"Raymond Limited
Q1 FY2022 Earnings Call"

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Moderator: Ladies and gentlemen, good day and welcome to Raymond Limited Q1 FY2022 Results Conference Call, 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 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 of Antique Stock Broking. 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 earnings call of Raymond Limited. I have with me Mr. Jayant 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, Sir!

J Mukund: Thank you Abhijeet. Good evening everyone and thank you for joining us for Q1 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 disclaimer slides.

Today we have with us Mr. S. L. Pokharna – Director, Raymond Limited, Mr. Amit Agarwal – Group CFO, Mr. Ganesh Kumar – Chief Operating Officer, Lifestyle Business and Mr. Harmohan Sahni – who has recently joined in June 2021 as CEO of our Reality Business. I will now hand over the call to our group CFO, Amit Agarwal, who will give you the summery of the company's quarterly performance, before we open up the floor for our Q&A session. Over to you, Amit!

Amit Agarwal: Thank you, Mukund. Good evening, ladies and gentlemen. These are testing times, and I hope you and your near and dear ones are safe. Thank you for joining us today on this earnings call to discuss our results of first quarter of fiscal 2022.

Let me give you an overview of the market:

The market witnessed a bullish start at the beginning of the calendar year 2021 (i.e. Jan – Mar quarter) with improvement in consumer sentiments, opening up of the economy and recovery in sales. The momentum was expected to continue in the first quarter of the current financial year (i.e. Apr-Jun quarter) on the back of strong wedding season and positive consumer sentiments.

However, from beginning of Apr-21, the 2nd wave of Covid-19, which is considered to be more severe compared to the 1st wave which occurred in last year, resulted into local lockdowns across the country - starting from West followed by North, East & South regions.

Throughout the quarter varying degree of regional lockdowns were implemented by local authorities. There were restricted hours of store operations on weekdays, complete shutdown on weekends, market opening on alternate days and essential / non-essential categorization, which largely affected the consumer footfalls in retail network impacting sales.

At the trade level, primary sales dipped during the quarter as channel partners became cautious as unsold inventory was lying across supply chain.

At retail level, especially the retail outlets & Large Format Stores (LFS) were impacted due to mall closures resulting into delay in EOSS as well

From online channel perspective, sales of non-essentials items also slowed down as some of the key states put restrictions on e-com deliveries

However, from later half of the June month, with phase-wise unlocking & partial ease of restrictions, some recovery in consumer sentiments was witnessed. Also, the secondary sales improved with ease of mobility mainly contributed by recovery in lower tier markets compared to Metros & Tier 1 cities.

Let me now give you key financial highlights of the quarter – Q1FY21:

1. Second wave of pandemic resulted in stricter lockdowns across India, impacting sales recovery during the quarter. As the unlocking began, we witnessed slightly better sales in the later half of June month

2. Consolidated revenue stands at Rs. 862 Cr, up 289% as compared to Rs. 222 Cr in Q1FY21

3. Continued focused approach on optimizing operating expenses during the quarter. While the revenues increased by 3x, the operating expense increased by 26% over previous year from Rs. 275 Cr in Q1FY21 to Rs. 347 Cr in Q1FY22

4. Reported EBITDA of Rs. 7 Cr for the quarter as compared to EBITDA loss of Rs. 167 Cr in Q1FY21

5. The net loss before exceptions for the quarter was Rs. 114 Cr as compared to Rs. 242 Cr in the previous year.

6. During the quarter, the Company had an exceptional loss of Rs. 43 Cr which includes:

a. Gain on recognition of fair value of development rights received as non-monetary compensation in lieu of acquisition of land by TMC, Thane amounting to Rs. 92.4 Cr

b. Interim insurance claim received on account of fire occurred at Company's Thane premises amounting to Rs. 10 Cr

c. In apparel business, the Company has made a provision for discount sharing with customers (trade receivables) of Rs. 117 Cr and certain inventory write down of Rs. 29 Cr due to second wave of the pandemic. We will discuss this in more detail in our Branded Apparel segment.

7. Net loss after the Above mentioned exceptional items for the quarter was Rs. 157 Cr as compared to Rs. 242 Cr in last year

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

On Revenue:

Q1FY22 revenues were impacted by local lockdowns across the country due to 2nd wave of the pandemic.

