMCG biz and announcing the demerger of lifestyle business. d.) Leveraging the brand and scale in each category to drive quality of growth. These efforts are expected to be the key growth drivers in the coming years.

Raymond

BSE Sensex	S&P CNX
65,628	19,529

Bloomberg	RW IN
Equity Shares (m)	67
M.Cap.(INRb)/(USDb)	131.7 / 1.6
52-Week Range (INR)	2069 / 965
1, 6, 12 Rel. Per (%)	4/40/91
12M Avg Val (INR M)	655
Free float (%)	50.9

Financial Snapshot (INR b)

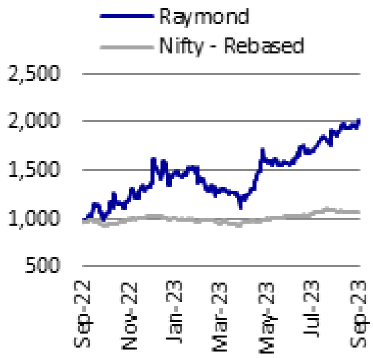
Y/E March	FY23	FY24E	FY25E
Net Sales	82.1	89.3	99.6
EBITDA	12.0	12.9	14.6
PAT	6.3	7.7	8.9
EPS (INR)	94.4	115.3	133.5
GR. (%)	44.5	22.1	15.8
BV/Sh (INR)	435	699	832
Ratios			
ROE (%)	23.9	20.3	17.4
RoCE (%)	17.5	15.8	14.2
RoIC (%)	20.2	18.1	17.6
Valuations			
P/E (X)	20.9	17.1	14.8
P/BV (X)	4.5	2.8	2.4
EV/EBITDA (X)	11.9	10.6	8.9
Div Yield (%)	0.2	0.0	0.0

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	49.1	49.1	49.1
DII	5.5	5.1	4.9
FII	17.8	16.8	14.3
Others	27.6	29.0	31.7

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR1,974 TP: INR2,600 (+32%) Buy

Rejuvenating the Brand

Rebranding a legacy with financial discipline! | Initiate coverage with a BUY

Raymond is an established apparel brand in India that resonates with consumers seeking premium apparel wear. However, despite its rich heritage, the brand's market penetration has remained significantly underexplored. Over the last two to three years, the company has revitalized its standing through strategic initiatives such as: a) strengthening the senior leadership team across various management tiers (see exhibit 1); b) committing to technological advancements and instilling financial prudence with a healthy 21% reduction in Net Working Capital (NWC) over FY19-23 and turning net cash from peak net debt of INR16b; c) undertaking a comprehensive restructuring of the group's structure by divesting the FMCG business and announcing the demerger of lifestyle business and real estate; and d) leveraging the brand and scale in each category to drive the quality of growth. These efforts are likely to be the key growth drivers going forward. We expect consolidated revenue/PAT growth of 10%/19% over FY23-25.

Demerger and promoter's capital infusion are the key drivers

Raymond announced three key steps to restructure the group and reinforce promoter's focus on the business. Firstly, it sold the FMCG business operated by Raymond Consumer Care Ltd (RCCL; owned 48% by Raymond and 50% by promoter) in an all cash deal of INR28b to GCPL (4.5x EV/Sales). Secondly, it announced the hive off of its Lifestyle business into RCCL; separating the consumer apparel business from the rest of the unrelated businesses viz., real estate and engineering. Thirdly, it infused cash of INR22b (adjusted for Tax), including the promoter's stake in RCCL, into the Group. All these steps have helped in: a) deleveraging the balance sheet and creating healthy cash to drive growth, b) cleaning up the operating structure of respective businesses and c) reinforcing promoter's confidence through its cash infusion of INR11b at a price of ~INR1,500/share.

Multiple growth levers in place

Raymond has a legacy collection of well-established brands, but yet it has remained under penetrated. It has now laid out a comprehensive strategy to leverage the full potential of brands within its portfolio: a) the branded apparel segment has undergone a restructuring process, with the company downsizing its loss-making EBOs and implementing tighter control over MBO channel sales. At a revenue base of INR13b (16% of revenue), we expect 20% revenue CAGR over FY23-27 by adding net 150 EBOs annually (currently, at 311 stores) with a focus on capex-light franchisee model for Raymond, Park Avenue, ColorPlus, Ethnix, and product extensions (such as Park Avenue casual and athleisure wear); b) the cash cow 'branded textile business' is expected to register a revenue/EBITDA CAGR at a moderate 7%/6% over FY23-27. The business demonstrates significant potential as the company addresses pricing gaps in the shirting segment through innovative designs; and c) the garment segment holds a strategic advantage with China+1 strategy, as most apparel brands seek to diversify. We expect 10% revenue CAGR over FY23-27, supported by new capacity expansion.

Ethnix by Raymond – It has a presence across 75 stores and revenue contribution of INR550m

Ethnix by Raymond – Aiming to expand its wedding reach

Historically, Raymond has held a prominent position as a wedding wear brand for western wear category. However, with the prominence of new consumer trends in the Indian wear market, it has launched a new format known as Ethnix. It has passed the initial trial phase, addressing product designs, store inventory and store economics. Presently, it has presence across 75 stores, contributing a revenue of INR550m, catering to both occasion and casual ethnic wear. It targets to add 100 stores annually, which could achieve a revenue potential of INR3.5b by FY27E. The format garners a healthy mid-60% margin, but it is yet to achieve profitability due to its aggressive store expansion and high ad spends. Given the large unorganized market, there is a sizeable opportunity for growth.

Real estate- Scaled up the annual pre-sales run rate in Thane to INR16b and expected to rise to INR20b by FY25

Real estate: A key focus area and growth driver

Raymond's realty business has kicked off, demonstrating steady execution with a cumulative pre-sale of INR42b since its launch in FY19. Furthermore, it has delivered 900 units across three towers in the first phase of TenX Habitat, two years ahead of RERA date. Through its multi-brand strategy, the company has scaled up annual pre-sales run-rate in Thane to INR16b and is expected to further increase it to INR20b by FY25. The company plans to drive growth, by targeting markets outside of Thane within MMR. Raymond has already signed up one project in Bandra (expected to launch in FY24), and it is looking to add more with an aim of doubling its pre-sales to INR30-35b over the next three to four years. We believe the large opportunity size, healthy balance sheet, strong cash flow potential, and emphasis on capital allocation should aid in achieving the annual project addition targets of INR25-30b.

Bringing balance sheet discipline- NWC days reduced to 69 from 110 days; Net debt declined to INR6b in FY23 from INR16b in FY20

Bringing Balance Sheet discipline

Historically, Raymond's key concern has revolved around its weak balance sheet, a factor that has hindered its growth potential. In the last two to three years, it has taken strong measures to reduce receivables, particularly in the branded textile and apparel business and lower its leverage. The NWC days reduced to 69 from 110 days with the lifestyle segment seeing a decline to below 2 months of NWC from nearly 3.5months. Raymond has used this along with other operational cash, and land sale value to reduce its net debt (excluding lease liability) from INR16b in FY20 to INR6b in FY23. With the recent FMCG transaction, it can now become net cash. Going forward, the company plans to: a) utilize capex prudently through an asset-light franchisee model, with a targeted total capex of INR2b; this outlay is intended to be internally funded and b) grow without bloating WC by ensuring disciplined management of inventory and receivables. Subsequently, we expect cumulative OCF of INR13b over FY23-25. After adjusting for cumulative capex of INR4b, it should generate a healthy cumulative FCF of INR9b over FY24-25E.

Improving earnings trajectory

Raymond's consolidated EBITDA margins have improved by 6.6pp over FY20-23 on the back of a.) cost-saving measures and closure of loss-making stores and b.) seamless price increases to the tune of 6-9% across lifestyle segments and c.) improved contribution of margin-accretive real estate business at 26% EBITDA margin with 22% EBITDA mix. We expect an improvement in overall EBITDA margin, projecting a 40bp increase to 15% over FY23-27E. This improvement is primarily led by a 210bp margin expansion within the branded apparel segment, garmenting division, and real estate business over the period. The company has implemented measures to enhance economies of scale and has commenced its margin-accretive operations in Ethiopia. We expect revenue/EBITDA CAGR of 11%/12% over FY23-27E, while operating leverage should drive 17% PAT CAGR with 190bp margin improvement. The FY23 ROE/ROCE figures stood at 24/18%. We anticipate the company to sustain these healthy levels going forward.

Compelling valuations - trading at P/E of 15x and EV/EBITDA of 9x on FY25E; should garner ROE of 20%/17% in FY24/FY25

Compelling valuations | Initiate with a BUY

Though the stock has doubled in the last one year, it is trading at a P/E and EV/EBITDA of 15x and 9x on FY25E, respectively. This is significantly lower than the valuation of our Coverage Universe and other retail, discretionary companies, which are valued at ~45-50x on a one-year forward basis. While the company enjoys a robust brand affinity, its valuation has been impeded by sluggish execution in the past, evident from volatile PAT growth over FY11-20. However, the optimization of costs and WC, coupled with efforts to strengthen balance sheet and transition to a net cash position, have resulted in a robust capacity to generate substantial cash flow. Raymond should garner an ROE of 20%/17% in FY24/FY25. The real estate business, which has recently been incubated on the company's land parcel in Thane, has seen strong execution.

Our SOTP-based model values the real estate business at FY25E EV/EBITDA of 5x on embedded EBITDA, assuming pre-sales of INR20b and 25% EBITDA margin, and arrives at a valuation of INR25b (i.e., INR380/share). Adjusting for the same, Lifestyle business is trading at a P/E of 15x. Subsequently, we assign a P/E of 22x on FY25E to Lifestyle business, arriving at a value of INR2,070/share. Engineering business is valued at EV/EBITDA of 7x on FY25E, arriving at a value of INR150/share. **The combine value of Real estate, Engineering and Lifestyle business works out to be INR2,600/share. We initiate coverage on the stock with a BUY rating.**

Financial snapshot of retail companies under coverage

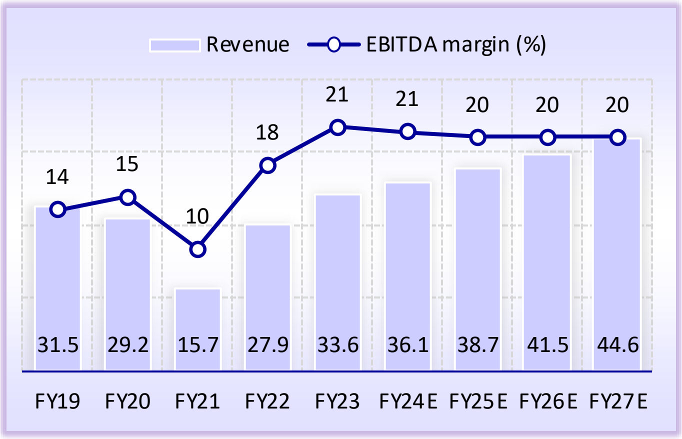
Company Name	Revenue (INR b)			CAGR	EBITDA margin (%)			PAT (INR b)			PAT CAGR
	FY23	FY24E	FY25E	FY23-25 (%)	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23-25 (%)
Apparel											
Raymond	**82.1**	**89.3**	**99.6**	**10**	**14.6**	**14.5**	**14.7**	**5.2**	**7.7**	**8.9**	**31**
Trent	82.4	117.6	153.1	36	13.0	13.5	13.5	3.9	7.5	9.9	58
ABFRL	124.2	141.5	165.4	15	12.0	11.5	12.3	-0.7	-2.8	-2.4	90
VMART	24.6	29.0	34.6	18	10.9	8.8	13.2	-0.1	-0.4	1.1	N.M
Shoppers Stop	40.0	43.9	50.2	12	17.5	18.1	18.3	1.2	1.5	2.0	29
Vedant Fashions	13.5	15.2	18.5	17	50.5	49.8	50.3	4.3	4.9	5.9	18
Footwear											
Metro Brands	21.3	24.9	30.3	19	31.9	29.5	31.8	3.6	3.7	5.0	18
Campus Activewear	14.8	16.4	19.7	15	17.1	18.9	19.9	1.2	1.6	2.0	31
Relaxo	27.8	32.1	38.6	18	12.1	14.9	16.5	1.5	2.5	3.5	51
Bata India	34.5	37.0	41.5	10	12.4	13.6	15.7	3.2	3.8	4.9	23

Return profile and valuation of companies under coverage

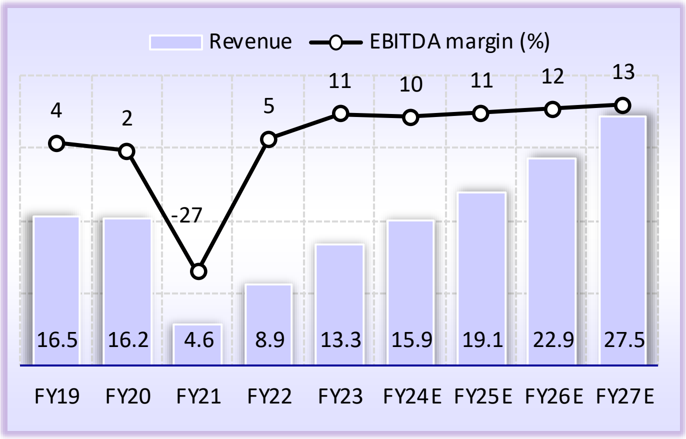
Company Name	Reco	Mcap (INR b)	CMP (INR)	RoE (%)			RoCE (%)			PE (x)			EV/EBITDA (x)		
				FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
Apparel															
Raymond	**Buy**	**131**	**1,974**	**23.9**	**20.3**	**17.4**	**17.5**	**15.8**	**14.2**	**20.9**	**17.1**	**14.8**	**11.9**	**10.6**	**8.9**
Trent	Buy	721	1,289	16.0	25.2	25.7	7.9	13.5	13.9	182.3	96.5	73.0	70.2	48.1	37.3
ABFRL	Buy	208	219	-2.2	-7.1	-5.5	4.8	2.4	3.3	-313.6	-79.4	-92.2	17.9	16.6	14.1
VMART	Buy	44	2,232	NM	NM	12.4	3.2	2.7	9.7	NM	NM	38.8	20.3	21.2	11.7
DMART	Buy	2,429	3,750	16.0	16.4	18.4	15.7	16.1	18.1	102.1	84.5	63.1	66.6	52.6	39.6
Shoppers Stop	Neutral	80	727	73.4	48.7	41.6	11.5	11.6	12.0	50.1	40.7	30.4	14.7	12.8	11.0
Vedant Fashions	Buy	301	1,250	34.6	31.6	31.7	29.6	27.6	27.9	70.7	62.2	51.1	45.7	39.8	33.0
Footwear															
Metro Brands	Buy	284	966	25.7	22.0	25.8	18.4	15.5	17.5	78.6	69.0	56.8	42.9	36.4	30.3
Campus Activewear	Buy	92	310	21.2	22.2	22.0	18.2	19.4	19.9	78.5	58.2	45.9	37.5	29.9	23.4
Relaxo	Neutral	232	930	8.5	12.9	16.2	8.4	12.2	15.1	149.9	91.9	65.5	68.6	48.0	35.8
Bata India	Neutral	213	1,657	19.9	23.1	23.7	14.4	15.9	17.2	66.0	56.6	43.6	27.8	24.3	20.6

STORY IN CHARTS

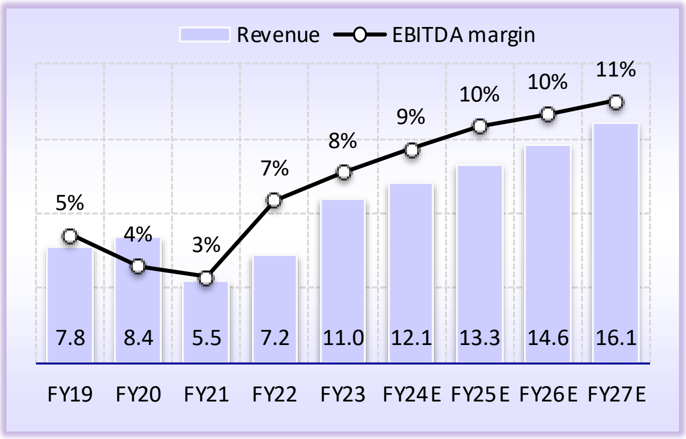
Textiles – Expect revenue to register a CAGR of 7% and margin to hover around 20%



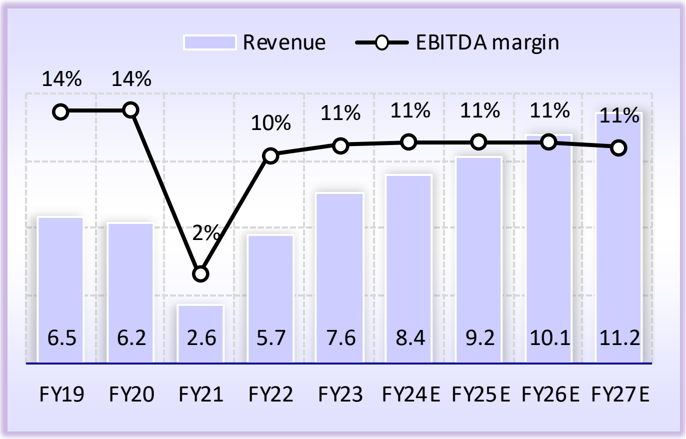
Apparels- Expect revenue to register a CAGR of 20% with 100bp margin improvement every year



