

Raymond Lifestyle

Estimate change



TP change

Rating change



Bloomberg	RAYMONDL IN
Equity Shares (m)	61
M.Cap.(INRb)/(USDb)	123.5 / 1.5
52-Week Range (INR)	3100 / 2015
1, 6, 12 Rel. Per (%)	-9/-/-
12M Avg Val (INR M)	389

Financials & valuations (INR m)

Y/E MARCH	2024	2025E	2026E
Sales	65.4	68.6	76.8
EBITDA	9.4	9.2	10.8
Adj. PAT	4.9	4.1	5.0
EPS (INR)	80.2	66.9	81.4
EPS Gr. (%)	-	(16.7)	21.7

Ratios

BV/Sh. (INR)	1,599	1,656	1,738
RoE (%)	10.9	8.7	9.7
RoCE (%)	15.1	12.3	13.0

Valuations

P/E (x)	25.3	30.4	24.9
P/BV (x)	1.3	1.2	1.2
EV/EBITDA (x)	13.7	14.0	11.9
Div. Yield (%)	-	-	-

Shareholding pattern (%)

As On	Sep-24
Promoter	54.7
DII	7.9
FII	12.7
Others	24.8

FII includes depository receipts

CMP: INR2,027

TP: INR3,000 (+48%)

Buy

Weak quarter; demand recovery to be in focus in 2H

- Raymond Lifestyle's (RLL) 2Q revenue/EBITDA declined by 5%/17% YoY due to subdued discretionary demand. Higher depreciation and interest costs led to a 27% YoY decline in adjusted PAT.
- RLL's net working capital (NWC) increased to 105 days (from 78 days as of Mar'24 end) as it stocked up inventory ahead of the festive and wedding season. This also led to RLL's debt rising to INR5.7b from net cash of INR0.2b in FY24. The management expects NWC to normalize and RLL to attain net cash position by end-FY25.
- RLL has corrected ~30% from listing and is trading at a reasonable valuation (~25x FY26 P/E and 13x on FY26E pre-IND AS 116 EBITDA). The key near- to medium-term catalysts for re-rating are 1) growth recovery in 2H due to a higher number of wedding days and 2) RLL's strategy of EBO expansion.
- Our FY25-26 revenue estimates are broadly unchanged, but we cut our FY26E EBITDA/PAT estimates by 7%/15% on weaker margin/higher interest costs. We build in a CAGR of 9-11% in revenue/EBITDA/PAT over FY24-27. We value RLL at a PE multiple of 30x on Dec'26E, resulting in a TP of INR3,000 per share, as our earnings cut is partly offset by roll-forward. **Reiterate BUY**

Revenue/EBITDA down 5%/17% YoY on muted discretionary demand

- RLL's consolidated revenue **declined 5% YoY** to INR17.1b on account of muted customer demand.
- RLL opened 53 new stores in 2Q (including 11 Ethnix by Raymond stores), taking the total retail store network to 1,592 (up 10% YoY).
- Gross profit declined 1% YoY to INR7.6b as gross margin expanded 210bp YoY to 44.7%.
- EBITDA **declined 17% YoY** to INR2.1b on adverse operating leverage and higher employee costs (+9% YoY) and other expenses (+7% YoY). Margins contracted 190bp YoY to 12.6%.
- Depreciation and amortization rose 28% YoY, while finance costs jumped 24% YoY.
- Reported PAT plunged 70% YoY, dragged down by lower EBITDA/other income and higher D&A/finance costs.
- Further, RLL booked an exceptional item of ~INR0.6b pertaining to stamp duty on demerger. Adjusted PAT stood at INR1b, down 27% YoY.
- Net working capital days stood at 105 in 2QFY25 (vs. 78 at end-Mar'24) on account of inventory stocking in the retail and distribution network, ahead of the festive and wedding seasons.
- 1HFY25 FCF outflow was INR5.1b (vs. INR5.8b outflow YoY) as YoY lower OCF (~INR2b lower YoY) and higher capex (~INR0.5b higher) were offset by favorable working capital change (INR2b) and lower tax outgo (~INR1b).
- As a result, RLL's net debt increased to INR5.7b from net cash of INR0.2b at end-Mar'24.

