“Raymond Limited
Q2 FY2022 Earnings Conference Call”

October 28, 2021

ANALYST: MR. ABHIJEET KUNDU– ANTIQUE STOCK BROKING

MANAGEMENT: MR. S. L. POKHARNA – DIRECTOR, RAYMOND LIMITED
MR. AMIT AGARWAL – GROUP CFO
MR. GANESH KUMAR – COO, LIFESTYLE BUSINESS
MR. J.MUKUND – HEAD, INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day and welcome to Raymond Limited Earnings Conference Call for Q2 FY2022 results hosted by Antique Stock Broking. 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 "*" then "0" 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: Thanks. On behalf of Antique Stock Broking, I would like to welcome all the participants in the Q2 FY2022 earnings call of Raymond Limited. I have with me Mr. J. Mukund, who is the Head of Investor Relations of Raymond Limited. Without taking further time, I would like to hand over the call to Mr. Mukund. Over to you, Mr. Mukund!

J. Mukund: Thank you, Abhijeet. Good evening everyone and thank you for joining us for our Q2 FY2022 Earnings Conference Call of Raymond Limited. I hope all of 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. Today, we have with us Mr. S L Pokharna, Director, Raymond Limited, Mr. Amit Agarwal, Group CFO and Mr. Ganesh Kumar, Chief Operating Officer, Lifestyle Business. I will now hand over the call to our group CFO, Mr. Amit Agarwal, who will give you the summary of the company's quarterly performance before we open up the floor for Q&A. Over to you, Amit!

Amit Agarwal: Good evening, ladies and gentlemen. Thank you for joining us today on this earnings call to discuss our results of second quarter of fiscal 2022.

Let me give you an overview of the market:

The market saw an upward momentum post July with gradual lifting of Covid related restrictions such as limited hours of local market operations on weekdays, closure on weekends across regions in a phased manner. Accelerated pace of vaccination across country triggered the right thrust that brought back the confidence amongst trade and consumers.

Post unlocking & opening up of the markets from second half of August, we witnessed healthy recovery in our B2C businesses due to increased demand in retail space clocking in higher footfalls.

As far as Large Format Stores (LFS) is concerned which are located in malls in key markets, the consumer traction was witnessed from September month onwards. The reason is that, as mall entry was allowed to only fully vaccinated customers during this period in Metros, Tier 1 & 2 towns. This trend was observed as the vaccination drive among the 18-45 age old group, which is the key customer category visiting malls, started progressively from May / June month onwards for whom the second dose eligibility was applicable largely in August / September months.

The kick start to the festivities began in month of September that led to the increased customers visiting our stores. This provided confidence boost to the brick and mortar format as the trade witnessed the consumers indulging in physical shopping experience.

Let me now give you key financial highlights of the quarter – Q2FY22:

1. We reported strong revenue growth driven by increased consumer demand for our products in both domestic as well as exports markets across all our business segments with continued focus on optimizing cost leading to strong profitable growth for the quarter.

2. Revenues:

- Consolidated revenue doubled to Rs. 1,583 Cr from Rs. 732 Cr in Q2FY21. The growth was driven by strong increase in sales in our B2C businesses in the domestic markets with unlocking & related improvement in consumer sentiments and continued strong momentum in exports businesses of garmenting and engineering businesses
- Also, on a preceding quarter basis, if we compare revenues with Q1FY22 which was impacted by 2nd wave of covid, the consolidated revenues was up by 1.8 times or higher by 84%. Similar trend was witnessed in H2 of previous year when with unlocking & related opening up of markets led to strong growth in our sales progressively in Q3FY21 and Q4FY21.

3. We continued focused approach on optimizing operating expenses during the quarter. During the quarter, revenues increased by 116%, while the operating expense increased only by 39% over previous year from Rs. 304 Cr in Q2FY21 to Rs. 424 Cr in Q2FY22

4. We reported Consolidated EBITDA of Rs. 213 Cr for the quarter as compared to EBITDA loss of Rs. 52 Cr in Q2FY21. The EBITDA margin of 13.4% is higher than the pre-covid levels achieved in second quarter of FY20. Also, the EBITDA margin is the highest in last 5 years in the second quarter in a fiscal year

5. The Net Profit stood at Rs. 53 Cr for the quarter as compared to net loss of Rs. 133 Cr in the previous year

Now, let me discuss the operational performance in more detail:

On Revenue: In Q2FY22, strong growth was witnessed across all businesses

- In our core Branded Textile segment, there was gradual pick up in primary sales during initial period of the quarter however there was gradual pickup from August onwards catering to upcoming festive demand and wedding season.
- In our Branded Apparel segment, strong growth was witnessed across all channels

- In our B2B segments,

    - In Garmenting business as exports markets remained buoyant, we witnessed strong growth in revenues led by customers in US, UK and Europe
    - In our Engineering businesses of both Tools & Hardware and Auto Components, we achieved significant milestone of highest sales in the history in a quarter driven by high growth in exports market
    - Our High Value Cotton Shirting business witnessed strong growth driven by higher fabric & yarn demand

- In our Real Estate business, the momentum of sale of new units and construction of all 10 towers was maintained resulting in higher revenues during the quarter.

