

CMP: INR 1,677

Rating: BUY

TP: INR 2,705

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)	12,582
52w H/L (INR)	2,240/ 1,092
Avg Daily Vol (in 000')	399

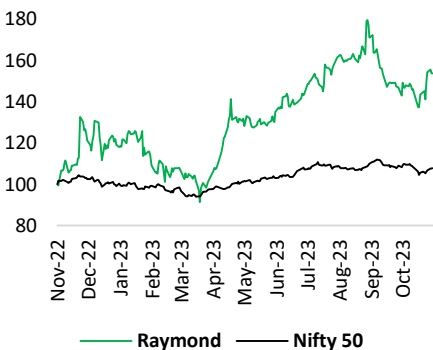
Shareholding Pattern %

(As on September 2023)

Promoters	49.11
DII	6.00
FII	17.72
Public & Others	27.17

Stock Performance (%)	1m	3m	12m
RAYMOND	4.3	(4.2)	55.7
NIFTY 50	(1.3)	(0.6)	7.8

Raymond Price Chart



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Misses due to festive demand being pushed back to Q3 leading to sluggish demand sentiment in the lifestyle business. Sequential improvement visible across the board points toward an encouraging H2. Revenue ex-OI grew 3.93% YoY to INR 2,253 Cr (+27.21% QoQ), missing our estimate of INR 2,537 Cr. Gross Margin ex-OI expanded 98bps YoY 63.59% (+243bps QoQ) due to inventory gains recognized during the quarter. EBITDA ex- OI de-grew 6.07% YoY to INR 315 Cr (+60.02% QoQ), missing our estimate of INR 406 Cr. Margin contracted 149bps YoY to 13.96% (+268bps QoQ), missing our estimate of 16% due to significantly higher property development costs and other expenses. PAT de-grew 0.49% YoY to INR 161 Cr (-84.89% QoQ due to profit on the sale of the FMCG business of INR 990 Cr), missing our estimate of INR 238 Cr. **There was an exceptional item of INR 23 Cr owing to VRS in the engineering business. Post adjustment, the PAT would be INR 177 Cr. There was also a cost of INR 4 Cr under an ESOP. Post adjustment, the EBITDA Margin would have been 16.6%.**

JDA progress and the real estate business: Raymond forayed out of Thane, and entered 3 new JDAs in Bandra and Mahim. These JDAs have a revenue potential of INR >5,000 Cr but have slightly lower margins. The existing 40 acres of land in Thane being developed for various residential properties has a revenue potential of INR 9,000 Cr, and the remaining 60 acres have a revenue potential of INR 16,000 Cr.

Capacity expansion in the garment business: New lines will be added to the manufacturing capacities in Ethiopia and India to increase the capacity by 30%. The company is investing INR 200 Cr for the same.

MPPL Acquisition: The acquisition of 59.25% state in Mani Precision Parts Ltd is an attempt to foray into the Aerospace, Defense, and EV Components Business. This will lead to high-teen revenue growth and ~20% EBITDA margins as the new consolidated entity will have a diversified product portfolio and, significant export presence, and lead to synergies within the group company.

Branded Apparel growth: Growth was seen across geographies, though the company is working setting up more EBOs and LFS in T1 and T2 cities than TRS stores in lower tier cities. The existing stores saw mid single digit SSSG.

Valuation and Outlook: The company has built capacities for a strong H2. Prospects are positive in sight of: initiatives undertaken in realty, consolidation of the engineering business with the acquisition of MPPL, demerger of the lifestyle business, and the sale of the FMCG business will lead to value unlocking. We assign a TP of INR 2,705 based on a SOTP multiple of 11.7x the FY26E EV/ EBITDA and recommend that investors Buy.

Earnings Summary (INR Mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue (Ex- OI)	61,785	82,147	88,043	102,159	122,743
Operating Profit	7,111	11,994	12,968	15,736	19,625
Operating Margin	11.51%	14.60%	14.73%	15.40%	15.99%
PAT	4,239	6,361	8,987	10,215	13,741
PAT growth (%)	(242.7)	50.1	41.3	13.7	34.5
EPS (INR)	63.7	95.6	135.0	153.4	206.4
EPS growth (%)	(242.7)	50.1	41.3	13.7	34.5
P/E (x)	26.3	17.5	12.4	10.9	8.1
P/BV (x)	4.7	3.8	3.1	2.5	1.9
EV/EBITDA (x)	14.9	10.1	8.4	6.8	4.9

