# "Raymond Limited
# Q4 FY2021 Earnings Call"

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**Moderator**: Ladies and gentlemen, good day and welcome to Raymond Limited Q4 FY2021 Earnings 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 conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note this conference is being recorded. I would now like to hand the conference over to Mr. Abhijeet Kundu from Antique Stock Broking. Thank you and over to you Sir!

**Abhijeet Kundu**: Thanks Mallika. On behalf of Antique Stock Broking, I would like to welcome all the participants in the Q4 FY2021 earnings call of Raymond's 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 Mukund!

**J Mukund:** Thank you Abhijeet. Good evening everyone and thank you for joining us for Q4 FY2021 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 Amit Agarwal, Group CFO, Mr Joe Kuruvilla, CEO of Lifestyle Business, Mr Ganesh Kumar, Chief Operating Officer, Lifestyle Business and Mr S L Pokharna, President, Commercial. I will now hand over call to our Group CFO, Amit Agarwal who will give you the summary of our company's quarterly performance before we open up the floor for Q&A session. Over to you Amit!

**Amit Agarwal:** 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 fourth quarter of fiscal 2021.

**Let me give you an overview of the market:**

During the quarter, we witnessed improvement in consumer sentiments with recovery in the economy, opening of the job market and Pan-India Vaccination drive, alleviating fears among consumer to step out and drive consumer demand. Sentiments were consistently improving in the months of January and February leading to stronger sales. Furthermore, extended EOSS coupled with multiple promotional offers supported the recovery. The marriage demand foreseen from upcoming weddings season in quarter 1 of Financial Year 2021-22, supported the sequential recovery. We witnessed continued higher recovery levels in retail network in lower Tier III-VI markets as compared to Metros & Tier I towns, increase in disposable income among farmers due to higher agricultural output and supportive measures and policies by government. The economic recovery had been encouraging and with the unlocking, the consumer sentiments recovered well in the second half of the year

**Before moving to the quarterly financial performance, let me give you brief highlights of the full year FY21:**

The financial year gone by 2020-21 has been an unprecedented one for the sector as well as for the company. During this period, the company showed resilience and agility and focused on cost rationalization and effective working capital management to maintain liquidity. The key financial performance highlights are:

Consolidated revenue for FY21 at Rs. 3,648 Cr, compared to Rs. 6,578 cr in previous year

Operating cost stood at Rs. 1,320 cr which reflects a reduction by Rs. 887 cr which is 40% lower as compared to FY20. This reduction is higher than our stated guidance of lower operating cost by 30-33%. As the lockdowns continued in H1 and recovery has been witnessed in H2 only, we were able to align fixed cost according to recovery level of the business and the variable cost has been in-line with sales

Pandemic significantly impacted the revenues during the 1st Half. However, with the unlocking our sales recovered almost 3 times in H2 as compared to H1

We reported positive EBITDA @ Rs. 135 cr in FY21 compared to Rs. 612 cr in previous year. Due to lower sales in H1, we incurred an EBITDA loss of Rs. 218 cr and we were able to improve by Rs. 570 cr during H2 by achieving EBITDA of Rs. 353 cr.

Net working capital reduced by Rs. 738 cr from Rs. 1,855 cr in Mar-20 to Rs. 1,117 cr in Mar-21 by focused approach on collections and reducing inventory

Cashflow positive during the year: We generated Operating Cash flow: Rs. 702 Cr & Free Cash flow: Rs. 417 Cr

The cost rationalization efforts and effective working capital management helped to reduce Net Debt by 24% which is Rs. 443 cr from Rs. 1,859 Cr in Mar-20 to Rs. 1,416 cr in Mar-21

**Moving on to the key financial highlights of the quarter**

Q4FY21 revenue grew by 9% over previous year from Rs. 1,291 cr to Rs. 1,407 cr. Growth was led by recovery in core business of Branded Textile and continued profitable growth momentum in engineering and real estate businesses

On a sequential quarter on quarter basis, the topline has grown by 9% from Rs. 1,286 cr in 3QFY21 to Rs. 1,407 cr in 4QFY21

The cost rationalization along with improved operational efficiency enabled us to improve EBITDA margins to 14.0% vs. 0.4% in the previous year

We reported an EBITDA of Rs. 197 cr with EBITDA margins of 14.0% which has improved sequentially from 12.2% in Q3FY21 as well.