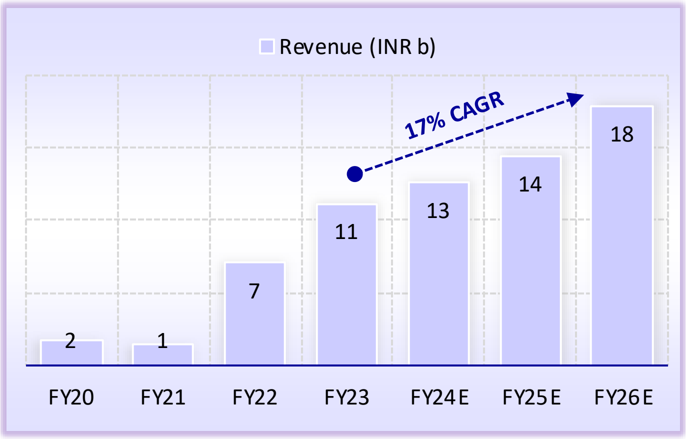
Garmenting- Expect revenue growth of 10%



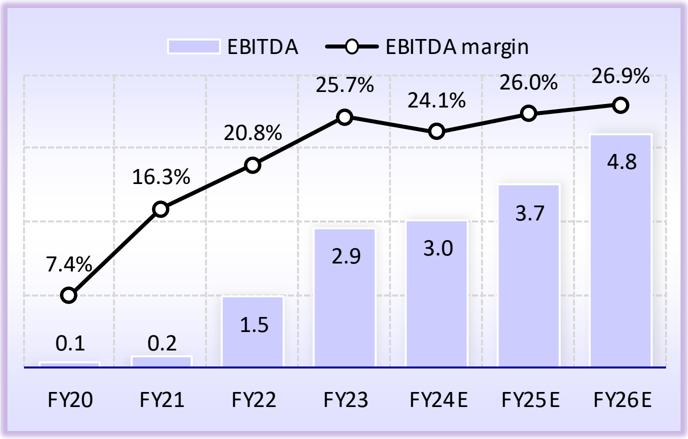
High value Shirting- Expect revenue growth of 10%



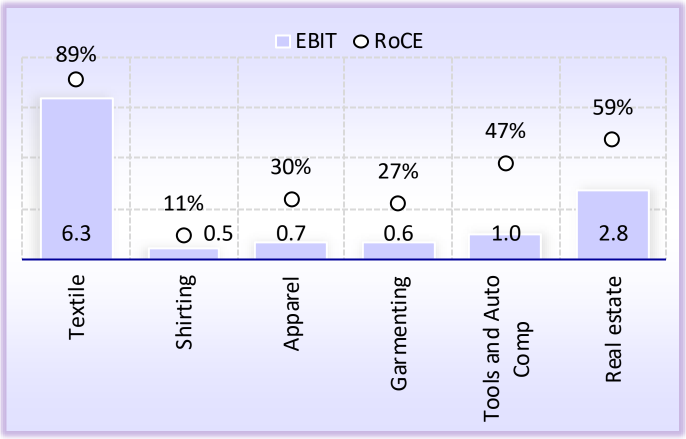
Real estate revenue to clock a 17% CAGR over FY23-26



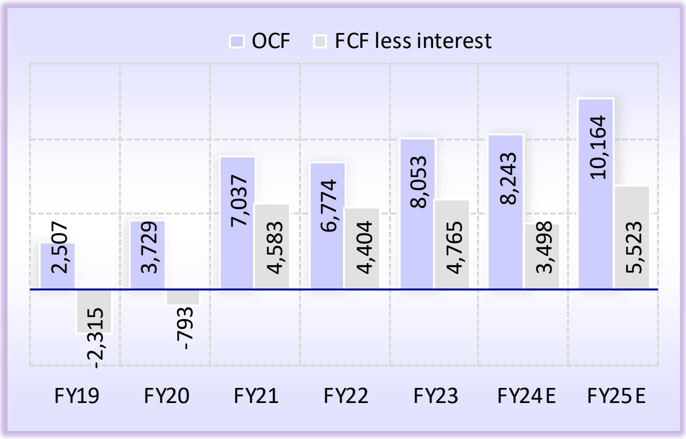
Margin to sustain at 25%+ with a gradual increase by FY26



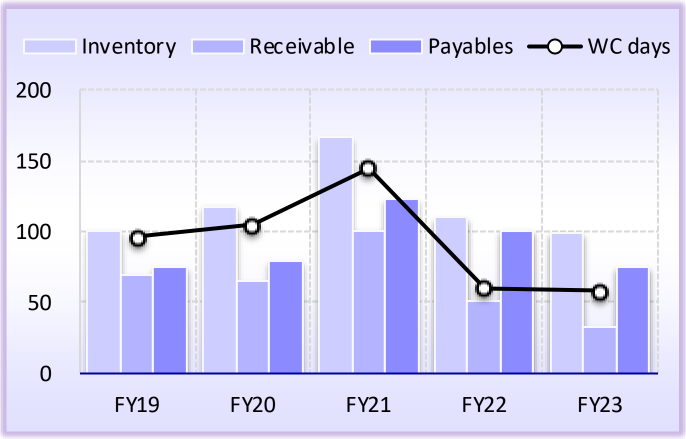
Segment-wise EBIT and RoCE – FY23



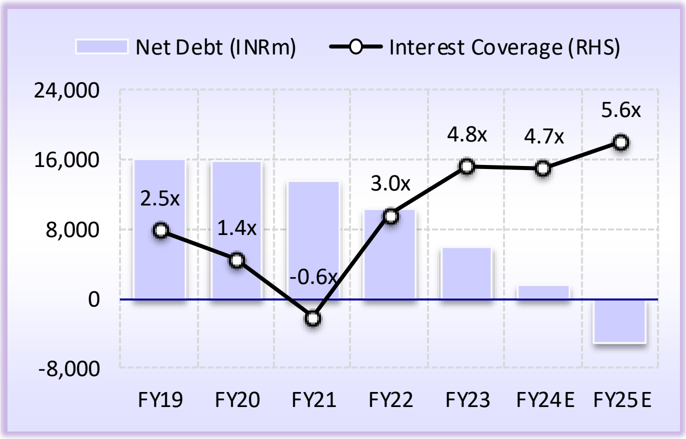
Expect increase in FCF, led by EBITDA, efficient WC management, and an asset-light approach



WC days improved



Expect the company to become net cash by FY25



*Raymond Group is net cash by INR16b post FMCG sale

Segment wise valuation

Segment	Lifestyle		Real estate/ others		Consol	
INR m	FY23	FY25	FY23	FY25	FY23	FY25
Revenue	**65,540**	**80,341**	**19,797**	**24,125**	**82,147**	**99,619**
EBITDA	7,890	9,488	4,104	5,160	11,994	14,648
PAT	**3,132**	**6,297**	**3,070**	**3,860**	**6,287**	**8,885**
EV	1,11,035	1,11,035	31,262	31,262	1,42,298	1,42,298
Market cap	96,147	96,147	35,262	35,262	1,31,409	1,31,409
PE Ratio	30.7x	15.3x	11.5x	9.1x	20.9x	14.8x
EV/EBITDA multiple	14.1x	11.7x	7.6x	6.1x	11.9x	9.7x

Rejuvenating the group

Five marquee brands – Raymond, Park Avenue, Color Plus, Parx and Ethnix

Raymond is among the oldest apparel brands in India, resonating with consumers seeking premium clothing. The company operates within two distinct segments: The Branded fabric business, offering suiting and shirting fabrics under the Raymond brand and the Branded apparel business, encompassing five marquee brands – Raymond, Park Avenue, Color Plus, Parx and Ethnix. Despite strong brand recognition, its portfolio remains significantly underpenetrated in the market compared to its peers.

In the last few years, the company has rejuvenated its position with strong efforts in four key areas:

A

Professionalizing and strengthening the senior leadership team across the management tiers

B

Investing in technology advancements and bringing balance sheet discipline by reducing net debt by >60% over the last three to four years and also NWC days from 110days to 69 days

C

Restructuring the group by selling FMCG biz and announcing the demerger of its lifestyle business

D

Leveraging the brand and scale in each category and investing in technology to drive the quality of growth; these efforts are expected to reinvigorate growth.

Strengthening the leadership team

- In the last three years, Raymond has undertaken a significant drive to professionalize and reinforce its board and senior management. These efforts have been extended to bolstering the second tier of business leadership as well. It has appointed Mr. Sunil Kataria – the new CEO, Lifestyle, who is ex Godrej Consumer. He has come with a clear focus and mandate to a.) Revive growth in the company, b.) Strengthen the systems and processes and governance structures to improve the pace of decision-making and reinvigorate the growth orientation of the company.
- Similarly, the second-level leadership team is also being strengthened for the Apparel segment. New members, including brand heads, the supply chain lead, and other vertical heads, have joined to further enhance the team's capabilities.

Exhibit 1: Leadership Team - Majority of the personnel joined post 2020

Name	Designation	Joined Raymond in	Total experience	Prior companies worked
Sunil Kataria	CEO-Lifestyle	2022	27 years	❖ Ex- Godrej Consumer Products
Dhruva Singh Chauhan	CBO- Suitings	2021	26 years	❖ Ex- Grasim Textiles , Reliance Textiles, Morarjee Brembana Textiles, Jayashree Textiles
Vikram Mahaldar	CBO- Shirting Business	2022	24 years	❖ Ex- OCM India (MD, CEO) 13 years, Vardhman Textiles Ltd, Raymond Ltd, and Ashima Ltd
Debdeep Sinha	CBO Apparel	2023	31 years	❖ Ex- Reliance Retail, Satyam Computers, RIL, Lloyds Finance Limited, NTPC
Manish Bharati	CBO - Garmenting & International Business	2021	32 years	❖ Ex- Ultima Italia / Bhartiya International, Li & Fung, Busana Apparel group
Bidyut Bhanjdeo	CBO Ethnix	2014	28 years	❖ Ex- Raymond (Apparels), Vardhman , Godfrey Phillips, General Mills
Vinod Salvi	CBO- Homes	2023	23 years	❖ Ex- GCPL, Aditya Birla Financial services, RCC, Sesa Care Pvt Ltd
Harmohan Sahni	CEO-Reality	2021	28 years	❖ Ex- ECL Finance Gcorp Developers
Jatin Khanna	Head – Corporate Development	2021	23 years	❖ Ex- Max Financial Services
Amit Agrawal	Group CFO	2020	32 years	❖ Ex- JSW, Jet Airways, Essar Group

* All retail department heads will report to Mr Sunil Kataria; Source: Company, MOFSL

Strengthening leadership team, systems and processes

Strengthening systems and processes

- In order to build a robust system with swift turnaround, crucial in the realm of fashion, the strategy involves upgrading the SAP framework through the integration of the S/4HANA project module across the Retail, Textile, and Garmenting sectors. This endeavor, conducted in collaboration with IBM, is likely to be completed in the next 18-24 months. This could greatly amplify enterprise modules such as B&M, production planning, and vendor management. Furthermore, it aims to streamline and automate various operational processes.
- It has migrated from the previous POS system to the advanced Dynamic 365 POS across all 1,400 of its stores by 1QFY24. This transition enables the acquisition of real-time data and facilitates comprehensive analysis of information sourced from the company's diverse array of stores. Moreover, this data has been integrated into its supply chain.
- The company has implemented the above system to improve the OTIF across supply chain to track inventory orders and support auto replenishments in retail stores. All these things have helped improve tracking frequency of operational and sales KPIs.
- On the front end, it is setting up an independent e-com and omni-channel team within the business vertical. The company has initiated the process of upgrading its omni-channel system to include the capability of accessing inventory seamlessly across the network, known as "endless isles". This should be fully operational in the next two to three quarters.
- **In summary, these projects are focused on a.) Upgrading the enterprise core, and b.) Establishing multiple omni-channels to integrate supply chain-enabled digital strategies. This should enhance data visibility, driving operating efficiency. Secondly, these advancements should facilitate consumer data analytics, aiding in targeted micro-marketing initiatives toward pricing strategies, sales upgrades, adoption of value-driven initiatives, and resulting in average bill size improvement, among other objectives.**

Net debt reduced from INR16b in FY20 to INR6b in FY23

Driving leaner balance sheet

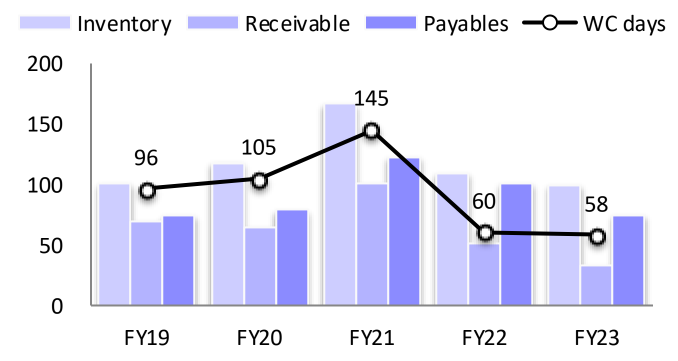
- Similarly, this has instilled a sense of discipline in managing working capital and leverage, resulting in an improvement in the company's liquidity situation. Historically, the receivables for the lifestyle business was extended and this was further increased to over 100 days during the COVID pandemic. Now, it has streamlined gradually to below 60 days.
- The surplus liquidity was utilized to reduce net debt (excluding lease liability), which came down from INR16b to merely INR6b in March'23. Post the FMCG biz sale, the group became net cash. The management is now conscious of the rational approach toward capex, and therefore, plans to drive the lifestyle business expansion on the franchisee model.

Exhibit 2: Debt internal position

Debt	INR m
External gross debt as of FY23	21,275
add: company will issue NCD to RCCL	17,000
less: repayment of external debt	(10,290)
Gross debt position	27,985
--Internal debt (to RCCL)	17,000
--External debt	10,985

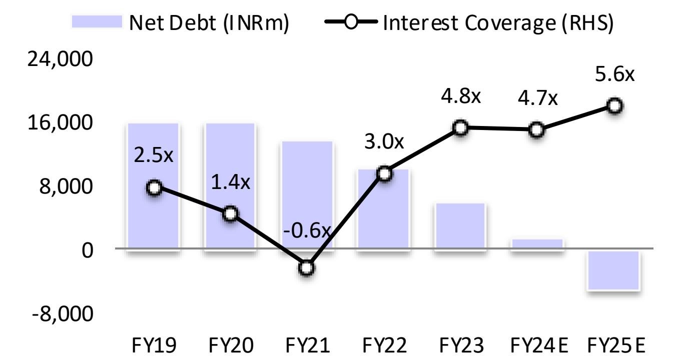
Source: Company, MOFSL

Exhibit 3: WC days improved, led by reduction in receivables and inventory days



Source: Company, MOFSL

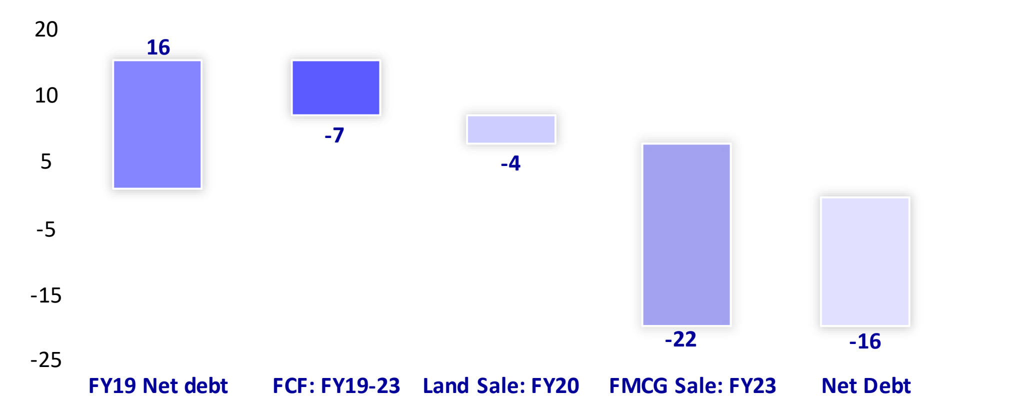
Exhibit 4: Expect the company to become net cash by FY25



*Raymond Group is net cash by INR16b post FMCG sale

Source: Company, MOFSL

Exhibit 5: Debt reduction, led by FCF generation and certain sales (INR b)



Source: Company, MOFSL

Sold FMCG and received a cash amount of INR22b

Restructuring the group by selling FMCG biz and announcing the demerger of lifestyle business

The Raymond group has long been operating as a conglomerate with many unrelated businesses. In April'23, the company made two important decisions -

a.) Raymond Consumer Care Ltd (RCCL), a 49% associate company, sold its FMCG business to Godrej Consumer Products Ltd (GCPL) for INR28.3b. The entity was majorly owned by the promoter. Consequently, upon sale, the promoter deployed the entire proceeds toward the Lifestyle business, valuing it at INR1500. Subsequently, the company received a cash amount of INR22b (net of tax). The injection of funds is anticipated to elevate the company's net cash position to INR16b presently.

b.) Furthermore, the company announced its plan to demerge the Lifestyle business into RCCL. This strategic decision aims to establish a listed entity solely concentrated on B2C-focused Lifestyle Business, characterized by a net cash status. Simultaneously, the Realty Business will remain a part of listed entity, along with investments in Engineering and Denim businesses. These actions are set to simplify the company's operational structure, addressing a long-standing complexity. Secondly, the separation is expected to strengthen the company's balance sheet, thereby enhancing growth opportunities.

