



“Raymond Limited
Q3 FY2021 Earnings Conference Call”

February 10, 2021

ANALYST: **MR. ABHIJEET KUNDU - ANTIQUE STOCK BROKING**

MANAGEMENT: **MR. AMIT AGARWAL - GROUP CFO**
MR. JOE KURUVILLA - CEO, LIFESTYLE BUSINESS
MR. GANESH KUMAR - COO, LIFESTYLE BUSINESS
MR. S L POKHARNA - PRESIDENT COMMERCIAL
MR. J MUKUND - HEAD INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day, and welcome to Raymond Limited Q3 FY2021 Earnings Conference Call, hosted by Antique Stock Broking Limited. 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. Thank you, and over to you, Sir!

Abhijeet Kundu: Thanks, Inba. 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. 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 Q3 FY2021 earnings conference call. 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; Mr. S.L. Pokharna, President, Commercial. I will now hand over the call to our group CFO, Amit, who will give you the summary of the results before we open up for Q&A. Over to you, Amit.

Amit Agarwal: Thank you, Mukund. Good evening, ladies and gentlemen. Thank you for joining us today on this earnings call to discuss our results for the third quarter of fiscal 2021. Let me give you an overview of the market. During the quarter, overall consumer sentiments improved post unlock 5 and 6, from October onwards, with normalcy restoration, allowed community gathering and weddings. We witnessed higher recovery levels in the Tier 4 to 6 market, largely driven by reverse migration, good harvest and lower COVID-19 impact. The demand was driven by festive and wedding season in the month of October and November. Besides the festival season of Navaratri and Diwali, there were a higher number of marriages in November, as a lot of summer marriage events happening in June quarter had been postponed to November winter wedding season due to lockdowns. In the month of December, the secondary sales were lower due to fewer walk-ins as certain restrictions on travel and mall timings continued which could be partly offset by the early launch of end-of-season sale called EOSS.

Now let me take you through the key financial highlights for the quarter.

Our third fiscal quarter of FY2021, revenue saw a recovery across all businesses, with our top line at Rs.1,286 Crores, a recovery of 68% over the previous year.

On a sequential quarter-on-quarter basis, the topline has grown by 76% from Rs.732 Crores in the second quarter of fiscal 2021 to Rs.1,286 Crores in the third quarter of fiscal 2021.

The cost rationalization continued, which enabled us to improve our EBITDA margin to 12.2%, which is marginally higher than the previous year level of 11.8%.

We reported an EBITDA of Rs.157 Crores and a net profit of Rs.22 Crores for the quarter.

Our continued focus on efficient working capital management led to further reduction in net working capital by Rs.169 Crores vis-à-vis September 2020 level.

Free cash flow from operations as well as release from working capital management helped to reduce our net debt by Rs.234 Crores compared to September 2020.

Now let me elaborate on each of the points.

Revenue recovered by 68% over the previous year. The Branded Textile segment recovered by 70%, led by festivities and wedding season, while in Branded Apparel, the recovery was lower mainly due to controlled primary sales to channel partners. In the Garmenting business, the revenue was well contributed by PPE products. However, in bulk business certain sales orders were deferred due to fresh lockdown in the U.S. and Europe. Our Engineering businesses are fully back on track with auto components having a strong 44% growth over the previous year and our Tools and Hardware business is in line with the previous year level.

Now let me talk about the EBITDA and profitability, where we reported an EBITDA of Rs.157 Crores, with EBITDA margin of 12.2%, driven by our continued efforts on the cost rationalization and various control measures in the area of sales, marketing, manpower, rental and others, coupled with, the top line recovery.

In Q3, our operating costs stood at Rs.334 Crores, which is 42% lower on year-on-year basis. This includes fixed cost, which continued to be maintained at quarter-on-quarter level and variable cost was lower mainly due to controlled advertisement and sales promotional spend. From a 9-month performance perspective, the opex was lower by Rs.743 Crores, which is 45% lower on a year-on-year basis. Additionally, the rent cost

savings for the full year is Rs.64 Crores, at about 35% of the previous year level. This has been achieved through an adoption of a collaborative approach with landlords, mainly through a 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 mainly the EBO portfolio very healthy. Net store closure is 18 for the third fiscal quarter of 2021 and 79 for the 9 months fiscal 2021, taking our retail network to 1,559 stores as of December 31, 2020.

