

CMP: INR 1,622

Rating: Buy

Target: INR 2,452

Stock Info

BSE	500330
NSE	RAYMOND
Bloomberg	RW:IN
Sector	Real Estate
Face Value (INR)	10
Equity Capital (INR mn)	67
Mkt Cap (INR mn)	107,960
52w H/L (INR)	2,381/919
Avg Yearly Volume (in 000')	415

Shareholding Pattern %

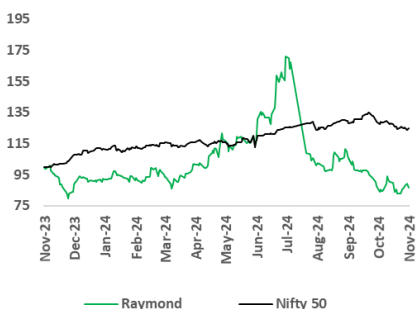
(As on September, 2024)

Promoters	48.8%
DII	15.7%
FII	7.3%
Public & Others	28.2%

Stock Performance (%) 1m 6m 12m

RAYMOND	2.2%	-25.9%	-6.6%
NIFTY	-1.4%	8.9%	12.5%

RAYMOND vs Nifty



Abhishek Jain

abhishek.jain@arihantcapital.com
022-422548871

Nirvi Ashar

nirvi.ashar@arihantcapital.com

Kunjal Agarwal

kunjal.agarwal@arihantcapital.com

Raymond Ltd posted steady numbers for Q2FY25 led by momentum in both its real-estate and engineering segments. Its consolidated revenue stood at INR 10,447 Mn, growth of 122.2% YoY/growth of 11.4% QoQ. However, its booking numbers saw a de-growth of 13.5% YoY/de-growth of 8% QoQ to INR 5,620 Mn. On margins, gross margin came in at 46.1%, EBITDA margin stood at 11.1% and PAT margin at 6%.

JDA projects & land parcel development will lead growth of real-estate business: Raymond's real-estate business witnessed a decent growth with revenue growth of 135.5% YoY/growth of 17.1% QoQ to INR 5,713Mn driven by its strategy to construct. Sell & complete project quickly and faster for better revenue generation. They achieved booking of INR 5,620 Mn led by demand for its TenX ERA project, the Address by GS project in Bandra and sale of retail shops in Thane. It also launch Park Avenue- High Street Reimagined Retail space in Thane. Further, its EBITDA grew by 138.3% YoY/growth of 31.8% QoQ to INR 1,120 Mn with margin improvement of 23bps YoY/ improvement of 218bps to 19.6%. Overall, going ahead its strategy continues to grow in real-estate business via JDA's (expects to earn revenue potential of INR 70,000 Mn) and land parcels in Thane of ~100acres (revenue potential of INR 250,000Mn) and so these projects in total have potential to earn revenue of INR 320,000 Mn+ in the upcoming quarters.

Healthy growth in its engineering business: Raymond's engineering business double from last year same quarter because of growth from its tools & hardware business as well as revenue flowing in from its new business MPPL (Maini). The demand & performance in the domestic markets was steady led by Flex plates, Ring Gear & Shaft Bearings categories but still its exports were muted because of weak demand and ongoing geopolitical issues. Overall revenue from engineering business came in at INR 4,430Mn, growth of 121% YoY/ growth of 5.7% QoQ wherein INR 2,186Mn was from its tool & auto business and INR 2,245Mn was from MPPL. Consolidated EBITDA grew by 88.5% YoY but de-grew by 10.9% QoQ to INR 490Mn and EBITDA margin was at 11.1%, which declined by 188bps YoY/declined by 207bps QoQ due to change on product mix. Going ahead, the management focus remains on improving growth from its MPPL business.

Outlook & Valuation: Raymond results were steady for Q2FY25 and going ahead their plan is to remain focus on executing and launching projects across its real-estate segment with focus on JDA's developing projects at its Thane land. Besides, the recent acquisition of Maini (aero & defense space) as well as demand for its domestic engineering business will continue to be the key driver for the company's growth. We maintain BUY rating on the stock and based on SOTP multiple of 14x on Real-estate & 10x on Engineering business we have increased our target price to INR 2,452.

