

**CMP: INR 1,780**

**Rating: BUY**

**TP: INR 2,546**

**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)	11,848
52w H/L (INR)	2,240/ 1,093
Avg Daily Vol (in 000')	326

**Shareholding Pattern %**

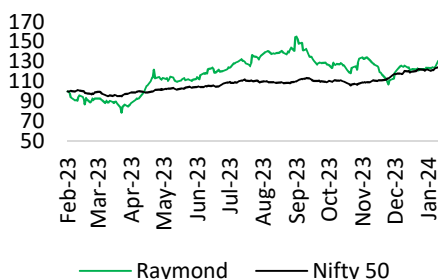
*(As on September 2023)*

Promoters	49.11
DII	7.88
FII	14.39
Public & Others	28.62

**Stock Performance (%) 1m 6m 12m**

RAYMOND	2.33 (8.65)	26.62
NIFTY 50	0.66 11.51	23.02

**Raymond Price Chart**



**Abhishek Jain**

[abhishek.jain@arihantcapital.com](mailto:abhishek.jain@arihantcapital.com)

022 4225 4872

**Anushka Chitnis**

[Anushka.chitnis@arihantcapital.com](mailto:Anushka.chitnis@arihantcapital.com)

022 4225 4870

The company achieved highest ever performance in terms of revenue and EBITDA, revenue was in line with estimates but underperformed on EBITDA and EBITDA margin. However, PAT levels exceeded expectations. Revenue was up 10.1% YoY to INR 2,386 Cr (+5.9% QoQ), in line with our estimate of INR 2,385 Cr. EBITDA demonstrated YoY growth of 2% to reach INR 358 Cr (Ex-ESOP of INR 5.5 Cr)(-6.3% QoQ) and below estimated figures of INR 401 Cr by -10.7%. EBITDA Margin down by 120bps YoY to 15% (-200bps QoQ), underperforming our estimate of 16.8%. PAT demonstrated strong YoY growth, surging by 91.1% to reach INR 185 Cr (+15.1% QoQ). Above our estimates of INR 177 Cr by 4.7%. **Post-Diwali, fabric and apparel faced weak demand due to inflationary pressures. Real estate showed strong growth in residential demand, expected to continue. Engineering consumables were impacted by sluggish export markets.**

**Lifestyle business:** The branded textile segment faced challenges in the post-Diwali period despite festive buoyancy until Diwali. The focus on distribution expansion, premiumization, and casualization contributed to growth of 20% YoY in the branded apparel business. In the garmenting segment, capacity expansion aligns with the global "China Plus One" strategy and India's "Making in India" initiative. The cotton shirting segment experienced growth in demand for cotton and linen fabric offerings to B2B customers.

**Real estate business:** Company secured redevelopment projects in Mahim West, Sion East, and Bandra, with a total revenue potential exceeding INR 5,000 Cr from JDA projects. The launch of two new towers at Thane land contributed to strong booking momentum, totaling INR 428 Cr in Q3 FY24, compared to INR 380 Cr in the same period last fiscal. Revenue have increased by 50% to INR 439 Cr in Q3 FY24, compared to INR 292 Cr in Q3 FY23. The EBITDA margin for the quarter was 22.1%, slightly lower than the previous year's 25%, attributed to initial launch costs for new projects.

**Engineering business:** The engineering business, consolidated under JK Files & Engineering Limited, faced challenges in the engineering consumable category due to sluggishness in export markets. The company is entering the Aerospace and EV sectors, acquiring a stake in Maini Precision. Regulatory clearances for this move are anticipated to be completed during the fourth quarter of FY24.

**Valuation and Outlook:** The company is positioned to leverage growth opportunities in the textile sector, benefiting from the industry's positive trajectory. Its presence in the real estate market adds another avenue for growth. Additionally, venturing into the aerospace and EV sectors aligns with expanding market trends. We assign a TP of INR 2,546 based on a SOTP EV/ EBITDA multiple of 11.7x for FY26E and recommend BUY rating.