Source: Company Filings & Arihant Capital Research

Q2FY24 Result Update | Raymond

SOTP Valuation (FY26E)	EBITDA (INR Mn)	Multiple (x)	Enterprise Value (INR Mn)
Branded Textiles	8,937	11	98,303
Branded Apparel	2,007	12	24,088
High Value Cotton Shirting	1,270	4	5,079
Garmenting	1,762	5	8,811
Tools & Hardware	1,554	12	18,649
Auto Components	1,247	12	14,966
Real Estate			25,604
Total	16,777	11.7	195,500
Elimination	2,180	11.7	25,398
Segment EV	14,598	11.7	170,103
Cash & Investments			19,203
JV/Associates			1,052
Total Debt			10,295
Intrinsic Market Cap			180,064
Outstanding Shares (Mn)			66.6
Fair Value Per Share (INR)			2,705

Source: Company & Arianth Research

INR Cr (consolidated)	Q2FY24	Q1FY24	Q2FY23	Q-o-Q	Y-o-Y
Revenue (Ex- OI)	2,253	1,771	2,168	27.21%	3.93%
Raw Material Costs	820	688	811	19.24%	1.21%
Gross Profit	1,433	1,083	1,358	32.26%	5.55%
<i>Gross Margin</i>	<i>63.59%</i>	<i>61.16%</i>	<i>62.61%</i>	<i>243bps</i>	<i>98bps</i>
Employee costs	284	284	256	-0.17%	11.08%
Manufacturing and operating expenses	234	224	243	4.12%	-3.82%
Costs toward development of Porperty	264	108	240	145.51%	10.20%
Other Expenses	336	270	284	24.41%	18.34%
Operating Profit	315	197	335	60.02%	-6.07%
<i>Operating Margin</i>	<i>13.96%</i>	<i>11.10%</i>	<i>15.45%</i>	<i>286bps</i>	<i>-149bps</i>
Other Income	67	55	23	22.25%	197.48%
EBITDA	382	252	358	51.76%	6.80%
<i>EBITDA Margin</i>	<i>16.46%</i>	<i>13.78%</i>	<i>16.32%</i>	<i>268bps</i>	<i>14bps</i>
Depreciation	65	60	58	9.46%	13.69%
EBIT	317	192	300	64.92%	5.49%
Finance costs	89	79	63	12.34%	41%
Exceptional Items	-23	-9	-10	144.53%	140%
Share of Profit/Loss from associates	8	990	6	-99.23%	34%
PBT	212	1,093	233	-80.62%	-8.99%
Tax Expense	51	27	71	89.72%	-28%
Effective tax rate %	24%	2%	30%	2150bps	-650bps
PAT	161	1,067	162	-84.89%	-0.49%
<i>PAT margin %</i>	<i>6.94%</i>	<i>58.40%</i>	<i>7.39%</i>	<i>-5146bps</i>	<i>-45bps</i>
EPS (INR)	24.01	160.01	23.86	-84.99%	0.63%

Source: Company & Arianth Research

Softening RM prices for the lifestyle business: Most materials- wool, poly viscose, and cotton have softened significantly from their peak, and any price increases have successfully been passed on, however, prices of linen remain somewhat elevated.

Expansion of store footprint: The company added 63 stores during the quarter, and closed 17. They added 40 EBOs across branded apparel, bringing the total Ethnix store count to 92 (+17 in Q2). The plan is to add 500 stores under branded apparel in the next 5 years, and 200 stores in the next 12-18 months on an asset-light model. Margins in branded apparel are expected to be 11-12% for the next year or so and settle at 14-15% over the next 4-5 years. Ad spending is going strong in this business.