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Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Highlights from the management commentary

- **Demand outlook:** 3Q is seeing robust demand with the onset of the festive and wedding seasons. RLL witnessed double-digit YoY growth during Diwali and expects the growth to remain robust in 2H on account of a higher number of wedding days.
- **Ethnix by Raymond:** The management expects the wedding wear industry to clock 12-13% growth p.a. Further, the industry is split nearly equally between branded and unbranded, with branded players growing at faster pace. RLL plans to increase the Ethnix store footprint to 300+ stores over the next 2-3 years (from ~136 stores currently) and expects to generate INR3.5b in annual revenue in the next few years.
- **Working capital:** NWC increase was primarily driven by inventory stocking ahead of the festive and wedding season. Further, the increase in debt was largely due to higher NWC, which should normalize by FY25 end.

Valuation and view

- RLL has corrected ~30% from listing and is trading at a reasonable valuation (~25x FY26 P/E and 13x on FY26E pre-IND AS 116 EBITDA) as compared to our coverage universe and other retail/discretionary consumption plays (~35-40x FY26E EV/EBITDA).
- A growth recovery in the branded apparels segment owing to a higher number of wedding days in 2H and RLL's strategy of expanding EBOs remain the key near- to medium-term re-rating catalysts.
- Our FY25-26 revenue estimates are broadly unchanged, but we cut our FY26 EBITDA/PAT estimates by 7%/15% on weaker margin/higher interest costs. We build in a CAGR of 9-11% in revenue/EBITDA/PAT over FY24-27. We value RLL at a PE multiple of 30x on Dec'26E, resulting in a TP of INR3,000 per share, as our earnings cut is partly offset by roll-forward. **Reiterate BUY**

Quarterly Performance

(INR Million)

Y/E March	FY24				FY25E				FY24	FY25
INRm	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Total Revenue	13,212	18,034	NA	NA	12,201	17,083	20,292	19,032	65,354	68,608
YoY %	NA	NA	NA	NA	-8%	-5%	NA	NA	NA	5%
Gross profit	5,865	7,686	NA	NA	5,292	7,639	9,334	8,608	29,193	30,873
Margin (%)	44.4%	42.6%	NA	NA	43.4%	44.7%	46.0%	45.2%	44.7%	45.0%
Employment Costs	2,238	2,220	NA	NA	2,344	2,422	2,638	2,544	9,182	9,948
SG&A	2,161	2,864	NA	NA	2,351	3,070	3,524	2,772	10,646	11,716
Total expenditure	11,745	15,431	NA	NA	11,604	14,935	17,120	15,740	55,988	59,399
EBITDA	1,467	2,602	NA	NA	597	2,148	3,172	3,292	9,366	9,209
EBITDA margin (%)	11.1%	14.4%	NA	NA	4.9%	12.6%	15.6%	17.3%	14.3%	13.4%
Depreciation and amortization	568	598	NA	NA	746	763	763	710	2,463	2,981
Finance Costs	617	428	NA	NA	463	532	559	557	1,957	2,112
Other income	327	458	NA	NA	294	270	270	245	1,544	1,078
Exceptional items	-92	0	NA	NA	-5	-594	0	0	-92	-599
Profit before Tax	517	2,035	NA	NA	-323	528	2,120	2,270	6,398	4,596
Tax	34	641	NA	NA	-91	106	534	571	1,603	1,121
Profit after Tax	483	1,393	NA	NA	-232	422	1,586	1,699	4,795	3,474
Margin (%)	3.7%	7.7%	NA	NA	-1.9%	2.5%	7.8%	8.9%	7.3%	5.1%
growth	NA	NA	NA	NA	-148%	-70%	NA	NA	NA	-28%
Adjusted income	575	1,393	NA	NA	-227	1,016	1,586	1,698	4,887	4,073
Margin (%)	4.4%	7.7%	NA	NA	-1.9%	5.9%	7.8%	8.9%	7.5%	5.9%

