

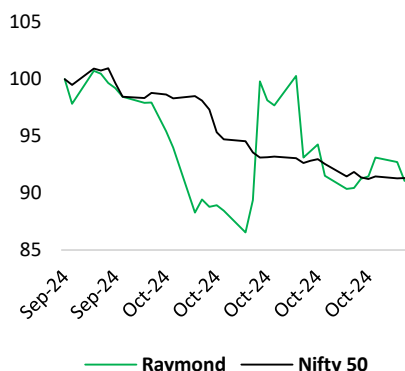
CMP: INR 2,024
Rating: BUY
TP: INR 2,808
Stock Info

BSE	544240
NSE	RAYMONDSL
Bloomberg	RAYMONDL:IN
Reuters	RAYL.NS
Sector	Garments & Apparels
Face Value (INR)	2
Equity Capital (INR cr)	12
Mkt Cap (INR cr)	13,409
52w H/L (INR)	3,100/ 2,021
Avg Daily Vol (in 000')	69

Shareholding Pattern %
(As on September 2024)

Promoters	54.67
DII	7.89
FII	12.63
Public & Others	24.81

Stock Performance (%)	1m	6m	12m
RAYMOND	(10.2)	-	-
NIFTY 50	(2.6)	8.6	25.6

Raymond Price Chart

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Raymond Lifestyle Limited (RLL) reported a mixed bag of results with a revenue decline due to subdued demand (discretionary spending was impacted primarily due to inflation) and logistics delays (Geopolitical issues with the red sea crisis causing low container availability and longer transit times by up to 2-3 weeks). EBITDA also suffered due to operating deleverage. Net debt rose to INR 396 Cr due to working capital ramp-up for the festive season. The company remains gung- ho with retail network expansion. They have also launched new collections in branded textiles under Ceremonial fabrics & Bello Italiano at a high price point, as well as SleepZ by Raymond under branded apparel targeting men's innerwear at the INR 500-999 price point. Margins would have been higher by 2-2.2% on a consolidated basis and ~5.5-6% for branded apparel on a pre ind- AS basis. There were exceptional items related to VRS and the demerger which impacted the bottom line. Marketing initiatives were up front and centre with a presence on "Kaun Banega Crorepati" to enhance brand visibility.

Green shoots into H2: The company expects a mid teen revenue growth and healthy EBITDA margins to be maintained for Q3 and Q4, led by apparel and garmenting. Primary sale traction in the B2B businesses has been promising even in Q2 hinting at a good secondary sale pipeline for H2.

Store Additions: The company plans to add 200 stores (EBOs) in the next 18 months. This quarter they added 52 (15 Ethnix stores) new stores bringing the total store count to 1,592 (129 Ethnix stores). New stores will be added on an asset light model with a focus on Ethnix.

Debt Reduction: The company expects better NWC management to lead to reduction in the short-term debt availed for festive & wedding demand expected in H2FY25.

Garmenting pick up on the horizon: The garmenting segment has a positive outlook, bolstered by a healthy order book, early successes from the Bangladesh+1 strategy, and potential benefits from the China+1 strategy, with ongoing capacity expansion.

Valuation and Outlook: We assign a TP of INR 2,808 (upside of 39%) based on a SOTP multiple of 12x the FY27E EV/ EBITDA and recommend that investors BUY. With 4.8 million weddings expected in November and December, and a positive start to the festive season in October, retail sales have shown positive momentum. Though there are ongoing concerns in the macroeconomic environment, they should be offset by domestic tailwinds.