Segment Wise (INR Cr)	Q2FY24	Q1FY24	Q2FY23	Q-o-Q	Y-o-Y
Segment Revenue					
Textile	933	688	912	35.49%	2.29%
Shirting	211	192	211	9.87%	0.14%
Apparel	437	305	370	43.38%	18.01%
Garmenting	312	265	266	17.98%	17.68%
Tools & Hardware	93	110	132	-15.87%	-30.03%
Auto Components	108	99	95	8.91%	13.44%
Real Estate & Development of Property	243	234	247	3.83%	-1.96%
Others	1	3	2	-57.32%	-39.91%
Inter Segment Revenue	-84	-124	-67	-32.57%	25.18%
Total Segment Revenue	2,253	1,771	2,168	27.21%	3.93%
Segment Results					
Textile	188	101	186	86.67%	1.38%
Shirting	18	10	18	87.47%	0.88%
Apparel	27	-4	19	-879.43%	40.69%
Garmenting	18	20	18	-10.44%	-0.28%
Tools & Hardware	-1	7	17	-108.05%	-103.16%
Auto Components	21	17	12	19.95%	73.18%
Real Estate & Development of Property	44	52	61	-15.15%	-26.84%
Others	-3	-2	-2	85.71%	94.16%
Inter Segment Profit/ Loss	1	0	0	294.12%	1575.00%
Total Segment Results	314	202	330	55.35%	-4.66%
Segment Wise EBIT Margin (%)					
Textile	20.18%	14.65%	20.36%	553bps	-18bps
Shirting	8.66%	5.08%	8.60%	359bps	6bps
Apparel	6.25%	-1.15%	5.24%	740bps	101bps
Garmenting	5.80%	7.64%	6.84%	-184bps	-104bps
Tools & Hardware	-0.58%	6.10%	12.93%	-668bps	-1351bps
Auto Components	19.34%	17.56%	12.67%	178bps	667bps
Real Estate & Development of Property	18.31%	22.40%	24.53%	-409bps	-622bps
Others	-218.25%	-50.16%	-67.54%	-16809bps	-15070bps
Inter Segment Profit/ Loss	-0.80%	-0.14%	-0.06%	-66bps	-74bps
EBIT Margin	13.95%	11.42%	15.21%	253bps	-126bps

Source: Company & Arian Research

Debt trajectory and the demerger: The company has INR 1,700 Cr of debt on books via NCDs issued to RCCL which will be reversed on completion of the demerger by Q1FY25 (it will take an additional 40 days to list the 2 separate entities). Currently, the NCDs have entailed an interest cost of INR 23 Cr. The NCDs were issued to repay external debt of INR 1,000 Cr, and the remaining is invested in liquid investments.

Branded Textiles growth strategy: The company is working on filling the mid-premium and economy range of its product offering as it already has a strong presence in the premium/super-premium segment. Wool and poly-wool blends are seeing decent volume growth in suits, whereas shirting witnessed flattish volumes.

Q2FY24 Result Update | Raymond

Income Statement (INR Mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue (Ex- OI)	61,785	82,147	88,043	102,159	122,743
Op. Expenses	54,674	70,153	75,074	86,423	103,118
Operating Profit	7,111	11,994	12,968	15,736	19,625
<i>Operating Margin</i>	<i>11.51%</i>	<i>14.60%</i>	<i>14.73%</i>	<i>15.40%</i>	<i>15.99%</i>
Other income	1,695	1,223	2,078	1,455	1,528
EBITDA	8,806	13,217	15,047	17,191	21,152
<i>EBITDA Margin</i>	<i>13.87%</i>	<i>15.85%</i>	<i>16.70%</i>	<i>16.59%</i>	<i>17.02%</i>
Depreciation	2,398	2,354	2,547	2,698	2,848
EBIT	6,408	10,863	12,499	14,493	18,304
Interest Exp.	2,277	2,573	2,435	1,835	1,235
Extra Ordinary Items -gain/(loss)	(1,636)	(1,072)	(400)	-	-
PBT	2,496	7,219	9,664	12,658	17,069
Tax	(219)	2,004	2,013	2,532	3,414
PAT	2,715	5,216	7,651	10,126	13,655
Minority Int./Profit (Loss) From Associates	111	(74)	(936)	(88)	(86)
Net Profit	2,604	5,289	8,587	10,215	13,741
Adjusted PAT	4,239	6,361	8,987	10,215	13,741
Adjusted EPS (INR)	63.7	95.6	135.0	153.4	206.4
Balance Sheet (INR Mn)	FY22	FY23	FY24E	FY25E	FY26E
Share Capital	666	666	666	666	666
Reserves & Surplus	22,925	28,324	35,146	44,887	58,155
Networth	23,591	28,990	35,811	45,552	58,820
Debt	23,272	25,295	20,295	15,295	10,295
Minority Interest	772	850	914	982	1,052
Net deferred Tax liabilities	(3,853)	(1,876)	(1,876)	(1,876)	(1,876)
Capital Employed	43,782	53,259	55,144	59,953	68,292
Net Fixed Assets	19,015	19,687	19,140	18,592	17,894
Goodwill	10	10	10	10	10
Investments	10,998	16,391	16,391	16,391	16,391
Current Assets, Loans & Advances	39,813	43,897	48,206	58,148	73,872
Inventory	20,113	24,966	26,533	29,388	33,628
Debtors	8,731	7,443	7,236	7,837	8,743
Cash & Bank balance	3,363	3,258	5,615	10,688	19,203
Loans & advances and others	7,606	8,230	8,821	10,235	12,297
Current Liabilities & Provisions	26,054	26,727	28,603	33,189	39,876
Liabilities	25,129	25,852	27,665	32,101	38,569
Provisions	925	875	937	1,088	1,307
Net Current Assets	13,759	17,170	19,603	24,959	33,996
Application of Funds	43,782	53,259	55,144	59,953	68,292
Cash Flow Statement (INR Mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	4,068	8,445	11,064	12,814	17,226
Depreciation & amortisation	2,398	2,354	2,547	2,698	2,848
(Inc)/Dec in working capital	51	(3,862)	(76)	(284)	(522)
Tax paid	(344)	(724)	(2,013)	(2,532)	(3,414)
Other operating Cash Flow	(1,675)	(742)	(2,078)	(1,455)	(1,528)
Cash flow from operating activities	6,774	8,042	11,880	13,077	15,847
Capital expenditure	(317)	(1,023)	(2,000)	(2,150)	(2,150)
Add: Int/Div. Income Recd.	(3,932)	(3,735)	2,078	1,455	1,529
CF from investing activities	(4,249)	(4,758)	78	(695)	(621)
Inc/(Dec) in debt	(95)	336	(5,000)	(5,000)	(5,000)
Dividend Paid	(2,148)	(2,466)	(2,665)	(2,065)	(1,465)
Others	1,746	1,545	(936)	(88)	(88)
CF from financing activities	(498)	(585)	(8,601)	(7,153)	(6,552)
Net cash flow	2,028	2,700	3,357	5,229	8,673
Opening balance	2,323	1,617	3,257	5,615	10,688
Closing balance	3,363	3,257	5,615	10,688	19,204

