



# Raymond

## Rising returns

### Revenue in line with estimates

Raymond (RW IN) revenue grew by 13% YoY to INR 12.0bn while EBITDA margin expanded 30bp YoY to 3.2%, leading to EBITDA growth of 23% YoY, due to operating leverage in branded apparels. Segment-wise, branded textiles posted revenue growth of 11%. Branded apparels revenue rose by 17% YoY to INR 2.7bn, owing to advancement of end-of-season sale and the wedding season. EBITDA margin of the branded textiles contracted by 50bp to 10%; branded apparels on the other hand recovered by 90bp to -2.6%. PAT recovered from a loss of INR 156mn to INR 59mn.

### Management strategy to boost revenue; profit in tact

Around 45% of 32 new stores added in Q1FY18 were on the franchise model, in line with the asset-light network expansion strategy. The company reported healthy blended same store sales growth (SSSG) of 20% YoY and sales growth of 25% across the exclusive network. Raymond's focus on product innovations like *TechnoSmart* series and *Raymond Whites, Made to Measure* portfolio expansion, revamping distribution by renovating stores and channel expansion through MBO & EBO will drive branded textiles and apparels growth over FY17-19. We expect a revenue CAGR of 12% over FY17-19E, with a 210bp margin gain. During Q1FY18, non-core business profitability improved sharply as revenue grew by 5% and EBITDA by 78%, led by 100% growth in tools and hardware EBITDA. With profitable sales growth momentum maintained in the non-core businesses, we expect the company to unlock value in them to deleverage.

### Valuation: retain Buy with new TP of INR 996

We reiterate **Buy** with a new target price of INR 996 from INR 894 based on 9.9x (from 7.5x) FY19E EV/EBITDA. We increase our branded textiles EV/EBITDA to 12.0x (from 8.0x), as we believe the branded textiles business deserves a higher multiple than textiles peers. We also believe the land parcel development will be the key trigger, coupled with an expected improvement in gross margin and scale benefits with operating leverage on discretionary marketing expenses to bolster EBITDA in FY18. We reiterate our **Buy** rating.

| (INR mn)               | Q1FY18 | Q1FY17 | YoY (%) | Q4FY16 | QoQ (%) | Q1FY18E | Variance (%) |
|------------------------|--------|--------|---------|--------|---------|---------|--------------|
| Net Sales              | 11,969 | 10,574 | 13.2    | 14,736 | (18.8)  | 11,913  | 0.5          |
| Operating Expenses     | 11,585 | 10,263 | 12.9    | 13,609 | (14.9)  | 11,366  | 1.9          |
| % of Sales             | 96.8   | 97.1   | (0.3)   | 92.4   | 4.8     | 95.4    | 1.5          |
| EBITDA                 | 384    | 311    | 23.4    | 1,127  | (65.9)  | 548     | (29.9)       |
| EBITDA Margins (%)     | 3.2    | 2.9    | 0.3     | 7.6    | (4.4)   | 4.6     | (30.2)       |
| Interest               | 435    | 453    | (4.0)   | 418    | 4.0     | 487     | (10.9)       |
| Other Income           | 430    | 315    | 36.3    | 322    | 33.7    | 304     | 41.1         |
| PBT                    | (53)   | (218)  | (75.9)  | 436    | (112.1) | (92)    | (42.5)       |
| Tax                    | 6      | (63)   | (109.7) | 99     | NA      | 27      | (77.8)       |
| Effective Tax Rate (%) | 11.6   | (28.8) | (140)   | 22.7   | (49.0)  | 30.0    | (61.3)       |
| Net Income             | (59)   | (156)  | (62.3)  | 337    | (117.4) | (64)    | (8.4)        |
| EPS (INR)              | (1.2)  | 2.7    | (143.5) | 5.4    | (122.0) | (1.9)   | (39.1)       |

| Key Financials | Revenue  | YoY   | EBITDA   | EBITDA     | Adj PAT  | YoY    | EPS   | RoE | RoCE | P/E   | EV/EBITDA |
|----------------|----------|-------|----------|------------|----------|--------|-------|-----|------|-------|-----------|
| YE             | (INR mn) | (%)   | (INR mn) | margin (%) | (INR mn) | (%)    | (INR) | (%) | (%)  | (x)   | (x)       |
| March          |          |       |          |            |          |        |       |     |      |       |           |
| FY16           | 51,768   | (2.9) | 4,140    | 8.0        | 1,464    | 33.7   | 13.8  | 8.7 | 7.4  | 58.2  | 15.1      |
| FY17           | 53,913   | 4.1   | 3,172    | 5.9        | 761      | (48.0) | 4.2   | 4.4 | 4.5  | 193.3 | 19.7      |
| FY18E          | 60,608   | 12.4  | 4,078    | 6.7        | 806      | 6.0    | 13.1  | 4.6 | 6.2  | 61.2  | 15.3      |
| FY19E          | 67,507   | 11.4  | 5,405    | 8.0        | 1,233    | 53.0   | 20.1  | 6.8 | 9.0  | 40.0  | 11.6      |

Note: pricing as on 26 July 2017; Source: Company, Elara Securities Estimate

## Rating: Buy

Target Price: INR 996

Upside: 24%

CMP: INR 804 (as on 26 July 2017)

