

**CMP: INR 1,602**

**Rating: BUY**

**Target Price: INR  
2,353**

**Stock Info**

BSE	500330
NSE	RAYMOND
Bloomberg	RW:IN
Reuters	RYMD.NS
Sector	Garments & Apparels
Face Value (INR)	10
Equity Capital (INR cr)	66.57
Mkt Cap (INR cr)	10,364
52w H/L (INR)	1,755/ 739
Avg Daily Vol (in 000')	567

**Shareholding Pattern %**

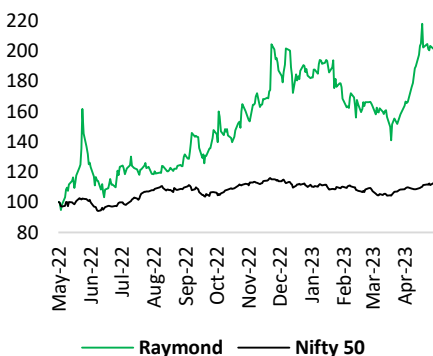
(As on March 2023)

Promoters	49.15
DII	5.10
FII	16.72
Public & Others	29.03

**Stock Performance (%)**

	1m	3m	12m
RAYMOND	20.1	18.6	97.8
NIFTY 50	3.6	3.9	12.8

**Raymond Price Chart**



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During the quarter, the company faced lowered discretionary spending due to high inflation which kept impulse purchases low. However, there was a turnaround nearing the end of the quarter from winter wedding demand which led to an improvement in primary sale momentum. Raymond's Q4FY23 Consolidated revenue ex-OI grew 9.81% YoY to INR 2,150 Cr (-0.83% QoQ). Gross Margin ex-OI contracted by 311bps YoY 62.81% (+87bps QoQ). EBITDA including OI grew by 5.80% YoY to INR 379 Cr (+8.06% QoQ). EBITDA Margin including OI contracted 34bps YoY to 17.28% (+134bps QoQ). PAT de-grew 35.85% YoY to INR 197 Cr (+103.4% QoQ). **There were some inventory write-downs during the year from the slowdown in some LFS. Wool & PVC prices have stabilized and corrected but remain higher than pre-pandemic levels. Price increases were successfully passed on to consumers. The garments order book is maintained into the next 2 quarters. There were increases seen in inventory levels this year, but this was mostly due to stamp duty and other expenses from the new real estate foray which amounted to INR 150 Cr, and also to maintain stocks for new EBOs.**

**Realty launch:** Raymond launched its 3<sup>rd</sup> real estate project 'Ten X Era' to solidify its position in the MMR region for residential real estate, and monetize its current land parcel. 25% of the launched units have already been booked. This project will have an estimated revenue addition of INR 1,400 Cr to the top line over the next 3-4 years.

**Ethnix Stores:** Raymond opened 61 stores (50 on a net basis) in FY23- an addition of 16 Ethnix stores and 34 Color Plus, Parx, Park Avenue, and Raymond Ready to Wear during Q4FY23. So far, they have opened 45 Ethnix stores. This brand was one of the driving factors of growth for the apparel business this quarter. In the next 2 years, they plan to open 200 stores in the next 12-18 months on a franchisee model, 100 of which will be Ethnix. Ethnix is already seeing gross margins at ~65% and will break even soon.

**Suiting & shirting growth strategy:** Raymond is already a market leader in suiting, but still has huge headroom to grow in shirting. The current growth strategy for these verticals is to focus on product and category developments on the premium side for suiting and on the premium+ economy end for shirting. The suiting business can grow in single digits going forward, and the shirting business in double digits. Branded textiles can maintain margins in a comfortable range of 20-21%.

**Capacity expansion in the garment business:** New lines will be added to the manufacturing capacities in Ethiopia and in India to increase the capacity by 30%.

**Apparel business:** The business sees a strong operating leverage play and continues on store rationalization. Certain un-profitable stores (with low revenue per square foot) were shut down during the quarter and is a continuous process. Discount levels were managed this year to get more full-price sales. Margins can be maintained at ~15% in the years to come. Winter wedding demand led to an ATV growth of 27% across TRS.

**Valuation and Outlook:** We look toward net debt reduction and cash flow generation from the demerger of the lifestyle business (which has most of the company's debt), the slump sale of the FMCG business which will make the lifestyle business a net debt 0 one, and the rapid development in the real estate business. Operating leverage will start to kick in for the lifestyle business, and margin expansion will follow with the theme of premiumization and casualization. We assign a TP of INR 2,353 based on a SOTP multiple of 10.7x the FY25E EV/ EBITDA (assuming pre-demerger). We recommend that investors BUY.