Q2FY25 Concall Highlights

Guidance:

- The company's target is to grow by 20-25% in booking value in real-estate segment.
- Future plans is to expand via JDA in real-estate and also focus on developing its aerospace & defence business.
- The management aims to reach ~INR 20,000-25,000Mn+ in booking in FY25 and in the next 1-2 years they expect to cross INR 40,000Mn.

Other Highlights:

- Post the de-merger, Raymond segments would include Real-estate and Engineering businesses.
- Consumer sentiments to remain positive led by supportive economic factor and festive demand.
- Real-estate sector demand in key market like Mumbai remained healthy.
- In the current quarter, aerospace business growth remain a bit impacted by ongoing production issues faced by one of the largest aircraft manufacturer leading to delays in order but these issues are expected to get resolved.
- Softness in certain auto component was seen but in the medium to long term perspective it is expected to revive.
- JK house is Raymond property and is expected to stay with the company.
- Share of engineering business is 65% from Auto component and 15% Aerospace,
- Also amongst engineering business, exports is 2/3 and EV is just small (less than 1%).
- Amongst JDA projects, Mahim, Sion and Bandra East areas are under evaluation.
- They have sold 55% of unit from amongst the launched unit of the Bandra project.
- New launch expected in Q3 in Thane & in Q4 it would be outside Thane.
- Management is looking to enter Pune market and they are currently evaluating it nothing on cards as of now.
- The company is not looking for acquiring any additional land except for what they already have in their books.

Q2FY25 - Quarterly Performance (Consolidated)

INR Mn (Consolidated)	Q2FY25	Q2FY24	Y-o-Y	Q1FY25	Q-o-Q
Net Revenue	10,447	4,701	122.2%	9,377	11.4%
Raw Material Costs	5,635	2,349	139.9%	4,912	14.7%
Gross Profit	4,813	2,352	104.6%	4,464	7.8%
Gross Margin	46.1%	50.0%	-398bps	47.6%	-155bps
Employee costs	1,279	667	91.6%	1,201	6.5%
Other Expenses	2,374	1,126	110.8%	2,251	5.4%
EBITDA	1,160	559	107.5%	1,013	14.6%
EBITDA margin	11.1%	11.9%	-79bps	10.8%	31bps
Depreciation	402	172	133.4%	394	2.0%
EBIT	759	387	62.8%	619	22.6%
Other Non Operating Income	560	423	32.4%	606	-7.7%
Finance costs	289	87	231.7%	306	-5.7%
Share of profit (JV & Associate)	(139)	(124)	12.7%	(133)	4.9%
Exceptional Items	-	(230)	-	-	-
PBT	890	369	141.3%	786	13.2%
Tax Expense	300	91	231.2%	216	39.1%
<i>Effective tax rate</i>	34%	25%	-	27%	-
PAT	590.1	278.3	112.0%	570.4	3.5%
PAT margin	5.6%	5.9%	-27bps	6.1%	-43bps

Source: Company reports, Arihant Capital Research

Real-Estate Business

INR Mn (Consolidated)	Q2FY25	Q2FY24	Y-o-Y	Q1FY25	Q-o-Q
Booking Value (INR Mn)	5,620	6,500	-13.5%	6,110	-8.0%
Revenue	5,713	2,426	135.5%	4,878	17.1%
EBITDA	1,120	470	138.3%	850	31.8%
EBITDA Margin (%)	19.6%	19.4%	23bps	17.4%	218bps

Source: Company reports, Arihant Capital Research

Engineering – Tools & Hardware and Auto Component

INR Mn (Consolidated)	Q2FY25	Q2FY24	Y-o-Y	Q1FY25	Q-o-Q
Revenue	2,186	2,010	8.7%	1,995	9.6%
EBITDA	230	260	-11.5%	250	-8.0%
EBITDA Margin (%)	10.5%	12.9%	-241bps	12.5%	-201bps

Source: Company reports, Arihant Capital Research

Engineering – MPPL

INR Mn (Consolidated)	Q2FY25	Q1FY25	Q-o-Q
Revenue	2,245	2,196	2.2%
EBITDA	260	300	-13.3%
EBITDA Margin (%)	11.6%	13.7%	-208bps

Source: Company reports, Arihant Capital Research

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	6 Lad Colony, Y.N. Road, Indore - 452003, (M.P.) Tel: (91-731) 4217100 Fax: (91-731) 4217101

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	instresearch@arihantcapital.com

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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