Exhibit 1: Exhibit xx: Valuation

Dec-26	INRm
PAT	6,020
PE	30x
Equity	1,82,722
NOS	61
per share	3,000
CMP	2,030
upside	48%

Exhibit 2: Consol P&L (INR m)

	2QFY24	1QFY25	2QFY25	YoY%	QoQ%
Total Revenue	18,034	12,201	17,083	-5	40
Raw Material cost	10,348	6,909	9,443	-9	37
Gross Profit	7,686	5,292	7,639	-1	44
Gross margin (%)	42.6%	43.4%	44.7%	209.9	134.8
Employee Costs	2,220	2,344	2,422	9	3
Other expenses	2,864	2,351	3,070	7	31
EBITDA	2,602	597	2,148	-17	260
EBITDA margin (%)	14.4%	4.9%	12.6%	-185.8	767.8
Depreciation and amortization	598	746	763	28	2
EBIT	2,004	-148	1,385	-31	-1,033
EBIT margin (%)	0.1	-1.2%	8.1%	NM	NM
Finance Costs	428	463	532	24	15
Other income	458	294	270	-41	-8
Exceptional item	0	-5	-594	NM	NM
Profit before Tax	2,035	-313	528	-74	-269
Tax	641	-91	106	-83	-217
Tax rate (%)	31.5%	28.9%	20.1%	-36.1	-30.4
Profit after Tax	1,393	-222	422	-70	-290
Adj Profit after Tax	1,393	-218	1,016	-27	-567
Segment Revenue	2QFY24	1QFY25	2QFY25	YoY%	QoQ%
Branded Textile	9,327	5,651	8,535	-8.5%	51.0%
Branded Apparel	4,366	3,027	4,410	1.0%	45.7%
Garmenting	2,862	2,520	2,596	-9.3%	3.0%
HVCS	2,108	1,856	2,284	8.3%	23.0%
Consolidated Revenue	18,034	12,201	17,083	-5.3%	40.0%
Elimination	629	853	742		
Segment EBITDA	2QFY24	1QFY25	2QFY25	YoY%	QoQ%
Branded Textile	2,070	540	1,610	-22.2%	198.1%
Branded Apparel	533	150	570	7.0%	280.0%
Garmenting	220	90	250	13.6%	177.8%
HVCS	282	100	220	-22.1%	120.0%
Consolidated EBITDA	2,602	597	2,148	-17.5%	259.6%
Elimination	503	283	502		

Segmental performance:

- **Branded Textile:** Revenue at INR8.5b declined ~8% YoY owing to muted customer demand. EBITDA declined 22% YoY to INR1.6b as margin contracted 330bp YoY to 18.9%.
- **Branded Apparel:** Revenue at INR4.4b inched up 1% YoY as 10% YoY store addition was offset by a likely decline in SSSG due to subdued demand and challenging market conditions. EBITDA was up 8% YoY as margin expanded 70bp YoY to 12.9%, driven by focus on intake margins.
- **Garmenting:** Revenue at INR2.6b declined 9% YoY due to the impact of delays in shipment dispatches amid logistical challenges. However, EBITDA improved 15% YoY as margin expanded 210bp YoY to 9.6%.

- **High-value cotton shirting (HVCS):** Revenue at INR2.3b was up ~8% YoY as B2B customers stocked up for the upcoming festive and wedding seasons. However, EBITDA declined 20% YoY as margin contracted 380bp YoY to 9.6%, impacted by higher input costs.

Exhibit 3: Exhibit: Key estimate changes

Consol	FY25	FY26	FY27
Revenue (INR mn)			
Old	69,104	77,649	
Actual/New	68,608	76,758	86,764
Change (%)	-0.7%	-1.1%	
Gross Profit (INR mn)			
Old	31,235	35,330	
Actual/New	30,873	34,925	39,651
Change (%)	-1.2%	-1.1%	
Gross margin (%)			
Old	45.2	45.5	
Actual/New	45.0	45.5	45.7
Change (%)	-0.2	0.0	
EBITDA (INR mn)			
Old	9,872	11,609	
Actual/New	9,209	10,775	12,787
Change (%)	-6.7%	-7.2%	
EBITDA margin (%)			
Old	14.3	15.0	15.5
Actual/New	13.4	14.0	14.7
Change (%)	-86.3	-91.4	
PAT (INR mn)			
Old	4,972	5,852	
Actual/New	4,073	4,958	6,374
Change (%)	-18.1%	-15.3%	

