

Raymond Ltd.

₹ 226

Premium of Spaces**Accumulate**

Sep 20, 2013

Company Background

Raymond Ltd. is among the largest integrated manufacturers of worsted fabrics in the world and is the part of The Raymond Group which was incorporated in 1925 and within a span of a few years, transformed from being an Indian textile major to a global conglomerate. Today, the Raymond group is vertically and horizontally integrated to provide customers total textile solutions. Few companies globally have such a diverse product range of nearly 20,000 varieties of worsted suiting to cater to customers across age groups, occasions and styles. Raymond has some of the most highly respected fabric and apparel brands in portfolio: Raymond, Raymond Premium Apparel, Park Avenue, ColorPlus, Parx, Makers and Notting Hill. It also has an expansive retail presence established through the exclusive chain of 'The Raymond Shop' and stand-alone brand stores.

Key Highlights

- ➔ Raymond Limited has invested Rs. 5 crore in the equity share capital of Raymond Zambaiti Limited (RZL), a jointly controlled entity of Raymond. With this investment, the total equity contribution of Raymond Limited has increased to 52.87% in RZL's equity share capital, thereby making RZL a subsidiary of Raymond Ltd.
- ➔ Raymond's Supply Chain implementation is likely to be complete by FY13 and that the benefits of it likely to come from the next season. The management mentioned that the company current focus is on liquidating the current inventory pile up and the company is likely to start on a leaner note from FY14. There could be incremental margin expansion to the tune of ~3%-3.5% on account of the SCM initiatives.
- ➔ Focus on cost rationalization & Retail network expansion continues. Raymond added 21 stores taking the total count of stores to 914 while the retail space increased 9% Y-o-Y to 1,748,000 sqft. It has started cost rationalization initiatives in the textile business to bring back margins to the earlier levels.
- ➔ The company's ~ 125 acres Thane land could fetch Rs. 15.0 -18.75 bn (implying valuation of Rs. 244- 305 per share) at conservative land valuation of Rs 120-150 mn per acre.

Key Financials

Year Ended 31 st	Mar 11	Mar 12	Mar 13
Revenue (INR mn)	16,301.3	19,930.8	21,709.0
Rev. growth (%)	6.52	22.27	8.92
EBITDA (INR mn)	1,139.3	3,498.5	2,570.7
Net profit (INR mn)	(1,001.9)	563.5	(478.4)
Shares outstanding (mn)	61.4	61.4	61.4
EPS (INR)	(16.3)	9.2	(7.8)
EPS growth (%)	(499.80)	(156.24)	(184.90)
P/E (x)	(19.5)	46.2	(36.5)
RONW (%)	(11.7)	4.2	(6.0)
ROCE (%)	(5.5)	1.9	(2.7)

Nishant Chopra

nishantc@indiratrade.com

Info Codes

Reuters	: RYMD.BO
Bloomberg	: RW@IN
NSE	: RAYMOND
BSE	: 500330

Market Data

52 Wk Range (₹)	: 489 / 176
Shares in Issue (mn)	: 61.4
Mkt. Cap (₹ bn)	: 13.91
BSE 2 Wk Avg Vol	: 178000

Share Holding Pattern (%)

Promoters	: 38.54
DII's	: 16.52
FII's	: 12.35
Others	: 32.59

Investment Theme

Raymond has reduced its aggressiveness, though the last few years have not been good. The company is building up efforts to enter newer segments like forging through JVs as well as implementing SCM and other cost reduction measures to increase profits. Targetting Middle Class the Company has opened a total of 21 new stores since last FY. 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. Apart from its usual business Raymond has a land bank of 125 acres in Mumbai and near-by Thane area, which it plans to monetise in the coming years. This could be a tipping point for Raymond We therefore give an Accumulate rating.