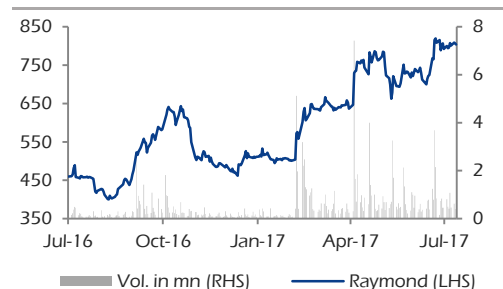
### Key data

| Bloomberg/Reuters Code       | RW IN/RYMD.BO |
|------------------------------|---------------|
| Current/Dil. Shares O/S (mn) | 61/61         |
| Mkt Cap (INR bn/USD mn)      | 49/767        |
| Daily Volume (3M NSE Avg)    | 716,616       |
| Face Value (INR)             | 10            |

1 USD = INR 64.4

Note: \* as on 26 July 2017; Source: Bloomberg

### Price & Volume



Source: Bloomberg

| Shareholding (%)        | Q2FY17 | Q3FY17 | Q4FY17 | Q1FY18 |
|-------------------------|--------|--------|--------|--------|
| Promoter                | 43.0   | 42.9   | 43.1   | 43.1   |
| Institutional Investors | 21.8   | 22.5   | 24.4   | 27.8   |
| Other Investors         | 11.6   | 10.6   | 11.2   | 8.3    |
| General Public          | 23.6   | 24.0   | 21.4   | 20.8   |

Source: BSE

| Price performance (%)         | 3M    | 6M    | 12M   |
|-------------------------------|-------|-------|-------|
| Sensex                        | 7.5   | 16.9  | 15.7  |
| Raymond                       | 6.1   | 56.1  | 76.8  |
| Aditya Birla Fashion & Retail | 4.4   | 18.9  | 19.2  |
| Arvind                        | (8.9) | (0.7) | 21.3  |
| Kewal Kiran Clothing          | (0.6) | (2.3) | (4.3) |