Exhibit 6: FMCG business sold at 4.5x

Particulars	INR m
Cash from selling FMCG vertical	28,250
FMCG Sales - FY23	6,220
EV to Sales (x)	4.5

Source: Company data, MOFSL

Exhibit 7: Amount infused by Promoters and company (INR b)

Shareholders of RCCL	%	Recd from FMCG sale	Infused in Raymond
Promoter	49.7	13.5	11.0
Raymond ltd	47.7	13.0	11.0
Public	2.7	0.7	0.0
Total		27.3	22.0
Net debt			-6.0
Cash surplus			16.0

Source: Company data, MOFSL

Two pure-play Listed Entities

1. **Lifestyle and Real estate business** - The apparel-related businesses will be demerged into a separate entity – RCCL, while Raymond Ltd will be a pure play real-estate and engineering company. Both the companies will be listed entities with significant liquidity surplus (Raymond Group has INR16b cash) for growth.
2. **Swap ratio 4:5** - Post the demerger, there is a change in the shareholding structure. Each shareholder of Raymond Ltd will receive four shares of RCCL for every five shares they currently hold.

Exhibit 8: Promoter fund infusion in RCCL

Particulars	INR m
Amount infused by promoters	~11,000
No of shares issued to promoters (m)	7.3
RCCL business value	~91,763
Per share value (INR)	~1,500

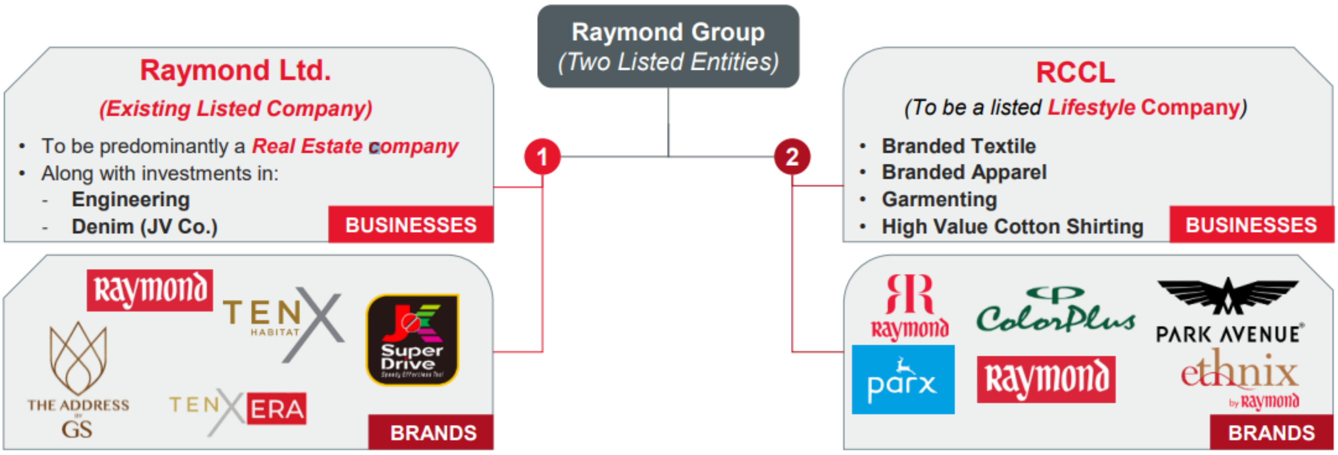
Source: Company data, MOFSL

Exhibit 9: Amount infused by Promoters and company at 4:5 ratio (m)

RCCL shareholding	Pre-Deal Shares	New shares	SH (%)
Raymond Ltd	66.6	60.6	99
Promoters	32.7	26.2	43
-New shares in RCCL to promoters	NA	7.3	12
-Public (Raymond)	33.9	27.1	45
Public (RCCL)	0.4	0.4	1
Total		60.9	100

Source: Company data, MOFSL

Exhibit 10: Demerger of Lifestyle Business - Two pure-play listed net debt free companies



Source: Company, MOFSL

Multiple growth levers in place

Focusing on branded apparel, branded textiles and garmenting

Raymond possesses a portfolio of well-recognized brands. We see a clear strategy to unlock the full potential of these brands, signifying its commitment to focused growth.

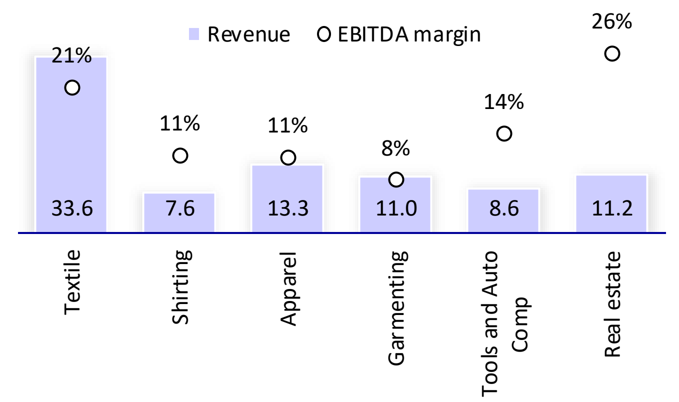
a) Overhaul of the **branded apparel segment**, which includes downsizing the loss-making EBOs and closing down its unprofitable MBO operations. At a revenue base of INR13b (16% of revenue), it can now register a CAGR of 20% by adding 150 EBOs annually (currently, at merely 311 stores) with focus on capex-light franchisee model for Raymond, Park Avenue, ColorPlus, Ethnix; product category extension like Park Avenue casual and athleisure wear.

b) The cash cow **branded textile business** is expected to register a CAGR of 7% over FY23-27. This growth is anticipated to be driven primarily by the shirting segment, which is expected to see steady growth with increased emphasis on innovative designs.

c) The **garment segment** holds a strategic advantage with China+1 strategy. This approach aligns with the preferences of leading apparel brands seeking to diversify their supply chains. Leveraging its existing relationships, the company aims to achieve a 10% revenue growth target. This growth is expected to be supported by new capacity expansion.

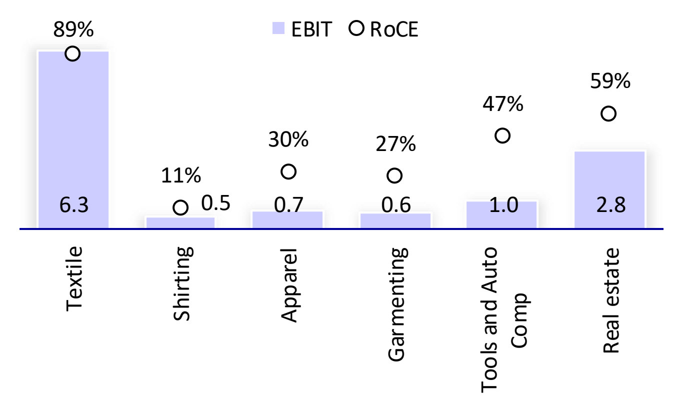
In the past, the company has faced challenges as consumer preferences shifted toward the ready-to-wear segment, while a significant portion of its business was centered around fabrics. The company is now focusing on both a.) branded apparel, which has four marquee brands and b.) Branded Fabric, which has seen moderate growth.

Exhibit 11: Segment-wise revenue and margins – FY23



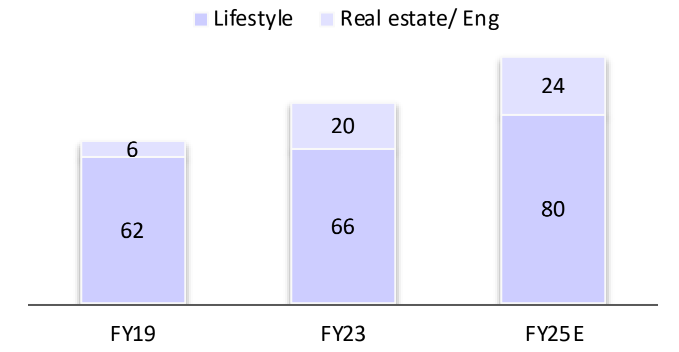
Source: Company, MOFSL

Exhibit 12: Segment-wise EBIT and RoCE – FY23



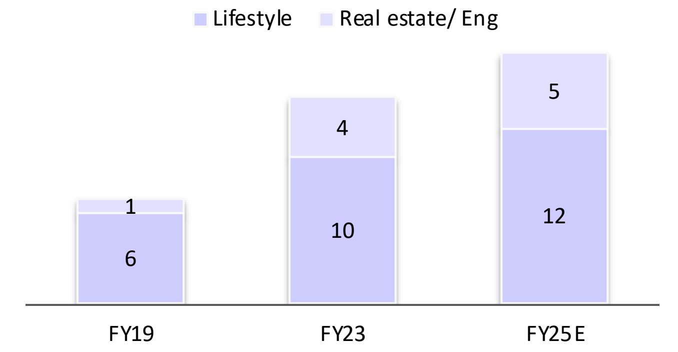
Source: Company, MOFSL

Exhibit 13: Revenue mix of the segments



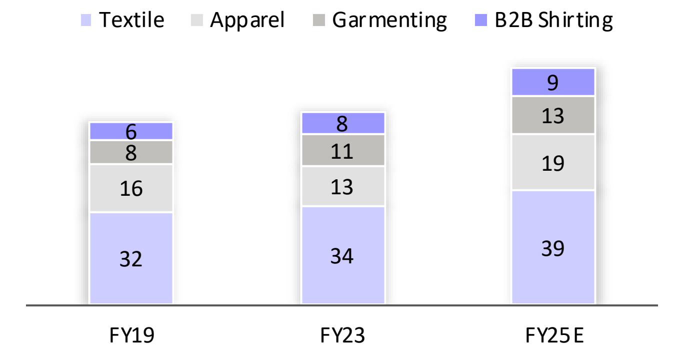
Source: Company data, MOFSL

Exhibit 14: EBITDA mix of the segments



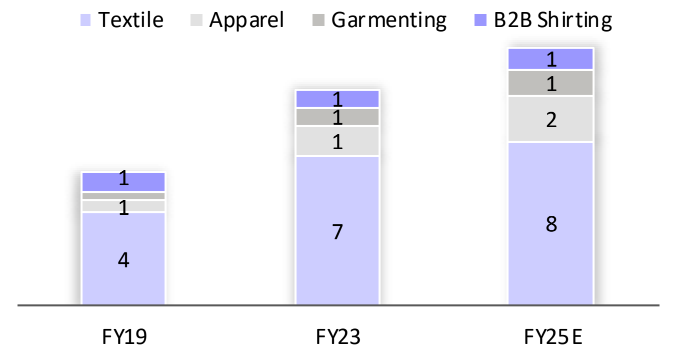
Source: Company data, MOFSL

Exhibit 15: Revenue mix inclining toward Apparel



Source: Company data, MOFSL

Exhibit 16: EBITDA mix inclining toward Apparel

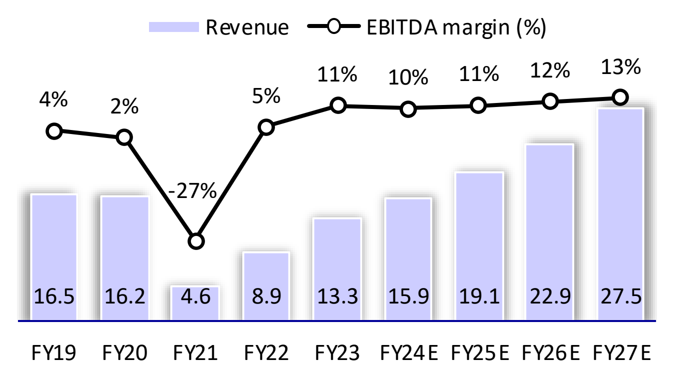


Source: Company data, MOFSL

Branded Apparel segment to drive strong EBO-led growth

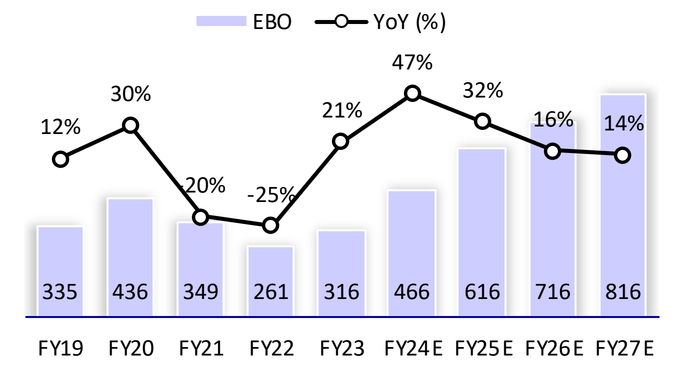
Raymond has a portfolio of four existing strong brands (Park Avenue (PA), Raymond (RRTW), Colorplus (CP) and Parx) and started with an Indian wear brand called 'Ethnix'. Despite the strength of the brands, the company currently operates only 311 stores, indicating under penetration compared to peers. Over the last five years, revenue from branded apparel has remained stagnant due to a) slow expansion of own retail footprints, b) limited product portfolio concentrated on formal wear c.) Dependence on MBO channel.

Exhibit 17: Apparels - Expect revenue to register a CAGR of 20% with 100bp margin improvement every year



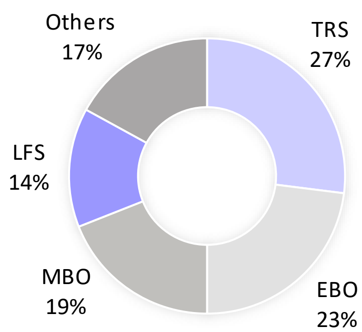
Source: Company data, MOFSL

Exhibit 18: Apparels - Expect EBO to register a CAGR of 27% (500 net store add in FY23-27)



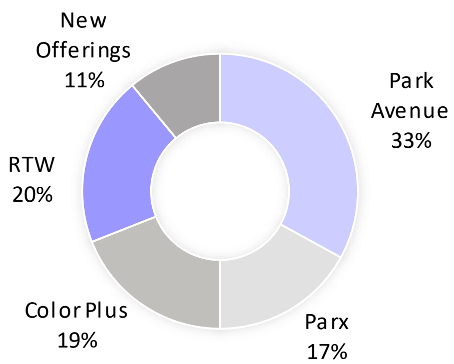
Source: Company data, MOFSL

Exhibit 19: Apparel – distribution network - FY23



Source: Company data, MOFSL

Exhibit 20: Apparel – Brand-wise sales - FY23



Source: Company data, MOFSL

Deepening network, widening product portfolio and aggressive marketing

It is now focusing on three-pronged strategies: a.) Deepening network, b.) Widening product portfolio and c.) Aggressive marketing.

a.) Deepening network: The company is planning to double the footprints to 800 EBOs by FY27 and expects to add 300 EBOs in the next two years, implying 40% CAGR over FY23-25 and 27% CAGR over FY23-27. Given the underpenetrated store counts, we expect that the company's expansion efforts to primarily target Tier 1 and 2 cities. The emphasis will be on consolidating its presence in the top 12 cities to achieve greater density. The EBO-focused brands would be - a) Park Avenue, b) Raymond, c) Colorplus, and d) Ethnix, while Parx will be the MBO/Online format focused brand. These brands are underleveraged since the number of stores stand at merely a) 90 for PA, b) 35 for RRTW, c) 100 for CP, and d) 61 for Ethnix.

Exhibit 21: Brand-wise EBO revenue; no. of stores and productivity (INR m)

Brands	No of Stores	EBO Revenues	Revenue/ store	Store Size	Revenue/ Sqft (INR)
Park Avenue	90	876	9.7	1000	9,736
Color Plus	100	1,135	11.4	900	12,612
RTW	32	398	12.5	1300	9,574
Ethnix	61	550	9.0	1500	6,011
Total	**316**	**3,053**	**9.7**	**991**	**9,752**

*No of stores are of Mar'23; Rev/sqft calculated using EOP stores

Source: Company, MOFSL

b.) Widening product portfolio

In order to create appeal among younger consumers, it plans to widen the portfolio. It plans to add Casuals/ Athleisure/ Sports/ Innerwear portfolio in Park Avenue with new designs to create an all-purpose lifestyle brand. It targets to increase the revenue scale of Park Avenue by increasing the casual wear mix to 25% from 10-12%. Within the Raymond brand, the formal product line will be maintained, while introducing new semi-formal segments such as Bamboo Shirts and Linen products. On the other hand, CP and Parx will continue to concentrate on their existing casual portfolios.

c.) Aggressive marketing: The Company has increased advertisement expenses to increase product awareness. Management plans to spend an additional INR600-800m in advertisement for Branded apparel.

Park Avenue to lead the mantle

It is one of the strongest Raymond brands, accounting for 33% of the Branded Apparel business with a revenue of ~INR4.5b. Despite its strength, it remains highly underpenetrated with only 90 EBOs. It primarily serves the formal wear market, which constitutes 90% of its offerings. It targets to post double-digit growth over the next three to four years, driven by a) channel expansion and b) category expansion.

- **Channel expansion-** The Company plans to expand both EBO and MBO footprints. It plans majority its store adds through an asset-light franchisee-led EBO model. The franchisee gets ~39% margin and makes net ~9% store margin after adjusting for costs. With such a highly underpenetrated network, the focus is to densify the T1 cities and towns.
- **Improving productivity of the stores:** It also plans to increase the product portfolio, streamline old stores, and close loss-making stores to improve the overall EBO network productivity. The expansion of product portfolio includes the introduction of casuals and athleisure categories, both of which have seen strong customer response in recent times.