Money from the Landbank!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 11	Mar 12	% Chg	Mar 13	% Chg
Total Sales + Excise	15309.4	19108.8	24.82	20689.5	8.27
Other Income	995.0	845.2	(15.06)	1028.5	21.69
Change in Stocks	885.5	522.5	(40.99)	350.5	(32.92)
Raw Material Con.	4789.5	6198.9	29.43	7318.5	18.06
Employee Exp.	4818.9	2443.7	(49.29)	3255.9	33.24
Indirect Taxes	82.2	72.6	(11.68)	50.1	(30.99)
Other Exp.	6362.4	8265.6	29.91	8876.6	7.39
Operating Exp.	15167.5	16458.3	8.51	19150.6	16.36
Operating Profit	141.9	2650.5	1767.86	1538.9	(41.94)
Total Interest	1278.7	1561.7	22.13	1775.7	13.70
Gross Profit	(141.8)	1934.0	(1463.89)	791.7	(59.06)
Net Dep.	1348.9	1163.9	(13.71)	1198.4	2.96
Total Taxation	(488.8)	206.6	(142.27)	71.7	(65.30)
Net Profit/Loss	(1001.9)	563.5	(156.24)	(478.4)	(184.90)

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 10	Mar 11	Mar 12	Mar 13
SOURCES OF FUNDS	24,320.3	23,293.9	24,092.2	23,814.8
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	11,115.3	10,041.9	10,429.2	9,695.6
Long Term Loans	11,062.1	10,831.0	10,756.9	10,247.0
Short Term Loans	1,529.1	1,807.2	2,292.3	3,258.4
USES OF FUNDS	24,320.3	23,293.9	24,092.2	23,814.8
Gross Block	17,134.0	17,266.1	18,253.0	18,666.2
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	7,729.8	8,688.7	9,580.9	10,323.6
Net Block	9,404.2	8,577.4	8,672.1	8,342.6
Capital Work in Progress	416.4	773.9	1,165.5	1,448.8
Investments	8,917.8	7,401.3	7,773.0	7,448.5
Current Assets	10,129.0	12,326.1	15,313.1	16,340.3
Less : Current Liabilities	4,547.1	5,784.8	8,831.5	9,765.4
Total Net Current Assets	5,581.9	6,541.4	6,481.6	6,575.0
Misc. Expenses not written	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	3,486.4	3,555.0	3,799.0	3,446.5
Mkt Val. Quoted Investments	5,513.8	3,924.8	3,994.8	4,302.5
Contingent Liabilities	3,298.0	3,310.2	2,555.3	2,606.2
Dividend (%)	0	10	25	10

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Sep 12	Dec 12	Mar 13	Jun 13
Net Sales	5,538.80	5,581.10	5,668.00	4,220.80
Cost Of Sales	4,909.50	5,113.50	5,032.50	4,241.00
Operating Profit	629.30	467.60	635.50	(20.20)
Recurring Income	258.10	304.50	149.40	174.90
Adjusted PBDIT	887.40	772.10	784.90	154.70
Financial Expenses	393.60	417.20	373.70	360.70
Depreciation	279.70	286.70	317.00	284.70
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	214.10	68.20	94.20	(490.70)
Tax Charges	58.10	26.00	240.40	0.00
Adjusted PAT	156.00	42.20	(146.20)	(490.70)
Non Recurring Items	0.00	0.00	16.30	41.00
Other Non Cash Adjust	0.00	0.00	0.00	0.00
Net Profit	156.00	42.20	(129.90)	(449.70)

52 Week Index Relative Percentage Appreciation



Raymond vs SENSEX

➔ Focus 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 Fluctuation in Prices

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.

➔ Auto-mated

JRing Plus Aqua, the auto components business of Raymond has acquired Trinity India. This marks Raymonds's entry into the forging industry, adding to its current portfolio of auto components, including 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 company is looking at added revenue of Rs. 800 mn from the acquisition.

Raymond

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. Thane land could fetch Rs. 15.0 -18.75 bn (implying valuation of Rs. 244- 305 per share without taking into consideration the other businesses) at conservative land valuation of Rs 120-150 mn per acre. 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 positive on the company and therefore recommend to accumulate the stock.

Indira Group Offices

Registered Office	: Singh House, 3rd Floor, 23/25 Ambalal Doshi Marg, Fort, Mumbai 400023
	Tel : +91-22-22656812 Fax : +91-22-22656985 Email : im@indiratrade.com
Administrative Office	: Ramavat House, E-15 Saket Nagar, Indore 452018
	Tel : +91-731-2566361 Fax : +91-731-2562117 Email : ii@indiratrade.com
Institutional Dealing Unit	: Africa House, 3rd Floor, 5 Topiwala Lane, Lamington Road, Mumbai 400007
	Tel : +91-22-30080675 Fax : +91-22-23870767 Email : ie@indiratrade.com

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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