



All rounded growth leading to value creation for investors.

CMP: INR 772

Rating: Buy

Target Price: INR 1,365

Stock Info

BSE	500330
NSE	RAYMOND
Bloomberg	RW:IN
Reuters	RYMD.NS
Sector	Textile
Face Value (INR)	2
Equity Capital (INR cr)	66.57
Mkt Cap (INR cr)	5,137
52w H/L (INR)	964/ 343
Avg Yearly Vol (in 000')	1,033

Shareholding Pattern %

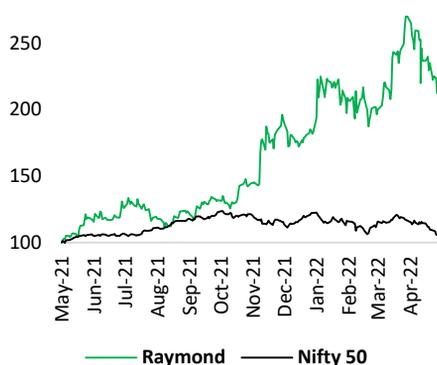
(As on December, 2021)

Promoters	49.04
DII	2.45
FII	9.58
Public & Others	38.93

Stock Performance (%) 1m 3m 12m

RAYMOND	(17.0)	5.9	123.3
NIFTY 50	(9.7)	(9.2)	7.4

Raymond Price Chart



Abhishek Jain
abhishek.jain@arihantcapital.com
022 4225 4872

Anushka Chitnis
Anushka.chitnis@arihantcapital.com

About the company: Raymond Ltd (Raymond) is a diversified group with roots in the textile and apparel business. With a legacy of almost 100 years, the brand is largely associated with Trust, Quality and Excellence. It operates across 7 major segments and commands major market shares in most of them: Branded Textiles- The flagship business; Branded Apparel- Raymond leads the market through its power brands: Raymond Ready to Wear, Park Avenue, ColorPlus, Parx; Garmenting- The white label business with a domestic and international presence; High Value Cotton Shirting- Selling high value cotton fabrics to domestic and international brands; Engineering- Comprised of: (i) Tools and Hardware- JK Files is a market leader today, with a 65% share in the domestic steel file industry; (ii) Auto Components- Ring Plus Aqua Ltd, is a leading manufacturer of ring gears, flex plates and water pump bearings in India; Real Estate- Raymond entered real estate development with Raymond Realty in 2019, which has since received an overwhelmingly positive response.

Aside from this, Raymond also has a JV to manufacture denim, and it also has a significant presence in the FMCG industry through its associate company Raymond Consumer Care Limited (RCCL) with the brands Kamasutra, Park Avenue, KS, and premium.

Investment Rationale:

A heightened focus on improving ratios and balance sheet health: Raymond has been working on actively managing its operating expenditures, cash, working capital, and net debt position. This is allowing for better fund allocation, and a much healthier balance sheet vs pre covid levels.

Manufacturing Excellence: On combining the Suiting, Shirting, Garmenting, and Denim manufacturing capacities, Raymond has a combined 100 Mn+ meter fabric capacity, and an 11 Mn meter garmenting capacity- one of the largest in India. It also has gained market leadership positions in Engineering, and FMCG due to its massive manufacturing positions.

Real Estate Segment to Drive Growth: The newly launched project Ten X Habitat has had an overwhelmingly positive response from buyers so far. It is also being completed way ahead of time as a response to positive buyer sentiment, and the business will be one of the big legs of growth for the company going forward.

All- Rounded Market Leadership: In India and overseas, Raymond commands market leadership across its businesses. In its flagship business- suiting, it has a 65% domestic market share in worsted suiting. It is also one of the biggest domestic players in branded apparel, FMCG products, and Engineering parts.

Earnings Summary (INR Mn)	FY21	FY22E	FY23E	FY24E	FY25E
Revenues	34,465	55,768	65,245	84,708	98,108
EBITDA	(662)	6,330	7,800	10,713	11,971
EBITDA Margin (%)	(1.9)	11.4	12.0	12.6	12.2
PAT	(2,970)	1,772	3,029	5,219	6,332
PAT growth (%)	(288.0)	159.7	70.9	72.3	21.3
EPS (INR)	(44.6)	26.6	45.5	78.4	95.1
P/E (x)	(18.5)	30.9	18.1	10.5	8.7
P/BV (x)	2.6	2.4	2.1	1.8	1.5
EV/EBITDA (x)	(103.1)	9.9	7.2	4.3	3.0

Source: Company Filings & Arihant Capital Research

Valuations & Recommendations

Raymond has built a strong image for itself in the eyes of the Indian consumer. With the ever-evolving product and service offering, the company has managed to stay relevant and maintain its market leadership position for many decades, staying in the customers favour due to its brand recall. Most of Raymond's strength is owed to the ability of the business to adapt to changing trends and be active in revamping business operations and monetizing the land owned in Thane which has led to the vast success of the new realty segment, and also its massive manufacturing capabilities.

With its robust brand proposition, Raymond has effectively positioned itself as a market leader in the manufacturing of worsted suits, branded menswear, steel files, ring gears, male grooming and sexual wellness- cementing its right to win in these markets.

Raymond has adapted well to the pandemic, not only surviving it, but delivering the best ever quarterly EBITDA through aggressive cost optimization initiatives bringing opex down significantly, to much lower and sustainable levels during Q3FY22- this was made possible through continuous store rationalization and optimization of backend processes. The company is aspiring to reach zero net debt over the next 3 years, to improve the health of the balance sheet- with refinancing now taking place with long term debt. Debts are being repaid through internal accruals aided by the healthy cash position. It is also undertaking to improve its net working capital days, and has successfully done so through strict collection policies instilling discipline in channel partners.

One of the drivers for this growth during the pandemic was the expansion of the digital offerings which pushed the growth of online channels, along with the expansion and development of the Omni-channel network. The omni channel network allows for all rounded integration and better inventory management of the retail network, as any shortfalls in one store were easily substituted by the stock of another. The lifestyle, engineering, and realty segments are expected to be the drivers for growth going forward. Taking on major strategic initiatives like consolidation of the lifestyle business and engineering business, subsidiarization of the real estate business, and planned capacity expansions in the engineering business show the ability of the management to navigate through a dynamic post-pandemic market.

The market scenario for Raymond is favourable as well, as it maintains decades old cordial and trusted relationships with all its channel partners. Raymond was not much affected by the fluctuations in cotton prices as the major input material for the flagship lifestyle business is wool (did not undergo much price fluctuation during the pandemic) which is imported from trusted partners in Australia. Any cotton price hikes faced during covid were also successfully passed on. The robust distribution network of Raymond across 600+ cities allowed the company to thrive across all its major businesses. Though it was impacted by supply chain issues that affected the whole industry during the time of the pandemic, the company now come into a readily awaiting market aided on by a growing festive demand which pushed the B2C business, the China+1 strategy, and improving retail sentiment in the US, UK, and European markets.

We estimate that the Revenue will grow at a CAGR of 23% from FY21 to FY25. All in all, we believe that Raymond has displayed a stable performance through the years, and has stood the test of the pandemic, not only making a good recovery but reaching record levels of performance. The business is well poised to grow through the years to come with the rise of consumerism pushing retail sentiment in textiles and apparel. The increasing affordability of housing within India aided by government support will also drive growth for the company's real estate projects and lead to significant value unlocking. The engineering business has also seen a healthy recovery in recent times and is also expected to further expand its market leadership position in the years to come. We initiate coverage on the company with a BUY rating, and a target price of INR 1,365 with an upside of 77% from the CMP.

SOTP Valuation (FY24E)	EBITDA (INR Mn)	Multiple (x)	Enterprise Value (INR Mn)
Branded Textiles	6,036	10	60,364
Branded Apparel	472	9	4,252
Cotton Shirting Fabric	631	4	2,525
Garmenting	747	6	4,485
Tools & Hardware	868	6	5,206
Auto Components	1,047	7	7,329
Real Estate			10,549
Total	9,802	9.7	94,710
Elimination	1,389	9.7	13,418
Segment EV	8,414	9.7	81,292
Cash & Investments			20,211
JV/Associates (Denim and FMCG)			600
Total Debt			11,242
Intrinsic Market Cap			90,862
Outstanding Shares (Mn)			66.6
Fair Value Per Share (INR)			1,365

Source: Company Filings & Arianth Capital Research

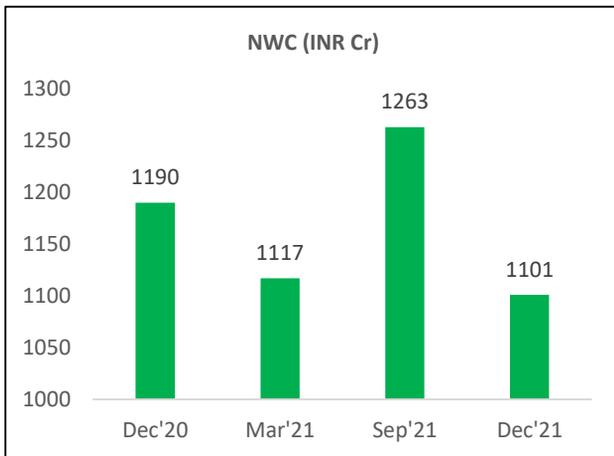
Investment Rationale

A heightened focus on improving ratios and balance sheet health:

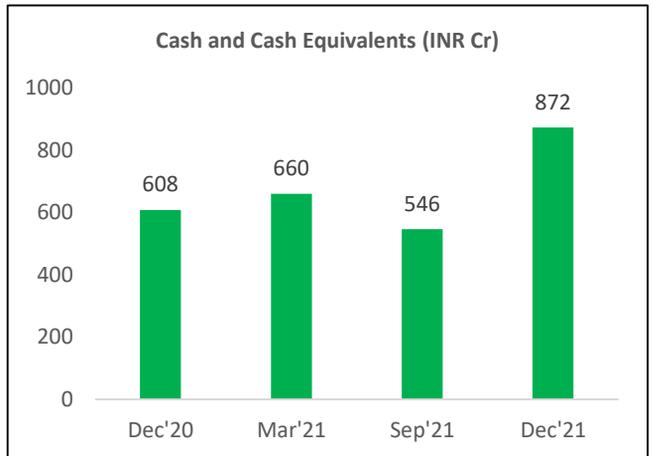
It has been working on optimizing Net Working Capital levels through stricter collection policies from the distributors, leading to lower receivables at any given time. NWC in Q3FY22 was INR 1,101 Cr vs INR 1,263 Cr in Q2FY22. Liquidity levels are being well maintained with consistent increases in Cash and Cash Equivalents QoQ. In Q3FY22, Cash and Cash Equivalents stood at INR 872 Cr vs INR 643 Cr in Q2FY22. This is because of improved operating cash flows and export incentives on the fabrics, garmenting, and engineering segments .

Raymond has been instilling discipline with the dealer/ franchisee network through stricter collection policies. This allowed for better receivable management, and also faster turnaround time from plants. It helps move the WC cycle faster and reducing inventory days, with strategic plant locations aiding in demand planning and delivery. Now they have the optimal WC in days in the history of the company.

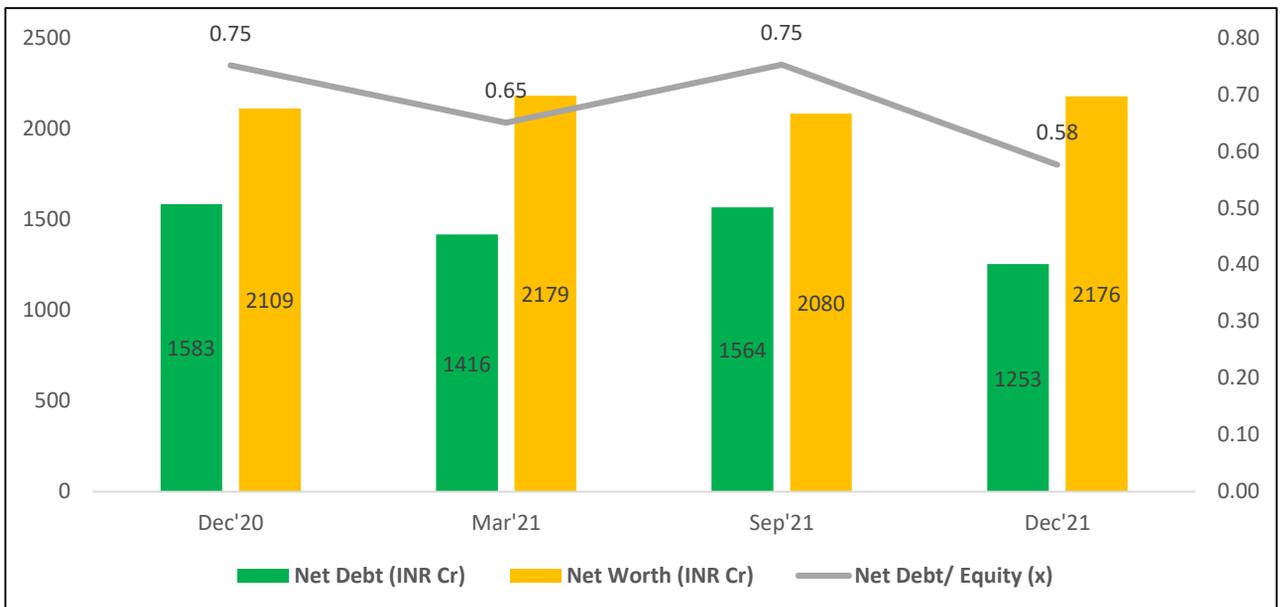
It has been the company's focus to reduce net debt while maintaining adequate liquidity levels, and having efficient working capital management. In Q3FY22, Raymond successfully reduced its net debt to INR 1,253 Cr vs INR 1,564 Cr in Q2FY22, and reduced its DE ratio from 0.75 to 0.58. Almost all of this debt reduction took place through internal accruals, and any refinancing has been undertaken only with term debt (3-10 year tenure) which is healthier for the balance sheet. In an attempt to further reduce debt, Raymond has announced an IPO for JK Files and Engineering: an OFS of about INR 800 Cr, all of which will be directed toward debt reduction.