Net profit of Rs. 56 cr for the quarter compared to Net Loss of Rs. 68 Cr in last year

Our continued focus on efficient working capital management led to further reduction in NWC levels by Rs. 73 cr vs December-20 levels

Improved profitability along with release from working capital management helped to reduce Net Debt by Rs. 167 cr vs December-20

**Now, let me elaborate on each of the points mentioned above:**

Revenue witnessed growth of 9% over previous year. The core business of Branded Textile segment grew by 24% led by strong pickup in primary sales from upcoming wedding season and Branded Apparel segment saw improvement in recovery led by extended EOSS and marriage demand. In Garmenting business, the recovery was slower due to continued lockdowns in our core markets in EU & US, but partly offset due to bulk business

Our engineering businesses continued strong profitable growth momentum with Tools & Hardware having strong growth of 53% over previous year and Auto Components also having a strong 46% growth over previous year.

On EBITDA: We reported EBITDA of Rs. 197 cr with EBITDA margins of 14.0% driven by maintaining gross margins similar to previous year and our continued efforts on the cost rationalization through various cost control measures in the areas of sales and marketing, manpower, rental and others, coupled with operating leverage.

In Q4, our operating cost of Rs. 408 Crores, is 26% lower on a y-o-y basis. Despite revenue growth of 9%, our fixed cost has been lower as compared to previous year levels while variable cost has been in-line with sales mainly due to controlled A&SP spends.

Additionally, the rent cost savings for the full year is Rs. 80 Crore at about 43% of previous year levels. This has been achieved through adoption of a collaborative approach with landlords, mainly through combination of rent waivers during lockdown as well as realigning the rentals.

Also, as already stated our store rationalization is in progress to make retail portfolio healthy. Net store closure is 73 for Q4FY21 and 152 for FY21 taking retail network to 1,486 stores as on 31st March, 2021.

With these cost reduction initiatives, we have achieved cost reduction of 40% in FY21 and managed to perform better from the guidance given to reduce full year opex by 30-33% vs PY.

Thirdly, during the current pandemic times, healthier liquidity is essential for the business. We were able to maintain about Rs. 600 – 650 cr of Cash & Cash Equivalents throughout the period while reducing the debt at the same time. The company continued its focus on cost reduction and working capital management which resulted in positive free cash flow and a positive operating cash flow during the year.

With reduction in inventory and strong collections during the quarter, net working capital stood at Rs. 1,117 Crore which is Rs. 73 Crore lower as compared to December and lower by Rs. 738 Crore as compared to March-20.

Our operating cash flow was Rs. 702 Crore and free cash flow was Rs. 417 Crore for the full year FY21

With above initiatives of cost rationalization, focused working capital management and maintaining healthier liquidity it has helped to reduce our net debt levels for the 4th consecutive quarter in the pandemic year. Our gross debt was lower at Rs. 2,076 Crores vis-à-vis Rs. 2,191 Crores as of end of December and Rs. 2,430 Crore as of end of March, 2020. Also, our net debt levels in March, 2021 stood lower at Rs. 1,416 cr compared to Rs. 1,583 Crore in December, 2020 and Rs. 1,859 Crore in March, 2020. Through effective re-financing, the proportion of long term debt as a percentage of net debt has increased to

80% in Mar-21 compared to 20% in Mar-20. We were also able to reduce the average interest rate from 8.54% in Dec-20 to 8.34% in Mar-21

The Company has maintained a strong focus on de-leveraging and demonstrated a net debt reduction of over Rs. 1,000 cr over the last 6 quarters. This reduction has been achieved mainly through internal cash accruals and proceeds of land sale which was done in 3rd quarter of FY20.

**Now let me talk about our various segments in detail.**

Branded Textile: segment grew by 24% in Q4 led by pickup in primary sales on account of higher number of wedding dates foreseen in April-June quarter of current financial year – FY22.