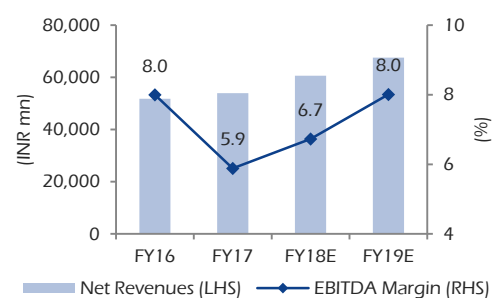
Source: Bloomberg

## Financials (YE March)

| Income Statement (INR mn)               | FY16          | FY17          | FY18E         | FY19E         |
|---|---------------|---------------|---------------|---------------|
| Net Revenues                            | 51,768        | 53,913        | 60,608        | 67,507        |
| <b>EBITDA</b>                           | <b>4,140</b>  | <b>3,172</b>  | <b>4,078</b>  | <b>5,405</b>  |
| Less :- Depreciation & Amortization     | 1,589         | 1,569         | 1,837         | 2,117         |
| <b>EBIT</b>                             | <b>2,551</b>  | <b>1,603</b>  | <b>2,241</b>  | <b>3,288</b>  |
| Less:- Interest Expenses                | 1,897         | 1,780         | 1,772         | 1,928         |
| Add:- Non operating Income              | 923           | 1,056         | 1,218         | 1,220         |
| Exceptional Items                       | (352)         | (101)         | 0             | 0             |
| <b>PBT</b>                              | <b>1,929</b>  | <b>979</b>    | <b>1,686</b>  | <b>2,580</b>  |
| Less :- Taxes                           | 465           | 218           | 880           | 1,347         |
| <b>PAT</b>                              | <b>1,464</b>  | <b>761</b>    | <b>806</b>    | <b>1,233</b>  |
| Balance Sheet (INR mn)                  | FY16          | FY17          | FY18E         | FY19E         |
| Share Capital                           | 1,262         | 1,307         | 1,307         | 1,307         |
| Reserves                                | 16,110        | 16,117        | 16,494        | 17,298        |
| Borrowings                              | 17,442        | 17,674        | 17,774        | 17,274        |
| Long Term Liabilities and Provision     | 512           | 545           | 583           | 649           |
| Deferred Tax Liability                  | 169           | 147           | 147           | 147           |
| <b>Total Liabilities</b>                | <b>35,494</b> | <b>35,791</b> | <b>36,304</b> | <b>36,674</b> |
| Gross Block                             | 13,314        | 14,814        | 18,314        | 19,814        |
| Less:- Accumulated Depreciation         | 1,566         | 3,127         | 4,975         | 7,092         |
| Net Block                               | 11,748        | 11,687        | 13,339        | 12,722        |
| Add:- Capital work in progress          | 2,401         | 4,122         | 4,122         | 4,122         |
| Long Term Loans and Advances            | 3,244         | 3,711         | 3,998         | 4,453         |
| Deferred Tax Assets                     | 770           | 864           | 864           | 864           |
| Investments                             | 6,093         | 6,405         | 6,405         | 6,405         |
| Net Working Capital                     | 11,239        | 9,002         | 7,577         | 8,109         |
| <b>Total Assets</b>                     | <b>35,494</b> | <b>35,791</b> | <b>36,304</b> | <b>36,674</b> |
| Cash Flow Statement (INR mn)            | FY16          | FY17          | FY18E         | FY19E         |
| Cash profit adjusted for non cash items | 3,661         | 2,805         | 3,198         | 4,058         |
| Add/Less : Working Capital Changes      | (489)         | 638           | 1,626         | (1,121)       |
| Operating Cash Flow                     | 3,172         | 3,443         | 4,823         | 2,937         |
| Less:- Capex                            | (2,222)       | (2,779)       | (3,489)       | (1,500)       |
| Free Cash Flow                          | 950           | 664           | 1,335         | 1,437         |
| Financing Cash Flow                     | (1,179)       | (1,216)       | (2,102)       | (2,857)       |
| Investing Cash Flow                     | (2,108)       | (2,196)       | (2,271)       | (280)         |
| Foreign Exchange Effect                 | 0             | 0             | 0             | 0             |
| <b>Net change in Cash</b>               | <b>(115)</b>  | <b>31</b>     | <b>450</b>    | <b>(200)</b>  |
| Ratio Analysis                          | FY16          | FY17          | FY18E         | FY19E         |
| Income Statement Ratios (%)             |               |               |               |               |
| Revenue Growth                          | (2.9)         | 4.1           | 12.4          | 11.4          |
| EBITDA Growth                           | (3.0)         | (23.4)        | 28.6          | 32.5          |
| PAT Growth                              | 33.7          | (48.0)        | 6.0           | 53.0          |
| EBITDA Margin                           | 8.0           | 5.9           | 6.7           | 8.0           |
| Net Margin                              | 2.8           | 1.4           | 1.3           | 1.8           |
| Return & Liquidity Ratios               |               |               |               |               |
| Net Debt/Equity (x)                     | 0.7           | 0.8           | 0.7           | 0.7           |
| ROE (%)                                 | 8.7           | 4.4           | 4.6           | 6.8           |
| ROCE (%)                                | 7.4           | 4.5           | 6.2           | 9.0           |
| ROIC (%)                                | 9.1           | 5.6           | 7.8           | 11.4          |
| Per Share data & Valuation Ratios       |               |               |               |               |
| Diluted EPS (INR)                       | 13.8          | 4.2           | 13.1          | 20.1          |
| EPS Growth (%)                          | (24.8)        | (69.9)        | 215.7         | 53.0          |
| DPS (INR)                               | 3.0           | 4.0           | 6.0           | 6.0           |
| P/E (x)                                 | 58.2          | 193.3         | 61.2          | 40.0          |
| EV/EBITDA (x)                           | 15.1          | 19.7          | 15.3          | 11.6          |
| EV/Sales (x)                            | 1.2           | 1.2           | 1.0           | 0.9           |
| Price/Book (x)                          | 2.8           | 2.8           | 2.8           | 2.7           |
| Dividend Yield (%)                      | 0.4           | 0.5           | 0.7           | 0.7           |

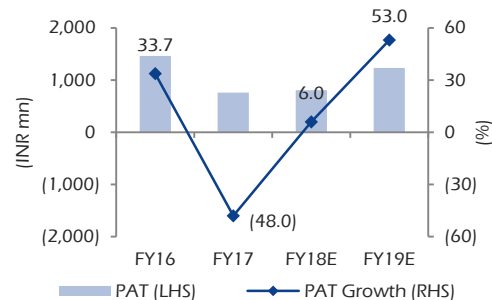
Note: pricing as on 26 July 2017; Source: Company, Elara Securities Estimate

## Revenue &amp; EBITDA margin trend



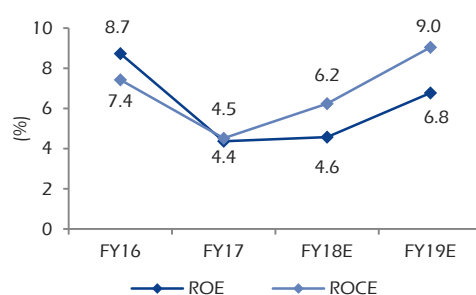
Source: Company, Elara Securities Estimate

## PAT growth trend



Source: Company, Elara Securities Estimate

## Return ratios



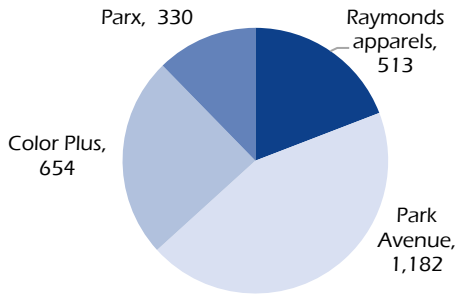
Source: Company, Elara Securities Estimate