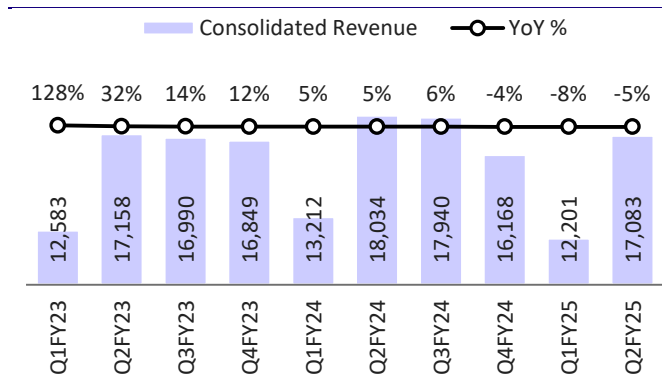


Highlights from the management commentary

- **2Q impact** - 2Q was impacted by subdued demand, weak consumer sentiment, logistical challenges in garmenting business, and higher inflationary pressures.
- **Demand outlook** - 3Q is seeing robust demand with the onset of the festive and wedding seasons. RLL witnessed double-digit YoY growth during Diwali and expects the growth to remain robust in 2H thanks to a higher number of wedding days.
- **Sleepwear brand launch** - RLL has launched Sleepz (sleepwear brand) and is getting good response from the trade channel. RLL has appointed around 60 distributors (reached 1,000 odd stores), with product price ranging from INR500-999. It expects to reach 8,000-9,000 stores in the next one year. Sleepwear in India is majorly an unorganized market.
- **Ethnix by Raymond** – The management expects the wedding wear industry to clock 12-13% growth p.a. Further, the industry is split nearly equally between branded and unbranded, with branded players growing at a faster pace. RLL plans to increase the Ethnix store footprint to 300+ stores over next 2-3 years (from ~136 stores currently) and expects to generate INR3.5b in annual revenue in the next few years.
- **Working capital:** NWC increase was primarily driven by inventory stocking ahead of the festive and wedding seasons. Further, the increase in debt was largely due to higher NWC, which should also normalize by FY25 end.
- **Garmenting:** The lead-time has increased by 2-3 weeks in garmenting segment due to logistical challenges, which led to delays in revenue recognition. The management indicated that RLL has seen small wins and enquiries from large international players in the aftermath of a recent turmoil in Bangladesh.
- **Margins** – The impact on margins due to rentals (IND-AS 116) could be ~2-2.5% on the overall business and ~5.5-6% on the branded apparel segment margins.