Source: Company Filings & Arihant Capital Research



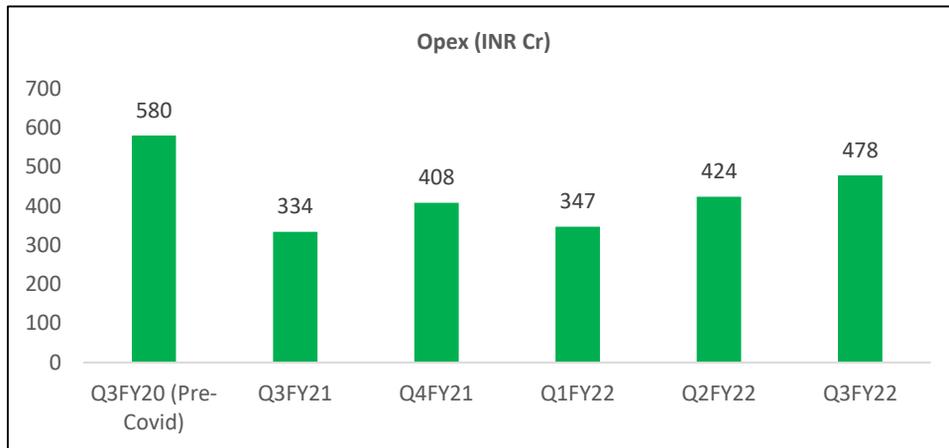
Source: Company Filings & Arihant Capital Research



Source: Company Filings & Arihant Capital Research

Cost Rationalization

Since the onset of the pandemic, Raymond has undertaken massive cost saving initiatives to protect its margins. As a result of the continued focus on cost optimization, the operating costs in Q3FY22 & 9MFY22 were lower by INR 102 Cr (lower by 18% vs pre covid levels on Q3FY20) and INR 407 Cr (lower by 25% vs pre covid levels on 9MFY20) respectively vs pre- Covid levels of FY20. This led to a Q3 margin improvement of 399bps YoY to 16.2%, and the highest ever quarterly EBITDA of INR 303 Cr. All the cost optimization measures undertaken are related to sales & marketing, manpower, rentals, etc. through efficient organization restructuring, store rationalization, optimizing channel mixes, consolidation of back end processes, and digital initiatives to encourage online penetration. In order to make the portfolio healthy, Raymond has been shutting down loss making stores, and has set up new stores for branded textiles and apparel on an asset light franchisee led model which entail lower rent costs. The quarterly Opex is now at much lower, sustainable level.



Source: Company Filings & Arihant Capital Research

A widening product and service portfolio to drive growth in textiles, branded apparel, and garmenting

An increased focus and expanding the current offering has been a major driver of growth for the company. Raymond has constantly been expanding on product and service innovation. Under Suiting, they have introduced more wool rich blends, the Stretch Collection (Spanax), and the Sustainable Collection. Under Shirting, they have new collections focused on more trends and fashions- the Casual Collection (Vibez) is the name of the game. Casualization will be one of the key focus areas for the company going forward. The market response to it has been positive as the target demographic for it is younger, and the growth in work from home culture has also encouraged growth here.

New fashion services offered (for Branded Textiles) include: Home Assist, where a Raymond Assistant comes to your home and assists you with your measurements; Made to Order, where suits are made customized to specific order placed; Shubhaarambh; which is custom ethnic wear- a service mostly used for wedding times and gifting celebratory occasions; and Book a Stylist; where one can book a one on one session with a stylist from Raymond.

In order to sustain the profitable growth momentum that Branded Apparel has, Raymond has undertaken to widen the product portfolio through new launches in the core portfolio, playing on the growing trend of casualization by expanding the casual offering, and extending on the ethnics category. Another enabler of growth in Branded Apparel is the fact that its online market and omni channel share has been steadily increasing. The company is displaying a focused approach on online exclusive merchandize. They continue to expand the network through the franchisee model, and continue backend consolidation for further efficiencies.

Raymond is also trying to grow its recently launched ethnics range alongside competitors like Manyavar. The ethnics portfolio is a mix of core ethnics (for weddings) & smart ethnics (more casual), and will be distributed through TRS network, LFS, partnering with MBOs, and other online portals. The company is planning on a 2x expansion of the EBO network by the next year, up from the current 28 stores. We believe Ethnix has a potential to grow 3-4x over the next few years.

Product innovation in garmenting is constantly being done to keep up strong demand from the US and Europe markets. It is also essential to on board new customers. Proper product development also allows for cross selling through vertical integration.

New Launches in Suiting and Shirting- New collections to be more functional and casual

Stretch and Sustainable Collection - Suiting	Vibez Collection – B2C Shirting
 <p>The Stretch Story SPANAX</p> <p>The Sustainable Way SUSTAINOUVA GOLD</p>	 <p>raymond VIBEZ A STORY IN PRINTS</p>
<ul style="list-style-type: none"> • 'SPANAX' combines unique solution of comfort & performance and offers two variations: Multi-directional stretch and Weft-stretch • Sustainouva Gold, an innovative bio-degradable fabric 	<ul style="list-style-type: none"> • Latest collection of vibrant shirting fabrics titled 'Vibez' • Collection available across cotton, linen & various blends

Fashion Services- for a better customer experience

Fashion Services

 <p><u>HOME ASSIST</u></p>	 <p><u>MADE TO ORDER</u></p>	 <p><u>SHUBHAARAMBH</u></p>	 <p><u>BOOK A STYLIST</u></p>
---	--	--	---

New Launches in Branded Apparel- performance, function, and casual wear

		
 <p>Pro-Tech Shirts 3-in-1</p> <ul style="list-style-type: none"> • Supima • Luxurious Essentials • Special Occasions • Performance Series 	 <p>SUPER WHITE STAYS WHITE LONGER</p> <ul style="list-style-type: none"> • Wrinkle-Resistant shirts • Stay-White Shirts • Premium Supima – Golf Polos • High IQ polos – No fade color • WFH conversational printed shirts • Techno-flex Chinos 	 <ul style="list-style-type: none"> • Knitted Denims • Pyjama Joggers

Widening the product portfolio through increased casualization of branded apparel

New range portfolio	Sustainable Collection	Upcoming trends
 <ul style="list-style-type: none"> • Advanced flexi and auto fit range • Premiumization of the Products • Enhancing Formals range - Wrinkle Free and Creaseless 	 <ul style="list-style-type: none"> • Sustainable fashion 	 <ul style="list-style-type: none"> • Active formal workwear in knit bases

Category Expansion of Ethnics to widen product portfolio



Constant Innovation in Garmenting, keeping the offering relevant and trendy

New Products













- Knit Jackets/ Bomber / Over shirt & Jogger Pants

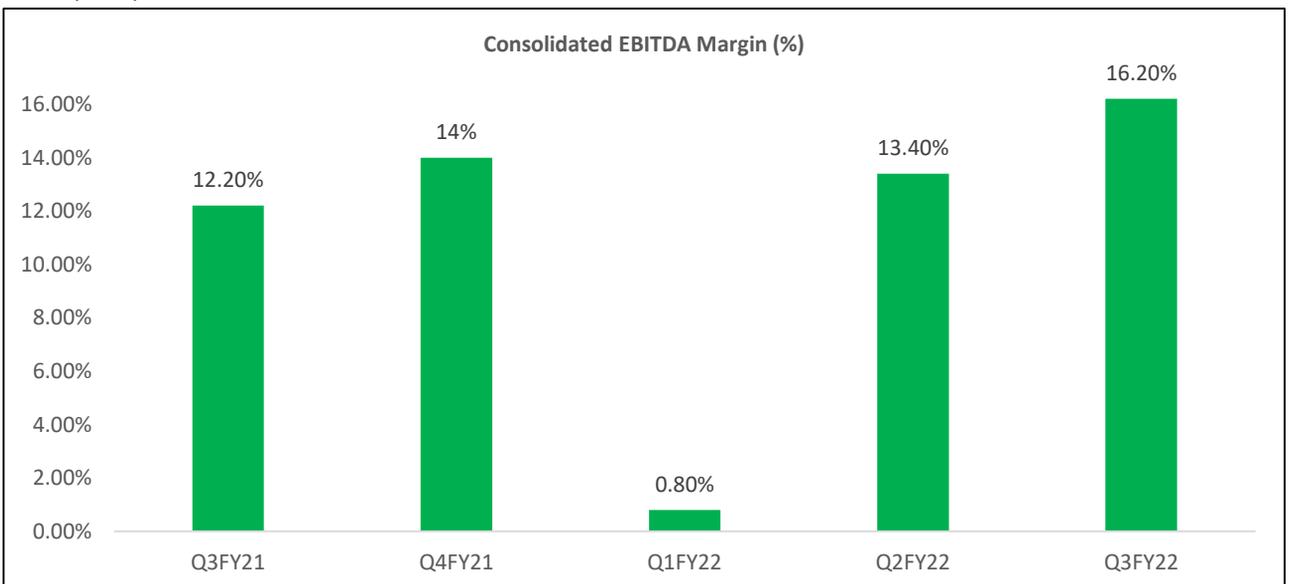
Margin Expansion

During covid times, focused initiatives were undertaken for margin expansion including but not limited to- Cost optimization measures related to sales & marketing, manpower, rentals; and ensuring efficiencies through organization restructuring, and store rationalization. There has also been an increased focus on the importance on having a robust digital presence as it has proven to be a driver for growth, along with growing the export market. There have also been many strategic actions like the recent consolidation of the engineering business, subsidarization of the real estate business, and the consolidation of the B2C apparel business which have all improved efficiencies and made operations much smoother by improving synergies and costs. Market development actions through new product launches in the lifestyle and FMCG businesses also stand as a testament to the company's undertaking to grow during the harsh pandemic environment, and emerge successfully too.

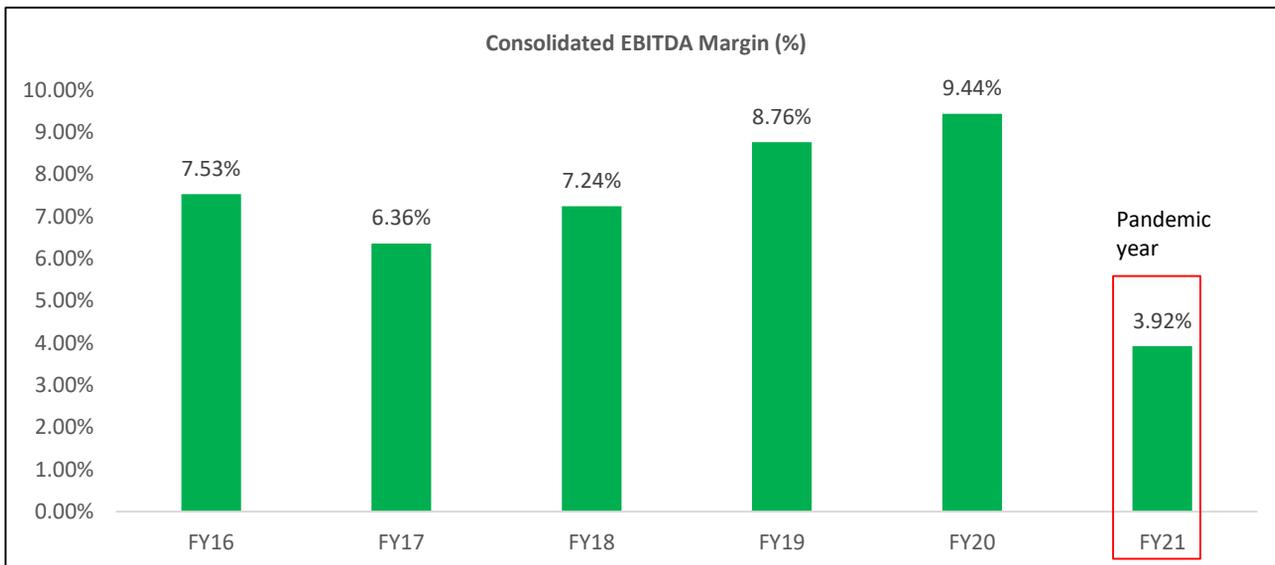
Raymond has had a good recovery post FY21 owing to the core strengths of the company, and having a strong brand recall. Raymond enjoys a 100% consumer awareness, since it has one of the largest distribution networks in India. The company's continuous product development to expand the base of consumption and catering to a wider demographic, strategic network expansion and omni channel growth, consolidation of backend processes, premiumization, digital imperatives, etc., and the favorable macroeconomic environment like The China+1 strategy, textile parks, the PLI Scheme, and the FTA's being signed with various countries like Australia and the UK, are expected to open many doors going ahead.

Engineering business has witnessed a complete turnaround in recent years and it is a vastly successful business today. Margins for the Tools & Hardware & Auto components business were 4.6% and 2.8% respectively in FY16. As of FY21, they were 13.1%, and 19.3%. Today, the Engineering business has been consolidated under JK Files and Engineering for strategic purposes, and is coming out with an IPO worth INR 800 Cr. The engineering business is also a sole provider of parts to many OEMs, and international players. Some of the major OEMs of the auto business include Toyota, Mahindra, Tata Motors, and Kirloskar. Likewise, APEX tool group is one of the largest client of the tools & hardware business.

All of this action has since vastly improved the topline performance and EBITDA Margins of the company from previous levels, as is seen from the 7.53% Margin in FY16 vs the 9.44% Margin in FY20. They have set the pace for margins to grow steadily from here on into the future. The quarterly EBITDA Margin for Q3FY21 also showed a ~400bps improvement YoY.



Source: Company Filings & Arianth Capital Research



Source: Company Filings & Arianth Capital Research

New Key Personnel to bring about a new age for the company, and a turnaround in the engineering business

Over the past few years, the company has implemented a government structure in place with the boards led by reputed industry professionals that have decades of experience and specialization in their field. Their professional management expertise has resulted in efficient team performance. New blood has been introduced through changes in the group CFO, and other business heads. The new members are bringing the know-how into the firm and improved capital allocation, subsequently allowing the company to have a smooth recovery from the effects of the pandemic. We believe the management have the capability to steer Raymond into a profitable era.

Key Person	Designation	Particulars
SL Porkhana	Group Director	He has over 40 years of experience in finance, sales, marketing and commercial functions.
Amit Agarwal	Group CFO	He has over 30 years of experience in Aviation, Steel, and Energy Sectors. Ex- JSW, Jet Airways, Essar Group.
Sunil Kataria	CEO – Lifestyle Business	He is considered an Industry veteran in consumer goods. Ex- GPCL, Marico, Idea Cellular.
Balasubramanian V	CEO – Auto Components	He has over 38 years of experience in the Auto industry in domestic, German, and American MNCs. Ex- Eaton Industrial, Bosch Chassis.
Hemant Lakhotiya	CEO – Tools & Hardware	He has over 26 years of experience across multiple geographies, in executing business transformations. Ex- Schneider Electric, Crompton Greaves
Harmohan H Sahni	CEO – Realty	He has over 29 years of experience in the Real Estate (and core sectors), and has been with Raymond since 21st June, 2021. Ex- ECL Finance Gcorp Developers.
Arvind Mathur	CEO – Denim	He has over 32 years of experience in marketing, strategy, M&A and business leadership in both Asian and global markets. Ex- Coats Plc.
Sudhir Langer	CEO – FMCG	He has over 21 years of experience in Sales & Marketing, managing different categories and brands in the consumer goods industry. Ex- Tata Global Bev., Reckitt, Colgate.
K A Narayan	President – HR	He has over 39 years of experience leading HR functions in large Indian global corporates. Ex- Wockhardt.