On EBITDA and operating costs: We reported EBITDA of Rs. 213 Cr for the quarter as compared to EBITDA loss of Rs. 52 Cr in Q2FY21. The overall strong profitable performance was led by Branded Textile segment, well contributed by Garmenting and High Value Cotton Shirting segments and strongly supported by the continued profitable performance by both of engineering businesses and Real Estate business.

At the operating cost front, I am happy to share that with continued strong focus on optimizing operating expenses, as already mentioned in Q2FY22 the revenues increased by 116% vs PY to Rs. 1,583 Cr, however increase in operating expenses was only by 39% as compared to previous year. Also, on a pre-covid levels if compared with Q2FY20 basis, the cost is lower by about 38% basis and on a half year baisis, it is lower by about 40%

Additionally, even from interest cost perspective, due to higher cash flow generation from operations & NWC optimization leading to net debt reduction, there has been net interest cost saving of about Rs.25 Cr in H1FY22 as compared to H1FY20 (pre covid levels)

On the working capital front, we continued our focus on efficient working capital management. To cater to the upcoming festive and wedding season from October onwards, primary sales to trade channels started late August month onwards. Accordingly, the receivables as on 30th September, 2021 increased. However, with continuous efforts across all businesses, our collections have been encouraging throughout the quarter.

Overall, our NWC marginally increased by Rs. 54 Cr to Rs.1,263 cr as on 30th September, 2021 from Rs. 1,209 Cr as on 30th June, 2021

From cashflows perspective, driven by strong profitable performance, we reported strong operating cash flows of Rs. 88 Cr and free cash flows of Rs. 53 for the quarter Q2FY22

Our net debt reduced by Rs. 53 Cr from Rs. 1,617 Cr as on 30th June, 2021 to Rs. 1,564 Cr as on 30th September, 2021. The average interest rate level was maintained at Sep-21 levels at 8.1% as compared to Jun-21 at 8.3%

We continued to maintain adequate liquidity levels ~ Rs. 650 cr. And our liquidity stood at Rs. 643 Cr (cash & cash equivalents) as on 30th Sep-21.

Allow me to take you through our business segment wise performance

Branded Textile segment sales reported strong growth of 214% to Rs. 722 Cr vs Rs. 230 Cr in previous year. The growth was driven due to improvement in both primary sales as well as secondary sales.

As mentioned earlier, I would like to reiterate that the quarter gone by was a true reflection of pre-Covid times where physical shopping superseded primarily due to the joy of visiting retail stores and malls. We also witnessed the topline growth with an increased average bill value. The vaccination drive provided enough impetus to trade along with the onset of festive and wedding season. Anticipating improved customer sentiments coupled with demand revival, we introduced vibrant shirting fabrics under our 'Vibez' collection. This latest introduction is addressing the need of casualization and also caters to a target group that seeks bold eclectic fashion of prints and colours. Also we did the trade booking for our Champions Collection – a premium range of suiting fabric for which we received very encouraging response from our customers. The buoyancy in the market was leveraged through strong supply chain and our go-to-market strategies.

We also initiated our annual social Garment Exchange Program in association with Goonj, an NGO and received an overwhelming response. The country wide drive encouraged customers to donate their old garments to the lesser privileged sections of the society and customers were offered free tailoring services on Raymond's fabric purchase. Under this program, in exchange of an old garment, complimentary tailoring services is provided for a fabric purchase. Close to half a million garments were exchanged under this initiative and ~40% were new customers.

The suiting business grew by higher volumes in wholesale and trade channels. There was high growth in the premium gifting solutions introduced at attractive price points. The segment reported healthy EBITDA margin of 16.8% driven by operating efficiencies.

Branded Apparel segment recorded sales growth by 211% to Rs. 221 Cr vs Rs. 71 Cr during Q2 of previous year. The strong growth was witnessed across all channels and our EBO and LFS channels observed higher traction with opening of the malls aided by vaccination drives across the country. Keeping up with the demand, we strategized and reduced our discounting to our partners.