Earnings Summary (INR Mn)	FY24	FY25E	FY26E	FY27E
Revenue (Ex- OI)	65,354	75,445	82,554	91,627
Operating Profit	9,366	10,649	12,137	13,960
Operating Margin	14.33%	14.11%	14.70%	15.24%
EBITDA	10,910	11,729	13,271	15,152
EBITDA Margin (%)	16.31%	15.33%	15.86%	16.32%
PAT	4,887	5,444	6,649	8,108
PAT growth (%)	(23.2)	11.4	22.1	21.9
EPS (INR)	80.2	89.4	109.2	133.1
EPS growth (%)	(23.2)	11.4	22.1	21.9
P/E (x)	25.2	22.6	18.5	15.2
P/BV (x)	1.3	1.2	1.1	1.1
EV/EBITDA (x)	12.6	11.5	9.7	8.0

Source: Company Filings & Arihant Capital Research

SOTP Valuation (FY27E)	EBITDA (INR Mn)	Multiple (x)	Enterprise Value (INR Mn)
Branded Textiles	8,044	10	80,444
Branded Apparel	3,419	20	68,378
High Value Cotton Shirting	1,182	9	10,641
Garmenting	1,380	8	11,038
Total	14,025	12	1,70,501
Intersegment Elimination	140	12	1,705
Segment EV	13,885	12	1,68,796
Cash & Investments			14,831
Total Debt			12,616
Intrinsic Market Cap			1,71,011
Outstanding Shares (Mn)			61
Fair Value Per Share (INR)			2,808
Upside/ Downside			39%

Source: Company Filings & Arihant Capital Research

Operational Performance:

- **Branded Textiles:** An 8% YoY revenue decrease due to low demand and Shraadh period impact. EBITDA margins contracted to 18.9%.
- **Branded Apparel:** Slight 1% YoY revenue increase, supported by new store openings despite low consumer demand. EBITDA margins improved to 13% through a focus on intake margins.
- **Garmenting:** Revenue contracted by 9% YoY due to logistics and shipment delays, though EBITDA margins improved to 9.6%.
- **High Value Cotton Shirting:** Revenue grew by 8% YoY, driven by robust B2B customer demand for the festive and wedding season. EBITDA margins slightly decreased to 9.7% because of input costs.

They launched a **garment exchange program** in collaboration with the NGO Goonj wherein customers can donate clothes to the less fortunate in exchange for a free stitching.

INR Mn (consolidated)	Q2FY25	Q1FY25	Q1FY25	Q-o-Q	Y-o-Y
Revenue (Ex- OI)	17,083	12,201	18,034	40.01%	-5.27%
Raw Material Costs	7645	5285	8552	44.65%	-10.61%
Gross Profit	9,438	6,916	9,482	36.46%	-0.46%
<i>Gross Margin</i>	<i>55.25%</i>	<i>56.68%</i>	<i>52.58%</i>	<i>-143bps</i>	<i>267bps</i>
Employee costs	2422	2344	2220	3.32%	9.12%
Manufacturing and operating expenses	1799	1624	1796	10.74%	0.17%
Other Expenses	3070	2351	2864	30.59%	7.17%
Operating Profit	2,148	597	2,602	259.65%	-17.47%
<i>Operating Margin</i>	<i>12.57%</i>	<i>4.89%</i>	<i>14.43%</i>	<i>768bps</i>	<i>-186bps</i>
Other Income	270	294	458	-8.27%	-41.21%
EBITDA	2,417	891	3,061	171.30%	-21.02%
<i>EBITDA Margin</i>	<i>13.93%</i>	<i>7.13%</i>	<i>16.55%</i>	<i>680bps</i>	<i>-262bps</i>
Depreciation	763	746	598	2.25%	27.51%
EBIT	1,655	145	2,463	1038.89%	-32.81%
Finance costs	532	463	428	14.92%	24%
Exceptional Items	-594	-5	-	12283.33%	-
PBT	528	-323	2,035	-263.73%	-74.04%
Tax Expense	106	-91	641	-217.44%	-83%
Effective tax rate %	20%	28%	32%	-794bps	-1137bps
Profit for the Period	422	-232	1,393	-281.81%	-69.73%

