October 2024

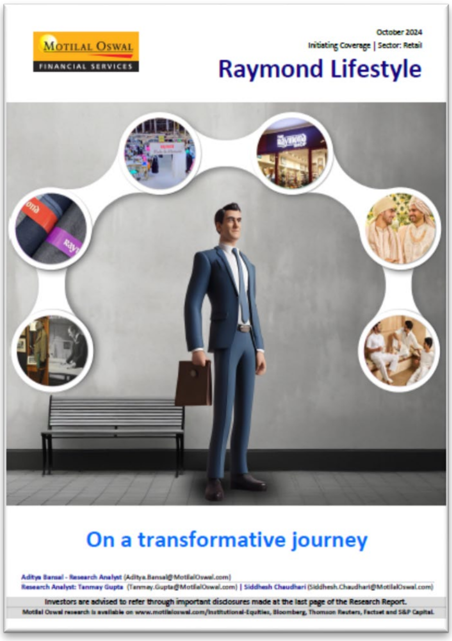
Initiating Coverage | Sector: Retail

Raymond Lifestyle

On a transformative journey

Aditya Bansal - Research Analyst (Aditya.Bansal@MotilalOswal.com)

Research Analyst: Tanmay Gupta (Tanmay.Gupta@MotilalOswal.com) | **Siddhesh Chaudhari** (Siddhesh.Chaudhari@MotilalOswal.com)



On a transformative journey

Pure-play Lifestyle company from the House of Raymond: Raymond Lifestyle Limited (RLL), formed as a demerger from Raymond Ltd, has a strong presence in men's wear (with ~65% share in worsted suiting). RLL's portfolio includes branded textiles (B2B and B2C) and several apparel brands (such as Park Avenue, ColorPlus, Ethnix by Raymond) that cater to formal, casual and ethnic wear. With a strong brand affinity and wide distribution network, RLL has ~5% share in men's wedding wear industry.

Multiple growth levers at play: We anticipate RLL's growth will be driven by: 1) fast paced growth in branded apparels through retail expansion (target to double EBOs); 2) capitalizing on opportunities from Bangladesh +1 and China +1 trends in B2B garmenting; 3) launch of new categories such as innerwear and sleepwear; 4) increasing focus on casualization and premiumization of portfolio, and 5) achieving sourcing efficiencies through scale, which could enhance operating leverage.

Initiate coverage with a BUY: We expect RLL to deliver a revenue/PAT CAGR of 11%/15% over FY24-27. We initiate coverage on the stock with a BUY rating and a TP of INR3,200 premised on 30x Sep-26E PE (implied 16x EV/EBITDA).

Raymond Lifestyle

BSE SENSEX	S&P CNX
81,225	24,854

Raymond LIFESTYLE LIMITED

Stock Info

Bloomberg	RAYMONDL IN
Equity Shares (m)	61
M.Cap.(INRb)/(USDb)	143.9 / 1.7
52-Week Range (INR)	3100 / 2056
1, 6, 12 Rel. Per (%)	3/-/-
12M Avg Val (INR M)	435
Free float (%)	45.3

Financials Snapshot (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Net Sales	65.4	69.1	77.6
EBITDA	9.4	9.9	11.6
NP	4.8	5.0	5.9
EPS (INR)	78.7	81.6	96.1
EPS Gr (%)	-	3.7%	17.7%
BV/Share (INR)	1,599	1,681	1,777
P/E (x)	29.9	28.9	24.5
P/BV (x)	1.5	1.4	1.3
RoE (%)	10.7	10.5	11.1
RoCE (%)	15.1	14.3	13.9

CMP: INR 2,356 TP: INR3,200 (+36%) Buy

On a transformative journey

Rising focus on branding, re-energizing and expanding legacy brands

- **Pure-play Lifestyle company from the House of Raymond: Raymond Lifestyle Limited (RLL), formed as a demerger from Raymond Ltd, has a strong presence in men's wear (with ~65% share in worsted suiting). RLL's portfolio includes branded textiles (B2B and B2C) and several apparel brands (such as Park Avenue, ColorPlus, Ethnix by Raymond) that cater to formal, casual and ethnic wear. With a strong brand affinity and wide distribution network, RLL has ~5% share in men's wedding wear industry.**
- **Multiple growth levers at play: We anticipate RLL's growth will be driven by: 1) fast paced growth in branded apparels through retail expansion (target to double EBOs); 2) capitalizing on opportunities from Bangladesh +1 and China +1 trends in B2B garmenting; 3) launch of new categories such as innerwear and sleepwear; 4) increasing focus on casualization and premiumization of portfolio, and 5) achieving sourcing efficiencies through scale, which could enhance operating leverage.**
- **Raymond striving to enhance shareholder value…: Over the past few years, Raymond Group has taken several steps such as demerging the Lifestyle Business, vertical demerger of the Real Estate Business, restructuring of engineering business and strategic sale of the FMCG business. These initiatives have simplified the group structure into pure-play listed lifestyle, realty and engineering companies, which has potential to enhance shareholder value. Each business is managed by professionals, with a sharp focus on maintaining net cash balance sheet, optimizing costs and managing working capital effectively.**
- **…through fast paced growth in branded apparels: RLL enjoys a strong brand affinity in men's wear, but trades at relatively lower valuation due to sluggish execution in the past, with significant PAT volatility over FY10-20. Historically, concerns were related to weak growth and profitability, a high working capital cycle, and leveraged balance sheet. However, in recent years, RLL has optimized its working capital and achieved net cash position, ahead of the guidance. Additionally, RLL has improved its pre Ind-AS EBITDA margin through rationalization of unprofitable stores/formats and effective cost controls under the leadership of Mr. Sunil Kataria (ex-GCPL), with margins improving to ~12% in FY24 from single digit during FY17-20. RLL is now focused on fast paced growth in branded apparels through network expansion, foray in new categories such as sleepwear, innerwear and ramp-up of Ethnix by Raymond.**
- **Initiate coverage with a BUY: We expect RLL to deliver a revenue/PAT CAGR of 11%/15% over FY24-27. We initiate coverage on the stock with a BUY rating and a TP of INR3,200 premised on 30x Sep-26E PE (implied 16x EV/EBITDA).**

Scaling up the underpenetrated brand

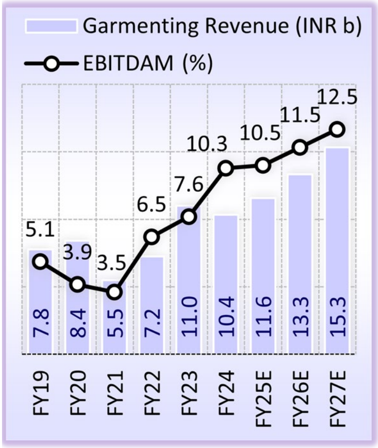
RLL boasts a legacy collection of well-established brands such as Park Avenue, Raymond RTW, Parx, and ColorPlus. However, it remains under-penetrated, with a total of 424 Exclusive Brand Outlets (EBOs) as of end-1QFY25. Each brand has the potential to reach at least 250 EBOs individually, significantly under-indexed versus peers with EBO count of 2,636 for ABFRL Lifestyle Brands and 931 for Arvind Fashion. RLL's strategy focuses on opening EBOs in Tier 1 and Tier 2 cities and selectively in Tier 3 and Tier 4 cities. Consequently, the combination of a franchisee-led model and under-penetrated brands presents a significant opportunity for growth.

Scaling up the distribution network

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

The expansion plan for branded apparel will be driven by two key strategies: 1) retail network expansion, which involves increasing the number of EBOs, Large Format Stores (LFS) counters, and Multi-Brand Outlets (MBOs) at a CAGR of 30%, 23%, and 7% over the next three years, to 900, 2,500, and 5,500, respectively; and 2) brand extension initiatives, including i) a sleepwear line, SleepZ by Raymond, ii) Park Avenue Innerwear, and 3) ramping up presence in ethnic wear through Ethnix by Raymond. We anticipate that these three brand extensions could generate annual revenue of ~INR2b, INR1b, and INR5b by FY27, respectively, contributing an incremental revenue of around INR7b in FY27 (vs. FY24). With a revenue base of INR16b (accounting for 24% of total revenue), **we expect branded apparel segment to be a key driver of growth.** We are modeling a revenue CAGR of ~25% over FY24-FY27, with a focus on network expansion through a capex-light franchise model.

Expect ~14% revenue CAGR in Garmenting over FY24-27; margin to expand ~220 bps over FY24-27

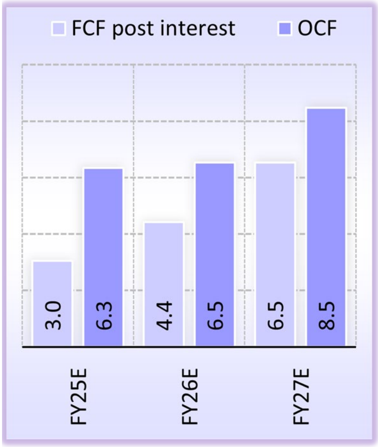


Capitalizing on the Bangladesh and China opportunities

Recent turmoil in Bangladesh (~USD50b market opportunity), a global movement towards China +1 strategy, along with new free trade agreements (FTAs) with the UK, EU, and Australia, could create a large opportunity for India in garmenting business (currently a USD16b export market). Any shift in business from Bangladesh presents significant growth potential for India. Raymond's garmenting segment is predominantly a B2B exports business (exports accounting for over 95%), which places it in an advantageous position. In the aftermath of recent turmoil in Bangladesh, Raymond has been receiving a substantial number of inquiries from large foreign brands. RLL is incurring a cumulative capex of INR2b over FY24-25 to increase its capacity, which put together could generate an incremental revenue of over INR4b by FY27, based on asset turnover ratio of ~2x. Assuming an EBITDA margin of 10%, this could yield an incremental EBITDA of over INR400m, with a post-tax return on capital employed (RoCE) of ~15-16%. Given the macroeconomic tailwinds, we are projecting a 14% revenue CAGR over FY24-27, **positioning garmenting as a second largest growth driver for RLL**.

A net-cash company with improving cash flows

Robust cash flow generation (INRb)



Historically, investors' primary concern on Raymond, was its weak balance sheet, a factor that impeded its growth potential. However, over the past three to four years, RLL has undertaken several measures to reduce receivables, particularly in the branded textile and apparel businesses, and optimized its inventory levels with net working capital (NWC) days have decreased to 78 in FY24, from over 100 days prior to FY20. The strategic sale of the FMCG business has enabled RLL to become a net cash entity. Going ahead, RLL plans to: a) adopt an asset-light franchise model for store expansion, and b) grow without inflating working capital by ensuring disciplined WC management and maintaining working capital days at ~75. This strategy is expected to generate operating cash flow (OCF) of around INR7b annually over FY24-FY27. Further, after accounting for maintenance & incremental garmenting capex of ~INR1b in FY25, RLL is projected to generate a robust free cash flow of ~INR4.7b on average annually over FY24-27.

Valuation and view

Although the valuation of the Raymond's Lifestyle business has almost doubled since the demerger, the stock is currently trading at a relatively lower P/E and an EV/EBITDA (pre-Ind-AS-116) of 25x and 16x on FY26E, respectively. The valuation is significantly lower than that of our Coverage Universe and other retail and discretionary companies, which are valued at an EV/EBITDA of ~35-40x on FY26E. While RLL benefits from strong brand affinity, its valuation has been impeded by sluggish execution in the past (volatility in PAT growth over FY10-20). However, as RLL continues to exhibit a positive growth trajectory, characterized by revenue/PAT CAGR of 11%/15% over FY24-26E, we believe valuations could re-rate.

Trading at lower multiples than peers

The growth in the Branded Apparel segment led by network expansion and ramp-up of new categories (sleepwear, innerwear and Ethnix) will augur well for RLL. By enhancing sourcing efficiency, leveraging scale benefits, optimizing working capital, and adopting an asset-light model, RLL could achieve robust cash flow generation; however, successful execution remains crucial.

We factor in 11%/14%/15% revenue/EBITDA/PAT CAGR over FY24-27. Additionally, we anticipate a return on invested capital (ROIC) of 24%, 26%, and 30% in FY25, FY26, and FY27, respectively. With improved FCF generation, RLL could look to increase shareholder returns through dividends. We value RLL at a PE multiple of 30x on Sep'26E (implied 16x EV/EBITDA), resulting in equity valuation of INR195b (or INR3,200 per share).

Key downside risks to our TP include a prolonged demand slowdown, inflationary pressures, leadership attrition, and competition from established apparel players.