Earnings Summary (INR Mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue (Ex- OI)	61,785	82,147	88,043	1,02,159	1,22,743
Operating Profit	7,111	11,994	12,144	14,792	18,420
Operating Margin	11.51%	14.60%	13.79%	14.48%	15.01%
PAT	4,239	6,361	8,328	9,459	12,777
PAT growth (%)	(242.7)	50.1	30.9	13.6	35.1
EPS (INR)	63.7	95.6	125.1	142.1	191.9
EPS growth (%)	(242.7)	50.1	30.9	13.6	35.1
P/E (x)	26.3	17.5	13.4	11.8	8.7
P/BV (x)	4.7	3.8	3.2	2.5	2.0
EV/EBITDA (x)	14.9	10.1	8.9	7.2	5.3

Source: Company Filings & Arihant Capital Research

SOTP Valuation (FY26E)	EBITDA (INR Mn)	Multiple (x)	Enterprise Value (INR Mn)
Branded Textiles	8,490	11	93,388
Branded Apparel	1,807	12	21,679
High Value Cotton Shirting	1,215	4	4,858
Garmenting	1,652	5	8,261
Tools & Hardware	1,430	12	17,157
Auto Components	1,247	12	14,966
Real Estate			25,604
<b>Total</b>	<b>15,840</b>	<b>11.7</b>	<b>1,85,913</b>
Intersegment Elimination	2,046	11.7	24,010
<b>Segment EV</b>	<b>13,794</b>	<b>11.7</b>	<b>1,61,903</b>
Cash & Investments			16,824
JV/Associates			1,052
Total Debt			10,295
<b>Intrinsic Market Cap</b>			<b>1,69,485</b>
Outstanding Shares (Mn)			67
<b>Fair Value Per Share (INR)</b>			<b>2,546</b>

Source: Company & Arihant Research

### Q3FY24 Concall KTAs

**Demerger:** The company is planning a demerger, scheduled for the EGM on February 26th. Following this, it will be filed with the NCLT, and completion is expected in the Q1 FY24. The effective date of the demerger is set for April 1, 2023. The demerger will lead to the creation of two separate, net debt-free entities one focused on B2C lifestyle business and the other on real estate and engineering business.

**Expansion of store footprint:** The company is set to expand its retail presence, aiming to add 250-300 stores over the next 18 months using a franchise model. The focus will be on increasing the store network for Ethnix by Raymond and other apparel brands. Ad spending is going strong in this business.

**Operational Highlights:** The During the quarter working capital achieve a reduction to 71 days, a decrease of 5 days from the previous quarter, totaling INR 1,925 Cr in Q324. The company generated an operating cash flow of INR 333 Cr and a free cash flow of INR 250 Cr, reinforcing a net cash-positive position. With a total gross debt of INR 2,754 Cr and net debt standing at INR 919 Cr. However, interest costs increased by INR 34 crores on a YoY basis, attributed to factors such as NCDs, higher lease liabilities due to store expansions, and deferred approval costs for the Bandra project.

**Expected breakup of real estate:** The company has communicated its vision for the next four to five years, emphasizing that 40% to 50% of revenue is expected to derive from Joint Development Agreements (JDA) in the Mumbai Metropolitan Region (MMR), with the remainder originating from the Thane land. The anticipated revenue from real estate during this period is estimated to range between INR 3,500 crores to INR 4,000 crores annually.

**Ethnix and Ready to Wear to drive growth:** Ethnix by Raymond is leading the expansion with 105 stores. While currently in the investment stage, the expectation is that economies of scale will drive higher gross margins. With the quality and designs offered in Raymond Ready to Wear, the brand is anticipated to reach a significant level once it achieves the right reach.