Suiting business grew by 24% led by higher volumes in wholesale and trade channels and increased off-take of gifting solutions introduced at higher price points. Additionally, the secondary sales in our pan India 600+ town spread across TRS network also shown significant improvement with recovery clocking to ~89% in Q4 vs ~77% in sequential Q3 quarter. From domestic markets point of view, there was strong volume growth due to good primary sales and lower base in previous year.

B2C Shirting grew by 40% over previous year led by higher volumes in wholesale channel.

However, in exports, the recovery rate was still lower due to slower opening of US and Europe markets as retail sector remained impacted due to the pandemic

At the segment level, the EBITDA margin is at 22.6% led by improved operational efficiencies and cost optimization initiatives

Branded Apparel witnessed recovery at 60% of previous year levels. We have being prudent on our primary sales to channel partners in MBO and TRS networks, to ensure adequate inventory in the supply chain. We have been supporting them in liquidating the inventory and speeding up their collections.

From secondary sales perspective, we witnessed pickup due to higher walk-ins compared to previous quarter along with improved recovery in high-street stores and in stores in lower tier towns.

Overall, from margins perspective, the segment reported EBITDA loss of Rs. 19 cr. While we have been able to bring in opex reduction, however the EBITDA margin was lower on account of higher discounting and extended EOSS period and weaker recovery in sales

Retail Network: As on March, 2021, we had 1,486 stores spread across ~600 towns. All the operational stores are complying with stringent safety guidelines including contactless payments. As already explained, while we are strongly focused on making our EBO portfolio healthy, at the same time, we are continuously evaluating opportunities where we can improve our retail store footprint. Accordingly, during the quarter, Raymond added 7 stores mainly in metros and lower tier towns. On net basis it closed 73 stores.

Garmenting segment sales at Rs.126 Cr, witnessed recovery at 69% levels led by recovery in Bulk business due to slowly opening up of global markets. Our main markets both Europe & US were facing severe impact of covid in Q4 and therefore unable to accept deliveries during the quarter. Also, revenue includes contribution from PPE sales as well. The EBITDA margin for the quarter was negative 2.3% due to lower sales

High Value Cotton Shirting segment sales at Rs. 133 Cr, grew by 12% mainly led by improvement in fabric performance due to gradual pickup in demand in domestic and exports markets, and higher contribution of yarn sales. EBITDA margin for the quarter improved to 14.7% vs 7.0% in Previous Year mainly due to better sales and cost efficiencies.

Tools & Hardware segment sales at Rs. 120 Cr, growth of 53% vs PY levels led by growth across product categories in domestic markets and well supported by exports in key markets of LATAM, Europe & Africa. EBITDA margin improved to 18.5% led by higher sales / better operating leverage

Auto Components segment sales at Rs. 69 Cr, reported growth of 46% over previous year led by strong growth in domestic as well as exports market. EBITDA margin improved to 21.3% mainly led by improved plant utilization levels and operational efficiencies

Real Estate business, continue to maintain growth trajectory with one of the strongest quarterly bookings in 4Q since the launch of the project driven by consumer incentives such as stamp duty reduction and low home loan interest rates. Additionally factors such as product augmentation by introducing a new product with balcony, launch of 2 new towers in Q3 and aggressive marketing campaign have helped improve sales momentum in the quarter. Overall, received ~214 bookings in 4Q resulting in a total of 1,387 bookings (over 60% of total inventory of ~2,350 units launched is sold) till Mar'21 with a booking value of ~Rs. 203 Cr. Overall, our affordable project located in prime location in Thane with unparalleled connectivity has received about 400 bookings in H2. Our construction is on full swing and currently the status is: 38th floor slab competed for Towers 1, 2 & 3 and 20th floor work in progress for Tower 4 while for Towers 5, 6, 7 & 8 – Ground Floor work in progress; Tower 9: Excavation complete and Tower 10: Excavation work in progress

Let me update you about the demerger. Demerger has been an important step for the group. We have received approval from stock exchanges and already filed application with NCLT. Due to Covid_19 pandemic and related lockdowns, the entire business environment and processes including regulatory approvals have been impacted due to temporary closure of business offices and government departments. 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:

Consumer sentiments are impacted due to the resurgence of Covid-19 pandemic and related imposition of local lockdowns, weekend curfews, store timing restrictions & night curfews, impacting our businesses

We are taking all precautions both in stores as well as in our manufacturing plants by providing utmost safety and following highest level of sanitisation norms. All local lockdown guidelines are being strictly followed

For our Branded Textile segment, we had launched wedding campaign in April supporting the improved pickup in primary sales on account of a good wedding season in 1QFY22. However, with an exponential rise in Covid-19 cases and restrictions in social gathering and weddings in several states, the secondary sales have been impacted in the month of April

Additionally, digital / online sales are also impacted as the delivery of only essential items is permitted in lockdown impacted cities & towns

Currently, almost 30% (384 out of 1353) of our stores are operational.