Exhibit 22: Park Avenue FOFO store economics- Mature stores (+3 years)

INR m	per month	per year	per sqft (INR)
Revenue	1,083	13.0	13,000
Franchisee commission	412	4.9	4,940
less:			
Rent	190	2.3	2,280
Employee	83	1.0	1,000
Other	65	0.8	780
Total expenses	338	4.1	4,060
EBITDA	**73**	**0.9**	**880**
margin	*18%*	*18%*	*18%*
Depreciation	26	0.3	313
PBT	47	0.6	567
less: Tax	12	0.1	142
PAT	**35**	**0.4**	**425**
margin	*9%*	*9%*	*9%*
CFO	**62**	**0.7**	**738**
Capex		2.5	2,500
RoCE		**30%**	

Source: Company, MOFSL

Ethnix by Raymond holds a promise

Although a late entrant in the Indian Men's celebration and ethnic market, Raymond is looking to deepen its network significantly in the segment. Raymond has been a key player in the wedding wear market, but has historically focused on the western wear market. It has now launched Ethnix, which caters to the Men's ethnic wear market – both Celebration as well as casual wear (~7% of revenue). It plans to focus on tech-enabled supply chain infrastructure to manage inventory.

- **Channel expansion-** The company owns 61/75 EBO in FY23/1QFY24 and targets to reach 150 EBOs by FY24 and then add 100 EBOs per annum. Apart from the EBO presence, the Ethnic wear line has established its presence in a) top 100 TRS through SIS, and b) SIS in MBO channels. It targets to establish stores in prominent high street locations and capture a significant market share in the wedding wear segment.
- **Price point and collection-** The company is operating at price points similar to that of Manyavaar. Product pricing ranges from INR18k to INR25k for Sherwanis

and INR12-15k for Indo-western outfits. Similar to other participants in the Indian ethnic wear market, it adheres to a non-discount sales approach.

- **Designing capability-** The company uses its own fabric and also sources a variety of fabrics from various parts of the country such as a) Silk Fabric from Banaras, b) Jakarta from Surat and c) Chikankari work from Lucknow. Designing capability are in-house and manufactured in India.
- **Store economics-** It is following COFO (majority of the case), COCO, and FOFO models for store expansion. Raymond bears the inventory risk across all models, regardless of the operational framework. Operating at 68% gross margin, the store EBITDAM typically stands at ~30% over the long term. This translates to a payback period of 2.5-3 years. Franchisee margins in COFO stores are between 18% and 23%, while FOFO stores exhibit higher margins, falling within the range of 35-38%.

Exhibit 23: Ethnix store economics: COCO; FOFO; COFO (Mature stores of +3 years)

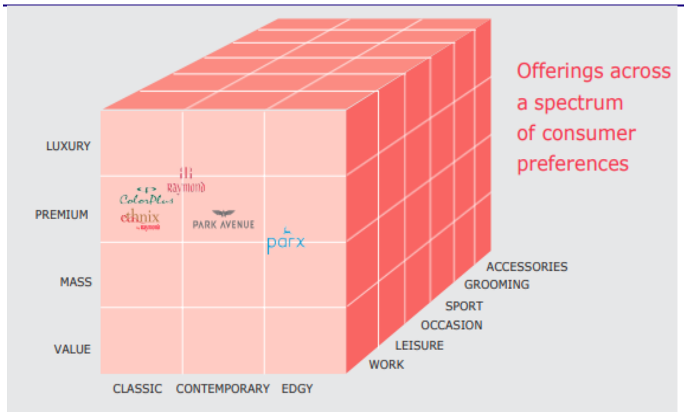
COCO MODEL				FOFO MODEL				COFO MODEL			
INR m	**Per month**	**per year**	**per sqft (INR)**	**INR m**	**per month**	**per year**	**per sqft (INR)**	**INR m**	**per month**	**per year**	**per sqft (INR)**
Revenue	1500	18.0	12000	Revenue	1500	18.0	12000	Revenue	1500	18.0	12000
GP	1020	12.2	8160	Franchisee	570	6.8	4560	Franchisee	285	3.4	2280
less:				less:				less:			
Rent	300	3.6	2400	Rent	300	3.6	2400	Rent	0	0.0	0
Employee	117.5	1.4	940	Employee	98	1.2	780	Employee	98	1.2	780
Other	120	1.4	960	Other	75	0.9	600	Other	75	0.9	600
Total exp.	538	6.5	4300	Total exp.	473	5.7	3780	Total exp.	173	2.1	1380
EBITDA	**483**	**5.8**	**3860**	**EBITDA**	**97.5**	**1.2**	**780**	**EBITDA**	**112.5**	**1.4**	**900**
margin	*32%*	*32%*	*32%*	*margin*	*17%*	*17%*	*17%*	*margin*	*39%*	*39%*	*39%*
Depreciation	42	0.5	333	Depreciation	42	0.5	333	Depreciation	42	0.5	333
PBT	441	5.3	3527	PBT	56	0.7	447	PBT	71	0.9	567
less: Tax	110	1.3	882	less: Tax	14	0.2	112	less: Tax	18	0.2	142
PAT	**331**	**4.0**	**2645**	**PAT**	**42**	**0.5**	**335**	**PAT**	**53**	**0.6**	**425**
margin	*22%*	*22%*	*22%*	*margin*	*7%*	*7%*	*7%*	*margin*	*19%*	*19%*	*19%*
CFO	**372.3**	**4.5**	**2978**	**CFO**	**84**	**1.0**	**668**	**CFO**	**94.8**	**1.1**	**758**
Capex		3.8	2500	Capex		3.8	2500	Capex- SD		3.8	2500
Inventory		3.0		Inventory		0		Inventory		0	
Total Capex		**6.8**		**Total Capex**		**3.8**		**Total Capex**		**3.8**	
RoCE		**66%**		**RoCE**		**27%**		**RoCE**		**30%**	

Source: Company, MOFSL

Other brands (Raymond Ready to Wear, ColorPlus, and Parx)

- **Parx:** In the past, the product design and pricing was enhanced, and therefore, the offtake slowed, possibly because the product become more expensive or underwent changes. It has now sharpened pricing to INR1500-1800, corrected the merchandise, and started selling at full price with good response in the last SS season. The company will be addressing the target customers through online and MBO channel and limiting the EBO channel expansion here.
- **Raymond Ready to wear:** Raymond brand has mostly focused on the fabric business, while the Ready-to-wear category has remained very small with merely INR2.7b revenue and a limited presence of 32 stores. But along with Park Avenue, it plans to expand reach by growing through the EBO model.

Exhibit 24: Apparel – Brand positioning



Source: Company data, MOFSL

Exhibit 25: Apparel- Store

Source: Company data, MOFSL

Branded Fabric – Cash Cow business

Constituting around 40% of Raymond's total revenue and 49% of EBITDA in FY23

- This segment comprises Suiting (79%), Shirting (20%), and MTM (1%). The company holds a dominant position in the Worsted suiting fabric industry, with a market share exceeding 65%. This segment stands out as the primary contributor to both revenue and EBITDA, constituting around 40% of Raymond's total revenue and 49% of Raymond's EBITDA for FY23. On a steady state basis, the segment is generating ~20% EBITDA margin and +30% RoCE. But the segment growth has been slow over the last five years, witnessing a 3% CAGR and that too led by ASP growth (volume growth was almost flat). The slow growth was due to a) formal wear-led focus (not casualization), b) flat footprints expansion in MBO/ Wholesaler channels and c) low productivity in TRS. Overall, we expect the segment to register a CAGR of 7% over FY23-27, driven by premiumization efforts and volume expansion.

Exhibit 26: Textiles – Expect revenue to register a CAGR of 7% and margin to remain at ~20%

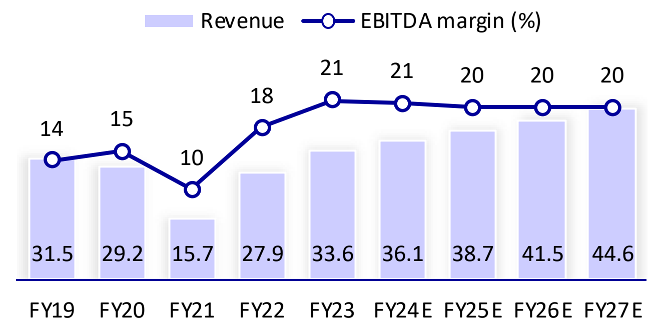
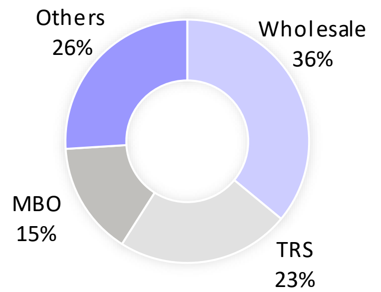


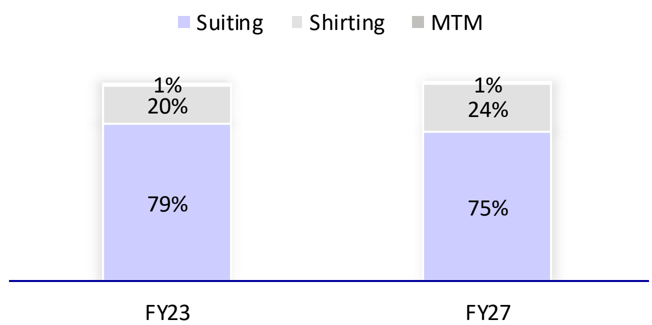
Exhibit 27: Textiles

Exhibit 28: Textiles – distribution network- FY23



Source: Company data, MOFSL

Exhibit 29: Textiles – Shirting to drive growth

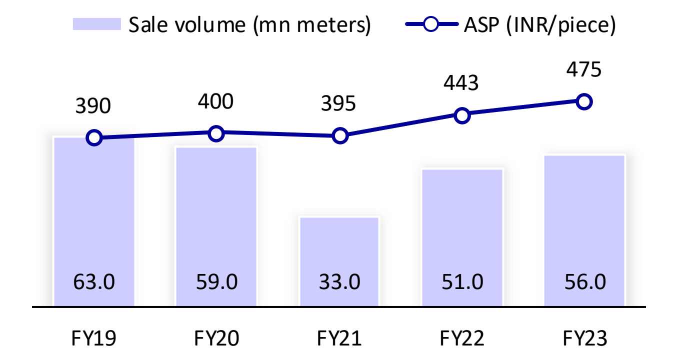


Source: Company data, MOFSL

Suiting Segment: In order to boost sales, the company has taken several strategic steps: a.) Diversified casual portfolio by introducing a range of jackets b) enhanced product mix, with a keen eye on the premium segment (ASP of +INR1.5k per meter); and d) strengthened retail network by adding more retailers to its distribution channels and also increasing the shelf space dedicated to its products. Since it already has a substantial market share in the suiting space, we believe going forward, the growth would be in mid-single digits, led by a combination of pricing increase and volume growth.

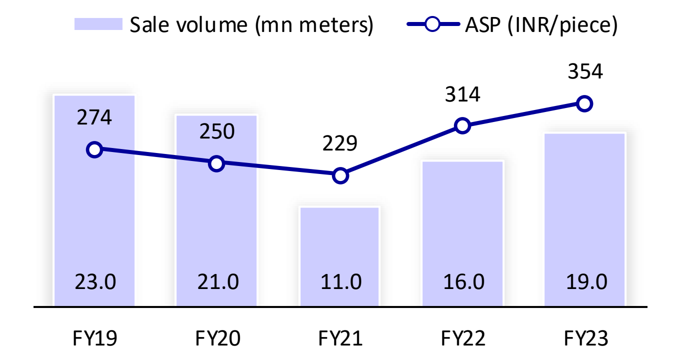
B2C Shirting category: There is ample opportunity to increase market share in the Shirting segment, which has seen modest growth in recent years. The Raymond market share improved to 19% in FY23 from 13% in FY22. The company is focusing on this segment by a) expanding the product range (Linen, etc.), b) emphasizing casualwear within the Shirting segment, and c) maximizing the potential of its stores by incorporating the shirt category. We expect the segment to register a CAGR of 12% over FY23-27.

Exhibit 30: Textiles – Suiting grew by premiumization



Source: Company data, MOFSL

Exhibit 31: Textiles – Shirting grew by premiumization



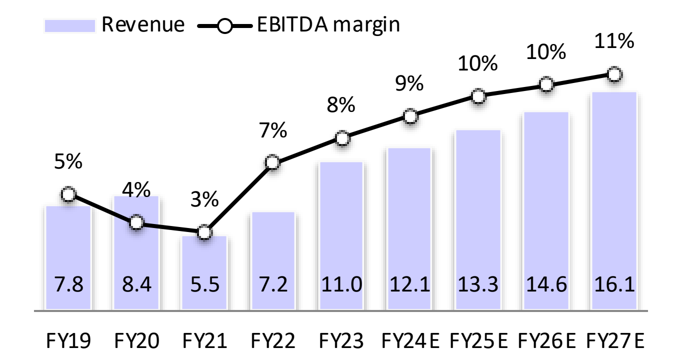
Source: Company data, MOFSL

B2B segments Garmenting and fabric biz - Benefiting from strategic advantage

- This segment contributes 13% of Raymond revenue and 6% of EBITDA (before inter-segment elimination) for FY23. The company has reported 10% revenue CAGR for FY18-23, predominantly attributable to an increase in ASP (~9%) and ~1% growth achieved through increased volumes and enhancements in product composition. EBITDA reported 19% CAGR over FY18-23, led by better productivity and the margins are around 6.5-7.5%.
- The efficient supply chain management and line capacity expansion in Indian and Ethiopian facilities should enable margin expansion, driven by optimization of capacity utilization and the application of operating leverage principles. We expect 10%/19% revenue/EBITDA CAGR over FY23-27.
- **Capacity expansion-** It has five manufacturing units in a) India (four) with 6.3m pieces capacity and b) Ethiopia (one) with 2.2m pieces capacity. The company is investing INR1.8b of capex for installing 19 lines, which generates INR4b of the revenue, i.e., ~2x asset turnover ratio. Assuming EBITDAM of 8.5%, it can generate INR340m incremental EBITDA with 17% incremental RoCE post-tax.

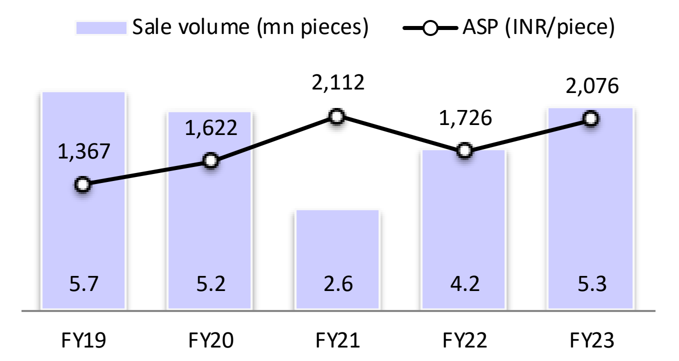
- **Category expansion and better product mix-** The Company is expanding into the Shirting category. By optimizing the product mix, there is a potential for revenue increase of INR2.5b.

Exhibit 32: Garmenting- Expect revenue growth of 10%



Source: Company data, MOFSL

Exhibit 33: Garmenting- Growth largely led by ASPs



Source: Company data, MOFSL

Exhibit 34: Garmenting- Capacity utilization at 62%

Capacity in-	mn pieces
1. India	6.3
2. Ethopia	2.2
Total	8.5
Sales volume	5.3
Capacity utilization	62%

Source: Company data, MOFSL

Exhibit 35: HVCS - Capacity utilization at 78%

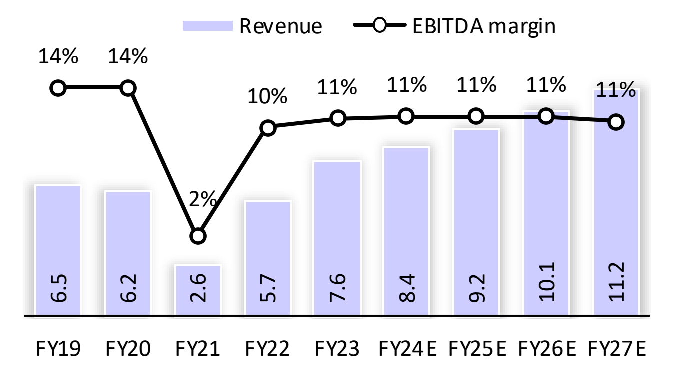
Capacity in-	mn pieces
1. Kolhapur	28.6
2. Amravati	5.3
Total	33.9
Sales volume	26.6
Capacity utilization	78%

Source: Company data, MOFSL

High value cotton shirting:

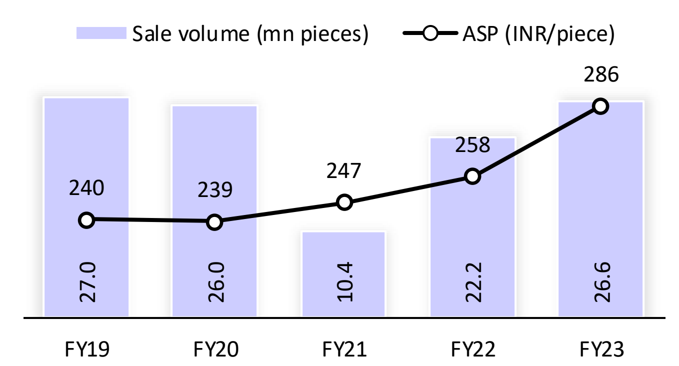
- This segment operates similar to the garmenting business; here, Raymond supplies cotton and linen fabric to domestic and international brands. In the last five years, segment revenue has clocked a 6% CAGR, led by pricing, while the volumes were flat. However, EBITDA clocked an 8% CAGR over FY18-23, led by better productivity and the margins are at around 11%. We expect the segment revenue to grow by around 10%, led by the growth in Apparel business and strategic advantage.