All the B2B businesses performance well contributing over 40% of total revenues

In our core Branded Textile segment, there was a dip in primary sales as trade channel and market remained muted. This was due to lower secondary sales as the retail network was either shut or operating with restricted timings due to regional lockdowns. However, with phase-wise opening of states along with continued restrictions, the market witnessed some recovery in later part of June month.

In our B2B segments, quarter witnessed continued momentum in both of our Engineering businesses as export markets remained buoyant with strong demand in global markets. Despite strong order book, lockdown induced operational disruptions and port congestion resulting delay in dispatches. In the case of garmenting business while having a robust order book, stringent lockdown restriction in Karnataka impacted dispatches.

In our Real Estate business, while the sale of new units affected as major part of the quarter impacted due to local lockdowns however fast paced construction activity during the quarter in all ten towers of the project resulted in higher revenues during the quarter.

On EBITDA and operating costs:

Reported EBITDA of Rs. 7 Cr for the quarter as compared to EBITDA loss of Rs. 167 Cr in Q1FY21. There was continued profitable performance by both of engineering businesses, B2B Shirting and Real Estate business.

At the operating cost front, there continued focused approach on optimizing operating expenses resulted in controlling costs during the quarter. The overall increase by Rs. 72 Cr to Rs. 347 Cr as compared to Rs. 275 Cr in 1QFY21 is primarily due to increased levels of operations. The opex cost has increased by Rs. 72 Cr over Q1FY21 to Rs. 347 Cr in Q1FY22 while revenue has been increased by 289% during the same period. 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. Opex cost in Q1FY20 was Rs. 531 Cr which reflects reduction of Rs. 184 Cr in Q1FY22.

Now let me explain the key operating costs in detail:

Employee costs increased from Rs. 171 Cr in Q1FY21 to Rs. 194 Cr in Q1FY22 due to restoration of normalization of employee benefit expenses

Also, as already stated our store rationalization is in progress to make retail portfolio healthy. Net store closure is 27 for Q1FY22 taking retail network to 1,459 stores as on 30th June, 2021

On the working capital front, we continued our focus on efficient working capital management. Despite lockdowns and lower secondary sales with continuous efforts across all businesses, our collections have been encouraging and we could maintain the receivables at Mar-21 levels. During the quarter, though the plants operated at lower levels however, due to severity of lockdown the sales / dispatches were significantly impacted and thereby The inventory levels increased resulting in overall increase in NWC by Rs. 92 Cr from Rs. 1,117 Cr as on 31st March, 2021 to Rs. 1,209 Cr as on 30th June, 2021

Due to above reasons the operating cash flow was negative at Rs. 108 Cr and free cash flow was negative at Rs. 196 Cr for the quarter Q1FY22

Our net debt increased by Rs. 200 Cr from Rs. 1,416 Cr as on 31st March, 2021 to Rs. 1,617 Cr as on 30th June, 2021. The average interest rate level was maintained at Mar-21 levels at 8.34%

The company believes that during these pandemic times it is prudent to ensure to maintain adequate liquidity levels around 600-650 cr. And our liquidity stood at Rs. 645 Cr (cash & cash equivalents) as on 30th Jun-21.

Now let me talk about our various segments in detail.

Branded Textile: Segment sales at Rs. 283 Cr vs Rs. 17 Cr in previous year. The recovery was hampered due to second lockdown across the country impacting the primary & secondary sales. However, the segment witnessed recovery in June month as primary sales picked up with partial unlocking of states in a phased manner.

Suiting business grew by higher volumes in wholesale and trade channels and increased off-take of premium gifting solutions (Internal reference: Combo packs) introduced at attractive price points. When the second wave of pandemic triggered similar lockdowns like last year, we had our learnings and were not caught unawares. The business was equipped with spruced up supply chain and smarter inventory management. Our marked to market execution was agile as we were able to translate customer requirements into physical sales through prompt dispatches of our products. Our preparedness was a catalyst to service our customers which, resulted in high volume of sales during the quarter that was mired by lockdowns across the country.

Branded Apparel segment sales stood at Rs. 75 Cr impacted primarily due to continued lockdowns for both our trade and retail channels. Our EBO and LFS channels continued to be impacted as most of the malls across the country remained shut during the quarter. EBITDA loss of Rs. 29 Cr.

Now let me explain to you about the exceptional item related to Apparel business.