Earnings Summary (INR Mn)	FY21	FY22	FY23	FY24E	FY25E
Revenue (Ex- OI)	34,465	61,785	82,147	1,09,825	1,42,588
Operating Profit	(662)	7,111	11,994	16,876	22,572
Operating Margin	-1.92%	11.51%	14.60%	15.37%	15.83%
EBITDA	1,351	8,806	13,217	18,159	23,919
EBITDA Margin (%)	3.92%	13.87%	15.85%	16.34%	16.62%
PAT growth (%)	(288.0)	(242.7)	50.1	53.2	40.1
EPS (INR)	(44.6)	63.7	95.6	146.4	205.1
EPS growth (%)	(288.0)	(242.7)	50.1	53.2	40.1
P/E (x)	(35.9)	25.2	16.8	10.9	7.8
P/BV (x)	5.1	4.5	3.7	2.8	2.1
EV/EBITDA (x)	92.7	14.4	9.7	7.3	5.0

Source: Company Filings & Arihant Capital Research

**Valuation and Quarterly Result**

SOTP Valuation (FY25E)	EBITDA (INR Mn)	Multiple (x)	Enterprise Value (INR Mn)
Branded Textiles	9,802	11	1,07,819
Branded Apparel	2,692	12	32,308
High Value Cotton Shirting	1,412	4	5,646
Garmenting	1,849	6	11,091
Tools & Hardware	830	7	5,813
Auto Components	796	7	5,573
Real Estate			17,955
<b>Total</b>	<b>17,381</b>	<b>10.7</b>	<b>1,86,206</b>
Elimination	1,738	10.7	18,621
<b>Segment EV</b>	<b>15,643</b>	<b>10.7</b>	<b>1,67,585</b>
Cash & Investments			17,348
JV/Associates			1,023
Total Debt			29,295
<b>Intrinsic Market Cap</b>			<b>1,56,662</b>
Outstanding Shares (Mn)			66.6
<b>Fair Value Per Share (INR)</b>			<b>2,353</b>

Source: Company & Arian Research

INR Cr (consolidated)	Q3FY23	Q2FY23	Q3FY22	Q-o-Q	Y-o-Y
<b>Revenue (Ex- OI)</b>	<b>2,150</b>	<b>2,168</b>	<b>1,958</b>	<b>-0.83%</b>	<b>9.81%</b>
Raw Material Costs	800	825	667	-3.11%	19.82%
<b>Gross Profit</b>	<b>1,351</b>	<b>1,343</b>	<b>1,291</b>	<b>0.57%</b>	<b>4.64%</b>
<i>Gross Margin</i>	<i>62.81%</i>	<i>61.94%</i>	<i>65.92%</i>	<i>87bps</i>	<i>-311bps</i>
Employee costs	264	262	247	1.00%	7.05%
Manufacturing and operating expenses	200	237	215	-15.25%	-6.73%
Costs toward development of Porperty	252	199	286	26.70%	-11.86%
Other Expenses	297	327	259	-9.05%	14.84%
<b>Operating Profit</b>	<b>337</b>	<b>319</b>	<b>284</b>	<b>5.52%</b>	<b>18.42%</b>
<i>Operating Margin</i>	<i>15.66%</i>	<i>14.72%</i>	<i>14.52%</i>	<i>94bps</i>	<i>114bps</i>
Other Income	42	31	74	33.95%	-42.94%
<b>EBITDA</b>	<b>379</b>	<b>351</b>	<b>358</b>	<b>8.06%</b>	<b>5.80%</b>
<i>EBITDA Margin</i>	<i>17.28%</i>	<i>15.94%</i>	<i>17.62%</i>	<i>134bps</i>	<i>-34bps</i>
Depreciation	62	58	59	6.52%	4.25%
<b>EBIT</b>	<b>317</b>	<b>293</b>	<b>299</b>	<b>8.37%</b>	<b>6.11%</b>
Finance costs	64	70	57	-8.79%	12%
Exceptional Items	-93	-5	-111	1949.12%	-16%
Share of Profit/Loss from associates	13	-5	2	-367.13%	571%
<b>PBT</b>	<b>173</b>	<b>213</b>	<b>133</b>	<b>-18.47%</b>	<b>30.69%</b>
Tax Expense	-23	116	-132	-119.89%	-83%
Effective tax rate %	-13%	55%	-100%	-6789bps	8640bps
<b>PAT</b>	<b>196</b>	<b>97</b>	<b>265</b>	<b>103.40%</b>	<b>-25.85%</b>
Other Comprehensive Income	1	22	-5	-96.34%	-553.89%
<b>Consolidated PAT</b>	<b>197</b>	<b>118</b>	<b>260</b>	<b>66.95%</b>	<b>-24.19%</b>
<i>PAT margin %</i>	<i>9.00%</i>	<i>5.37%</i>	<i>12.81%</i>	<i>363bps</i>	<i>-381bps</i>
<b>EPS (INR)</b>	<b>29.19</b>	<b>14.25</b>	<b>39.55</b>	<b>104.84%</b>	<b>-26.19%</b>

