

Current Reco	: BUY
Previous Reco	: BUY
CMP	: INR888
Target Price	: INR980
Potential Return	: 10%

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Market data

Sensex	:	33,043
Sector	:	Retail
Market Cap (INRbn)	:	54.4
Market Cap (USDbn)	:	0.837
O/S Shares (m)	:	61.4
52-wk HI/LO (INR)	:	925/458
Avg Daily Vol ('000)	:	700
Bloomberg	:	RWIN

Source: Bloomberg

Valuation

	FY17	FY18e	FY19e
EPS (INR)	7.3	20.3	38.2
P/E	122.3	43.7	23.2
P/BV	3.3	3.1	2.7
EV/EBITDA	22.5	13.9	10.1
Dividend Yield (%)	0.1	0.3	0.3

Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	11	10	16	41
Relative	6	7	5	20

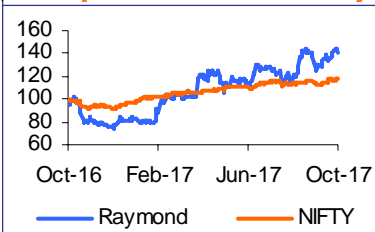
Source: Bloomberg

Shareholding pattern

Promoters	:	43%
Public	:	57%
Others	:	0%

Source: Bloomberg

Price performance vs Nifty



Source: Bloomberg Indexed to 100

2QFY18 RESULT REVIEW

Raymond Limited

Margin expansions driven by operational efficiencies

Raymond Ltd. (RW) Q2FY18 consolidated revenue came in at INR16bn, up 3% YoY (up 6% YoY adjusting for GST/Excise impact). RW reported highest EBITDA margin over last six quarters. In Q3FY18 management expects high single digit revenue growth and EBITDA margin to bounce back to pre-demonetization levels. We believe that increased focus on improving operational efficiency, building strong franchise based distribution network and enhancing product portfolio are likely to spur growth ahead. Maintain BUY with target price of 980.

Branded apparel business supports topline growth

Branded apparel business grew 21% on like to like basis on the back of strong reported by Raymond RTW brand (36%), Parx brand (35%) and Park Avenue brand (12%). Growth was led by strong trade demand ahead of festive season and extended EOSS period. Further, segments like tool & hardware and auto components also reported strong double digit growth, while the branded textiles, cotton shirting and garmenting segments clocked single digit growth.

Margin expansion on account of operational efficiency

Management's focus of improving operational efficiency has led to improvement in EBITDA margins by 200bps. Margins in all segments expanded YoY except garmenting business. Garmenting business was impacted due to appreciation of rupee and change in product mix.

Focus on building strong distribution network

RW added 54 stores (including 31 mini-TRS and 1 exclusive MBO) and closed 12 stores taking the count to 1142 stores. Of the new stores added, ~75% are franchise stores. Further, it completed renovation of 13 stores and currently 44 stores are under renovation.

PAT grew 47% adjusting for exceptional items

During the quarter management recognised exceptional loss due to VRS payment of INR291mn and also recognised gain due to fair value of transferable rights received of INR500mn. Adjusting for these one offs PAT still grew by 47% YoY.

Maintain BUY

On the back of improving margins and focus of management improving operational efficiency, we maintain our BUY recommendation on RW with a SOTP based target price of INR980.

Salient conference call highlights

Guidance for Q3FY18

Management expects high single digit revenue growth and EBITDA margin to bounce back to pre-demonetization levels. Capex guidance INR1bn of which INR0.15bn in new retail stores and renovation, INR0.2bn in Amravati plant, INR0.2bn in Ethiopia plant and balance INR0.45bn for maintenance capex.

Advertisement spend

Advertisement spend to be in the range of 4-5% of revenue in the lifestyle business.

Miscellaneous

Offtake was relatively lower in the initial days of October month due to slow down in consumption and continued deep discounting by e-commerce players.

Quarterly Financials

(INRm)	Q2FY18	Q2FY17	YoY (%)	Q1FY18	QoQ (%)
Net Sales	15,955	15,535	2.7	11,969	33.3
RM/Purchased Goods Cost	7,420	7,428	(0.1)	4,897	51.5
Gross Profit	8,535	8,107	5.3	7,072	20.7
Gross Margin (%)	53.5	52.2	131	59.1	(559)
Operating Expenses	7,162	7,082	1.1	6,688	7.1
EBITDA	1,373	1,026	33.8	384	257.5
EBITDA Margin (%)	8.6	6.6	200	3.2	540
Depreciation	386	332	16.4	379	1.7
Other Income	209	304	(31.2)	430	(51.3)
Interest Expense	457	457	0.1	435	5.2
Exceptional Items	155	(52)	(398.3)	-	NA
Profit Before Tax	895	490	NA	(0)	NA
Tax Expense	237	179	32.2	6	NA
Net Profit	658	311	111.6	(6)	NA
Share of Associates	(35)	(45)	NA	(53)	(34)
Minority interest	(23)	(16)	NA	(14)	NA
Reported PAT	600	250	139.9	(73)	NA
Adjusted PAT	445	302	47.3	(73)	NA
EPS (INR)	7.2	4.9	47.3	(1.2)	NA