INR Cr (consolidated)	Q3FY24	Q2FY24	Q3FY23	Q-o-Q	Y-o-Y	Q3FY24E	Surprise
<b>Revenue</b>	<b>2,386</b>	<b>2,253</b>	<b>2,168</b>	<b>5.89%</b>	<b>10.06%</b>	<b>2,385</b>	<b>0.05%</b>
Raw Material Costs	454	820	825	-44.71%	-45.03%	859	-47.17%
<b>Gross Profit</b>	<b>1,933</b>	<b>1,433</b>	<b>1,343</b>	<b>34.86%</b>	<b>43.91%</b>	<b>1,526</b>	<b>26.61%</b>
<i>Gross Margin</i>	<i>80.99%</i>	<i>63.59%</i>	<i>61.94%</i>	<i>1740bps</i>	<i>1905bps</i>	<i>64.00%</i>	<i>1699bps</i>
Employee costs	291	284	262	2.60%	11.26%	300	-2.94%
Manufacturing and operating expenses	239	234	237	2.42%	1.13%	250	-4.32%
Costs toward development of Property	691	264	199	161.10%	247.48%	280	146.64%
Other Expenses	350	336	327	3.91%	7.00%	340	2.83%
<b>Operating Profit</b>	<b>362</b>	<b>315</b>	<b>319</b>	<b>15.04%</b>	<b>13.40%</b>	<b>356</b>	<b>1.56%</b>
<i>Operating Margin</i>	<i>15.17%</i>	<i>13.96%</i>	<i>14.72%</i>	<i>121bps</i>	<i>45bps</i>	<i>14.94%</i>	<i>23bps</i>
Other Income	64	67	31	-4.58%	104.59%	45	42.62%
<b>EBITDA</b>	<b>426</b>	<b>382</b>	<b>351</b>	<b>11.58%</b>	<b>21.56%</b>	<b>401</b>	<b>6.16%</b>
<i>EBITDA Margin</i>	<i>17.39%</i>	<i>16.46%</i>	<i>15.94%</i>	<i>93bps</i>	<i>145bps</i>	<i>16.52%</i>	<i>87bps</i>
Depreciation	70	65	58	7.54%	21.54%	65	8.15%
<b>EBIT</b>	<b>356</b>	<b>317</b>	<b>293</b>	<b>12.42%</b>	<b>21.56%</b>	<b>336</b>	<b>5.78%</b>
Finance costs	104	89	70	15.96%	47%	90	15.03%
Exceptional Items	-	-23	-5	-100.00%	-100%	-5	-100.00%
Share of Profit/Loss from associates	-4	8	-5	-155.69%	-16%	-5	-14.80%
<b>PBT</b>	<b>248</b>	<b>212</b>	<b>213</b>	<b>17.06%</b>	<b>16.64%</b>	<b>236</b>	<b>4.92%</b>
Tax Expense	62.61	51	116	23.42%	-46%	59.10	5.94%
Effective tax rate %	25%	24%	55%	130bps	-2933bps	25%	24bps
<b>PAT</b>	<b>185</b>	<b>161</b>	<b>97</b>	<b>15.06%</b>	<b>91.96%</b>	<b>177</b>	<b>4.59%</b>
<i>PAT margin %</i>	<i>7.57%</i>	<i>6.94%</i>	<i>4.39%</i>	<i>62bps</i>	<i>318bps</i>	<i>7.30%</i>	<i>27bps</i>

**Steady margins and upcoming launch for real estate:** The company anticipates maintaining a steady margin of around 24-25% for its real estate segment going forward, unless market dynamics change significantly. The Bandra project has applied for RERA registration and is expected to be launched this quarter. The projected revenue potential for the Bandra project, estimated at INR2,000 crores.

**ESOP:** The company incurred a cost of approximately INR5.5 crores in the quarter in the Raymond ESOP scheme 2023. Excluding this ESOP cost, the EBITDA would have been higher, reaching INR432 crores, with an EBITDA margin of 17.6% (Including OI).

**Margin Growth in Branded Apparel:** The branded apparel business witnessed a improvement in margin, reaching 14% in the quarter and 11.3% in the nine months. This is attributed to investments in advertising, operational efficiency, and continuous expansion across various channels, contributing to significant economies of scale. The company's focus on driving footfalls to new stores has played a crucial role in achieving strong growth of 20% in the branded apparel segment.