This quarter we have been able to invigorate freshness in our stores by launching our latest AW collection across all brands. The newly launched collection offers latest trends and is available across cotton, linen and various blends. We have also introduced garments crafted with sustainable fabrics and have received an encouraging response from the trade and consumers for the same.

Physical retail was well aided with much improved growth of our online channel that recorded a growth of 70% vs. the previous year. We curated special lines for ecommerce market places and our products received an overwhelming response especially during the big sale days.

The segment reported an EBITDA margin of 3.4% mainly due to lower discounting and continued operational efficiencies

Retail Network: As on 30th September, 2021, we had 1,420 stores spread across ~600 towns.

With opening up of markets and revival in consumer sentiments, we witnessed strong traction in secondary sales. Our The Raymond Shop (TRS) network recorded 90%+ like-to-like (LTL) recovery & ~20% growth in average transaction value (ATV) as compared to pre-covid levels (Q2FY20). Our EBO network, witnessed recovery driven by strong pent-up demand and increasing footfalls with opening of malls

We are strongly focused on making our EBO portfolio healthy. During the quarter, we closed 39 stores. We are in the last phase of the store rationalization process while at the same time, we are continuously evaluating opportunities which strengthen our retail footprint.

Garmenting segment sales grew by 13% to Rs. 212 Cr compared to Rs. 187 cr in previous year. We are witnessing strong momentum in exports post opening up of global economies: In US & UK regions, there was high demand from customers as their existing inventory depleted and with 'China + 1' adoption by some global brands, it has also helped us in driving customer acquisitions. We are also seeing traction as the European markets are gradually opening up. Our EBITDA margin for the quarter improved to 10.3% due to better product mix

High Value Cotton Shirting segment sales grew by 350% times to Rs. 148 Cr compared to Rs. 33 Cr in previous year, driven by higher fabric sales in domestic markets and yarn sales. The segment reported strong EBITDA margin of 17.4% for the quarter due to better product mix, there has been better sales contribution from high margin yarn business.

Tools & Hardware segment achieved the significant milestone of highest sales in the history in a quarter. The sales grew by 38% to Rs. 138 Cr as compared to Rs. 100 Cr in previous year. Overall, the global markets have opened up with steady growth in demand. Our sales growth was driven by strong exports business mainly growth in LATAM markets in files category. In the domestic markets, there was progressive improvement in sentiments and demand post gradual unlocking. Our domestic sales driven by growth in cutting tools category. The segment reported healthy EBITDA margin of 13.4% for the quarter despite increase in steel prices and partly offset by improvement in product and geography mix as well as operational efficiencies

Auto Components segment also achieved the significant milestone of highest sales in the history in a quarter. The sales reported strong growth of 66% to Rs. 81 Cr as compared to Rs. 49 cr in previous year. In global markets, with opening up of US & UK markets there has been an increase in orders. Our exports business reported strong growth mainly in US region in ring gears category. The domestic auto sector was upbeat with easing of lockdowns, phased resumption of production at the industry level. Our domestic business reported growth mainly in ring gears category driven by significant increase in demand for automobiles. The segment reported strong EBITDA margin for the quarter of 19% despite increase in raw material price and was partly offset by higher productivity and efficiencies.

Real Estate segment sales grew by 327% to Rs. 81 cr from Rs. 19 Cr in previous year. There has been a strong demand in the overall real estate sector. In the key areas of India including MMR region, the sales have improved with increase in demand. The construction has also picked up due to the return of the migratory labour. Our real estate business witnessed encouraging demand and maintained good momentum in the bookings driven by continued fast paced construction activity in all ten towers of the project and sustained lower home loan interest rates. We received 107 bookings in Q2FY22 resulting in total 1,555 units booked (~74% of total inventory launched) till Sep-2021 with a booking value of Rs. 1,494 Cr

The tower wise construction status is as follows:

- Tower 1, 2 & 3: Above terrace work in progress
- Tower 4: 41st slab work in progress
- Tower 5: 6th slab work in progress
- Tower 6: 9th slab work in progress
- Tower 7: 8th slab work in progress
- Tower 8: 5th slab casting in progress
- Tower 9: & 10: Column above foundations work in progress

Current Status of Operations and Near Term Outlook:

We expect consumer sentiments to continue to scale upwards in the domestic markets led by festive and wedding season buoyancy in H2 of this financial year. We are optimistic that the industry is well on track for a strong revival.

There has been a pick-up in primary sales driven by a rise in confidence among trade channels as the fear of 3rd wave is waning and secondary sales is on increasing trajectory due to resumption of offices and festivity & wedding season.