Source: Investor Presentation & Arianth Capital Research

Manufacturing Excellence

The company has 19 state-of-the-art manufacturing facilities in India, and 1 in Ethiopia for the garmenting business, all of which are run by a skilled workforce of 30,000+ people. Its manufacturing excellence supports the massive distribution network. In total, the company has a capacity for 100 Mn + meters of fabric and 11 Mn meters of garmenting capacity for the Suiting, Shirting, Denim, and Garmenting Businesses combined. The plants for Fabric and Garmenting are strategically located across cotton rich belts, nearby weaving clusters with skilled workforces. The plant in Ethiopia is a garmenting facility, and has many strategic advantages: duty free access to the European market, cheaper labor, and supportive policies from the Ethiopian government.

The Engineering Business of Raymond is the sole manufacturer of Flex Plates in India, and has an aggregate capacity of Files – 7.4 Mn dozens (files are sold in Dozens), Drills – 13.2 Mn units, Ring Gears - 8.2 Mn units, Flex plates – 0.6 Mn units, Water pump – 3.9 Mn units.

The FMCG business has an aggregate capacity of 400 Mn pieces of condoms, making it one of the top sexual wellness player in India.

The Real Estate business has a total of 10 towers under the Ten X habitat project and 2 towers under The Address by GS project recently launched. Out of these, the first 3 towers of the Ten X project are being targeted for delivery 24 months ahead of the RERA timeline by December 2022.

Strength of home grown brands

Raymond has dominated the industry thus far due to its brand presence which comprises a wide range of marquee homegrown brands that have strong brand recall and high repute. All of them have made Raymond one of the biggest brand names in India today. These brands are the reason most consumers today associate Raymond with trust, quality, and excellence- and has helped it stay relevant for almost a century.

Branded Textiles:



FMCG:



Branded Apparel:



Ethnix is not yet a power brand as it is newly launched.

Real Estate:



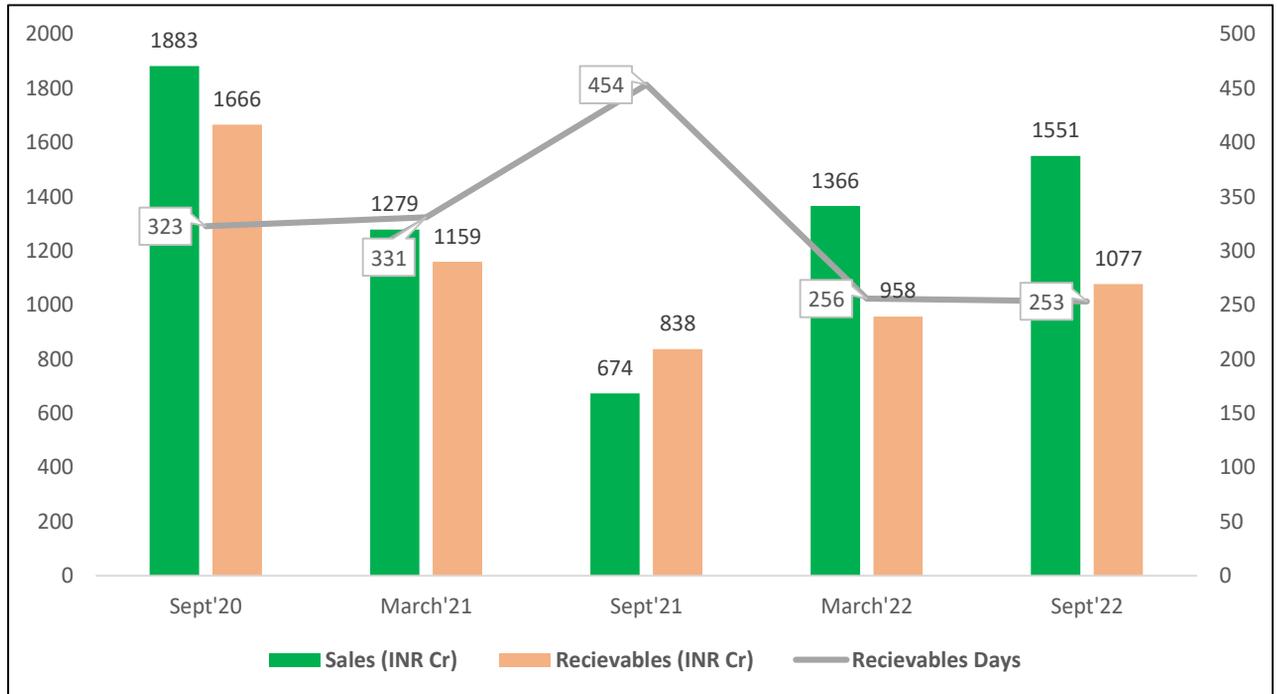
Engineering:



JK Super Drive is present in Africa through multiple sub- brands

Deep channel engagement with distribution partners

Raymond prides itself on maintaining strong relationships with channel partners that date back many years, some even decades. They constantly collaborate and keep up to date with distributors to ensure they are delivering the brand promise. Raymond uses a mobile app 'Midas' to connect with partners and help them maintain operational efficiencies. This can be seen with the subsequent improvement in receivable days over the past quarters.



Source: Company Filings & Arihant Capital Research

Extensive Distribution network with Pan- India and International Presence

Considering its almost 100 year legacy, it is no surprise that Raymond has undertaken to build a massive distribution network- one of the largest in the industry. It has a wide reach in 600+ towns & cities and multiple businesses all over India, and a global footprint in over 90 countries where the company exports. Domestically, the company has 20,000+ Points of Sale (POS) in Branded Textiles; 8,000+ POS for Branded Apparel; A retail footprint of 2.3 Mn Sq. ft. across 1,400+ stores (~80% of which is on a franchisee basis); 1,50,000+ POS for the engineering business; and 6,50,000+ POS for the FMCG business. The franchisee business model makes this whole distribution network extremely asset light. Overseas, Raymond has ~50 stores mostly in the Middle East and Africa, and 4 global offices all over the world. The wide network lets Raymond enjoy good visibility of the product portfolio.

All Rounded Market Leadership across all businesses

Raymond not only has a manufacturing presence across many different industries, but also commands major market shares in almost all of them. This has been made possible through strong home grown brands, marketing initiatives, and the company's strong brand recall.

Branded Suiting: Raymond's suiting business has a ~65% domestic market share in the worsted suiting business. It is also Raymond's flagship business.

Branded Shirting: Raymond is the largest domestic player in branded shirting.

Branded Apparel: Raymond's flagship Brands (Raymond Ready to Wear, Park Avenue, Color Plus, and Parx) have landed it a position in the top 3 menswear players in India.

Garmenting: The success of the white label garmenting business has made Raymond one of the largest exporters of men's suits, jackets, and Denim from India to the world.

Steel Files: Domestically, Raymond is the #1 producer of steel files, and globally it is the #2 supplier of steel files with an end to end manufacturing solutions for files & drills. The steel files business has a ~65% market share in India due to the fact that there is not much competition in this product. Even in Africa, the business has a >50% market share, as most mass producers like China do not specialize in such niche products. JK files has a 27% share in the global capacity for files, either through their own brands, or through contract manufacturing. They also enjoy a 10-12% share in the global market demand for files. JK Talabot is the result of a partnership with a French company to produce steel files within India- the unit manufactures a majority of the steel files for both partners. JK Files & Engineering also produces white label for many international and domestic brands.

Ring Gears: Raymond is the #1 player in ring gears in the domestic Passenger Vehicle, and Commercial Vehicle auto markets.

Denim: In denims, Raymond is a leading manufacturer for many international brands around the world.

FMCG: Raymond is a market leader in aerosol fragrances, and sexual wellness. It has maintained a dominant, 16% domestic market share in men's deodorants with the brands Park Avenue and KamaSutra. As for sexual wellness, KamaSutra is the 2nd largest player in branded condoms in India.

Real Estate Segment driving growth

The segment initially started out to develop and monetize the land owned by Raymond in Thane, Mumbai. The projects launched have received an overwhelmingly positive market response over the last 2.5 years (with ~100 units being booked within the first 45 days of launch), to the launch of the two residential projects- TenX Habitat and The Address by GS has led to good value unlocking for the company. It is now a business segment with 150 people on the team. The company has planned to develop a total of 20 acres for residential purposes- 14 acres for the 10x Habitat and 3 acres for The Address by GS.

The company is delivering towers ahead of the RERA timeline. So far 1,763 out of the 3,146 units planned for sale in the TenX habitat have already been booked, and 117 out of the 570 units planned for sale in The Address by GS have been booked. The Realty Segment branded under 'Raymond Realty' is now in the process of being converted into a Subsidiary which will own the portion of land being developed.

For now, they are focused to grow in the MMR region, as it is one of the biggest markets for residential real estate in India. This industry is hyperlocal, and Raymond has been successful in cementing itself into it with a 25% share in the Thane micro market.

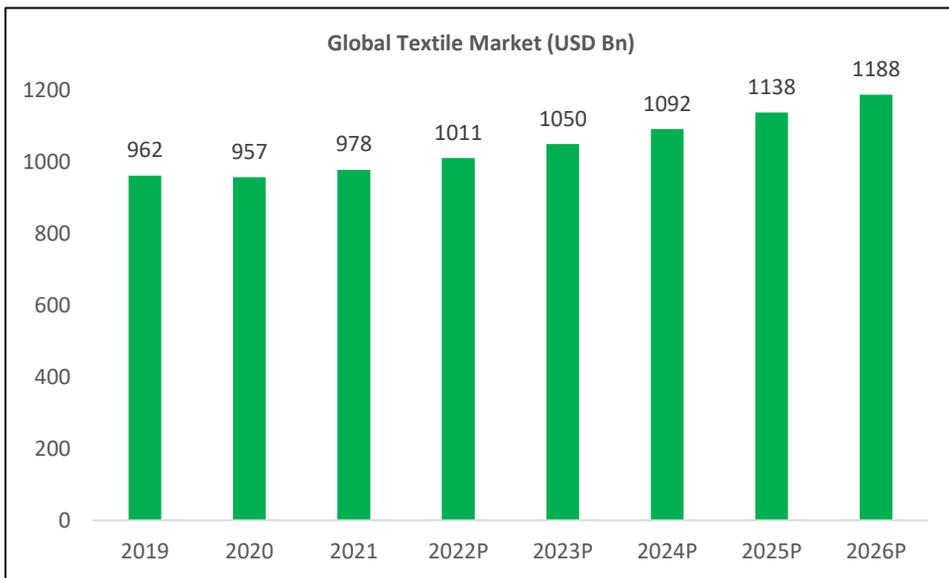
The segment EBITDA margins touching 24% in 9MFY22, up from 7% in FY20.

Industry Background

Raymond operates largely in Textiles, Apparel, and Retail. They recently forayed into Real Estate as well.

Textiles

The Covid 19 pandemic severely affected the global textile industry. Asia in particular suffered a lot due to it being the leading producer of the world's textiles. Shortage of cotton and other raw materials like polyester, combined with several supply chain disruptions have worsened the situation globally. This has caused difficulty for textile exporters in FY21 due to the logistical issues that persist into FY22. Additionally, cotton prices have reached an all-time high, and many companies are forced to absorb them to maintain price points. However, there have been many developments in the recent months. The first one would be the China+1 Strategy which has encouraged importers to diversify their supplier bases away from China, into other countries. Many western countries imported from China due to its low-cost structure, but in FY22, that has been changing as laser western importers are now turning to other countries to de-risk supply chains. The other big development is the US government passing a bill banning all imports of cotton or cotton products that are produced with cotton grown in the Xinjiang Region of China. China accounts for 30% of the world's cotton production and the Xinjiang region accounts for 85% of China's cotton production, and about 20% of the world's cotton.

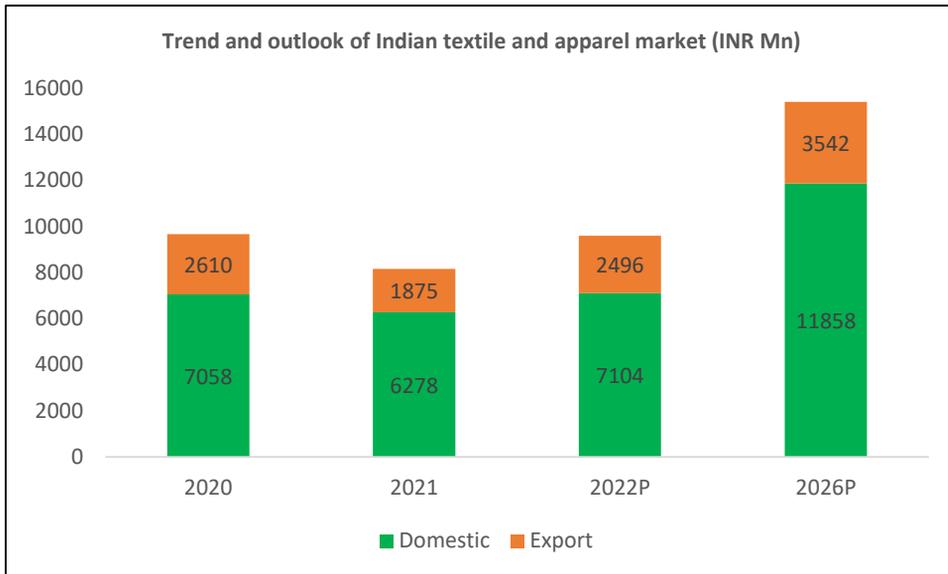


Source: Grandview Research, CRISIL Research, Company Annual Report & Arianth Capital Research

The global textile market is projected to grow at a CAGR of 4-5% from 2021 to 2026.