From exports perspective, with the rollout of Covid-19 vaccines globally, large fiscal stimulus packages by various governments, gradual re-opening of global economies and catch up of demand, we are witnessing international retailers gearing up to stock and also we are getting a lot of enquiries and orders

Also, our Engineering businesses of Tools and Hardware and Auto Components are witnessing stable demand and healthy order book

Construction activity in our Real Estate business is in full swing in compliance with all the relevant guidelines. Overall, our project is doing very well and we are confident on delivering on time.

With cost optimization measures already undertaken coupled with our focused working capital management, we expect to maintain adequate liquidity.

Overall, as the pandemic situation is being addressed nationally with vaccination gaining pace, we expect businesses to regain momentum in due course of time. There have been learnings from the first lockdown and we believe as an organization today we are more resilient to handle a similar situation better

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

**Moderator**: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Umang Shah from Edelweiss Financial Services. Please go ahead.

**Umang Shah:** Good evening. Sir I have three questions mainly. First of all I wanted to understand this quarter what are our expenses for advertisement specifically online advertisement and also if you can give a split of the online sales that we have planned?

**Amit Agarwal:** You asked three questions, one is advertisement spend, the second one you said about the split on the online and what is the third?

**Umang Shah:** Sir the first question is related to online expenses and revenue that we have earned if you can give that split?

**Amit Agarwal:** Look for us I think what is important is to see that we all know very well that as far as the online sales are concerned it is on the apparel side while on the fabric side this market is not so tuned. As far as in the apparel side we have been progressing well and our philosophy is more on going towards the omnichannel presence and in that omnichannel presence, our thought process is to display the inventory in a particular store, the nationwide inventory is displayed to the person who comes to our stores. We have been progressively achieving an improvement in the online sales though it is a smaller percentage, but I think it is close to 17% to 18% of our revenue in the apparel segment that is the revenue, which we recognize. As far as expenditure is concerned, it is not so significant because it is the normal expenditure, which we incur for any part of our advertisement. We have moved a lot to the digital advertisements and now I will ask Joe to add a little bit more.

**Joe Kuruvilla:** So I think if you are referring to Q4 I think it has continued the momentum online and I think as Mr. Amit said that it is a big priority for us especially on the apparel side looking at as you said 18% of revenues, which was much smaller before the pandemic so clearly pandemic has really got the market to shift lot more online and we are out there to capture that massive opportunity, but the way we look at this is that we have a very strong infrastructure of about 1,500 stores. We believe that the future is going to be omnichannel and we are absolutely ready for that future where we give the consumers the advantage of basically buying online but be able to pick it up from our stores, which I think will be the future going forward.

**Umang Shah:** Sir just to understand the business going forward as of now that we are investing in online structure for apparel at least, if I ignore FY2020 but I look at FY2019 from apparel it was somewhere close to Rs.1600 Crore's worth of revenue. Do we think that this additional revenue from online sales of 17% to 18% the current run rate would be the additional going forward or it will be a shift and revenue might stay at similar levels?

**Amit Agarwal:** Look as far as the revenue is concerned we have to take it objectively because you know the consumption which has been there it will continue to grow but the impact of the pandemic has taken its toll. So we believe that there will be some shift in the channels and what we have seen the revenue there were certain channels where we have not been able to generate so much making a profitable growth, now our big focus will be to consider and go more on a focused profitable channel and maybe I can ask Mr. Pokharna because he will tell you that we have closed certain EBO stores and we have asked our TRS channels, which have been the strongest network for Raymond to pick up the sales, which we lose out in some of the EBOs, which are closed down, which were not very profitable and also to reduce some of the sales from the MBO network. Mr. Pokharna maybe you would like to add something.