## Conference call highlights

### Q1FY18 performance

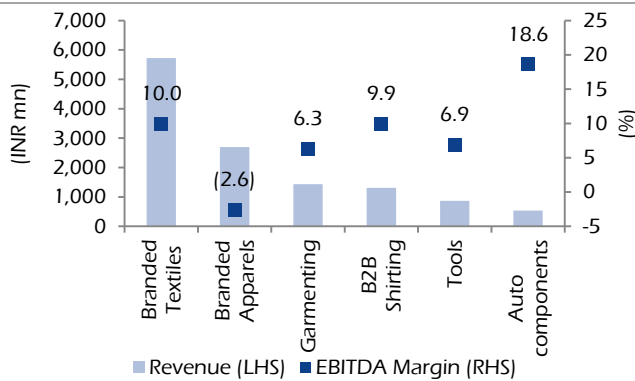
- Branded textiles revenue growth of 11% was on account of recovery in the wholesale channel and strong demand due to the wedding season. EBITDA margin decreased 50bp to 10% in Q1FY18 was on account of change in the channel mix
- *MTM* revenue was at INR 190mn, up by 56% YoY, registering LTL growth of 27%. Incremental *MTM* revenue was at the profitable level
- Branded apparels channel growth was as follows: EBO 32% YoY, LFS 39%, TRS 4% YoY and MBO 16% YoY
- Brand-wise growth YoY was as follows: *Raymond RTW* 42%, *Park Avenue* 11%, *ColorPlus* 21% and *Parx* 18%
- Ad spend was higher by 21% to INR 530mn, out of which ad spend for branded apparels was at INR 140mn (vs INR 130mn in Q1FY17)
- Garmenting revenue at INR 1,436mn was higher by 2% YoY while EBITDA margin fell by 31% YoY due to lower realization in exports (INR appreciation)
- In Q1FY18, the company generated operational cashflow of INR 350mn and free cash flow from operations was negative after capex for the Amravati and Ethiopia facilities
- Gross debt stood at INR 22.6bn in Q1FY18 vs INR 21.4bn in Q1FY17
- Net debt increased to INR 18.3bn in Q1FY18 vs INR 17.6bn in Q1FY17
- Reduction in average interest cost by 90bp to 7.6%
- Capex spend was INR 1,240mn in Q1FY18 (37% of capex guidance as per management for FY18), comprising the Ethiopia plant worth INR 140mn, the Amravati plant INR 480mn, the store rollout and renovation INR 150mn and the rest towards maintenance. Capex was financed through debt, internal cash generated, working capital optimization (improvement in working capital by 32 days this quarter)
- Real estate development regulatory approvals will be received within the course of a year and the company undergoing with planning of Phase 1 of the development
- Management has guided of initial hiccups in the trade channel due to GST
- Management says the advancement of EOSS to Q1 will impact demand in branded apparels demand in Q2FY18 to an extent, but this will be offset by festive demand and new season design stocks. It has guided for double-digit growth in the branded apparels business in Q2FY18, ahead of industry growth
- *Khadi by Raymond* to be launched in H2FY18
- The Ethiopia facility commenced production in June 2017, and it currently manufactures 400 suits/day and this will increase to 5,000 suits/day by the next year
- At full capacity, the Ethiopia facility can generate revenue of INR 2,500mn and the Amravati facility of INR 2,000-2,500mn
- Capex guidance of INR 1,200mn for Q2FY18 split between investments in the Ethiopia and Amravati facilities at INR 180mn and INR 400mn, respectively, INR 150mn for store renovations and roll out and the rest towards maintenance
- The company plans to add around 150 EBOs in FY18 with a majority coming through the franchise route
- Debt reduction will only be planned in FY19 as capex tapers off from high levels in FY18

Exhibit 1: Q1FY18 - apparels sales pie (INR mn)



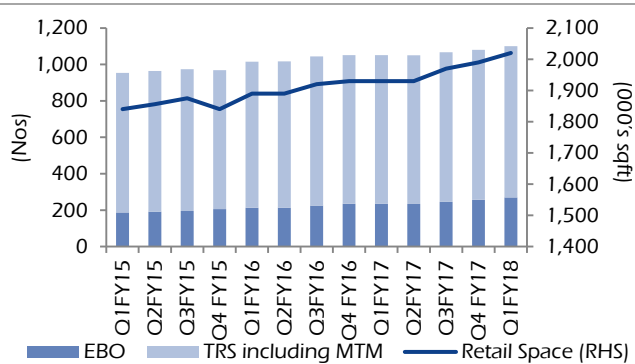
Source: Company, Elara Securities Research

Exhibit 2: Q1FY18 segment-wise revenue and EBITDA margin accretion



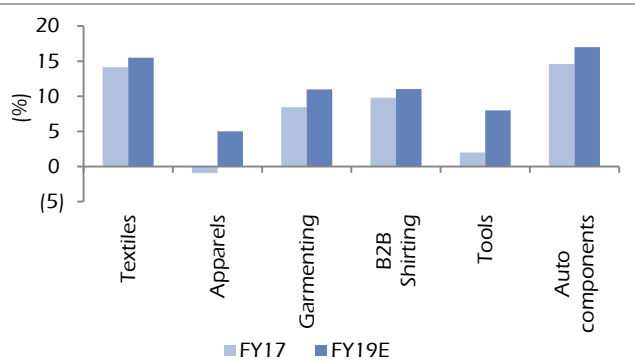
Source: Company, Elara Securities Research