Indian Textile Industry

The Indian textile industry is massive- contributing to 5% of the country's GDP, and 12% of export earnings. As of March 2022, India is the 6th largest exporter of textiles in the world, and the 3rd largest textile manufacturing country. The textiles and apparel industry in India is the 2nd largest employer in the country providing direct employment to 45 million people and 100 million people in allied industries. The key strength in the Indian textile and apparel segment lies in the large raw material base and manufacturing units present across the value chain. The China+1 strategy and the US Ban on Xinjiang cotton has created a demand void for the US which can be filled by India. Presence of players across the entire value chain all the way from production of raw material to yarn, fabric and garments in the country makes the Indian textile industry well-placed at a global level vs peer countries such as Vietnam and Bangladesh. The industry also has significant support from the government, as there are initiatives like the 'Mega Integrated Textile Region and Apparel (MITRA) Park' scheme to help the industry by establishing 7 textile parks with state-of-the-art infrastructure, common utilities and R&D lab over a 3-year period, liberalization of FDIs for the textile sector, the 'Make in India' initiative and the PLI Scheme. India is also signing many FTAs with countries like Australia and the EU which will be positive for export demand and unlock huge value. The GOI wants to push the Indian textile industry to reach the USD 100 Bn mark in the next 5 years, and grow the overall size of the industry to USD 190 Bn by 2026, up from USD 103 Bn in 2021. The effects of the aforementioned factors are beginning to show, as the industry has been seeing a revival in FY22. Another important factor to note is that a lot of the major Indian textile players have been facing huge influx of demand since economies have begun to open up again, and in order to keep up with that they have been heavily investing in huge capacity expansion plans across the entire value chain.

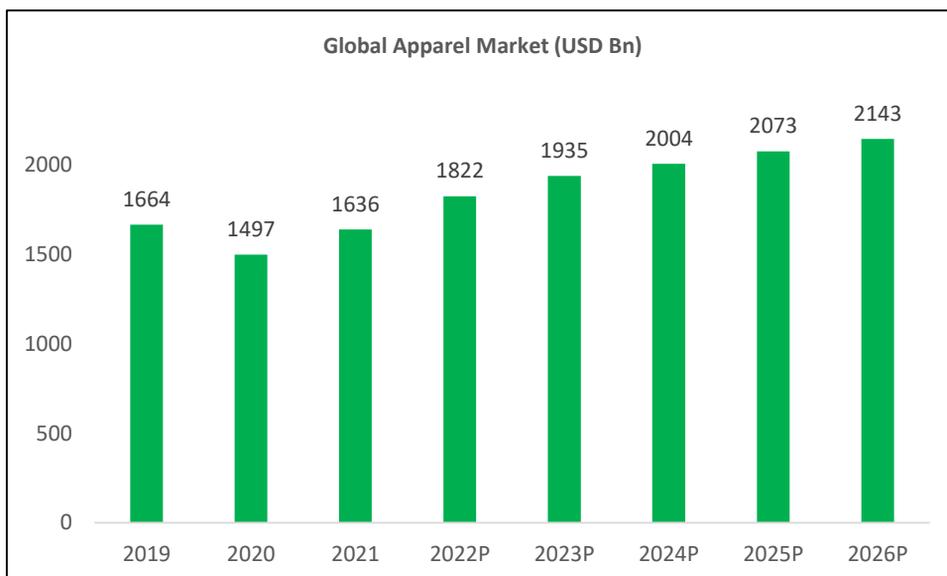


Source: Ministry of textiles, DGCI&S, CRISIL Research, Company Annual Report & Arianth Capital Research

The India textile market is expected to grow at a CAGR of 11-13% from FY22 to FY26. Out of this, domestic demand is expected to grow at a CAGR of 13-15% and export demand is expected to grow at a CAGR of 9-11% over the same period.

Apparel Industry

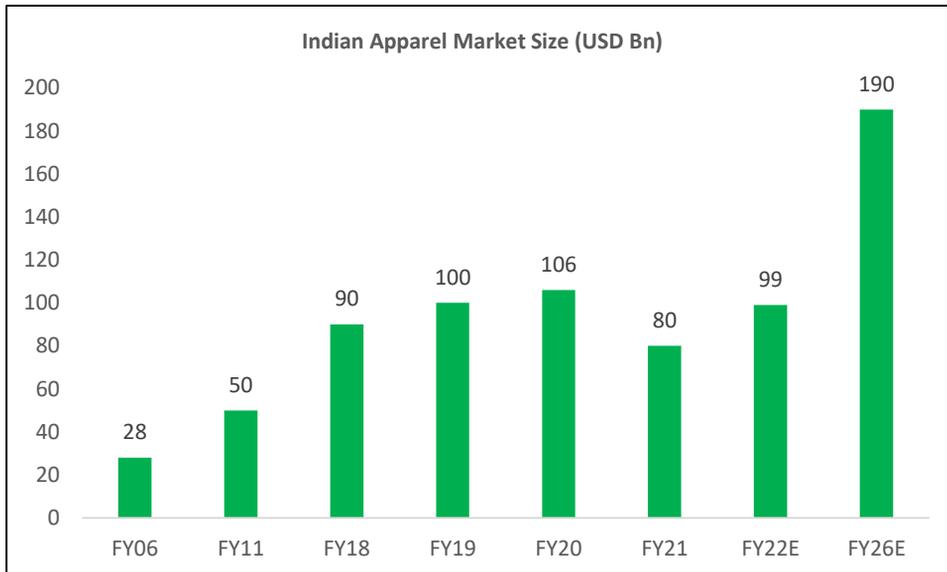
The apparel industry was negatively impacted due to the pandemic in many ways similar to the textile industry. Consumer behavior changed as discretionary expenditure went down, and supply chains were disrupted. The apparel business can be tricky to navigate due to its volatile nature owing to changing trends which made it harder for many companies to sustain through the pandemic. During the pandemic, the industry saw a lot of consolidation taking place between smaller players for this very reason. Major growth in online demand for apparel has been witnessed since lockdown restrictions were imposed. In Q2FY22, there was a significant pick up in the demand for apparel as lockdown restrictions began to ease up. Global textiles and apparels exports is a USD 775 Bn per annum opportunity in which China commands a 38% share. The shift of the global supply chain away from China poses a massive opportunity to smaller apparel players.



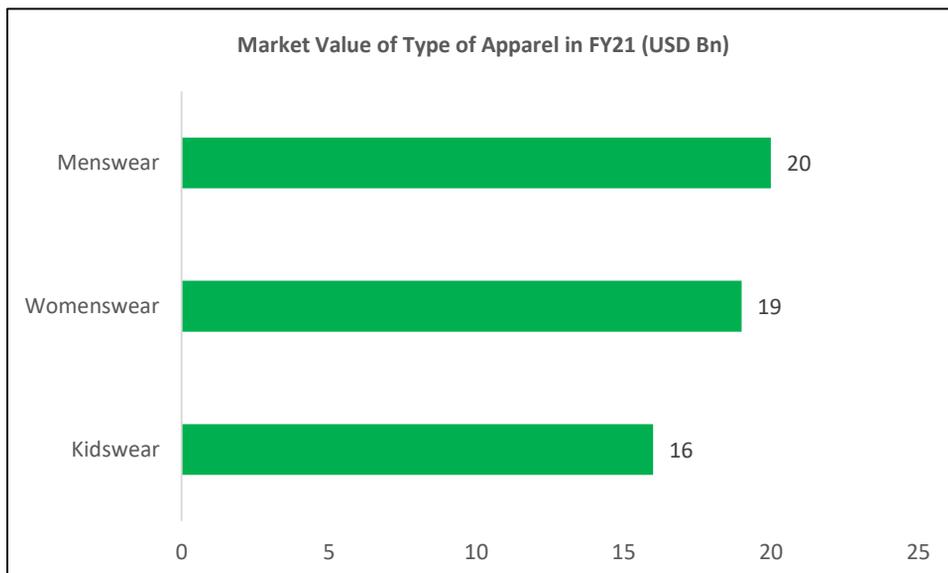
Source: Statista, Company Annual Report & Arianth Capital Research

Indian Apparel Industry

The share of India in the global apparel market stands at 4%. Even a 1% shift in trade could open a USD 8 Bn opportunity for India which is huge. This is underway due to the implementation of the China+1 strategy and the US banning apparel that has cotton from the Xinjiang region anywhere in its supply chain. While China and USA are the largest marketplaces in the world for apparel, India holds the 3rd position for apparel market in the world, and is the 6th largest exporter of apparel in the world.



Source: Statista, Company Annual Report & Aриhant Capital Research



Source: Statista, Company Annual Report & Aриhant Capital Research

The Indian apparel market is projected to reach USD 190 Bn by FY26, and the current highest value contributor to the industry is men's apparel. Major reason for this is the aggressive policies put into place by the government like the PLI Scheme and possible successful FTAs with major trade partners like the EU. Recent trend in the apparel industry have been a rise in digital consumption though a majority of the market is still dominated by unorganized players, the share of organized retail and e-commerce has been displaying impressive growth since FY19. The Indian apparel industry employs approx. 1.3 Cr people as a part of its workforce, and is one of the largest providers of employment in the country. The union budget of 2022 has also put into place many booster for the Indian apparel industry: The implementation of Special Economic Zones (SEZs), duty exemptions on capital goods for specific industries like the apparel industry, simplifying the customs rate and tariff structure on certain fabrics, and incentivizing exports for certain goods.

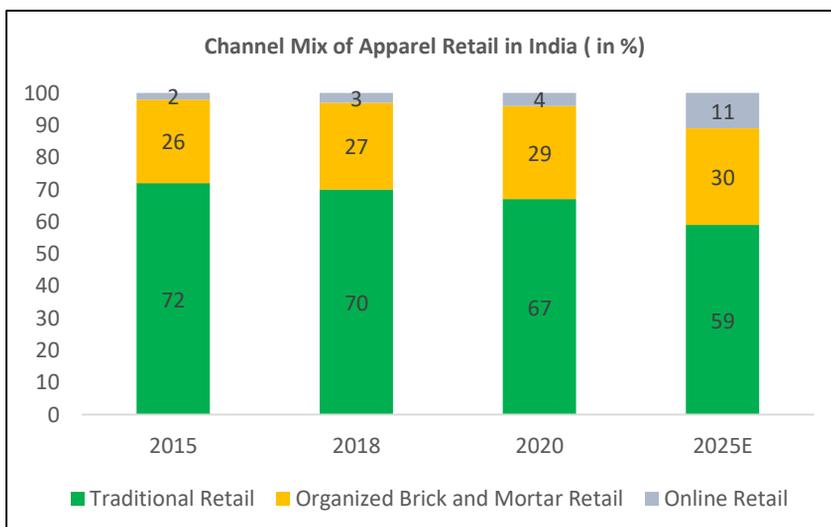
Retail Industry

Since the onset of the pandemic, the outlook for retail has been dire, with the surging unemployment, inflation, and supply chain issues plaguing almost all retailers around the world. However, these headwinds have also yielded positive results: Retailers have been pushed to reevaluate their strategies that have shaped the industry for many years. In many ways, the pandemic has opened the door for a retail reset that can move many retailers into more stable and profitable positions than before. The retail landscape is increasingly competitive and retailers must compete in several ways. Consumers are shifting toward preferring an integrated shopping experience as is seen with the rise in omnichannel retailing. Many retailers are now looking to adopt a more digital- first approach in their business models- showing a structural change in the overall retail landscape.



Retail Industry in India

In India, traditional retail still contributes the biggest share of value to the retail industry, followed by organized retail and e-commerce. The organized retail market in India is growing at a CAGR of 20-25% per year. The overall Retail Market in India is expected to grow at a CAGR of 6.23% to reach USD 1,077 billion (INR 8,077,500 Cr) by FY25. The unorganized retail sector in India has a huge untapped potential for adopting digital mode of payments as 63% of the retailers are interested in using digital payments like mobile linked and card payments. India has a remarkable position in global retail rankings. According to a study by Boston Consulting Group, India is expected to become the world’s 3rd largest consumer economy by reaching USD 400 billion in consumption by 2025. The retail sector of India makes up for 10% of the GDP as per the latest IBEF report, and with many new entrants, the sector is becoming more fast-paced than ever. The festive season that usually comes in and after September is usually what pushes retail growth in India. The share of apparel and accessories in retail demand is about 18% as of FY21. Another trend witnessed by the retail sector in India, is a shift in consumer pattern toward more branded, organized players- possibly a result of consolidation in the industry, as small unorganized players could not stand to compete during the lockdown due to mobility restrictions and heavy competition.



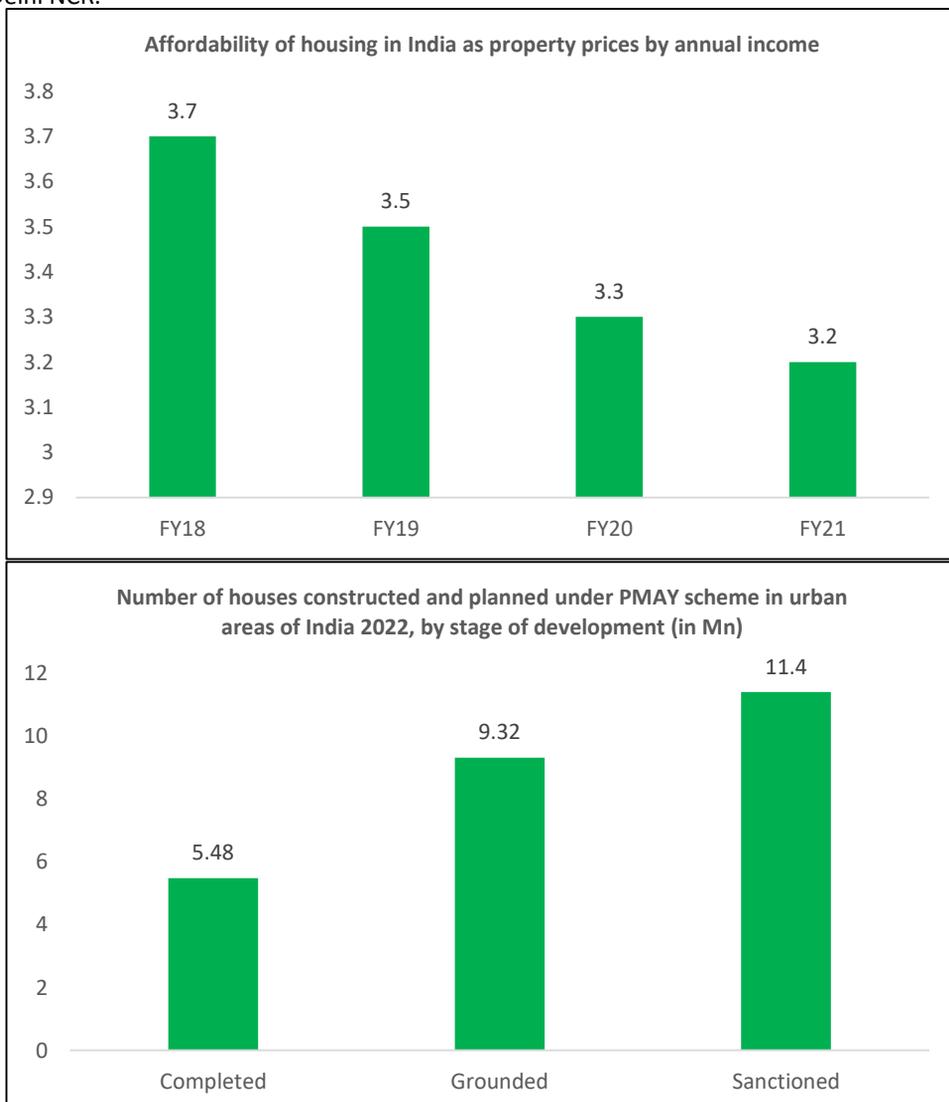
Source: Statista, Technopak Analysis, Deloitte Industry Report, Company Annual Report & Arihant Capital Research

Real Estate Industry

The real estate industry encompasses the many facets of property, namely commercial, industrial, residential, and agricultural properties. Although the impact of COVID is still being felt, many parts of the world are living with the virus as opposed to operating with strict restrictions. This is flowing through to real estate markets with demand picking up in sectors highly impacted by restrictions such as office, retail and hotels. Uncertainty still remains going forward as, emerging geopolitical issues and elevated inflation persist. Unprecedented investor interest pushed annual volumes to record highs in the Americas and Asia Pacific. The EMEA market also performed well with volumes climbing 25% year-over-year. The sentiment for commercial real estate is optimistic, the potential for new variants of COVID-19, inflation, and upward rate pressure present risks for the continued recovery of the asset class.