**S L Pokharna:** Umang you can repeat the question please.

**Umang Shah:** The question is basically to understand how the revenue shift from an offline channel to online channel will enhance the sales, which we have delivered to the tune of Rs.1,600 Crores in FY2019?

**S L Pokharna:** You are saying FY2019 right?

**Umang Shah:** Right yes.

**S L Pokharna:** So one is like in online channel we got almost about ~20% still, which was an additional sales and as far as the high streets are concerned we are having about 1,038 TRSs and about 400 stores of EBOs, which are very strong sales lever for us. Apart from this we are also using about 100 key MBOs in the country, which are permanently placed across the country, so those channels have delivered the revenue to us.

**Umang Shah:** Okay so we can say the online sales have been the additional sales?

**S L Pokharna:** Yes online channels are additional sales. Online channel is growing fast, and additional revenues are being generated out it.

**Umang Shah:** Okay Sir thank you so much for this. Sir, my second question is for the demerger part. I could not really understand the reason so are we saying that from Raymond end, NCLT filing has happened, but the further procedures are not taking place or is it the NCLT is not working something of that sort?

**Amit Agarwal:** We have filed the application with the NCLT and because of these lockdowns the approvals have not happened and now what we are expecting is the overall process to be completed in this fiscal year. So once it gets done we will be completing this process in this fiscal year.

**Umang Shah:** Sorry Sir just to dwell on this because we have seen other companies who have literally achieved their demergers and approvals and they have finished, and they have listed with secondary labels. Also, so I wanted to understand specifically is it because of NCLT Mumbai or is it Raymond could not file the required documents with NCLT or something of that sort?

**Amit Agarwal:** No, the process is on, as we continue to work with the authorities it is a process, which will take its time and that is why we are contemplating to complete in this fiscal year.

**Umang Shah:** Okay thank you. Sorry one last question from my end. This quarter also we have saved some on rent and also something on advertisement so do you think do you foresee that in the coming years two to three years down the line this savings will continue, and we will continue to gain the EBITDA margin that we have gained in Q4 because this is from the handsome margins that we have seen with the company, so I am just trying to allude that?

**Amit Agarwal:** If you look at the rationalization of the cost even in the Q4 what has happened is we have been able to reduce the cost by 26% compared to the FY2020 levels so that is not just the rationalization on the advertisement and spends and also on the rental because in the Q4 most of our stores were operational and the rentals were coming back to the normal level so the rental savings is very, very small in the Q4. As far as the advertisement and the sales promotion spend is concerned, you know we have a good push going in terms of the digital so the digital advertising will be more than the print and media; however, we are not shying away from advertisement and you would have seen in the IPL matches. The wedding campaign was very well received by the public at large. So we still believe that the gross margin and the EBITDA margin in this business the way we have structured the business and the product mix, which we are going through we will be able to continue to have these kinds of margins over the years.

**Umang Shah:** Okay that clears a lot many things. Thank you so much Sir.

**Moderator**: Thank you. The next question is from the line of Abhishek from Arihant Capital. Please go ahead.

**Abhishek:** Sir good afternoon. I have a question basically on the real estate segment, are you facing some kind of input cost pressure especially and have you taken any price hike on the realty segment?

**Amit Agarwal:** First of all we are not facing any kind of a price hike in terms of the input. The steel prices have increased, however, because of the attractiveness and the location of the projects we have been able to marginally increase the price of our product and considering the overall project such as amenities and the location we command a decent premium in the Thane market. Pokharna Ji you want to add something on this.

**S L Pokharna:** Yes I would like to. Just it is a very good question you raised it. In real estate market for the last quarter as Amit Ji has pointed out was a phenomenal growth with respect to Raymond. Apart from this I would like to put forward that besides our project there are other projects going on, which have just completed one floor or two floor while our constructions speed is so good that we have completed 39 floors in three towers, 20 for tower 4. With these towers, the customers are extremely happy with the progress and that is why despite lockdown in April and in May we got about 13 bookings and the response is very good. People perceive that yes corporatization of real estate is helping and because of a lifestyle company like Raymond is getting into the lifestyle of real estate also, so a good home lifestyle product is being developed, which is being appreciated by everybody. So very good response, a good teamwork and a strong growth is perceived in this sector.

