“Raymond Limited Business Consolidation Discussion Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Raymond Limited Conference Call to discuss Business Consolidation, 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 touch tone 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 & over to you Sir.

Abhijeet Kundu: Thanks. On behalf of Antique Stockbroking, I would like to welcome all the participants in the conference 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, Mukund!

J Mukund: Thank you Abhijeet. Good evening everyone and thank you for joining us for conference call to discuss business consolidation in Raymond Ltd. I hope all of you would have gone through our stock exchange intimation and media release. Today we have with us Mr S L Pokharna, Director-Raymond Ltd, Mr Amit Agarwal, Group CFO, and Mr Harmohan Sahni, CEO, Realty Business. I will now hand over call to our Group CFO, Amit Agarwal who will discuss the outcome of the Board meeting held yesterday before we open up the floor for 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 call to discuss the outcome of the Board meeting held yesterday.

I would like to start today's discussion with an update that all our businesses have shown improvement post 2nd wave of pandemic during the current ongoing quarter that is Q2FY22 of the current fiscal.

Since the start of the Covid-19 pandemic, we have made efforts to rationalise cost and manage working capital efficiently, which has been well demonstrated by reduction of opex by 40% and reduction of net debt through free cash-flows generation by about Rs. 450 cr during FY21. Furthermore, the deleveraging strategy played out well in last 6 quarters which reduced our net debt by about Rs 1,000 crores and net debt to equity ratio improved steadily to 0.65x by March, 2021.

Post unlocking, now we are witnessing strong demand for our products reflecting decent recovery for our businesses. With the festive season approaching and in anticipation of good wedding season, we foresee further improvement in consumer demand in our domestic businesses. This is in addition to continued strong momentum in exports across our businesses. Our efforts on cost rationalization as well as recovery in the markets will help to improve both our operating and financial performances resulting in generating free cash-flows which will primarily be utilized for deleveraging.

Our focus on creating shareholder value by improving the performance of our businesses and de-leveraging is critical for the Raymond Group.

Additionally, we have undertaken certain initiatives which will expedite the net debt reduction. Let me discuss the outcome of the Board meeting held yesterday:

1) Approval for consolidation of Tools & Hardware and Auto Components in JK Files Ltd, being the Engineering business
2) In-principle approval for subsidiarisation of the real estate business
3) Approval to consolidate its B2C business by transfer of Apparel Business into Raymond Ltd

Now let me explain in more detail each of the above initiatives:

1) Consolidation of the Tools & Hardware and Auto Components Businesses into Engineering business.

The businesses – Tools & Hardware and Auto Components have achieved a scale and operate in niche segment. With strong product portfolio, backed by superior service, wide distribution network, and strong relationship with global OEMs & suppliers, the businesses have achieved significant market share both in domestic and global markets. Tools & Hardware business is among the leading manufacturers of steel files globally. Domestically, our dominant brand for steel files - JK Super Drive is a market leader with ~65% market share in India. Auto Components business is a prominent manufacturer of ring gears where we command significant market share with auto OEMs in India.

Multiple initiatives have been undertaken to successfully bring in operational efficiencies resulting into consistent strong profitable growth. These businesses have demonstrated growth in EBITDA margins, generated free cash flows and are debt free. The businesses are now geared up to exploit the immense opportunity existing in both domestic & international markets to achieve the next level of growth.

Now let me explain the consolidation of Engineering business.

- Our Tools & Hardware business is in a wholly owned subsidiary, JK Files (India) Ltd
- Our Auto Components business is being conducted by Ring Plus Aqua Ltd (RPAL), a step down subsidiary of Raymond Ltd.
- Raymond Ltd shall enter into an agreement with JK Files, to transfer its entire shareholding in Scissors Engineering Products Limited ('SEPL'), a wholly-owned subsidiary of the Company which holds the Company's investment in RPAL.

This consolidation of the Tools & Hardware and Auto Components Businesses would help in getting synergies in terms of product applications, business development, sourcing of raw material & logistics services and overall administrative processes. Post consolidation, the business will achieve a scale and synergy benefits enabling us to monetise the business thereby deleveraging at Raymond Ltd

2) Subsidiarisation of the real estate business

Our Real Estate business launched in 2019 which started development of our Thane land is now poised for growth with a focus on delivering value based offering. We are developing about 3 million sq. ft. of affordable residential project in 16 acres of land which is at a prime location in Thane. The project is progressing well as within a short span of time we have witnessed a good traction for the product offered by us:

a. We have already achieved sales of over 70% of launched inventory of ~2 million sq. ft.
b. The construction activity is in full swing. All 10 towers are at different stages of construction:
    i. First 3 towers, the terrace slab is completed
    ii. Tower 4: 38th slab in progress
    iii. Tower 5: 4th slab in progress
    iv. Tower 6: 6th slab in progress
    v. Tower 7: 5th slab completed
    vi. Tower 8: 3rd slab in progress
    vii. Tower 9 & 10: column above foundations work in progress
c. The project is delivering sustainable cash flows

The existing Aspirational project is expected to deliver around Rs. 3,000 cr of topline with Rs.800 - 850 cr of net cashflows. We will be utilizing the cashflows for de-leveraging as well as for the growth of the business.