Exhibit 1: RLL's valuation

PAT	6,456
PE	30x
Equity	1,94,899
NOS	61
per share	3,200
CMP	**2,356**
upside	36%

Source: MOFSL

Exhibit 2: Peer of manufacturing fabric unit of RLL (Branded Textile + Garmenting + HVCS)

Company	Market cap (INRb)	EV/Sales FY25	EV/Sales FY26	EV/EBITDA FY25	EV/EBITDA FY26	PE FY25	PE FY26
Raymond Lifestyle	144	2.1x	1.9x	15.0x	12.8x	28.9x	24.5x
Arvind Ltd	94	1.3x	1.1x	10.6x	8.2x	22.0x	14.9x
Vardhaman Textiles	138	1.5x	1.4x	10.1x	8.3x	12.8x	10.5x
Gokaldas Exports	64	1.9x	1.6x	16.6x	12.1x	40.7x	23.6x
K P R Mills	318	4.8x	4.3x	22.0x	18.3x	31.9x	27.1x

Note: Closing price as on 18th Oct 24 Source: MOFSL

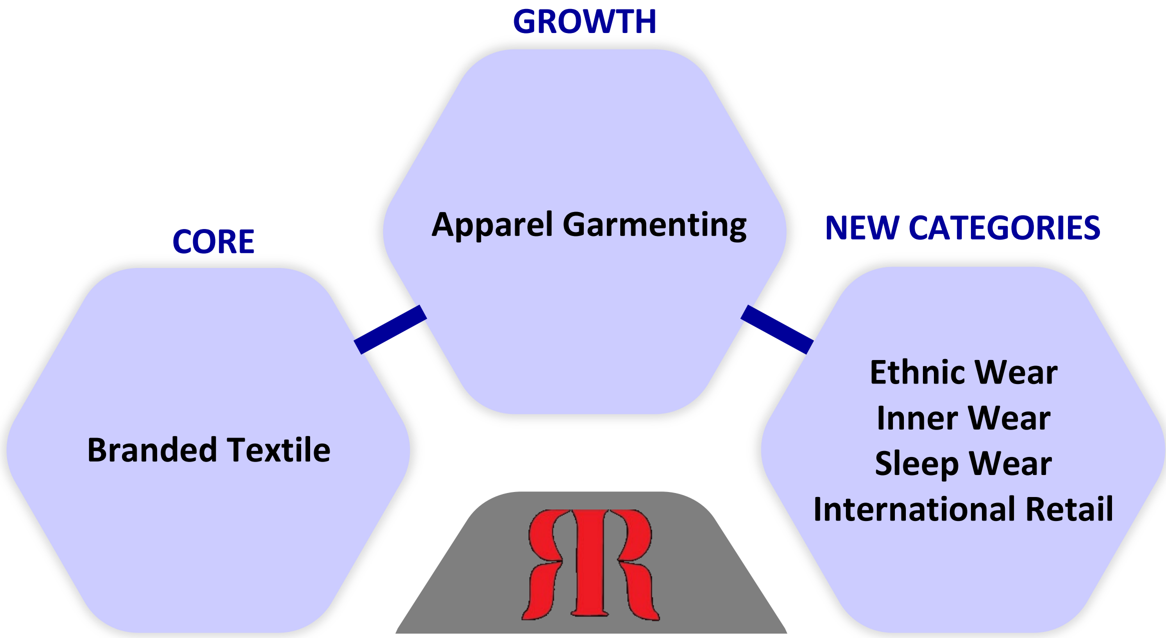
Exhibit 3: Peer of retail business of RLL (Branded Apparels)

Company	Market cap (INRb)	EV/Sales FY25	EV/Sales FY26	EV/EBITDA FY25	EV/EBITDA FY26	PE FY25	PE FY26
Raymond Lifestyle	144	2.1x	1.9x	15.0x	12.8x	28.9x	24.5x
Arvind Fashions	80	1.9x	1.7x	14.8x	12.1x	62.9x	38.4x
ABFRL	358	2.8x	2.4x	20.6x	16.5x	NA	NA
Shoppers Stop	82	2.3x	1.9x	13.0x	11.3x	112.1x	54.9x
Vedant Fashions	322	21.5x	18.1x	44.3x	36.7x	72.5x	59.6x
Page Industries	508	10.0x	8.7x	51.7x	43.3x	78.3x	64.8x

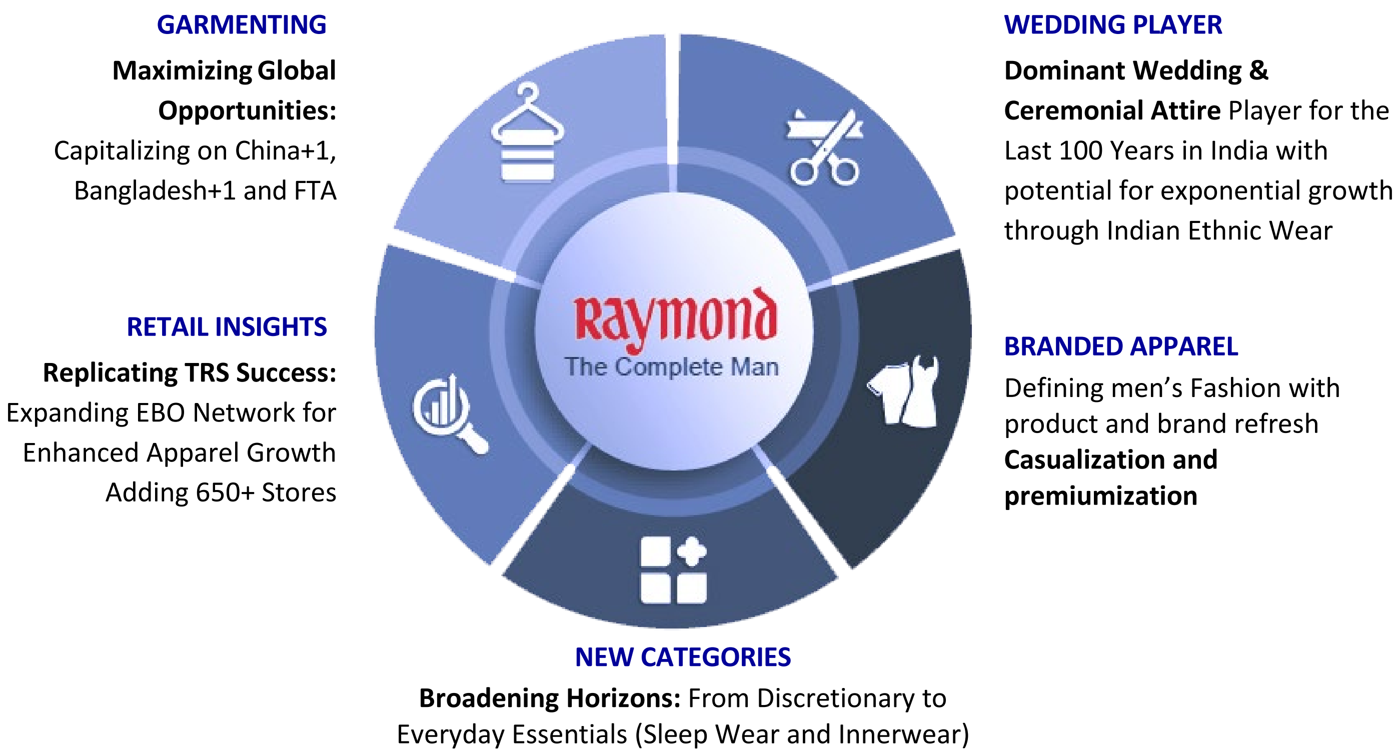
Note: Closing price as on 18th Oct 24 Source: MOFSL

STORY IN CHARTS

3 pronged strategic approach



Key focus areas



STORY IN CHARTS

In wedding market

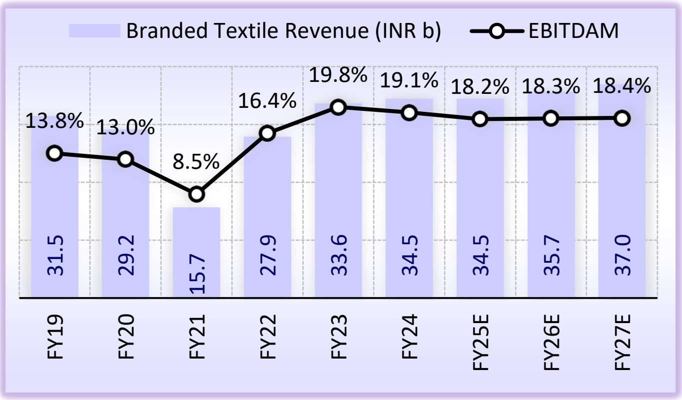
Strong Brand Equity
Raymond's legacy of quality and craftsmanship has established it as a trusted brand, helping attract and retain customers.

Diverse Product Range
- Across price point in ready to stich
- Introduction of Ceremonial fabric
- Large scale up of Right to wear Ethnic

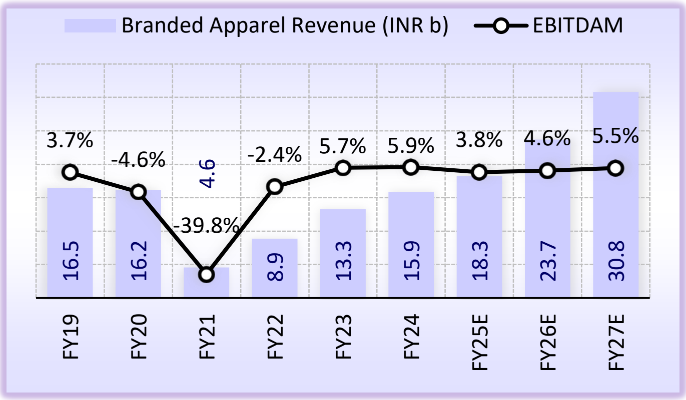
Extensive Distribution Network
- Strong network of 1,050+ TRS Stores.
- Large Wholesale network.
- Strategic expansion of EBO including Ethnix

Customization & Personalization
- Large tailoring network
- Immerse in a personalized Ethnix look, crafted to perfection

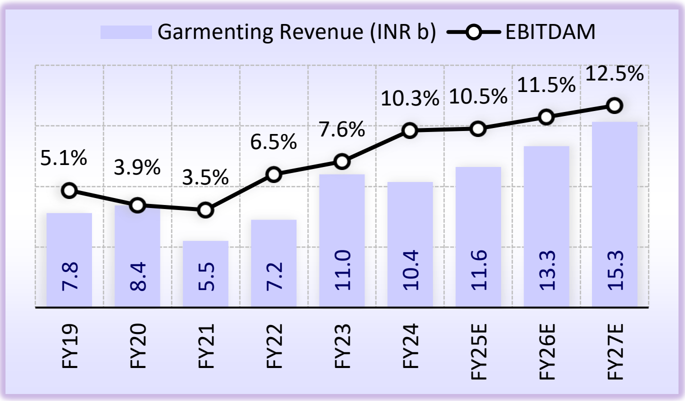
Expect 2.3% revenue CAGR in Branded textile over FY24-27; Pre IND-AS margin to remain stable



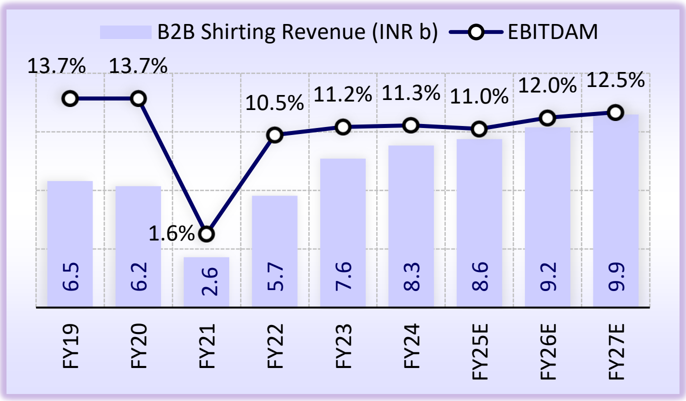
Expect ~25% revenue CAGR in Branded Apparel over FY24-27; Pre IND-AS margin likely to recover to 5-6% by FY27E



Expect ~14% revenue CAGR in Garmenting over FY24-27; margin to expand ~220 bps over FY24-27

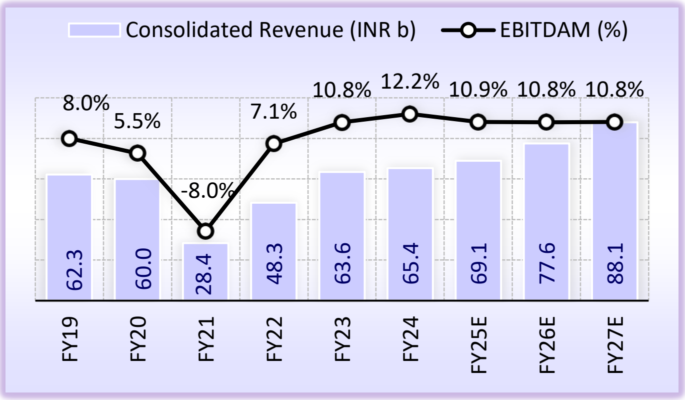


Expect ~6% revenue CAGR in B2B shirting over FY24-27; margins to expand ~120 bps over FY25-27

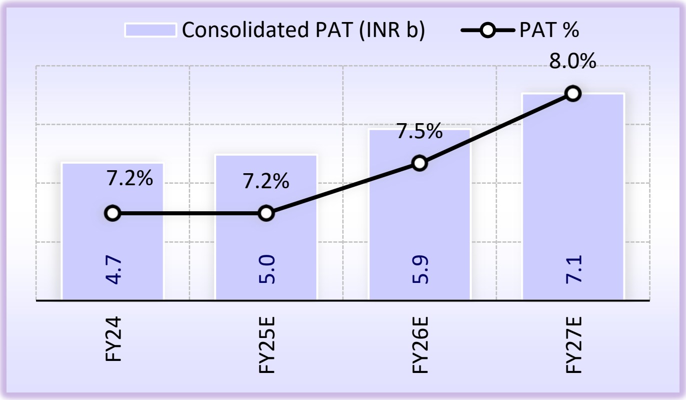


STORY IN CHARTS

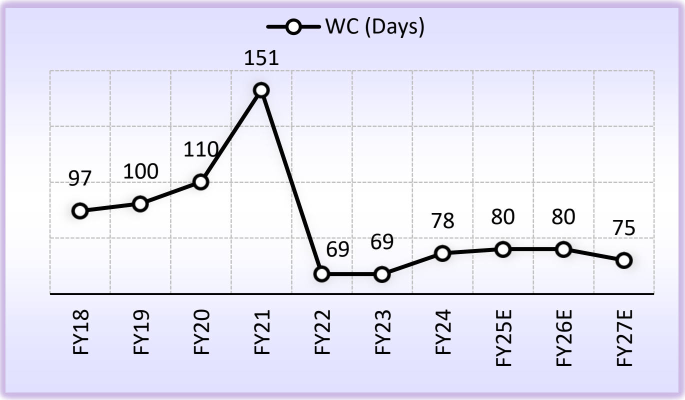
11% Consolidated revenue CAGR likely over FY24-27; pre IND-AS margin to soften