As we all are aware that the apparel fashion industry works on the freshness of inventory, due to the lockdowns, the stores were shut, the sales dropped drastically, resulted into inventory built-up at the trade channel level reflecting slow collections. Due to resurgence of Covid second wave and which impacted the summer 21 sales ,Our channel partners have not been able to sell in two consecutive summer seasons ie. Summer 20 and Summer21 and the same have resulted in increase in inventory in the supply chain. With the objective of faster realization of trade receivables and providing fresh inventory to customers, the Company has decided to offer certain discounts to liquidate inventories held by channel and other inventories. Accordingly, a provision has made of Rs. 117 Cr on account of discount sharing and Rs. 29 Cr towards write down of inventories

Retail Network: As on Jun, 2021, we had 1,459 stores spread across ~600 towns. All the operational stores are complying with stringent safety guidelines including contactless payments. Since a majority of our retail outlets are spread across high streets, customers needs were addressed even when the malls were closed. As already explained, we are strongly focused on making our EBO portfolio healthy, during the quarter, we closed 35 stores At the same time, we are continuously evaluating opportunities which strengthen our retail footprint. During the quarter we opened 8 stores mainly in Tier 2-3 category towns

Garmenting segment sales stood at Rs. 98 Cr as compared to Rs. 100 Cr in previous year. The revenue remained flat. Though the order book is strong, the dispatches could not be made due to stringent local lockdowns in Karnataka resulting in stoppages in plant production. EBITDA margin for the quarter at 0.9%.

High Value Cotton Shirting segment sales at Rs. 101 Cr as compared to Rs. 6 Cr in previous year. Revenue recovery led by higher number of orders from our B2B customers. EBITDA margin for the quarter at 6.2%

Tools & Hardware segment sales at Rs. 110 Cr as compared to Rs. 20 Cr in previous year. Sales mainly driven by exports in key markets of LATAM, Africa & Asia. EBITDA margin for the quarter at 11.3%

Auto Components segment sales at Rs. 70 Cr as compared to Rs. 21 Cr in previous year. Sales mainly driven by exports market and well supported by recovery in auto sector in the domestic market. EBITDA margin for the quarter at 15.9%

In our Real Estate business, the sale of new units affected as major part of the quarter impacted due to local lockdowns as the Experience Centre was closed impacting bookings. However, constant active engagement with customers during lockdown through digital mediums coupled with sustained lower home loan interest rates triggered conversions of enquiries into bookings especially in the month of June. Overall, received 61 bookings in Q1FY22 resulting in total 1,448 units booked (over 60% of total inventory launched) till Jun-2021 with a booking value of Rs. 1,386 Cr. The business continued fast paced construction activity during the quarter in all ten towers of the project. The tower wise construction status is as follows: Tower 1, 2 & 3: 40th floor slab work in progress; Tower 4: 27th floor work in progress; Tower 5, 6 & 7: 1st floor slab work in progress; Tower 8: Plinth work in progress and Tower 9 & 10: Foundation work in progress

Let me update you about the demerger. Demerger is an important step for the group. We expect the overall process to be completed in the current financial year – FY22. As and when we have a meaningful update, we will inform accordingly.

Current Status of Operations and Near Term Outlook:

Witnessing recovery in the primary sales due to phase-wise unlocking of the states with ease of lockdown restrictions and improving status of vaccination. However, concerns of 3rd Covid-19 wave making trade channel cautious in buying large quantities.

Higher presence of TRS in high-street and lower tiers aided moderate recovery despite majority of retail network continue to operate with limited store timings on weekdays and weekend closures impacting footfalls leading to overall slower recovery in sales. Recovery in LFS is low due to continue closure of malls

Exports market is witnessing recovery in B2B businesses of Garmenting and Engineering businesses of Tools & Hardware and Auto Components with healthy order book as global economies are opening up with steady growth in demand

Construction activity in our Real Estate business is in full swing in compliance with all the relevant guidelines

Liquidity: Continued focus on liquidity management through cost reduction initiatives, NWC optimization and capex reduction

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. The first question is from the line of Dixit Doshi from White Stone Financial Advisors. Please go ahead.