**Abhishek:** Thank you Sir. Sir I have one more question. How are the things shaping up in Tier-3 and Tier-4 especially in the smaller cities right now vis-à-vis the last pandemic because last time the recovery was relatively faster. Do you see because this time the number of deaths is higher and there has been some kind of panic is there so do you see any change in the recovery if it is going to happen?

**Joe Kuruvilla:** I think you are right. We did see in the last year the Tier-4 to 6 as Amit also mentioned we clearly saw much faster recovery compared to top tiers. I think it is a bit early for me to comment on it. At this point of time, obviously its looks like the spread have been even beyond some of the metros, etc., so I think in that sense it is a bit early, but at this point of time I would say that typically the recovery that we see is typically much faster in the lower tier than in the upper tier just because of the stringent lockdowns, which come in.

**S L Pokharna:** I would just like to add one more thing. You know a lot of money has been pumped in by the central government or state government into rural economy and that reflection is being felt by us in Q3 and I feel once the lockdown is up a lot of spend will come in the product categories in which we are. So we are anticipating good sales in Tier 3, 4 and 5 towns now because of the money spent by the government and also the agriculture crops were very good during this period.

**Amit Agarwal:** Also I think the weather forecast is good. The monsoon is normal so assuming that the recovery in the rural area will be definitely much better like the last year.

**Abhishek:** You are talking about now that US and Europe are opening up right now so do you see any pickup in order book right now whatever your interactions are there right now, and second thing can you throw some light on China plus one and also if something is happening at that end also?

**Amit Agarwal:** Yes sure. I think we have seen a very good improvement in terms of the order book coming especially from the US retailers. There is a little shift if you can say because everybody wants to have one more competition coming by the side of China and that is why there is a little preference coming for India. I will ask Ganesh who looks after the garmenting business as well can comment on this sort of inflows.

**Ganesh Kumar:** So what we are seeing is, point number one customers definitely want to de-risk their single supply source strategy and they are looking at a reliable strategic partner. We are also having discussions with couple of customers both in Europe and the US to diverge and we have been successful in a couple of cases. Second is with respect to order book what has happened over the last one year is there are a lot of inventories, which have been consumed in the international space and especially in the US all the retailers have reduced their inventory and now they have also seeing a further surge in demand and I was in a conversation with a customer yesterday, they are seeing increased improvement in full price sales for them as compared to the discounted sales, which are a majority ratio. So, so far we have seen the reflection in our order book for future during H1 and we are very positive that this can convert into a good quarter and half year past.

**Abhishek:** Thank you Sir.

**Moderator**: Thank you. The next question is from the line of Harsh Shah from Dimensional Securities Private Limited. Please go ahead.

**Harsh Shah:** Good evening. Sir my question was on the inventory and receivable side so this year. We can see some numbers that you have been proactive in keeping the inventory and debtor level at a lower rate, but are you seeing any early signs of stress in our receivables or maybe any markdowns that you might be able to take on inventory because as you said that you were expecting the wedding season to be a good one based on how recovery was happening right through March, but now things fizzling out a bit are you seeing any risk there?

**Amit Agarwal:** I will tell you. Look the good part of Raymond as a group is that the dealer franchise network has been in business with us for about 50 years. So we have seen large bonding, which ensures that even things go up and down, people are there to pay. There may be a delay here and there for the receivables by the customers to pay on time, but there would not be a bad debt. So we do not see any concern on that area. Look the testimony is that even in the Q4 the sales have been higher, which is close to Rs.1,400 Crores and if you see in the Q4 we were able to still reduce our net working capital so that clearly demonstrates the focus, which is being kept on the inventory and the receivable management. Now I just want to add one more thing that if you see the sales, which the company has delivered in the last fiscal year 2021 and divide it into two parts. If you take the first half of the year and the second half of the year as soon as the markets came back, the unlocking started to happen, we were able to get back the revenues to the tune of 3x. The first half of the revenue was x then the second half of the revenue is 3x, so that clearly shows that if the market is there other products will sell and this is nonperishable, so especially the fabrics if you go to a store of ours you will see the fabric maybe staying there for three years, but it does not lose its value, actually based on our premium pricing and we keep on increasing the prices in the market place, the dealers and the wholesalers keep on benefitting because of the appreciation in prices.