Indian Real Estate Industry

In India, the real estate sector is the second-highest employment generator, after the agriculture sector. India has witnessed increasing investments complimented by robust demand. This is namely due to increasing policy support like, Foreign Direct Investments up to 100% for certain projects, Pradhan Mantri Awas Yojana – Housing for all, reduced GST rates and tax holiday for affordable housing projects are expected to push growth prospects in the sector, especially in the affordable housing sector. Real estate sector in India is expected to reach USD 1 Trillion by 2030. By 2025, it is expected to contribute around 13% to the country's GDP. The number of Indians living in urban areas is expected to reach 525 million by 2025 which would support the launch and development of new residential and commercial projects in the urban areas. Regulatory reforms have helped increase the transparency in the sector and have allowed for healthy recovery post the strict lockdown imposed. Affordable housing has been the target of many residential project in recent years due to the growing middle class- especially in the Mumbai Metropolitan Region, and Delhi NCR.

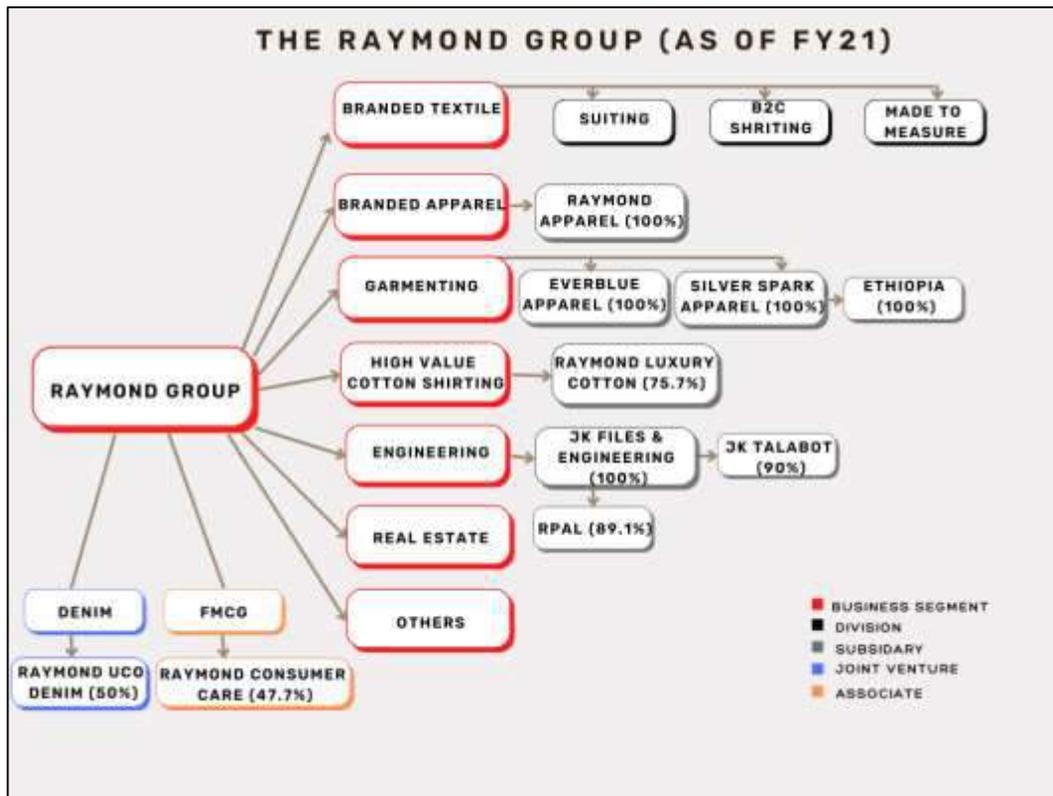


Source: Statista, JLL Real Estate, Company Annual Report & Arihant Capital Research

Company Background

Raymond Limited is a diversified group that is a leading name in Textile & Apparel sectors, along with a rapidly growing presence in Real Estate, FMCG and Engineering. With roots dating back to 1925, today they deliver products globally and are amongst India's most trusted brands. Today, Raymond enjoys a near 100% brand awareness across all its verticals- Lifestyle (Branded Textile, Branded Apparel, Retail & Garmenting), FMCG, Realty, and Engineering (Auto Components and Tools & Hardware).

The company has 19 state of the art manufacturing units located strategically all over India, and 1 in Ethiopia. It gives them a wide reach in over 600+ towns and cities all over India, and a global footprint in 90+ countries.



Source: Investor Presentation & Arianth Capital Research

The company has recently undertaken a few strategic initiatives:

- **Consolidation of the engineering (of tools & auto components) business under JK Files & Engineering Ltd-** This was completed in FY22 in order to promote synergies in Business Development, RM Sourcing & Logistics, and Administrative Purposes.
- **Subsidiarisation of the Real Estate Business-** This is currently underway. The aim is to let the business have more differentiated focus, and make seeking growth capital an easier task by making it a standalone business.
- **Consolidation of the B2C business (including Apparel to be transferred into Raymond Limited)-** The scheme has been filed with the NCLT. This is to allow synergies in Design, Innovation, Sourcing, and Operational Efficiency.

The Business Segments

Branded Textiles

This is Raymond's flagship business. Raymond is India's leading branded player in suiting and shirting fabrics, the company commands the largest market share in the domestic worsted suiting fabric industry. Worsted fibers are wool based fibers used in suiting fabric. It is also the largest Over the Counter (OTC) branded shirting player in the Indian market. This segment comprises- **Suiting, B2C Shirting, and Made to Measure (MTM)** in both B2B and B2C spaces.

Raymond is one of the largest vertically and horizontally integrated manufacturers of worsted suiting fabric in the world with a market share of over 66% in the worsted suiting fabric space in India. It is also the largest branded player in shirting fabrics in the country. All textiles produced in this segment are marketed under the brand **Raymond Fine Fabrics** and **Raymond Made to Measure**- for the Made to Measure services.

Raymond has state of the art facilities across Vapi, Chhindwara, and Jalgaon with an aggregate capacity of 38 Mn meters of suiting fabrics of all kinds, including but not limited to wool, polywool, silk, polyester viscose blends, cotton blend, and linen blends. Wool is imported mainly from Australia, and cotton yarns are domestically sourced. Linen flex is imported from Belgium and France.

Raymond offers fabrics over a massive price range- all the way from INR 300 per meter to INR 3 Lakh per meter. This is to make the brand available to all customer groups. Raymond is globally renowned for manufacturing Super 250s, world’s finest fabric, as well as 340s for cotton fabric, and 150 lea linen fabric for shirting.

Raymond has a reach of **20,000+ Points of Sale (POS) across 600+ towns and cities**. The SKUs comprise of Wholesalers, Multi Brand Outlets (MBOs), and The Raymond Store (TRS) for the branded textiles business. Raymond’s Branded Textiles are also exported to 35+ countries.

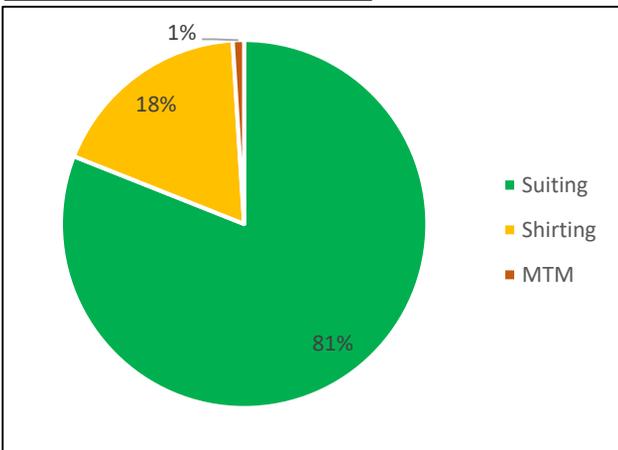
Almost all of TRS Stores are on a franchisee model, which provides a cost benefit to the company as it is asset light. They are also present across Tier 1-4 towns. Raymond also has a network of “Mini TRS Stores” across semi rural and urban areas. As of FY21 there were 377 mini TRS stores across 190+ semi- urban and rural areas.

Most of the product mix comprises of Suiting Fabrics, and the Channel mix is largely retail oriented. Raymond has been undertaking to grow the presence of TRS throughout India, as it is the majority of its retail network.

This division also has a large set of differentiated products and services to offer:

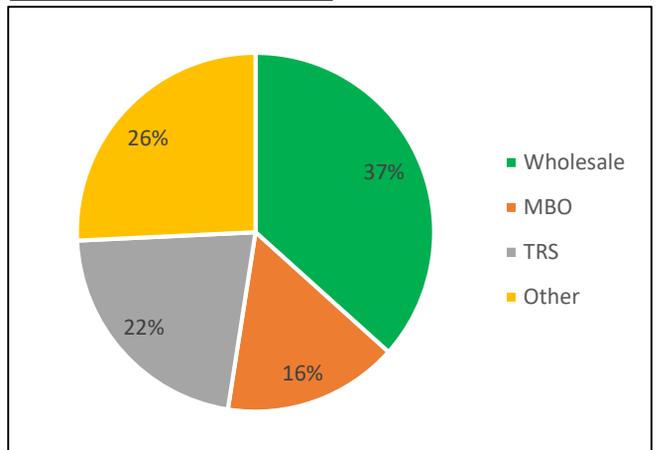
- Apart from the vast offering of different blends, functionalities, and thread counts, Raymond also offers VIRASAFE- a fabric with antiviral technology. It also protects against body odor and is sustainable.
- Concierge services and the Raymond ‘Home Assist’ app was launched in FY21 to help customers in shopping online for tailored garments.
- The Raymond Made-To-Order platform, an extension of 3D Style Advisory app, enables customers to mix and match and choose from multiple looks. The feature is now being offered in some stores.

Product Mix as of FY21



Source: Company Filings & Arihant Capital Research

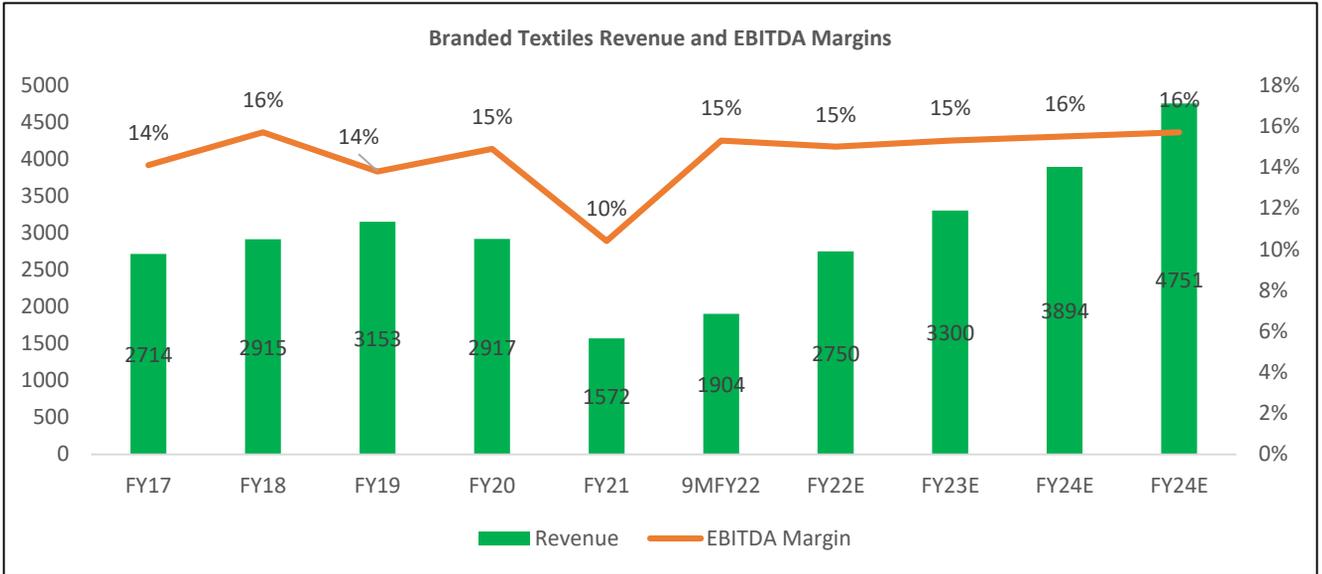
Channel Mix as of FY21



Source: Company Filings & Arihant Capital Research

New collections launched under Branded Textiles doing well due to popular demand.