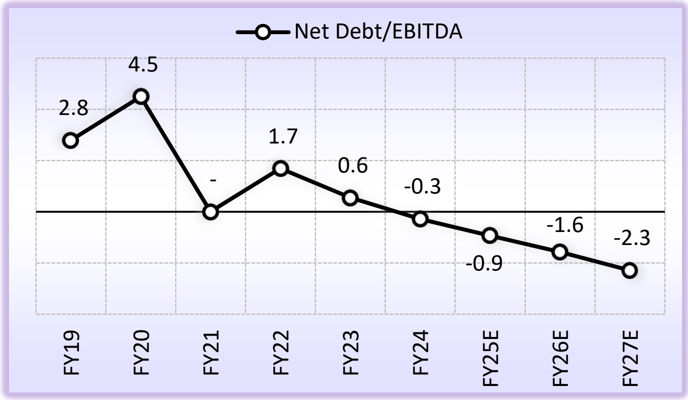
~15% Consolidated PAT CAGR likely over FY24-27; PAT margin to expand ~80 bps over FY24-27



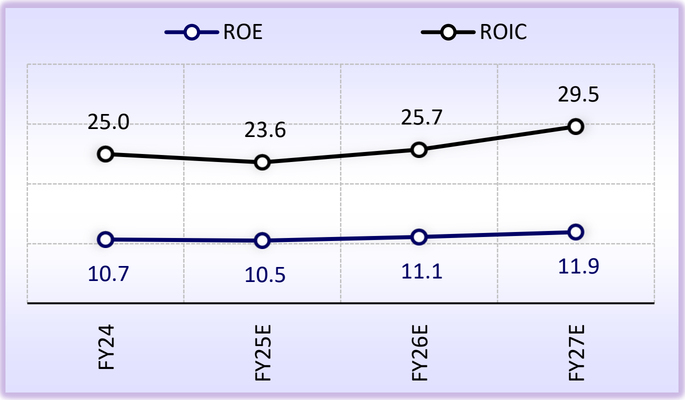
Improving net working capital days



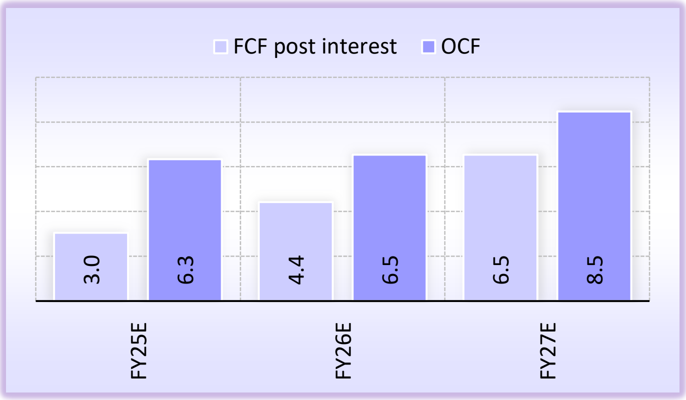
Deleveraged balance sheet to a net cash company



Improving return ratio profile (Pre Ind-AS)



Robust cash flow generation (INRb)



Multiple growth levers in place

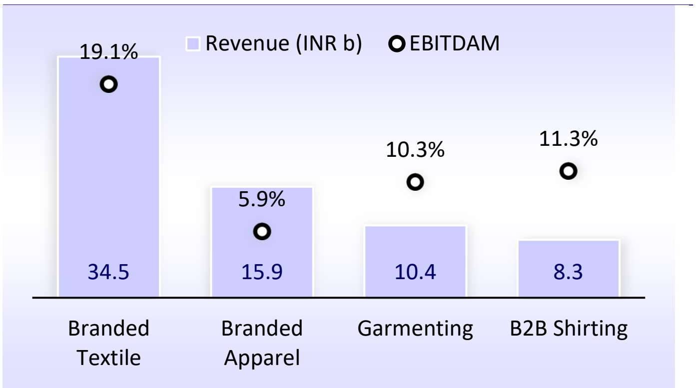
Footprints expansion, new segment addition, China +1, Bangladesh +1 & FTA opportunity to add overall growth

Raymond Lifestyle boasts a portfolio of well-recognized brands. We see a clear strategy aimed at unlocking the full potential of these brands, underscoring RLL's commitment to acceleration in growth.

- An overhaul of the **branded apparel segment**, which includes:
  - Network expansion that involves increasing the number of EBOs, LFS counters, and MBOs at a CAGR of 30%, 23%, and 7% over the next three years, to 900, 2,500, and 5,500, respectively, and
  - Brand extension initiatives, such as:
    - a sleepwear line known as SleepZ by Raymond,
    - Park Avenue Innerwear, and
    - Ethnix by Raymond.
  - With a revenue base of INR16b (accounting for 24% of total revenue); we expect branded apparels to be a key driver of growth. We are modeling a 25% revenue CAGR over FY24-FY27 by adding 150-200 EBOs annually (currently, at only 424 stores), with a focus on the capex-light franchise model for Raymond RTW, Park Avenue, ColorPlus, and Ethnix by Raymond
  - Leveraging the MBO/LFS counters/TRS stores to expand the product reach in Parx, SleepZ, and Innerwear segments.
- The **garmenting segment** has a significant growth opportunity from shift towards China (+1) and Bangladesh (+1; which represent a USD50b market opportunity). This, along with new free trade agreements (FTAs) with the UK, EU, and Australia, could create favorable conditions for India (currently a USD16b export market). Any shift of business from Bangladesh presents significant growth potential for India. Raymond's garmenting segment is predominantly a B2B export business, with exports accounting for over 95%, which places it in an advantageous position. Leveraging its existing relationships, RLL aims to achieve a 14% 3-yr revenue CAGR. This growth is anticipated to be bolstered by the ramp-up of new capacities.
- The **cash-cow branded textile business** is expected to register a modest 2% CAGR over FY24-27. This growth is anticipated to be primarily driven by the shirting segment, which is likely to experience steady growth due to a greater emphasis on innovative designs. This segment boasts the highest FCF to sales ratio of 17% and strong return ratios within RLL's portfolio, making it a cash cow for RLL that offsets its relatively low growth rate.

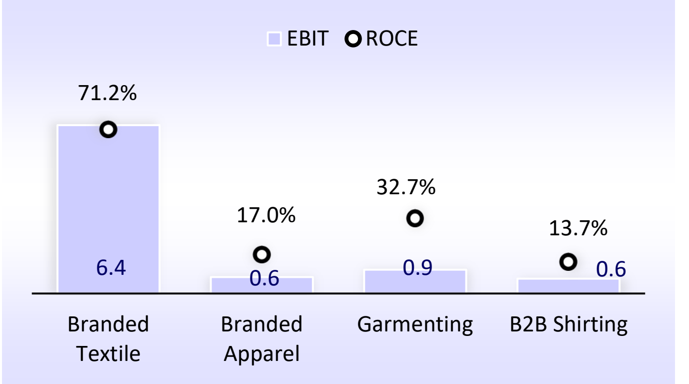
In the past, RLL faced challenges as consumer preferences shifted toward the ready-to-wear segment, while a significant portion of its business was centered around fabrics. RLL is now focusing on all segments: 1) branded apparel, which includes four marquee brands and three new brand extensions, 2) garmenting business, which is leveraging and capitalizing on opportunities in Bangladesh and China and 3) branded fabric, which has witnessed moderate growth, but is a cash-cow.

Exhibit 4: Segment wise revenue and EBITDA margin – FY24



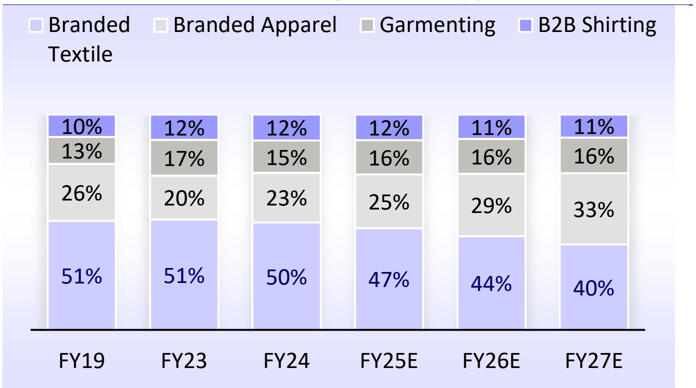
Source: MOFSL, Company

Exhibit 5: Segment wise EBIT and RoCE – FY24



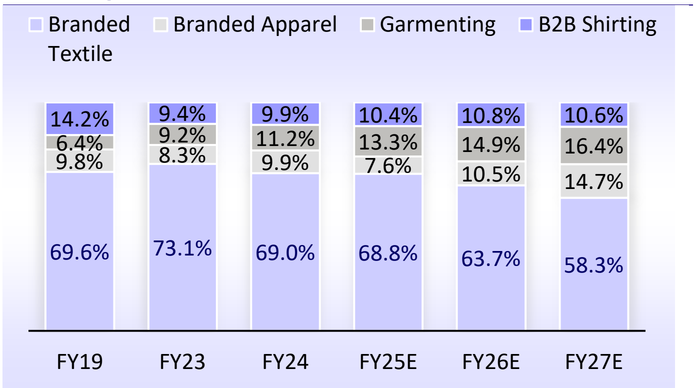
Source: MOFSL, Company

Exhibit 6: Revenue mix shifting towards apparel …



Source: MOFSL, Company

Exhibit 7: While EBITDA (pre-Ind-AS) mix still favors the textile segment

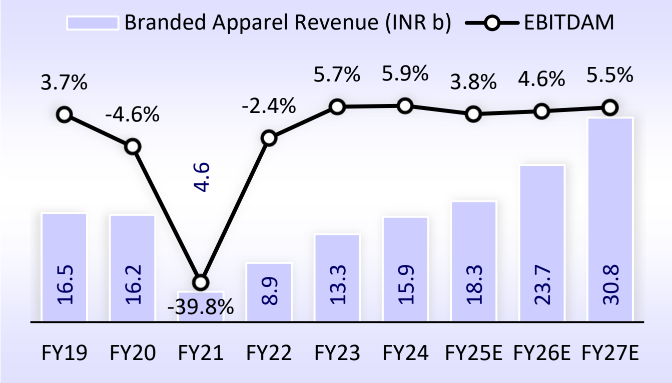


Source: MOFSL, Company

Branded apparel: Focus on expanding footprint and broadening the brand portfolio

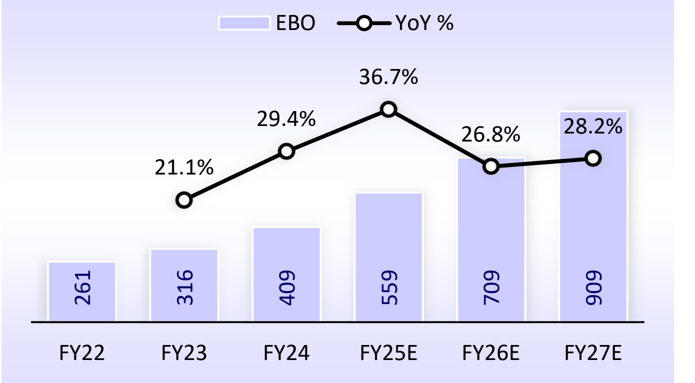
RLL boasts a portfolio of five established and robust brands: Park Avenue, Raymond RTW, Colorplus, Parx, and Ethnix by Raymond. Additionally, RLL has introduced two new brand extensions/segments: 1) a sleepwear brand called "SleepZ" and 2) an innerwear brand named "Park Avenue Innerwear." Despite the strength of its brands, RLL currently operates only 424 stores, and remains under-indexed versus peers such as ABLFL and Arvind Fashions. Over the past five years, revenue from its branded apparel has remained stagnant due to several factors such as: a) slow expansion of its retail footprint, b) a limited product portfolio concentrated on formal wear, and c) reliance on the MBO and TRS channels.