Exhibit 3: Growth in the distribution network



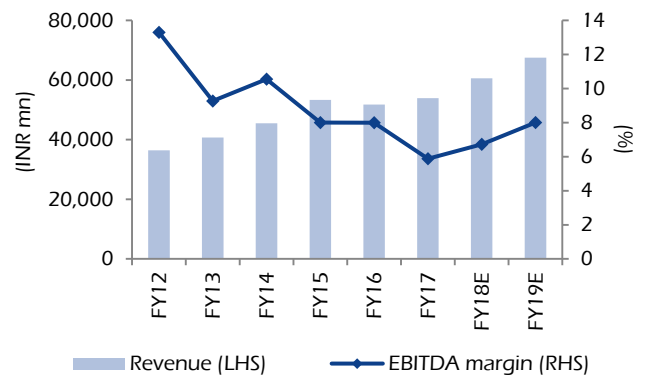
Source: Company, Elara Securities Research

Exhibit 4: EBITDA margin improvement potential



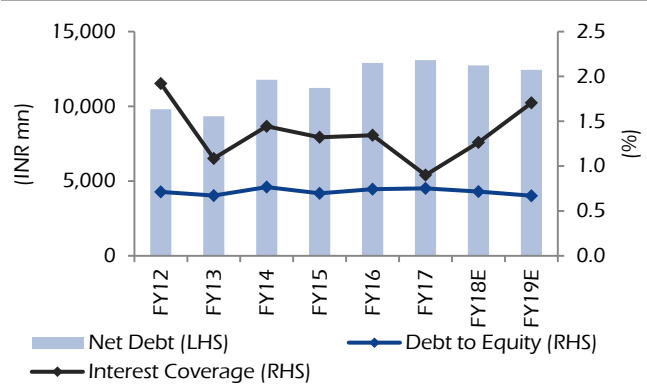
Source: Company, Elara Securities Estimate

Exhibit 5: Revenue and margin on an uptrend



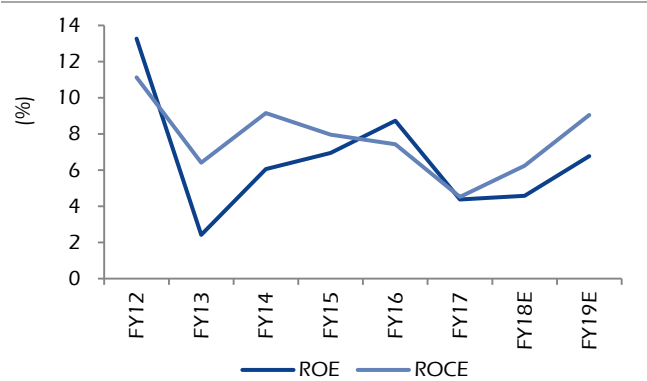
Source: Company, Elara Securities Estimate

Exhibit 6: Improving leverage position



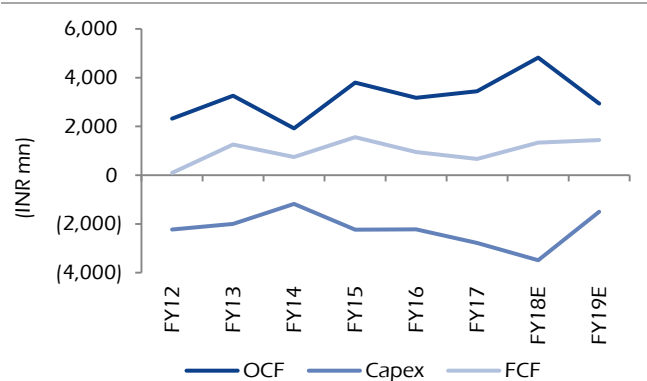
Source: Company, Elara Securities Estimate

Exhibit 7: Focus on improving return ratios



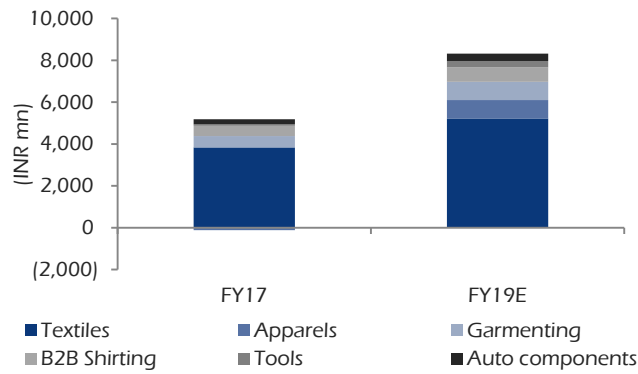
Source: Company, Elara Securities Estimate

Exhibit 8: FCF to turn positive



Source: Company, Elara Securities Estimate

**Exhibit 9: EBITDA mix to be strongly contributed by the textiles and apparels businesses**



Source: Company, Elara Securities Estimate

**Exhibit 12: Valuation summary**

| (INR mn)                 | FY19E       |
|--------------------------|-------------|
| EBITDA                   | 5,405       |
| Multiple (x)             | 9.9         |
| Enterprise value         | 53,575      |
| Net debt                 | 12,445      |
| Market cap               | 41,130      |
| No of shares (mn)        | 61          |
| <b>TP (INR)</b>          | <b>670</b>  |
| Land sale (INR)          | 326         |
| <b>Total value (INR)</b> | <b>996</b>  |
| CMP (INR)                | 804         |
| <b>Upside (%)</b>        | <b>23.9</b> |