We expect continued demand boost in lower tier markets where we have a large and deeply penetrated 1,000+ strong TRS stores network spread in over 600 towns.

With increasing footfalls in malls, trends of faster recovery in Metros & Tier 1 is coming up, we expect the retail channels of EBOs and LFS to have a faster revival.

Now in exports, we expect continued growth momentum:

In our garmenting business, in US with catch up of retail demand and overall optimism in the business, we are witnessing pickup in orders. In UK, there have been signs of growth & optimism in the businesses, with uptick in orders. Japanese markets are now opening up as well. Overall, we expect increased adoption of ‘China + 1’ strategy to benefit the Indian exporters like us.

In our Engineering businesses, most of the consuming sectors have shown good signs of recovery in US & EU markets and growth in LATAM markets. However, higher steel prices and freight cost continue to remain areas of close monitoring and we continue to work with our customers to pass on such increases.

In Real Estate market, besides the growth momentum in residential market, the commercial & retail markets are expected to improve. With the return of migratory labors post monsoon season, the construction activity is in full swing.

From cost reduction perspective, we began our cost rationalization program in Q1FY21 immediately after lock down. For ease of reference in the last financial year FY21, we were able to achieve cost reduction of ~40% as compared to FY20. We had given a guidance of cost savings of around Rs. 300 Cr from FY22. In H2FY22, with strong revival in sales, the operating cost may increase on absolute basis, however, on a full year basis, we are on the roadmap to achieve such kind of savings.

From Liquidity perspective, we would maintain continued focus on liquidity management through cost reduction initiatives, NWC optimization and need based capex for maintenance of plants & other assets and addressing the increasing demand in our engineering businesses funded through internal accruals

Thank you very much. Now we will be taking the questions.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Aliasgar Shakir from Motilal Oswal. Please go ahead.

Aliasgar Shakir: Thanks for the opportunity and for that elaborate and detailed presentation. I have a follow up on your comments and outlook, I just want to know by when do we expect us to reach pre-COVID revenue profitability, benchmark of FY2020 numbers then as your pre-COVID year then by when should we probably reach pre-COVID number in terms of quarterly run rate and in terms of expansion if you could share some specifics in terms of what is the store addition that we are looking to do over the course of next two to three years, thank you very much?

Amit Agarwal: Sure, thanks Ali and look, as far as in terms of pre-COVID level, as we spoke about the margins which we have achieved is one of the highest in the last five years, as far as the absolute terms we saw that in the second quarter it was partly impacted because they have a certain restrictions, as far as lock downs are concern because somewhere the weekends were not operational, somewhere you have to get double vaccinated in the malls to enter in the west in Maharashtra and so on, so that impacted. I think we are absolutely on the close verge that few points here and there you will see, but we are achieving very, very close to the pre-COVID level both in terms of revenue as well as in profitability. As far as store expansion is concerned look we are very clear that we want to operate on a model, we will be careful, how do we expand, we will make sure that when we open a store through a franchise route it is going to perform because we have gone through store rationalization, so we just do not want to jump into expanding store and then closing down after two, three, four years.

Aliasgar Shakir: Can you give me any definitive number in terms of the store addition?

Ganesh Kumar: See first of all, Raymond operates with over 1,400 stores in 600+ towns, so what we are also trying to do is to make sure that the catchment areas are very clearly defined, and we do not overlap and cannibalize our own consumers. Second, what we are all embarking upon is the omni channel approach whereby we keep the flexibility to the consumers, and we will be opening stores only in areas where the catchment areas are still remote and we are not able to service, so that is the broad approach, but we will be looking at anywhere between 250 stores in the three year horizon, mostly focusing on gap areas in the markets that we are operating.

Aliasgar Shakir: Is it 200 to 300 right in the next three years?

Ganesh Kumar: 200 to 250, it is still a number, which we are trying with, but we are building up our own competencies and evaluating between digital omni channel and physical store what is the right mix. I think that is going forward, that is going to be the norm of the day.

Aliasgar Shakir: The reason of just emphasizing more on this point is 200 to 250 stores basically on a 1,400 base something close to about 15% growth over the next three-year period, so an average of about 5% addition annually. Compare your stores growth with other retailers in this space, somebody like brands in the Apparel space in India, I see most of them are adding easily about an average 15% to 20% new stores, so any reason why we see not enough opportunity in terms of store addition?