During the current pandemic time, healthier liquidity is essential for the business and we have been able to maintain about Rs.600 Crores of cash and cash equivalents throughout the period, while reducing the debt at the same time. The company continues its focus on cost reduction and working capital management, which resulted in positive free cash flow and a positive operating cash flow during the quarter. Our operating cash flow was Rs.277 Crores and free cash flow was Rs.222 Crores in third quarter of fiscal 2021. With reduction in inventory and strong collections during the quarter, net working capital stood at Rs.1190 Crores, which is Rs.169 Crores lower as compared to September and lower by Rs.665 Crores as compared to March 2020. With these above initiatives, our gross debt was also lower at Rs.2191 Crores vis-à-vis Rs.2409 Crores as at end of September and Rs.2,430 Crores as at end of March 2020. The average interest cost is 8.54%, very similar to September levels. Also, our net debt reduced by Rs.234 Crores, with our net debt standing as of December 31, 2020 at Rs.1,583 Crores compared to Rs.1,817 Crores in September and Rs.1,859 Crores in March 2020.

Now let me talk about the various segments in detail. About the Branded Textile, this segment witnessed a recovery of 70% in the third quarter, primarily led by the domestic market pickup in the wholesale and trade channels on account of festivity and wedding season. The secondary sales in our pan-India ~600 town spread TRS network, so-called 'The Raymond Shop' network also has shown significant improvement, with recovery clocking to close to 80% in the quarter. However, the recovery was lower in exports due to lower demand on account of second wave of lockdown in the U.S. and Europe markets, where customers deferred their dispatch schedule. Overall, Suiting segment in domestic market recovered at 80% levels compared to the previous year. The B2C shirting business recovery has been slightly lower at the level of 60%. Overall, the EBITDA margin for this segment for the quarter has been 16.9%, driven by operational efficiency.

Let me now talk about the Branded Apparel segment, where the sales stood at Rs.211 Crores, witnessed recovery, led by festive and marriage demand in October and November in the retail channel of the EBOs and LFS. However, in December month, secondary sales

were impacted due to lower walk-ins as certain restrictions on travel and mall timings continued. On our trade channels of MBO and TRS, we have been prudent on our primary sales to channel partners to support them in liquidating the inventory and speeding up their collections. Overall, from a margin perspective, EBITDA margin for the quarter was 3%. While we have been able to bring in opex reduction, however, the EBITDA margin was lower on account of higher discounting, controlled primary sales and adverse channel mix in terms of online and clearance sales. The primary focus in this business has been on the working capital management and with the measures that we have taken, we have been able to achieve 35% reduction in net working capital from March 2020 to December 2020, mainly led by inventory reduction.

In terms of our wide reach on the retail network, as on December 31, 2020, we had 1,559 stores spread across ~600 towns. We are providing safe shopping experience and processes adopted during peak of COVID time for healthy and safety of our customers and employees. 100% of our retail network is operational, complying with stringent safety guidelines, including contactless payment. 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 and at the same time, during the quarter, Raymond added 19 stores, mainly in Tier 3 to Tier 6 towns.

In terms of the garmenting segment, the sales stood at Rs.137 Crores, witnessed a recovery of 57%. Revenue includes contribution from PPE sales and in bulk business, customers in U.S. and Europe placed orders. However, due to fresh lockdowns, there has been deferment of some orders. EBITDA margin for the quarter was 6.6%.

High-value cotton shirting segment sales were at Rs.86 Crores, witnessing a recovery of 51%, mainly led by higher yarn sales. Our fabric performance was impacted due to lower demand in the domestic market. EBITDA margin for the quarter was at 14.7%.

Tools and Hardware segment sales was at Rs.104 Crores, back to the previous year's level, led by growth in domestic market and well supported by export market. EBITDA margin improved over 20% compared to 12.9% in the previous year, mainly led by operational efficiencies.

In terms of the Auto Component segment, sales were at Rs.59 Crores, reporting a growth of 44% over the previous year, led by strong growth in domestic as well as exports market. EBITDA margin improved to 24.3% compared to 14.6% in previous year, mainly led by improved plant utilization as well as operational efficiency.

Real Estate business has recorded one of the strongest quarterly bookings in the third quarter since the launch of the project. Factors such as stamp duty reduction, low home interest rate and launch of new towers during festivity period of October and November have helped improved sales in the quarter. Overall, we have made now 179 bookings in the third quarter, resulting in a total of 1,173 bookings, which is over 50% of the total inventory of 2350 units, has been sold with a booking value of Rs.1,121 Crores. During the pandemic period, certain customers have faced temporary challenges due to various reasons, resulting in cancellation of bookings of certain flats. We have been able to retain most of them through the bank subvention schemes and converting 2 BHK bookings into 1 BHK bookings. However, there has been some cancellation. Our construction is on full swing and currently the status is, we are completing the work on the 26th slab in the tower 1, 2, 3 and seventh floor slab is in progress in tower 4 and excavation has been completed and foundation work is in progress in the towers 5, 6, 7 and 8.