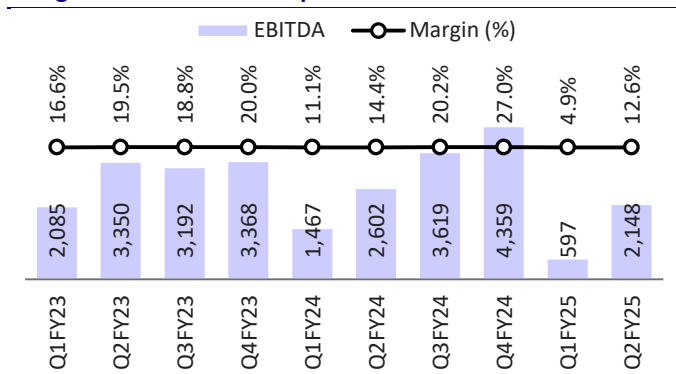
Key exhibits

Exhibit 4: Consolidated revenue declined 5% YoY



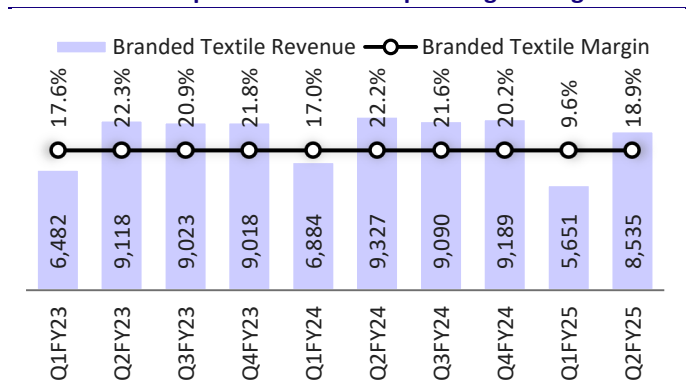
Source: Company, MOFSL

Exhibit 5: Consolidated EBITDA declined 17.5% YoY as margins contracted ~180bp YoY



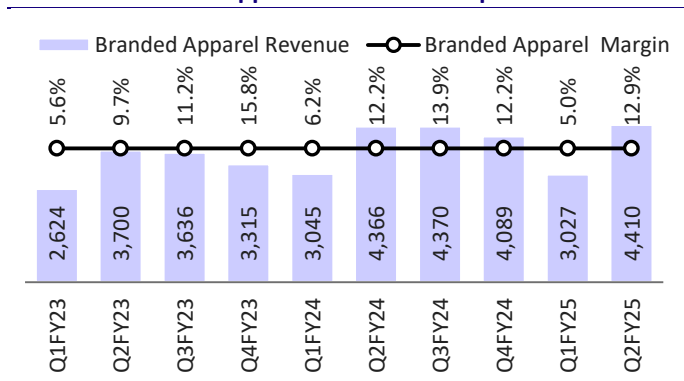
Source: Company, MOFSL

Exhibit 6: Branded Textile revenue declined 9% YoY; margin contracted 330bp YoY on adverse operating leverage