## Q3FY24 Result Update | Raymond

Income Statement (INR Mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue (Ex- OI)	61,785	82,147	88,043	1,02,159	1,22,743
Op. Expenses	54,674	70,153	75,899	87,368	1,04,323
<b>Operating Profit</b>	<b>7,111</b>	<b>11,994</b>	<b>12,144</b>	<b>14,792</b>	<b>18,420</b>
<i>Operating Margin</i>	<i>11.51%</i>	<i>14.60%</i>	<i>13.79%</i>	<i>14.48%</i>	<i>15.01%</i>
Other income	1,695	1,223	2,078	1,455	1,528
<b>EBITDA</b>	<b>8,806</b>	<b>13,217</b>	<b>14,222</b>	<b>16,247</b>	<b>19,948</b>
<i>EBITDA Margin</i>	<i>13.87%</i>	<i>15.85%</i>	<i>15.78%</i>	<i>15.68%</i>	<i>16.05%</i>
Depreciation	2,398	2,354	2,547	2,698	2,848
<b>EBIT</b>	<b>6,408</b>	<b>10,863</b>	<b>11,675</b>	<b>13,549</b>	<b>17,099</b>
Interest Exp.	2,277	2,573	2,435	1,835	1,235
Extra Ordinary Items -gain/(loss)	(1,636)	(1,072)	(400)	-	-
<b>PBT</b>	<b>2,496</b>	<b>7,219</b>	<b>8,840</b>	<b>11,713</b>	<b>15,864</b>
Tax	(219)	2,004	1,848	2,343	3,173
<b>PAT</b>	<b>2,715</b>	<b>5,216</b>	<b>6,992</b>	<b>9,371</b>	<b>12,691</b>
Minority Int./Profit (Loss) From Associates	111	(74)	(936)	(88)	(86)
Net Profit	2,604	5,289	7,928	9,459	12,777
<b>Adjusted PAT</b>	<b>4,239</b>	<b>6,361</b>	<b>8,328</b>	<b>9,459</b>	<b>12,777</b>
<b>Adjusted EPS (INR)</b>	<b>63.7</b>	<b>95.6</b>	<b>125.1</b>	<b>142.1</b>	<b>191.9</b>
Balance Sheet (INR Mn)	FY22	FY23	FY24E	FY25E	FY26E
Share Capital	666	666	666	666	666
Reserves & Surplus	22,925	28,324	34,486	43,471	55,776
<b>Networth</b>	<b>23,591</b>	<b>28,990</b>	<b>35,152</b>	<b>44,137</b>	<b>56,441</b>
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)
<b>Capital Employed</b>	<b>43,782</b>	<b>53,259</b>	<b>54,485</b>	<b>58,538</b>	<b>65,913</b>
<b>Net Fixed Assets</b>	<b>19,015</b>	<b>19,687</b>	<b>19,140</b>	<b>18,592</b>	<b>17,894</b>
Goodwill	10	10	10	10	10
Investments	10,998	16,391	16,391	16,391	16,391
<b>Current Assets, Loans &amp; Advances</b>	<b>39,813</b>	<b>43,897</b>	<b>47,546</b>	<b>56,733</b>	<b>71,493</b>
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	4,956	9,273	16,824
Loans & advances and others	7,606	8,230	8,821	10,235	12,297
<b>Current Liabilities &amp; Provisions</b>	<b>26,054</b>	<b>26,727</b>	<b>28,603</b>	<b>33,189</b>	<b>39,876</b>
Liabilities	25,129	25,852	27,665	32,101	38,569
Provisions	925	875	937	1,088	1,307
<b>Net Current Assets</b>	<b>13,759</b>	<b>17,170</b>	<b>18,944</b>	<b>23,544</b>	<b>31,618</b>
<b>Application of Funds</b>	<b>43,782</b>	<b>53,259</b>	<b>54,485</b>	<b>58,538</b>	<b>65,913</b>
Cash Flow Statement (INR Mn)	FY22	FY23	FY24E	FY25E	FY26E
<b>PBT</b>	<b>4,068</b>	<b>8,445</b>	<b>10,240</b>	<b>11,869</b>	<b>16,021</b>
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)	(1,848)	(2,343)	(3,173)
Other operating Cash Flow	(1,675)	(742)	(2,078)	(1,455)	(1,528)
<b>Cash flow from operating activities</b>	<b>6,774</b>	<b>8,042</b>	<b>11,220</b>	<b>12,321</b>	<b>14,883</b>
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
<b>CF from investing activities</b>	<b>(4,249)</b>	<b>(4,758)</b>	<b>78</b>	<b>(695)</b>	<b>(621)</b>
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)
<b>CF from financing activities</b>	<b>(498)</b>	<b>(585)</b>	<b>(8,601)</b>	<b>(7,153)</b>	<b>(6,552)</b>
<b>Net cash flow</b>	<b>2,028</b>	<b>2,700</b>	<b>2,698</b>	<b>4,473</b>	<b>7,709</b>
Opening balance	2,323	1,617	3,257	4,955	9,273
<b>Closing balance</b>	<b>3,363</b>	<b>3,257</b>	<b>4,955</b>	<b>9,273</b>	<b>16,825</b>