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 lockdown, the entire business environment and processes, including regulatory approval, has been impacted due to temporary closure of business, offices and government departments. We expect the overall process to be completed in next financial year. As and when we have a meaningful update, we will inform accordingly.

Now let me talk about how we are seeing the ensuing quarters. In terms of improvement in the consumer sentiment, coupled with continued government measures, including progressive union budget, which is focused on infrastructure development and health sectors, with more disposable income, we believe it would boost or provide an impetus to consumer spending and accelerate economic activity. Additionally, from primary sales perspective, we expect traction in trade channels, driven by higher number of wedding days in the coming quarters of the next fiscal.

From an input cost perspective, in Branded Textile segment, the wool prices have remained stable at low levels for the last 6 months and we expect improvement in our overall performance in this segment. In our B2B shirting business, there has been increase in the cotton yarn prices. However, we expect to largely offset through a combination of internal cost efficiency and small price increase. Let me cover the export segment. While the global demand has been progressively recovering till the second quarter fiscal 2021, however, due to the second wave of COVID-19, there have been lockdowns in the U.S. and European market, which has resulted into deferment of certain orders in our Garmenting

business. We are closely monitoring the situation and would do the shipments as soon as the situation improves. In our engineering business, we continue to expect good traction from both domestic as well as export markets.

With cost optimization measures already undertaken, which is expected to reduce our costs by 30% to 33% on a full year basis, and a focused working capital management and lower capex, we continue to maintain and expect to maintain adequate liquidity. With the various initiatives undertaken, the restructuring of the business will bring in better efficiencies for sustainable growth and profitability. Thank you very much. Now we will be taking the questions.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. Our first question is from the line of Kirthi Jain from Sundaram Mutual Fund. Please go ahead.

Kirthi Jain: Congratulations for an improved show. So my first question is to our Realty division. Despite, say, revenue recognition picking up, our margins still continue to be low despite the land being bought at a historical low cost so when do we see the margin coming to a normal rate of whatever we had expected that is the first question from my side. Second thing what is the launch plan and what is the current sales trend we are targeting in the upcoming project in the Realty project?

Amit Agarwal: Okay so first of all, if you see, the sales of Realty division, as you rightly pointed out, it is based on a percentage of completion methodology. We book the accounting and as we continue to see a stronger development coming and the faster progress on the project, as we outlined, that now we are achieving good level and faster construct, as well as the good traction, the sales velocity is improving. Over the next few quarters, you would see an improvement in the margins. Because it is just mathematics, the accounting norms, which enables us to account for in this business. Now going forward, on your second question, we have seen a very good traction on our project. As you would witness that in the Thane region, this location could not have been better. Any location could not be better than this. This has been reflected, based on the 179 bookings made during the quarter, which shows the people's conviction about this project with that level of amenities in the affordable housing, which we are providing. That is clearly the testimony in terms of it. And it is not that the bookings have shown a drop in the month of January and February. It continues to be higher. We continue to see a good level of bookings, very similar to what we saw in the third quarter. So I think, in our project, the progress is very

good. And if I look at it, on total inventory which has been launched, currently 50% has been already booked, that reflects upon that the project has gained the right traction.

Kirithi Jain: So any further launches will take place, Sir?

Amit Agarwal: We have already launched 8 towers as we speak, and we have another 2 towers to launch. So we are planning to launch in the next few months as we say, there is a certain inventory. And in this business, one has to calibrate the inventory and the launches. So in the last 2 years, we have launched 8 towers, 2 towers are remaining to be launched, which we will also launch, let us say, in the next few months.

Kirithi Jain: EBITDA margin like when we should expect improvement and what is the level of EBITDA margin we should expect?

Amit Agarwal: So we would not like to comment about the EBITDA margin per se. And as I mentioned, the activity in terms of the construction phase has begun, which will enable us to do the accounting of revenues on a percentage of completion in the next few months. So that will enable us to record better revenues as well as the better margins.

S. L. Pokharna: Hi, S.L. Pokharna here. I look up the Real Estate business as well. I just want to add, by September end, we will be launching premium segment also - 3 BHK and 4 BHK.

Kirithi Jain: Sir, with regard to debt reduction, like how much debt reduction furthermore you can see, Sir?