Source: Company & Arian Research

**Q4FY23 Conference Call Highlights:**

- This was the 6th quarter of the highest-ever EBITDA.
- Net debt was down by INR 200 Cr.
- Exceptional items of INR 93 Cr were recorded on account of inventory loss and bad debt.
- The China+1 strategy and vendor consolidation was highly beneficial to the garment business.
- The engineering business did well in the domestic market but the international market faltered a bit owing to euro depreciation and global inflation.
- The real estate business recorded INR 1,600 Cr+ of bookings.
- The garments business added new customers during the quarter. The plants are running at 87-90% capacity.
- High-value cotton shirting saw an improvement in demand for cotton fabric and linen from its B2B customers and also enjoyed better realizations from operating efficiencies.
- JK files saw good demand across CV and PV segments. Ring gear exports grew despite currency problems in international markets. The engineering business was largely impacted by unfavorable export conditions in H1FY23 and about 2/3 of the business is export driven.

Segment Wise (INR Cr)	Q3FY23	Q2FY23	Q3FY22	Q-o-Q	Y-o-Y
<b>Segment Revenue</b>					
Textile	902	902	886	-0.06%	1.81%
Shirting	187	195	175	-3.93%	7.19%
Apparel	332	364	279	-8.82%	18.86%
Garmenting	305	282	213	8.19%	43.62%
Tools & Hardware	115	118	122	-1.78%	-5.51%
Auto Components	103	91	82	13.43%	25.02%
Real Estate & Development of Porperty	289	292	321	-1.00%	-9.98%
Others	3	3	3	-6.59%	-6.02%
Inter Segment Revenue	-87	-79	-123	9.96%	-29.70%
<b>Total Segment Revenue</b>	<b>2,150</b>	<b>2,168</b>	<b>1,958</b>	<b>-0.83%</b>	<b>9.81%</b>
<b>Segment Results</b>					
Textile	180	172	184	4.83%	-1.86%
Shirting	10	11	5	-12.69%	90.58%
Apparel	32	23	19	41.71%	69.06%
Garmenting	15	21	2	-25.37%	608.33%
Tools & Hardware	8	11	21	-22.68%	-61.16%
Auto Components	19	13	19	38.67%	-4.24%
Real Estate & Development of Porperty	67	72	54	-5.98%	24.23%
Others	-2	-1	-2	124.00%	27.27%
Inter Segment Profit/ Loss	-1	-2	-1	-35.96%	-1.72%
<b>Total Segment Results</b>	<b>328</b>	<b>319</b>	<b>302</b>	<b>2.82%</b>	<b>8.77%</b>
<b>Segment Wise EBIT Margin (%)</b>					
Textile	19.98%	19.05%	20.72%	93bps	-75bps
Shirting	5.30%	5.83%	2.98%	-53bps	232bps
Apparel	9.72%	6.26%	6.84%	347bps	289bps
Garmenting	5.01%	7.26%	1.02%	-225bps	399bps
Tools & Hardware	7.14%	9.07%	17.38%	-193bps	-1023bps
Auto Components	17.99%	14.72%	23.49%	327bps	-550bps
Real Estate & Development of Porperty	23.32%	24.56%	16.90%	-124bps	642bps
Others	-71.79%	-29.94%	-53.01%	-4185bps	-1878bps
Inter Segment Profit/ Loss	1.32%	2.26%	0.94%	-94bps	38bps
<b>EBIT Margin</b>	<b>15.28%</b>	<b>14.73%</b>	<b>15.42%</b>	<b>54bps</b>	<b>-15bps</b>

Source: Company & Arian Research

#### Q4FY23 Conference Call Highlights:

- Ten X Era launched in Q4 and received 100 bookings within 10 days of launch (25% of launched inventory). Ten X Realty and The Address by GS have 80% of launched inventory booked.
- Operating costs for the quarter were higher due to increased ad spending and inflation issues.
- WC days were reduced by 2 days and now stand at 53 days. Strong cash collections helped this.
- Interest cost was up due to higher lease liabilities from store network expansion.
- Suiting and shirting business saw volume growth ahead of the market and retail efficiencies saw good like-to-like growth.
- The real estate JDA in Bandra will be launched once all approvals are in order.
- Ethnix is having high investments in store openings and advertisement as it is still in its incubation phase.
- The increase in investments this year was due to a write-up in the value of RCCL- an associate company that was revalued for a slump sale (of the FMCG business).
- Post the FMCG transaction, the company expects an inflow of liquidity of about ~INR 1,500 Cr which will be allocated to the lifestyle businesses based on existing debt and cash balances.