Source: Company Filings & Arihant Capital Research

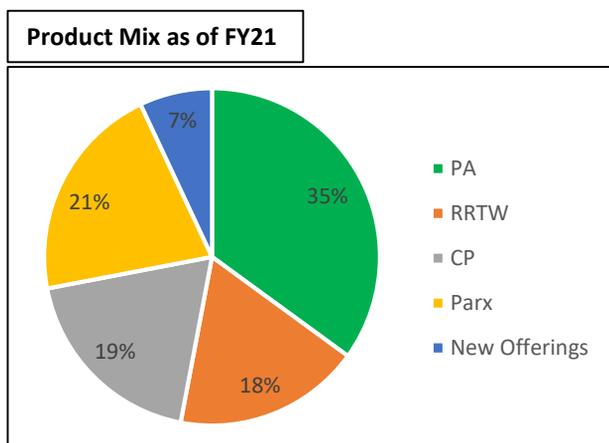
Branded Apparel

Raymond is the leading player in Indian Menswear through its 4 power brands: **Raymond Ready to Wear (RRTW), Park Avenue (PA), ColorPlus (CP) and Parx**. Additionally, they also have a presence in ethnic wear under the brand **Ethnix**. All 4 of the power brands enjoy high brand recall and equity as they have a wide portfolio and are constantly expanding the offering.

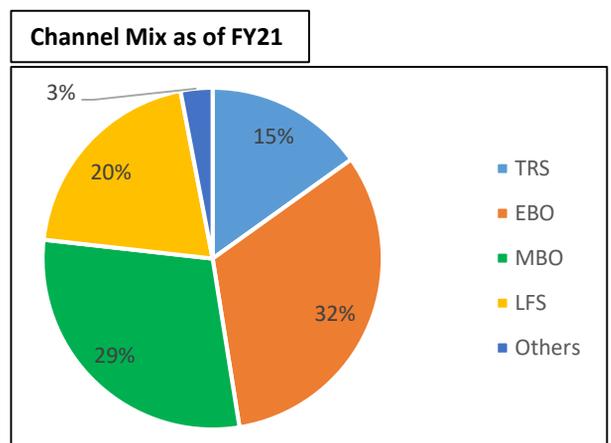
This segment operates in the B2B and B2C space through **8,000+ POS in 500+ towns and cities**. The SKUs comprise of Multi Brand Outlets (MBOs), The Raymond Store (TRS), Exclusive Brand Outlets (EBOs), and Large Format Stores (LFS).

So far, Park Avenue is the biggest contributor to the Branded Apparel sales, further cementing that Raymond is following the trend to make the brand offering more contemporary and premium in response to the market.

The largest chunk of the branded apparel channel mix consists of EBOs. Raymond is continuously undertaking to strategically expanding its channel network.

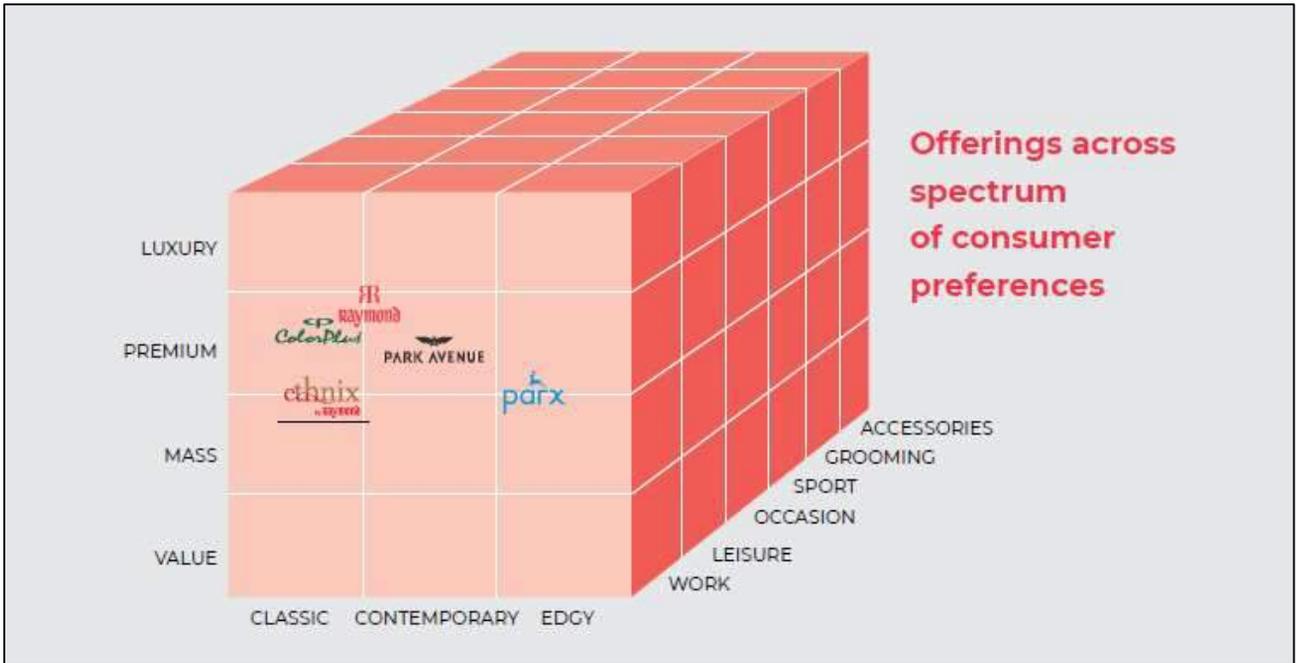


Source: Company Filings & Arihant Capital Research

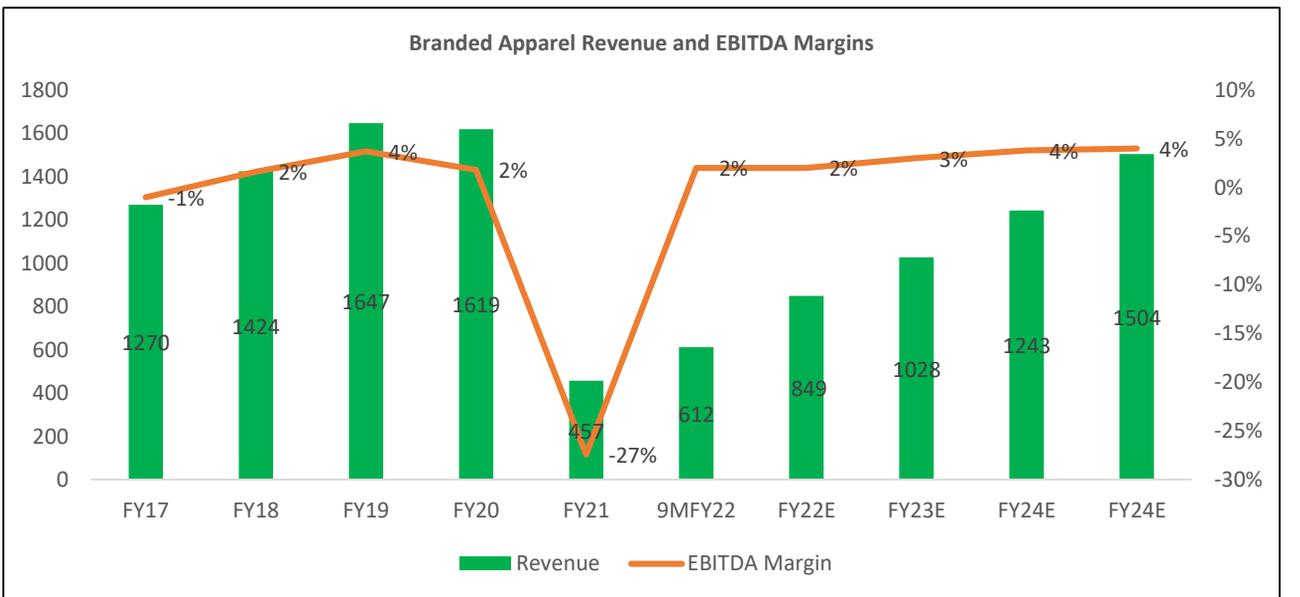


Source: Company Filings & Arihant Capital Research

The different brand personalities of Raymond



Source: Company Filings



Source: Company Filings & Arihant Capital Research

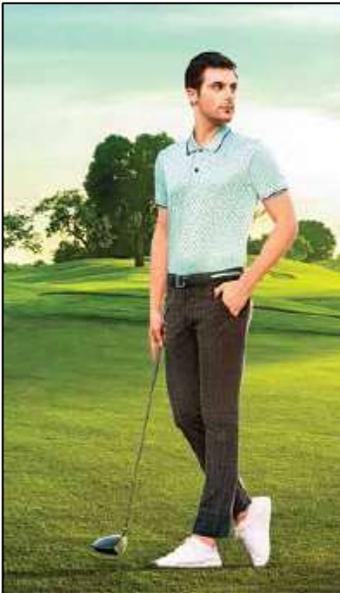
The different brands of Raymond Apparel



Raymond: “The sophisticated, discerning connoisseur who is effortlessly stylish and immaculate.”



Park Avenue: “The sharp, energetic, go-getter with a natural flair and panache.”

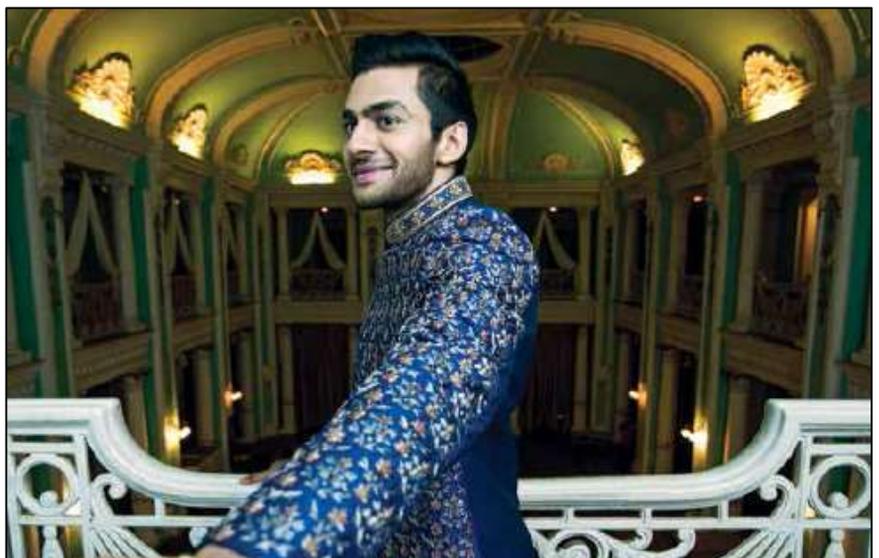


ColorPlus: “Mature yet vibrant with a penchant for comfort and craftsmanship.”



Parx: “The indulgent but elegant head turner at every occasion.”

Ethnix by Raymond: Suited for all festive needs like engagements, weddings, sangeet, mehendi, reception, and dinner parties. “The indulgent but elegant head turner at every occasion.”



Garmenting

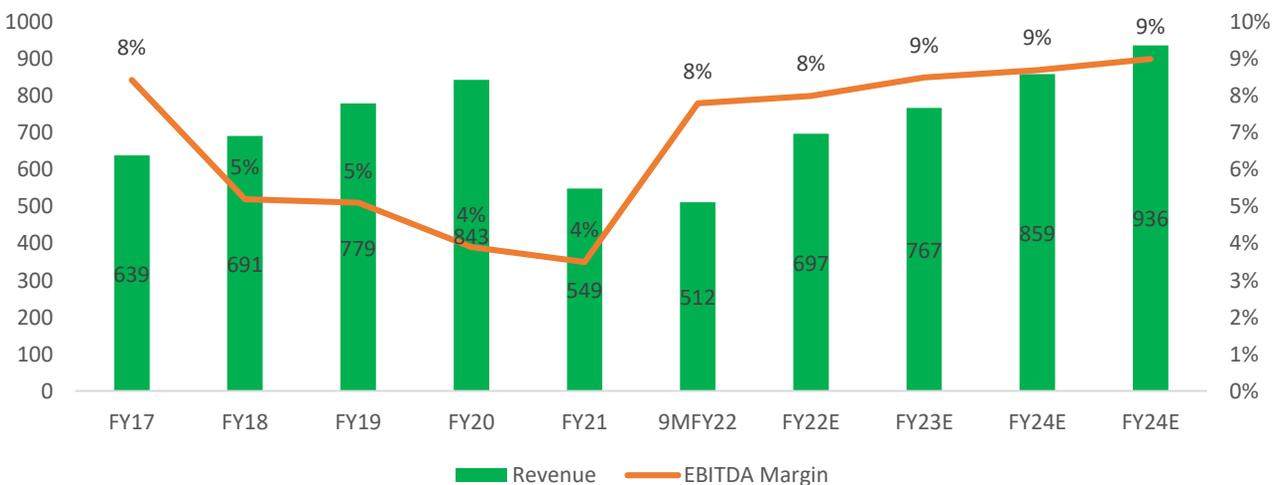
This is Raymond's B2B business. The garmenting unit supplies white labelled products to international brands all over the world, and in India as well, the major markets being US, UK, Europe, and Japan. It has a selection of high-value clothing products in Menswear, such as suits, formal blazers, jackets, formal trousers and shirts. During the pandemic, the garmenting unit manufactured and supplied PPE kits as well.

The company has the capacity to produce 5.8 Mn pieces of Jackets, Trousers & Shirts in India, and 2.2 Mn in the Ethiopia Plant. Raymond is an end to end integrated garment manufacturer of high value menswear.

The export contribution to this segment is 80%+, and it is one of the largest exporters of men's suits, jackets, and denim from India to the world. Raymond is growing this segment through their focus on expanding to newer geographies and launching new product lines. Though this segment exports to 20+ countries, the major markets are in USA, Europe, and Japan.