Amit Agarwal: Yes. The focus of the group has been very clear that whatever be the cash flow generation has been primarily deployed for debt reduction. If you see during the pandemic period, the company has been consistently able to maintain a cash balance of around Rs. 600 cr mark as well as did not take any additional debt. And in this recent quarter, we have been able to reduce the debt. So that is clearly the methodology that we are going to follow. And I can tell you that whatever be the cash flow generations, with our tight cost rationalization and working capital management, we will be using it towards debt reduction.

Kirithi Jain: Why are we keeping such large cash we will be having franchise limit, Sir. Instead we can go ahead and pay to the bank itself seems like you would be earning instead of say, we would be paying to bank 10% of whatever the rate, and we will be earning about 5%, 6% percentage so that would be creating a loss of treasury, Sir, treasury income?

Amit Agarwal: So I will tell you, what has happened is, as a philosophy of the group, what we have been doing is consistently we have been maintaining certain cash balances. If you see, our cost of borrowing is in the range of 8.5%. So there is a small negative carry, but it provides an additional comfort during these pandemic times. There, you need to keep adequate cash balance for any kind of unforeseen circumstances. Therefore, it is appropriate for us as a business, as a policy that we keep. And we are not going to increase it to Rs.1,000 Crores or so. And that is exactly reflected, that even in this quarter, we maintained the cash balances of around Rs.600 Crores and what is beyond that, we have utilised and paid down the debt of Rs.234 Crores in the quarter.

Kirthi Jain: Sir, how is delivery progressing, Sir like any improvement are we seeing from the December run rate or anything you want to highlight on the January progress or is it getting weaker because the festivals have gone up completed so how you will see the January?

Amit Agarwal: Look, Raymond is a conglomerate. You have different businesses, and every business will chart their own path. So in terms of my suiting's business, the whole thing is that the weddings dramatically have been not there in the summer period. Now people had some weddings with certain restrictions in the third quarter, maybe October, November, December. Now a large part of the weddings is expected going forward in the first fiscal quarter. And if I understand, recall right, there are fairly large number of wedding dates in the first quarter. So then our wholesalers are building up their inventory as we speak today in order to cater to such increased demand. So clearly, the suiting's market is going to be very, very strong. Now if I come to back to the shirting, we have seen also that there is an adequate pickup happening. So if I look at it in the Branded Textile segment, we are seeing a very good recovery. If I look at the apparel segment, obviously, there are certain challenges faced in that segment because still, the stores in the Tier 1 and Tier 2 cities, people are bit hesitant to go out, go to the cinema theaters, go to the shopping malls. And if one goes to that places, then he picks up a shirt or a trouser. So that is a little bit slower recovery vis-à-vis the other products. In our engineering Tools & Hardware and auto components businesses, as I mentioned, we have seen a full recovery. On the Real Estate business, as I mentioned, we are seeing exactly the same traction level as we saw in the third quarter in spite of an increase in the stamp duty by 1%. But since there is a demand and the beauty of our project is that it is in the affordable 1 BHK, 2 BHK. So it is a real user. We do not have an investor community coming into this project; it is more the end user. So therefore, people in the pandemic have realized, and I am sure you know that we reworked some of our apartments and provided a balcony. So we are very much in tune with the likes of the customer, the demand pattern, the behavior of the customer. We

realized that clearly there was an ask from a lot of customers that we would need a balcony. Even in the 2 BHK, we have been able to provide a balcony, which enables them a greater comfortable living.

Kirthi Jain: Thank you.

Moderator: Thank you. Our next question is from the line of Harsh Shah from Dimensional Securities. Please go ahead.

Harsh Shah: Yes. My first question is a follow-up on the previous participant's question on Real Estate. So would you be able to provide numbers in terms of what is the construction cost versus that we are incurring on our project?

Amit Agarwal: No see, look, these are some of the factors which are the basics the way we have articulated and we manage our business. So it would be very difficult for us to go into the specifics of giving a construction cost. We have shown certain efficiencies. I can only give you that perspective that we have been able to construct a floor in a period less than 7 days, 5 to 6 days, which we know in the industry there has been a very different and much higher number. So, there are a lot of efficiencies we are putting into the project. We have brought some experts who are providing a greater insight on how to improve the project. So that benefits are getting built into the project.

Harsh Shah: Yes. So when you say that you follow percentage of completion method and going ahead as you book for revenue, so is it that the margin has moved disproportionately that is lower and lower costs will be recognized going forward, but revenue will be more and more is that what you mean?

Amit Agarwal: So, look, we have given clearly the guidance of profit after tax of 25% on the overall project post completion of this project. So we stick to that. And the margins still deliver a 25% margin across the project over the next 5 years.