Source: Company & Arianth Research

Q2FY24 Result Update | Raymond

Per share data	FY22	FY23	FY24E	FY25E	FY26E
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)	354.4	435.5	537.9	684.3	883.6
CEPS (INR)	76.8	113.7	153.2	192.6	247.9
DPS (INR)	1.0	3.0	3.0	3.0	3.0
Margins	FY22	FY23	FY24E	FY25E	FY26E
EBITDA Margin	13.87%	15.85%	16.70%	16.59%	17.02%
EBIT Margin	10.09%	13.03%	13.87%	13.99%	14.73%
PAT Margin	6.68%	7.63%	9.97%	9.86%	11.06%
Growth Indicators (%)	FY22	FY23	FY24E	FY25E	FY26E
Revenue(%)	79.3	33.0	7.2	16.0	20.1
EBITDA(%)	551.6	50.1	13.8	14.3	23.0
Adj PAT(%)	-242.7	50.1	41.3	13.7	34.5
Adj EPS(%)	-242.7	50.1	41.3	13.7	34.5
Valuation (x)	FY22	FY23	FY24E	FY25E	FY26E
P/E	26.3	17.5	12.4	10.9	8.1
P/BV	4.7	3.8	3.1	2.5	1.9
EV/EBITDA	14.9	10.1	8.4	6.8	4.9
EV/Sales	2.1	1.6	1.4	1.1	0.8
Dividend Yield (%)	0.1	0.2	0.2	0.2	0.2
Financial Ratios	FY22	FY23	FY24E	FY25E	FY26E
Profit & Loss					
RM/Net Revenue	36	36	37	36	36
Emp Exp/Net Revenue	14	12	13	12	11
Other Exp/Net Revenue	38	36	35	36	37
Balance Sheet					
RoE (%)	19.0	24.2	27.7	25.1	26.3
RoCE (%)	18.7	24.9	26.9	27.7	30.9
Key operating metrics	FY22	FY23	FY24E	FY25E	FY26E
Dep. (% of Gross Block)	7.4	7.1	7.2	7.2	7.2
Inventory days	119	111	110	105	100
Debtor days	52	33	30	28	26
Creditor days	101	75	75	75	75
Net working capital days	61	62	58	51	44
Asset turnover (x)	1.4	1.7	1.6	1.8	1.9
Fixed asset turnover (x)	1.9	2.4	2.4	2.7	3.0
Sales :Net Block (x)	3.2	4.2	4.6	5.5	6.9
Financial leverage (Asset/Equity)	0.5	0.5	0.6	0.8	0.9
Debt/Equity (x)	1.0	0.9	0.6	0.3	0.2

Source: Company & Arian 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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