Dixit Doshi: Good evening, Sir. Thanks for the opportunity. Sir, my question is last year in FY2022 we had done around RS.1600 Crores topline in Branded Apparel division. So, my question is do we manufacture entire raw material used in this apparel division because we also have purchase of stock in trade worth Rs.1266 Crores, so we get this apparel manufactured outside. The textile that is used for this apparel division is entirely in-house manufactured and supplied or we have to purchase from outside? This is my first question and historically the EBITDA margins in apparel have been very low. So, what is the sustainable kind of EBITDA margins in Apparel business once things normalize? Also, Sir what are the plans for the future monetization of the remaining land parcel in Thane? Are we going to develop it entirely ourselves or we also have plans to sell or enter into a JV with someone and my last question is, Sir what is the construction cost per square feet in the towers that we are making right now, what is the construction cost per square feet and what kind of realization per square feet we are getting here? These are my few questions I will again get back in the line, Sir.

Amit Agarwal: Appreciate it. Let me talk in the sequence the way you have asked and I will request my colleagues to add wherever necessary. So, from Branded Apparel's perspective, our focus is to use very high quality fabrics in the making of the apparels. However, majority of the apparels which we sell under our brands gets manufactured by the third party except for some of the quantities for which we procure from our garmenting facilities in Bengaluru . So, thereby we see very clear that you have the right structure by which you use the MSME to do the contract manufacturing of the apparels which is getting sold under our brand name, so that is number one. Second, for EBTIDA margins on a sustainable basis I think the most important part you have to see is that, we have pruned down the cost structure in a dramatic manner from FY19 levels and we have brought almost 50% reduction in that cost structure and that will enable us and certain channels in which we are present to improve the margins. So, there is a clear path the company has in terms of improving the margin in this segment. However, I would not like to spell out the numbers, but we will see progressively over the quarters how the improvement in EBITDA margins, is happening. In terms of monetization of Thane land, that in 2019 we sold 20 acre of land parcel for around Rs.700 Crores which translates into almost Rs.35 Crores per acre. So, we have demonstrated that we can monetize by selling the land. Similarly, when we are doing the construction on our parcel of a 14 acres parcel we are constructing 2.8 million, so it will be a mix but we will see the opportunities you know very well that during the COVID times it is inappropriate we will not get the right offer, so therefore it is not something that we will not look into it, we will take the opportunity to sell the Thane land as well we continue to see the construction and maybe it is today we are doing into the residential, maybe we have an opportunity to do commercial, do some other type of usage mixed usage if possible, so that is the way forward. As far as construction cost is considered, the beauty of Raymond Reality project is that it has progressed and worked so efficiently and it is in a position to complete one slab within 7 days, which reflects about the efficiency of the company. As far as the realization is concerned, you know very well in a real estate market the location and the timeliness of completion of the project. So, we are significantly ahead in terms of completion of the project, you see the first three towers we are supposed to deliver let us say still three years to go but we believe that we will have a possibility to deliver sooner. So, therefore we see that our ability to construct faster at an economical cost and giving the right quality of amenities is critical, because this is the showcase project for us also that we are giving the best quality amenity so that we make a clear understanding to the customers that we provide a great life when people buy the home at Raymond Realty.

Dixit Doshi: I appreciate your answer Sir, but I was looking at a number for the construction cost per square feet and the realization per square feet?

Amit Agarwal: Yes, as I said it looks these are some of the things which we are not disclosing because the realization you can know very well what is the Thane market, every project has their own certain premium and as far as construction cost is concerned we are quite competitive and that is reflected over the next four years and we have already given our guidance about this project, this 16 acres aspirational project will deliver what kind of a free cash flow from the project.

Dixit Doshi: My last question is out of this net debt of around Rs.1600 Crores, so post-merger how much of this debt will go to the new entity and how much of it will remain in this listed entity?

Amit Agarwal: Look today we have a common treasury and we work through a common treasury but after demerger, we will be able to see that how much debt goes into the Lifestyle entity and how much that is in non-Lifestyle entity.

Dixit Doshi: We do not have the clarity of the number right now?

Amit Agarwal: As I said when the demerger happens then we will take the debts into the Lifestyle whatever is the debt relating to Lifestyle business, because basically it is mainly working capital debt which is relating to the Lifestyle business.

Dixit Doshi: So, large part of the debt will go to the Lifestyle business, am I right?

Amit Agarwal: Yes.

Dixit Doshi: Okay, thank you.

Amit Agarwal: Okay, and Pokharna ji if you want to add something on the apparels the way to do the businesses?