**Harsh Shah:** Understood and Sir on the branded apparel side we are yet to see a meaningful recovery there we are still 40% below the pre-COVID level so just wanted to get an idea there what is the path to sales, is it our brand is not well taken in the market or is the competition too much that we are not able to scale it up even on the profitability side while we have reduced our cash burn we are still at an EBITDA loss of around 11% to 12%, so just wanted to understand this strategy both on scaling up the business and even the path to profitability?

**Amit Agarwal:** So if you look at it we all know the Branded Apparel primarily is in the stores in the Tier-1 and Tier-3 cities. This has always witnessed, and we have also mentioned that the recovery in the Tier-1 to Tier-3 cities has been slower vis-à-vis the Tier-4 to Tier-6 cities where the fabric stores are largely present, and the apparels are less. Furthermore, we have also seen that we were able to control the supply of fresh merchandize into the market so that adequate inventory levels are there across the cities. Now our focus on the digital and omnichannel presence will make a major change in the marketplace to improve the same. Now some recovery you have seen already but in the recent second wave of COVID again it stopped the recovery. Now what is happening? It is the profitability part which you asked about the question. If I look very specific on the apparel business in the opex cost reduction we have cut down the cost by almost 50% and this will enable us to get better margins. Second thing in terms of the movement of our expenditure on the advertising sales promotion we are moving more and more on digital and we are also considering to bring to four to six fashion collections in a year instead of two collections, which we used to have in the past so that will bring newness in the product as well as lesser inventories. So the churn will be faster and that will enable us to have stronger partnership with the vendors. Also, the sourcing will give us additional intake margin and thereby improving the gross margin. So overall we will have a good path. We are also taking down certain channels, which are not the most profitable channels. We will take out some of these unprofitable channels or lower profitability channels and focus on high profitable channels. Mr. Pokharna you want to add something on the branded apparel.

**S L Pokharna:** I would say there are two questions in two parts one whether our recovery vis-à-vis competition was lower. I would say we have analyzed it in LFS and in other channels our recovery is not lower, it is better. I mean as compared to industry players in the branded space, the recovery was 1,600 basis points higher, we recovered about 2,000 basis points higher in formal category and about 1,400 basis points higher in casual category. With regard to your question of inventory control, we have also decided to balance the inventory in such a way that we carry non out of stock inventory higher than the book inventory. So, we do not allow the inventory to pile up in the stock, which is not sellable. As Mr Amit Ji rightly pointed out, this inventory is nonperishable so never out of stock inventory is higher in the stock we keep it and we service. So we are balancing the ratio in such a way that our inventory levels are well within control and debtor yes of course Amit Ji answered rightly. So as far as my view is concerned we have compared the recovery with respect to our competition. Thank you

**Harsh Shah:** Understood. Thank you for the detailed explanation. Last question was on the store side so in TRS during the last two quarters we saw that on net basis you were adding stores but this quarter we have shut down around almost 40 stores in our TRS so what went wrong or what is the strategy there and also it would be great if you can give us the breakup between how many of the TRS stores are franchisee owned and how many are company owned?

**Amit Agarwal:** Ganesh Ji you would like to answer it.

**Ganesh Kumar:** So we have about 1,090 TRS stores out of which 48 are COCO stores and the rest all are franchisee owned. We had taken some call during the last one year during the pandemic but that was not based on the pandemic, that was based on the earlier performance of the stores mostly in terms of stores, which were not sustainable profitable over four to five years. These were the stores, which were closed and you are right we did close net ~50 stores during the full year FY21. But as we move forward we continue the process of evaluation, the process of adding new stores versus closure of stores, which are not profitable and it is a continuous process. The strategy is that, TRS is our strength; it is our core competence, it gives us control over shopper experience in the market and we would continue to invest on strengthening that channel.

**Harsh Shah:** The stores, which were closed were mostly company or were franchisee only?

**Ganesh Kumar:** Both mixes was there.

**Harsh Shah:** The franchisee is the call taken by you or the franchise owner takes that call?

**Ganesh Kumar:** It is a mutual discussion. It is a mutual understanding where the franchisee feels that he may or may not be able to sustain the requirements, so it is something that we take after mutual understanding.