Source: Company, Antique

Segment Revenue

(INRm)	Q2FY18	Q2FY17	YoY (%)	Q1FY18	QoQ (%)
Branded Textiles	7,722	7,878	(2.0)	5,723	34.9
Branded Apparel	4,193	3,704	13.2	2,699	55.3
Garmenting	1,843	1,856	(0.7)	1,436	28.4
High-Value Shirting	1,498	1,478	1.4	1,311	14.3
Tools & Hardware	904	878	3.0	871	3.8
Auto Components	527	415	27.1	537	(1.9)
Miscellaneous	9	9	-	20	(55.7)
Total	16,695	16,217	2.9	12,597	32.5
Intersegment	741	682		628	
Total Revenue	15,955	15,535	2.7	11,969	33.3

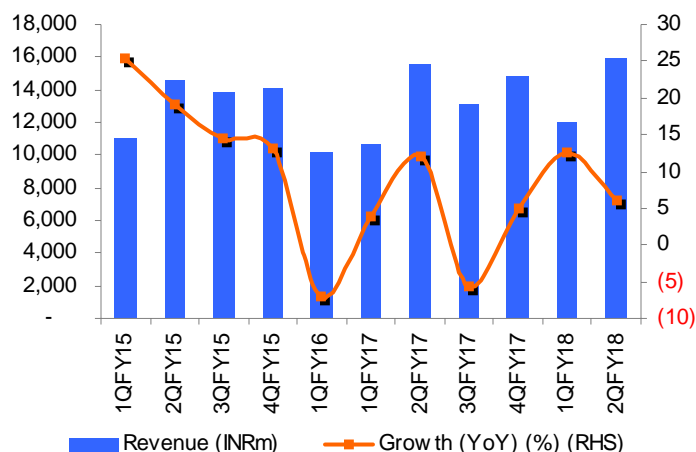
Source: Company, Antique

Segment EBITDA Margin

(INRm)	Q2FY18	Q2FY17	YoY (bp)	Q1FY18	QoQ (bp)
Branded Textiles	16.4	14.8	160	10.0	640
Branded Apparel	3.2	1.6	160	(2.4)	560
Garmenting	3.6	10.1	(650)	6.1	(250)
High-Value Shirting	11.4	10.0	140	9.6	180
Tools & Hardware	9.0	3.0	600	6.8	220
Auto Components	25.5	16.3	920	19.5	600