S L Pokharna: You have answered everything Amit ji, thank you for that but I think in question there was one more part that all garments manufactured are being sourced or from our in-house. My answer to this is yes, whatever is being produced is being taken from our in-house facilities, but however there are many special kind of fabrics like, knitwear so many other kind of fabrics are there those are being outsourced. Also, conversion of these garments happens into our factories but at the same time we have facilities which we need higher capacity and we go outside conversion also. So, that is one and second is I would like to add the demand is recovering in the market place and we are seeing good footfalls into our channels. So, we are expecting good results in moving forward.

Dixit Doshi: Thank you. Thank you so much.

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

Meet Jain: Thank you Sir, for giving me the opportunity. My first question is on the online sales means what percentage of our revenue came from our online sales or e-commerce business?

The line got disconnected for a while.

Meet Jain: Can you hear me?

Amit Agarwal: Yes we can hear you.

Meet Jain: My first question was on the online sales means what percentage of our revenue came from our online sales or e-commerce business?

Amit Agarwal: If you see in our business, what happens is that fabrics do not sell online, it is only the apparel segment which sells online. So, what we have been able to do and especially in this quarter the challenge was that many states did not enable the online sales through e-commerce delivery for the non-essential products so therefore the online sales were impacted. However, as I earlier explained that on a normalized business from the apparel side, we do around the 22% to 24% as an online sale on a normalized basis. So, that is the share which we have been able to do. However, today we also believe that the omni-channel sales is a very important factor which translates into a physical experience. When you talk about a physical experience it means you can buy online, go to the nearest store of 'The Raymond Shop' or an EBO and from there you have the flexibility to change your clothes, return, try new product, or go for alteration. So our focus is that while we increase the online channel, we also build omni-channel presence. As we are present in more than 600 cities we also have that unique advantage of fulfilling the orders even if you buy online, we can service you offline as well as provide the flexibility to have a conversation with the store and get minor alterations, returns, changes or different designs that is all feasible.

Meet Jain: Sure, got it. So, 22% to 24% is on a normalized basis?

Amit Agarwal: For the apparel business.

Meet Jain: Apparel business, right and next question is on fashion collection season like earlier we used to do around two seasons annually and in previous calls we were discussing that we have increased to around four fashion collections to six fashion collection seasons. So, have we currently implementing that?

Ganesh Kumar: Yes, on the fabrics side we are still operating on the autumn-winter, and the spring-summer as a booking model, however, we have started introducing flash collections depending on the requirement of market and based on the trends that we see are changing. So, that is the way trying to fill in the gaps of the fabric side. For apparel, I will request Pokharna Ji to respond.

S L Pokharna: Thank you for apparel. From two seasons we moved on to the four seasons, so we have separated autumn and winter then we have separated spring and summer. So, we are approaching customer on an average every quarter with the new collections and that is also helping us in optimizing the inventory and helping customer to optimize their inventory. Thank you.

Moderator: Thank you. The next question is from the line of Govindlal Gilada as an Individual Investor. Please go ahead.

Govindlal Gilada: Good evening to Raymond team. I want to understand big picture of Raymond, I am shareholder since last three years, so Singhania Sir, our Chairman Sir always is more emphasizing on shareholders' value creation and he has walked the talk. He has seen value and he has got it all levels stock from market and preferential allotment in the last three years at various times, he bought it in thousands also, Rs.675 also recently a month – two months back he has bought at Rs.350 also. So, promoter is seeing value and Raymond is a household brand and there is also FMCG, So, I want to understand Sir, in spite that the story is known to everybody because last three months Raymond team has taken lot of efforts, conducted lot of niche like institutional investors, HNIs, one to one, a number of times. So, where we are failing in our job to give conviction to market as now all indices are at new high. Raymond touched Rs.1100 two years back or one and half years back and it is now quoting at Rs.440 after even that time your real estate was not unlocked this 20 acres was not sold even, so demerger was not announced, not much with key positive things happening that was the Rs.1100 after that we are developing land, we have sold land, demerger we have announced. And all our textile business is in clear shape is they are almost doing good, they are almost at their heights. So, where market is not believing Raymond story there some bigger picture I want to understand, Sir?

