

**BSE SENSEX**  
82,560

**S&P CNX**  
25,279

**Not Rated**



## Scaling up the business

We attended an investor conference of Raymond Lifestyle (RLL), which is expected to be listed on stock exchanges on 5th Sep'24. The company reiterated its guidance of 12-15% revenue growth and doubling EBITDA to +INR20b by FY28 (i.e. 19% CAGR) in the lifestyle business. This, along with a reduction in working capital to 60 days, should result in FCF generation of INR6-7b annually.

## Growth levers

The management's aspirational growth targets will be supported by a) the doubling of its EBO network to 900+ stores by FY27, b) capitalizing on the Bangladesh +1, China +1 and FTA opportunities, c) the extension of new categories such as innerwear and sleepwear, and d) wedding wear opportunity. The company focuses on an asset-light model in terms of EBO expansion and outsourcing mixed fabric manufacturing if required. Other than garmenting capex of INR2b, the company will not be incurring anything on capex.

## Network expansion and new segments to drive growth in Apparel

RLL has a legacy collection of well-established brands such as Park Avenue, Raymond, Parx, Ethnics by Raymond and ColorPlus, yet it has remained underpenetrated with total EBOs of 424 as of 1QFY25 end. Each brand has potential to reach at least 250 EBOs individually (2,636/931 EBOs for ABLFL Lifestyle Brands/Arvind Fashion). Hence, the combination of franchisee-led model and underpenetrated brands offers a strong runway of growth. In addition, the management aims to grow LFS counters/MBO counters by 23%/7% CAGR over the next three years to 2,500/5,500. The company also introduced sleepwear and innerwear categories, which will aid growth. At a revenue base of INR16b (23% of lifestyle revenue), we expect a 17% revenue CAGR over FY24-27 with a focus on capex-light franchisee model.

## Capitalizing Bangladesh and China opportunities

Garmenting is 95%+ B2B export business and holds a strategic advantage with the China + 1 and Bangladesh +1 (USD50b market) opportunities. India market is about USD16b, hence some shift of business from Bangladesh will create a good opportunity. New trade agreements with the UK, EU and Australia should create additional tailwinds, which make the segment a sweet spot. RLL has incurred a capex of INR1b in FY24 to increase the capacity to 10.7m pieces and will incur an additional capex of INR1b in FY25, which could generate INR4b of incremental revenue by FY27 (~2x asset turnover ratio). Assuming EBITDAM of 10%, it can generate INR400m incremental EBITDA with 16% incremental RoCE post-tax. We model 11% revenue growth during FY24-27E.

**Wedding focus to improve EBITDA and industry tailwinds in Ethnic**

RLL currently holds a ~5% market share in the INR750b men's wear market as the wedding season contributes ~35-40% of revenue (INR25-35b in FY24). The company continues to focus on premium wedding collections and aims to increase its market share to 6-7%, with a revenue CAGR target of 15%. The wedding format also offers 300bp higher gross margins, which boosts EBITDA growth.

The market size of ethnic wear is expected to grow at an 8% CAGR; however, given the shift from unorganized to organized, the management expects the organized market to grow at 14% (vs. unorganized at 5%). As of FY24, it has presence across ~114 stores, with a revenue contribution of ~INR800m, catering to both occasion and casual ethnic wear. It targets to add 100+ stores annually, which could achieve a revenue potential of INR3.5b by FY27E.