Harsh Shah: Okay and in terms of business, so how is the inventory in the system moving last time when we spoke, you had some Rs.1700 Crores worth of inventory. So where do we stand in terms of inventory and are we expecting any write-offs there and also, in terms of debtors, if you can throw some numbers as to, are we seeing any concerns there or everything is under control?

Amit Agarwal: Look, we have told very clearly that company's net working capital stood at Rs.1190 Crores, which is lower compared to March by Rs.665 Crores so clearly, we have worked on

our inventory, which enabled us to get the sales. And therefore, I look at it that this inventory and debtor collection is our task which we are completing as we speak. Our focus has been phenomenal in this working capital reduction and I said, the true value in this is we have been able to reduce the debt compared to March, if I look at it, from Rs.1859 Crores of net debt to Rs.1583 Crores, realizing to Rs.275 Crores debt reduction. This is coming out of the working capital management.

Harsh Shah: Yes. Sir, just last question. It is again a follow-up. Sir, you had paid some Rs.170 Crores of ULC fees on, I think, conversion of your land from to make it to commercialize the land basically. So how much of that is attributable to the Real Estate project that you are working on?

Amit Agarwal: So basically, what we are saying is this is for the entire larger piece of the land. So if for 20 acres, it would be in the range of, I think, if I recall it right, around Rs.40 Crores kind of a number, if I recall. That would be the number relevant for the affordable housing projects.

Harsh Shah: And have we expensed it entirely or we are doing it on percentage of completion?

Amit Agarwal: Yes, percentage of completion, because that is the methodology laid out as for the accounting standards.

Harsh Shah: Thank you that is it from my side.

Moderator: Thank you. We will take our next question from the line of Mithun Aswath from Kivah Advisors. Please go ahead.

Mithun Aswath: Just wanted to understand, in terms of the balance sheet, how much of land bank do we have directly under Raymond because I think about 12 to 15 months back, you did some value and docking of the land, but that was in a subsidiary of Raymond, and that money was utilized through a rights issue where you subscribe. So I just wanted to understand what is the land bank that you have. Are you looking to monetize anything which is directly in Raymond to bring down the debt further?

Amit Agarwal: I think what you have picked up on is absolutely correct. The focus has been deleveraging of the company, which has been very well demonstrated during the quarter. We see cash flow from the operations, be it from monetization of the assets, we are very clear on this part. Now just to give a perspective, in Thane, what we have is a 120-acre land which belongs to Raymond. In this campus, of which 20 acres is to the school. In the remaining 100 acres, we are developing 20 acres of Real Estate project of affordable and the

premium. And the balance, 80 acres, is something which we have the ability to monetize over a period of time.

Mithun Aswath: And would you maybe sell a portion of that or you would want to execute all that 80 acres yourself?

Amit Agarwal: So as I said, we have demonstrated by doing both, that we sold the 20 acres, brought the money into the company after payment of taxes. So we have done one by monetization of the land itself. The second piece, considering the project which I just explained, is going to deliver me 25% of the profit of the project, which enables me to deliver significant revenue. That is another piece the way we are willing or pursuing the path of monetization. Plus, we are happy to consider both the options if somebody walk in. But at the moment, just coming out of the COVID, I see a very difficult chance that somebody walking in and buying the piece of land. But we continuously evaluate and review all the options available to us. We will not leave any stone unturned in terms of deleveraging the business.

Mithun Aswath: Right. One question on your FMCG business, is there any thought of bringing that into or merging it with the Raymond, so that when the demerger happens, the Real Estate and the other subsidiaries, businesses will be in that and obviously, you will have the textiles in the Lifestyle business. I just wanted some thoughts on that. So that as an investor, Raymond, one is able to reap the rewards of that business as well?

Amit Agarwal: So look, all our businesses are doing fairly well in each given sight. If I look at it, the textile business or the lifestyle business, so to speak, does well for their piece. The FMCG business does well for its own bid and Raymond being a 47% shareholder in that does get the benefit of that. So you, as a shareholder, will be able to reap the benefit coming out of it. And so tomorrow, if somebody has to bring in that business into Raymond, Raymond has to make a value consideration to the other shareholders. So it is on hand the same thing that you pay a value consideration today or you reap the benefits up to that point of time. So very simple for us is that FMCG is a core business for us. Now in FMCG, if I look at it, the recovery, I should have covered that in my script earlier, that FMCG business, we have seen also very phenomenal recovery. In October- December quarter, we have seen reaching into the ~80% mark level compared to the pre-COVID levels. So we are building new adjacencies, new products in similar to the distribution base. We have a phenomenal distribution base. I think the core strength for the Raymond Group is the brand, the distribution strength, which ascribes a significant value for the business.