Exhibit 8: Expect 25% revenue CAGR over FY24-27E



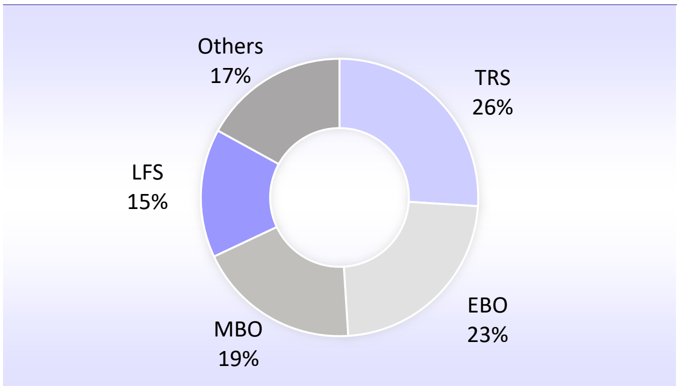
Source: MOFSL, Company

Exhibit 9: Expect EBOs to register 31% CAGR (500 net store additions) over FY24-27



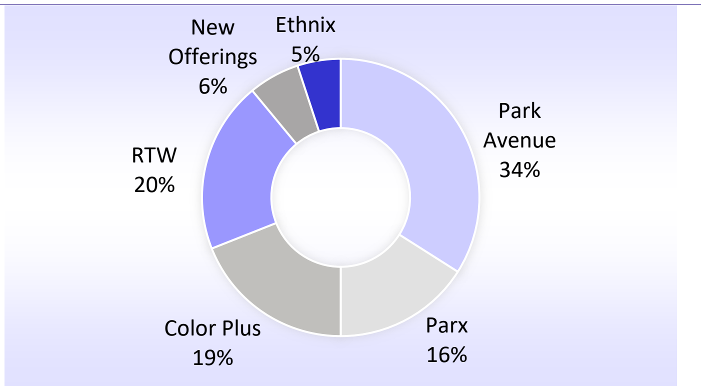
Source: MOFSL, Company

Exhibit 10: Distribution network wise sales – FY24



Source: MOFSL, CompanyNote: Figures do not include inter-company adjustments

Exhibit 11: Brand wise sales – FY24



Source: MOFSL, Company

Retail network expansion and broadening brand portfolio - key focus areas

A. Expanding and fortifying RLL's network:

Plans to double its footprint to 900+ EBOs, MBO likely to reach 5,500 counters and TRS to 1,200 stores by FY27

- The **EBO-focused** brands are: 1) Park Avenue, 2) Raymond RTW, 3) Colorplus, and 4) Ethnix by Raymond. In contrast, the **MBO-focused** brands are: i) Parx, ii) SleepZ, and iii) Park Avenue Innerwear.
- **LFS counters expansion:** RLL plans to expand its LFS counters at 23% CAGR over the next three years to 2,500 counters by FY27 from 1,350 in FY24.
- **MBO and TRS expansions:** The other distribution segments, such as MBO and TRS, are likely to clock 7% and 4% CAGR over the next three years to reach 5,500 counters and 1,200 TRS by FY27 (vs. 4,525 counters and 1,065 TRS in FY24), respectively.
- **EBO expansion largely towards Ethnix:** RLL plans to double its footprint to 900+ EBOs by FY27 and expects to add 150-200 EBOs annually. This implies a 30% CAGR over FY24-27. Of the 150 annual store additions, 125 stores (75%) will be dedicated to Ethnix by Raymond, while only 25% will be allocated to other Raymond brands. This strategy highlights RLL's significant emphasis on the ethnic wear segment.
- **Geographical expansion:** Given the underpenetrated store counts, we anticipate that RLL's expansion efforts will primarily focus on Tier 1 and Tier 2 cities, with selective store additions in Tier 3 and Tier 4 cities. The emphasis will

be on consolidating its presence in the top 10-15 tier cities to achieve greater market density.

- **How much can RLL expand?:** These brands are currently under-indexed, as the number of stores is limited to: i) 88 for Park Avenue, ii) 68 for Raymond Ready to Wear, iii) 125 for ColorPlus, and iv) 114 for Ethnix by Raymond. We believe that each brand has the potential to expand to 250 EBOs individually.

Exhibit 12: Scaling up the distribution network

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

Source: MOFSL, Company

Exhibit 13: Brand wise EBO revenue; no. of stores and productivity

Brands (INR m)	Total revenue	EBO revenue	EBO %	No. of EBOs	Store area	Revenue/sqft (INR)
Park Avenue	5,396	800	15%	88	1,200	7,600
Raymond	3,174	700	22%	68	1,200	8,600
ColorPlus	3,015	1,150	38%	125	1,000	9,200
Ethnix by Raymond	800	700	88%	114	1,500	4,100

Note: No. of stores are as of Mar'24; Revenue/sqft calculated using the EOP stores

Source: MOFSL, Company

Exhibit 14: Brand wise distribution network and focus areas

Brand	Channel	Expanding portfolio and focus areas
Raymond	Retail and LFS	Stylish Formals, Ceremonial and Casualization
Park Avenue	Retail, LFS and MBO	Casualization, Hybrid Workplace and Performance products – Flextech/ Airlite
ColorPlus	Retail and LFS	Chinos Category, CP Sport, New-age Fabrics
Parx	MBO, LFS and Online	Casual Wear, Denim and Athleisure,
Ethnix by Raymond	Retail, LFS and Premium MBO	Smart Ethnix, Festive & Wedding Collections
SleepZ	MBO	Indian Wear and Western Wear
Innerwear	MBO and Omni Channel	Innerwear

Source: MOFSL, Company

B. Broadening the brand and product portfolio

- **Sleepwear and Innerwear:** 1) RLL is introducing a new sleepwear brand category – SleepZ by Raymond, which was launched in Aug'24 at an appealing ASP range of INR500-999. This brand will be distributed through distributors across India and may also leverage RLL's current MBO network.
- 2) RLL will launch Park Avenue Innerwear in Oct-Nov'24 with a pricing range of INR250-600. The target market includes semi-premium and premium category consumers, which represent over 50% of the market. RLL is implementing an omni-channel distribution strategy, with a strong emphasis on expanding the MBO channel, as well as broadening Park Avenue EBOs. Management expects these two products to contribute INR5-7b in revenue over the next 2-3 years.

Ethnix by Raymond:

- Raymond has been a prominent player in the wedding industry and has launched an ethnic wear brand called "Ethnix by Raymond."
- The ethnic wear market is expected to record 8% CAGR. However, due to the shift from unorganized to organized markets, management anticipates that the organized players could record 14% CAGR, vs. just 5% for the unorganized market.

3 new categories – Sleepwear, Innerwear and Ethnix to aid growth

- As of FY24, RLL has a presence in ~114 stores, generating revenue of around INR800m, and specializing in occasional, casual, and smart ethnic wear. It aims to add over 100-125 stores annually, which could result in a revenue potential of ~INR5b by FY27E.
- The format offers higher gross margins, averaging around 60%, compared to the typical 40-42% seen in other brands. However, it is yet to achieve profitability due to aggressive store expansions and substantial ad spending. Nevertheless, given the vast unorganized market, there is a significant opportunity for growth.
- **Price points similar to Manyavar:** RLL operates at price points comparable to Manyavar, with product pricing ranging from INR18k to INR25k for Sherwanis and INR15-20k for Indo-western outfits. Similar to other competitors in the Indian ethnic wear market, RLL also adheres to a non-discount sales strategy.
- **Channel expansion:** RLL owned 114 EBOs as of FY24 and aims to add 100-125 EBOs annually. In addition to ramping up its EBO presence, the ethnic wear line has established a foothold in the top 100 TRS through Shop-in-Shop (SIS) arrangements. Ethnix generated revenue of INR700m from EBOs and INR100m from TRS in FY24.

C. Store economics

RLL employs COCO, COFO and FOFO models for the majority of its store expansions, with COCO accounting for 30%, COFO 40% and FOFO at 30%. RLL assumes the inventory risk under the SOR model (10% returnable; 90% non-returnable) across all retail formats. Operating at a gross margin of 55% (for Park Avenue, CP and Raymond) and 65-68% for Ethinix, the store's EBITDAM could typically average around 15%/30% for (3 marquee brands/ Ethnix) over the longer term. This results in a payback period of 2.0-3.0 years. Franchisee' share in COFO stores is ~15%, while FOFO stores has higher share, averaging ~32.5% as franchise pay for the rentals in FOFO.

Exhibit 15: Park Avenue– Store economics in COCO model for mature store (3+yrs)

INRm	per month (m)	per year (m)	per sqft (INR)
Revenue	1.20	14.4	14,400
Gross Profit @55%	**0.66**	**7.9**	**7,920**
less:			
Rent	0.22	2.6	2,640
Employee	0.11	1.3	1,344
Other	0.19	2.3	2,333
Total expenses	**0.5**	**6.3**	**6,317**
EBITDA	**0.13**	**1.60**	**1,603**
margin	**11%**	**11%**	**11%**
Depreciation	0.02	0.3	280
PBT	0.11	1.3	1,323
less: Tax	0.03	0.3	333
PAT	**0.08**	**1.0**	**990**
margin	6.9%	6.9%	6.9%
CFO	**0.11**	**1.3**	**1,270**
Capex			2,800
RoIC			**45.4%**
Store capex		2.80	2,800
Inventory		4.00	4,000
Total capex		**6.80**	

Source: MOFSL, Company

Exhibit 16: Store economics in FOFO model – for Raymond's franchisee for mature store (3+ years)

Park Avenue			
FOFO model		**Franchisee economics**	
INRm	**per month (m)**	**per year (m)**	**per sqft (INR)**
Franchisee commission	**0.36**	**4.36**	**4,356**
less:			
Rent	0.18	2.10	2,100
Employee	0.04	0.43	432
Other	0.04	0.50	504
Total expenses	**0.25**	**3.04**	**3,036**
EBITDA	**0.11**	**1.32**	**1,320**
Depreciation	0.02	0.28	280
PBT	**0.09**	**1.04**	**1,040**
less: Tax	0.02	0.26	262
PAT	**0.06**	**0.78**	**778**
CFO	**0.09**	**1.06**	**1,058**
Capex			2,800
RoIC			**37.8%**
Store capex		2.80	2,800
Inventory		4.00	4,000
Total capex		**6.80**	**6,800**

Source: MOFSL, Company

Exhibit 17: Store economics in COFO model – for Raymond's franchisee for mature stores (3+ years)

Raymond brand (PA)			
COFO model		**Franchisee**	
INRm	**per month (m)**	**per year (m)**	**per sqft (INR)**
Franchisee commission	**0.19**	**2.24**	2,244
less:			
Rent	-	-	-
Employee	0.04	0.43	432
Other	0.04	0.50	504
Total expenses	**0.08**	**0.94**	**936**
EBITDA	**0.11**	**1.31**	**1,308**
Depreciation			
PBT	**0.11**	**1.31**	**1,308**
less: Tax	0.03	0.33	329
PAT	**0.08**	**0.98**	**979**
CFO	**0.08**	**0.98**	**979**
Capex			NA
RoIC			**NA**
Store capex			
Inventory		4.00	4,000
Total capex		**4.00**	**4,000**

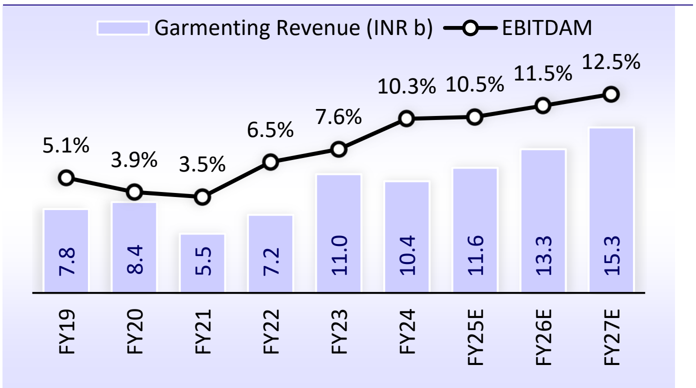
Source: MOFSL, Company

Garmenting – Capitalizing on the Bangladesh+1 and China+1 opportunities

China +1, Bangladesh +1 & FTA opportunity to fuel growth

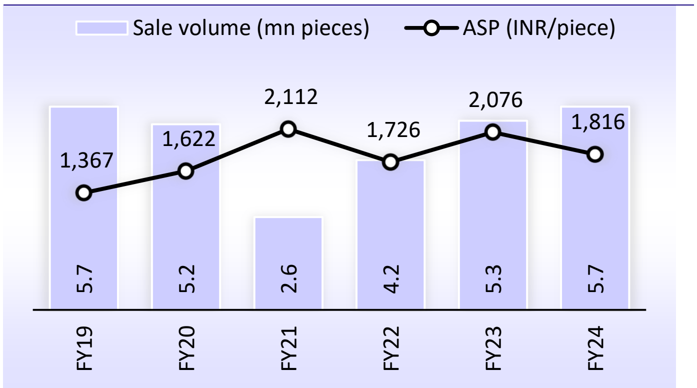
- **Capacity expansion:** RLL operates five manufacturing units: four in India with a capacity of 7.5m pieces, and one in Ethiopia with a capacity of 3.2m pieces. Raymond is incurring a cumulative capex of Rs2b over FY24-25 to expand capacity further. The new capacity can potentially generate an additional INR4b revenue, resulting in an asset turnover ratio of ~2x. Assuming an EBITDA margin of 10%, this investment could yield an incremental EBITDA of over INR400m, with a post-tax return on capital employed (RoCE) of 15-16%.
- **Segment in a sweet spot:** Strategic opportunities with China (+1) and Bangladesh (+1; which represent a USD50b market opportunity), along with new free trade agreements (FTAs) with the UK, EU, and Australia, should create favorable conditions for India, currently a USD16b export market. Any shift of business from Bangladesh presents significant growth potential for India. Raymond's garmenting segment is predominantly a B2B export business, with exports accounting for over 95%, which places it in an advantageous position. Garmenting accounted for 16% of RLL's revenue and 10% of its EBITDA for FY24. RLL has reported a 5% CAGR in Garmenting revenue from FY20 to FY24, driven by ~3% increase in average selling price (ASP) and ~2% growth in volume.
- **Growth expectation:** The efficient management of supply chains and the expansion of line capacity in Indian and Ethiopian facilities should facilitate margin expansion, driven by optimized capacity utilization and benefits of operating leverage. Further, RLL may consider pursuing inorganic growth avenues to boost growth. We anticipate a 14%/21% FY24-27 CAGR in revenue and EBITDA for the segment.