**Exhibit 1: Sales mix**

| INRm   | FY19          | FY20          | FY21          | FY22          | FY23          | FY24          | FY25E         | FY26E         | FY27E         |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Branded Textile</b>                       | <b>31,530</b> | <b>29,167</b> | <b>15,716</b> | <b>27,894</b> | <b>33,641</b> | <b>34,501</b> | <b>33,804</b> | <b>34,936</b> | <b>36,127</b> |
| growth                                       | 8.2%          | -7.5%         | -46.1%        | 77.5%         | 20.6%         | 2.6%          | -2.0%         | 3.4%          | 3.4%          |
| % of gross                                   | 50.6%         | 48.6%         | 55.4%         | 56.0%         | 51.3%         | 49.4%         | 46.6%         | 44.1%         | 41.5%         |
| <b>Branded Apparel</b>                       | <b>16,470</b> | <b>16,186</b> | <b>4,566</b>  | <b>8,909</b>  | <b>13,276</b> | <b>15,872</b> | <b>17,855</b> | <b>21,427</b> | <b>25,712</b> |
| growth                                       | 15.7%         | -1.7%         | -71.8%        | 95.1%         | 49.0%         | 19.6%         | 12.5%         | 20.0%         | 20.0%         |
| % of gross                                   | 26.4%         | 27.0%         | 16.1%         | 17.9%         | 20.3%         | 22.7%         | 24.6%         | 27.0%         | 29.6%         |
| <b>Garmenting</b>                            | <b>7,790</b>  | <b>8,432</b>  | <b>5,491</b>  | <b>7,250</b>  | <b>11,003</b> | <b>11,124</b> | <b>12,292</b> | <b>13,645</b> | <b>15,282</b> |
| growth                                       | 13%           | 8%            | -35%          | 32%           | 52%           | 1%            | 10.5%         | 11.0%         | 12.0%         |
| % of gross                                   | 12.5%         | 14.1%         | 19.4%         | 14.6%         | 16.8%         | 15.9%         | 16.9%         | 17.2%         | 17.6%         |
| <b>B2B Shirting</b>                          | <b>6,480</b>  | <b>6,218</b>  | <b>2,578</b>  | <b>5,718</b>  | <b>7,620</b>  | <b>8,297</b>  | <b>8,629</b>  | <b>9,233</b>  | <b>9,879</b>  |
| growth                                       | 12.7%         | -4.0%         | -58.5%        | 121.8%        | 33.3%         | 8.9%          | 4.0%          | 7.0%          | 7.0%          |
| % of gross                                   | 10.4%         | 10.4%         | 9.1%          | 11.5%         | 11.6%         | 11.9%         | 11.9%         | 11.7%         | 11.4%         |
| <b>Lifestyle business revenue</b>            | <b>62,270</b> | <b>60,004</b> | <b>28,351</b> | <b>49,771</b> | <b>65,540</b> | <b>69,794</b> | <b>72,580</b> | <b>79,240</b> | <b>87,000</b> |
| growth%                                      | 11%           | -4%           | -53%          | 76%           | 32%           | 6%            | 4%            | 9%            | 10%           |
| <b>Lifestyle business revenue as per PPT</b> |               |               |               |               |               | <b>66,910</b> | <b>69,582</b> | <b>75,966</b> | <b>83,406</b> |
| intersegmental elimination                   |               |               |               |               |               | 4%            | 4%            | 4%            | 4%            |