Source: Company & Arihant Research

Segment Wise (INR Cr)	Q2FY25	Q1FY25	Q1FY25	Q-o-Q	Y-o-Y
Segment Revenue					
Textile	8,535	5,651	9,327	51.04%	-8.49%
Shirting	2,284	1,856	2,108	23.05%	8.32%
Apparel	4,410	3,027	4,366	45.71%	1.00%
Garmenting	2,596	2,520	2,862	3.00%	-9.29%
Others	219	221	210	-0.72%	4.73%
Inter Segment Revenue	-962	-1,074	-839	-10.46%	14.67%
Total Segment Revenue	17,083	12,201	18,034	40.01%	-5.27%
Segment Results					
Textile	1295	222	1773	482.85%	-26.96%
Shirting	130	12	207	1007.69%	-37.27%
Apparel	157	-255	273	-161.54%	-42.54%
Garmenting	180	18	155	880.43%	16.76%
Others	-84	4	31	-2046.51%	-372.64%
Inter Segment Profit/ Loss	-12	16	7	-174.84%	-270.59%
Total Segment Results	1,667	17	2,445	9533.53%	-31.83%
Segment Wise EBIT Margin (%)					
Textile	15.17%	3.93%	19.01%	1124bps	-384bps
Shirting	5.68%	0.63%	9.80%	505bps	-412bps
Apparel	3.56%	-8.42%	6.25%	1197bps	-269bps
Garmenting	6.95%	0.73%	5.40%	622bps	155bps
Others	-38.15%	1.95%	14.65%	-4010bps	-5280bps
Inter Segment Profit/ Loss	1.21%	-1.44%	-0.81%	265bps	202bps

Source: Company & Arihant Research

Q1FY25 Result Update | Raymond

Income Statement (INR Mn)	FY24	FY25E	FY26E	FY27E
Revenue (Ex- OI)	65,354	75,445	82,554	91,627
Op. Expenses	55,988	64,796	70,418	77,666
Operating Profit	9,366	10,649	12,137	13,960
<i>Operating Margin</i>	<i>14.33%</i>	<i>14.11%</i>	<i>14.70%</i>	<i>15.24%</i>
Other income	1,544	1,081	1,135	1,192
EBITDA	10,910	11,729	13,271	15,152
<i>EBITDA Margin</i>	<i>16.31%</i>	<i>15.33%</i>	<i>15.86%</i>	<i>16.32%</i>
Depreciation	2,463	2,644	2,704	2,764
EBIT	8,447	9,085	10,567	12,387
Interest Exp.	1,957	1,827	1,702	1,577
Extra Ordinary Items -gain/(loss)	(92)	-	-	-
PBT	6,398	7,258	8,865	10,811
Tax	1,603	1,815	2,216	2,703
PAT	4,795	5,444	6,649	8,108
Adjusted PAT	4,887	5,444	6,649	8,108
Adjusted EPS (INR)	80.2	89.4	109.2	133.1
Balance Sheet (INR Mn)	FY24	FY25E	FY26E	FY27E
Share Capital	15	122	122	122
Reserves & Surplus	96,606	1,01,943	1,08,592	1,16,700
Networth	96,622	1,02,065	1,08,714	1,16,822
Debt	15,616	14,616	13,616	12,616
Net deferred Tax liabilities	110	110	110	110
Capital Employed	1,12,347	1,16,791	1,22,439	1,29,547
Gross Fixed Assets	43,073	44,073	45,073	46,073
Accumulated Depreciation	17,584	20,229	22,933	25,697
Capital work in progress	508	508	508	508
Net Fixed Assets	22,880	24,352	22,648	20,883
Goodwill	4,538	4,538	4,538	4,538
Investments	63,230	63,230	63,230	63,230
Current Assets, Loans & Advances	39,900	46,683	56,110	67,629
Inventory	17,328	22,929	25,089	27,847
Debtors	9,248	6,836	7,480	8,302
Cash & Bank balance	1,524	3,296	8,635	14,937
Loans & advances and others	11,800	13,622	14,905	16,543
Current Liabilities & Provisions	18,200	22,011	24,086	26,733
Liabilities	17,466	21,164	23,158	25,703
Provisions	734	848	927	1,029
Net Current Assets	21,700	24,671	32,024	40,897
Application of Funds	1,12,347	1,16,791	1,22,439	1,29,547
Cash Flow Statement (INR Mn)	FY24	FY25E	FY26E	FY27E
PBT	6,490	7,258	8,865	10,811
Depreciation & amortisation	2,463	2,644	2,704	2,764
Interest expense	1,957	1,827	1,702	1,577
(Inc)/Dec in working capital	(7,551)	(1,199)	(2,014)	(2,570)
Tax paid	(770)	(1,815)	(2,216)	(2,703)
Other operating Cash Flow	(12,031)	(1,081)	(1,135)	(1,192)
Cash flow from operating activities	(9,443)	7,636	7,906	8,687
Capital expenditure	(2,076)	(1,000)	(1,000)	(1,000)
Add: Int/Div. Income Recd.	(8,340)	1,081	1,135	1,192
CF from investing activities	(10,416)	81	135	192
Inc/(Dec) in debt	21,028	(1,000)	(1,000)	(1,000)
Dividend Paid	(3,064)	(1,827)	(1,702)	(1,577)
Others	(13,069)	(2,572)	(107)	-
CF from financing activities	4,895	(5,943)	(2,702)	(2,577)
Net cash flow	(14,964)	1,773	5,338	6,302
Opening balance	1,712	1,523	3,297	8,635
Closing balance	1,523	3,297	8,635	14,937

