Raymond LIMITED

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May 13, 2024

To

The Department of Corporate Services - CRD
BSE Limited
P.J. Towers, Dalal Street
Mumbai - 400 001
Scrip Code: 500330

The National Stock Exchange of India Limited
Exchange Plaza, 5th Floor
Bandra-Kurla Complex
Bandra (East), Mumbai - 400051
Symbol: RAYMOND

Dear Sir/Madam,

Sub.: Intimation pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 –Conference Call Transcript

Please find enclosed transcript of the conference call held on May 6, 2024, with respect to the financial results of Raymond Limited for the fourth quarter and financial year ended March 31, 2024.

The transcript has also been uploaded on the Company’s website (www.raymond.in)

This is for your information and records.

Thanking you.

Yours faithfully,
For Raymond Limited

RAKESH MULJIBHAI DARJI
Digitally signed by RAKESH MULJIBHAI DARJI
Date: 2024.05.13 11:15:58 +05'30'

Rakesh Darji
Company Secretary

Encl.: as above

"Raymond Limited

Q4 FY '24 Earnings Conference Call"

May 06, 2024

MANAGEMENT:	**MR. S L POKHARNA – DIRECTOR – RAYMOND LIMITED** **MR. AMIT AGARWAL –GROUP CHIEF FINANCIAL OFFICER– RAYMOND LIMITED** **MR. SUNIL KATARIA – CHIEF EXECUTIVEOFFICER - LIFESTYLE BUSINESS–RAYMOND LIMITED** **MR. HARMOHAN SAHNI – CHIEF EXECUTIVE OFFICER – REALTY BUSINESS–RAYMOND LIMITED** **MR. JATIN KHANNA – HEAD OF CORPORATE DEVELOPMENT – RAYMOND LIMITED**
MODERATOR:	**MR. ABHIJEET KUNDU – ANTIQUE STOCK BROKING LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Raymond Limited Q4 FY '24 Earnings Conference Call hosted by Antique Stock Broking Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhijeet Kundu from Antique Stock Broking Limited. Thank you, and over to you, sir.

Abhijeet Kundu: Thank you, Steve. On behalf of Antique Stock Broking, I would like to welcome all the participants in the Q4 FY '24 conference call of Raymond Limited. Today we have with us from senior management of Raymond Mr. S L Pokharna, who is Director of Raymond Limited; Mr. Amit Agarwal, Group CFO; Mr. Sunil Kataria, CEO of Lifestyle Business; Mr. Harmohan Sahni, CEO of Realty business; and Mr. Jatin Khanna, Head Corporate Development. Without taking further time, I would like to hand over the call to Mr. Amit. Over to you, Amit.

Amit Agarwal: Thank you, Abhijeet. Good afternoon, everyone. Thank you for joining us today for the earnings call to discuss the results of the fourth quarter of fiscal 2024. I hope you would have received a copy of our results presentation. I would like to urge you to go through this along with the disclaimer slides.

Let me start with a brief overview of the market for the quarter. The quarter took off slowly as discretionary spending was low at the backdrop of inflationary pressure, resulting in toned down impulse purchases by the consumer. The K curve recovery persists with low-income households curtailing spending while there is an upsurge in consumption of high-income households. As March progressed, there was an uptick in sales due to pre-Eid shopping.

The Real Estate market maintains an upward momentum, driven by increasing residential demand with expectations for this trend to persist in the forthcoming quarters. Additionally, there is a rise in demand for affordable luxury residences, along with strong interest from first-time homebuyers.

Now let me talk about the fourth quarter of fiscal '24 performance. Raymond continues its growth momentum with the 11th consecutive quarter of growth, reporting the record- breaking performance, both in terms of revenue and profitability.

In the fourth quarter of 2024, Raymond reported its highest-ever quarterly revenue of ₹ 2,688 crores, showcasing a 23% year-on-year growth over ₹ 2,192 crores and increased by ₹ 238 crores on a quarter-on-quarter basis as compared to ₹ 2,450 crores reported in the third quarter of fiscal'24. The growth was driven by robust performance in our Branded Apparel, B2B shirting along with outstanding performance in the Real Estate sector.

I'm delighted to share that we have also achieved the highest-ever quarterly EBITDA of ₹ 516 crores in the fourth quarter of fiscal '24, with a record EBITDA margin of 19.2%. This marks a remarkable 36% year-on-year growth compared to ₹ 379 crores, an increase of ₹ 90 crores quarter-on-quarter from ₹ 426 crores in the third quarter of fiscal '24.

This being landmark 99th year of fiscal '24, Raymond delivered its highest ever annual revenue of ₹ 9,286 crores and an EBITDA of ₹ 1,575 crores with a margin of 17%. Despite subdued consumer demand and challenging market conditions, for the Lifestyle Business, Raymond's focused business approach across its operation led to robust growth in Branded Apparel, Garmenting as well as in the Real Estate segment, resulting in an impressive double-digit revenue growth of 11% in fiscal '24 as compared to previous year.

The Real Estate segment delivered stellar performance throughout the year, securing a total booking value of ₹ 2,249 crores. The record-breaking revenue and EBITDA performance underscores Raymond's resilience, strategic vision and unwavering commitment to excellence and paving the way for continued success in its centennial year and beyond.

Overall, with the increased sales and cost optimization, the company has been able to report the annual profit after tax of ₹ 655 crores, excluding the ₹ 983 crores profit gained out of the FMCG business sale, making a 24% increase compared to ₹ 529 crores in the previous year. Including the FMCG benefit of sales, company reported a net profit of ₹ 1,638 crores. Just to remind, during the year, Raymond Group sold its FMCG business for ₹ 2,825 crores. The strong business performance culminated in reporting highest ever EPS of ₹ 98 excluding the profit on sale of FMCG business as well as Board has recommended highest ever dividend of 100% to reward our valued shareholders for their continued support and trust.

The growth was led by branded apparel in which we successfully leveraged the core strength of the brand, coupled with our wide distribution network across the country. Despite muted consumer demand and weak market conditions, our strategic focus on expanding our distribution reach, as we demonstrated by opening over 200 new stores during the fiscal '24 and focusing on premiumization as well as casualization resulted in strong growth for our Branded Apparel segment, achieving a 20% growth compared to the previous year despite weaker retail industry.

In the Garmenting segment, we are in the process of expanding our garmenting capacity by about one-third to participate in China plus One adopted by most of the global brands. Also this capacity augmentation is in line with the government of India's Make in India initiative.

The Engineering segment performed well with resilient demand in the domestic market, while export orders were impacted due to challenges in the global market, and our future growth is led by completion of acquisition of Maini Precision in March '24, which forays into sunrise sector, aerospace defense as well as EV components positioning us for exciting opportunities and expansion in these high potential segments.

In fiscal '24, Raymond initiated major corporate actions aimed at securing long-term growth and enhancing shareholder value. These efforts were in line with our goal of achieving a net debt-free status and simplifying the group structure for maximum efficiency. Key initiatives included selling of the FMCG business for ₹ 2,825 crores, demerging the Lifestyle Business to unlock shareholder value and strategically acquiring the Maini Precision business. Moreover, achieving net debt-free status 2 years ahead of schedule highlights our commitment to financial prudence and sustainable growth model.

Now let me discuss about the segmental performance for the fourth quarter of fiscal '24. The Branded Textile segment revenue was maintained at ₹ 920 crores, a 2% growth over ₹ 902 crores in the fourth quarter of fiscal '23 despite muted consumer demand and challenging market conditions. The quarter saw mix trends with moderate consumer sentiment affecting sales in the first half, but an uptick was observed later in the quarter. The EBITDA margin remained broadly flat at 21.9%.

Let me talk about the branded apparel segment, which showed a healthy sales growth of 23% to ₹409 crores as compared to ₹ 332 crores during the fourth quarter of the previous year. In a weak market condition, our stated strategy of enhancing our distribution reach and network focus on premiumization, coupled with casualization led to growth in the Branded Apparel business. The growth was witnessed across all channels and brands with Park Avenue, Parx, Raymond Ready to Wear, and Ethnix by Raymond leading the front and well supported by the Colorplus brand. The segment delivered EBITDA margin of 13.4% in the fourth quarter of fiscal '24 as compared to 15.8% in the previous year. The EBITDA margin stood lower as compared to previous year because of increased investments in branding and category creation like 'Ethnix by Raymond' and other brands through additional spending on advertisement and marketing initiative to invest behind these brands.

We continue to strengthen our retail footprint as we opened 39 new stores during the quarter as well taking the tally to 1,518 stores as of 31st March 2024, which are spread across 600 towns and cities in India, including 114 exclusive outlets for the Ethnix by Raymond brand.

Now let me talk about the Garmenting segment where during the quarter, the revenue was ₹ 280 crores which is lower compared to previous years due to ongoing Red Sea crisis and geopolitical issues. However, we continue to acquire new customers and enhance our presence in newer geographies. During the quarter, a healthy EBITDA margin of 11.3%, a significant improvement from 6.6% compared to reported in the same quarter of previous year, mainly due to better product mix and enhanced operational efficiency.

Now let me talk about the High Value Cotton Shirting segment where the top line grew by 14% to ₹ 213 crores as compared to ₹ 187 crores in the previous year, led by demand for linen fabric offerings to our B2B customers in the domestic market. EBITDA margin for the quarter was marginally higher at 11.5% as compared to 10.4% in the previous year, mainly due to operational efficiency.

Now about the Engineering business which is consolidated in the JK Files & Engineering Limited on an aggregate basis, sales stood at ₹ 234 crores in the fourth quarter, a 7% growth as compared to ₹ 219 crores in the fourth quarter of last fiscal. The growth was driven by increased demand for our auto component in both domestic as well as export market, particularly for flex plates, bearings and ring gears. However, the engineering consumable category continued to be impacted due to sluggishness in export market. During the quarter, the business reported an EBITDA margin at 15.8%, which is slightly higher mainly due to better product mix. As part of our growth strategy in the Engineering sector, during the quarter, Raymond completed the business acquisition of Maini Precision Products Limited. With this strategic acquisition, Raymond Group forays into sunrise sector of aerospace, Defense, EV component business. We are streamlining our operations by consolidating business of JK Files which does engineering consumables, Ring plus (Auto Components), Maini Precision auto components, aerospace and defense. And simultaneously, through a composite scheme of arrangement, 2 new subsidiaries will be created, one which will focus on aerospace and defense, while the other would cater to the auto component and engineering consumable sector each charting its unique part of growth with a primary objective of value creation.

Raymond Limited will hold 66.3% in both the new subsidiaries, the remaining shares will be held by the Maini family and the minority shareholders, which is 28.5% and 5.2%, respectively. Just as a reminder that on a pro forma basis, for fiscal '24, the consolidated revenue of the Engineering business, including Maini Precision business was around ₹ 1,800 crore and the consolidated EBITDA in the Engineering group was ₹ 270 crores.

Now let me talk about the Real Estate segment during the quarter. In February '24, we have launched our first JV project outside of Thane land in Bandra Mumbai which has received an overwhelming response with approximately 62% of the launched inventory sold within 40 days.

Overall, during the quarter, we have seen a robust booking momentum and made a total booking of ₹ 840 crores across our projects. The construction momentum across all these projects is progressing well, demonstrating our commitment to timely delivery and adherence to high-quality standards. A comprehensive update on the construction status of our projects is provided in our investor presentation.

The real estate segment delivered stellar performance throughout the year, securing a total booking value of ₹ 2,249 crores. After the successful launch of our maiden projects, TenX Habitat, Address by GS Season 1 and TenX Era during the year, we have launched two new projects at Thane land, Address by GS Season 2 and the Invictus by GS project. Currently, we have five ongoing projects with ₹ 9,000 crores on our Thane land, with a further potential to generate ₹ 16,000 crores making a total potential revenue from Thane land of ₹ 25,000 crores to ₹ 27,000 crores of 100-acre Thane land over the next few years.

Additionally, we have signed two new JVs in Mahim and Sion. And with this put together, the revenue potential from the three JV projects including Bandra in MMR outside of our Thane land will be in excess of ₹ 5,000 crores. Our Raymond Realty business which offers affordable luxury apartments ranging from 1 to 4 BHK that caters to multiple segments of society and our proven ability to execute the project at a fast pace enabled the sales to increase by 134% to ₹677 crores in fourth quarter of fiscal '24 compared to ₹ 289 crores in the fourth quarter of fiscal '23 last year. The EBITDA margin of 25.3% for the quarter as compared to 24.3% in the same quarter of last year.

Now let me talk about the working capital and the cash flow. On the working capital front, with our continued focus on efficient management of working capital, we have worked on an absolute term that our net working capital stood at ₹ 2,319 crore as at end of March '24. During the quarter, we have completed the acquisition of Maini Precision resulting an increase in additional working capital of ₹ 316 crores. Excluding the impact of Maini Precision acquisition, our net working capital days would have been 68 days, which is lower by 3 days on a quarter-to-quarter basis from 71 days in December '23.

In fiscal year 2024, Raymond successfully completed the acquisition of MPPL. While the profit and loss statement of MPPL has not been consolidated into Raymond Financial the balance sheet figures have been consolidated, offering a glimpse into the company's combined entity financial. On the full year basis of fiscal '24, MPPL revenue was ₹ 935 crores and an EBITDA of ₹ 146 crores with an EBITDA margin of 15.6%.

On the balance sheet as reflected in Raymond's financial statements, the integration of MPPL's balance sheet has notably increased Raymond's asset base with gross current assets amounting to ₹ 534 crores, comprising inventory valued at ₹ 251 crores, receivable at ₹ 199 crores and other current assets totalling ₹ 84 crores with a current liability of ₹ 217 crores. This results in MPPL net working capital of ₹ 316 crores. Further, the consolidation of Maini operations has significantly augmented Raymond's net block by ₹ 1,244 crores.

Now let me talk about the consolidated debt position. Our total gross debt stood at ₹ 3,426 crores which comprises of external gross debt of ₹ 1,726 crores and NCD issued by Raymond Limited to Raymond Consumer Care Limited of ₹ 1,700 crores. We continue to maintain liquidity with cash and cash equivalents of ₹ 1,758 crores as on 31st of March 2024. And our net book stood at ₹ 1,667 crores, higher by ₹ 749 crores versus December '23, mainly due to acquisition of MPPL business for ₹ 682 crores and taken over net debt of ₹ 286 crore of MPPL. Post demerger and acquisition of MPPL. The Raymond group still holds a net cash level of ₹ 680 crores earmarked for growth capital.

The interest cost in the quarter is ₹ 104 crores which is higher by ₹ 40 crores as compared to ₹ 64 crores in the same quarter last year. The rise in interest cost can be attributed to several factors. An interest cost of ₹ 38 crores on the NCD issued to RCCL which will be netted off upon the completion of the demerger as the effective date is set for 1st April 2023 and Interest of ₹ 5 crores for the deferment of approval cost payment to MHADA for Bandra project.

Now let me provide an update on the demerger of the lifestyle business. The proposed demerger of the lifestyle business is progressing well as planned having already received SEBI, shareholder and creditor approval. Further, NCLT hearing is scheduled on 9th May for the approval of demerger. Upon completion, this demerger will result into 2 distinct net debt-free listed entities, one focused on lifestyle business and the other on real estate and engineering.

The first quarter began against the backdrop of cautious consumer sentiment, marked by moderate discretionary spending and subdued consumer demand amidst inflationary pressure. The persistent K-curve trend reflects the ongoing dynamic of the market. We are actively participating and addressing challenges including the constraints posed by limited wedding days in the first quarter and the impact of heat wave on the operations.

Aligned with our guidance, we are on track to expand our retail footprint, and over the next 18 months we plan to add almost 200 stores with the asset-light franchise model, led by increase in the store network for Ethnix by Raymond and all other apparel brands. In the real estate segment in February '24, we launched our first JV project in Bandra. And following an enthusiastic response from customers, we subsequently introduced a new tower in the same Bandra project in late March. The positive reception underscores customer confidence in our high-quality offering and the swift construction pace maintained throughout our projects. Furthermore, we are currently in advanced discussion to finalize new a new JDA's which we will come back to you. On our Engineering segment, auto ancillary segment is witnessing good growth. However, Engineering consumable business has been weak in the export markets.

To conclude, I would like to reiterate that Raymond Group will continue to have 3 distinct vectors of profitable growth. We are fully geared up in terms of unlocking the full potential at each of these businesses and with strong free cash flow and no major capex requirement, Raymond Group will maintain a net cash positive ongoing forward basis. Now we will take questions from all of you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Rohan from InCred.

Rohan: Congrats on a good set of numbers. I just want to check in the real estate division we basically launched Raymond Vibez. So I just wanted to understand the current numbers that are there in the PPT. Is that specifically just for TenX Habitat?

Harmohan Sahni: So TenX Vibez is actually part of Habitat itself. It's a sub product over there. There is convenience shopping, which we have branded as Vibez. So, it's a very small shopping area that we have, only 100-odd units, 0.04 million square ft. So, it's currently, it's fully sold out. So there is nothing that we have left.

Rohan: Understood, sir. And will we be having a similar concept in the other projects as well?

Harmohan Sahni: Well, it differs from project to project and depending on the location. This project was on a 30-meter wide road and it had frontage on the road. So there was an opportunity to do some convenience retail. It also helps the project since and this is the first project that we are delivering in the Thane land. So it's good to have convenience shopping for the residents as well. But it will be from project to project, we'll have to take this call.

Rohan: Sure, sir. And just one question on the branded apparel side, how do we expect the margins to sort of pan out in FY '25?

Sunil Kataria: So, as you have seen, we have been delivering margin in the range of around 12% to 14% overall post-IndAS EBITDA. We have been very clearly focused on investing behind branded apparel. There are two areas which are happening, one is distribution through retail expansion, and one is through advertising. So we will be continuing to invest behind – I don't know where the call got disconnected.

As I said we will be focused in the coming year as well in behind both store expansion as well as brand building. And there will be a strong investment which will go behind investment in marketing. But given that, despite that, I think we'll be focused on improving the gross margin and are looking at EBITDA margin in the current range itself.

Rohan: Sure, sir. Just one follow-up. For Ethnix, what have we ended the year at in terms of revenue? And if possible, can you give us a store count breakup across our brands, Park Avenue, Raymond and the others?

Sunil Kataria: Overall, okay. In Ethnix, we have mentioned that we have actually ended the 31st March at 114 stores. And that's almost close to doubling the numbers that we did in the last financial years. So overall today, we are at including Ethnix, we are at 409 stores, and which are broadly broken up across Park Avenue, ColorPlus and Raymond Ready to Wear and Ethnix stores. We would be, now we are targeting next year to add another 200-plus kind of stores across all our brands.

In Ethnix revenue, I would say right now, it's too premature to give you a run rate on Ethnix because this brand has a lot of seasonality. But I can tell you one thing, the traction that we have seen on this brand in the second half of the year when the season came in, it is pretty much in line with the expectations that we set for ourselves.

Moderator: Thank you. The next question is from the line of Sameer Gupta from India Infoline.

Sameer Gupta: Hi everyone and thanks for taking my question. Just taking it forward from where the previous participant left, some insights on the retail brand Ethnix. So you had 60 stores, around 60 stores at the start of the year. And if you can share broad parameters of performance here, sales per store, store-level EBITDA, working capital, dead stock. Any major key KRA's that you can share?

And what are the plans for Ethnix specifically in FY '25? How many stores are we targeting? Is it also going to be mostly franchisee-driven or it's going to be a mix of both? What is the current mix of franchisee plus company operated? So the Ethnix part a little bit, sir?

Sunil Kataria: So let me just take part of this. So actually, our mix of stores in Ethnix would be roughly, will be skewed more towards the franchisee model, would like to operate in a range of around 25%-odd company-owned stores primarily for our marquee stores, because there are stores which come across in malls, there are stores which come on very, very prime, high streets, which also serve as marketing brand building stores as well.

So when we see any such kind of properties, we'd like to do and obviously, there are some many large stores that we want to do. So in those areas, we'd like to do a company-owned store. Otherwise, we'll do franchisee asset-light model, so that ratio would be broadly 25:75 kind of ratio. That's how we look at the mix. The current mix is also broadly in the similar range.

In terms of store expansion, we are 114 stores which we ended the year at. I would like to definitely look at crossing around 200 stores next year. The markets remain good, and they come back strongly in the second half. We could even look at expansion further beyond that, but, yes, definitely, we're targeting to cross 200 in the coming year.

In terms of KRAs see as you all who track the market would know that this business has its own seasonality. And we also see a lot of changes which happen along with wedding phenomenon. So we have set certain KRAs, which are linked to each season. Where we are in terms of each of this, I think in terms of the numbers that we set out for us, I would say we are close to around 80% to 90% in that range of the first season that we set out for us.

And we are pretty much happy given the fact that even though quarter 4 had wedding days, it was still a muted and mixed wedding which panned out. Even though it's the brand's first year, but I think we have got a lot of things right in this brand. One, the product assortment is very, very appreciated by consumers. We've got our pricing right. We've got our store ambience right. We're getting it by and large in the right locations. I think the mix is looking good, and we're just hoping for coming good wedding season pans out second half of this year.

Sameer Gupta: Sunil, I understand that there is a seasonality, but roughly, the stores that started at the start of the year would have seen the whole season, right, the whole wedding season, one full wedding season. So any metrics on at least sales per store or margins or working capital that you can share would be helpful?

Sunil Kataria: At least one, sales per store, I would say there are certain parameters that we set out for us. I would not give you a number right now in terms of where we're tracking. But yes, if the goal is say 100, I would say that we have achieved around 80% to 90% in that range.

Because I would like to still see a full season. Because if you look at the store, which is set at around 12 months back also, the first half of last year was, again, pretty much non-wedding season. So what we have really seen is around 5 months of wedding season in this year. So for me to really put to a finger, okay, has the store seen a full two cycles of wedding season? I don't think so, I can't really comment on that right now. Because not a single store has seen these 2 full wedding seasons.

Probably, it is very premature for me to give you any number of any kind right now. It may lead to a different interpretation. But yes, I can tell you, that's just -- the number we thought we would, despite a very, very mixed bag of wedding season, especially in the JFM period, I think we're pretty satisfied with what we were able to do and the 80% to 90% range of that.

Sameer Gupta: Got it. And this full cycle two cycles you would expect to be done by end of FY '25 only, am I right?

Sunil Kataria: End of FY25 again because again if you see in the first half of this year, it's going to be a very different kind of a season that there are no weddings in the first full half this year. I mean, we've seen a very short wedding season of a week or so or 10 days or so in April and then there's no weddings at all until November.

Let me one input which I can further give you is that there is one new initiative we are doing parallelly on Ethnix is that we know why this business has its own very sharp seasonality. We are also doing some brand building around a new range called Smart Ethnix which is a casual ethnic which we believe over a period of time, can we build into a more everyday use, whether it's for the evenings, whether it's for hybrid work wear. So that is another segment that we have rolled out, and we are in this lean season, we have started brand building around that. It will take some time, but I believe this is another segment which can be built within the Ethnix brand itself.

Sameer Gupta: And what is the kind of ASPs in this particular Smart Ethnix?

Sunil Kataria: Smart Ethnix would have collections short kurtas, the very, very casual Ethnix shirts, bundi. This is all in the range of around anywhere between ₹2,500 to ₹4,000.

Moderator: The next question is from the line of Abhishek Nagaraj from Alts Wealth. Please go ahead.

Abhishek Nagaraj: This is kindly regarding the entire restructuring, the demerger and the purchase of Maini's stake. The first question is I wanted to understand how did the promoter shareholding in RCCL jumped from 49% to 54%, which is a 5% increase. I know in the presentation, it was mentioned that promoter infused 100% proceeds. So was it an equity allocation that was done? Like if you could just explain the entire structure thread there, it would be helpful.

Amit Agarwal: Yes, sure. Yes. Absolutely. So basically, if you see the RCCL which was holding the FMCG business, it was held 49% by the promoter and was 47% held by Raymond. Now when you do the demerger of the Raymond lifestyle business from Raymond Limited into the RCCL the share of the proceeds of ₹ 2,800 crores of almost like ₹ 1,400 crores was for the promoter family.

The promoter family did not take out the money and stayed invested. And by virtue of a swap ratio, the share swap ratio based on the valuation of the Lifestyle Business, his shareholding got increased from 49% to 54.8%. And that is the way and it has been done by the independent valuer. And at that point of time, if I recall, right, the valuation of the lifestyle business was kept approximately 80% of the total enterprise value of Raymond Limited including FMCG.

Abhishek Nagaraj: Just a follow-up on this. So the first question is, why did we choose RCCL as a company that it needs to get demerged into? Why couldn't it be a new entity in itself? Let me just complete the 2 questions which are interrelated and then we can open it up. The next question is I did go through the scheme of arrangement. Ray Global, which holds RCCL, which is something of a holding company right now, which is where the promoter stake, et cetera, has been divided, et cetera, right? The swap ratio for a holding company, which just holds RCCL is different from the swap ratio for RCCL itself, which is kind of what is resulting this into a 55% holding. I wanted to understand how did that happen.

Amit Agarwal: So first of all two things. If you look at it, the reason why the demerger of lifestyle business was done in the Raymond Consumer Care, the answer is very simple. Raymond lifestyle business had always an operating debt to the tune of ₹ 1,800 crores, ₹ 1,900 crores, whereas the cash which has come after the sales proceeds of the FMCG business was in RCCL. The best form was to do a demerger along with all its assets and liabilities and transfer it into the RCCL, so they can knock off the -- get between the external debt and the cash sitting in RCCL. So that is number one.

As far as the Ray Global Holdings is concerned, the Ray Global Holdings holds 100% of RCCL. So therefore, the value of Ray Global Holdings is typically the value of the cash realized or the sales proceeds realized by RCCL which is to the tune of ₹2,800 crores less of taxes, which is around ₹2,200. The swap ratio has been based on the ₹2,200 crores, which is the net of tax proceeds and the value of the Raymond lifestyle business. And that is why the SWAP ratio has been made and thereby, the increase in the shareholding has moved from 49% to 54.8%.

Moderator: Sorry to interrupt, sir. I would request Mr. Abhishek Nagaraj to please follow up in the question queue for a follow-up question. The next question is from the line of Kunjal Palan from Sohum Asset Managers.

Kunjal Palan: Yes. So in Slide 13 of the presentation, ₹ 40 crore is subtracted as corporate allocated from the segmental EBITDA. So as mentioned, this includes other income and corporate expenses. Can you give a breakup of how much will be the other income portion in this? And how much would be the corporate overhead? And going forward, do we expect the corporate overheads to remain at these levels? Or do we expect them to go up in the coming years?

Amit Agarwal: So, there is no change in whatsoever in the corporate overhead over the last year or so, because all the restructuring or reduction of the rationalization of the cost has been done in the last few years back and we are continuing with the reduced cost. So we are not expecting any significant change in whatsoever in the corporate expenses.

And as far as the other income is concerned, if you see in our SEBI financial, it is clearly highlighted that in the where is it, yes, in the other income for the quarter, it is given as ₹ 79.6 crores. And for the whole year, it stands to ₹ 266 crores which is primarily also includes some of the income, which are relating to the dealer network because there is a certain charge on interest on account of dealer network, which we do, and which is considered in the other income because it is a part of the business.

Moderator: Thank you. The next question is from the line of Kaushik Dani from Abans. Please go ahead.

Kaushik Dani: Congratulations on a good set of results. Okay. So also, in fact, I'm pleased to see that this time, the presentation has been pretty detailed and actually has solved a few of my queries. I think queries related to textiles, my previous participants have already answered. But I have got a question on the Maini acquisition. I think during the call, Amit said that there would be probably a demerger of the aerospace and defense business from the JK Files. I just wanted to know what sort of revenue profile the aerospace and defense business has? And are the margins really different from the current set of 15.5 sort of margins? That's my question.

Amit Agarwal: Yes, absolutely. You see the growth trajectory and the whole metal usage, you see the auto ancillary business as well as the engineering consumable primarily consumes steel whereas this business is the high noble alloys like titanium, inconel and such things. So that is one reason. Plus this business is more precision and the auto business is more like this large number, because you are catering to a very different segment. So therefore, we felt that it is appropriate and considering that we have reached a decent scale in both the businesses. So this business of aerospace which you are is in the range of ₹ 275 crores as we speak in terms of revenue and a very, very high growth potential. And obviously, the margin profile is significantly higher of this business, it's almost in the range of 25%.

Kaushik Dani: Okay. And this ₹ 275 crore is pro forma revenues or these are like total revenues?

Amit Agarwal: The aerospace total revenue.

Kaushik Dani: Okay. And then secondly, with regards to the real estate, I believe in the news media, it was said that based on the JDAs and whatever land parcel has, we could have annual revenues to the tune of ₹ 3,500 crores to ₹ 4,000 crores over the next 5 years. Am I right?

Amit Agarwal: So I will give you the numbers. What I said was, even today in the morning on the channels, I said based on the current bookings as you see, we have done ₹ 2,300 crores worth of presales bookings.

Going forward, what I talked about is in the 3 to 4 years, we should be talking about a revenue of ₹ 3,500 to ₹ 4,000 crores going forward, considering as we scale up more JDA projects like the Mahim and Sion, we have signed today and which will be starting, let's say, somewhere in the range of 15 months, 18 months.

So that will add to the further revenue. So that way, we see clear path for us anything between ₹ 3,500 crores to ₹ 4,000 crores revenue over the next 4 years, 5 years.

Kaushik Dani: And what sort of debt or external funds that could be required for this?

Amit Agarwal: Actually, as we speak today, we are sitting on a net cash positive in the Real Estate business. And based on the model which we have, we are not going to procure any land. It is all a JDA led model. And in the JDA led model, there is not so much needed in terms of a big large upfront payment.

And since our sales velocity and execution, it has a very, very fast pace. Our peak cash requirement does not require a significant amount of debt. So even if you, and at the end of the day Thane is also generating every year a significant amount of free cash flow. So we should be able to have a very decent leverage ratio in this business.

Kaushik Dani: Any targeted IRR for this?

Amit Agarwal: So we have said very clearly, the return on capital employed for this business is 25% for any of the JDA projects, which will be taken into.

Moderator: Thank you. The next question is from the line of Deepesh Agarwal from UTI Asset Management. Please go ahead.

Deepesh Agarwal: My questions are bookkeeping question for Amit. Amit, if I see the unallocable expenses adjusted for other income, since there is a sharp increase in other income, there seems to be a significant increase this year. What is that significant increase in the unallocable expenses?

Amit Agarwal: No. See, unallocable expenses is basically on account of, we mentioned, some of the advertisement and the expenditure we have considered also in the unallocable because it is for the Raymond and distributed all across. So that is one. And some of the parts are also relating to the acquisition and the expenditure which are incurred for the sale of the businesses like the FMCG business. These are the 2 businesses.

Deepesh Agarwal: Okay. So at an EBITDA level, we have an unallocable of almost ₹260 crores, ₹ 270-odd crores. So would this number be remaining in the same range or it will fall?

Amit Agarwal: So it will reduce further. Going forward, it will reduce further.

Deepesh Agarwal: And how should we think about the split of this when we go for demerger between, say, a lifestyle business and the real estate business?

Amit Agarwal: Yes. I think we are just on the working on it and I think by the next quarter, we should have that number ready.

Deepesh Agarwal: Okay. And the other question is, in the presentation, you mentioned a surplus cash of ₹ 680 crores. What is that adjustment? Because the working capital of Maini is some ₹ 312 crores. So if we make that adjustment, it doesn't come to?

Amit Agarwal: So two things. On Maini acquisition, we were sitting with a ₹ 1,500 crore cash. We paid before the 59% acquisition of Maini, close to ₹ 700 crores. And we also assumed a debt of ₹ 300 crores from the Maini working capital. So if you add the 2, that would result into an ₹ 682 plus, let's say, ₹ 1,000 crores, that would result that without the Maini acquisition, it would have been ₹1,700 crores cash.

Deepesh Agarwal: Okay. Sure, sure. And lastly, if you can help us understand what could be the strength of impact of Ethnix on the apparel margin, would Ethnix be loss-making at the current venture?

Amit Agarwal: We are looking at a gross margin basis. Because when you do the advertisement and others, it has both the advertisement cost for the Ethnix as well as it has the advertisement cost for other brands like Park Avenue and such. So therefore, for the gross margin, we are in line with the industry.

Below the gross margin as we continue to open up the stores and everything, EBITDA margin is something which is one does not need to look into. And we are also more focused on the gross margin than what we are buying the product and selling the product is absolutely appropriate or not.

Moderator: Thank you. The next question is from the line of Varun Singh from ICICI Securities. Please go ahead.

Varun Singh: First question is on the branded apparel business. Sir, what is the SSS for the quarter and also for the year for us?

Sunil Kataria: Sorry, what is the question, Varun? Can you repeat it? I couldn't hear you.

Varun Singh: Sir, what is our same-store sales growth number for the EBO revenue in the branded apparel business?

Sunil Kataria: Yes. So it is a mid-single-digit number, which we have talked in quarter 4, which I would say it in the positive side of the industry and the numbers would be a similar range for the year also.

Varun Singh: Okay, sir. And sir, my second question is in the Ethnix business, currently, what would be our revenue contribution looking like, meaning that what would be revenue share from the sherwani as a segment compared to non-sherwani or even the Smart Ethnix which is a differentiated set of proposition for us?

Sunil Kataria: Yes. So Smart Ethnix is just starting out. So as I said, it's a new launch, and when we would be able to comment on that, maybe I would say, 6 to 8 months down the line. Regarding sherwani, kurta and other segments, kurta roughly would contribute to roughly around 40% to 50%-odd of the business and then the rest would come from the other wedding wear which is like sherwani and Indo-westerns etc. Bundi would contribute another maybe roughly...

Varun Singh: Sir, sorry, I lost you. Bundi would contribute how much?

Sunil Kataria: Bundi would contribute around 10%-odd; kurtas would be around 40% to 45%-odd 40% to 50% in that range and the rest would come from sherwani and Indo-westerns the wedding ensemble. And one thing I also want to point out, the kurtas are also used during the wedding wear as well for ceremonies like the haldi, mehndi etc.

Varun Singh: Yes, understood. And sir, my last question is in the Ethnix segment, like how are we doing capital allocation with regards to ATL and BTL spends to build the brand?

Sunil Kataria: So in this segment, there's hardly any BTL, if you ask me. Actually, we doesn't see any promotions, any end of season sales, any discounting. So the entire capital allocation is on brand building which is above the line.

So we are investing very heavily behind two things. One is we need to establish the brand. So we need to clearly differentiate this is a retail destination brand for Ethnic wear and that is where campaigns are happening and the media is being spent across mass media as well as digital. So these two found the large part of our media budgets.

And then the second part of capital allocation budgets go behind retail store marketing because as we are opening more and more new stores, there's very clearly a module that is there on how we establish new store presence in that cash fund for the first 3 months to 4 months. So this is the money goes, BTL is negligible.

Moderator: The next question is from the line of Himanshu Nayyar from Systematix Group. Please go ahead.

Himanshu Nayyar: The first question would be on the demerger. So you said 9th May when the NCLT hearing is due. So assuming all goes well thereby, when can we expect the RCCL to get listed on the exchange, sir?

Amit Agarwal: I think the way it is progressing, Himanshu should be end of July, mid-August. That is the time frame which we are looking based on the process, what we have prepared the timeline chart, various approvals and processes which is required is basically a timely process. So we expect July end or mid-August, by that time in that 2-week period, we should be able to get it listed.

Himanshu Nayyar: Understood. And the second bit is now after consolidating Maini, we are still left with ₹ 700-odd crores of net cash. And the fact that there are no significant capex plans and our cash generation should only pick up, so has the management thought about medium-term capital allocation plan? I mean between the 3 large growth vectors that you talked about, how much will be allocating to which vector or what's our thought process there in terms of new inorganic opportunities as well?

Amit Agarwal: So, Himanshu, as we continue, we believe there is a lot of opportunity in each of the businesses, as Sunil talked about that there are adjacencies in the Lifestyle Business, which we have and which could create a larger opportunity where initially you need to invest money. Like the way you have seen in the Ethnix business, we have been able to expand to 114 stores. We are putting money behind the brand. So I think that is one very, very clear for us.

Second is the garmenting capex which we have talked that we are investing ₹ 200 crores of garmenting capex becoming the third largest suit maker in the world. And that is, again, a very, very revenue accretive and a good opportunity business as India getting China plus one and every other thing. So that is the second thing.

As far as engineering business we know they are generating cash flows, and we believe there is a consistent, we need to put capex in order to further expand the capacity and also to innovate and bring newer products. And especially in the aerospace and defense, there's a huge opportunity.

Today, India stands almost like 1%, 1.5% of the total aircraft component supply coming out of India. So there's a big opportunity there where we need to innovate and invest, not very large, but small, small investment needs to make in order to create a better opportunity for us. And obviously, the real estate, as I said, real estate is generating cash, which is deploying back the cash and putting money into the approval costs for the JDA which then eventually get started and with our sales velocity, let's say, 18 months, 24 months, 30 months, you again see that whatever the money you have spent starts to release back and gives you cash flow.

So I think we have all the three vectors of growth, which requires cash, and we should be adequately deploying there. As far as inorganic, anything interesting -- we never knew how the Maini Precision came and it became a significant acquisition and it's going to help the business improve all the profitability, revenue growth and the valuations of the various businesses. To unlock the shareholder value, this is again a great opportunity. So like that, we will be on a lookout but can't say as of now anything substantial is there.

Himanshu Nayyar: Understood. And final question, sir, would be on the B2B part of our lifestyle business, the garmenting and a high value cotton shirting. Given our product portfolio there looks like our margins are relatively lower to competition. So are we happy with the margins out there? Or where do you see margins heading from that 10%, 11% range in the medium term for the garmenting and cotton shirting businesses?

Sunil Kataria: Okay. I'll take the question on this. So if we see within the Garmenting business, we have actually been consistently improving our margins. They have moved very close to now 10%, 11% margins. And our current focus is on increasing the revenue of the garmenting business as well as improving...

Moderator: Ladies and gentlemen the line for Mr. Jatin has been dropped. Please wait for a moment while we reconnect them.

Jatin Khanna: No, I think Sunil's line has dropped.

Amit Agarwal: Let me take that question. No problem. Himanshu, I will take that question. Basically, if you see ,if you could recall, Himanshu, in the past, we were in that 7% range zone and we have moved to close to double digit now. And I think there is a constant effort. And as you expand these Garmenting lines, there's a lot of need for training retailers and the designers and all these people. Because when we supply to the top brand, they want a perfect suit or a trouser or a shirt.

So I think there is a lot of expenditure which goes into the training. But as we continue to expand, you would have that incremental training cost, which needs to be incurred in order to be on a better side of the product.

So that is one very clearly as well as high value cotton shirting you see the best part is that it is a good product to have in order to get the trend and especially the volumes as we continue to grow the branded shirting business. This is something where we can see opportunistically get a good margin. But we can't expect a 20% margin in a B2B business, what you see in our B2C business. So therefore, these businesses will always be in that mid-teens kind of a margin vis-a-vis the branded textile business which delivers 20-plus percent margin.

Moderator: Thank you. The next question is from the line of Sourabh Gilda from Motilal Oswal.

Sourabh Gilda: I had questions on the real estate business. Congrats on the good set of numbers. I just wanted to understand your pricing strategy for the Bandra project because it appears that it's quite healthy discount to the micro market.

So just wanted to understand how we have priced it. And secondly, during the launch of second tower, have we taken any prices? And third, for the overall project level, what is the margin that you're expecting?

Harmohan Sahni: So Sourabh, I don't think that impression is correct that we've launched it at a discount to the micro market. Now Bandra East is comprising of two micro markets. One is a developed market, which is towards BKC. And then when you cross the highway on the other side, that side is still developing. It is not fully developed in that sense.

So the pricing over there is in the range of ₹ 31,000, ₹ 32,000 going up to ₹ 33,000. There are players like Shapoorji and Rustomjee who are active there on that side of the market as well. So we've actually launched at a premium to all these players. So I don't know how you got that impression, because on the other side, the difference in pricing is almost ₹ 10,000 to ₹ 15,000. So that is a natural difference in the micro market pricing itself.

Sourabh Gilda: Okay. Understood. And any prices hike in the launch of second tower?

Harmohan Sahni: Yes. So we are on to our third tower now. And very soon, we will be launching the fourth one also. So we have already taken one price hike from the launch price.

Sourabh Gilda: Okay. Can you quantify it or?

Harmohan Sahni: It's ₹ 500 price hike we have taken.

Moderator: Thank you. The next question is from the line of Sanjay Parekh from Sohum Asset Management.

Sanjay Parekh: Congratulations. So I just wanted to understand a little bit, let's say that we could have a run rate of ₹ 3,500 crores to ₹ 4,000 crores per annum in real estate. And considering our margins at 25%, can we say that we will hit ₹ 1,000 crores EBITDA on a yearly basis very soon in Real Estate?

Amit Agarwal: Yes. Absolutely. I think that is a very clear path. If you see -- it looks very simple is that if I have made with the project being launched, ₹ 2,300 crores of presales booking for the year '23, '24 without really having a significant JDA project launched. And that reflects very clearly that over the next 4, 5 years, we should be able to get these kind of numbers as we continue.

And it is very simple math. We are talking a 10 million square feet if you do under construction, 2 million every year in a delivery between 4 to 5 years of project phase. You are talking in Bombay, nothing is less than ₹ 20,000 per square feet. So very comfortably, you can hit a ₹3,500 crores to ₹ 4,000 crores of sales.

Sanjay Parekh: Sure. Sure. And this would be what time frame? I just missed the time frame.

Amit Agarwal: 4 to 5 years.

Sanjay Parekh: 4 to 5 years is where we hit a run rate of ₹ 4,000 crores?

Amit Agarwal: Yes.

Harmohan Sahni: So Sanjay, I mean, just to add to what Amit just now said, that if you look at our trajectory, it has been quite fast-paced growth. But now we've hit a certain size. So going forward, you can expect, at least on presales, approximately about 18% to 20% growth rate. At least for the next 2 years, you can assume that. So even if you were to extrapolate that, what Amit is saying, will automatically happen in 3 years, 3.5 years.

Sanjay Parekh: Very helpful. Secondly, the Engineering business is less understood. So with this merger, how would this look like because the areas where you're catering, aerospace, defense, even auto ancillaries on exports potential is huge. So how do we think about this business in 3 years? And not getting to numbers, but how big can this become? Can you just guide us, please?

Amit Agarwal: Yes. Yes, sure. No, no, it is a very attractive. And absolutely, as you said, that this is something which we believe with the Make in India theme, it's a great opportunity for the engineering businesses where we can build a large-scale business.

So just to give you a perspective that the top 15 auto OEMs are covered in one way or the other between Ring Plus Aqua, our Raymond business or Maini Precision, which is the newly acquired business. So that is something it is very difficult to enter into the top OEMs. Now since we have already the top 15 OEMs, it helps us in order to move forward and get a larger piece of the business. That's number one.

The number two aerospace and defense, as I mentioned and responded to somebody else, that today, India is just about 1% to 1.5% of the global $100 billion aerospace component industry. Now considering that aspect, India the way it grows. Whatever opportunity is there, it is very easy for us because we have created a decent base of ₹ 275 crores. And we are into the Indian critical component and not the base. So in those components, what happens is you have once entry are made, you can be there for tens of years.

And then we are also in the EV component as well as if you see the Engineering business is going to be headed by Mr. Gautam Maini who is going to lead that business overall. And that he has been in this business for more than 40 years. So we got, in a sense, through this acquisition, a top technocrat entrepreneur to run the entire business.

So as you said 3 years to 4 years, we'll see. We have delivered in EBITDA to the tune of ₹ 275 crores in '23, '24, easily. It could be a larger ₹ 450 crores to ₹ 500 crores business over the next 4, 5 years.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today's call. I would like to hand the conference over to Mr. Amit Agarwal, Group CFO, for closing comments.

Amit Agarwal: Thank you very much. It was great talking to all of you and look forward talking to you in the next quarter.

Moderator: On behalf of Antique Stock Broking Limited, that concludes this conference. Thank you for joining us, and you may now disconnect.