Exhibit 36: B2B Shirting- Expect revenue growth of 10%



Source: Company data, MOFSL

Exhibit 37: B2B Shirting- Growth led by volumes and ASP



Source: Company data, MOFSL

Industry growth to remain robust

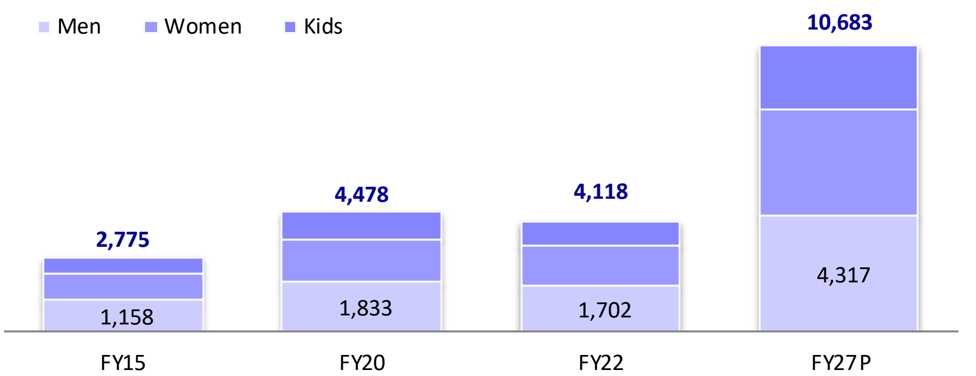
- **The men's western wear market is expected to clock a CAGR of 20.5% from INR1,702b in FY22 to INR4,317b by FY27. The growth is expected to remain broad-based with the formal wear segment expected to register a CAGR of 18% from INR925b to INR2,500 over the same period.**
- **The healthy growth within the men's wear segment is likely to be driven by factors such as a) Positive consumer demographics, b) Transition from Need-based to Lifestyle-based purchase with improved disposable income, c) Multi-channel Retail Outreach and d) Deeper penetration and improved demand within Tier 2 & Tier 3 cities, among others.**

Men's wear category is expected to register 20.5% CAGR to reach INR4.3t by FY27

Indian men's apparel category presents a strong opportunity

The Indian Apparel market size is expected to clock a CAGR of ~21.0% over FY22-27, from INR4,118b (USD 51.5b) to INR10,683b (USD 133.5b). Within this, the men's wear category, which constitutes ~41% of the overall market at INR1,702b, is expected to register a CAGR of 20.5% to reach INR4,317b by FY27.

Exhibit 38: Men's segment to register a CAGR of 20.5% over FY22-27 within the Indian apparel segment (INR b)



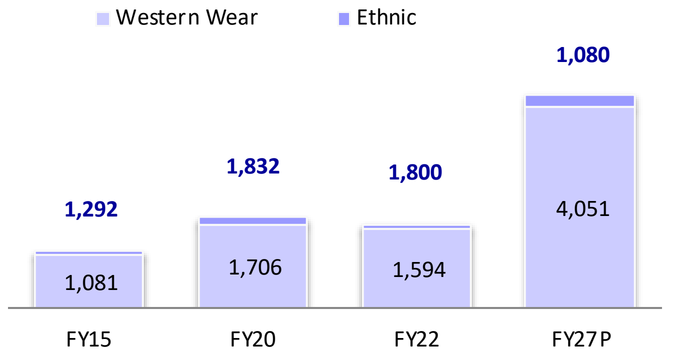
Source: MOFSL, Technopal Analysis

The Indian men's western market, valued at INR1,594b in FY22 (94% of Men's wear) is expected to register a CAGR of 20.5% for the next five years to reach INR4,051b by FY27. The growth is expected to be broad-based across the formal and casual wear category, where the formal wear segment is projected to clock a CAGR of 18%, while the casual wear is expected to register a CAGR of ~22% over FY22-27.

This growth is expected to be on the back of factors such as

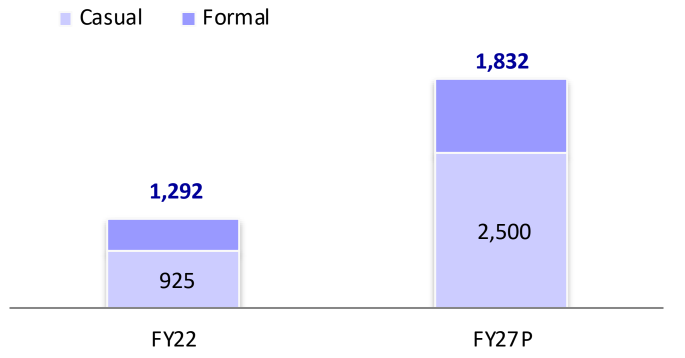
- Positive consumer demographics
- Transition from Need-based to Lifestyle-based purchase with improved disposable income
- Multi-channel Retail Outreach
- Deeper penetration and improved demand within Tier 2 & Tier 3 cities

Exhibit 39: Men's western wear category to register a CAGR of 20% over FY22-25 (INR b)



Source: MOFSL, Technopal Analysis

Exhibit 40: ….with broad-based growth across casual and formal (INR b)



Source: MOFSL, Technopal Analysis

Men's apparel space sees entry of prominent players

With a healthy run-way of growth being witnessed within the space, coupled with a low penetration (45% organized share as on FY22), the men's wear segment has seen entry of various players in the recent times. Unlike earlier, where brands catered to a specific product need such as formal wear, casual wear, and denims, they are now evolving into a comprehensive lifestyle brands that cater to entire wardrobes. For instance, Louis Phillip and Van Heusen, known for their formal wear offerings, now have nearly 50% of its share in the men's non-formal wear segment. It now offers products, including semi-casuals, athleisure, innerwear, accessories, and women's wear.

Raymond's brand reputation, particularly in the suiting and shirting segment, is expected to establish a robust competitive advantage and attract customers, particularly as the market transitions from the unorganized to the organized segment. With merely 316 stores, the company possesses significant growth potential to expand its presence, aligning itself with competitors in the players and capitalizing on economies of scale.

Exhibit 41: Men's western wear category to register a CAGR of 20% over FY22-25 (INR b)

Retail players (INR m)	Revenue	EBITDA Margins (%)	No of EBO/Doors
Lifestyle (ABFRL)	66,080	16.6	3,546
- Retail	33,470	N.A	2,650
Raymond	65,540	15.5	316
Kewal Kiran***	2,354	19.5	356
Arrow**	6,500	2.0	226
USPA**	17,500	11.5	405
Indian Terrain	5,008	12.2	236
Zodiac*	1,267	-14.6	82

*FY22 figures, ** Estimated financials as indicated by mgmt, ***includes only shirts and trouser segment; Source: MOFSL, Company filings

Real Estate: A key focus area and growth engine

Aims to double pre-sales by FY26 | Targets 50-50% contribution from Thane and Non-Thane over four-five years

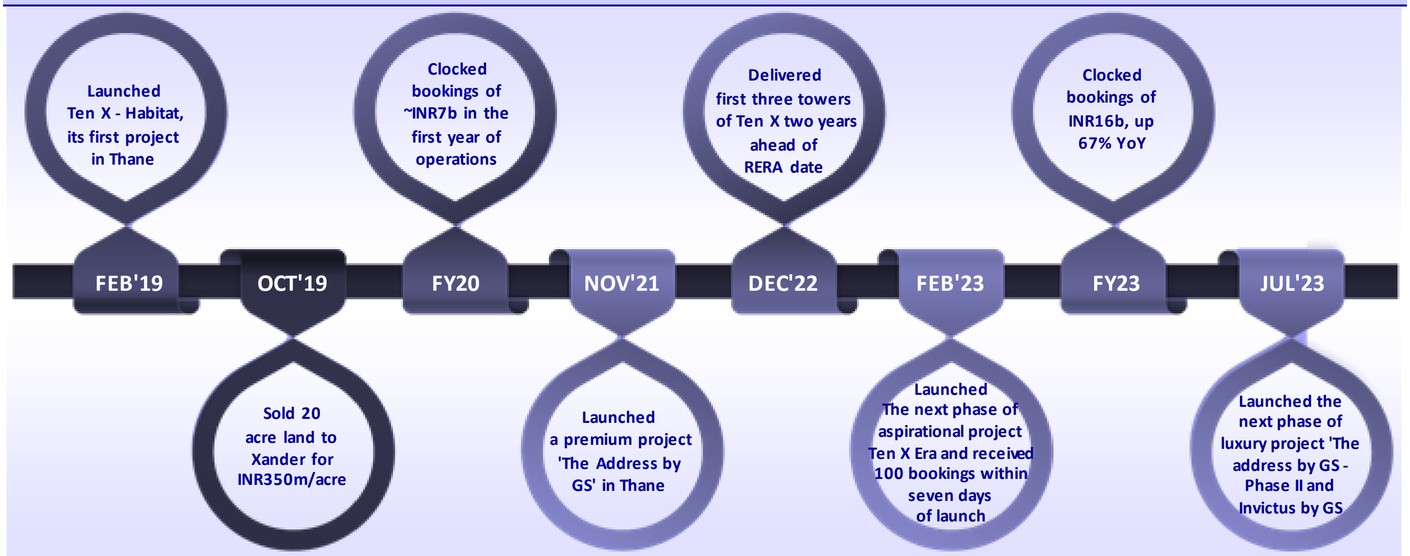
- **Since its launch in FY19, Raymond's real estate vertical has achieved many milestones in sales and execution: 1) cumulative bookings of INR42b, 2) ~70% of launched units already sold out, and 3) 900 units delivered two years ahead of the RERA timeline.**
- **The company's consumer-like multi-brand approach in the real estate business has meant limited cannibalization of products at one location and has led to an increase in its annual pre-sales run rate to INR16b, with each brand contributing INR7-9b of pre-sales.**
- **Raymond's Thane operation is now largely streamlined, with 40acres out of 100acre land already under execution and plans underway to unlock more from the remaining 60acre potential. We expect pre-sales contribution from Thane to further increase to INR20b by FY26 as the company introduced one more high-end luxury brand 'Invictus'.**
- **The management is now focusing on non-Thane markets in MMR. The company has tied up a JDA project in Bandra, which will drive further growth. With its healthy balance sheet, strong cash flow potential, and well-defined capital allocation strategy, the company targets to acquire INR25-30b of new projects every year to achieve its target of doubling its pre-sales to INR35b over the next four-five years, with 50% of pre-sales coming from the non-Thane markets in MMR.**

Creating value through development of ~100acre group land in Thane

Group's 100acre land at Thane is located at well-established residential catchment with social amenities retail malls and office spaces

- Raymond entered the real estate business in Feb'19 as it launched its first residential project on the group's ~100acre land with an aim of creating value through the development of land rather than monetization.
- The land is located at one of the key micro-markets of Pokhran Road, Thane, with a well-established residential catchment due to its connectivity to suburban (Eastern express highway) and national (NH848) highways and upcoming metro services.
- The land is also surrounded by top-ranked (Singhania) schools, hospitals, large malls, and commercial areas, which add to the attractiveness of the location.

Key timelines graphic



Source: Company, MOFSL

Thane is the second largest micro-market among top-7 cities with a steady absorption and comfortable inventory position

Achieved several milestones in a short span of time

- Since the launch in FY19, the company has already taken up 40 acres out of its 100-acre group land under development with a carpet area potential of ~4.0msf.
- It has so far launched ~4,600 units spread across 40 acres of development with ~3.0msf of carpet area. It has already sold ~70% of the launched inventory, leading to a cumulative booking value of INR43b.
- In Dec'22, the company delivered its first three towers, consisting of ~900 units in its project Ten X Habitat within three years of the launch and two years ahead of the schedule.
- With timely delivery, value offering (large club house, loaded amenities, large open area) and superior construction quality, the company has created a niche for itself in a healthy supply market.

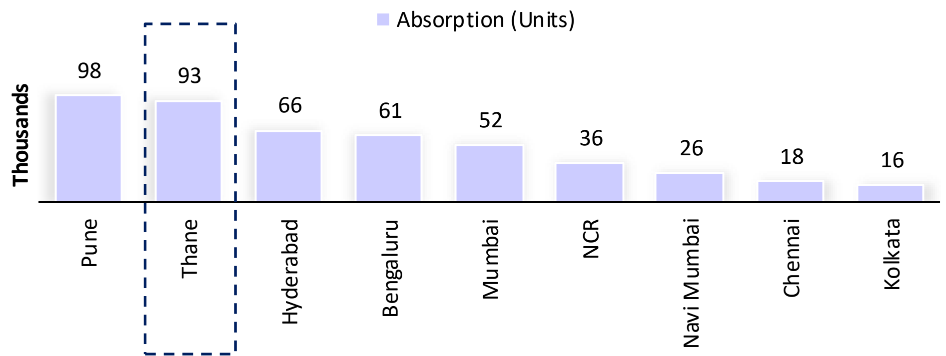
Key milestones graphic

Source: Company, MOFSL

Exposure to second largest micro-market among top-7 cities….

- As highlighted earlier, the availability of the vast 100-acre land in one of the country's largest micro-markets is the key advantage for the company.
- As per industry sources, Thane is the second largest micro-market in terms of absorption (CY22) after Pune and surprisingly it clocks higher sales than the island city of Mumbai.

Exhibit 42: Thane is the second largest micro-market among top-7 cities

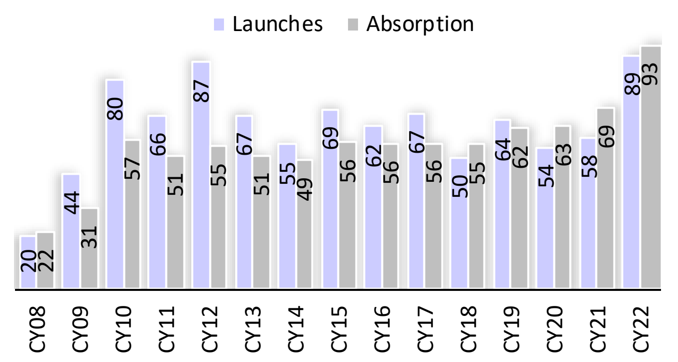


Source: Industry data, MOSL

…. with a steady absorption trend and declining inventory

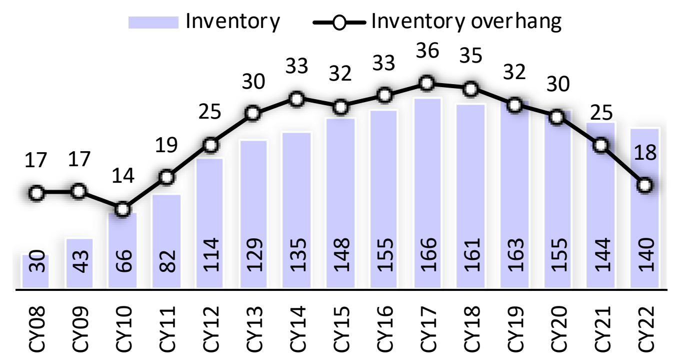
- Over CY10-20, the Thane micro-market saw a steady residential absorption of 50,000-60,000 units, and the absorption has increased to 93,000 units in CY23, the highest ever.
- While supply exceeded demand during CY10-19, it has been under control for the last three years, allowing inventory to decline to a comfortable level.
- At ~140,000 units, Thane has the highest inventory in the top-7 micro-markets in India and it accounts for 19% of total inventory. However, a healthy absorption means that the overhang is just 18 months, which is not a concern.

Exhibit 43: Thane has seen steady absorption in last decade



Source: Industry data, MOSL

Exhibit 44: Inventory overhang eases to 18 months

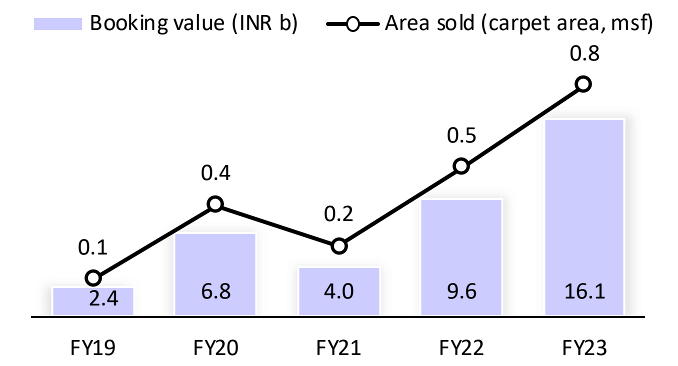


Source: Industry data, MOSL

Scaling up sales velocity through diversified product offerings

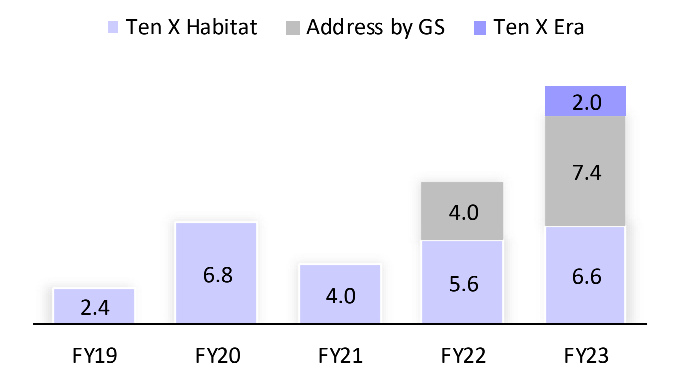
- Raymond clocked bookings of ~INR7b in the first full year of operations in FY20, which increased to INR16b in FY23, registering a CAGR of 33%.
- Operations commenced with the launch of a mid-income project offering 1-2BHK units. The company gradually expanded into aspirational luxury and premium projects with the launch of two more phases on its 100-acre land parcel.
- This multi-brand approach meant limited cannibalization of product offerings, resulting in higher sales velocity in the same location.