## Consolidated Financial Highlights

Income Statement (INR Mn)	FY21	FY22	FY23	FY24E	FY25E
Revenue (Ex- OI)	34,465	61,785	82,147	1,09,825	1,42,588
Op. Expenses	35,127	54,674	70,153	92,949	1,20,016
<b>Operating Profit</b>	<b>(662)</b>	<b>7,111</b>	<b>11,994</b>	<b>16,876</b>	<b>22,572</b>
Operating Margin	-1.92%	11.51%	14.60%	15.37%	15.83%
Other income	2,014	1,695	1,223	1,284	1,348
<b>EBITDA</b>	<b>1,351</b>	<b>8,806</b>	<b>13,217</b>	<b>18,159</b>	<b>23,919</b>
EBITDA Margin	3.92%	13.87%	15.85%	16.34%	16.62%
Depreciation	3,142	2,398	2,354	2,262	2,587
<b>EBIT</b>	<b>-1,790</b>	<b>6,408</b>	<b>10,863</b>	<b>15,897</b>	<b>21,333</b>
Interest Exp.	2,760	2,277	2,573	3,002	3,222
Extra Ordinary Items -gain/(loss)	-	(1,636)	(1,072)	-	-
<b>PBT</b>	<b>(4,551)</b>	<b>2,496</b>	<b>7,219</b>	<b>12,895</b>	<b>18,110</b>
Tax	(1,609)	(219)	2,004	3,224	4,528
<b>PAT</b>	<b>(2,942)</b>	<b>2,715</b>	<b>5,216</b>	<b>9,671</b>	<b>13,583</b>
Minority Int./Profit (Loss) From Associates	29	111	(74)	(71)	(69)
Net Profit	(2,970)	2,604	5,289	9,743	13,652
<b>Adjusted PAT</b>	<b>(2,970)</b>	<b>4,239</b>	<b>6,361</b>	<b>9,743</b>	<b>13,652</b>
<b>Adjusted EPS (INR)</b>	<b>(44.6)</b>	<b>63.7</b>	<b>95.6</b>	<b>146.4</b>	<b>205.1</b>
Balance Sheet (INR Mn)	FY21	FY22	FY23	FY24E	FY25E
Share Capital	666	666	666	666	666
Reserves & Surplus	20,308	22,925	28,324	37,610	50,806
<b>Networth</b>	<b>20,974</b>	<b>23,591</b>	<b>28,990</b>	<b>38,276</b>	<b>51,472</b>
Debt	24,128	23,272	25,295	27,295	29,295
Minority Interest	819	772	850	934	1,023
Net deferred Tax liabilities	(3,206)	(3,853)	(1,876)	(1,876)	(1,876)
<b>Capital Employed</b>	<b>42,715</b>	<b>43,782</b>	<b>53,259</b>	<b>64,629</b>	<b>79,913</b>
<b>Net Fixed Assets</b>	<b>20,641</b>	<b>19,015</b>	<b>19,687</b>	<b>17,243</b>	<b>16,797</b>
Goodwill	10	10	10	10	10
Investments	5,004	10,998	16,391	38,391	38,391
<b>Current Assets, Loans &amp; Advances</b>	<b>38,438</b>	<b>39,813</b>	<b>43,897</b>	<b>46,359</b>	<b>73,239</b>
Inventory	16,338	20,113	24,966	33,098	41,018
Debtors	9,580	8,731	7,443	9,027	10,938
Cash & Bank balance	5,521	3,363	3,258	1,204	17,348
Loans & advances and others	6,998	7,606	8,230	3,030	3,934
<b>Current Liabilities &amp; Provisions</b>	<b>21,378</b>	<b>26,054</b>	<b>26,727</b>	<b>37,375</b>	<b>48,524</b>
Liabilities	20,661	25,129	25,852	34,500	44,792
Provisions	717	925	875	2,875	3,732
<b>Net Current Assets</b>	<b>17,060</b>	<b>13,759</b>	<b>17,170</b>	<b>8,984</b>	<b>24,715</b>
<b>Application of Funds</b>	<b>42,715</b>	<b>43,782</b>	<b>53,259</b>	<b>64,629</b>	<b>79,913</b>
Cash Flow Statement (INR Mn)	FY21	FY22	FY23	FY24E	FY25E
<b>PBT</b>	<b>(4,646)</b>	<b>4,068</b>	<b>8,445</b>	<b>13,051</b>	<b>18,268</b>
Depreciation & amortisation	3,142	2,398	2,354	2,262	2,587
(Inc)/Dec in working capital	6,712	51	(3,862)	6,132	414
Tax paid	232	(344)	(724)	(3,224)	(4,528)
Other operating Cash Flow	(1,163)	(1,675)	(742)	(1,284)	(1,348)
<b>Cash flow from operating activities</b>	<b>7,038</b>	<b>6,774</b>	<b>8,042</b>	<b>19,940</b>	<b>18,615</b>
Capital expenditure	(16)	(317)	(1,023)	(2,000)	(2,150)
Add: Int/Div. Income Recd.	666	(3,932)	(3,735)	1,284	1,348
<b>CF from investing activities</b>	<b>644</b>	<b>(4,249)</b>	<b>(4,758)</b>	<b>(22,716)</b>	<b>(802)</b>
Inc/(Dec) in debt	(3,375)	(95)	336	2,000	2,000
Dividend Paid	(2,439)	(2,148)	(2,466)	(3,232)	(3,452)
Others	-	1,746	1,545	2,111	(59)
<b>CF from financing activities</b>	<b>(5,814)</b>	<b>(498)</b>	<b>(585)</b>	<b>879</b>	<b>(1,511)</b>
<b>Closing balance</b>	<b>5,521</b>	<b>3,363</b>	<b>3,257</b>	<b>1,204</b>	<b>17,348</b>