Mithun Aswath: Just last one on the textile and the lifestyle business. Your company is terribly undervalued compared to your peers. And obviously, you are doing this restructuring also to possibly unlock value. Is there any thought of bringing in a strategic investor, like a number of your peers have started to do and just wanted some thoughts on that and any initiatives that you are taking on the digital side and how is that playing out right now?

Amit Agarwal: So the first one, let me respond, and I will ask Joe to respond on the digital side. So let me tell you, if we do anything of that nature, obviously, we will inform you appropriately at any point of time. Our focus, as we can say very clearly, is to demonstrate the recovery in the business by making sure that our reach is right, our product is right. And as you rightly pointed out, the whole thing about the demerger is the value unlock. So you will have one side of the story where you have the branded business, which is the Branded Textile business and Branded Apparel. And on the other side, you have the businesses, which is the Real Estate, the tools and hardware, Auto and the equity holding in the FMCG. So that is one thought which we have clearly to unlock the value in a big way. Now I will ask my colleague Joe, who is the CEO of Lifestyle business, to give the perspective on the digital side.

Joe Kuruvilla: Joe here. So I think on the digital side, it is clearly the new norm for us in the business going forward. We have taken some very clear initiatives in that direction. The first one is really around the fact of we have traditionally been a non-digital order booking system. We have actually moved it from physical to almost a digital rendering of samples and shifting into more of digital swatch books, catalogs and fade books, which basically gives us a huge ability to monetize this at any point of time and also increase the speed to the market. So this entire digital order booking is something that we had the opportunity to put during this particular period. The second big thing that we are very keen on is that we clearly understand that the consumers are going a lot more online, especially in our segments. And it is very critical for us to really catapult our business of brick-and-mortar into a brick-and-click model, which basically then gives us a big advantage to really reach out to our consumers whether they are online or offline. So that will be a big initiative for us, especially in the lifestyle business, to reach out and take advantage of our ~1,550 stores across, as you know, the 600-plus towns. Last, but not the least, I think its engagement with our consumers. We had also revamped our own website, which is called the MyRaymond.com. The entire store offerings will be available online, which enables our consumers to come to our sites and pick up the stock without even going to some of our stores. So these are few initiatives, if I recall, which basically will form the digital backbone of our organization and really take us into a much more stronger and far more closer to our consumers and customers.

Amit Agarwal: I want to add, people have been talking about on the retail sector brick-and-mortar. I think we have migrated from a brick-and-mortar to a brick-and-click. So you click it online and buy it or pick up the stuff from the store. So that is the new mantra for us moving forward, making the omni channel presence, which is a very, very unique proposition which we can provide to the marketplace.

Mithun Aswath: Just one last question. You have taken numerous steps to bring down costs, and there has been significant improvement despite your topline being at 70% or 60% of normal, you have still reported EBITDA margins higher than last year. I just wanted to get a sense, let us say, 6 months or out, when we are talking after the June quarter, do you get a sense if we are back to those normal quarterly run rates of Rs.1,800 Crores, which you are doing maybe in September, December of 2019, your EBITDA margins are going to be significantly higher, how much of these cost initiatives are permanent in nature. If we can quantify that, I think that would provide a lot of information for investors.

Amit Agarwal: I think that is an excellent point. To focus during this period of pandemic has been a lot to introspect and see what kind of a cost is there and what is the way forward for the group to identify and the costs which can be taken out or the way of doing a business can be different. And so we have structurally changed a lot of things. And when you do that, you get a lot of permanent savings. I completely agree that we are not going to have the 30% to 33% reduction which we have talked about that will remain as a permanent savings. However, we feel very comfortable to talk about that, let us say, anything in the range of Rs.350 Crores to Rs.400 Crores kind of a number we see potentially being there in our business on a going-forward basis. Obviously, there is some inflation here and there will be there. But what I am saying is that is the kind of structural changes. I will give you certain examples. We used to call a booking show where we would call maybe 2,000- 3,000 people all across the country, bring them in, take care of their bookings and everything, manual bookings. We have moved completely to a digital so that saves an enormous costs. The way we are penetrating with our customers, we are the best in the class in terms of having the loyalty. We have got 8 million members with us on the loyalty side. So I'm directly talking to the customers. So the way I would go out, make big adds in the newspapers and such things, I am not saying I will not do that, but it may be limited. But the way I will reach to my customer is a direct. So I know what my customer wants. So to that extent, there are certain regional offices, some offices, rentals, we have identified opportunities that how do we renew the levels in the organization. We have tried to consolidate a lot of departments, a lot of businesses together. There were many small businesses we consolidated together and said, okay, how can one work together, bring synergies, bring efficiencies into the business so there is a lot of effort. And I think a

focused team has been working round the clock in the company in terms of targeting and identifying opportunities. If we had said, I think if I remember right, in the second quarter call, we said Rs.52 Crores was of our rental savings. We continue to work and we have brought it to Rs.65 Crores of rental savings. So there is no stone unturned in terms of identifying and it is a continuous process.

