

12 June 2024

Raymond Ltd – BUY

**CMP** : Rs. 2,548  
**Target Price** : Rs. 2,985  
**Upside** : 17%+  
**Stop Loss** : Rs. 2,294 (Closing basis)

## Investment Thesis

- Raymond Ltd. is a leading player in the domestic worsted suiting and apparel business with a strong brand image and a large retail network. As of March 31, 2024, the company had 1,065 retail outlets branded as The Raymond Shop (TRS) across India and abroad. Rationalised cost structure, tight control on working capital, improved cash flow management and healthy debt and cash surplus position after de-leveraging using FMCG business sale proceeds have led to net debt-free status, healthy financial risk profile, and strong liquidity.
- Raymond has a diversified revenue profile. In FY24, 36% of the revenue came from branded textiles, 17% from branded apparel, 11% from garmenting, 9% from high-value cotton shirting, 9% from engineering, and 17% from real estate businesses. Raymond owns well-known brands such as Park Avenue, Raymond's ready-to-wear, ColorPlus, and Parx. They have also introduced the made-to-measure (MTM) store concept for custom-fit solutions.
- Raymond's acquisition of MPPL and the reorganisation will strengthen the company's engineering business, increase scale, and improve capabilities in precision engineering products for automotive and aerospace sectors globally and domestically.
- In FY24 the engineering segment contributed 9% share to revenue. Raymond manufactures and markets steel files, cutting tools, hand and power tool accessories, ring gears, flexplates, and water pump bearings for auto components. Raymond is the largest manufacturer of steel files and holds about 65% of the domestic market share. Additionally, it has approximately 50% of the volume share in the domestic ring gears market, supplying passenger vehicle original equipment manufacturers (OEMs).
- Raymond also forayed into real estate development through 20 acres of its land piece in Thane in FY19, by launching its value project - Ten X, where it has sold ~91% of total inventory as of December 2023.

## Financials

- Raymond has registered a revenue of Rs. 9,020 Cr, up by 10% YoY and an EBITDA of Rs. 2,525 Cr, up by 28% YoY for FY24. The reported net profit stood at Rs. 1,643 Cr (including the FMCG sale), up by 206% YoY. The robust growth was driven by healthy performance in Branded Apparel, B2B shirting along with stellar growth in the Real Estate segment.

Particulars	FY21	FY22	FY23	FY24	FY25E
Revenue (Rs in Crs)	3,446	6,179	8,215	9,020	10,102
EBITDA (Rs in Crs)	126	711	1,230	2,525	2,425
Adj. PAT (Rs in Crs)	(304)	265	537	1,643	1,616
Adj. EPS (Rs.)	(44.62)	39.11	79.45	246.01	242.70
PE Multiple (x)	(51.4)x	58.7x	28.9x	9.3x	9.5x
RoE (%)	(15%)	12%	19%	36.1%	26.5%

## Stock Data

Market Cap (Rs. Crs)	16,963
Market Cap (\$ Mn)	2,030
Shares O/S (in Mn)	66.6
Avg. Volume (3 month)	313.93
52-Week Range (Rs.)	2,335 / 1,487

## Shareholding Pattern

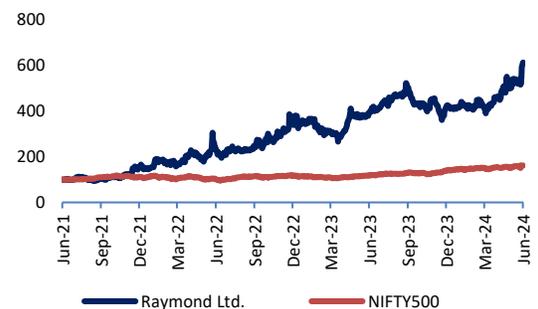
Promoters	49.11%
FII's	14.50%
Institutions	8.78%
Public	27.59%
Others (incl. body corporate)	0.03%

## Key Ratios

Div Yield	0.39%
TTM PE	10.1x
ROE	44.5%
TTM EPS (Rs.)	246.01/-

## Stock Performance

Performance (%)	1M	6M	1Yr
ABSOLUTE	18.9%	45.0%	55.9%
NIFTY500	12.3%	28.8%	18.5%



- Raymond reported its highest-ever quarterly revenue of Rs. 2,688 Cr in Q4 FY24, a 23% YoY growth. It also recorded highest ever EBITDA of Rs. 516 Cr with a record margin of 19.2%.
- Branded Textile segment revenue was maintained at Rs. 920 Cr with an EBITDA margin of 21.9%. Branded Apparel segment showed a healthy sales growth of 23% to Rs. 409 Cr. Garmenting segment revenue was Rs. 280 Cr with an EBITDA margin of 11.3%.
- High Value Cotton Shirting segment revenue grew by 14% to Rs. 213 Cr with an EBITDA margin of 11.5%. Engineering segment sales stood at Rs. 234 Cr with an EBITDA margin of 15.8%. Real Estate segment made total bookings of Rs. 840 Cr in Q4 FY24.