Source: Company &amp; Arianth Research

**Ratios**

	FY21	FY22	FY23	FY24E	FY25E
<b>Per share data</b>					
No. of shares (m)	66.6	66.6	66.6	66.6	66.6
Diluted no. of shares (m)	66.6	66.6	66.6	66.6	66.6
BVPS (INR)	315.1	354.4	435.5	575.0	773.2
CEPS (INR)	3.0	76.8	113.7	179.3	242.9
DPS (INR)	-	1.0	3.0	3.0	3.0
<b>Margins</b>					
EBITDA Margin	3.92%	13.87%	15.85%	16.34%	16.62%
EBIT Margin	-4.91%	10.09%	13.03%	14.31%	14.82%
PAT Margin	-8.14%	6.68%	7.63%	8.77%	9.48%
<b>Growth Indicators (%)</b>					
Revenue(%)	-46.8	79.3	33.0	33.7	29.8
EBITDA(%)	-77.9	551.6	50.1	37.4	31.7
Adj PAT(%)	-288.0	-242.7	50.1	53.2	40.1
Adj EPS(%)	-288.0	-242.7	50.1	53.2	40.1
<b>Valuation (x)</b>					
P/E	(35.9)	25.2	16.8	10.9	7.8
P/BV	5.1	4.5	3.7	2.8	2.1
EV/EBITDA	92.7	14.4	9.7	7.3	5.0
EV/Sales	3.6	2.0	1.6	1.2	0.8
Dividend Yield (%)	-	0.1	0.2	0.2	0.2
<b>Financial Ratios</b>					
<b>Profit &amp; Loss</b>					
RM/Net Revenue	48	36	36	36	35
Emp Exp/Net Revenue	20	14	12	10	8
Other Exp/Net Revenue	35	38	36	39	41
<b>Balance Sheet</b>					
RoE (%)	(13.3)	19.0	24.2	29.0	30.4
RoCE (%)	0.5	18.7	24.9	29.1	31.4
<b>Key operating metrics</b>					
Dep. (% of Gross Block)	9.4	7.4	7.3	6.7	7.2
Inventory days	173	119	111	110	105
Debtor days	101	52	33	30	28
Creditor days	123	101	75	75	75
Net working capital days	122	61	62	26	19
Asset turnover (x)	0.8	1.4	1.7	1.9	2.0
Fixed asset turnover (x)	1.1	1.9	2.5	3.2	3.9
Sales :Net Block (x)	1.7	3.2	4.2	6.4	8.5
Financial leverage (Asset/Equity)	0.5	0.5	0.5	0.6	0.6
Debt/Equity (x)	1.2	1.0	0.9	0.7	0.6

Source: Company & Arihant Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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