Mithun Aswath: Okay great Sir. Thank you so much.

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

Umang Shah: So my first question is so actually, I missed your comment on your demerger plans and where it has reached. So if you could just take me there. And my second question is that, out of the total Raymond lifestyle business, if you could share what is our online portion of sales. So obviously, we are trying to go to brick-to-click, so I just want to understand how much is our success in this quarter at least let us I mean, the previous quarters would be irrelevant.

Amit Agarwal: Yes. So if I talk about the demerger, it is an important part of the evolution of the value unlocking for the group. And what we see is we have got an approval from the stock exchanges, while the application is in NCLT. But we all know that there have been various offices that have been temporarily closed. They are not been working. We wanted to have certain clearances, which has not been coming as we speak today. However, we still believe that considering that you have the vaccine in place, things are getting back to normal; we should see that in the next financial year, we should be able to complete our demerger. And as I said, whenever there is something meaningful update, we will obviously come back and inform to you accordingly. Now as far as the online sales, I think we have seen increase, and I will ask Joe to comment on that.

Joe Kuruvilla: Yes. I think it is a good question. I think we clearly see Q3, again, having the increased trend of the online commerce. So we see almost 3x increase versus previous year. So clearly showing there is an acceleration and we are quite ready for it. And we continue to make our plans, not just in terms of alliances with the online retailers but also to making sure, as we said, our online omni channel capability and our own websites, which will continue to make sure that our consumer franchise will be exposed to our portfolio online as much as brick-and-mortar, which offers the offline presence.

Umang Shah: Sir, anything to quantify so out of Rs.950 Crores of the total Raymond textile business. So I am including only Branded Textile and Branded Apparel and Garmenting business. How much would be online sales currently maybe 10%, 13%, 15%.

Amit Agarwal: So actually, you see, what happens we do not go out and disclose the numbers on a channel by channel.

Umang Shah: To support the overall company as in the overall to excel the company.

Amit Agarwal: Yes. I think what is important for us is to see that, that channel, we have been able to penetrate. And I would not call more a typical online, because I believe online is not the criterion. I am looking more at an omni criteria. I think for me, that is more of an advantage. Because if I follow just online, then I am one amongst the others but the way a unique opportunity I want to provide to our customer base is that I have the inventory available all across the country. You have, as a customer, can look into that inventory and you can pick up from the next-door stores. And that is the ability, which I have, not many can provide that. Because I am present in 600+ cities through the various physical networks. And I have also given an opportunity that if you buy something and you do not want to return online, you can go and return at my store. So these are some of the new things which we are developing, which we are uniquely positioned.

Umang Shah: Okay. Perfect. Sir, just one more question. Sir, in the Garmenting business, last quarter, our revenue was somewhere close to Rs.190 Crores and this quarter, it has gone down to Rs.140 Crores. I was assuming that Q3 is the strongest for Raymond as a company. But we have seen some degrowth over it. Can you just explain what was this and where are we lagging on this.

Amit Agarwal: No, so look, for us, every business is very important, and is very close to our hearts. So absolutely, very clear, we do watch, but you know that late November onwards, the pandemic impact of the second wave, the way it has hit the U.S. and the European markets, which is our core market for the export segment, has clearly impacted and pushed back. We were ready with certain deliveries and Japan, obviously, pushed back our deliveries at the end of the back end of the quarter. So we could not dispatch. We are ready with such inventory. And actually, we are waiting for an opportune time when we get a green signal, we ship out those inventories. We all know that lockdown this time around is a little more severe in that part of the world. And people are very careful. I can tell you the ship standing at the docks in Rotterdam and all have been standing there for 60 days and they are not being unloaded so it is a little tough environment out there.

Moderator: Thank you. Our next question is from the line of Raghav Kapoor from ActiveAlpha. Please go ahead.

Raghav Kapoor: Amit appreciate all your comments on cost rationalization, and you have addressed many of my concerns regarding that. One concern that needs to be addressed is that in your balance sheet, you stated that you own boats and aircrafts who are Rs.30 Crores to Rs.40 Crores, depending on which year you booked it. Begs the question why a company like Raymond needs boats and aircraft and secondly, what are the running costs expensed with regard to these line items?