Note: pricing as 26 July 2017; Source: Elara Securities Estimate

**Exhibit 10: Change in estimates**

| (INR mn)        | Previous |            | Revised |            | Variance (%) |             |
|-----------------|----------|------------|---------|------------|--------------|-------------|
|                 | FY18E    | FY19E      | FY18E   | FY19E      | FY18E        | FY19E       |
| Revenue         | 61,357   | 68,395     | 60,608  | 67,507     | (1.2)        | (1.3)       |
| EBITDA          | 5,076    | 6,196      | 4,078   | 5,405      | (19.7)       | (12.8)      |
| PAT             | 1,297    | 1,737      | 806     | 1,233      | (37.8)       | (29.0)      |
| EPS (INR)       | 21.1     | 28.3       | 13      | 20         | (37.8)       | (29.0)      |
| <b>TP (INR)</b> |          | <b>894</b> |         | <b>996</b> |              | <b>11.4</b> |

Source: Elara Securities Estimate

**Exhibit 11: SOTP valuation**

| Segments (INR mn)  | FY19E EBITDA | Multiple (x) | FY19E Valuation |
|--------------------|--------------|--------------|-----------------|
| Textiles           | 5,221        | 12.0         | 62,657          |
| Apparels           | 881          | 11.0         | 9,695           |
| Garment            | 874          | 5.0          | 4,368           |
| Denim and shirting | 689          | 4.0          | 2,755           |
| Tools and hardware | 303          | 4.0          | 1,212           |
| Auto components    | 347          | 5.0          | 1,735           |
| <b>Total</b>       | <b>8,315</b> | <b>9.9</b>   | <b>82,422</b>   |
| Elimination        | 2,910        | 9.9          | 28,848          |
| <b>SOTP</b>        | <b>5,405</b> | <b>9.9</b>   | <b>53,575</b>   |
| Debt               |              |              | 17,274          |
| Cash               |              |              | 4,829           |
| Net debt           |              |              | 12,445          |
| Shareholder value  |              |              | 41,130          |
| No of shares       |              |              | 61              |
| <b>TP (INR)</b>    |              |              | <b>670</b>      |
| Land sale (INR)    |              |              | 326             |
| <b>Total value</b> |              |              | <b>996</b>      |
| CMP (INR)          |              |              | 804             |
| <b>Upside (%)</b>  |              |              | <b>24</b>       |