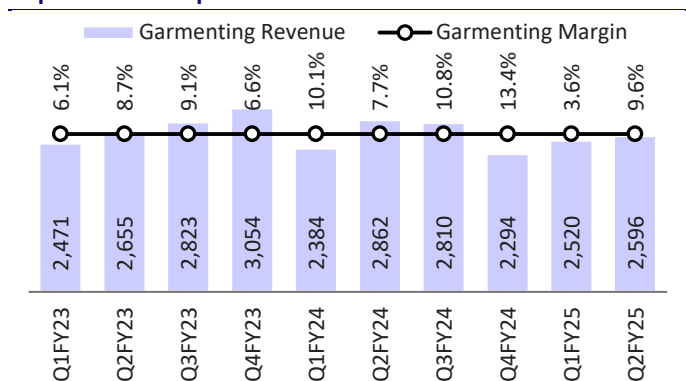
Source: Company, MOFSL

Exhibit 7: Branded Apparel revenue inch up 1% YoY



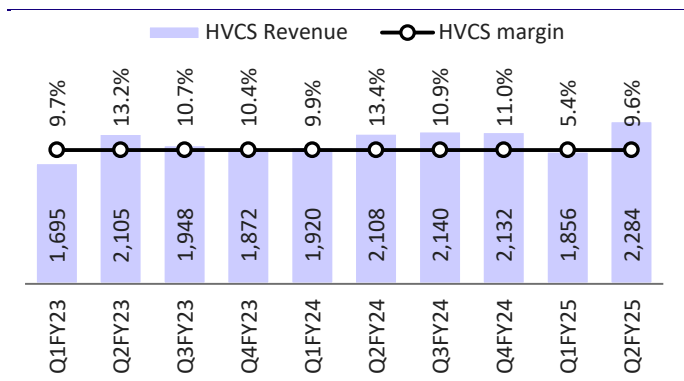
Source: Company, MOFSL

Exhibit 8: Garmenting revenue declined 9% YoY; margins expanded ~210bp YoY

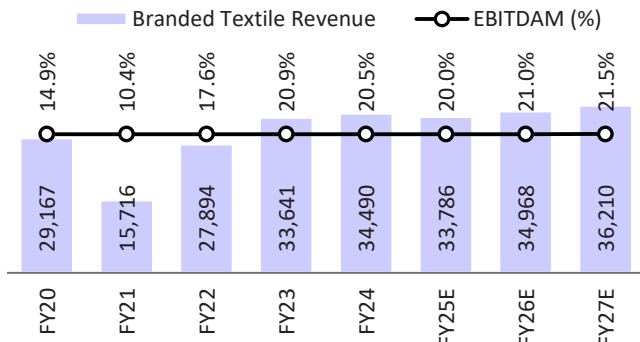


Source: Company, MOFSL

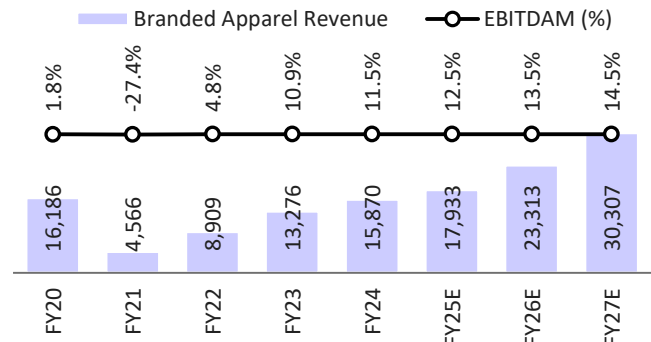
Exhibit 9: HVCS revenue up 8% YoY; margins declined 375bp YoY



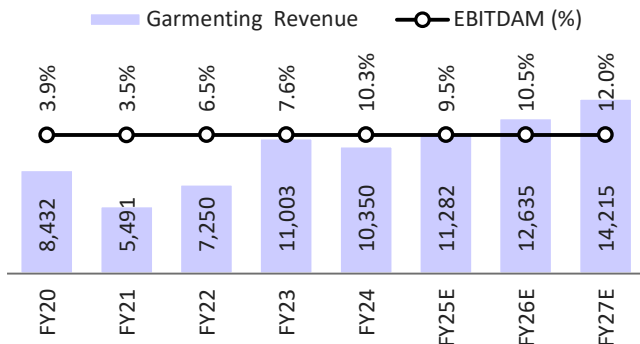
Source: Company, MOFSL

Exhibit 10: Expect Branded Textile to record ~2% revenue CAGR over FY24-27E with ~100bp margin improvement

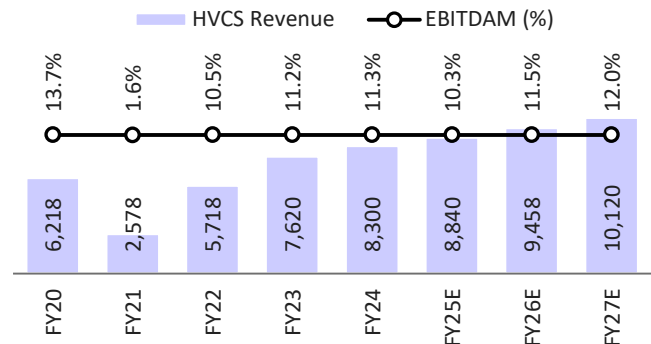
Source: Company, MOFSL

Exhibit 11: Expect Branded Apparel to record 24% revenue CAGR over FY24-27E, with 300bp margin improvement

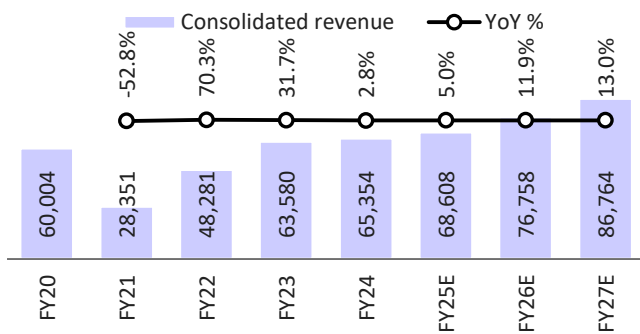
Source: Company, MOFSL

Exhibit 12: Expect 11% revenue CAGR in Garmenting over FY24-27, with 170bp margin improvement