Source: Company & Arianth Research

## Q3FY24 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	528.0	663.0	847.8
CEPS (INR)	76.8	113.7	143.3	181.3	233.4
DPS (INR)	1.0	3.0	3.0	3.0	3.0
Margins	FY22	FY23	FY24E	FY25E	FY26E
EBITDA Margin	13.87%	15.85%	15.78%	15.68%	16.05%
EBIT Margin	10.09%	13.03%	12.95%	13.08%	13.76%
PAT Margin	6.68%	7.63%	9.24%	9.13%	10.28%
Growth Indicators (%)	FY22	FY23	FY24E	FY25E	FY26E
Revenue(%)	79.3	33.0	7.2	16.0	20.1
EBITDA(%)	551.6	50.1	7.6	14.2	22.8
Adj PAT(%)	-242.7	50.1	30.9	13.6	35.1
Adj EPS(%)	-242.7	50.1	30.9	13.6	35.1
Valuation (x)	FY22	FY23	FY24E	FY25E	FY26E
P/E	26.3	17.5	13.4	11.8	8.7
P/BV	4.7	3.8	3.2	2.5	2.0
EV/EBITDA	14.9	10.1	8.9	7.2	5.3
EV/Sales	2.1	1.6	1.4	1.2	0.9
Dividend Yield (%)	0.1	0.2	0.2	0.2	0.2
Financial Ratios	FY22	FY23	FY24E	FY25E	FY26E
<b>Profit &amp; Loss</b>					
RM/Net Revenue	36	36	37	36	36
Emp Exp/Net Revenue	14	12	13	12	11
Other Exp/Net Revenue	38	36	36	37	38
<b>Balance Sheet</b>					
RoE (%)	19.0	24.2	26.0	23.9	25.4
RoCE (%)	18.7	24.9	25.5	26.5	29.9
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	2.0
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

**Arihant Research Desk**

Email: [instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)

Tel. : 022-42254800

**Head Office**

#1011, Solitaire Corporate Park  
 Building No. 10, 1<sup>st</sup> Floor  
 Andheri Ghatkopar Link Road  
 Chakala, Andheri (E)  
 Mumbai – 400093  
 Tel: (91-22) 42254800  
 Fax: (91-22) 42254880

**Registered Office**

Arihant House  
 E-5 Ratlam Kothi  
 Indore - 452003, (M.P.)  
 Tel: (91-731) 3016100  
 Fax: (91-731) 3016199

**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%

**Research Analyst  
 Registration No.**

**Contact**

**Website**

**Email Id**

**INH000002764**

**SMS: 'Arihant' to 56677**

[www.arihantcapital.com](http://www.arihantcapital.com)

[instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)

**Disclaimer:** This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.  
 1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
 Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
 Tel. 022-42254800 Fax. 022-42254880