Exhibit 45: Pre-sales run rate has scaled up to INR16b



Source: Company, MOFSL

Exhibit 46: With each brand contributing INR7-9b of pre-sale



Source: Company, MOFSL

Raymond offers aspirational luxury, premium, and high-end premium brand at Thane

Aspirational luxury, premium, high-end premium offerings under one roof

- Taking forward the legacy of its lifestyle business, the company has also adopted a multi-brand approach in its real estate vertical and diversified its product offerings with aspirational luxury and high-end premium products available under one roof.
- **Ten X –** It is an aspirational luxury brand that was launched with 1BHK-2BHK units in its first phase 'Habitat'. The company now also offers compact 3BHK units in its latest phase 'Era'. It has launched ~4,000 units under the Ten X brand so far, of which, 70% units have been sold out. Ten X clocks an annualized pre-sales run rate of INR9-10b.
- **The Address by GS –** With increasing preference for larger homes, the company launched a premium brand, The Address by GS, in Nov'21, which offers 3-5BHK and above units. With 87% of ~550 units already sold out as of Jun'23, the company launched the second phase, The Address by GS – Season 2, in Jul'23. The company's premium brand clocked pre-sales of INR7.4b in FY23.
- **Invictus –** Raymond has recently launched its third brand, Invictus, which offers 102 spacious 4BHK units with a carpet area of ~2,200-2,400sqft, which is larger than that offered by its The Address by GS brand.

Exhibit 47: Consumer-like multi-brand approach has ensured no cannibalization of products

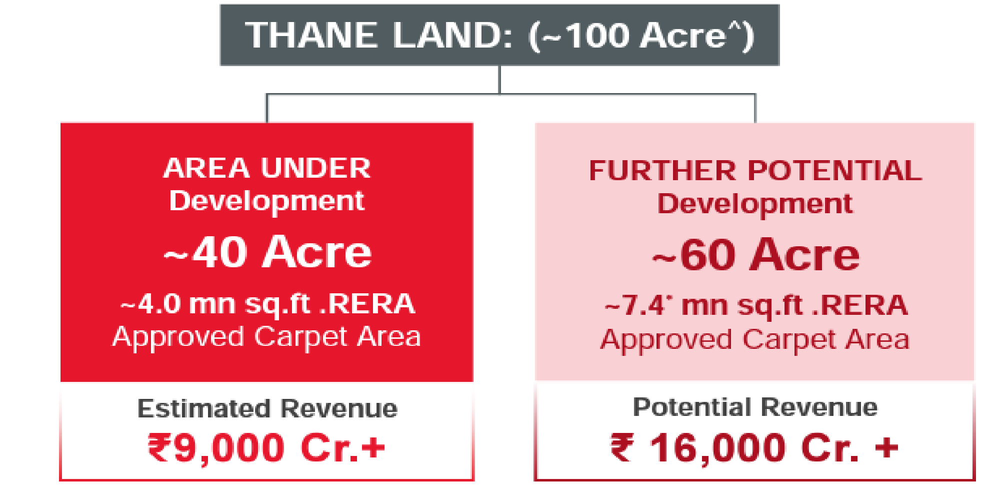
Source: Company, MOSL

Balance 60 acres in Thane indicate 10-12 years of consistent contribution

- The company has adopted a disciplined approach in launching successive phases on its Thane land by keeping 80% sales at the existing project as the threshold for triggering new launch.
- Despite stronger-than-expected absorption run rate, it ensured that the sales traction remained intact with consistent new launches once old inventory was exhausted.
- Currently, the company is planning two years in advance to fully leverage the untapped potential of the remaining 60 acres in Thane, ensuring its readiness for launch when required.
- It will also evaluate a commercial development considering availability, but assets will be built in partnership with a capital partner.

Contribution from the group's Thane land is expected to stabilize at INR15b+

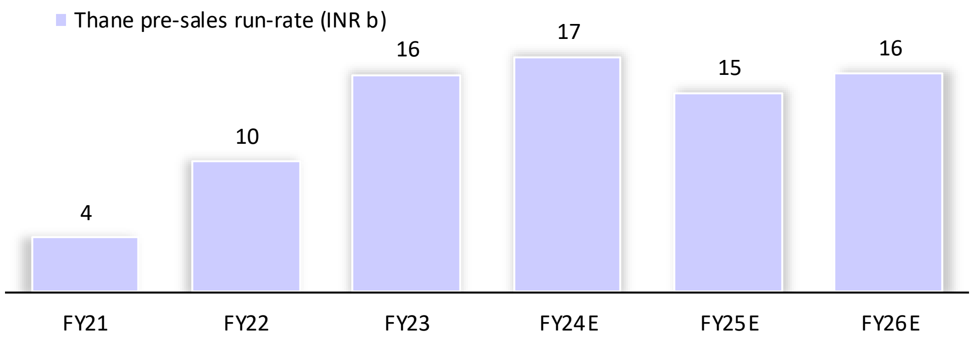
Exhibit 48: The remaining 60 acres of the group's Thane land will be unlocked in the future



Source: Company, MOFSL

- As of Jun'23, the company had balance inventory of INR20-22b from already launched phases at Thane. It launched another phase in Jul'23 with a 1.0msf carpet area and a sales potential of INR24-25b.
- The remaining 60-acre land at Thane is estimated to have a carpet area potential of 7.4msf and a sales potential of over INR160b at the current realization rate.
- The company reported cumulative bookings of INR16b, with two brands (Ten X and The Address by GS) individually clocking INR7-9b of pre-sales. With the addition of another high-end luxury brand, Invictus, we expect pre-sales from Thane to scale up further to INR20b and sustain thereon.
- In the medium term, the company intends to achieve 50% sales from Thane and expects the remaining 50% to come from the non-Thane portfolio, which is going to be a key growth driver for the company's real estate vertical.

Exhibit 49: Raymond expects pre-sales run rate in Thane to sustain at INR15b+



Source: Company, MOSL

Building organizational capability to scale up business

- Raymond's real estate vertical is headed by a dedicated team of professionals, consisting of CEO Harmohan Sahni, COO Sandeep Maheshwari, CFO Ankur Jindal, and Chief Sales and Marketing Officer Vishal Sharma.

- Over the last two years, the employee count has increased to 250 from 60-70 and is expected to reach 400 by year end. It also has a separate team for business development.
- For designing and contracting, the company has partnered with experienced professionals like Hafeez Contractor and Capacite Infraprojects, respectively.

Management profile of real estate vertical

Harmohan Sahni, Chief Executive Officer

- Harmohan Sahni has an experience of 29 years in real estate and core sectors. His previous two stints were at ECL Finance Limited (Edelweiss Group) and GCorp Developers Pvt. Ltd. He has rich and versatile expertise with luxury and affordable housing, and commercial and retail properties. He is a Chartered Accountant by profession.

Sandeep Maheshwari, Chief Operating Officer

- Sandeep Maheshwari, an Engineer and MBA by qualification, has been associated with Raymond group for 32+ years, playing a pivotal role in delivering projects for the group, including state-of-the-art manufacturing plants, housing & its infrastructure, schools and offices. As COO of Raymond Realty, he manages operations from start to end, including operation Strategies, Regulatory Affairs & Statutory Approvals, Design, Procurement & Contracting, Quality & Safety and Environment Management.

Ankur Jindal, Chief Financial officer

- Ankur Jindal has a career spanning 24 years across real estate, automotive, and IT. After a decade-long stint at L&T, he joined Raymond in 2017. During his career, he has successfully handled the development of various projects like shopping malls, five-star hotels, and commercial and residential spaces.

Vishal Sharma, Chief Sales & Marketing officer

- In his 21 years long career, he has worked across industries such as real estate, aviation and media, while overseeing multiple geographies in South Asia.

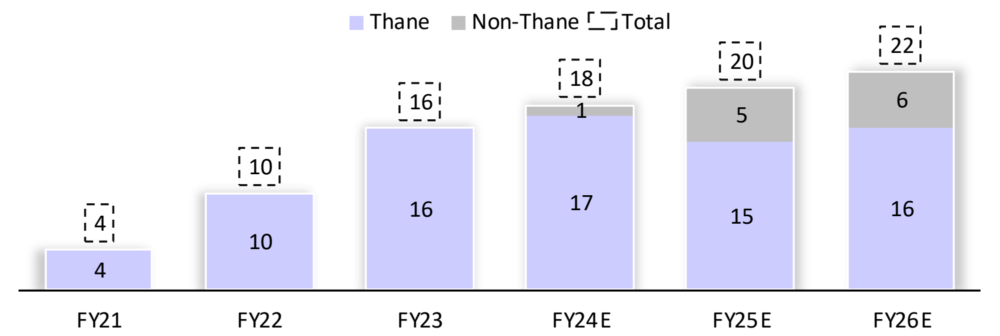
Raymond is focusing on non-Thane markets in MMR to drive further growth and targets to annually add INR25-30b of projects

Targets non-Thane markets in MMR as key growth driver

- In Jan'22, Raymond signed its first JDA redevelopment project in Bandra, in line with its growth strategy to expand its operations beyond Thane. The project has a sales potential of over INR20b and it is expected to be launched in two-three months.
- An additional contribution from the Bandra project will scale up the company's pre-sales to INR20b by FY25. With the company sustaining its full pre-sales potential at the existing location in Thane, the management is now focusing on non-Thane markets to achieve its target of doubling the pre-sales to INR35b over the next three-four years.
- Recognizing a significant opportunity within the MMR, the company has no intentions to expand its operations beyond this geographical area. However, it remains open to evaluating potential deals within various micro-markets,

provided they align with the threshold criteria. The company aims to add three-four new projects every year with a cumulative GDV of INR25-30b.

Exhibit 50: Including contribution from non-Thane projects, pre-sales are expected to reach INR20b by FY25



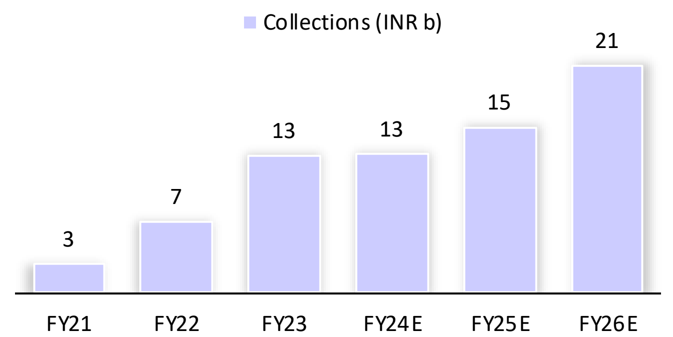
Source: Company, MOSL

With 14b of expected surplus from ongoing projects, the company is expected to generate OCF of INR 3-4b, which should aid new project additions

Healthy balance sheet and cash flows to aid new project investments

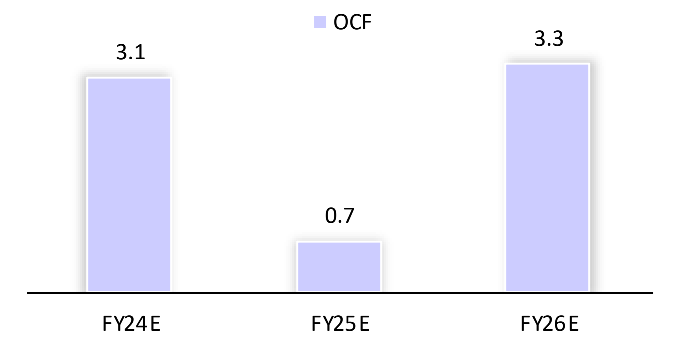
- As per the management, Raymond's real estate vertical currently has INR4b of net cash on its balance sheet.
- Additionally, its ongoing projects in Thane, e.g., Ten X Habitat, The Address by GS and Ten X Era, are expected to generate INR14b of OCF over the next three-four years, leading to an annual run rate of INR3-4b.
- New projects will further boost the annual OCF run rate beyond FY26.

Exhibit 51: Collections expected to rise to INR15b by FY25



Source: Company, MOFSL

Exhibit 52: Company will generate INR3b of OCF annually



Source: Company, MOFSL

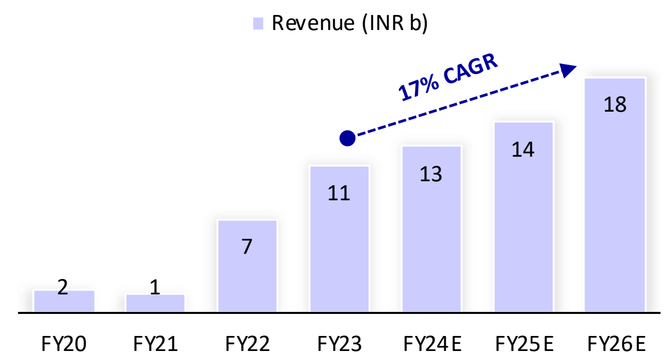
Disciplined capital allocation policy in place for business development

- Despite a healthy balance sheet and cash flows, the management wants to follow a disciplined capital allocation process for new project acquisitions in the real estate vertical.
- It is clearly not looking at outright land acquisitions but prefers to do asset-light JDAs with initial investments of INR1.5-2.0b and peak investments of INR3-3.5b, which indicates that the company can sign at least four deals using its cash balance.
- Any new project opportunities will be considered on the basis of defined profitability and minimum 25% EBITDA margin. An absolute two-fold return on its peak investments could lead to IRR of over 25%.

Real estate vertical to report 17% CAGR in Revenue over FY23-FY26

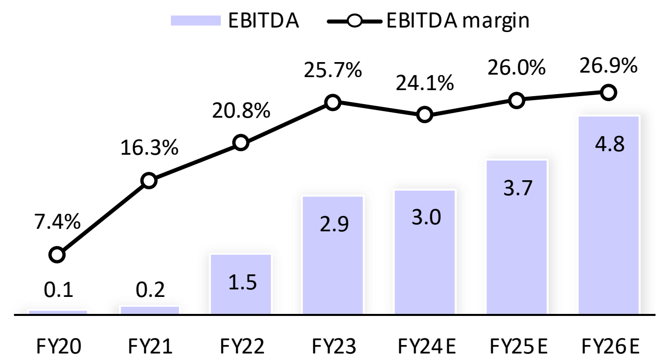
- Revenue from Raymond's real estate vertical increased 58% YoY to INR11b in FY23, while EBITDA nearly doubled to INR3b as margin increased 500bp YoY to 26%. Margin improvement was led by operating leverage as fixed costs were apportioned to higher revenue.
- Important to note that the company recognizes revenue and direct costs of real estate on the basis of the percentage completion method, while overheads related to sales, marketing, and administration are accounted for on an accrual basis.
- As the company makes progress on construction in ongoing and upcoming projects, revenue recognition is expected to increase and will lead to a 17% CAGR in real estate revenue to INR18b by FY26.
- EBITDA margin is expected to decline over the next two years by ~200bp as the company will have higher initial spending on new launches. EBITDA margin will recover to 27% in FY26, leading to a CAGR of 18% in EBITDA to INR5b by FY26.

Exhibit 53: Real estate revenue to clock 17% CAGR over FY23-26



Source: Company, MOFSL

Exhibit 54: Margin to sustain at 25%+ with gradual increase by FY26



Source: Company, MOFSL

Valuation

- Raymond has established itself as key player in Thane market and is now aiming to diversify its presence across different markets in MMR
- Company has already signed up for one project in Bandra, it is aiming to add more projects in non-Thane markets. A healthy balance sheet and resilient cash flows provide Raymond with the financial flexibility to be aggressive on project additions.
- Further, the management's well-defined capital allocation strategy, coupled with a huge opportunity size, provide better growth visibility. While NPV of the existing project pipeline is estimated at INR20b, we believe the company's focused business development strategy will lead to additional growth, hence warranting a premium over NPV
- The real estate business at FY25E EV/EBITDA of 5x on embedded EBITDA assuming pre-sales of INR20b and 25% EBITDA margin, and arrives at a valuation of INR25b, with a per share value of INR380.

Driving leaner balance sheet

Margin trajectory likely to improve

Raymond's EBITDA margin has improved by 6.6pp over FY20-23 on the back of cost savings and price increases to the tune of 7-9%. Going forward, we expect the overall EBITDA margin to reach 15% in FY27 vs 14.6% in FY23E. This is on the back of

a.) Margin improvement in the branded apparel segment by 210bp over FY23-27E, given the scale and discipline.

b.) Similarly, the garment segment should see margin improvement, driven by margin-accretive Ethiopia capacity.

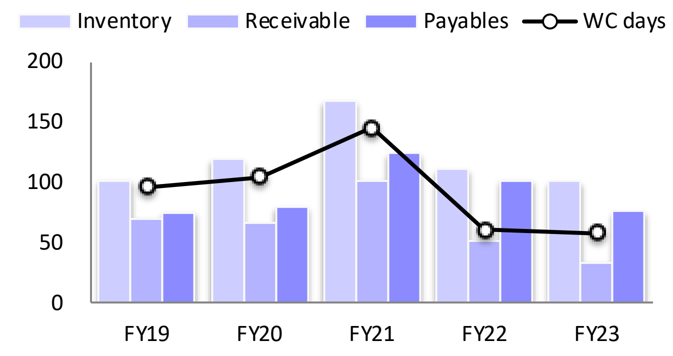
c.) the Branded textiles segment should maintain its margin as the margin dilution in the low margin Shirting segment should be offset by the premium suiting segment and operating leverage.