Ganesh Kumar: So, couple of points here, I think let us look at the type of stores that we operated, if you look at the size between 'The Raymond Shop' and Exclusive Brand Outlets, we have pretty large format stores, for example, we just in the last month opened a 6,000 square feet store for Raymond products all the brands put together in Surat. Now idea it is more than number of stores, how do we service the customer and we are gearing up to build our own omni channel capabilities. I think we have presence in ~600 towns, through which we are covered in the country. If I look broadly at 730 odd districts of the country, we are there in almost 80% of these districts, which is where broad market coverage happens. So that is the scale at which we are operating and from a gross sales merchandise value perspective, we are talking of already having a retail footprint of close to 3,000 Crores, that is the space of operation for us.

Amit Agarwal: Pokharna ji, you want to add something.

Pokharnaji: Yes, I would like to add something and would like to add, we have to study our channel mix. We operate with The Raymond Shop, we operate with EBO, we operate with MBO and we operate with wholesales channels. With this kind of four different distribution models we cover almost about 8 lakh touch-points in the country. We need to figure it out that we do not cannibalize one channel by opening store in another channel. So we believe in coexistence and growing together and we want to create win-win for everybody. Wherever there is a gap and we see that either MBO is not willing to do the business there or they do not have enough capital to invest, we are looking into that. So we are ready for opening, but we would like to open with a win-win situation and with the profitable stores revenue model we would like to go ahead with that. So currently our presence is almost about in eight lakh touch-points in the country, which is good enough and we need to protect everybody's interest, thank you.

Aliasgar Shakir: Got it, this is very helpful. Thank you so much.

Moderator: Thank you very much. The next question is from the line of Kunal Shah from Jefferies. Please go ahead.

Kunal Shah: Thank you for the opportunity. I have a slightly basic question and pardon my ignorance, so when we look at our two B2C segments, branded apparels and branded textile and compare our revenue numbers to pre-COVID levels, why is it that our branded apparel segment typically lags materially in terms of recovery versus branded apparels, is it mainly to do with the channel mix or the customer profile or is there something which are missing?

Pokharnaji: No, there were two to three issues. You know the markets, in our branded apparel, some of our outlets are also in the mall format and in large format stores. So if you observe, quite a lot of the mall formats opened with the delayed time lag and also allowing only those people who have completed both the vaccinations, and also with restricted entries. So those pandemic related limitations had also impacted our sales. Otherwise there is a good demand in the market which we are servicing from our outlets. Now on LTL basis, in certain brands like Color Plus we have already touched 103% of pre-COVID levels.

Kunal Shah: And any rough range of what share of our EBO, and branded apparels would be in malls and what would be standalone?

Pokharnaji: You will have to understand in malls generally franchises do not go into malls because here we need to go with the brand representation and all. So almost like say as far as EBO are concerned about out of 300 EBO, we are having about 100 to 110 EBOs in the mall format and as far as large format stores are concerned like Shopper Stop or Lifestyle and such others where we are operating is almost 1,000+ doors in the country. So about 30% of the EBO outlets are in the mall format stores.

Kunal Shah: And my next question is on your omni channel initiatives which you mentioned. So currently what share of revenues in the branded apparels would be coming online and as we increase our focus here, do you see that that is being slightly margin diluted to the overall segment?

Amit Agarwal: As far as omni channel or online e-commerce, what we have been able to do that we have created some special product, which is suitable for the e-commerce marketplaces and we have got these exclusive merchandise, which is helping to grow the sale, as we speak today approximately 22% to 23% of our sales comes from the e-commerce channel and we have registered a significant growth compared to the previous year of almost 70% growth has been seen compared to the previous year, but let me also tell you that in the apparel segment it is also with the feedback which we are getting specially now in the month of August and September that a lot of customers would like to come to the store to have this experience of trying it out the fabric or the apparel and see whether it fits them or not. So that is something which we are seeing in a very big manner. Also the kind of choices if you see in the store compared to the e-commerce channel where you get confused was the kind of feedback we are getting from our customers. So the physical retail is going to be a very strong platform especially in the premium segment where we are operating.

Kunal Shah: Got it and overall it is not materially margin diluted right for us to do omni channel?

Amit Agarwal: No. So that is the reason what we have done is, as I mentioned that we have created an exclusive merchandise for online so that we are not going to give the same product and it will have the margins more or less managed in both the channels at very similar level.

Kunal Shah: Got it. Thank you. That is all from my side.

Moderator: Thank you. The next question is from the line of Mohit Agrawal from IIFL. Please go ahead.

Mohit Agrawal: Thanks for the opportunity, Sir. Sir, my question is on real estate business, now you had put out a press release sometime back talking about expanding the real estate business outside of Thane into Mumbai metropolitan region. So can you share some color on what kind of projects you are looking at like are these redevelopment projects. You have mentioned that you are evaluating some proposals and what is the kind of scale that you plan to achieve over the next three to five years, any number that will be great and lastly what would also be the investment that will go into it?