Exhibit 18: Expect revenue CAGR/margin improvement of 14%/ 220bp over FY24-27



Source: MOFSL, Company

Exhibit 19: Revenue growth driven by both volumes and ASP increases



Source: MOFSL, Company

Exhibit 20: Capacity utilization at 53% for Garmenting (additional planned capex at INR1b in FY25)

Capacity in-	m pieces
India	7.5
Ethiopia	3.2
Total	10.7
Sales Volume	5.7
Capacity Utilization	53%

Source: MOFSL, Company

Exhibit 21: Capacity utilization at 79% for HVCS

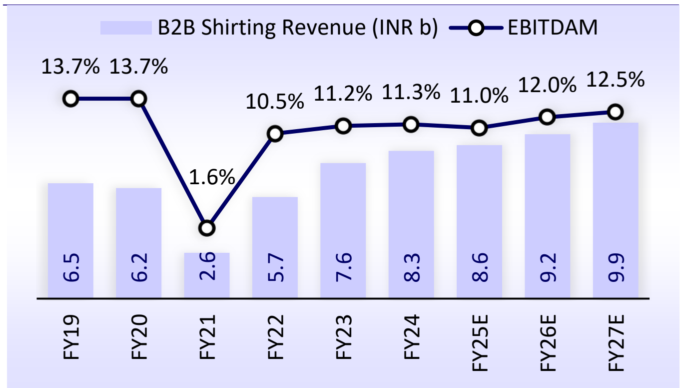
Capacity in-	m pieces
Kolhapur	28.8
Amravati	5.3
Total	34.1
Sales Volume	27
Capacity Utilization	79%

Source: MOFSL, Company

High-value cotton shirting (HVCS or B2B shirting):

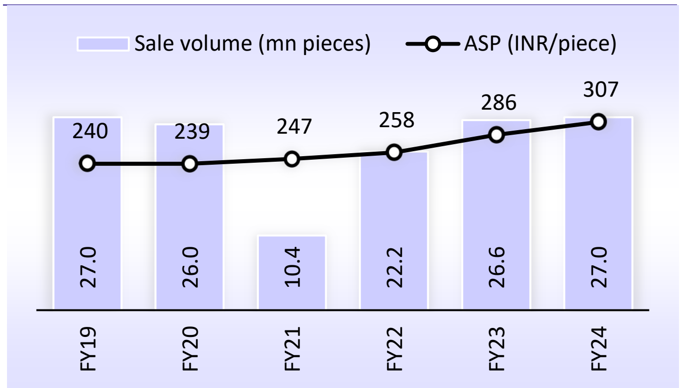
- This segment operates similarly to the garmenting business (B2B); here, RLL supplies cotton and linen fabric to both domestic and international brands. Over the last four years, segment has recorded a 7% revenue CAGR, led by pricing (~6%), while volumes inched up 1%. The segment recorded a 2% EBITDA CAGR over FY20-24, with margins hovering around 11%. We expect the segment revenue and EBITDA to record ~6% and ~9.5% CAGR over FY24-27, respectively, fueled by the growth in the apparel business and strategic advantages.

Exhibit 22: Expect revenue/margin improvement of 6%/ 120bp over FY24-27 (INR b)



Source: MOFSL, Company

Exhibit 23: Revenue growth mainly led by ASP increase



Source: MOFSL, Company

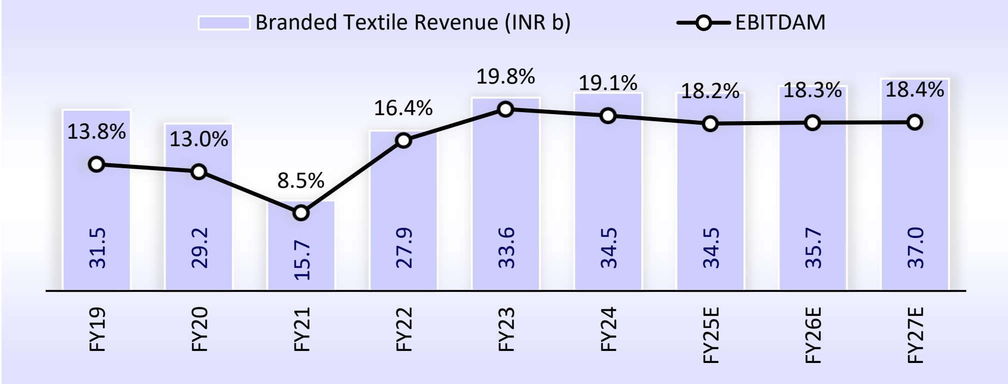
Branded Textiles – RLL's cash cow

- RLL maintains a dominant position in the worsted suiting fabric industry, with an organized market share exceeding 65% in India. This segment is the primary contributor to both revenue and EBITDA, accounting for ~53% of RLL's revenue and 65% of its EBITDA for FY24.
- On a steady-state basis, the segment has been generating ~20% EBITDA margin and the highest RoCE of over 70%. However, segment growth has been sluggish over the last five years, delivering a 2% CAGR, primarily led by ASP growth, while volume has remained nearly flat.
- The slow growth was attributed to: 1) a focus on formal wear rather than casualization, and 2) limited expansion in TRS, multi-brand outlets, and wholesale channels.

RLL commands largest market share; remains a cash flow of the company

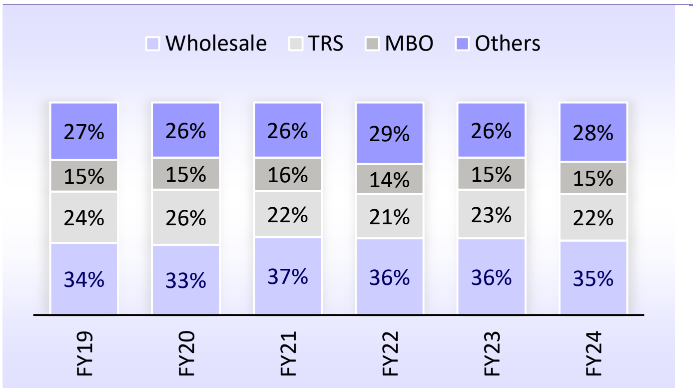
- **Growth drivers:** The anticipated growth is likely to be driven by the shirting business. RLL is focusing on this segment by: 1) expanding the product range (including linen, casualization, etc.), and 2) maintaining its leadership position while improving market share in cotton through product enhancements. We expect this segment to register a modest 2% revenue CAGR over FY24-27.
- In the suiting segment, RLL already holds a substantial organized market share of 65%. We believe that going forward, growth will be in the low to mid-single digits, driven by a combination of price increases and volume growth.
- Overall, we anticipate the segment to deliver a revenue/EBITDA CAGR of 2%/4% during FY24-27, driven by premiumization initiatives and an expansion in volumes led by casualization and shirting.

Exhibit 24: Expect modest ~2% revenue CAGR over FY24-27



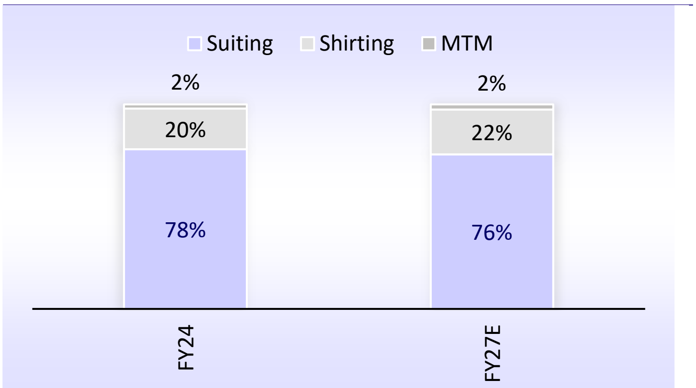
Source: MOFSL, Company

Exhibit 25: Distribution network wise sales – FY24



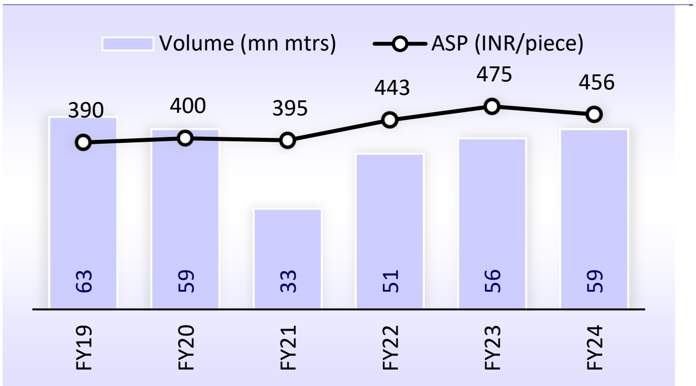
Source: MOFSL, Company

Exhibit 26: Sales mix shifting towards shirting



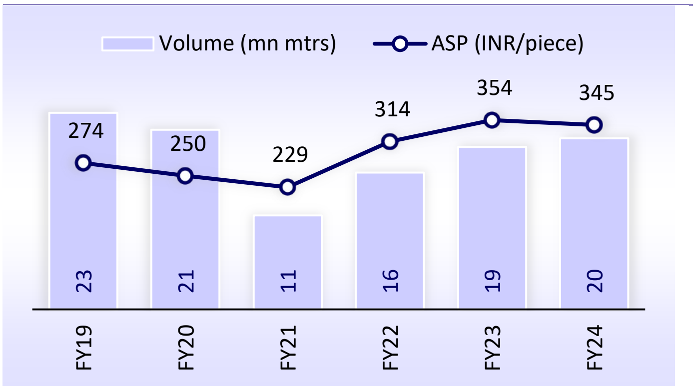
Source: MOFSL, Company

Exhibit 27: Suiting growth driven by premiumization



Source: MOFSL, Company

Exhibit 28: Shirting growth fueled by premiumization



Source: MOFSL, Company

Exhibit 29: Incremental revenue growth from different segments (INR mn)

Incremental revenue for FY27		**Comments**
CAGR over 3 years	**10.50%**	
Incremental revenue: FY24-27	**22,740**	
1. Branded Apparel		
a) SleepZ + Innerwear	3,000	❖ Currently an average brand contributes INR3.5-4b in annual revenue. We are expecting these two brands to clock INR1b/2b (company focused brand) in annual revenue by FY27.
b) Ethnix	4,100	❖ Assuming an average store to clock INR10.5m sales per store (vs. INR9m currently).
c) Branded apparel (four brands)	7,850	❖ Expecting 16% growth through EBO (ex Ethnix) expansion (+12.5%) and rest from SSSG and other channels.
2. Garmenting	4,980	❖ Building 14% revenue CAGR.
3. Others segments including inter-segmental ones	2,800	❖ Textile and HVCS growth at 5% each.

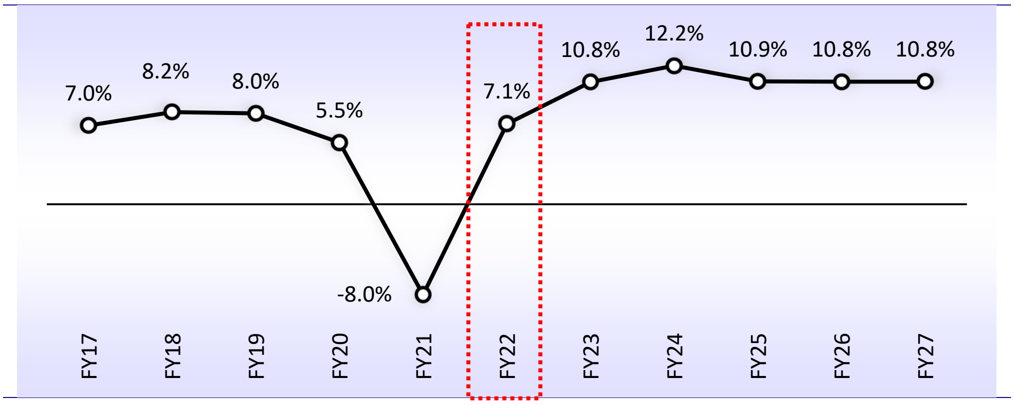
Source: MOFSL

Strengthening the leadership team

- In the last three years, Raymond has made significant strides to professionalize and reinforce its Board and senior management. These efforts have also extended to bolstering the second tier of business leadership. RLL has appointed Mr. Sunil Kataria, as the new CEO of RLL. He was earlier associated with Godrej Consumer. He brings a clear focus with a mandate to: 1) revive growth within RLL, 2) strengthen systems, processes, and governance structures to improve the pace of decision-making and reinvigorate RLL's growth orientation.
  - After his appointment (9-Mar-2022) as the CEO, RLL's EBITDA margin expanded to 12.2% in FY24 from single digit margins between FY17 and FY20.
- Similarly, the second-level leadership team for the Apparel segment is being strengthened. New members, including brand heads, the supply chain lead, and other vertical heads, have joined to further enhance the team's capabilities.

Post Mr. Sunil Kataria appointment as the CEO, RLL's EBITDA margin expanded to 12.2% in FY24 from single digit margins between FY17 and FY20

Exhibit 30: Margin improving after the appointment of Mr. Kataria



Source: MOFSL

- RLL has also seen some senior management churn in the last 4-5 years, but the new management has been able to fill the void and deliver results.

Exhibit 31: …but the new management is delivering on par performance

KMP resigned	Resignation period	New KMP appointed	Designation
Mr Sanjay Bahl	02-Jul-20	Mr. Amit Agrawal	Group CFO
Mr. S. Ganeshkumar	Up to FY21	Mr. Sunil Kataria	COO Lifestyle business
Mr. Atul Singh		-	Executive Vice Chairman
Mr. Vipin Agrawal	30-Sep-20	-	President Corporate
Mr. K Mukund Raj	01-Jun-21	Mr. Harmohan H Sahni	CEO Real estate

Source: MOFSL

Exhibit 32: New Board of Directors of RLL

Board of Directors	Designation	Prior experience
Gautam Singhania	Chairman (Raymond Group)	
Sunil Kataria	Chief Executive Officer and MD	Ex Godrej Consumer Products
K Narasimha Murthy	Independent Director	Ex Director NSE, ONGC, LIC & UT
Vineet 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 Global CEO Coats

Source: MOFSL, Company

Exhibit 33: Management team of RLL

Management team	Designation
Sunil Kataria	Chief Executive Officer and MD
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
Branded textiles	
Vikram Mahaldar	Chief Business Officer (Suiting)
Anupam Dikshit	Chief Business Officer (Shirting)
Vinod Salvi	Chief Business Officer (Home)
Branded apparels	
Debdeep Sinha	Chief Business Officer (Apparel)
Bidyut Bhanjdeo	Chief Business Officer (Ethnix)
Garmenting	
Manish Bharati	Chief Business Officer (Garmenting)

Source: MOFSL, Company

The Chairman and CEO's vision for RLL

"As the Indian weddings are getting glitzier and people are celebrating the various occasions, we have expanded our store footprint of Ethnix by Raymond to 114 stores. Going forward, we will be opening 100+ new stores of Ethnix by Raymond in fiscal 2025."