WC improved; net cash free at Group level

WC improvement

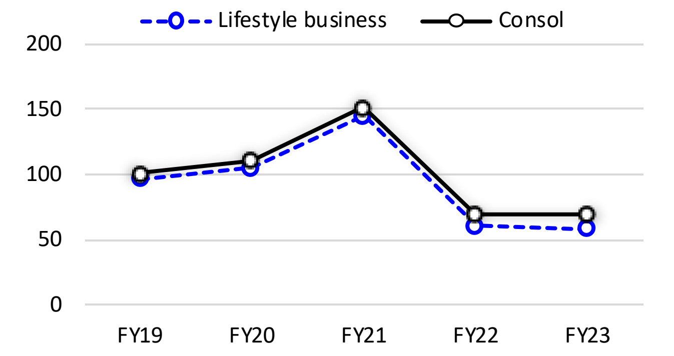
The company has successfully reduced its working capital days from 110 in FY20 to 69 in FY23 owing to a reduction in receivable days, efficient inventory management and efficient production turnover. Receivable days declined from 65 in FY20 to 33 in FY23, due to strict collection policies throughout its dealer and franchisee network. While inventory days have come down from 124 in FY20 to 111 in FY23, led by both Lifestyle and engineering inventory.

Exhibit 55: WC days improved, led by reduction in receivable and inventory days



Source: Company, MOFSL

Exhibit 56: Lifestyle segment WC days



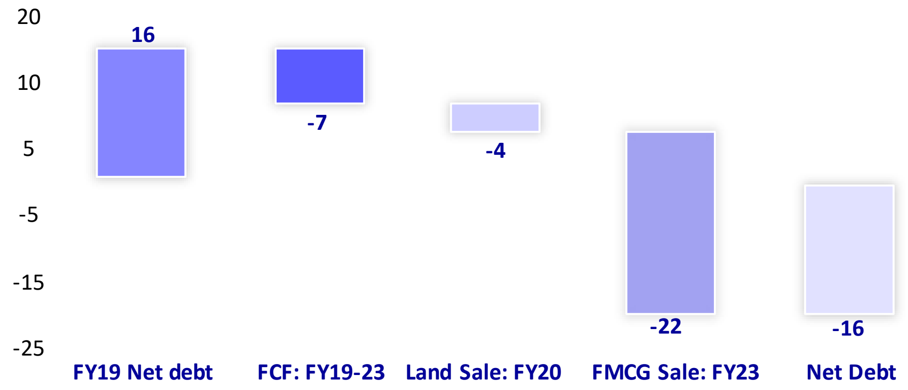
Source: Company, MOFSL

Bringing balance sheet discipline

Historically, Raymond's key concern has been its weak balance sheet, which has adversely impacted its growth potential. In the last two to three years, it has focused on cost optimization and effective working capital management, leading to FCF generation.

- It has generated INR7b FCF over FY19-FY23
- Realized INR3.5b from a land sale in Dec'19
- INR28.5b from the sale of its FMCG business with estimated after-tax realization of INR22b in May'23

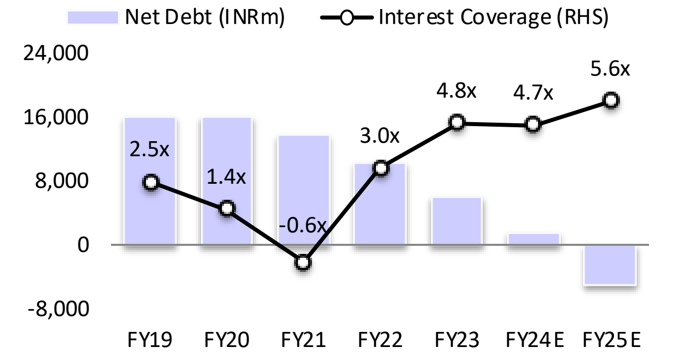
Exhibit 57: Debt reduction, led by FCF generation and certain sales (INR b)



Source: Company, MOFSL

This has helped the company reduce its net debt to INR6b in FY23 from INR16b in FY20. With the FMCG business sale proceeds of INR28.25b (Post tax - INR22b), it has achieved net debt free status at the group level. Going forward, the company plans to do capex judiciously through an asset-light franchisee model with an overall capex of INR1b (funded internally) and grow without bloating WC by ensuring discipline on inventory and receivables.

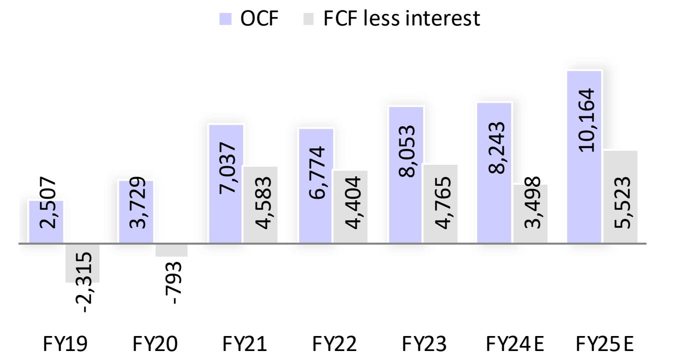
Exhibit 58: Expect Raymond to become net cash by FY25



Raymond Group is net cash by INR16b post FMCG sale

Source: Company, MOFSL

Exhibit 59: Expect increase in FCF, led by EBITDA, optimum WC management, and an asset-light approach



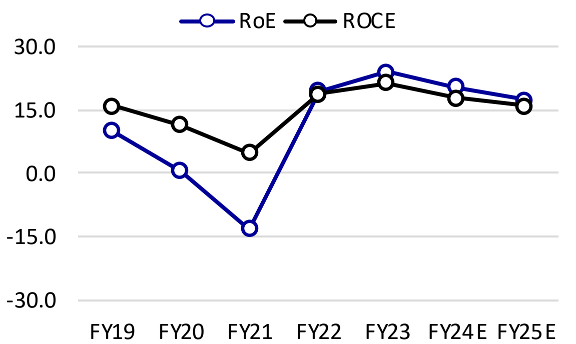
Source: Company, MOFSL

Exhibit 60: Segment-wise CF position in FY24

INRm - FY24 data	Lifestyle	Garmenting	RE & Engineering	Consol
Revenue	72,493	12,104	21,649	89,295
EBITDA	10,985	1,041	4,358	12,931
margin	*15.2%*	*8.6%*	*20.1%*	*14.5%*
less: Working capital	-3,334	-121	1,210	-2,124
days	*50*	*40*		*65*
less: Ind AS adjustments	1,772	0	0	1,772
less: Tax	(2,178)	(206)	(864)	(2,564)
OCF	7,245	714	4,704	10,015
less: capex	(1,200)	(800)	-	(2,000)
FCF	6,045	(86)	4,704	8,015

Source: Company, MOFSL

Exhibit 61: Return ratios



Source: Company, MOFSL

Valuation and view

Historical performance weighs on valuation, trading below peers

Compelling valuations - trading at P/E of 15x and EV/EBITDA of 9x on FY25E

In the last one year, the stock has doubled, yet it is trading at P/E and EV/EBITDA of 15x and 9x on FY25E. This is significantly lower than the valuation of our coverage universe and other retail and discretionary companies valued at ~45-50x on the one-year forward basis.

Lifestyle business

The company has a strong brand affinity, but sluggish execution in the past (volatile PAT growth over FY11-20) has weighed on its valuation. However, as the company continues to exhibit an increasingly positive growth trajectory, characterized by a consolidated revenue/PAT growth of 10/19%, led by 20% CAGR in revenue/EBITDA for the lifestyle business over FY23-25E. Consequently, the company could garner a better valuation.

Strengthening balance sheet warrants better valuation

In the last couple of years, Raymond's improving leverage and working capital, along with EBITDA growth, have led to healthy ROCE in the Lifestyle and real estate businesses. Leaner working capital and net cash position should aid in stronger cash generation. It should garner ROCE of 14-16% in FY24/FY25. This has decreased from FY23 level, due to the sale of FMCG business, which has increased the networth. Adjusting both, ROIC (adjusting cash) for FY24/25 is expect to remain at ~17-18%.

Real estate valuation

Raymond's real estate business has kicked off on both the key parameters, i.e., sales and execution, creating a good brand perception. The company now plans to replicate its success in Thane in the rest of MMR markets. While the company has already signed up for one project in Bandra, it is aiming to add more projects in non-Thane markets. A healthy balance sheet and resilient cash flows provide Raymond with the financial flexibility to be aggressive on project additions. Further, the management's well-defined capital allocation strategy, coupled with a huge opportunity size, provide better growth visibility. While NPV of the existing project pipeline is estimated at INR20b, we believe the company's focused business development strategy will lead to additional growth, hence warranting a premium over NPV.

SOTP based valuation

- In our SOTP-based model, the Lifestyle business is currently trading at a P/E ratio of 15x. We assign P/E of 22x to the Lifestyle business to arrive at a TP of INR2,070. This implies a 12x EV/EBITDA to the overall Lifestyle business.
- The real estate business at FY25E EV/EBITDA of 5x on embedded EBITDA assuming pre-sales of INR20b and 25% EBITDA margin, and arrives at a valuation of INR25b, with a per share value of INR380
- Engineering business is valued at EV/EBITDA of 7x on FY25E, arriving at a value of INR150/share.
- **The combined value of Real estate, Engineering and Lifestyle business works out INR2,600/share. Subsequently, we initiate coverage on the stock with a BUY rating.**

Exhibit 62: Lifestyle business- Valuation on FY25 (INR m)

INR	FY25E
EBITDA	9,488
PAT	6,297
EPS	95
PE Ratio	22
Per share value	2,070

Source: Company, MOFSL

Exhibit 63: Real estate business- Valuation on FY25 (INR m)

INR m	FY25E
Pre-sales	20,162
Margin	25%
EV/ EBITDA	5.0x
EV= Equity	25,203
No of shares	67
Per share value	380

Source: Company, MOFSL

Exhibit 64: Engineering business - Valuation on FY25 (INR m)

INRm	FY25E
EBITDA	1,418
EV/ EBITDA	7.0x
EV= Equity	9,927
No of shares	67
Per share value	150

Source: Company, MOFSL

Exhibit 65: Valuation on FY25 (INR)

INR	Valuation
Lifestyle Valuation	2,070
Real estate Valuation	380
Engineering Valuation	150
Consol value	2,600
CMP	1,974
Upside	32%

Source: Company, MOFSL

Exhibit 66: Segment wise valuation

Segment	Lifestyle		Real estate/ others		Consol	
INR m	FY23	FY25	FY23	FY25	FY23	FY25
Revenue	**65,540**	**80,341**	**19,797**	**24,125**	**82,147**	**99,619**
EBITDA	7,890	9,488	4,104	5,160	11,994	14,648
PAT	**3,132**	**6,297**	**3,070**	**3,860**	**6,287**	**8,885**
EV	1,11,035	1,11,035	31,262	31,262	1,42,298	1,42,298
Market cap	96,147	96,147	35,262	35,262	1,31,409	1,31,409
PE Ratio	30.7x	15.3x	11.5x	9.1x	20.9x	14.8x
EV/EBITDA multiple	14.1x	11.7x	7.6x	6.1x	11.9x	9.7x

Exhibit 67: Revenue breakup

	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Branded Textile	**31,530**	**29,167**	**15,716**	**27,894**	**33,641**	**36,076**	**38,689**
Growth (%)	8.2	-7.5	-46.1	77.5	20.6	7.2	7.2
% of gross	46.0	43.3	44.7	43.9	40.3	39.4	38.0
Branded Apparel	**16,470**	**16,186**	**4,566**	**8,909**	**13,276**	**15,931**	**19,117**
Growth (%)	15.7	-1.7	-71.8	95.1	49.0	20.0	20.0
% of gross	24.0	24.1	13.0	14.0	15.9	17.4	18.8
Garmenting	**7,790**	**8,432**	**5,491**	**7,250**	**11,003**	**12,104**	**13,314**
Growth (%)	13	8	-35	32	52	10.0	10.0
% of gross	11.4	12.5	15.6	11.4	13.2	13.2	13.1
B2B Shirting	**6,480**	**6,218**	**2,578**	**5,718**	**7,620**	**8,382**	**9,220**
Growth (%)	12.7	-4.0	-58.5	121.8	33.3	10.0	10.0
% of gross	9.5	9.2	7.3	9.0	9.1	9.2	9.1
Real estate	**200**	**1,762**	**1,411**	**7,075**	**11,151**	**12,571**	**14,412**
Growth (%)		780.8	-19.9	401.5	57.6	12.7	14.6
% of gross	0.3	2.6	4.0	11.1	13.4	13.7	14.2
Gross Revenues	**68,503**	**67,290**	**35,177**	**63,476**	**83,376**	**91,502**	**1,01,826**
Inter segment	2,680	2,467	712	1,691	1,229	2,206	2,206
as a % of gross	3.9	3.7	2.0	2.7	1.5	1.5	1.5
Total revenues	**65,823**	**64,824**	**34,465**	**61,785**	**82,147**	**89,295**	**99,619**
Growth QoQ (%)	11.4	-1.5	-46.8	79.3	33.0	8.7	11.6
Growth YoY (%)	11.4	-1.5	-46.8	79.3	33.0	8.7	11.6

Source: Company, MOSL

Exhibit 68: EBITDA breakup

EBITDA Margins	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Branded Textile	**4,350**	**4,353**	**1,638**	**4,918**	**7,026**	**7,396**	**7,738**
Margin (%)	13.8	14.9	10.4	17.6	20.9	20.5	20.0
Mix (%)	59.9	65.0	98.3	55.8	53.0	49.8	46.0
Branded Apparel	**610**	**294**	**(1,251)**	**427**	**1,444**	**1,593**	**2,103**
Margin (%)	3.7	1.8	-27.4	4.8	10.9	10.0	11.0
Mix (%)	8.4	4.4	-75.0	4.8	10.9	10.7	12.5
Garmenting	**401**	**327**	**190**	**474**	**841**	**1,041**	**1,265**
Margin (%)	5.1	3.9	3.5	6.5	7.6	8.6	9.5
Mix (%)	5.5	4.9	11.4	5.4	6.3	7.0	7.5
Shirting	**890**	**854**	**41**	**598**	**852**	**956**	**1,051**
Margin (%)	13.7	13.7	1.6	10.5	11.2	11.4	11.4
Mix (%)	12.3	12.8	2.5	6.8	6.4	6.4	6.2
Real estate		**128**	**220**	**1,469**	**2,873**	**3,032**	**3,742**
Margin (%)		7.3	15.6	20.8	25.8	24.1	26.0
Mix (%)		1.9	13.2	16.7	21.7	20.4	22.2
Total	**7,261**	**6,694**	**1,667**	**8,811**	**13,257**	**14,863**	**16,837**
Gross EBITDA growth (%)	11.1	-7.8	-75.1	428.6	50.5	12.1	13.3
EBITDA margin (on gross, %)	10.6	9.9	4.7	13.9	15.9	16.2	16.5
Elimination	1,493	1,535	2,329	1,700	1,263	1,932	2,189
as a % of EBITDA	20.6	22.9	139.7	19.3	9.5	13.0	13.0
EBITDA	**5,768**	**5,158**	**(662)**	**7,111**	**11,994**	**12,931**	**14,648**
EBITDA margin (on net, %)	8.8	8.0	-1.9	11.5	14.6	14.5	14.7

Source: Company, MOSL

Key risks

- Key risks to our call include: a) rising input costs, b) unexpected attrition in leadership, which could lead to changes in its core strategy, and c) competition from existing players in Apparels.

Branded Textiles

- In the short to medium term, rising input costs and inflationary pressure may hurt demand.
- Due to a lack of formal training prospects and the low social status associated with it, fewer people are pursuing careers in tailoring, which has led to a collapse in the industry.

Branded Apparel

- In the past several years, many brands have grown significantly, whereas Raymond lagged behind its expansion efforts. With growing competition and fashion evolving at a fast pace, it may take some time for Raymond to shorten its product cycle.
- High influx of existing fashion brands could intensify competition through value-based retail formats.

Garmenting and HVCS

- Margin effects could result from changes in foreign exchange rates.
- Intermittent disruptions in the global supply chain and rising freight costs could adversely impact performance.
- Inflationary pressure on cotton prices could affect profit margins.

Real estate

- Elevated interest rates have caused a rise in borrowing costs for potential homebuyers, a factor that could potentially dampen overall demand in the housing market.

ESG, CSR, and diversity

Environment and sustainability initiatives

- In FY23, capital investment in energy conservation equipment stood at INR22.7m for the Vapi plant and INR6m in Jalgaon.
- The Vapi plant is doing rainwater harvesting and saving 60,000 kiloliters of water annually.
- The Kolhapur plant reduced water consumption by recycling generated effluent from 50% to 75%.
- In its denim plant, recovery of backwash & rinsing water from water softening process to reduce the impact of wastewater load at ETP and to reduce the freshwater consumption.
- In Amravati, under the EnMS (Energy management system), different energy conservation projects were implemented, which saved total 78,587 units of power. Above-mentioned initiatives have helped reduce carbon footprints (CO2 emission reduced by 64.44 MT) significantly.

Governance pointers

- The **promoter representation** on the board is moderate — two out of eight directors (25%).
- More than 50% of the board members (five out of eight members) are **independent directors**.
- The board comprised of 7 Directors, 4 of them are Non-Executive Independent Directors (Including One Independent Woman Director), 2 are Non-Executive Directors (Including One Promoter Woman Director) and 1 Executive Promoter Director. Subsequent to year end, one additional Independent Director was appointed, increasing the strength of the board to 8.
- 25% of the board members (two out of eight members) are **women directors**.
- Total remuneration to Mr Gautam Hari Singhania for FY23 was around ~INR160m (~1.5% of employee costs).

