

**Outlook: Positive**

**Stock Info**

Sector Retail

**Segment Updates**

Particular(INR Cr.)	Revenue
Branded Textiles	3,449
Branded Apparel	1,587
Garmenting	1,035
High Value Cotton Shirting	830
Others	(210)
<b>Raymond Consolidated</b>	<b>6,691</b>

**Segment Updates**

Particular(INR Cr.)	EBITDA
Branded Textiles	706
Branded Apparel	183
Garmenting	107
High Value Cotton Shirting	94
Others	3
<b>Raymond Consolidated</b>	<b>1,093</b>

**Segment Updates**

Particulars	EBITDA Margin (%)
Branded Textiles	20.5
Branded Apparel	11.5
Garmenting	10.3
High Value Cotton Shirting	11.4
Others	-
<b>Raymond Consolidated</b>	<b>16.3</b>

We visited the Raymond Lifestyle Ltd. plant in Vapi, Gujarat on August 26, 2024. Raymond Lifestyle, established in 1925, is the World's third-largest player in the suit segment and one of the top 10 iconic brands according to Brand Finance. Following its demerger from Raymond Ltd. 14 months ago, the company is poised for a public listing within the next 10-12 days. The company has recently strengthened its leadership with the addition of nine senior management members, ensuring the highest level of governance. The company is financially robust, being net cash positive with no debt, and holds a dominant position as the largest player in the ethnic and wedding wear market, as well as the leading garment exporter and apparel provider in the wedding, ethnic, and styling segments. Their business spans four distinct markets: Ready-to-Wear, Branded Textile, Apparel Garmenting, and emerging categories such as Ethnic Wear, Innerwear, and Sleepwear.

**Growth Guidance**

Raymond Lifestyle Ltd. is setting a strong growth trajectory with a target to increase its market share from 5% to 7% over the next three years, aiming for a 15% CAGR by FY27. The company expects its wedding and ceremonial portfolio to grow 1.5x by FY27 and 2.3x by FY30. Revenue growth is projected at 12-15% by FY28, to double EBITDA by 2028, driven by a major expansion in the apparel business. With the ethnic wear market expected to grow at an 8% CAGR by 2027, Raymond Lifestyle plans to capitalize on the shifting dynamics, where the organized segment is projected to equal the unorganized (50%-50%) by 2027. The company is also planning to triple its exclusive brand outlet (EBO) network in two years, with Ethnix expected to contribute 12-15% of the business, targeting INR 1,000 crore in the next five years. Higher margins are anticipated, supported by brand-building initiatives over the next 2-3 years.

**Outlook:**

The company is poised for a public listing, stands at the forefront of the apparel industry with a robust financial position and a strategic growth trajectory. With a consolidated revenue of INR 6,691 Crores and a dominant 40% share in the wedding segment, the company is set to expand its footprint significantly, targeting 650 new stores by FY27 and amplifying its presence in both branded apparel and ethnic wear. Company innovative product launches, such as the successful Sleepz sleepwear and upcoming Park Avenue innerwear line, underscore its commitment to market leadership and consumer satisfaction. Supported by a high-quality Vapi plant and a strategic investment plan, The company is also benefiting market share from Bangladesh and China. Focusing on reducing working capital days, achieving debt-free status, and leveraging both organic and inorganic growth strategies. We are confident that the company will perform exceptionally well post-IPO and anticipate a positive outlook for its future.

**Financial overview**

(INR Cr)	Net Revenue	EBITDA	PBT	PAT	EBITDA Margin	PAT Margin
<b>FY24</b>	6,691	1,093	649	470	16.3 %	7.0 %
	<b>NWC (Days)</b>	<b>Assets</b>	<b>Equity</b>	<b>Net Cash</b>	<b>ROCE(%)</b>	<b>ROE(%)</b>
<b>FY24</b>	76	13,138	9,739	227	31.7	10.4

Source: Arihant Research, Company Filings

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## Plant Visit Takeaways

**Key Focus Area-** Raymond Lifestyle Ltd. is focusing on becoming the top brand for wedding attire across India, with plans to grow further in the Indian ethnic wear market. They are refreshing their branded apparel by making it more casual and premium. The company is also expanding into new areas like everyday essentials, including sleepwear and innerwear. With a strong retail presence, they are adding 660 new stores to their network. Globally, they are exploring garment opportunities in markets like China and Bangladesh.

Raymond 2.0 is focused on tapping into the massive INR 11 lakh crore wedding market in India, where 23% is spent on clothing and apparel. Of this, 30% is for men's clothing, amounting to INR 75,000 crore. Raymond Lifestyle holds a 5% share of this segment, while 3% is covered by other brands, with the rest dominated by unorganized market players. Social media has played a crucial role in this shift, with wedding celebrations extending from 2.5 days to almost a week. Indian grooms now often wear five different outfits for their weddings, coordinating with their partners to stand out.