Note: pricing as on 26 July 2017; Source: Elara Securities Estimate

## Exhibit 13: Revenue segments

| (INR mn)                     | FY12          | FY13          | FY14          | FY15          | FY16          | FY17          | FY18E         | FY19E         |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Branded textiles</b>      | <b>16,834</b> | <b>18,771</b> | <b>20,560</b> | <b>25,446</b> | <b>27,020</b> | <b>27,144</b> | <b>30,624</b> | <b>33,686</b> |
| <i>Growth (%)</i>            | 21.9          | 11.5          | 9.5           | 23.8          | 6.2           | 0.5           | 12.8          | 10.0          |
| <i>% of gross</i>            | 43.6          | 43.1          | 42.5          | 45.3          | 49.5          | 48.1          | 47.8          | 47.2          |
| <b>Branded apparels</b>      | <b>8,677</b>  | <b>8,295</b>  | <b>8,750</b>  | <b>10,110</b> | <b>11,185</b> | <b>12,703</b> | <b>15,329</b> | <b>17,628</b> |
| <i>Growth (%)</i>            | 19.5          | (4.4)         | 5.5           | 15.5          | 10.6          | 13.6          | 20.7          | 15.0          |
| <i>% of gross</i>            | 22.5          | 19.1          | 18.1          | 18.0          | 20.5          | 22.5          | 23.9          | 24.7          |
| <b>Garmenting</b>            | <b>1,856</b>  | <b>3,141</b>  | <b>4,191</b>  | <b>5,330</b>  | <b>5,933</b>  | <b>6,389</b>  | <b>6,924</b>  | <b>7,963</b>  |
| <i>Growth (%)</i>            | 29.2          | 69.2          | 33.4          | 27.2          | 11.3          | 7.7           | 8.4           | 15.0          |
| <i>% of gross</i>            | 4.8           | 7.2           | 8.7           | 9.5           | 10.9          | 11.3          | 10.8          | 11.1          |
| <b>Denim - joint venture</b> | <b>8,071</b>  | <b>8,504</b>  | <b>9,540</b>  | <b>9,630</b>  | <b>9,130</b>  | -             | -             | -             |
| <i>Growth (%)</i>            | 25.6          | 5.4           | 12.2          | 0.9           | (5.2)         | 10.0          | 10.0          | 10.0          |
| <i>% of gross</i>            | 20.9          | 19.5          | 19.7          | 17.1          | 16.7          | 0.0           | 0.0           | 0.0           |
| <b>Shirting</b>              | <b>2,290</b>  | <b>2,969</b>  | <b>3,370</b>  | <b>3,930</b>  | <b>4,671</b>  | <b>5,001</b>  | <b>5,678</b>  | <b>6,246</b>  |
| <i>Growth (%)</i>            | 8.1           | 29.7          | 13.5          | 16.6          | 18.9          | 7.0           | 13.5          | 10.0          |
| <i>% of gross</i>            | 5.9           | 6.8           | 7.0           | 7.0           | 8.6           | 8.9           | 8.9           | 8.7           |
| <b>Tools &amp; hardware</b>  | <b>3,246</b>  | <b>3,855</b>  | <b>4,300</b>  | <b>4,210</b>  | <b>3,943</b>  | <b>3,501</b>  | <b>3,641</b>  | <b>3,787</b>  |
| <i>Growth (%)</i>            | 25.4          | 18.8          | 11.5          | (2.1)         | (6.3)         | (11.2)        | 4.0           | 4.0           |
| <i>% of gross</i>            | 8.4           | 8.9           | 8.9           | 7.5           | 7.2           | 6.2           | 5.7           | 5.3           |
| <b>Auto components</b>       | <b>1,663</b>  | <b>2,249</b>  | <b>2,430</b>  | <b>2,340</b>  | <b>1,760</b>  | <b>1,643</b>  | <b>1,856</b>  | <b>2,041</b>  |
| <i>Growth (%)</i>            | 0.2           | 0.4           | 0.1           | (0.0)         | (0.2)         | (0.1)         | 0.1           | 0.1           |
| <i>% of gross</i>            | 0.0           | 0.1           | 0.1           | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           |
| <b>Gross revenue</b>         | <b>38,602</b> | <b>43,532</b> | <b>48,371</b> | <b>56,181</b> | <b>54,553</b> | <b>56,459</b> | <b>64,131</b> | <b>71,430</b> |
| Inter segment                | (1,515)       | (2,128)       | (2,434)       | (2,435)       | (2,785)       | (2,545)       | (2,891)       | (3,220)       |
| <i>as a % of gross</i>       | (3.9)         | (4.9)         | (5.0)         | (4.3)         | (5.1)         | (4.5)         | (4.5)         | (4.5)         |
| <b>Total revenue</b>         | <b>37,087</b> | <b>41,404</b> | <b>45,937</b> | <b>53,745</b> | <b>51,768</b> | <b>53,913</b> | <b>61,240</b> | <b>68,210</b> |
| <i>Growth (%)</i>            | 21.0          | 11.6          | 10.9          | 17.0          | (3.7)         | 4.1           | 13.6          | 11.4          |