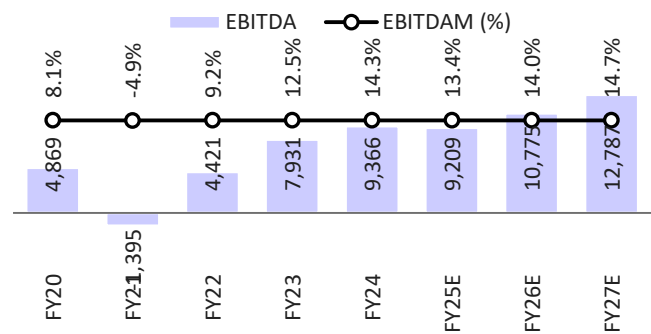
Source: Company, MOFSL

Exhibit 13: Expect ~7% revenue CAGR in HVCS, with ~70bp margin improvement

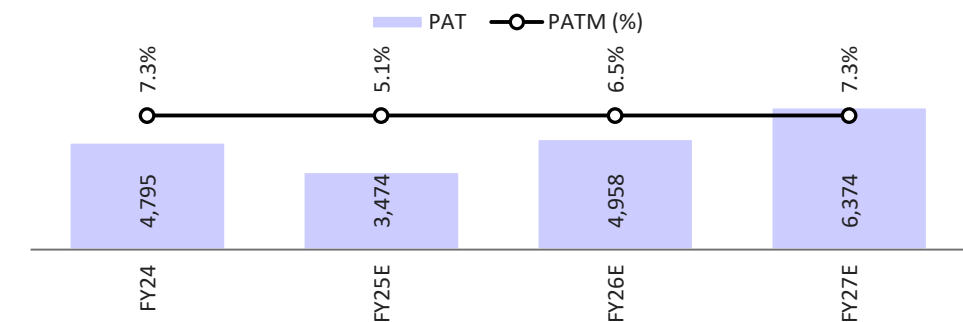
Source: Company, MOFSL

Exhibit 14: Consolidated revenue to record ~10% CAGR over FY24-27E

Source: Company, MOFSL

Exhibit 15: Expect ~11% consolidated EBITDA CAGR over FY24-27E, with ~45bp margin improvement

Source: Company, MOFSL

Exhibit 16: Expect ~10% CAGR in PAT over FY24-27E

Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement				(INR m)
Y/E March	FY24	FY25E	FY26E	FY27E
Revenue from Operations	65,354	68,608	76,758	86,764
Change (%)		5	12	13
Raw Materials	29,259	30,530	34,157	38,436
Manufacturing & opex	6,902	7,204	7,676	8,676
Gross Profit	29,193	30,873	34,925	39,651
Margin (%)	44.7	45.0	45.5	45.7
Employee Costs	9,182	9,948	10,746	11,713
Other Expenses	10,646	11,716	13,404	15,151
EBITDA	9,366	9,209	10,775	12,787
Margin (%)	14.3	13.4	14.0	14.7
Depreciation	2,463	2,981	3,382	3,781
EBIT	6,903	6,228	7,393	9,006
Margin (%)	10.6	9.1	9.6	10.4
Finance costs	1,957	2,112	1,970	1,847
Other Income	1,544	1,078	1,206	1,363
Exceptional Items loss (gain)	-92	-599	0	0
PBT bef. EO Exp.	6,398	4,596	6,628	8,522
Total Tax	-1,603	-1,121	-1,670	-2,148
Tax Rate (%)	25.1	24.4	25.2	25.2
PAT	4,795	3,474	4,958	6,374
Adjusted PAT	4,887	4,073	4,958	6,374
Change (%)		-17	22	29

Consolidated - Balance Sheet				(INR m)
Y/E March	FY24	FY25E	FY26E	FY27E
Equity Share Capital	122	122	122	122
Total Reserves	97,273	1,00,747	1,05,705	1,12,079
Net Worth	97,394	1,00,869	1,05,826	1,12,201
Total Loans	8,254	10,004	9,004	8,004
Lease Liability	7,135	9,015	11,319	14,537
Capital Employed	1,12,783	1,19,887	1,26,149	1,34,742
Fixed Assets	75,461	77,665	78,995	81,076
Total Investments	9,000	9,000	9,000	9,000
Curr. Assets, Loans&Adv.	32,276	38,863	47,028	57,606
Inventory	17,328	18,797	21,030	23,771
Account Receivables	9,248	11,278	11,566	11,885
Cash and Bank Balance	1,524	4,612	10,255	17,774
Loans and Advances	4,177	4,177	4,177	4,177
Curr. Liability & Prov.	18,491	19,056	20,619	22,538
Account Payables	12,593	13,158	14,721	16,640
Other Current Liabilities	5,100	5,100	5,100	5,100
Provisions	798	798	798	798
Net Current Assets	13,786	19,807	26,409	35,069
Deferred Tax assets	12,159	11,037	9,367	7,220
Other Assets	2,378	2,378	2,378	2,378
Appl. of Funds	1,12,783	1,19,887	1,26,149	1,34,742

E: MOSL Estimates

Financials and valuations

Ratios

Y/E March	FY24	FY25E	FY26E	FY27E
Basic (INR)				
EPS	80.2	66.9	81.4	104.7
Cash EPS	120.7	115.8	136.9	166.8
BV/Share	1,599	1,656	1,738	1,842
Valuation (x)				
P/E	27.3	32.8	26.9	20.9
Cash P/E	18.2	18.9	16.0	13.1
P/BV	1.4	1.3	1.3	1.2
EV/Sales	2.1	2.0	1.8	1.6
EV/EBITDA	14.8	15.0	12.8	10.8
FCF per share	-21.0	4.3	89.3	117.5
Return Ratios (%)				
--Adjusted to revaluation, goodwill and cash				
Adj RoE	10.9	8.7	9.7	11.3
Adj RoCE	15.1	12.3	13.0	14.1
Adj RoIC	20.8	17.9	19.8	22.8
--Pre Ind-AS ratios				
Adj RoCE	22.0	16.8	17.8	19.1
Adj RoIC	25.0	21.3	25.9	33.2
Working Capital Ratios				
Fixed Asset Turnover (x)	0.9	0.9	1.0	1.1
Asset Turnover (x)	0.6	0.6	0.6	0.6
Inventory (Days)	97	100	100	100
Debtor (Days)	52	60	55	50
Creditor (Days)	70	70	70	70
WC (Days)	78	90	85	80
Leverage Ratio (x)				
Current Ratio	1.7	2.0	2.3	2.6
Interest Cover Ratio	3.5	2.9	3.8	4.9
Net Debt/EBITDA	0.5	0.6	0.1	-0.3
Net Debt/Equity	0.0	0.1	0.0	0.0

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	3,316	4,596	6,628	8,522
Depreciation	2,478	2,981	3,382	3,781
Interest & Finance Charges	1,957	2,112	1,970	1,847
Others	2,102	-1,078	-1,206	-1,363
Direct Taxes Paid	-1,768	0	0	0
(Inc)/Dec in WC	-5,041	-2,933	-958	-1,142
CF from Operating	3,044	5,677	9,816	11,646
(Inc)/Dec in FA	-1,352	-2,000	-1,000	-1,000
Free Cash Flow	1,692	3,677	8,816	10,646
(Pur)/Sale of Investments	-8,812	0	0	0
Others	20,543	1,078	1,206	1,363
CF from Investments	10,379	-922	206	363
Inc/(Dec) in Debt	-11,054	1,750	-1,000	-1,000
Inc/(Dec) in Lease	-1,365	-1,916	-2,028	-2,290
Interest Paid	-1,607	-1,501	-1,351	-1,201
CF from Fin. Activity	-14,026	-1,666	-4,378	-4,490
Inc/Dec of Cash	-604	3,088	5,644	7,518
Opening Balance	1,424	1,524	4,612	10,256
Other bank balance	704			
Closing Balance	1,524	4,612	10,256	17,774

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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