### **Revenue and Market Share**

Raymond Lifestyle Ltd. reported a consolidated revenue of INR 6,691 Crores, with a significant share of 40% attributed to the wedding segment. The company's product mix includes branded textiles (50-60%), branded apparel (20-25%), and other categories. The brand is focused on enhancing its market presence and expanding its offerings.

### **Store Expansion and Network**

In FY24, Raymond operated 1,518 stores and plans to add 650 more by FY27, predominantly through expanding its Exclusive Brand Outlet (EBO) network. This growth will target metros, Tier 1, and Tier 2 cities, with a minor focus on Tier 3 and Tier 4 areas. The company is also investing in building its ready-to-wear segment, which has substantial potential in the wedding and ceremonial categories.

### **Branded Apparel and Ethnic Wear**

Raymond is poised for significant growth in its branded apparel segment, with a notable emphasis on Ethnix, where it expects to add 650 stores over the next three years. The company projects high double-digit growth and aims to achieve a 5-7% market share in the ethnic wear sector by 2027. The Ethnix brand will see an increase in stores, reaching 120 locations within 18 months.

### **Product Launches and Innovations**

Raymond's new sleepwear line, Sleepz, launched in July, is performing well despite a lack of comprehensive market data. Priced under INR 1000, the product is already seeing strong consumer response and is distributed through a network of 100 distributors, targeting 25,000 outlets. Additionally, Raymond is preparing to launch a new line of innerwear under the Park Avenue brand, aiming for a 50% market share in the semi-premium and premium categories within 4-5 months.

### **Garmenting and Manufacturing**

Post-COVID, Raymond's garmenting business has achieved INR 1,000 Crores in revenue over two years, with a double-digit EBITDA margin. The company has a capacity of 10 million garments per annum and plans to invest INR 200 Crores in this segment. The Vapi plant, renowned for its high-quality fabric production, supports the company's vertical integration strategy and meets increased demand effectively.

### **Supply Chain**

Raymond is adapting to disruptions in global markets, including challenges in Bangladesh and China, by leveraging its extensive network of vendors and maintaining high standards of quality and supply chain efficiency. The company is also expanding its footprint in key regions and is focused on both premium and non-wedding segments.

### **Financial and Strategic Goals**

Raymond aims to reduce its net working capital days from 76 to 60 soon and has set ESG goals for 2030. The company is committed to becoming debt-free and optimizing its cash flow, with a projected EBITDA range of INR 1,100-2,200 Crores in the next two years. Raymond is also exploring strategic investments, including a planned manufacturing facility in Bangalore, to support its growth and maintain high standards of operational excellence.

## Glimpse of Plant

The Vapi facility in Gujarat, which spans over 125 acres, is shaped like a U. This is part of their unique communication strategy that makes it easy to interact with each process team.



**Figure 1:** This machine is used to sort wool from animals like camels, rabbits, and sheep. The wool shown is Merino wool, which comes from Australia.



**Figure 2:** This machine processes the wool and removes any grease from it.



**Figure 3:** This is the grease used to protect wool from insects.



**Figure 4:** This machine sorts the finished raw wool, separating the softer wool from the harder. The softest wool is kept for high-quality products, while the coarser wool is sold to vendors for making blankets.



**Figure 5:** These are bundles of various types of wool that have been sorted and separated.



**Figure 6:** This is the experimental machine where the expert team tests and creates colors to meet customer demands. After experimenting with different colors, the dyeing team applies the final dye to the wool.



**Figure 7:** This is the process of spinning yarn, showing the preparation of all the thread rolls.



**Figure 8:** This AI-enabled machine is used to detect and remove defects in the thread, and it is operated mostly by women.

Source: Aриhant Research, Company Filings

## Glimpse of Plant



**Figure 9:** This is the experimental machine where the expert team tests and creates colors to meet customer demands. After experimenting with different colors, the dyeing team applies the final dye to the wool.



**Figure 10:** This machine features a flame that is used to remove excess defects from the fabric.



**Figure 11:** This is a handmade process performed exclusively by women, in which they inspect and remove excess yarn from the fabric.



**Figure 12:** This is the final process, where bundles of fabric are used to remove moisture.

## Plant Highlights

They spin 5 tons of yarn per day and maintain 300,000 meters of fabric in the warehouse at all times for dispatch. Of their production, 15% is exported and 85% is sold domestically. There is a 4 to 5% rejection rate for products from their Vapi facility. In their ethnix business, they produce their own fabric and outsource the embroidery, while also having an in-house design team. They offer 20,000 SKUs each year.

Source: Arihant Research, Company Filings



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**Stock Rating Scale**

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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