Source: Company & Arianth Research

Q1FY25 Result Update | Raymond

Per share data	FY24	FY25E	FY26E	FY27E
No. of shares (m)	60.9	60.9	60.9	60.9
Diluted no. of shares (m)	60.9	60.9	60.9	60.9
BVPS (INR)	1,586.6	1,675.9	1,785.1	1,918.3
CEPS (INR)	119.2	132.8	153.6	178.5
Margins	FY24	FY25E	FY26E	FY27E
EBITDA Margin	16.31%	15.33%	15.86%	16.32%
EBIT Margin	12.63%	11.87%	12.63%	13.35%
PAT Margin	7.31%	7.11%	7.94%	8.74%
Growth Indicators (%)	FY24	FY25E	FY26E	FY27E
Revenue(%)	-20.4	15.4	9.4	11.0
EBITDA(%)	-17.5	7.5	13.1	14.2
Adj PAT(%)	-23.2	11.4	22.1	21.9
Adj EPS(%)	-23.2	11.4	22.1	21.9
Valuation (x)	FY24	FY25E	FY26E	FY27E
P/E	25.2	22.6	18.5	15.2
P/BV	1.3	1.2	1.1	1.1
EV/EBITDA	12.6	11.5	9.7	8.0
EV/Sales	2.1	1.8	1.6	1.3
Financial Ratios	FY24	FY25E	FY26E	FY27E
RM/Net Revenue	45	45	45	45
Emp Exp/Net Revenue	14	14	14	15
Other Exp/Net Revenue	27	27	26	25
RoE (%)	7.8	5.5	6.3	7.2
RoCE (%)	12.1	8.9	9.8	10.8
Asset/T.O (x)	1.6	1.6	1.6	1.6
Net Debt/Equity (x)	0.1	0.1	0.0	(0.0)
EBIT/Interest (x)	5.1	5.6	6.9	8.6
Key operating metrics	FY24	FY25E	FY26E	FY27E
Dep. (% of Gross Block)	6.4	6.1	6.1	6.1
Inventory days	97	111	111	111
Debtor days	52	33	33	33
Creditor days	70	75	75	75
Net working capital days	113	103	103	103
Asset turnover (x)	0.8	0.7	0.7	0.7
Fixed asset turnover (x)	1.5	1.7	1.8	2.0
Sales :Net Block (x)	2.9	3.1	3.6	4.4
Financial leverage (Asset/Equity)	0.9	0.9	0.9	0.9
Debt/Equity (x)	0.2	0.1	0.1	0.1

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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