"Raymond is expanding its garmenting capacity by a third of its current levels. With the expansion of the capacity once fully commissioned, will make Raymond the third largest suit maker in the world"

Gautam Singhania, Chairman

"We are gunning for very high double-digit growth in the branded apparel business led by store expansion. This will give us a very large reach and access to the mass and breadth of India"

"The demerger aims at unlocking shareholder value by creating a focused lifestyle business entity. Raymond Lifestyle will sharpen its strategic focus in this fast-growing sector to become among the top three global fabric suppliers by the end of this year."

Sunil Kataria, CEO and MD

Striving to enhance shareholder value

While RLL enjoys a strong brand affinity, its valuation has been impeded by sluggish execution in the past, as evidenced by volatile PAT growth over FY10-20.

- Weak growth and profitability were attributed to challenges in the branded textiles business and lower focus on expanding EBOs in the branded apparel segment. The primary emphasis was on expanding The Raymond Shop (TRS) and fabrics business.
- The net working capital was elevated at 100+ days of sales over FY10-20, while the balance sheet was levered at ~4.5x net debt to EBITDA till FY20. The sluggish growth, combined with high working capital days and a leveraged balance sheet, resulted in weak return ratios (ROIC < 10%).

Measures taken such as optimizing costs, closure of under-performing stores and rationalizing working capital days and strategic sale of the FMCG business, to strengthen the balance sheet, ultimately transitioning to a net cash position.

Measures taken

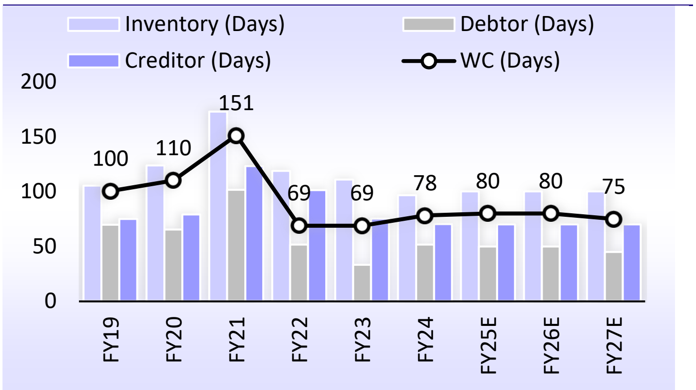
- Raymond undertook several corrective measures such as **optimizing costs, closure of under-performing stores and rationalizing working capital days and strategic sale of the FMCG business,** to strengthen the balance sheet, ultimately transitioning to a net cash position. These efforts have resulted in a robust cash flow generation on sustainable basis.
  - **WC improvement:** RLL has successfully reduced its working capital days to 78 in FY24 from over 100 in FY10-20, thanks to a reduction in receivable days, and efficient inventory management. Receivable days declined to 52 in FY24 from over 70 in FY10-20, because of stringent collection policies implemented across its dealer and franchisee network.
- **Scaling up branded apparel:** RLL is now focusing on scaling up the under-penetrated branded apparel segment by: 1) introducing new categories such as Ethnix by Raymond, Sleepwear, and Park Avenue Innerwear, and b) expanding the distribution network (Exhibit 34) of the legacy brand to enhance the branded apparel business.
- **Scaling up the garmenting segment:** RLL is increasing the production capacity in the Garmenting segment to capitalize on the global trends of China+1 and recently, Bangladesh +1.

Exhibit 34: Scaling up the distribution network

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

Source: MOFSL, Company

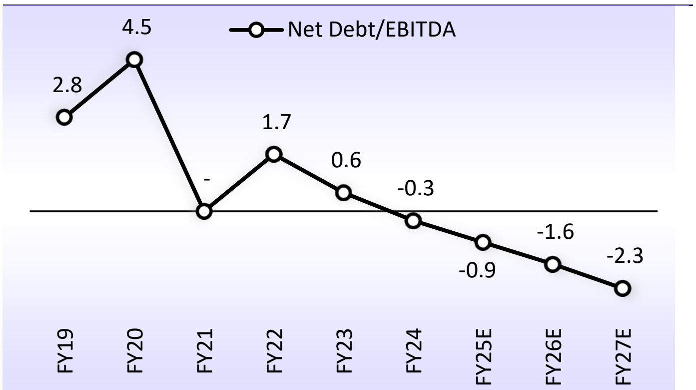
Exhibit 35: Improving net working capital days



Note: WC days for FY19-23 are for Raymond Ltd before the demerger

Source: MOFSL, Company

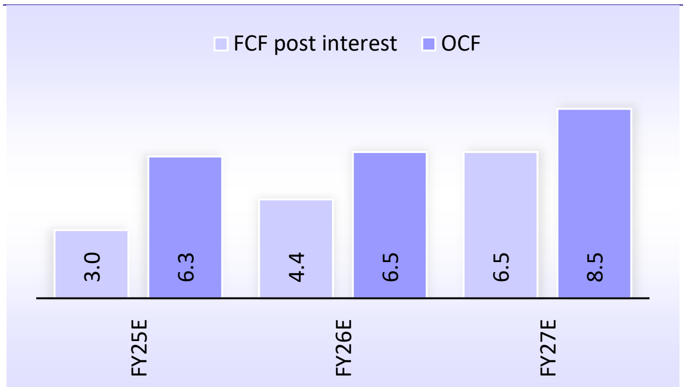
Exhibit 36: Deleveraging the balance sheet



Note: FY19-23 figures are for Raymond Ltd before the demerger

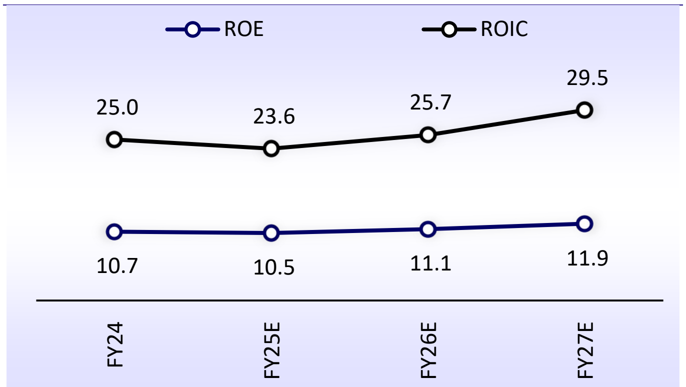
. Source: MOFSL, Company

Exhibit 37: Robust cash flow generation (INR b)



Source: MOFSL, Company

Exhibit 38: Improving return ratios (Pre-Ind-AS)



Source: MOFSL, Company

Exhibit 39: Segment wise cash flow position in FY25 – Branded textile is the cash cow and funding branded apparel; Garmenting and HVCS segments, on the other hand, support self-sustained growth

INRm - FY25	Branded Textiles	Branded Apparels	Garmenting	HVCS	Elimination	Total
Revenue	34,495	18,251	11,592	8,632	(3,866)	69,104
EBITDA	7,072	2,281	1,217	950	(1,647)	9,872
less: change in working capital	(1)	(467)	(68)	(59)		(595)
% of sales	0%	-3%	-1%	-1%		-1%
less: lease liability	(831)	(1,543)	-	-	-	(2,373)
OCF	**6,240**	**271**	**1,149**	**890**	**(1,647)**	**6,903**
% of sales	18%	1%	10%	10%	43%	10%
capex	(300)	(300)	(1,100)	(300)	-	(2,000)
FCF	**5,940**	**(29)**	**49**	**590**	**(1,647)**	**4,903**
% of sales	17%	0%	0%	7%	43%	7%

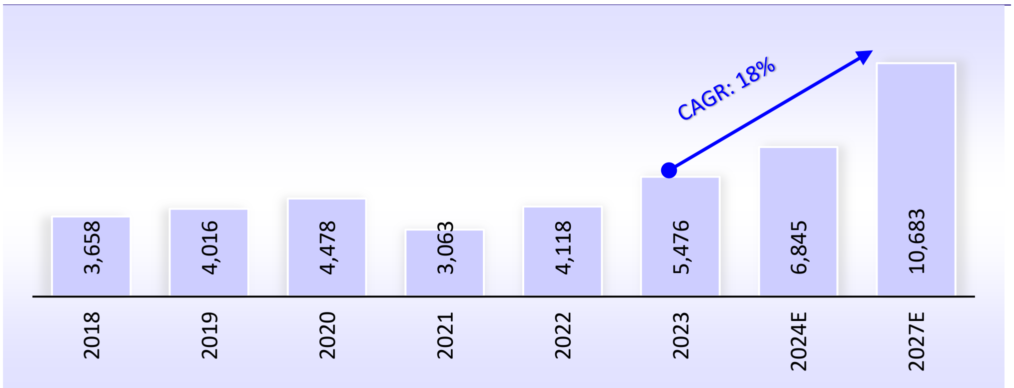
Source: MOFSL, Company

Industry growth to remain robust

The apparel market in India is valued at INR5.5t and is projected to clock a CAGR of ~18.2% over FY23-27 to reach INR10.7t by FY27.

Men's wear market is anticipated to clock a 18% CAGR during FY23- FY27

Exhibit 40: Robust industry growth (INR b)

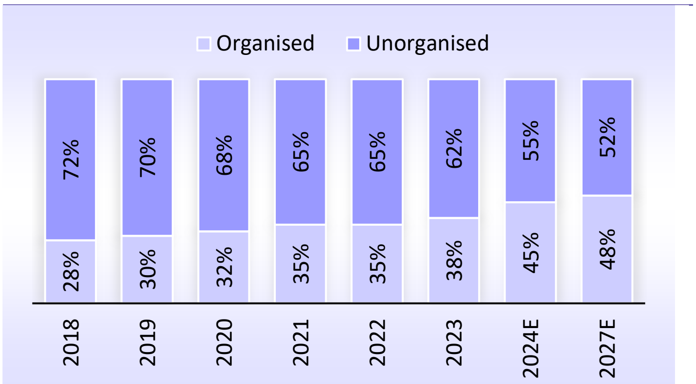


Source: Technopak, MOFSL, Company

Within the apparel market, the men's wear category constitutes ~41% for overall market size of ~INR2.2 tn in FY23, which is projected to reach INR4.3t by FY27 (clocking ~18% CAGR). The western wear dominates the men's category, with a ~94% share in FY23, while the ethnic wear accounted for ~6% share. Men's western wear market is anticipated to clock a 18% CAGR during FY23- FY27, reaching INR4.1t by FY27.

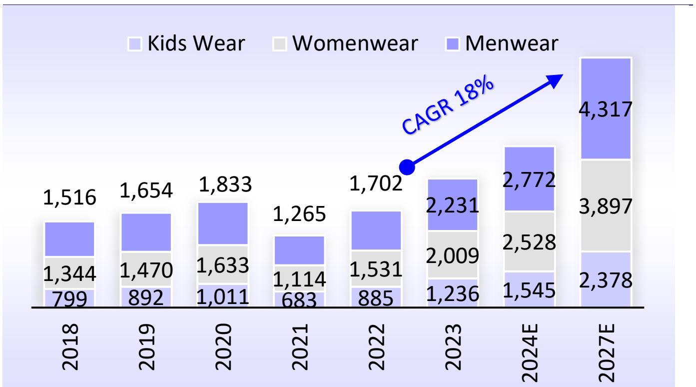
The unorganized players currently dominate the apparel market, accounting for 62% of the overall market as of FY23. However, this mix is likely to shift in favor of organized players, with their contribution projected to rise to 48% by FY27 from 38% in FY23.

Exhibit 41: Organized players to grow ahead of the industry



Source: MOFSL, Company

Exhibit 42: Category mix (gender wise) (in INR b)



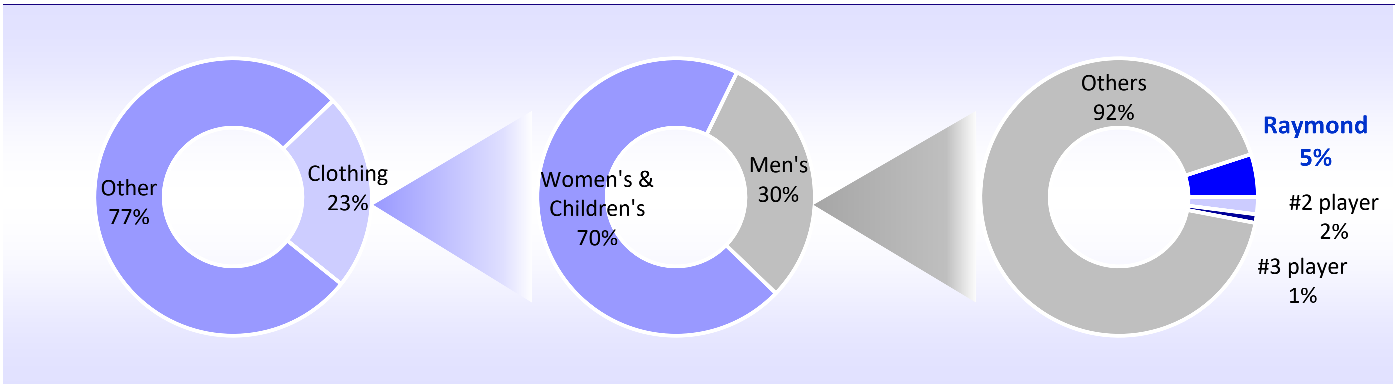
Source: MOFSL, Company

Key growth drivers

Wedding Wear Market: Raymond leads with ~5% share in men's wedding wear

The overall Indian wedding market is estimated at INR 11t, out of which the spends on clothing is ~23%, implying the wedding related clothing market size at INR 2.5t. Women's category contribute the majority share (70% women's and children's) while Men's category contributes 30% of overall clothing market and is valued at INR 750b. Raymond with its pre-dominant presence in Men's wear is a direct beneficiary of the robust industry growth. Around 35-40% of the Raymond's business is contributed from wedding wear and it is among the leaders with ~5% share of Indian Men's wedding wear market. RLL is targeting a 15% CAGR to increase its market share to 6-7% in Men's wear wedding market by 2027.