Amit Agarwal: Sure, look what we have mentioned that we are putting real estate business into a subsidiary and for that we are saying very clearly we want to develop this business in a larger manner. Now when we talk about it into a larger manner that means you are going beyond the land which is owned by us where the development is happening as we speak today. Now as far as that outline is concerned, we are very, very clear that we are not going to purchase any land and put investment behind the land. So what we will be considering any form of joint development agreement where the investment is not significantly large by virtue of not buying the land. So it would we mostly on the approval cost and the startup cost and therefore we believe that over the next three to five years our revenue from the JDA model or such kind of model could be in the range of 30% to 35%.

Mohit Agrawal: And Sir, quickly on Thane I just had a couple of clarification, so one is have you been able to take any price increases in Thane project in the last one or two quarters, if you could clarify that and the second part of my question on Thane is, you have mentioned that you are going to do some commercial. So are you are looking to lease that commercial space and if yes, then what is the capex on that plan?

Amit Agarwal: So, as I mentioned in my opening remarks we are being very successful in selling our project and almost 75% of the launched inventory has been already sold. Also, the product which we have is that of 1BHK and 2BHK, which is the inherent user is buying and it is not investor who is buying it. Additionally, our location is also phenomenal. So to that extent we have been comfortably able to take sort of two price increases amounting to almost 5% to 6% depending upon the configuration which we are talking about, so that is one on the price increase. Second thing as far as the commercial project is concerned, we have stated that we are getting into this, however it is a long way to go in terms of the approval process and other things. Then we will figure it out what is the way in terms of the capex, which will be required. However, as you see that our current project - Aspirational project or the 10X project is already cash flow positive project and it is already sitting with the cash. So therefore we do not see any significant investments to be made because again, we will be able to sell the project faster and get the realization so that it can be cash flow positive project.

Mohit Agrawal: So this will be strata sale and not for lease, is that correct?

Amit Agarwal: Yes, that combination we are working out still, it is not that close that which is the strata sale, or it will be a mix between leasing and strata sale, so these are the final details which we are working out as we speak and once we do it all finalized when we properly launch it, announce it and then we will give all those details.

Mohit Agrawal: Thank you and that is all from my side and happy Diwali to all of you.

Amit Agarwal: Wish you the same.

Moderator: Thank you very much. The next question is from the line of Meet Jain from LKP Securities. Please go ahead.

Meet Jain: Sir, thank you for the opportunity. My first question is regarding the real estate business like we have an improvement in our number of booking this quarter and when I look at the revenue part sequentially it has been declined, so what is the main reason for that?

Amit Agarwal: So look what happens is, it depends also because we have our own land which goes for development and you know that from this Thane land, this we are giving a certain portion of the land for development to the city and for that you recover certain development rights. When you account because of the percentage of completion method accounting, which is being followed the time you recognize that development rights, so you get that rights at the same point of time the revenue and the costs you recognize and therefore the revenue was higher in that particular quarter when we got certain development right, which was already considered as an extraordinary item in our financial in the first quarter.

Meet Jain: So the last quarter Rs. 130 Crores included the rights that we received?

Amit Agarwal: Yes, a portion of that was included.

Meet Jain: Got it and the next thing is on the margin side like we have seen the improvement across all our segments in the margin front and currently as you know the scenario is that all the raw material costs are increasing at an all time high so are you expecting any cost pressures like we have a very good improvement like margin in this quarter so are we still passing on and some colour on that?

Amit Agarwal: Sure, I think all of us are under this inflationary pressure. However, if you look at it I think this is where the Raymond differentiate itself from many, because of the strength of the brand and the distribution network, which we enjoy and the kind of quality product which you deliver, you have the ability to still take certain price increases and the cost of raw material, which goes into the product and the final selling price the way it is structured that whatever is the price increase we are able to take, takes care of it well in the lifestyle business, absolutely not an issue practically in wool if you see as a commodity there has not been a significant change. What has been changed is practically in the cotton, and we buy cotton yarn and the cotton yarn has not moved exactly in the same manner and we have got some contractual quantities with the yarn players, so therefore what we are seeing is the price increase we have taken on our cotton shirtings is adequate enough to take care of the increase in the cotton yarn prices. Now as far as our engineering business is concerned, you know the price of steel has gone up so much that we have been able to successfully pass on the steel price increase and not just steel, it is also the freight. because we operate almost 50% in the export market in the engineering business, we have been able to pass on also the freight cost, maybe there is a small lag, but eventually we are able to pass on all the price increases with our customers. So therefore we are not seeing any immediate pressure of margin diluting due to the inflationary pressure.