Amit Agarwal: Sir, look, we are in a branded business. For the brand, you need some way for advertisement and sales promotions, and we use some of these things as well. However it is not a significant part of it. These are historical assets with minimal operating cost and brand leverages these assets for promotional and marketing activities.

Raghav Kapoor: What is your running cost for this because naturally, this should be then included in the advertising expense that you incur.

Amit Agarwal: I would not immediately recall it but it is a very small number.

Raghav Kapoor: Just one recommendation of the corporate governance issue, this always looks and stands out as something which is odd. Recognized you need to do branding and marketing as you suggest but having these on the balance sheet of the company which investors have invested tends to raise those flags. So if it is possible to park these elsewhere, I think that will give us all, as investors, more comfort that the corporate governance is highest standard.

Amit Agarwal: Absolutely. We believe in the corporate governance of the highest standards and very well it is demonstrated. If you see, based on the way we are explaining, operationalizing things, the way the focus has been on the debt reduction, working capital management, which reflects upon everything. Now these things, one can go out, I will tell you there are certain businesses, I am not talking about the Raymond, who does advertisement in a way very, very different manner. Somebody does in a very, very different manner so it is the choice of the company, the strategy of the company, how one takes it forward and the sales and methodology of this. And these are not new purchases in any case. It has historically has been there for a very long period of time.

Moderator: Thank you. We will take our next question from the line of Mithun Aswath from Kivah Advisors.

Mithun Aswath: Yes. Just one follow-up it is more only if you are able to answer this. In FY2022, do we aspire to maybe come back to FY2019 or FY2020 sales revenues in your larger segments of business do you see that happening if there are no impacts of COVID or have you seen some sort of deterioration in the marketplace itself because of changing consumer habits or do you just see that recovery will happen once things normalize so I just wanted your own internal perspective. Because if we were able to achieve FY2019, 2020 revenues, obviously, your profits are going to be much higher with these reduced costs so just wanted your thoughts on that.

Amit Agarwal: I think, first of all, can I say that we are completely out of uncertainty. In my opinion, the answer is, no. We still have certain uncertainty unfolding every day, year over year, in terms of the COVID impact. We thought by September, October, as somebody mentioned about the Garmenting business, we really were thinking that October, November, December, we can repeat exactly the same revenue number. But unfortunately, because of the severe impact there, which is still continuing as we speak today, has an impact. Can I say in the next 6 months, hopefully, yes. The vaccination is on its way. Vaccination is already there. People are getting vaccinated. But I think the apprehension which one carries today in terms of really going out and spending time and going to the wedding aggressively, not just the immediate family, the larger group, that is bit still little uncertain. People are still little reluctant. Shall I or shall I not go so I think that has an impact. And you are absolutely right to say that once, if we take out the impact of the COVID, the way we have restructured the business in terms of the cost and the structural changes on the working capital management, with the fashion we are bringing, the designers which we have got, the way they are bringing the products every day and making not 2 seasons, we are bringing 4 seasons, let us say, even the summer bookings which we just are in the process of completing, phenomenal bookings. I look at it, absolutely phenomenal. So that reflects upon that once you take out the minus the pandemic impact, I think we are poised to get exactly back to the same level. I cannot comment in terms of number crunching, whether it was an FY2019 number or an FY2020 number. But for the fundamentals which we have been able to achieve today, it gives us a comfort that we can very well be there. And look, in certain businesses, we have already got it. So that's the confidence I can say. Putting a number would be very, very difficult because the uncertainty still, there is an overcast.

- Moderator:** Thank you. Our next question is from the line of Ravindra, an individual investor. Please go ahead.
- Ravindra:** Sir, how demerger will unlock the value of shareholders?
- Amit Agarwal:** So demerger, again, it is very simple. Today, the Raymond is considered as a conglomerate and based on all the experts like you all, who are large investors, who have always explained to us that a branded business vis-à-vis a conglomerate, there is a difference in the valuation.
- Ravindra:** When will the de-merger take place?
- Amit Agarwal:** As I mentioned, it will be done in the next financial year.
- Ravindra:** Okay thank you Sir.
- Moderator:** Thank you.
- Amit Agarwal:** So thank you very much. Really appreciated all of you participating in the Raymond's third quarter earnings call. We look forward talking to you in the next quarter.
- Moderator:** Thank you very much Sir. Ladies and gentlemen, on behalf of Antique Stock Broking that concludes this conference. Thank you for joining us. You may now disconnect your lines.