Exhibit 43: Men's wear market

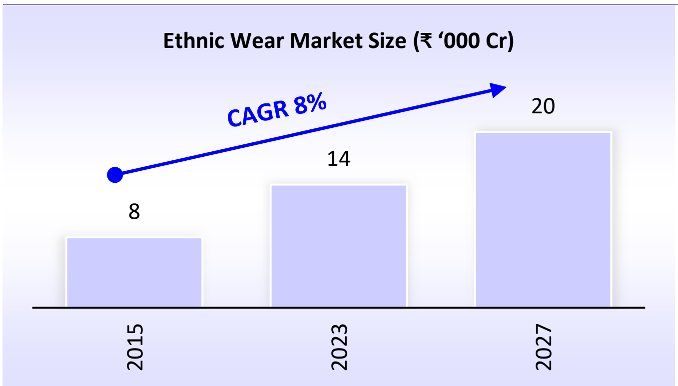


Source: Company; MOFSL

Ethnic Wear Market: Organized players likely to grow at ~14% CAGR over FY23-27

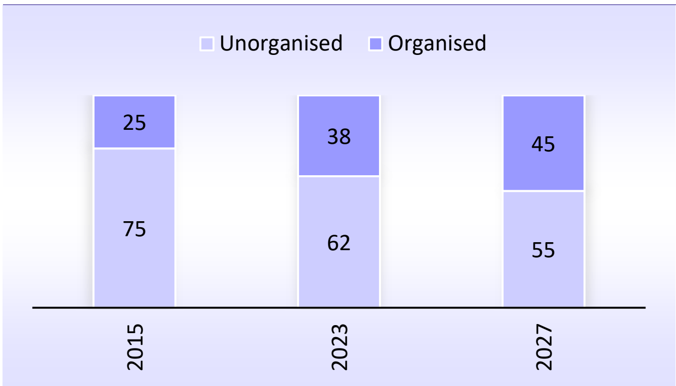
The Ethnic wear market is an integral part of Wedding wear market and is estimated at INR 1.6t. The Ethnic wear market is expected to grow at 18% CAGR over FY24-27E. Men's category contribute ~9% of the Ethnic wear market in India and is estimated at INR 140b, with organized players accounting for ~38% share in FY23. The men's ethnic wear market is poised to grow at 8% CAGR over FY23-27E to reach INR 200b by FY27E. The organised players are growing at faster ~14% while the unorganised players are growing at 5%. The penetration of organised players is expected to increase from 38% in FY23 to 45% in FY27E which will benefit the players like Raymond.

Exhibit 44: Ethnic Wear Market



Source: Company, MOFSL

Exhibit 45: Organised v/s Unorganised Split



Source: Company, MOFSL

RLL trades at lower valuations to branded retail peers

Raymond has a diverse product offering in both B2B and B2C businesses. In B2C business, they sell from sleepwear/ innerwear to premium wedding wear (suits, shirts), while in B2B business they sell products like Shirts, Jackets, Suits, Trouser, etc.

Exhibit 46: Peer of manufacturing fabric unit of RLL (Branded Textile + Garmenting + HVCS)

Company	Market cap (INRb)	EV/Sales FY25	EV/Sales FY26	EV/EBITDA FY25	EV/EBITDA FY26	PE FY25	PE FY26
Raymond Lifestyle	144	2.1x	1.9x	15.0x	12.8x	28.9x	24.5x
Arvind Ltd	94	1.3x	1.1x	10.6x	8.2x	22.0x	14.9x
Vardhaman Textiles	138	1.5x	1.4x	10.1x	8.3x	12.8x	10.5x
Gokaldas Exports	64	1.9x	1.6x	16.6x	12.1x	40.7x	23.6x
K P R Mills	318	4.8x	4.3x	22.0x	18.3x	31.9x	27.1x

Note: Closing price as on 18th Oct 24 Source: MOFSL

Exhibit 47: Peer of retail business of RLL (Branded Apparels)

Company	Market cap (INRb)	EV/Sales FY25	EV/Sales FY26	EV/EBITDA FY25	EV/EBITDA FY26	PE FY25	PE FY26
Raymond Lifestyle	144	2.1x	1.9x	15.0x	12.8x	28.9x	24.5x
Arvind Fashions	80	1.9x	1.7x	14.8x	12.1x	62.9x	38.4x
ABFRL	358	2.8x	2.4x	20.6x	16.5x	NA	NA
Shoppers Stop	82	2.3x	1.9x	13.0x	11.3x	112.1x	54.9x
Vedant Fashions	322	21.5x	18.1x	44.3x	36.7x	72.5x	59.6x
Page Industries	508	10.0x	8.7x	51.7x	43.3x	78.3x	64.8x

Note: Closing price as on 18th Oct 24 Source: MOFSL

Valuation and view: Initiate at BUY with TP of INR3,200

Rising focus on branded apparel could drive re-rating, execution remains key

Although the valuation of the Raymond's Lifestyle business has almost doubled since the demerger, the stock is currently trading at a relatively lower P/E and an EV/EBITDA (pre-Ind-AS-116) of 25x and 16x on FY26E, respectively. The valuation is significantly lower than that of our Coverage Universe and other retail and discretionary companies, which are valued at an EV/EBITDA of ~35-40x on FY26E. While RLL benefits from strong brand affinity, its valuation has been impeded by sluggish execution in the past (volatility in PAT growth over FY10-20). However, as RLL continues to exhibit a positive growth trajectory, characterized by revenue/PAT CAGR of 11%/15% over FY24-26E, we believe valuations could re-rate.

Trading at lower multiples than peers

The growth in the Branded Apparel segment led by network expansion and ramp-up of new categories (sleepwear, innerwear and Ethnix) will augur well for RLL. By enhancing sourcing efficiency, leveraging scale benefits, optimizing working capital, and adopting an asset-light model, RLL could achieve robust cash flow generation; however, successful execution remains crucial.

We factor in 11%/14%/15% revenue/EBITDA/PAT CAGR over FY24-27. Additionally, we anticipate a return on invested capital (ROIC) of 24%, 26%, and 30% in FY25, FY26, and FY27, respectively. With improved FCF generation, RLL could look to increase shareholder returns through dividends.

PE Ratio: We value RLL at a PE multiple of 30x on Sep-26E (implied 16x EV/EBITDA), resulting in a valuation of INR195b (or INR3,200 per share).

SoTP valuation: Based on SoTP-based valuation, our TP stands at INR3,200, premised on 8.5x EBITDA for branded textiles (~10X on pre Ind-AS EBITDA), ~4x EV/Sales for branded apparel (implies ~27x reported EBITDA), 10x EBITDA for garmenting, and 8.5x EBITDA for B2B shirting on Sep-26E.

Exhibit 48: Our SoTP-based valuation on Sep-26E

INR m	EBITDA	Multiple	Valuation	Comment
Branded Textile	7,722	8.5x	65,638	
Branded Apparel	4,005	27.0x	1,08,132	Valuing at 4x EV/Sales
Garmenting	1,725	10.0x	17,247	
B2B Shirting	1,172	8.5x	9,961	
EBITDA	12,648	16.0x	2,00,844	
SOTP-based EV			**2,00,844**	
less: Net Debt			5,945	
Equity Value			**1,94,899**	
NOS			61	
Per share			**3,200**	
CMP			2,356	
Upside			36%	

Source: MOFSL

Exhibit 49: PE valuation on Sep-26E

Sep-26	INRm
PAT	6,456
PE	30x
Equity	1,94,899
NOS	61
per share	3,200
CMP	2,356
upside	*36%*

Source: MOFSL

Key risks

Key downside risks to our TP include a prolonged demand slowdown, inflationary pressures, leadership attrition, and competition from established apparel players.

Branded Textiles

- Rising input costs and inflationary pressures may affect margins adversely.
- Due to a lack of formal training opportunities and the low social status associated with the profession, fewer individuals are pursuing career in tailoring, which has adversely affected growth in the industry.

Branded Apparel

- In recent years, numerous brands have experienced significant growth, while RLL has struggled to keep pace with its expansion efforts. With intensifying competition and the rapid evolution of fashion, it may take some time for RLL to shorten its product cycle.
- The high influx of established fashion brands could intensify competition through value-based retail formats.

Garmenting and HVCS

- The margin may be adversely affected by fluctuations in foreign exchange rates.
- Intermittent disruptions in the global supply chain and rising freight costs may adversely impact performance.
- Inflationary pressures on cotton prices may affect profit margins detrimentally.

ESG initiatives

S&P Global Ratings has assigned an ESG score of **60** to RLL, ranking it among the top 10 globally and the top 3 in India.
Below are a few initiatives RLL has undertaken and its future goals regarding Environmental, Social, and Governance (ESG) efforts.

Environmental:

Initiatives

- RLL's energy requirements are met by utilizing 8% from renewable energy sources, reflecting a 40% increase in the use of renewable energy.
- RLL has treated water after consumption and reused 1,028,681 kiloliters. Approximately 9% of waste has been recycled or reused, resulting in a 2% reduction in water discharge.
- RLL has set up one Zero Liquid Discharge (ZLD) plant.
- It has achieved a 38% reduction in air emissions and a 4% decrease in Scope 1 and 2 emissions.
- RLL allocated 30.25% of its capex to enhance environmental sustainability.
- Less than 1% of generated waste is sent to landfills.
- Zero water withdrawal from water-stressed areas.
- Zero operations in ecologically sensitive areas

Goals

- A 20% reduction in Scope 1 and 2 emissions by 2030 to advance decarbonization efforts.
- By 2030, 20% of energy consumption is expected to come from renewable sources.
- A 30% reduction in waste sent to landfills by 2030.
- Zero Liquid Discharge (ZLD) by 2030.
- A minimum overall reduction of 5% in the volume of packaging materials used by 2030.
- Reduction of hazardous chemicals by up to 75% by 2030

Social:

Initiatives

- RLL has allocated 0.44% of its budget to Wellbeing.
- RLL employs a workforce of 14 individuals with disabilities.
- No incidents of data breaches have been recorded.
- The employee turnover rate was 12.16%.
- RLL has a 13% employee gender diversity rate.
- Female employees receive 7.6% of gross wages.
- It has a Customer NPS Score of 73%.
- RLL had ZERO fatalities in the last five years with a lost time injury frequency rate (LTIFR) of 0.68.

Goals

- 100% return-to-work rate
- Single-digit employee turnover rate

- A 20% gender diversity target by 2030.

Governance:

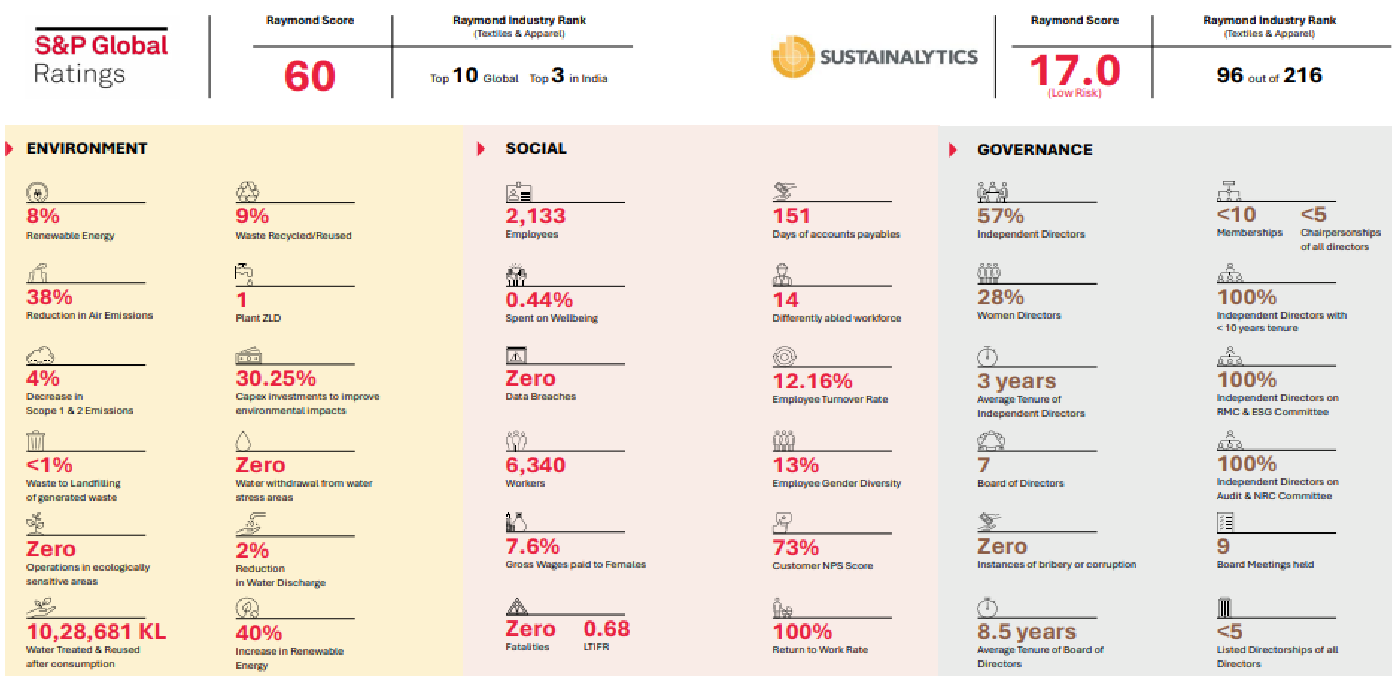
Initiatives

- Reshuffled the entire Board, which now comprises 80% independent directors.
- 100% of the members on the RMC, ESG, Audit, and NRC Committees are independent directors.
- RLL has zero instances of bribery or corruption.