Meet Jain: Follow up on that, like in the lifestyle business you said that you had taken a price hike, can you tell me what kind of quantum it was like a price hike percentage?

Amit Agarwal: In which business you said, I could not get your question?

Meet Jain: In the apparels and textile business?

Amit Agarwal: So, in shirtings where you have the price pressure you have got an increased between the summer and winter close to 5.5% to 6%, which is good enough to take care of the cost increase.

Meet Jain: And engineering business, what is the time lag for passing of the raw material price increase?

Amit Agarwal: Between domestic and international customers anything between three to six months.

Meet Jain: Thank you for the opportunity.

Moderator: Thank you very much. The next question is from the line of Priyanka Trivedi from Antique Stock Broking. Please go ahead.

Priyanka Trivedi: Thank you for the opportunity. My first question is on, how has the recovery been in like the smaller city, so I want to understand that the recovery in the metros and urban areas has been much faster than the tier two, tier three cities, which is continuing to what happened last year, so are we witnessing a similar trend?

Amit Agarwal: I request Ganesh to respond.

Ganesh Kumar: So, if you look at the last say starting from mid August, rather even July onwards, the tier three, four, five and six cities have recovered pretty well. In fact today as I speak we are sitting on about 8% to 10% more than similar period of Diwali minus 15 to 20 days in the tier three, four, five and six. Over the last one week, tier one and two has also got up and today we see all towns most of the stores crossing there FY2019 performance.

Amit Agarwal: I will tell you the basic fundamental is, in metros and tier one, you always had the fear of third wave during the quarter. So people were very apprehensive. With the billion vaccines there, so people are clear that maybe the third wave is not coming or at least the fear has subsided, so therefore people are coming back and shopping and the big ticket purchases if you see happens mostly in the metros and tier one. However, if you see there is recovery in tier three, four, five, six cities right from the July month onwards, however, in the bigger cities, metros and tier one, you are seeing it is now in the last couple of weeks because the fear of third wave is waning away and people are more vaccinated.

Priyanka Trivedi: Got it and my second question is on the real estate business, so in the last three quarters we have witnessed that the EBITDA margin continue to be above 20% to 21%, so are we expecting this range to continue or are we expecting any further increase in margin in the real estate business?

Amit Agarwal: So, I will tell you the real estate margin, we are expecting it to continue, the two things obviously, we are seeing a good traction as I had mentioned, there has been a certain price increase, two price hikes we have been able to pass on to the market and there is a pressure on the steel and cement prices, which we have been able to offset, now it is a little difficult for me to say that how long this will continue in terms of the price increase because the steel prices practically every week it goes on increasing, but considering that we have been on a good sport by selling our product so well 75% of lowest inventory sold we see that the margins will be sustainably maintained.

Priyanka Trivedi: Thank you, Sir.

Moderator: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Thank you very much for the opportunity. Sir, you did mention in one of the previous participant question that we are on verge of maybe crossing the pre-COVID level of revenue and profitability. So are you like one or two quarters away or maybe three, four quarters, some kind of comment on that would be helpful?

Amit Agarwal: Look, what will happen, on a consolidated basis, we believe that we will be there very quickly =. I think it will not be very far from here, whether few Crores here or there I cannot comment upon. But broadly it looks like so far what we are hearing and commenting upon looks very strong. So I think we are almost there and if you see the performance level that we should be able to achieve in H2 the levels which we have seen in the previous FY2020. So I think in H2 we are very confident that we should be able to achieve pre-COVID level.

Deepak Poddar: Fair enough and how do you see the margins. Now you did say that Rs. 300 Crores cost saving we have done as compared to FY2020 and FY2022, so that effectively means at the pre-COVID, we used to do about 11% kind of a margin on Rs. 1900 Crores kind of a top line, so now once again if we reach pre-COVID kind of a revenue, our margin profile would be better than 11% to 12%, 12% we did this quarter and 11% was the pre-COVID kind of a margin excluding other income?

Amit Agarwal: Yes, look our margins are accretive as I said. We are very clear that the margins what we have shown is strong, is on the back of the cost rationalization, which has been done and now that should reflect and continue to reflect going forward, I cannot go beyond this in terms of giving anymore guidance.

Deepak Poddar: That is fine and in the last queries we have seen in interest and depreciation also some savings right you mentioned about Rs. 25 Crores kind of receiving, so is that going to sustain both savings and interest as well as depreciation?