Garmenting Revenue and EBITDA Margins

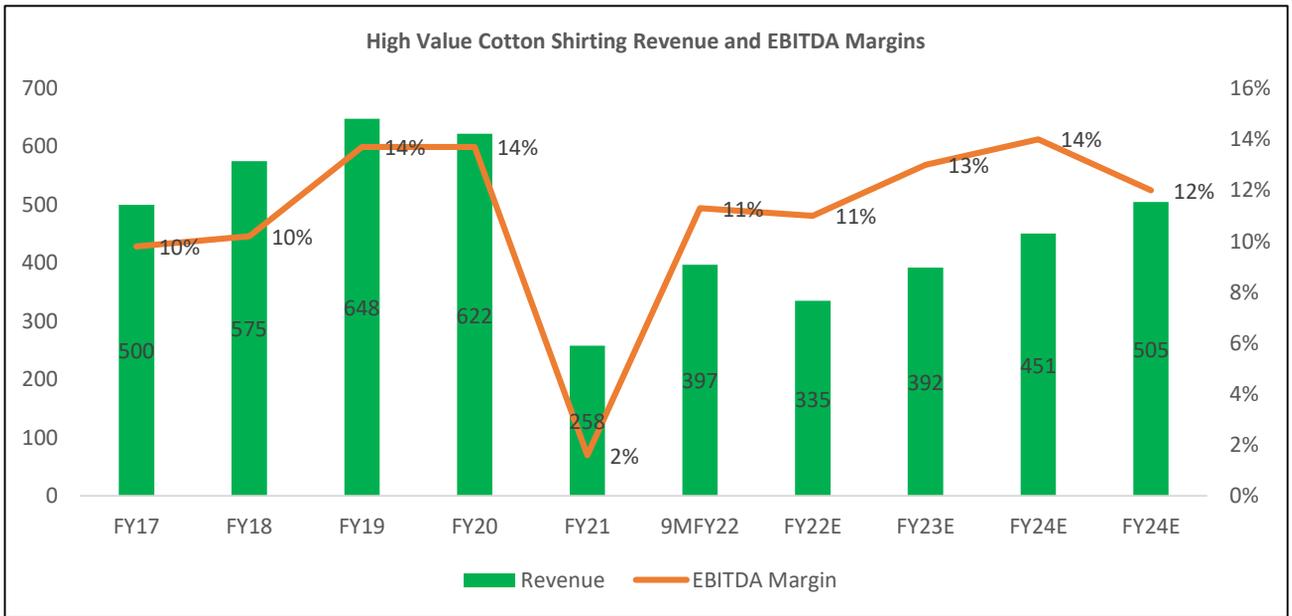


Source: Company Filings & Arihant Capital Research

High Value Cotton Shirting

Raymond manufactures a wide selection of fine, high quality shirting fabrics in the B2B Space. The wide portfolio comprises high-value cotton and linen shirting and bottom weight fabrics for leading domestic and international brands, though the majority of its revenue comes from sales to domestic brands.

The fabrics produced include the finest 340s cotton and 150 lea pure linen. These are produced at 3 plants: Kolhapur Plant- Capacity of 27mn meters; Amravati Plant- 4.8mn meters for Linen and 1,400 tonnes of Linen yarn which is used to produce both linen and blended fabrics.



Source: Company Filings & Arihant Capital Research

Tools & Hardware

the Raymond Group’s engineering business has over 1.5 lakh + POS today.

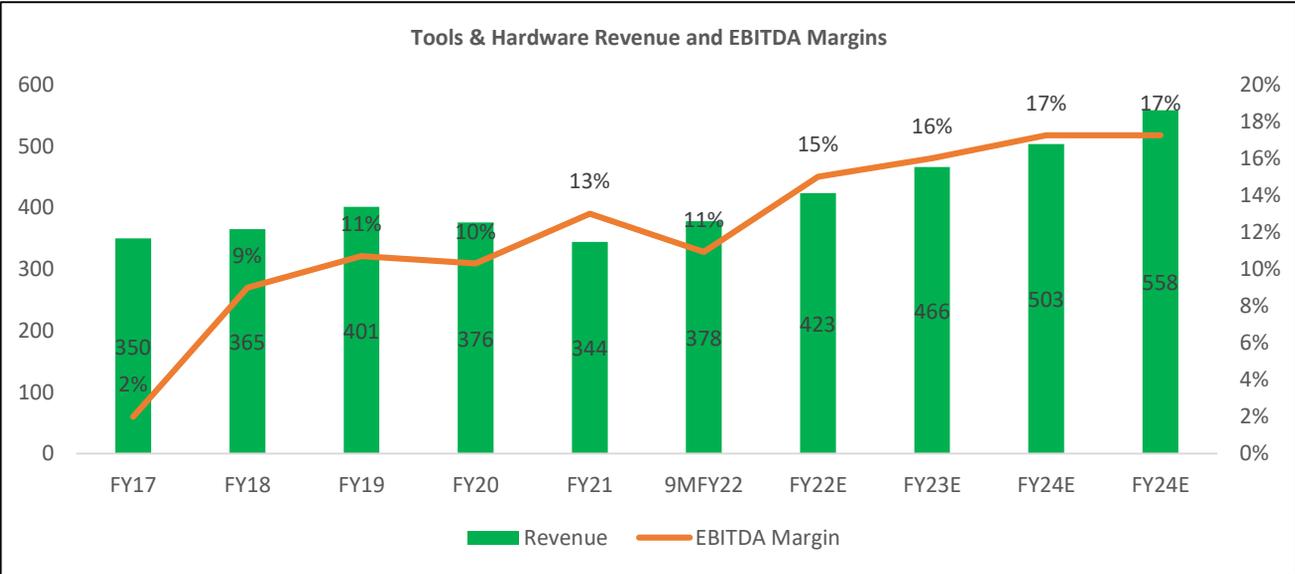
Raymond's Tools & Hardware business is one of the leading manufacturers of steel files globally, as the #2 global supplier of steel files. It is an end to end manufacturing solutions provider for files & drills In India, and a market share of >50% in Africa.

74% of the Tools and Hardware business is B2C and the remaining 26% is B2B, which has lower distribution costs and better margins- especially in the domestic market. Under **JK Files and Engineering Ltd**, Raymond manufactures, distributes, and sells high quality steel files, cutting tools, along with selling hand and power tool accessories through the brand **JK Super Drive**.

The business has a 47% export contribution with a presence in over 55 countries, namely in Latam, US, Europe, Asia, and Africa. They are present in Africa under the sub- brands of JK Super Drive.

JK Files and Engineering Ltd. has a production capacity (only in India) of **7.4mn dozen pieces of Files, and 13.2mn units of drills**, which is one of the largest capacities in the world.

Files and Drills:
Manufactured by JK
Files and
Engineering Ltd.



Source: Company Filings & Arihant Capital Research

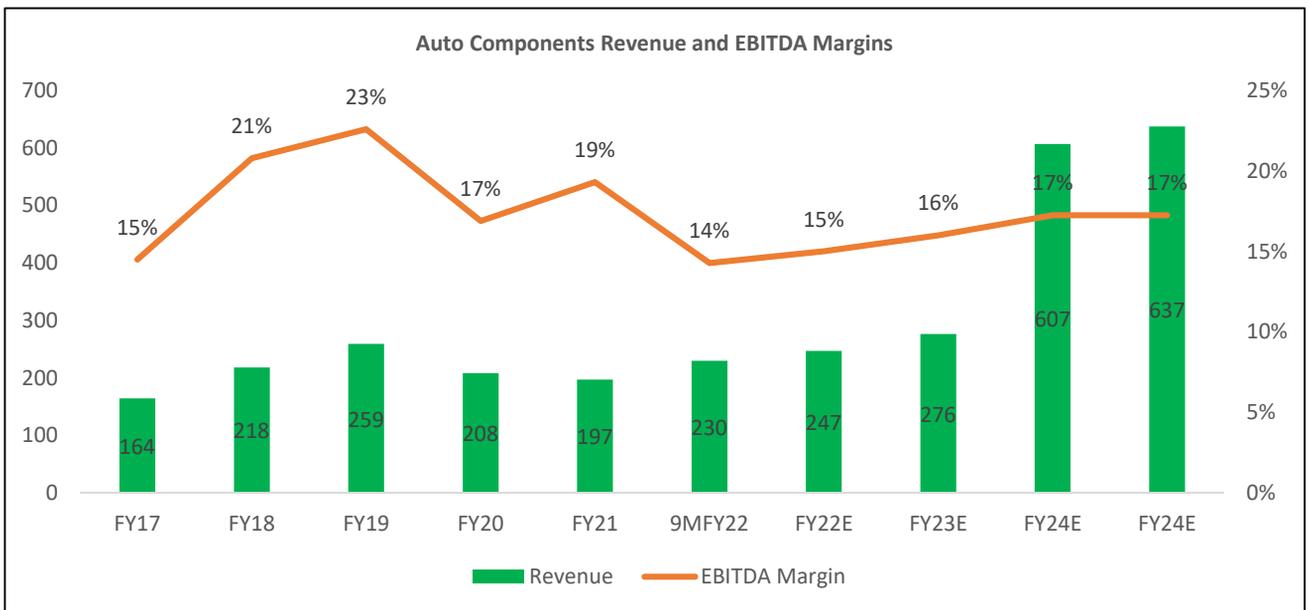
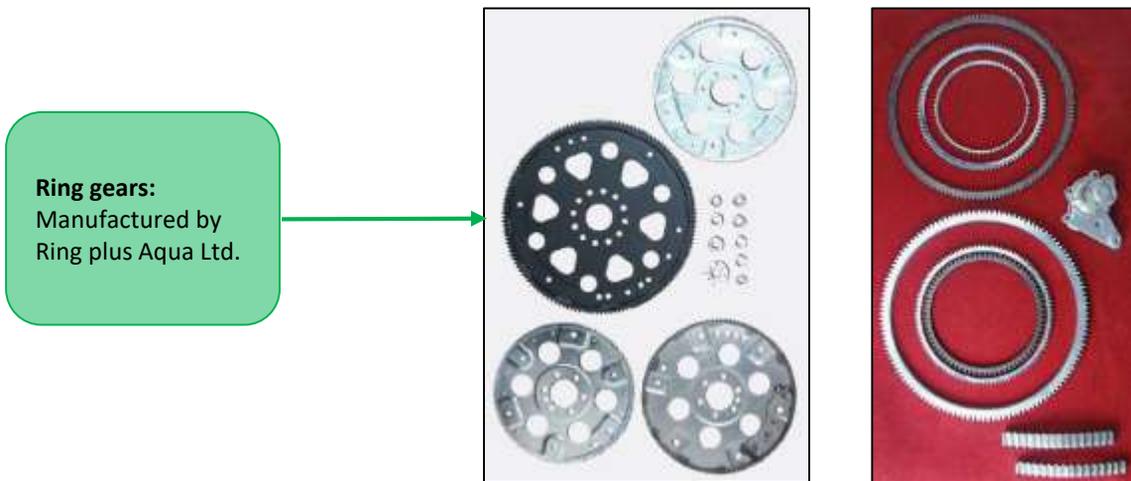
Auto Components

Raymond used to operate in this segment through its subsidiary **Ring Plus Aqua Ltd**, though it has now been consolidated under **JK Files and Engineering Ltd**. It is a prominent manufacturer of ring gears, flex plates and water pump bearings. It caters to domestic and international OEMs and after-market customers in automotive, non-automotive, industrial and power generators, agricultural, off-highway vehicles, earth-moving equipment, marine applications, and many other industries. It is the #1 producer of ring gears in domestic PV & CV auto markets.

No single client constitutes more than 10% of the revenue.

This business has a 64% export contribution with a presence across USA, Canada, Europe and Asia. It also caters to major domestic players within India.

Ring Plus Aqua Ltd has a production capacity of **8.2mn units of ring gears, 0.6mn units of flex plates, and 3.9mn units of water pumps**.



Source: Company Filings & Arihant Capital Research

Real Estate

Raymond Forayed into real estate recently (2019) with the business ‘Raymond Realty’. Raymond is currently working on 2 projects: ‘TenX’ and ‘The Address by GS’ which will total 20 acres of residential development in Thane, Mumbai. The land parcel was 120 acres, and the land approved for residential development is 20 acres, out of which 14 acres are currently being developed under the TenX Habitat, and 3 acres are being developed under The Address by GS.

The TenX habitat is the first residential project launched, and will total 10 towers with 2.8mn sq ft of saleable area (14 acres). A total of 3,146 units have been planned for sale with 2,503 2BHK and 643 1 BHK units. As of December 2021, 1,763 units have been booked. The first 3 towers of the project are planned for delivery ahead of the RERA Schedule. The TenX habitat project has a 25% market share in the Thane micro market.

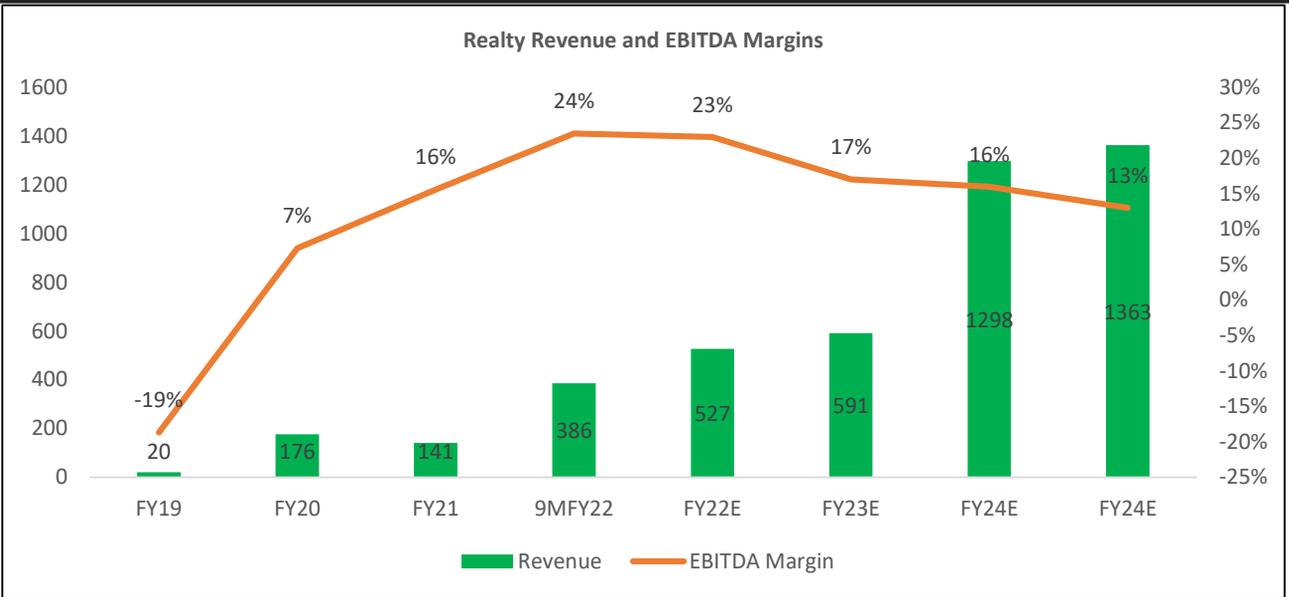
Ten X Habitat: Currently underway

Tower No 1 - 5 – Current picture	Tower No 6 -10 – Current picture			
				
Reference Image – Central Amenities	Reference Image – Building Elevation			
				
				
Fastest Growing Realty Brand of the Year	Best Selling Project of the Year-Ten X Habitat	Iconic Project Of the Year- Thane	Iconic Developer of the Year-Mumbai	Excellence in Customer information

The Address by GS is a premium residential project, and the second project launch situated right next to the TenX habitat. A total of 2 towers with 1.1mn sq ft of saleable area (3 acres) with 570 units- 186 4BHK, 362 3BHK, and 22 5&6BHK are planned. As of December 2021, 117 units have been booked, with 100 units being booked within the first 45 days of launch.