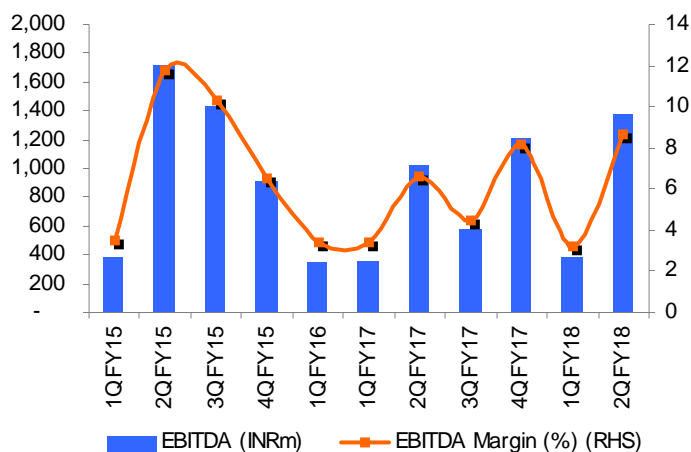
Source: Company, Antique

Consolidated Revenue Trend



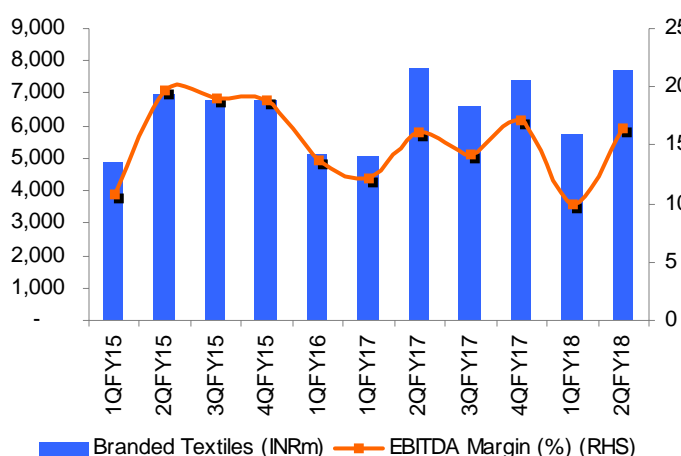
Source: Company, Antique

Consolidated EBITDA Trend



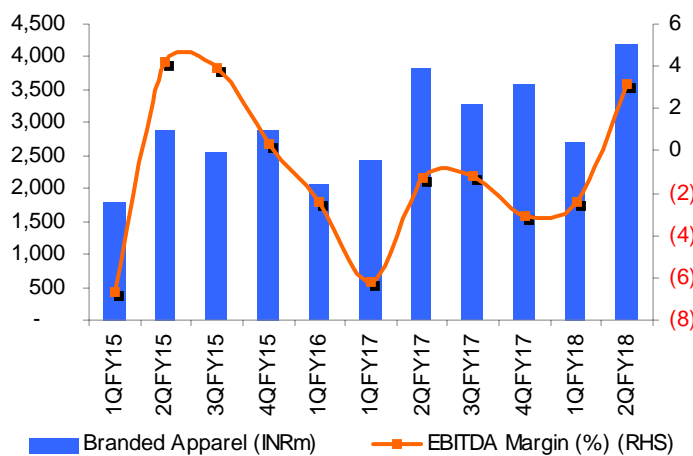
Source: Company, Antique

Branded Textiles Performance Trend



Source: Company, Antique

Branded Apparel Performance Trend



Source: Company, Antique

SOTP Valuation

(FY19E)	EBITDA (INRm)	Multiple (x)	EV (INRm)
Branded Textiles	6,118	12.0	73,418
Branded Apparel	1,259	20.0	25,181
Cotton Shirting Fabric	709	6.0	4,251
Garmenting	1,058	6.0	6,348
Tools & Hardware	163	8.0	1,307
Auto Components	355	10.0	3,549
Total	9,662	11.8	114,054
Elimination	3,285	11.8	38,778
Segment EV	6,377	11.8	75,276
Cash & Investments			4,756
JV/Associates (RW Share)			693
Total Debt			20,398
Intrinsic Market Cap			60,327
Outstanding Shares (mn)			61.4
Fair Value Per Share (INR)			980

Source: Company, Antique

Financials

Profit and loss account (INRm)

Year ended 31 Mar	2015	2016	2017	2018e	2019e
Revenue	53,326	51,406	53,533	60,773	70,801
Expenses	49,058	47,534	50,485	55,920	64,424
EBITDA	4,268	3,872	3,048	4,853	6,377
Depreciation & Amortisation	1,619	1,589	1,569	1,782	1,911
EBIT	2,649	2,283	1,479	3,071	4,466
Interest Expense	2,004	1,897	1,780	2,090	1,867
Other income	952	1,190	1,179	912	850
Profit before tax	1,597	1,576	878	1,893	3,449
Tax Expenses	439	465	218	606	1,104
Profit after tax	1,158	1,111	660	1,287	2,345
Extraordinary Items	0	(352)	(101)	-	-
M.I. / Share of Associate Profit	(31)	103	(214)	(40)	-
Reported PAT	1,128	862	345	1,247	2,345
Adjusted profit after tax	1,128	1,215	446	1,247	2,345
Adjusted EPS (INR)	18.4	19.8	7.3	20.3	38.2

Balance sheet (INRm)