Amit Agarwal: Look fundamentally if you see that Raymond as a brand is not a younger brand. It has a very strong brand recall and practically have recall value in the entire country with all the engines as we have completed more than 96 years. So, therefore from a brand recall point of view in terms of the product quality we are absolutely on the top end. As far as the network is concerned, we are at the top end. So, what is happening we have achieved these successes obviously the COVID impacts this business because when you do not have the brick-and-mortar store opened you will not be able to go and shop. However, if you look at it that the efforts which the company need to put in have gone forward and put substantial amount of efforts. If I look at it in terms of the opex cost reduction there has been a substantial reduction in the opex cost, which when the sales get back, a significant portion will gets restored while a certain cost savings will be permanent in nature, which will improve the bottomline. As far as the other unlocking is concerned in terms of value unlocking we said we are monetizing the Thane land, as you rightly pointed out, we have sold about 20 acres of land, we are constructing this real estate 3 million square feet project and as I also mentioned on the other question that we also intend to do when we get the right price and right opportunity in terms of selling additional pieces of land as well as constructing multiple use of product. For example, be it a commercial, be it a residential, be it any other alternate use. So, we are very clear that we want to unlock the value. Third thing, if you see the third key component is also the deleveraging. If you see over the last six quarters–seven quarters, the company has philosophically reduced the debt almost by Rs.1,000 Crores byMarch and maybe there is a small increase in the debt right now which is more temporary in nature because of the increase in the working capital, which I explained in my opening remarks. So, as well as the demerger has been announced I think we have done all the right things which is required for a true value unlock and we are on the path of that value unlock. Once many of these things get accomplished and the results are seen some results have been already seen, some will be seen soon which will enable unlock in the value.

Govindlal Gilada: Yes, thanks for your elaborate answer to my question. Here again Sir, COVID has affected to your other peers also it is not that it is affected to Raymond only and stock market is forward looking. So, what you are telling about unlocking everything, but why market is not giving value to the stock, that is my question. What you are talking, market knows everything Sir, what you are going to do and what you are doing right now. So, thing is that the other company's people are believing the valuation, they are giving to other companies in textile sector. So, why Raymond is not recognized after all potential of its work? That is my question.

Amit Agarwal: No, Sir as I said, we are on that path, we are on that journey where we are doing the right things and the market is going to recognize that, it is not that the markets are far matured they will recognize that clearly and we are doing the right things in order to ensure that we create the shareholder value and you look at the various steps - the return on the capital; the kind of returns which we are going to get on the demerged business of the Lifestyle is going to be phenomenally higher. So, this all translates that all the right things which you need to do there is something which are work-in-progress, once the work-in-progress is completed you will be able to see the result as well.

Govindlal Gilada: So great, Sir. I wish you all the best and last one question, is there any thought on FMCG unlocking value on selling our stake, anything in that direction about these sales?

Amit Agarwal: FMCG is a very important part of the business with a very high-quality management along and we have seen encouraging results. We expect that considering the product which we have both in the deos and sexual wellness is of top notch. We are getting a high market share and it is a building phase. As I see that the next few years is a build phase for our FMCG business, and we are building this FMCG business by then we will be able to see a significantly higher value with improved margins.

Moderator: Thank you. The next question is from the line of Umang Shah from Edelweiss. Please go ahead.

Umang Shah: Sir, good evening. Again, the same question that I would be wondering on. Sir, the demerger process is still stuck from our end we have still not went to NCLT that is actually right or is there some misunderstanding from my end?

Amit Agarwal: NCLT admission of the demerger scheme is done. Now the other processes and some of the authority regulatory clearances are supposed to get. As I explained in my opening script that we will complete this demerger in this fiscal year.

Umang Shah: Secondly, from overall the impression that we are getting is that "Raymond The Complete Man" the old brand is we are not expanding, or we are not trying to advertise the way we were doing it obviously for various reasons that it is a lockdown people cannot go and buy, so advertising is obviously something that we would not be looking at. But when we were trying to create our online presence, we started with our online ad spends and we were increasing that. Now where are we standing on it, so we were looking to create our own website and function it which is working very well to be very honest or various products even fabric combo's or home textiles everything is available over there. But now going forward what is the online direction because suddenly it seems that we would be now focusing more on e-commerce versus our own proprietary kind of website and secondly, now we would be again focusing on retails. So, what is the clear line of thought for selling "Raymond The Complete Man" brand apart from Raymond Reality I would like to focus on Raymond Textiles also? That is all.

Amit Agarwal: Absolutely Raymond is the main lifestyle business, so it is a lifestyle brand and if you see the advertisement, the sales promotion, I do not know did you watch the early IPL matches we brought our advertisement but when in April we got hit by the COVID that pushed us back and there was no point of continuing with the advertisement because there was a lockdown. In terms of all the digital experiences we are present in all the major marketplaces, we are present on our own website myraymond.com and to elaborate more I will ask Ganesh to talk on the online and the digital the way we are moving forward.