Goals

- RLL has 100% independent directors on all committees.

Exhibit 50: FY24 Sustainability Highlights



Source: MOFSL, Company

Bull and Bear cases

Bull Case

- ☑ In our Bull case, we assume a 13.5% revenue CAGR over FY24-27 vs. 10.5% in our Base Case. We expect sharper revenue growth to be driven by Branded Apparel (31% CAGR) and Garmenting (17% CAGR).
- ☑ We also expect that higher throughput in Branded Apparel will lead to higher EBITDAM. Hence, we build in a 17.2% Consol. EBITDA CAGR vs. 13.5% in our Base case.
- ☑ Assuming a target multiple of 17x in our Bull Case, we arrive at an equity valuation of INR 228b or TP of INR 3,750/share (59% upside) vs. our Base Case TP of INR3,200/share (36% upside), based on Sep'26E EBITDA.

Bear Case

- ☑ In our Bear case, we assume a 7.5% CAGR over FY24-27, led by lower sales growth in Branded textile business and lower-than-expected store additions and productivity in the Branded apparel segment. We expect a 21% CAGR in Branded Apparel and mere 1% CAGR in Branded Textiles.
- ☑ With weaker throughput in Branded Apparel, we expect margin to recover back to FY24 levels by FY27 (120 bp lower than our base case).
- ☑ Assuming a target multiple of 12.0x in our Bear Case vs. 16.0x implied multiple in our Base Case, we arrive at a Bear Case TP of INR 2,050/share (13% downside) vs. our Base Case TP of INR 3,200/share (+36% upside), based on Sep'26E EBITDA.

Exhibit 51: Scenario analysis: Bull | Base | Bear case

INRm	Bull				Base				Bear			
Scenario Analysis	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E
Revenue	65,354	70,328	81,441	95,627	65,354	69,104	77,649	88,093	65,354	68,295	74,149	81,172
YoY growth (%)		8%	16%	17%		6%	12%	13%		4%	9%	9%
EBITDA	9,368	10,255	12,388	15,085	9,368	9,872	11,609	13,687	9,368	8,939	10,174	11,580
Margins (%)	14.3%	14.6%	15.2%	15.8%	14.3%	14.3%	15.0%	15.5%	14.3%	13.1%	13.7%	14.3%
EV/ EBITDA (x)				17.0				16.0				12.0
EV				2,33,522				2,00,844				1,30,525
less: net debt/ (cash)				5,945				5,945				5,945
Equity value				2,27,577				1,94,899				1,24,580
TP				3,750				3,200				2,050
CMP				2,356				2,356				2,356
Return				59%				36%				-13%

Source: MOFSL

SWOT analysis

Key management personnel

Mr. Gautam Hari Singhania, Chairman and MD

Mr. Singhania was appointed as a Whole-time Director on the Board of Raymond Ltd in 1990 and on the Board of RLL in 2020. As the Chairman of the Raymond Group, he has guided the group's ambitious expansion into the ready-to-wear apparel segment, men's toiletries, and more recently, into real estate with the launch of Raymond Realty.

Mr. Sunil Kataria, CEO

Mr. Kataria has over 27 years of experience in leadership roles, driving transformation across leading consumer companies. Before this role, he served as the CEO of Godrej Consumer Products. He has also held roles at Marico, Idea Cellular, and VIP Industries. He is a graduate in Economics from Delhi University, he is also an MBA in Marketing from the Institute of Management Technology (IMT) Ghaziabad.

Mr. Sameer Shah, CFO

Mr. Shah has 15 years of experience and has held several key leadership roles, including serving as the Chief Financial Officer of GCPL India & SAARC cluster. Prior to joining RLL, he worked at GCPL. He is a Chartered Accountant by profession and has also specialized in Treasury Management from The Institute of Chartered Financial Analysts.

Financials and valuations

Consolidated - Income Statement				(INR m)
Y/E March	**FY24**	**FY25E**	**FY26E**	**FY27E**
Revenue from Operations	**65,354**	**69,104**	**77,649**	**88,093**
Change (%)		**6**	**12**	**13**
Raw Materials	29,259	30,959	34,554	39,025
Manufacturing & opex	6,902	6,910	7,765	8,809
Gross Profit	**29,193**	**31,235**	**35,330**	**40,259**
Margin (%)	44.7	45.2	45.5	45.7
Employee Costs	9,179	9,675	10,483	11,452
Other Expenses	10,646	11,688	13,239	15,119
EBITDA	**9,368**	**9,872**	**11,609**	**13,687**
Margin (%)	14.3	14.3	15	15.5
Depreciation	2,478	2,827	3,547	4,249
EBIT	**6,890**	**7,045**	**8,062**	**9,438**
Margin (%)	10.5	10.2	10.4	10.7
Finance costs	1,957	2,045	2,089	2,100
Other Income	1,558	1,647	1,851	2,100
Exceptional Items loss (gain)	-92	0	0	0
PBT bef. EO Exp.	**6,399**	**6,648**	**7,824**	**9,438**
Total Tax	-1,697	-1,675	-1,972	-2,378
Tax Rate (%)	26.5	25.2	25.2	25.2
PAT	**4,703**	**4,972**	**5,852**	**7,059**
Adjusted PAT	**4,795**	**4,972**	**5,852**	**7,059**
Change (%)		**4**	**18**	**21**

Consolidated - Balance Sheet				(INR m)
Y/E March	**FY24**	**FY25E**	**FY26E**	**FY27E**
Equity Share Capital	122	122	122	122
Total Reserves	97,273	1,02,245	1,08,097	1,15,157
Net Worth	**97,394**	**1,02,367**	**1,08,219**	**1,15,278**
Total Loans	8,254	7,254	6,254	5,254
Lease Liability	7,135	12,873	19,222	27,482
Capital Employed	**1,12,783**	**1,22,494**	**1,33,696**	**1,48,015**
Fixed Assets	**75,461**	**81,989**	**88,014**	**95,992**
Total Investments	**9,000**	**9,000**	**9,000**	**9,000**
Curr. Assets, Loans&Adv.	**32,276**	**37,794**	**46,582**	**57,303**
Inventory	17,328	18,933	21,274	24,135
Account Receivables	9,248	9,466	10,637	10,861
Cash and Bank Balance	1,524	5,219	10,495	18,131
Loans and Advances	4,177	4,177	4,177	4,177
Curr. Liability & Prov.	**18,491**	**19,151**	**20,790**	**22,793**
Account Payables	12,593	13,253	14,892	16,895
Other Current Liabilities	5,100	5,100	5,100	5,100
Provisions	798	798	798	798
Net Current Assets	**13,786**	**18,644**	**25,792**	**34,511**
Deferred Tax assets	12,159	10,483	8,512	6,134
Other Assets	2,378	2,378	2,378	2,378
Appl. of Funds	**1,12,783**	**1,22,494**	**1,33,696**	**1,48,015**

Financials and valuations

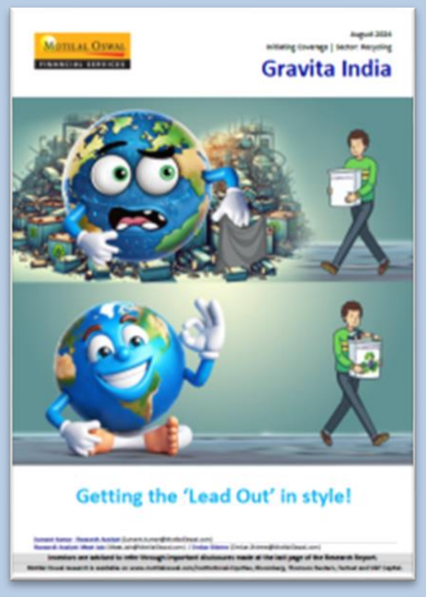
Ratio				
Y/E March	**FY24**	**FY25E**	**FY26E**	**FY27E**
Basic (INR)				
EPS	**78.7**	**81.6**	**96.1**	**115.9**
Cash EPS	119.4	128.1	154.3	185.7
BV/Share	1,599	1,681	1,777	1,893
Valuation (x)				
P/E	29.9	28.9	24.5	20.3
Cash P/E	19.7	18.4	15.3	12.7
P/BV	1.5	1.4	1.3	1.2
EV/Sales	2.3	2.1	1.9	1.7
EV/EBITDA	15.8	15.0	12.8	10.8
Dividend Yield (%)				
FCF per share	-	50.1	72.7	107.3
Return Ratios (%)				
--Adjusted to revaluation, goodwill and cash				
Adj RoE	10.7	10.5	11.1	11.9
Adj RoCE	15.1	14.3	13.9	13.8
Adj RoIC	20.8	19.6	18.7	18.6
--Pre Ind-AS ratios				
Adj RoCE	22	19.3	18.9	18.7
Adj RoIC	25	23.6	25.7	29.5
Working Capital Ratios				
Fixed Asset Turnover (x)	0.9	0.8	0.9	0.9
Asset Turnover (x)	0.6	0.6	0.6	0.6
Inventory (Days)	97	100	100	100
Debtor (Days)	52	50	50	45
Creditor (Days)	70	70	70	70
WC (Days)	78	80	80	75
Leverage Ratio (x)				
Current Ratio	1.7	2	2.2	2.5
Interest Cover Ratio	3.5	3.4	3.9	4.5
Net Debt/EBITDA	0.5	0.6	0.5	0.4
Net Debt/Equity	0	0.1	0.1	0

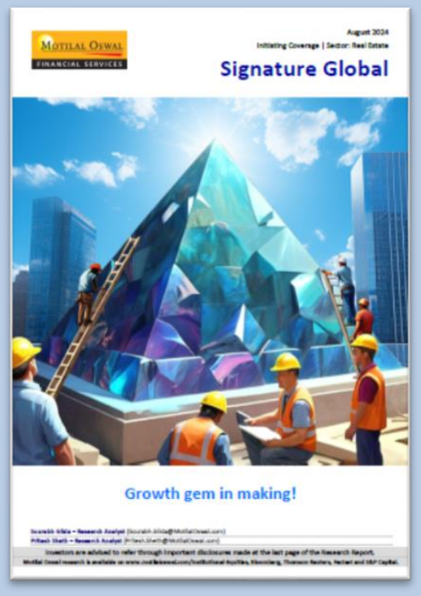
Consolidated - Cash Flow Statement				(INR m)
Y/E March	**FY24**	**FY25E**	**FY26E**	**FY27E**
OP/(Loss) before Tax	3,316	6,648	7,824	9,438
Depreciation	2,478	2,827	3,547	4,249
Interest & Finance Charges	1,957	2,045	2,089	2,100
Others	2,102	-1,647	-1,851	-2,100
Direct Taxes Paid	-1,768	0	0	0
(Inc)/Dec in WC	-5,041	-1,162	-1,873	-1,082
CF from Operating	**3,044**	**8,710**	**9,736**	**12,605**
(Inc)/Dec in FA	-1,352	-2,000	-1,000	-1,000
Free Cash Flow	**1,692**	**6,710**	**8,736**	**11,605**
(Pur)/Sale of Investments	-8,812	0	0	0
Others	20,543	1,647	1,851	2,100
CF from Investments	**10,379**	**-353**	**851**	**1,100**
Issue of Shares				
Inc/(Dec) in Debt	-11,054	-1,000	-1,000	-1,000
Inc/(Dec) in Lease	-1,365	-2,373	-3,200	-4,136
Interest Paid	-1,607	-1,288	-1,111	-933
Dividend				
CF from Fin. Activity	**-14,026**	**-4,662**	**-5,311**	**-6,069**
Inc/Dec of Cash	**-604**	**3,695**	**5,276**	**7,636**
Opening Balance	2,128	1,524	5,219	10,495
Other bank balance				
Closing Balance	**1,524**	**5,219**	**10,495**	**18,131**

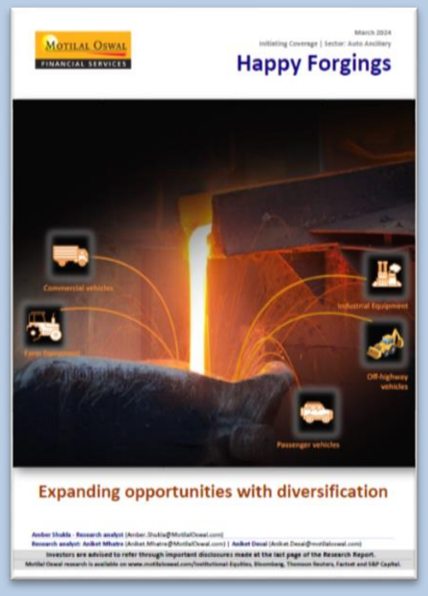
Note: FY24 cash flow is based on our estimates

NOTES

RECENT INITIATING COVERAGE REPORTS







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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Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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