Source: Company, Elara Securities Estimate

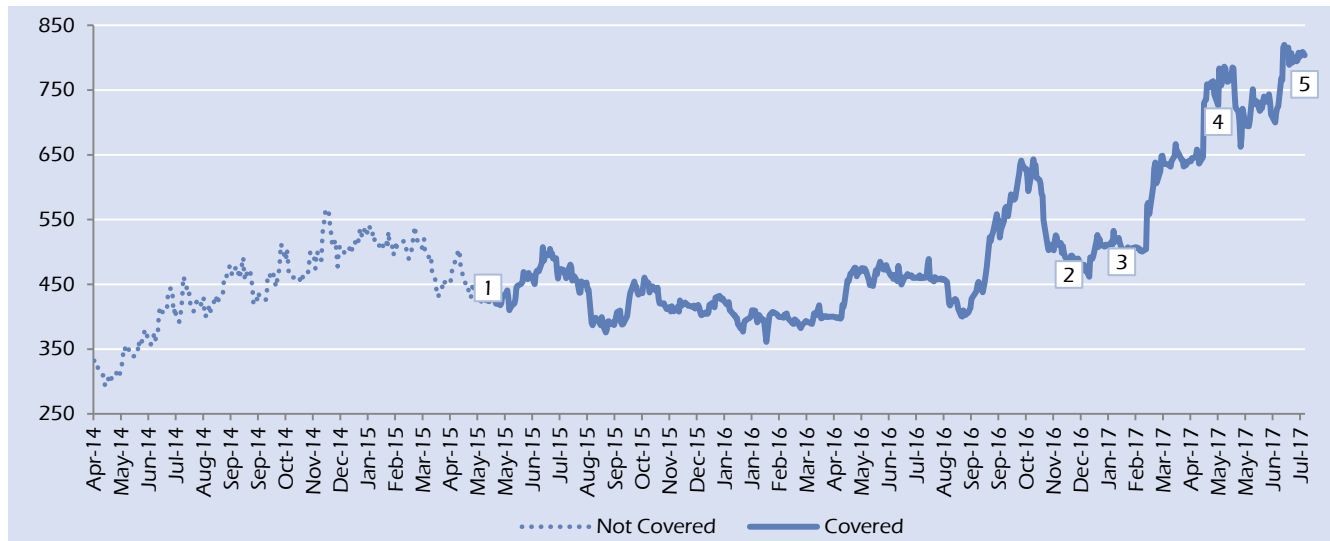
## Exhibit 14: EBITDA segments

| (INR mn)                             | FY12         | FY13         | FY14         | FY15         | FY16         | FY17         | FY18E        | FY19E        |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Branded textiles</b>              | <b>4,040</b> | <b>3,500</b> | <b>4,110</b> | <b>4,470</b> | <b>4,670</b> | <b>3,840</b> | <b>4,305</b> | <b>5,221</b> |
| <i>Margin (%)</i>                    | 24.0         | 18.6         | 20.0         | 17.6         | 17.3         | 14.1         | 14.1         | 15.5         |
| <b>Branded apparels</b>              | <b>790</b>   | <b>110</b>   | <b>290</b>   | <b>120</b>   | <b>220</b>   | <b>(120)</b> | <b>226</b>   | <b>881</b>   |
| <i>Margin (%)</i>                    | 9.1          | 1.3          | 3.3          | 1.2          | 2.0          | (0.9)        | 1.5          | 5.0          |
| <b>Garmenting</b>                    | <b>240</b>   | <b>490</b>   | <b>560</b>   | <b>520</b>   | <b>490</b>   | <b>540</b>   | <b>639</b>   | <b>874</b>   |
| <i>Margin (%)</i>                    | 12.9         | 15.6         | 13.4         | 9.8          | 8.3          | 8.5          | 9.2          | 11.0         |
| <b>Denim - joint venture</b>         | <b>800</b>   | <b>1,040</b> | <b>920</b>   | <b>930</b>   | <b>980</b>   | -            | -            | -            |
| <i>Margin (%)</i>                    | 5.1          | 12.2         | 9.6          | 9.7          | 10.7         | 0.0          | 0.0          | 0.0          |
| <b>Shirting</b>                      | <b>300</b>   | <b>310</b>   | <b>360</b>   | <b>470</b>   | <b>440</b>   | <b>490</b>   | <b>556</b>   | <b>689</b>   |
| <i>Margin (%)</i>                    | 13.1         | 10.4         | 10.7         | 12.0         | 9.4          | 9.8          | 9.8          | 11.0         |
| <b>Tools &amp; hardware</b>          | <b>310</b>   | <b>420</b>   | <b>450</b>   | <b>210</b>   | <b>180</b>   | <b>70</b>    | <b>251</b>   | <b>303</b>   |
| <i>Margin (%)</i>                    | 9.6          | 10.9         | 10.5         | 5.0          | 4.6          | 2.0          | 6.9          | 8.0          |
| <b>Auto components</b>               | <b>260</b>   | <b>270</b>   | <b>270</b>   | <b>70</b>    | <b>50</b>    | <b>240</b>   | <b>297</b>   | <b>347</b>   |
| <i>Margin (%)</i>                    | 15.6         | 12.0         | 11.1         | 3.0          | 2.8          | 14.6         | 16.0         | 17.0         |
| <b>Total</b>                         | <b>6,340</b> | <b>5,620</b> | <b>6,500</b> | <b>6,325</b> | <b>6,540</b> | <b>5,060</b> | <b>6,274</b> | <b>8,315</b> |
| <b>Gross EBITDA growth (%)</b>       | 48.3         | (11.4)       | 15.7         | (2.7)        | 3.4          | (22.6)       | 24.0         | 32.5         |
| EBITDA margin (on gross) (%)         | 16.4         | 12.9         | 13.4         | 11.9         | 12.7         | 9.0          | 9.8          | 11.6         |
| <b>Elimination</b>                   | <b>1,495</b> | <b>1,848</b> | <b>1,700</b> | <b>2,057</b> | <b>2,400</b> | <b>1,889</b> | <b>2,196</b> | <b>2,910</b> |
| <b>as a % of EBITDA</b>              | 23.6         | 32.9         | 26.2         | 32.5         | 36.7         | 37.3         | 35.0         | 35.0         |
| <b>as a % of revenue elimination</b> | (98.7)       | (86.8)       | (69.9)       | (84.5)       | (86.2)       | (74.2)       | (75.9)       | (90.4)       |
| <b>EBITDA</b>                        | <b>4,845</b> | <b>3,772</b> | <b>4,800</b> | <b>4,268</b> | <b>4,140</b> | <b>3,172</b> | <b>4,078</b> | <b>5,405</b> |

Source: Company, Elara Securities Estimate



## Coverage History



|   | Date         | Rating | Target Price | Closing Price |
|---|--------------|--------|--------------|---------------|
| 1 | 15-May-2015  | Buy    | INR 583      | INR 424       |
| 2 | 6-Dec-2016   | Buy    | INR 625      | INR 485       |
| 3 | 27-Jan-2017  | Buy    | INR 612      | INR 505       |
| 4 | 2-May-2017   | Buy    | INR 894      | INR 726       |
| 5 | 26-July-2017 | Buy    | INR 996      | INR 804       |

## Guide to Research Rating

|                   |                             |
|-------------------|-----------------------------|
| <b>BUY</b>        | Absolute Return >+20%       |
| <b>ACCUMULATE</b> | Absolute Return +5% to +20% |
| <b>REDUCE</b>     | Absolute Return -5% to +5%  |
| <b>SELL</b>       | Absolute Return < -5%       |

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