**Harsh Shah:** Okay understood. That is it from my side. Thank you so much.

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

**Rishikesh Oza:** Just one question from my side. On the real estate side what sort of revenue and PAT can we see in the next two to three years?

**Amit Agarwal:** If I look at it this project, it is something where we have identified that we are selling close to 3,000 apartments, which puts the revenue close to Rs.2,800 Crores to Rs.2,850 Crores and based on this project the net profit, which we are going to generate over the next three to four years would be in the range of Rs.750 Crores to Rs.850 Crores that is the kind of profitability we are seeing in this project.

**Rishikesh Oza:** Rs.750 Crores to Rs.850 Crores that is the profit right?

**Amit Agarwal:** Yes.

**Rishikesh Oza:** What kind of revenues?

**Amit Agarwal:** Rs.2,800 Crores to Rs.2,850 Crores.

**Rishikesh Oza:** Okay thank you.

**Moderator**: Thank you. The next question is from the line of Asif, an Individual Investor. Please go ahead.

**Asif:** The question is regarding the assets allocations in the real estate sector, if we see on parity basis around 10% of the total assets are allocated for the real estate sector, but whereas the revenue generating by such real estate is just 4% of the total revenue, but whereas the auto segment where there is just 2% of total assets allocated and we have almost 5% of revenue generation is there any scope of improvement or shift from the real estate to the auto component in the near future?

**Amit Agarwal:** What is happening is the asset allocation is based on the strength of the fixed asset, which we have invested into every business; however, if you see the land which is a major asset deployed for the real estate is on historical cost basis, so therefore the value of that land on a market basis is far higher vis-à-vis what you have been getting on the balance sheet, so this realignment is very, very difficult because it is based on the historical cost basis.

**Asif:** So if it were a historical cost basis what would be the assets value of the real estate segment?

**Amit Agarwal:** I will give you one example. We sold 20 acres parcel for Rs.700 Crores in 2019 and if today I consider the land parcel, which we are sitting with is close to 100 acres, so you can easily say the value of the land as Rs.3,500 Crores.

**Asif:** Okay thank you.

**Moderator**: Thank you. The next question is from the line of Dr. Lucky, an Individual Investor. Please go ahead.

**Lucky:** My question is regarding demerger like one gentleman pointed out, some companies have already obtained approvals. So like our filing system is incomplete or NCLT is not allowing us to do the filing process. What is the status like that is bit unclear the same thing was showed in the last quarter results also so can we be a bit clear on this?

**Amit Agarwal:** Basically as we mentioned that we are into the process of completing all the formalities with the various regulatory authorities. As and when it gets completed the demerger process will progress and that is why we are saying in this year in FY2022 we are targeting to complete that process.

**Lucky:** Okay my second question is regarding our real estate division, so I would like to know what is the progress in revenue we have made in last quarter as we have started the tower construction in work in the last quarter also and this quarter also we are having some updates on that so what is like revenue contribution for the last development since last quarter?

**Amit Agarwal:** As we mentioned that we have done 214 bookings in the Q4 of last year and if you see the booking value is Rs.203 Crores, but you know the real estate segment considering we do the percentage of completion method that is the basis for the revenue recognition.

**Lucky:** Okay thanks.

**Moderator**: Thank you. The next question is from the line of Abhishek from Arihant Capital. Please go ahead.

**Abhishek:** Sir thank you for taking my question again. Sir just a small query about NCLT part, if there has been further delay from the NCLT due to the process right now then you have to again go to SEBI for the approval or this will continue for the validity of the SEBI approval and exchanges approval remain for how much time Sir?

**Amit Agarwal:** The approval is intact, so we do not have to go back to SEBI in terms of seeking again the approvals.

**Abhishek:** Okay Sir. Thank you Sir.

**Moderator**: Thank you. As there are no further questions I would now like to hand the conference over to the management for closing comments.

**Amit Agarwal:** Thank you very much for taking interest in Raymond and we will talk to all of you next quarter. Stay safe. Stay healthy.

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