CSR initiatives

- Raymond has been trying to enrich the **tailoring ecosystem** through multiple initiatives. Centres are located at Lucknow and Kolkata.
- The CSR Committee is led by Mrs. Nawaz Gautam Singhania.
- The company has incurred losses in FY21 and FY22. Accordingly, average net profit for the last three years was negative. Hence, CSR was not applicable in FY23.
- The Raymond CSR focus areas:
  - Eradicating hunger, poverty and malnutrition; Promotion of healthcare including preventive healthcare; Promotion of education and employment-enhancing vocational skills; Ensuring environmental sustainability and animal welfare including measures for reducing inequalities faced by socially & economically backward groups.

Bull and Bear Case

Bull Case

- ☑ In our Bull Case, we assume a 13% revenue CAGR over FY23-25 vs. 10% in our Base Case. We expect revenue to be driven by Branded Apparel (22% CAGR) and Real estate (14% CAGR).
- ☑ We also expect that high throughput in Branded Apparel will lead to higher EBITDAM. Hence, we build in a 14% Consol EBITDA CAGR vs. 11% in our Base case.
- ☑ Assuming a target multiple of 12x in our Bull Case, we arrive at a TP of INR3,180/share (61% upside) vs. our Base Case TP of INR2,600/share (32% upside), based on FY25E EBITDA.

Bear Case

- ☑ In our Bear Case, we assume a 10% CAGR over FY23-25, led by lower sales in the Lifestyle segment. We expect a 17% CAGR in Branded Apparel and a 5% CAGR in Branded Textiles.
- ☑ With weaker throughput in Branded Apparel, we expect a decline in margins by 200-300bp.
- ☑ Assuming a target multiple of 8x in our Bear Case vs. 10x in our Base Case, we arrive at a Bear Case TP of INR1,765/share (11% downside) vs. our Base Case TP of INR2,600/share (32% upside), based on FY25E EBITDA.

Scenario analysis: Bull case | Base case | Bear case

INR m	Bull			Base			Bear		
Scenario Analysis	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
Revenue	82,147	92,731	1,04,042	82,147	89,295	99,619	82,147	90,789	1,00,124
YoY growth (%)	33	13	12	33	9	12	33	11	10
EBITDA	11,994	13,754	15,677	11,994	12,931	14,648	11,994	11,363	12,584
Margins (%)	14.6	14.8	15.1	14.6	14.5	14.7	14.6	12.5	12.6
EV/ EBITDA (x)			12			10			8
EV			1,88,126			1,50,397			94,383
less: net debt/ (cash)			-23,336			-23,336			-23,336
Equity value			2,11,461			1,73,733			1,17,719
TP			3,180			2,600			1,765
CMP			1,974			1,974			1,974
Return (%)			61			32			-11

Key management personnel

Mr. Gautam Hari Singhania, Chairman and MD

- Mr. Singhania was appointed as a Whole-time Director on the Board of Raymond Ltd in 1990. He was elevated to the position of Chairman & Managing Director in 2000. He has steered the group's aggressive foray into the ready-to-wear apparel segment, men's toiletries, and more recently into the real estate space with the launch of Raymond Realty.

Mr. S L Pokharna, Director

- Mr Pokharna has 40+ years of rich experience in finance, sales, marketing and commercial functions. Earlier he was responsible for the sales and marketing functions in Cement, Engineering, and Textile (including Retail) businesses. Presently, he is heading the corporate commercial and logistics division, and is responsible for outsourcing of materials and services, procurement of capex for group companies and strategizing policies of group commercial and logistics function.

Mr. Sunil Kataria, CEO – Lifestyle

- Mr. Kataria has 27+ years of experience in leadership roles and driving transformation across leading consumer companies. Prior to this role, he was the CEO of Godrej Consumer Products. He also worked in Marico, Idea cellular and VIP Industries.

Mr. Harmohan Sahni, CEO – Reality

- Mr Sahni has 31+ years of experience in Real Estate and core sectors. Prior to this role, he was the COO of Real Estate group in Edelweiss Financial, and Executive Director in ECL Finance GCorp Developers. He is a Chartered Accountant and has worked in large- to medium-sized organizations.

Mr. Amit Agarwal – Group CFO

- Mr. Agarwal has 32+ years of rich experience in steel, aviation and energy sectors. He is a Chartered Accountant. Prior to this role, he worked as the CEO in JSW, Deputy CEO and CFO in Jet Airways, and CFO and Director in Essar Group.

Financials and valuation

Consolidated - Income Statement (INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Revenue from Operations	**59,064**	**65,823**	**64,824**	**34,465**	**61,785**	**82,147**	**89,295**	**99,619**
Change (%)	10	11	-2	-47	79	33	9	12
Raw Materials	25,057	28,062	28,001	16,434	22,405	29,983	32,146	35,863
Manufacturing & opex	7,906	8,339	7,740	4,162	7,460	9,099	10,269	11,954
Employee Costs	8,353	9,348	9,963	6,736	8,796	10,242	11,608	13,449
Development of property cost	1,051	870	1,851	1,327	7,265	9,030	7,589	8,654
SG&A	12,418	13,436	12,110	6,469	8,748	11,799	14,752	15,052
Total Expenditure	**54,785**	**60,055**	**59,665**	**35,127**	**54,674**	**70,153**	**76,365**	**84,971**
% of Sales	92.8	91.2	92.0	101.9	88.5	85.4	85.5	85.3
EBITDA	**4,279**	**5,768**	**5,158**	**-662**	**7,111**	**11,994**	**12,931**	**14,648**
Margin (%)	7.2	8.8	8.0	-1.9	11.5	14.6	14.5	14.7
Depreciation	1,703	1,965	3,398	3,142	2,398	2,354	2,154	2,334
EBIT	**2,576**	**3,803**	**1,760**	**-3,804**	**4,713**	**9,641**	**10,777**	**12,314**
Margin (%)	4.4	5.8	2.7	-11.0	7.6	11.7	12	12
Finance costs	1,838	2,326	3,027	2,760	2,277	2,573	2,745	2,642
Other Income	1,185	1,254	959	2,014	1,695	1,223	2,206	2,206
Exceptional Items loss (gain)	-210	47	-381	0	1,636	1,072	0	0
PBT bef. EO Exp.	**2,132**	**2,684**	**73**	**-4,551**	**2,495**	**7,219**	**10,238**	**11,879**
Total Tax	-666	-856	428	1,609	219	-2,004	-2,564	-2,993
Tax Rate (%)	31.2	31.9	-584.0	35.4	-8.8	27.8	25.0	25.2
PAT	**1,466**	**1,828**	**502**	**-2,942**	**2,714**	**5,215**	**7,674**	**8,885**
Minority Interest	-69	-68	-56	66	-48	-80	-59	0
Share of Profit in Associated Companies	-50	-80	1,516	-95	-64	154	9,904	0
PAT after MI	**1,346**	**1,680**	**1,961**	**-2,970**	**2,603**	**5,289**	**17,520**	**8,885**
Adjusted PAT	**1,256**	**1,874**	**121**	**-2,942**	**4,350**	**6,287**	**7,674**	**8,885**
Change (%)	393	49.2	-93.6	-2,538.5	-247.9	44.5	22.1	15.8
Margin (%)	2.1	2.8	0.2	-8.5	7.0	7.7	8.6	8.9

Consolidated - Balance Sheet (INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	614	614	647	666	666	666	666	666
Total Reserves	17,507	18,924	23,112	20,308	22,925	28,324	45,844	54,729
Net Worth	**18,120**	**19,538**	**23,759**	**20,974**	**23,591**	**28,990**	**46,510**	**55,395**
Minority Interest	762	830	885	819	772	850	850	850
Total Loans	18,141	21,429	21,725	20,759	20,663	21,275	26,985	25,985
Lease Liability	0	0	5,459	3,369	2,609	4,020	3,827	3,692
Capital Employed	**37,024**	**41,797**	**51,828**	**45,920**	**47,635**	**55,135**	**78,172**	**85,922**
Fixed Assets	**20,120**	**20,493**	**24,812**	**20,651**	**19,025**	**19,697**	**20,543**	**21,209**
Total Investments	**5,104**	**4,113**	**2,448**	**1,557**	**6,989**	**11,999**	**11,999**	**11,999**
Investment in Associate/JV	1,252	1,285	3,528	3,447	4,008	4,393	14,297	14,297
Curr. Assets, Loans&Adv.	**30,592**	**37,418**	**41,939**	**36,286**	**37,859**	**41,096**	**54,813**	**64,018**
Inventory	16,113	19,015	22,011	16,338	20,113	24,966	27,400	30,022
Account Receivables	10,859	12,595	11,595	9,580	8,731	7,443	8,563	9,553
Cash and Bank Balance	868	1,261	3,276	5,521	3,363	3,258	13,420	19,014
Loans and Advances	2,752	4,547	5,057	4,846	5,652	5,430	5,430	5,430
Curr. Liability & Prov.	**22,943**	**24,020**	**24,892**	**20,688**	**25,112**	**26,231**	**27,661**	**29,782**
Account Payables	11,259	13,520	14,056	11,638	17,169	16,919	18,348	20,470
Other Current Liabilities	11,090	9,811	10,125	8,333	7,017	8,438	8,438	8,438
Provisions	595	689	712	717	925	875	875	875
Net Current Assets	**7,649**	**13,398**	**17,047**	**15,598**	**12,747**	**14,865**	**27,152**	**34,236**
Deferred Tax assets	1,278	1,144	2,300	3,617	4,232	2,859	2,859	2,859
Other Assets	1,621	1,363	1,693	1,050	632	1,322	1,322	1,322
Appl. of Funds	**37,024**	**41,797**	**51,828**	**45,920**	**47,635**	**55,134**	**78,172**	**85,922**

Financials and valuation

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)								
EPS	**20.5**	**30.5**	**1.9**	**-44.2**	**65.3**	**94.4**	**115.3**	**133.5**
Cash EPS	48.2	62.5	54.4	3.0	101.4	129.8	147.6	168.5
BV/Share	295.2	318.3	367.1	315.1	354.4	435.5	698.7	832.1
DPS	3.0	3.0	0.0	0.0	3.0	3.0	0.0	0.0
Payout (%)	14.7	9.8	0.0	0.0	4.6	3.2	0.0	0.0
Valuation (x)								
P/E	96.4	64.6	1,059.0	-44.7	30.2	20.9	17.1	14.8
Cash P/E	40.9	31.6	36.3	656.8	19.5	15.2	13.4	11.7
P/BV	6.7	6.2	5.4	6.3	5.6	4.5	2.8	2.4
EV/Sales	2.4	2.3	2.4	4.3	2.3	1.7	1.5	1.3
EV/EBITDA	33.7	25.7	29.8	-225.4	20.4	11.9	10.6	8.9
Dividend Yield (%)	0.2	0.2	0.0	0.0	0.2	0.2	0.0	0.0
FCF per share	-47.3	-37.7	-12.3	68.8	66.2	71.6	52.5	83.0
Return Ratios (%)								
RoE	6.9	10.0	0.6	-13.2	19.5	23.9	20.3	17.4
RoCE	8.5	10.9	6.9	-0.4	14.4	17.5	15.8	14.2
RoIC	5.3	8.9	5.4	-5.3	13.2	20.2	18.1	17.6
Working Capital Ratios								
Fixed Asset Turnover (x)	2.9	3.2	2.6	1.7	3.2	4.2	4.3	4.7
Asset Turnover (x)	1.6	1.6	1.3	0.8	1.3	1.5	1.1	1.2
Inventory (Days)	100	105	124	173	119	111	112	110
Debtor (Days)	67	70	65	101	52	33	35	35
Creditor (Days)	70	75	79	123	101	75	75	75
WC (Days)	97	100	110	151	69	69	72	70
Leverage Ratio (x)								
Current Ratio	1.3	1.6	1.7	1.8	1.5	1.6	2.0	2.1
Interest Cover Ratio	1.4	1.6	0.6	-1.4	2.1	3.7	3.9	4.7
Net Debt/Equity	0.7	0.8	0.9	0.8	0.5	0.3	0.1	0.0

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	1,872	2,651	1,208	-4,646	4,068	8,445	10,238	11,879
Depreciation	1,703	1,965	3,398	3,142	2,398	2,354	2,154	2,334
Interest & Finance Charges	1,838	2,326	3,027	2,760	2,277	2,573	2,745	2,642
Others	-678	-805	-610	-495	-458	-487	-2,206	-2,206
Direct Taxes Paid	-389	-707	-397	232	-344	-724	-2,564	-2,993
(Inc)/Dec in WC	94	-2,350	-1,729	6,712	46	-3,862	-2,124	-1,491
CF from Operating	**3,947**	**2,507**	**3,729**	**7,037**	**6,774**	**8,053**	**8,243**	**10,164**
(Inc)/Dec in FA	-4,962	-2,410	-1,925	-16	-317	-1,023	-2,000	-2,000
Free Cash Flow	**-1,015**	**97**	**1,804**	**7,021**	**6,457**	**7,030**	**6,243**	**8,164**
(Pur)/Sale of Investments	204	387	130	186	-4,407	-4,203	0	0
Others	673	797	601	475	475	469	2,206	2,206
CF from Investments	**-4,085**	**-1,226**	**-1,194**	**644**	**-4,248**	**-4,758**	**206**	**206**
Issue of Shares	0	0	3,500	0	0	0	-59	0
Inc/(Dec) in Debt	2,276	1,143	-1,980	-4,244	-1,084	-724	-12,483	-2,135
Inc/(Dec) in Internal Debt	0	0	0	0	0	0	17,000	0
Interest Paid	-1,888	-2,412	-2,597	-2,438	-2,053	-2,265	-2,745	-2,642
Dividend	-91	-220	-222	-1	-96	-201	0	0
CF from Fin. Activity	**296**	**-1,488**	**-1,299**	**-6,683**	**-3,232**	**-3,189**	**1,714**	**-4,777**
Inc/Dec of Cash	**94**	**-248**	**1,126**	**998**	**-706**	**106**	**10,163**	**5,593**
Opening Balance	352	446	198	1,325	2,323	1,617	3,258	13,420
Other bank balance	422	1,062	1,952	3,198	1,746	1,534	0	0
Closing Balance	**868**	**1,261**	**3,276**	**5,521**	**3,363**	**3,258**	**13,420**	**19,014**

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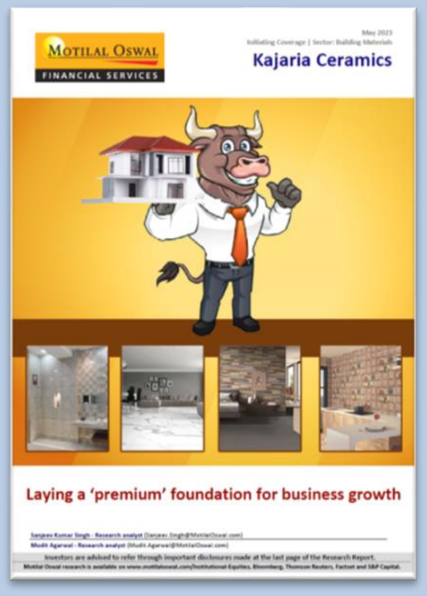

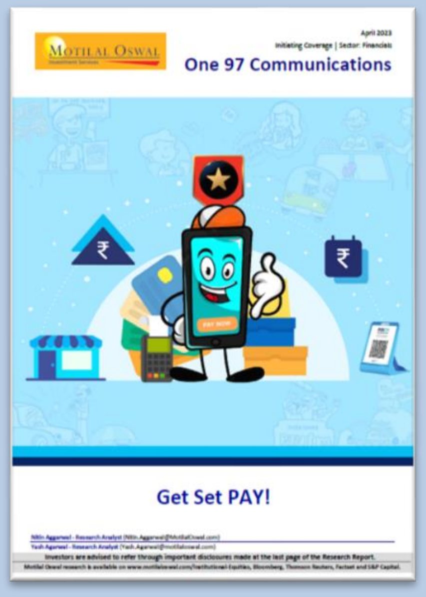

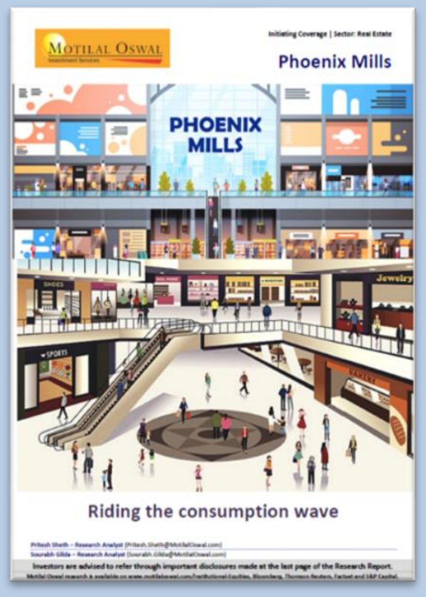

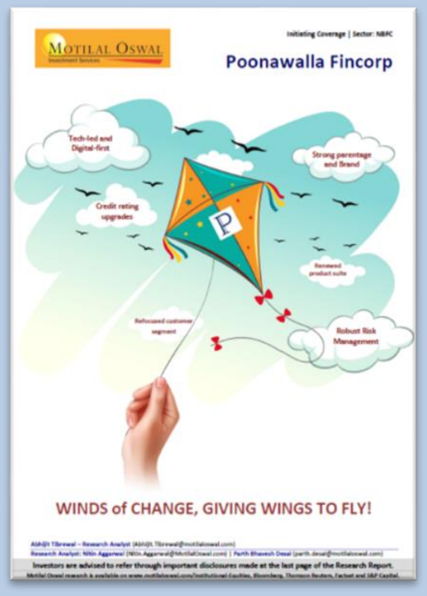

NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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