Year ended 31 Mar	2015	2016	2017	2018e	2019e
Share Capital	614	614	614	614	614
Reserves & Surplus	15,328	16,110	16,117	17,223	19,348
Networth	15,942	16,723	16,731	17,837	19,962
Minority Interest	729	648	693	693	693
Debt	19,543	20,627	21,398	20,398	18,898
Capital Employed	36,214	37,999	38,822	38,928	39,552
Gross Fixed Assets	11,815	13,199	14,699	17,699	18,699
Accumulated Depreciation	-	(1,569)	(3,127)	(4,909)	(6,820)
Net Assets	11,815	11,630	11,572	12,790	11,879
Goodwill on consolidation	10	115	115	115	115
Capital work in progress	1,947	2,403	4,121	2,000	500
Non-Current Investments	1,989	2,457	2,523	2,523	2,523
Current Assets, Loans & Adv.	29,657	31,841	33,327	36,047	41,601
Inventory	10,762	11,732	12,887	13,986	15,518
Debtors	9,428	10,448	10,507	11,322	12,608
Cash & Current Investments	4,542	4,737	4,664	4,756	6,505
Loans & advances and others	4,924	4,923	5,270	5,983	6,970
Current Liabilities & Prov.	9,767	11,049	13,554	15,264	17,783
Creditors	5,072	5,888	7,734	8,658	10,087
Other liabilities & provisions	4,695	5,161	5,819	6,606	7,696
Net Current Assets	19,890	20,792	19,773	20,783	23,818
Deferred tax assets/(liabilities)	563	601	717	717	717
Application of Funds	36,214	37,999	38,822	38,928	39,552

Per share data

Year ended 31 Mar	2015	2016	2017	2018e	2019e
No. of shares (m)	61.4	61.4	61.4	61.4	61.4
BVPS (INR)	259.7	272.5	272.6	290.6	325.2
CEPS (INR)	44.7	45.7	32.8	49.3	69.3
DPS (INR)	3.0	3.0	1.3	3.0	3.0

Margins (%)

Year ended 31 Mar	2015	2016	2017	2018e	2019e
EBITDA	8.0	7.5	5.7	8.0	9.0
EBIT	5.0	4.4	2.8	5.1	6.3
PAT	2.1	2.4	0.8	2.1	3.3

Source: Company, Antique

Key assumptions

Year ended 31 Mar	2015	2016	2017	2018e	2019e
Branded Textiles growth YoY %	23.8	6.2	0.5	12.0	15.0
Branded Apparel growth YoY %	15.5	10.6	13.6	18.0	20.0
Branded Apparel EBITDA margins (%)	1.2	2.0	(0.9)	3.5	7.0
Ad spends (%)	4.3	4.2	4.4	5.5	5.5

Cash flow statement (INRm)

Year ended 31 Mar	2015	2016	2017p	2018e	2019e
PBT	1,597	1,673	619	1,893	3,449
Depreciation & amortisation	1,619	1,589	1,569	1,782	1,911
Interest expense	2,004	1,897	1,780	2,090	1,867
(Inc)/Dec in working capital	(204)	(489)	638	(917)	(1,287)
Tax paid	(655)	(492)	(350)	(606)	(1,104)
Others	21	(832)	(990)	(912)	(850)
CF from operating activities	4,381	3,346	3,266	3,330	3,986
Capital expenditure	(2,238)	(2,222)	(2,779)	(3,000)	(1,000)
Inc/(Dec) in investments	(261)	(451)	(146)	-	-
Income from investments	1,101	566	729	912	850
CF from investing activities	(1,399)	(2,108)	(2,196)	(2,088)	(150)
Inc/(Dec) in debt	(225)	916	982	(1,000)	(1,500)
Dividend / Interest paid	(2,275)	(2,096)	(2,199)	(2,311)	(2,088)
Other Adjustments	(862)	(862)	-	40	-
CF from financing activities	(3,362)	(2,041)	(1,216)	(3,271)	(3,588)
Net cash flow	(379)	(803)	(146)	(2,029)	249
Opening balance	4,851	4,542	4,737	4,664	4,756
Closing balance	4,472	3,739	4,591	2,635	5,005

Growth indicators (%)

Year ended 31 Mar	2015	2016	2017	2018e	2019e
Revenue	17.3	(3.6)	4.1	13.5	16.5
EBITDA	(11.1)	(9.3)	(21.3)	59.2	31.4
PAT	4.8	(23.6)	(60.0)	261.3	88.1
EPS	(21.1)	7.7	(63.3)	179.8	88.1

Valuation (x)

Year ended 31 Mar	2015	2016	2017	2018e	2019e
P/E	48.3	44.9	122.3	43.7	23.2
P/BV	3.4	3.3	3.3	3.1	2.7
EV/EBITDA	15.8	17.5	22.5	13.9	10.1
EV/Sales	1.3	1.3	1.3	1.1	0.9
Dividend Yield (%)	0.3	0.3	0.1	0.3	0.3

Financial ratios

Year ended 31 Mar	2015	2016	2017	2018e	2019e
RoE	7.6	6.8	3.9	7.4	12.4
RoCE	10.7	9.5	7.0	10.4	13.8
Debt/Equity (x)	1.2	1.2	1.3	1.1	0.9
EBIT/Interest (x)	1.3	1.2	0.8	1.5	2.4

Source: Company Antique

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