Amit Agarwal: Yes, so look depreciation is that whatever has been done we are not going and embarking upon a very large capex to that extent the depreciation will continue. As far as interest is concerned you know over the last few quarters we have spoken very clearly that the big theme for the company is the cash flow generation needs to be used for de-leveraging the business. This is clearly reflected if I look at the levels of net debt compared to Mar-2020, debt of Rs. 1,859 Crores to Rs. 1564 Crores in Sep-21, so almost like Rs. 300 Crores of debt is down. We demonstrated very clearly, if I talk about March 31, fiscal 2019, we were almost Rs. 2,000 Crores of net debt, so Rs. 400 to 500 Crores debt reduction from FY19 levels. So I think the philosophy is very clear that cash flow generation to be used for debt reduction. We have also found improved ways where we are taking borrowing little cheaper, so that you can reduce the interest costs as well. So with combination of both of these and a clear focus on the working capital management to control and push hard on the inventory and receivables front.

Deepak Poddar: Understood, so you naturally do not expect like interest costs to move away northward from current level, right?

Amit Agarwal: Yes, absolutely.

Deepak Poddar: I appreciate your answers and thank you very much.

Moderator: Thank you. The next question is from the line of Mithun Aswath from Kivah Advisors. Please go ahead.

Mithun Aswath: Sir, I wanted to understand in terms of on the textile business and the branded apparel business, I just wanted understand are you looking at areas which potentially are growing faster in the market rather than your traditional branded textile business where you know, you already have good market share, but the overall market is still not growing as fast even historically. So are you looking at maybe you know spending more and trying to drive casual wear, ethnic wear or inner wear as categories using your brands, so just wanted your thoughts on that?

Pokharnaji: Thank you for this question and I think you have asked a very valid and right question. If you recently look into it, the purchasing power in towns three, four and five has gone up significantly high as the government has also pumped a lot of money through infrastructure and agriculture sector. Importantly, the aspirations levels of people in tier three, four and five, has also gone up to wear clothes from players in branded segment. We do see a clear opportunity in this area for enhancing demand for our Raymond branded apparel. Also, we are well established renowned brand in these markets. So the first chance comes to us. So we are seeing a significant growth in lower tier towns and we are feeling that effect also in our sales pattern. So we are opening up our distribution network either through distributors or wherever possible we are opening our own TRS and EBO. So that is our strategies are there to capture the market.

Amit Agarwal: And also if you look at the collections which we have launched recently which not just meets the office type of environment but also casual. We have launched this 'Vibez' shirting collection that connects with current trends. Even on the apparel side we have launched a new collection, which goes for all the customers which people are not using only for the office wear, but also for all the casual and such other occasions. So we are seeing there is enough and more opportunity in our segment itself. With the kind of product which we deliver and with the fashion which we deliver I think there is a lot of opportunity for us to grow in these segments.

Mithun Aswath: Right and just wanted to also get a sense from your last you had one call in between quarter talking about consolidating businesses into apparel textile, real estate and a third entity, which could be potentially on the engineering and auto component side. I just wanted to understand I think at that point you mentioned that you could discuss further later, is there a thought process of you know potentially hiving of each of these entities into separate company is driven by separate management where you could unlock value in these three companies individually rather than being in a conglomerate as we are right now, so just wanted your thoughts on that, any timeline that you see that this happening?

Amit Agarwal: So look I think Raymond on September 27th, 2021, the board took certain decision, which is strategic reorganizing the business. There are multiple businesses in the group, so we have got B2C business where you are at the brand textile and the branded apparel. So first and foremost was to bring the branded apparel along with the branded textile, so you get all consumer facing business in under one umbrella, which is under the Raymond Limited the main entity. Then you have got the engineering businesses where you have the tools and hardware business as well as you have the auto components business. Both are buyers of steel, some has got industrial customer, some got do-it-yourself customers. But both have got benefit of cross-selling, so we believe that there is a lot of synergy associated when you combine the businesses under one umbrella, so that was the second piece. The third piece was, the real estate, as I talked earlier that we are going out and expanding this business of real estate beyond Thane and when you go beyond Thane maybe there is a certain pool of capital, which is required as the growth capital and when you put it into a subsidiary the certain targeted growth capital can be brought into this business. So by this what you are trying to do is grow each of the businesses very, very strong and see when you grow these businesses strong and you have the de-leveraging possibility as well as creating value and maybe at some point of time monetizing some of the businesses in order to create a larger shareholder value.

Mithun Aswath: Sure, thanks.

Moderator: Thank you very much. If anyone who wishes to ask any questions, can press *1.

Amit Agarwal: If there are no further questions, then wishing each one of you very, very happy Diwali and prosperous New Year and look forward talking to you in the next quarter.

Moderator: Thank you very much. On behalf of Antique Stock Broking Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines.