

Raymond Ltd.**₹ 403****Working on its Network****Buy**

April 13, 2012

Financial Performance

Raymond posted strong performance for the Quarter ended on December 2011 maintaining its H1 performance. Sales rose 15.15% to ₹ 5.15 bn in the quarter ended December 2011 as against ₹ 4.47 bn during the previous quarter ended December 2010. Higher realizations due to price hike supported by volume growth pushed up the numbers. The suiting fabric business, which constitutes 48% of consolidated sales, grew by 16%. Operations of Denim business have witnessed a 11 % sales growth during the quarter to ₹ 1.71 bn. The Branded Apparel business witnessed a 7% increase in the quarterly sales to ₹ 1.98 bn.

At the margin front, the performance of the company was little subdued. Higher Other Expenditures and employee expenses with higher interest expenses and depreciation led to a 105bps QoQ in EBITDA margin. Further, contraction in the margin was arrested due to fall in raw material price. Consequently, Raymond reported net profit of ₹ 312.6 mn in the quarter ended December 2011 as against net loss of ₹ 1158 mn during the previous quarter ended December 2010.

Investment Rationale**➔ Trinity Acquisition**

JRing Plus Aqua, the auto components business of Raymond has announced the acquisition of Trinity India. This marks Ring Plus Aqua's entry into the forging industry, adding to its current portfolio of auto components, which includes flywheel ring gears, flexplate assemblies, integral shaft bearings and sheet metal pulleys. It will help company strengthens its position in the global automotive parts sector. The deal was funded through internal accruals. The company is looking at added revenue of Rs. 800 mn from the acquisition.

➔ Spreading the Network

Raymond's retail network has crossed 800 stores mark. The store count as on 31st Dec 2011 stood at 807, including 40 stores in Middle East covering over 1.6 million square feet of retail space. The company is expanding its reach across India by opening 500 outlets in smaller towns during the next three years.

Key Financials

Year Ended 31 st	Mar 09	Mar 10	Mar 11
Revenue (₹ mn)	15296.5	15303.2	16301.2
Rev. growth (%)	0.98	0.04	6.52
EBITDA (₹ mn)	(1042.6)	2496.7	(1001.9)
Net profit (₹ mn)	(2715.5)	250.6	(1001.9)
Shares outstanding (mn)	61.4	61.4	61.4
EPS (₹)	(44.2)	4.1	(16.3)
EPS growth (%)	(474.97)	(109.23)	(499.8)
P/E (x)	(1.7)	58.7	(19.5)
EV/ EBITDA	(57.8)	63.8	(207.5)
ROCE (%)	(12.3)	1.1	(4.53)

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Previous Report

Date	: Mar 20, 2011
Recommendation	: Buy
Price	: ₹ 340
Target Reached	: 25 Jul, 2011

Market Data

52 Wk Range (₹)	: 439 / 300
Shares in Issue (mn)	: 61.4
Mkt. Cap (₹ bn)	: 24.40
BSE 2 Wk Avg Vol	: 137000

Share Holding Pattern (%)

Promoters	: 39.52
DII's	: 26.90
FII's	: 9.03
Others	: 24.55

Investment Theme

Raymond is a well-known player in the domestic textile industry, with strong brands in its portfolio. After poor financial performance in the previous year, the company has done well in the FY 2011-12. The company has been restructuring its business to adapt to changing market scenario. It is focussing on its core business. Its sales are improving. Raymond has a land bank of 125 acres in Mumbai and near-by Thane area, which it plans to monetise in the coming years. It is planning to focus more on middle class as well and is opening more outlets in smaller cities. With the rising income & discretionary spending, consumers will upgrade to branded. Raymond hanks to its strong brand value and mass network will be benefited by this. We remain bullish on Raymond & we maintain our buy.

"Auto" start!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 09	Mar 10	% Chg	Mar 11	% Chg
Total Sales + Excise	14335.7	13909.9	(2.97)	15309.5	10.06
Other Income	1100.8	1434.9	30.35	1001.4	(30.21)
Change in Stocks	261.0	(462.2)	(277.09)	885.5	(291.58)
Raw Material Con.	4439.2	3970.3	(10.56)	4789.5	20.63
Employee Exp.	2640.2	2856.7	8.20	4947.8	73.20
Indirect Taxes	148.8	56.5	(62.03)	71.2	26.02
Other Exp.	9511.9	5502.4	(42.15)	8389.8	52.48
Operating Exp.	16479.1	12848.1	(22.03)	17312.8	34.75
Operating Profit	(2143.4)	1061.8	(149.54)	(2003.3)	(288.67)
Total Interest	1056.5	1196.	3 13.	23 0.0	(100.00)
Gross Profit	(2099.1)	1300.4	(161.95)	(1001.9)	(177.05)
Net Dep.	887.9	1113.0	25.35	0.0	(100.00)
Total Taxation	(271.5)	(63.2)	(76.72)	0.0	(100.00)
Net Profit/Loss	(2715.5)	250.6	(109.23)	(1001.9)	(499.80)

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 08	Mar 09	Mar 10	Mar 11
SOURCES OF FUNDS	23111.7	25065.6	24320.3	23294.0
Equity Share capital	613.8	613.8	613.8	613.8
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	13369.1	10656.0	11115.3	10042.1
Loan Funds	5381.6	9033.6	7633.7	8552.7
Unsecured Loans	3747.2	4762.2	4957.5	4085.4
USES OF FUNDS	23111.7	25065.6	24320.3	23294.0
Gross Block	13457.4	17006.4	17134.0	17266.0
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	6258.8	7016.0	7729.8	8688.7
Net Block	7198.6	9990.4	9404.2	8577.3
Capital Work in Progress	132.5	621.1	416.4	1019.8
Investments	10473.0	8886.1	8917.8	7401.4
Current Assets	9549.3	10532.6	10084.3	12022.3
Less : Current Liabilities	4241.7	4964.6	4502.4	5726.8
Total Net Current Assets	5307.6	5568.0	5581.9	6295.5
Misc. Expenses not written	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	6296.4	4069.3	3486.4	3555.0
Mkt Val. Quoted Investments	3920.7	4865.2	5513.8	3918.3
Contingent Liabilities	3704.3	4464.4	3298.0	3250.2
Dividend (%)	25	0	0	10

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 11	Jun 11	Sep 11	Dec 11
Net Sales	42263.00	35117.00	50378.00	52082.00
Cost Of Sales	35282.00	32754.00	41815.00	42631.00
Operating Profit	6981.00	2363.00	8563.00	9451.00
Recurring Income	1052.00	1356.00	2074.00	1272.00
Adjusted PBDIT	8033.00	3719.00	10637.00	10723.00
Financial Expenses	2839.00	2872.00	3211.00	3340.00
Depreciation	2669.00	2599.00	2547.00	2943.00
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	2525.00	(1752.00)	4879.00	4440.00
Tax Charges	898.00	0.00	1257.00	1314.00
Adjusted PAT	1627.00	(1752.00)	3622.00	3126.00
Non Recurring Items	(1497.00)	745.00	0.00	0.00
Other Non Cash Adjust	0.00	0.00	0.00	0.00
Net Profit	130.00	(1007.00)	3622.00	3126.00

52 Week Index Relative Percentage Appreciation



RAYMOND vs SENSEX

► Focuss on middle class & rural markets

Raymond Ltd is expanding its retail footprint across India. Expansion in the last three years has been largely in small towns, taking the brand's exclusive stores to over 200 towns. Forty per cent of the sales for Raymond apparel, split across Raymond (fabrics), Color Plus, Park Avenue, Parx and accessories, come from its exclusive stores. Opening 500 outlets in smaller towns during the next three years. It has identified 750 Tier -III, VI and V towns and it plans to leverage Raymond's brand equity and enter these markets with exclusive stores. It launched its economy-brand 'Makers' in three north Indian states to focus on rural and suburban population. With the Union Budget raising the tax limit further, the disposable income is set to rise further This would lead to strong demand from the middle class.

► Risk of Price Fluctuation

Textile companies are been exposed to risk of price, as any fluctuation in the prices of raw materials as well as finished goods would definitely have an impact of its earnings growth. Companies exporting its products to overseas markets are faced to foreign exchange risk, as any fluctuation in Rupee would impact its revenue growth. The strengthening of dollar in the recent times would adversely impact the export income.

In a Nutshell

Raymond a premier textile manufacturer in India was established in 1925. It is the largest integrated manufacturer of worsted fabric in the world & ranks amongst the first three fully integrated manufacturers of worsted suiting, in the world. The company is engaged in selling products related to textiles, readymade garments, engineering tools, prophylactics & toiletries. It offers a wide variety of products at equally wide range of prices. It is one of the most respected brands in India. Raymond also has wide network across India. Each segment of the textile business offers a bright outlook in the future. Nevertheless company has also diversified into other sectors as well. Raymond has a land bank of 125 acres in Mumbai and near-by Thane area, which it plans to monetise in the coming years. It is planning to focus more on middle class as well and is opening more outlets in smaller cities. Its recent acquisition of Trinity India has cemented its position further in the auto part segment. With the rising income & discretionary spending, consumers will upgrade to branded. Raymond hanks to its strong brand value and mass network will be benefited by this. We remain bullish on the company & thus we maintain our buy on the company.

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Rating Interpretation

Buy	: Expected to appreciate 20% or more over 12-months	Reduce	: Expected to depreciate up to 10% over 12-months
Accumulate	: Expected to appreciate 10% to 20% over 12-months	Sell	: Expected to depreciate 10% or more over 12-months
Trade Buy	: Expected to appreciate more than 10% over 45-days	Trade Sell	: Expected to depreciate more than 10% over 45-days

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