Source: Company, MOFSL

**Exhibit 2: EBITDA mix**

| INRm  | FY19         | FY20         | FY21           | FY22         | FY23          | FY24          | FY25E         | FY26E         | FY27E         |
|---|--------------|--------------|----------------|--------------|---------------|---------------|---------------|---------------|---------------|
| <b>Branded Textile</b>                      | <b>4,350</b> | <b>4,353</b> | <b>1,638</b>   | <b>4,918</b> | <b>7,026</b>  | <b>7,209</b>  | <b>6,423</b>  | <b>7,337</b>  | <b>7,587</b>  |
| Margin                                      | 13.8%        | 14.9%        | 10.4%          | 17.6%        | 20.9%         | 20.9%         | 19.0%         | 21.0%         | 21.0%         |
| Mix   | 59.9%        | 65.0%        | 98.3%          | 55.8%        | 53.0%         | 45.7%         | 40.0%         | 36.8%         | 30.0%         |
| <b>Branded Apparel</b>                      | <b>610</b>   | <b>294</b>   | <b>(1,251)</b> | <b>427</b>   | <b>1,444</b>  | <b>1,878</b>  | <b>1,786</b>  | <b>2,571</b>  | <b>3,343</b>  |
| Margin                                      | 3.7%         | 1.8%         | -27.4%         | 4.8%         | 10.9%         | 11.8%         | 10.0%         | 12.0%         | 13.0%         |
| Mix   | 8.4%         | 4.4%         | -75.0%         | 4.8%         | 10.9%         | 11.9%         | 11.1%         | 12.9%         | 13.2%         |
| <b>Garmenting</b>                           | <b>401</b>   | <b>327</b>   | <b>190</b>     | <b>474</b>   | <b>841</b>    | <b>1,088</b>  | <b>1,082</b>  | <b>1,364</b>  | <b>1,681</b>  |
| Margin                                      | 5.1%         | 3.9%         | 3.5%           | 6.5%         | 7.6%          | 9.8%          | 8.8%          | 10.0%         | 11.0%         |
| Mix   | 5.5%         | 4.9%         | 11.4%          | 5.4%         | 6.3%          | 6.9%          | 6.7%          | 6.8%          | 6.7%          |
| <b>Shirting</b>                             | <b>890</b>   | <b>854</b>   | <b>41</b>      | <b>598</b>   | <b>852</b>    | <b>951</b>    | <b>863</b>    | <b>1,016</b>  | <b>1,186</b>  |
| Margin                                      | 13.7%        | 13.7%        | 1.6%           | 10.5%        | 11.2%         | 11.5%         | 10.0%         | 11.0%         | 12.0%         |
| Mix   | 12.3%        | 12.8%        | 2.5%           | 6.8%         | 6.4%          | 6.0%          | 5.4%          | 5.1%          | 4.7%          |
| <b>Lifestyle business EBITDA</b>            | <b>6,251</b> | <b>5,828</b> | <b>618</b>     | <b>6,415</b> | <b>10,163</b> | <b>11,126</b> | <b>10,153</b> | <b>12,288</b> | <b>13,796</b> |
| growth%                                     | 9%           | -7%          | -89%           | 938%         | 58%           | 9%            | -9%           | 21%           | 12%           |
| Margins%                                    | 10.0%        | 9.7%         | 2.2%           | 12.9%        | 15.5%         | 15.9%         | 14.0%         | 15.5%         | 15.9%         |
| <b>Lifestyle business EBITDA as per PPT</b> |              |              |                |              |               | <b>10,930</b> | <b>9,974</b>  | <b>12,071</b> | <b>13,552</b> |
| intersegmental elimination                  |              |              |                |              |               | 2%            | 2%            | 2%            | 2%            |
| Margins%                                    |              |              |                |              |               | 16.3%         | 14.3%         | 15.9%         | 16.2%         |

Source: Company, MOFSL

### Detailed management commentary

- The company laid down the below-mentioned strategic approach:
  - **Core categories:** Branded textile (Cash Cow)
  - **Growth categories:** Apparel and garmenting (Disruptive growth)
  - **New Categories:** Ethnic wear, inner wear, sleep wear and international retail (building new categories to become The Complete Man)
  
- **New management team:**
  - RLL has reshuffled its board with a new team of seven independent directors from across the industry and two internal.
  - The management highlighted that all the committees will comprise independent directors.
  - Over the last 2-3 years, RLL has brought in a new management team.

#### Exhibit 3: Board of Directors of Raymond Lifestyle Ltd

| Board of Directors  | Designation              | Prior companies worked  |
|---------------------|--------------------------|---|
| Gautam Singhania    | Chairman (Raymond Group) |   |
| Sunil Kataria       | Chief Executive Officer  | Ex Godrej Consumer Products                                     |
| K Narasimha Murthy  | Independent Director     | Ex Director NSE, ONGC, LIC & UT                                 |
| Veneet Nayar        | Independent Director     | Ex CEO- HCL   |
| Anisha Motwani      | Independent Director     | Strategic Advisor World Bank                                    |
| Mahendra V Doshi    | Independent Director     | Promoter-LKP Group  |
| Ravindra Dhariwal   | Independent Director     | Cofounder Sagacito Technologies & Ex. Group CEO Bennett Coleman |
| Dinesh Lal          | Independent Director     | Ex Chairman ICICI, NSE & PFRDA                                  |
| Girish C Chaturvedi | Independent Director     | Ex Chairman ICICI, NSE & PFRDA                                  |
| Rajiv Sharma        | Independent Director     | Ex CEO Coats  |