## Key Business Highlights

- Raymond completed the acquisition of 59.25% stake in MPPL for Rs. 682 crores on March 28, 2024 and will be included under the engineering segment.
- Following the arrangement, JKTL and RGCEL will become 66.3% subsidiaries of Raymond, holding the engineering and aerospace & defense businesses, respectively. RPAL and MPPL will cease to exist. The promoters of MPPL will hold the remaining 28.5% stake in these two entities, and the balance will be held by the minority shareholders.
- On April 27, 2023, Raymond announced the demerger of its Lifestyle businesses into RCCL. They also planned to convert RCCL into a listed entity by issuing 4 shares of RCCL for every 5 shares held in Raymond. As a result, RCCL will house the lifestyle business, including Branded Textile, Branded Apparel, Garmenting, and HV Cotton Shirting segments.
- With one of the largest retail store networks across India and overseas (1,065 The Raymond Store [TRS], 44 Made-to-Measure [MTM] stores, and 409 exclusive brand outlets as of March 31, 2024), Raymond has strengthened its position in the market. Raymond is actively expanding its dealership network to Tier 3 and 4 cities and towns, and currently has 20,000 touch points across the country.

## Valuation

Raymond is currently trading at a PE and EV/EBITDA of 10.2x and 8x respectively, jumping almost 1.5x in the past one year on the back of strong product mix and diversified revenue mix. This is significantly lower than the valuation of industry peers and discretionary companies, which are valued at ~29-30x PE.

We are ascribing a **BUY** rating for Raymond with a **Target Price of Rs. 2,985**, translating into an **upside of 17%+**.

## Risk & Concern

- Exposure to volatility in raw material prices
- Intense competition in the domestic apparel business
- Exposure to demand and implementation risks in the residential real estate business

## Graphs & Charts

Figure 1: Net Sales Trend (Rs. In Cr)

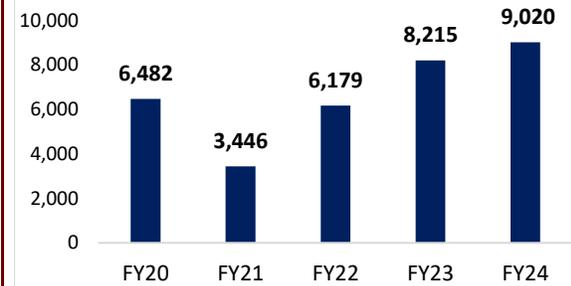


Figure 2: EBITDA & EBITDA Margin Trend

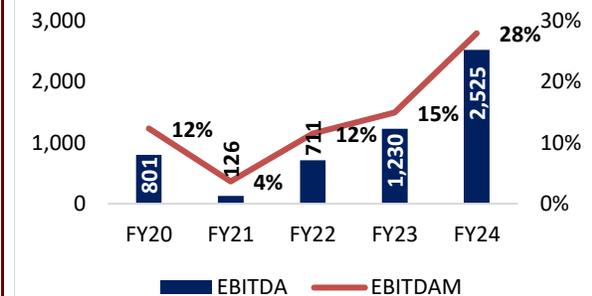


Figure 3: ROE & ROCE Trend

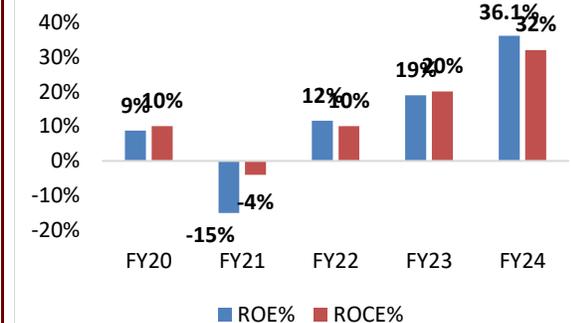
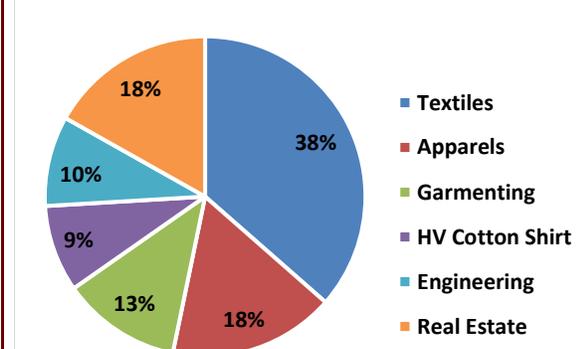


Figure 4: Revenue Split Product Segment Wise



**Name**  
**Shreya Hanchate**

**Designation**  
**Research Analyst**

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M/s. Bonanza Portfolio Ltd at Bonanza House, Plot No. M-2, Cama Industrial Estate. Walbhat Road, Goregaon (E), Mumbai – 400063  
Web site: <https://www.bonanzaonline.com>

Research Analyst Regn No. INH100001666

SEBI Regn. No.: INZ000212137

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