The Address by GS





Source: Company Filings & Arihant Capital Research

Denim JV

Raymond is one of the Leading Manufacturer of denim for many top International and Indian Brands. The JV Raymond UCO Denim Pvt. Ltd. manufactures and markets wide range of high quality denim fabrics and garments. The fabric offerings include premium cotton, stretch, exotic blends, special finishes and performance denims.

The manufacturing facility is located in Yavatmal, Maharashtra and has a capacity to produce 43mn meters of denim. The denim business has a strong presence across the markets of USA, Asia, Europe, and in domestic markets too. It exports to 30+ countries.



FMCG Associate Company

Raymond operates in the FMCG space through its associate company Raymond Consumer Care Limited (RCCL), wherein it specializes in personal care, sexual wellness and home care. Through its positioning, RCCL is now a market leader in Aerosol and Fragrances, and is amongst the top player in India's Sexual wellness Category.

It has a dominant domestic market share in men's deodorants as KS Spark Deo is the #1 Variant in Urban markets in India. Also, KamaSutra is the 2nd largest player in branded condoms in India.

They have **upward of 6.5 Lakh POS in India- an extremely strong domestic presence**. The highest concentration being in pharmacies. It also exports to 20+ countries.

It operates through its brands: Park Avenue, KamaSutra, KS, and Premium.

The aggregate capacity for the condom manufacturing unit in Aurangabad is 400 mn pieces.

They undertake constant innovations-

- The effort to gain market shares due to the onset of the pandemic has been a constant effort. The company launched products available exclusively online. Expanding the digital offering has proven to be successful.
- Growing the aerosol offering with New introductions like Park Avenue Sportz and more KS variants.
- To enhance customer experience, they launched UltraTHIN condoms, and a new exotica range of flavored condoms.



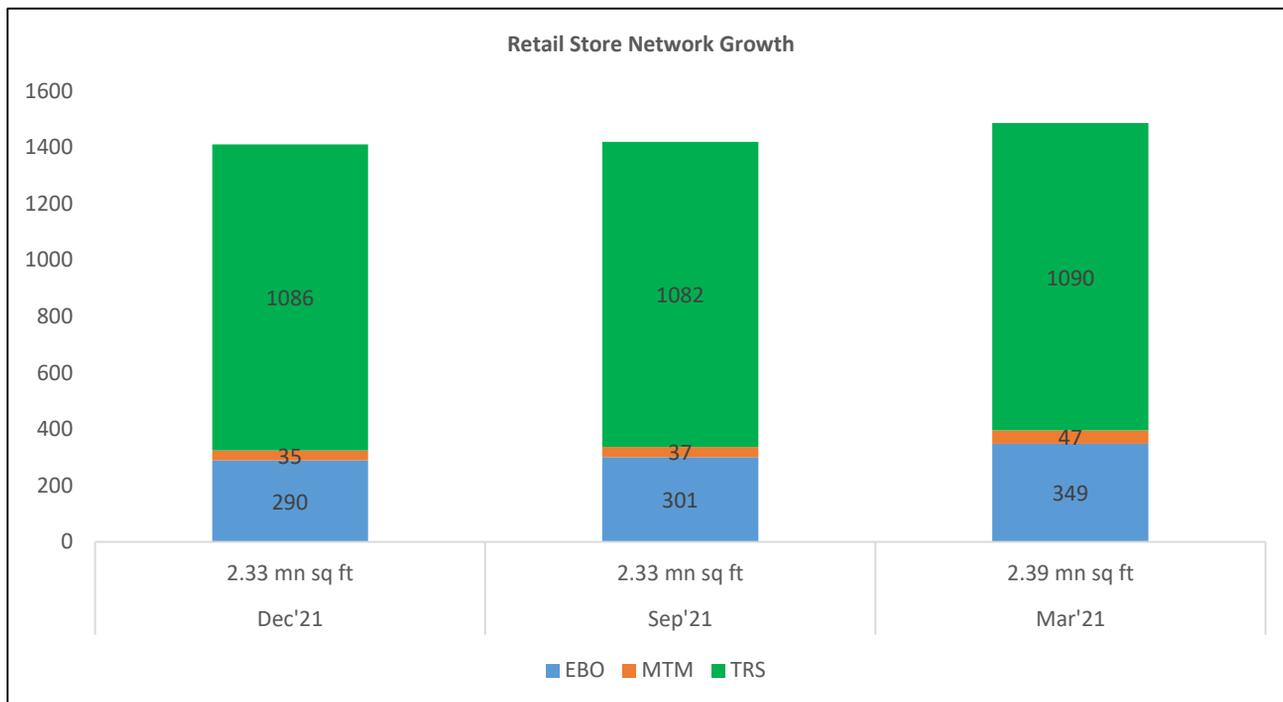
Retail

As one of the biggest organized players in textile retail, it is no surprise that Raymond has an extensive Pan India retail network across Tier1 to Tier 4 cities. The company has a **1,411 store network (as of 31st December 2021) over 600+ towns and cities in India**. About 80% of this network comprises of franchisee stores. Raymond also has over 50 store locations outside India- Namely in the Middle East and Africa.

The retail network spans over 2.4mn sqft of space and comprises:

- TRS - The Raymond Shop
- EBO - Exclusive Brand Outlets
- MTM - Made-To-Measure Stores
- RRTW - Raymond Ready To Wear
- PA - Park Avenue
- CP – ColorPlus

This year, a total of 12 stores were opened in Tier 3 and 4 cities, and TRS witnessed a 13% growth in average transaction value (ATV) in Q3FY22 vs last year. Raymond also shut down many non- profitable stores and set up new ones in more desirable locations to make the retail portfolio healthier



Source: Company Filings & Arihant Capital Research

Digital Initiatives

Restrictions during the Covid- 19 lockdown pushed many companies to grow their digital capabilities, and Raymond was no exception. It came up with many innovative digital undertakings since the onset of the pandemic:

- **Home Assist Service:** Launched to let customers can get an in- store experience from their homes. Via this service, customers can book store appointments, conduct virtual meetings, have video calls, etc.
- **Revamped Website:** The website “myraymond.com” is a virtual touchpoint that has many of the EBO offerings available online.
- **Strengthened Omni- Channel Capabilities:** The company is using technology to strengthen the Omni channel network. There are new features like the ability to track sales in real time across the retail network, a unified inventory catalogue wherein a customer’s need for a particular size or a color option if not physically available in a specific store, can be made available through cross selling across the EBO network.
- Additional to the regular store offerings being made available online, Raymond also has **merchandise exclusively for online customers.**
- **3rd Party Commerce Platforms:** Raymond now works in close collaboration with 3rd party online stores, and has over 2x offerings made available to customers on them.
- **Leveraging Loyalty:** Raymond has implemented a loyalty program called ‘Raymond Reward Points’ as a part of the Omni channel growth strategy. It allows repeat customers to choose where to use their reward points and the company gains insight which allows them to offer them products better suited to their taste in the process.
- **Made-To-Order (MTO):** A 3D style advisory application which lets customers get a 3D look. This was earlier available only for suits. It is now available for DIY, PADIIY, MTM and Denim. This app also allows mix and match that offers to choose from multiple looks. Raymond has expanded this offering to 45+ stores.

Consolidated Financials

Income Statement (INR Mn)	FY21	FY22E	FY23E	FY24E	FY25E
Net Revenue	34,465	55,768	65,245	84,708	98,108
Op. Expenses	35,127	49,438	57,445	73,995	86,137
EBITDA	(662)	6,330	7,800	10,713	11,971
Depreciation	3,142	3,485	3,590	3,740	3,915
EBIT	(3,804)	2,846	4,210	6,974	8,057
Other income	2,014	2,215	2,437	2,680	2,948
Interest Exp.	2,760	2,288	1,938	1,574	1,210
Reported PBT	(4,551)	2,773	4,709	8,080	9,795
Tax	(1,609)	970	1,648	2,828	3,428
Reported PAT	(2,942)	1,802	3,061	5,252	6,367
Minority Int./Profit (Loss) From Asso.	29	30	32	33	35
Adjusted PAT	(2,970)	1,772	3,029	5,219	6,332
Adjusted EPS (INR)	(44.6)	26.6	45.5	78.4	95.1

Balance Sheet (INR Mn)	FY21	FY22E	FY23E	FY24E	FY25E
Share Capital	666	666	666	666	666
Reserves & Surplus	20,308	22,133	25,145	30,277	36,530
Networth	20,974	22,799	25,811	30,943	37,195
Debt	18,942	16,342	13,842	11,242	8,642
Minority Interest	819	750	677	600	520
Net deferred Tax liabilities	(3,206)	(3,206)	(3,206)	(3,206)	(3,206)
Capital Employed	37,529	36,685	37,124	39,579	43,151
Gross Fixed Assets	32,345	34,845	35,895	37,395	39,145
Accumulated Depreciation	11,915	15,399	18,989	22,728	26,643
Capital work in progress	210	300	250	230	220
Net Fixed Assets	20,641	19,746	17,157	14,897	12,723
Goodwill	10	10	10	10	10
Investments	5,004	6,544	7,494	8,164	8,944
Current Assets, Loans & Advances	38,438	45,994	54,125	70,598	84,121
Inventory	16,338	15,279	16,088	18,566	20,428
Debtors	9,580	10,695	11,976	14,621	16,127
Cash & Bank balance	5,521	8,697	12,813	20,211	27,645
Loans & advances and others	6,998	11,323	13,248	17,200	19,920
Current Liabilities & Provisions	26,564	35,610	41,661	54,090	62,646
Liabilities	25,847	34,450	40,305	52,328	60,606
Provisions	717	1,160	1,357	1,761	2,040
Net Current Assets	11,874	10,384	12,463	16,508	21,475
Application of Funds	37,529	36,685	37,124	39,579	43,151

Cash Flow Statement (INR Mn)	FY21	FY22E	FY23E	FY24E	FY25E
PBT	(4,646)	2,673	4,604	7,970	9,680
Depreciation & amortisation	3,142	3,485	3,590	3,740	3,915
Interest expense	2,760	2,288	1,938	1,574	1,210
(Inc)/Dec in working capital	6,693	4,665	2,037	3,353	2,467
Tax paid	232	(970)	(1,648)	(2,828)	(3,428)
Other operating Cash Flow	(1,163)	(2,215)	(2,437)	(2,680)	(2,948)
Cash flow from operating activities	7,018	9,926	8,084	11,129	10,895
Capital expenditure	(16)	(2,500)	(1,050)	(1,500)	(1,750)
Inc/(Dec) in investments	(6)	(1,540)	(950)	(670)	(780)
Add: Int/Div. Income Recd.	666	2,215	2,437	2,680	2,948
CF from investing activities	644	(1,825)	437	510	418
Inc/(Dec) in debt	(3,374)	(2,600)	(2,500)	(2,600)	(2,600)
Dividend Paid	(2,439)	(2,364)	(2,091)	(1,804)	(1,440)
Others	(870)	30	32	33	35
CF from financing activities	(6,683)	(4,934)	(4,559)	(4,371)	(4,005)
Net cash flow	979	3,166	3,962	7,268	7,309
Opening balance	1,325	5,521	8,787	12,853	20,231
Closing balance	5,521	8,787	12,853	20,231	27,655

Source: Company Filings & Arianth Capital Research

Ratios

Per share data	FY21	FY22E	FY23E	FY24E	FY25E
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)	315.0	342.5	387.7	464.8	558.7
CEPS (INR)	3.0	79.4	99.9	135.1	154.4
DPS (INR)	-	1.0	2.0	3.0	3.0
Margins (%)	FY21	FY22E	FY23E	FY24E	FY25E
EBITDA Margin(%)	(1.9)	11.4	12.0	12.6	12.2
EBIT Margin(%)	(11.0)	5.1	6.5	8.2	8.2
PAT Margin(%)	(8.1)	3.1	4.5	6.0	6.3
Growth Indicators (%)	FY21	FY22E	FY23E	FY24E	FY25E
Revenue(%)	-46.8	61.8	17.0	29.8	15.8
EBITDA(%)	-112.8	-1055.9	23.2	37.4	11.7
Adj PAT(%)	-288.0	-159.7	70.9	72.3	21.3
Valuation (x)	FY21	FY22E	FY23E	FY24E	FY25E
P/E	(18.5)	30.9	18.1	10.5	8.7
P/BV	2.6	2.4	2.1	1.8	1.5
EV/EBITDA	(103.1)	9.9	7.2	4.3	3.0
EV/Sales	2.0	1.1	0.9	0.5	0.4
Dividend Yield (%)	-	0.1	0.2	0.4	0.4
Financial Ratios	FY21	FY22E	FY23E	FY24E	FY25E
Profit & Loss					
RM/Net Revenue	48	43	43	43	43
Emp Exp/Net Revenue	20	9	8	7	6
Other Exp/Net Revenue	35	36	37	37	38
Balance Sheet					
RoE (%)	(13.3)	8.1	12.5	18.4	18.6
RoCE (%)	(4.3)	13.6	18.0	25.2	26.6
Asset/T.O (x)	1.0	1.8	2.2	2.8	3.0
Net Debt/Equity (x)	0.6	0.3	0.0	(0.3)	(0.5)
EBIT/Interest (x)	(0.6)	2.2	3.4	6.1	9.1
Key operating metrics	FY21	FY22E	FY23E	FY24E	FY25E
Dep. (% of Gross Block)	9.4	10.4	10.1	10.2	10.2
Inventory days	173	100	90	80	76
Debtor days	101	70	67	63	60
Creditor days	123	75	75	75	75
Net working capital days	67	11	(2)	(16)	(23)
Asset turnover (x)	0.8	1.5	1.8	2.2	2.4
Fixed asset turnover (x)	1.1	1.6	1.8	2.3	2.5
Sales :Net Block (x)	1.7	2.8	3.8	5.7	7.7
Financial leverage (Asset/Equity)	0.6	0.6	0.7	0.8	0.9
Debt/Equity (x)	0.9	0.7	0.5	0.4	0.2

Source: Company Filings & Arihant Capital Research

Arihant Research DeskEmail: research@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	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	research@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 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