Source: Company, MOFSL

#### Exhibit 4: Management team of Raymond Lifestyle Ltd

| Management team         | Designation                         |
|-------------------------|-------------------------------------|
| Sunil Kataria           | Chief Executive Officer             |
| Sameer Shah             | Chief Financial Officer             |
| Himanshu Khanna         | Chief Marketing Officer             |
| Ravi Hudda              | CDO, Lifestyle & CIO                |
| Abhijit Bhalerao        | Chief Information Officer           |
| Subhash Naik            | Chief Manufacturing Officer         |
| <b>Branded Textiles</b> |                                     |
| Vikram Mahaldar         | Chief Business Officer (Suiting)    |
| Anupam Dikshit          | Chief Business Officer (Shirting)   |
| Vinod Salvi             | Chief Business Officer (Home)       |
| <b>Branded Apparels</b> |                                     |
| Debdeep Sinha           | Chief Business Officer (Apparel)    |
| Bidyut Bhanjdeo         | Chief Business Officer (Ethnix)     |
| <b>Garmenting</b>       |                                     |
| Manish Bharati          | Chief Business Officer (Garmenting) |

Source: Company, MOFSL

### Branded Textile - Mr. Vikram Mahaldar; Chief Business Officer- Suiting

#### Suiting business growth enablers:

- **Premiumisation:** The company will drive growth via premiumisation and launching premium products such as Exotic and Regio Italia.
- **Expand distribution** and gain share in top end MBOs for Regio Italia
- **Pride Program** – Mass-end indirect MBO expansion and engagement initiative
- Offering innovative products

#### Shirting business growth enablers:

- Maintain leadership position and increase market share in Cotton by product enhancements.
- Strengthening Linen – as India witness high summer and linen compliments weather
- Offering innovative products
  - a. **Extensive reach:** RLL has presence in over 800+ cities and towns, 1050+ TRS and 1430+ MBOs.
  - b. **Product availability:** It has 20k+ SHUs and a price range of INR300-300,000 per meter.
    - Suiting has 40-50% market share, while Shirting has sub-20% market share in the mass segment.
    - In Shirting, the management will try to disrupt the market with launches across the mass segment.

### Branded Apparel - Mr. Debdeep Sinha; Chief Business Officer- Apparels

- The management will focus on brand refresh, store expansion, inorganic distributor expansion, LFL expansion and mid-single digit LFL growth, which will help to grow the segment in **mid-teens**.
- RLL will try to replicate the TRS success by expanding EBO network for enhanced apparel growth. It aims to add 650+ stores (incl Ethnics) by FY27E.
- The management aims to add 250-300 stores for each brand, which will remain in focus for the next three years.
- The company will have differentiated marketing for ready-to-wear stores and TRS stores identity.
- Park Avenue/Casuals are expected to contribute 25% of revenue going ahead.
- The store expansion will be on an asset-light model with 70:30 for Franchisee:COCO.

#### Branded Apparel Store Expansion

| Particulars | FY24  | FY27E | CAGR - 3Y |
|-------------|-------|-------|-----------|
| EBO         | 409   | 900   | 30%       |
| LFS         | 1,350 | 2,500 | 23%       |
| MBO         | 4,525 | 5,500 | 7%        |
| TRS         | 1,065 | 1,200 | 4%        |

Source: Company, MOFSL

#### Garmenting:

- The management guided for **mid-teen** growth for next few years.
- The company has undertaken capex of INR200cr, which will increase its capacity.
- RLL expects the China +1 and Bangladesh +1 strategy to favor it.

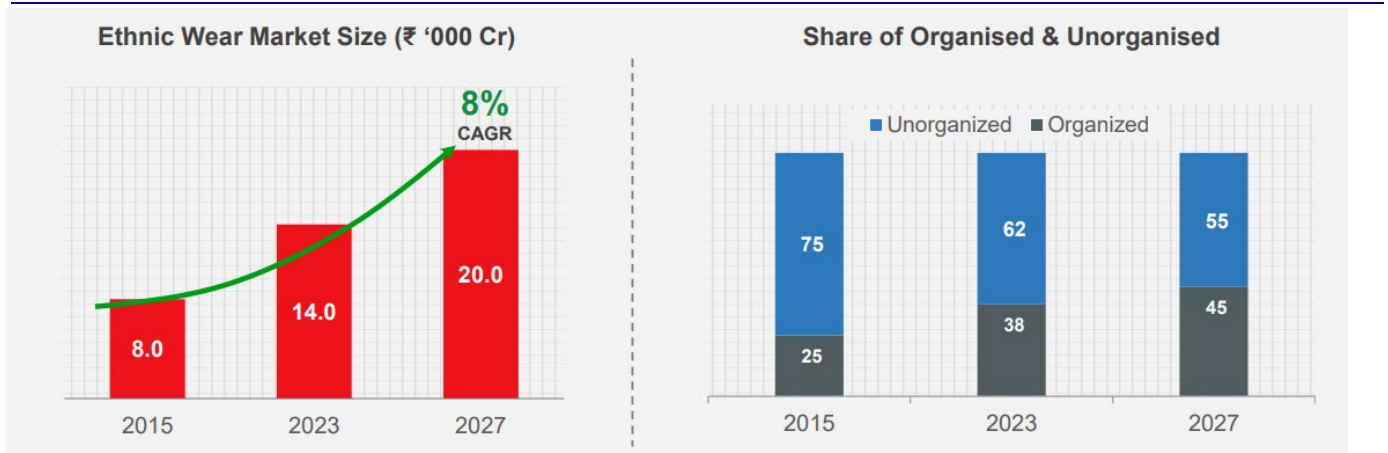
- With the capacity addition, RLL will become the third largest Suit manufacturer in the world.
- **Growth enablers:** 1) New customer acquisition, 2) Complete solution provider, 3) Vertically integrated supply chain, 4) Bangladesh +1 open up USD50b market opportunity, and 5) awaiting FTA with EU.
- US contributes 55% of the export in this segment.

**New categories: Ethnix, SleepZ and Innerwear**

**Ethnix (Multiplier game)**

- The Ethnix wear market is expected to grow at 8% CAGR to INR20k cr by 2027.
- The organized market will grow at 14%, while unorganized at 5%. The organized share is expected to reach 45% by 2027 (vs. 38% in FY23).
- Ethnix is expected to add 300+ stores in the next three years.
- The product ranges from INR15,000 to INR1.5 lakh; however, the management will maintain price parity with competitors and will focus on consumer conversion.
- The management will focus on product differentiation, capture the trends in the market, build brand awareness, expand retail footprint and enhance store customer experience.
- The management will also focus on Smart Ethnix (Short Kurta’s) to overcome the challenge of seasonality to some extent.

**Exhibit 5: Ethnix wear market to grow at 8% CAGR**



Source: Company, MOFSL

**Sleepz**

- The segment will be launched next month and will cater to a price point of sub INR1,000 (set of Top & Bottom).
- It is the first launched pan-India brand in the sleepwear category.
- The brand will follow distributor-led model (plus some TRS stores) and expects to reach 25k stores in the next 18-20 months.
- It will be completely outsourced.
- It also expects to add 100+ new distributors by year end.
- The management targets INR500-1000cr in revenue in the next few years.

**Exhibit 6: SleepZ by Raymond**

Source: Company, MOFSL

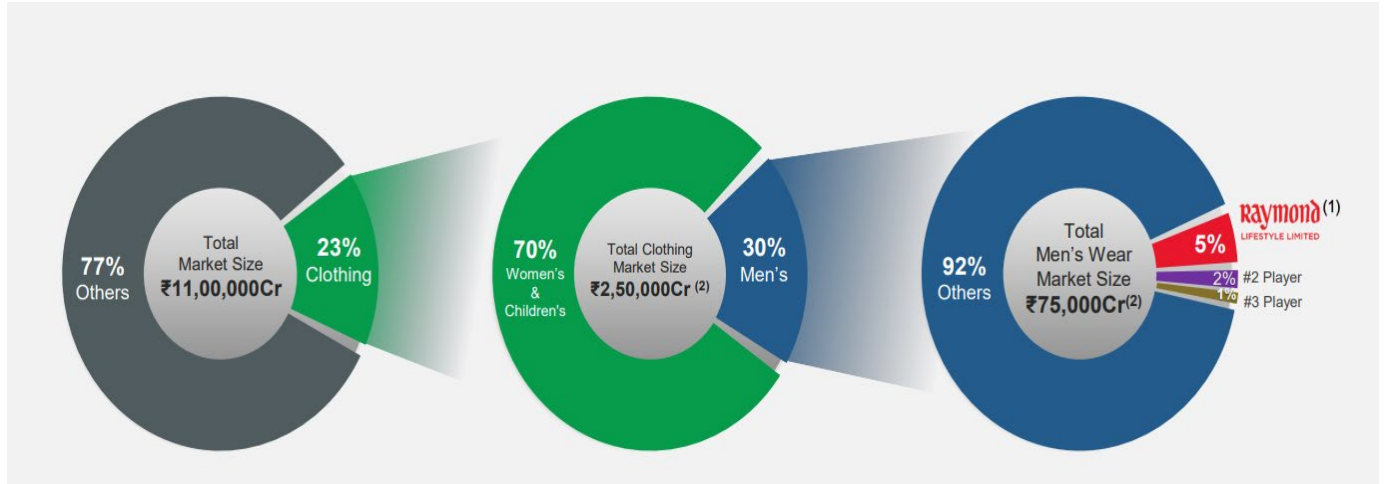
**Innerwear**

- The brand is expected to be launched in the next 4-5 months with focus on mass premium end of the market.
- There will be a dedicated team of distributors and designers to focus on the segment.
- RLL will leverage on Park Avenue brand for innerwear.

**Wedding Market**

- The Indian wedding landscape is changing. The wedding celebration days in India have now increased to five days vs. two days earlier.
- Total men's wear market is INR75k cr. This market is fragmented with a large number of unorganized players (90%). Raymond is the largest player with a market share of 5%, with next two players having a market share of 2% and 1%.
- **RLL is targeting a 15% CAGR to gain a 6-7% market share in the men's wear wedding market by 2027.**
- Currently, it is 2.5x the No. 2 player in the wedding space.

Exhibit 7: Total market size (Retail/Clothing/Men's wear)



Source: Company, MOFSL

- Wedding business revenue share in each segment:** 55-60% in branded textile, 20-25% in branded apparel, 35-40% in overall company level. The wedding & ceremonial portfolio revenue is expected to increase 1.5x/2.3x by FY27/FY30. **Overall, RLL aims to achieve 12-15% revenue growth and double its EBITDA by 2028.**

## Pro forma Income Statement

| Y/E March   | FY24   | FY25E  | FY26E  |
|---|--------|--------|--------|
| Revenue as per drivers  | 69,794 | 72,580 | 79,240 |
| Elimination   | 4%     | 4%     | 4%     |
| Total Revenue from Operations                                       | 66,910 | 69,453 | 75,825 |
| YoY (%)   |        | 4      | 9      |
| EBITDA  | 10,920 | 9,961  | 12,056 |
| Margin (%)  | 16.3   | 14.3   | 15.9   |
| EBITDA as per drivers   | 11,126 | 10,153 | 12,288 |
| Elimination   | 2%     | 2%     | 2%     |
| Depreciation / Amortization *                                       | 2,480  | 2,505  | 2,530  |
| EBIT  | 8,440  | 7,456  | 9,526  |
| Margin (%)  | 12.6   | 10.7   | 12.6   |
| Interest & Finance Charges *  | 1,960  | 1,980  | 1,999  |
| PBT before EO Expenses  | 6,480  | 5,477  | 7,526  |
| Extraordinary Items (Net)   | -92    |        |        |
| PBT after EO Expenses   | 6,388  | 5,477  | 7,526  |
| Total Tax   | 1,703  | 1,369  | 1,882  |
| Tax Rate (%)  | 27     | 25     | 25     |
| Profit for the year   | 4,685  | 4,108  | 5,645  |
| Margin (%)  | 7.0    | 5.9    | 7.4    |
| * Note: assumed 1% YoY growth for FY25/26 in order to calculate PAT | 69,794 | 72,580 | 79,240 |

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

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