Ganesh Kumar: Thank you so much, Amit. You are absolutely right we had started off with the advertisement spends as Amit said in the month of April. However, as the second wave slipped in, we pulled back on some of the expenses because at the end of the day it has to reach to the consumer where it matters. But having said that we are looking forward to coming back into the next season, using our digital media and the other spends. Today as we speak, we have all the digital media, communications on garment exchange program which is being run across all our stores. We are also the style partner for the Olympics Sports. So, there is a communication which is going on that bit also. Now, coming back to our own website 'myraymond.com' the end destination for this website is basically to be a 'House of Fashion' for Raymond where consumers coming on the marketplace, around the globe can reach there and look at what are men's fashion trends that Raymond is bringing on to the market. Then there is also an option of a transaction that can take place. The primary focus is to give consumer a great experience and visibility on how we drive this fashion. I hope that gives one answer. Second is on the digitization we ourselves as an organization moving into full journey on digitization in terms of how we collect consumer data, how you analyse data and drive data based decision making there is a full-fledged plan that is being worked out and being implemented as we speak.

Umang Shah: Sir if I am not wrong when we already had a good amount of data from our loyalty customers, I mean just a reach that we had with that program or the data that we had that was one big I would say asset that the company has. So, are we still utilizing that to reach out to our customers or this is a new data set that we are now working on?

Ganesh Kumar: Of course, we are using our existing database which is a very strong property of the brand which has been collected over years and our communication is now targeted using those data so that we are doing very targeted communication rather than a short kind approach.

Umang Shah: Okay, alright. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Rishikesh Oza from Robo Capital. Please go ahead.

Rishikesh Oza: Sir, my question is related to this Rs.2,800 Crores revenue and 800 Crores PAT that we are expecting in real estate in the next three to four years, so here we are talking about a cumulative figure? Am I correct?

Amit Agarwal: Yes, it is the revenue for the entire 3 million square feet and the profitability for the 3 million square feet project.

Rishikesh Oza: Okay, the cumulative figure over three, four years, correct?

Amit Agarwal: Yes.

Rishikesh Oza: Most of it likely going to be reported or recognized in later part of the year maybe third or fourth year?

Amit Agarwal: No, actually it will be spread over the project horizon. The real estate project with 3000 plus units does not sell only one year, it is sold over a three four year period and we have demonstrated the performance of the company. If we have sold 60% of the launched inventory, as I mentioned earlier, we see very clearly that the profitability will be distributed over the entire four year period. So, we have sold already 1,448 units and the construction is at a phenomenal pace, so you will see the distribution of this profit over the next three years equally.

Rishikesh Oza: Okay, that will do. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Dixit Doshi from White Stone Financial Advisors. Please go ahead.

Dixit Doshi: Sir, I would like to know in Raymond Reality at this point of time what is the average booking rate which we are selling at per square feet basis?

Amit Agarwal: We have got Harmohan the new CEO for the reality business.

Harmohan Sahni: On an average Rs.1 Crore per unit that we are charging on the carpet area. The current rate will be around Rs.20,000 slightly upwards of Rs.20000 per square foot.

Dixit Doshi: Rs.20000 per square foot, right?

Harmohan Sahni: Of carpet area that is right.

Dixit Doshi: My second question was, what would be the tentative construction cost because just to have some guesstimate about the future profitability, if you could share, some benchmark construction cost, is it Rs.3500 to Rs.4000?

Amit Agarwal: As I mentioned that we are not disclosing the construction cost because we have certain unique construction cost methodology and we have put in lot of efficiencies therefore we are not disclosing this construction cost. We have given the guidance that the project is going to deliver over Rs.900 Crores of cash flows and profitability in this business.

Dixit Doshi: Thank you.

Moderator: Thank you. Ladies and gentlemen that would be a last question for today. I now hand the conference over to the management for their closing comments. Thank you. Over to you!

Amit Agarwal: Thank you very much. Thank you for participating in this call and having interest in Raymond Limited. Now we will talk to you once again in the next quarter. Stay safe stay healthy. Thanks.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Antique Stock Broking that concludes this conference. Thank you all for joining us. You may now disconnect your lines.