

Raymond LIMITED

SECRETARIAL DEPARTMENT

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Maharashtra, India
CIN No.: L17117MH1925PLC001208
Tel: (91-22) 4036 7000 / 6152 7000
Fax: (91-22) 2541 2805
www.raymond.in

February 08, 2019

To

The Department of Corporate Services - CRD
BSE Limited
P.J. Towers, Dalal Street
Mumbai - 400 001
Fax No. 22722037 / 39 / 41
Scrip Code: 500330

The National Stock Exchange of India Limited
Exchange Plaza, 5th Floor
Bandra-Kurla Complex
Bandra (East), Mumbai - 400 051
Fax No. 6641 8125/26
Symbol: RAYMOND

Luxembourg Stock Exchange
SOCIETE DE LA BOURSE DE LUXEMBOURG,
35A, Boulevard Joseph II,
L-1840 Luxembourg
Trading Code : USY721231212

Dear Sir/Madam,

Sub: Clarification on Media Report

We enclose herewith our clarification related to the media report on Raymond Limited published on February 7, 2019 on the website *Bloomberg Quint*.

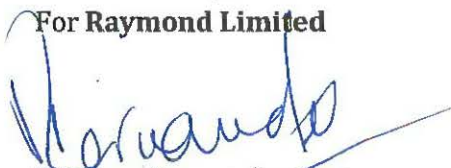
We reiterate that our related party transactions are undertaken in compliance with laws. We have taken appropriate approvals, made relevant disclosures and undertaken all related party transactions on an arm's length basis, which has been certified by independent reputed accounting firms.

We request you to take the above information on record.

Thanking you,

Yours faithfully,

For Raymond Limited



Thomas Fernandes
Director - Secretarial &
Company Secretary

Encl.: a/a

REGISTERED OFFICE

Plot No. 156/H No. 2, Village Zadgaon,
Ratnagiri - 415 612, Maharashtra
Tel: (02352) 232514
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CLARIFICATION ON RECENT MEDIA REPORTS

The information carried in the media story relating to related party transactions is entirely misleading and misconstrued. We categorically place on record that all Related Party transactions are transparently disclosed and are at arm's length in the ordinary course of business. Additionally, these are reviewed quarterly by Auditors and are subjected to annual review by competent professional firms for "Arm's Length Price" test in accordance with Companies Act. Raymond Limited has regularly made all relevant related party disclosures in its Annual Report.

Specific responses to the points raised are given below:

- 1) It has been indicated that Raymond has been selling goods to JK Investors (Bombay) Limited only to buy them back at a higher price without clear reason. It is also mentioned that JK Investors (Bombay) Limited bought goods worth Rs 993 Crore and sales to Raymond was Rs 1613 Crore over the last four financial years.*

In 2014, Raymond Limited with an objective to expand and scale up shirting business needed the services for converting the bulk fabric into marketable lots for retail stores, carry out final inspection of quality and provide warehousing facilities as well as efficient logistic services.

JK Investors (Bombay) Limited (JKIL), a public limited company, is engaged in the business of manufacturing textile products and undertakes various activities such as designing, sourcing, packing, sorting and selling shirting fabrics. JKIL is an established player in the field for more than 20 years. JKIL also undertakes weaving of yarn into suiting fabric on job work basis. JKIL has state of art infrastructure such as 1.70 lac square feet leased warehouse with the facilities of inspection and testing of fabric, employing more than 500 employees (directly and indirectly). The facilities are qualified as factory with necessary regulatory approvals.

Raymond Limited entered into an agreement in April 2014 with JKIL to utilize its expertise and infrastructure to design, sourcing of large lot of shirting fabrics from multiple sources, carrying out quality and inspection checks, sizing into retail lots, packaging, warehousing, logistics and invoicing to retail.

JKIL sources bulk shirting fabric from Raymond Luxury Cotton Limited (RLCL), an erstwhile JV Company and now a subsidiary of Raymond Limited and other third party vendors. Total cost of purchases for the mentioned period was Rs 1,478 Crore out of which Rs 993 Crore was from RLCL and balance of Rs 485 Crore from third parties.

These transactions are on a principal to principal basis on competitive pricing and are duly audited as well as tested for arm's length pricing. Annualized sales are approximately Rs 400 Crore with net margin (before tax) averaging less than 4% amounting to Rs 15 Crore per annum.

- 2) What is the rationale for payment of Job work charges of Rs 30.44 Crore to JK Investors (Bombay) Limited?

For the total Yarn produced in Raymond Limited, 80% of weaving is done in-house and 20% is outsourced. Accordingly, the yarn produced in the factories is partly outsourced to third parties on job work for weaving. JKIL has also put up its weaving facilities with total work force of around 200 and it is one of the multiple processors engaged by Raymond Limited. Average annual processing charges for last four years accruing to JKIL are Rs 7.90 Crores which is on an arm's length basis. The average income after all costs (before tax) for JKIL is Rs 0.60 Crore per annum.

- 3) JKIL was also paid Rs 22.85 Crore sales commission by Raymond. It suggests that Raymond Limited was paying the promoter entity a commission to sell to Raymond Limited

Raymond Limited has 17 selling agents throughout the country. The Selling Agent is responsible for: Market promotion, facilitate the Company in the appointment of the Dealers, engage with the customers/potential customers of the Company such as dealers, distributors, franchisees, stockist, retailers, institutional buyer, garment makers, wholesalers etc. They are responsible for collection of orders from the Dealers and other customers appointed by the Company. The Selling Agent is responsible for the full collection of dues from Customers and surveillance of the market for identifying counterfeit activities.

Raymond pays 2.5% agency commission to all agents on sales collected through them. JKIL is an agent of Raymond Limited for two territories viz Andhra Pradesh and Maharashtra (excluding Mumbai). The annual average gross commission earned by JKIL is Rs 5.6 Crore over last four years.

- 4) *In the last four years – JK Investors (Bombay) earned a total profit of Rs 183.16 Crore. That's about 45 Crore on an average per year just a little less than half of Raymond's average profit in the same period.*

The cumulative profit after tax of JKIL was Rs 183.1 Crore for four years which includes one-time capital gain on sale of property amounting to Rs 95.12 Crore (Rs 91.95 Crore net of tax), duly disclosed in financial statements for the financial year ended March 31, 2018. Therefore, business profit after tax excluding one-time gain is Rs 91.15 Crore of which approximately 45% pertains to dividend income, income on other financing activity and rental income on property. The balance 55% (Rs. 12.8 Crore on average annualized basis) pertains to job work charges, agency commission and income from fabric business.

It will be seen from the above and independently verifiable from public records, that the said media outlet has been grossly irresponsible in publishing its doubts and conjecture as "investigation."