The real estate vertical has become a sustainable business led by experienced professional team with a focused approach and a clear long term strategy in place. We started real estate development in our Thane land which was a move then for asset monetization however with the good response & traction of our product & offering and positive macro factors, we see a potential business opportunity in this space. Also, the market acceptance for the brand Raymond in real estate space has motivated us to grow this business & explore beyond our own Thane land.

Accordingly, to achieve the high growth momentum in real estate business, the Board has granted approval for subsidiarisation of the real estate business.

We will transfer approximately 40 acres including current resident project into the subsidiarised entity. This company will be providing differentiated focus on real estate business with an ability to seek capital as well. The balance land will continue to be in Raymond Ltd which will be monetized in due course of time.

3) Consolidation of B2C business including Apparel business into Raymond Ltd

Currently apparel business is operated through Raymond Apparel Ltd, a 100% subsidiary of Raymond Ltd, with a portfolio of strong brands namely Raymond Ready to Wear, Park Avenue, Color Plus, Parx and Ethnix.

In the last 18 months, we have undertaken multiple initiatives on improving the operational efficiency of the apparel business:

- Progressively rationalised our loss making EBO network
- Impetus on sharpening omni-channel capabilities
- Optimizing the channel mix, improving the overall supply chain, better inventory management and reducing the net working capital

In line of our approach to create focused business, and achieve synergies, we are consolidating B2C business of Lifestyle by transferring apparel business into Raymond Ltd. Post consolidation, Raymond Ltd will have Branded Textile and Branded Apparel businesses. This is expected to bring in further efficiencies, streamlining & simplifying processes and synergy benefits in design & innovation, sourcing, retail network expansion and others.

There is no change in the Lifestyle B2B businesses of Garmenting and High Value Cotton Shirting. These continue to be the subsidiaries of Raymond Ltd

In order to enable and execute the above decisions, company was required to withdraw the de-merger scheme of Lifestyle business which was earlier announced in November, 2019.

I would like to emphasize that overall there is no change in strategy. The B2C businesses of Lifestyle are being brought under a single entity as envisaged earlier in the composite de-merger scheme as well. The B2B businesses of Garmenting and High Value Cotton Shirting continue to operate through our subsidiaries.

As you all are fully aware, during the pandemic period in last 18 months, our businesses have been impacted due to the pandemic. In these uncertain times, it is critical that we reduce debt and the same has been demonstrated by reducing Rs. 450 cr of net debt in Fiscal 2021. We believe that it is important to further deleverage and this can be achieved through monetization of land as well as engineering businesses and cash flows from our businesses. Through these initiatives we expect to be net debt free company in next three years. We would also reiterate that the management's intent of unlocking value at overall Lifestyle business remains intact and we will evaluate multiple options for the same.

I would like to sum up that these initiatives would provide an impetus to all businesses for sustained profitable growth and value creation for shareholders.

Now, we would like to open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Meet Jain from LKP Securities. Please go ahead.

Meet Jain: My question regarding the real estate subsidiary, we have transferred around 40 acres of land to the real estate subsidiary and we have also mentioned that our real estate project may go beyond the Thane area. So can you throw some light on the type of model we will follow going forward, like joint development if we go beyond Thane, as we have all the acres in Thane location?

Amit Agarwal: Obviously, we said very clearly that based on the success of the current project and the brand which we have built for ourselves or not only in the lifestyle, but also in the real estate project, we feel very confident to work on the projects beyond our Thane land. And we are also very clear that we will develop projects through the JV routes, redevelopment, so that effectively we are not going to be considering the buying of the land, acquisition of the land. We will be using our expertise which we have built in terms of the scalability, in terms of project execution skills, the sales skills, as well as the brand skills.

Meet Jain: Okay, got it and on the balance land parcel we have in Raymond Limited. So, is there any plan like further we can transfer this land to the real estate after some years of getting a good traction from real estate business?

Amit Agarwal: Actually, we have said that 40 acres of the land, we have kept into this real estate subsidiary. If you talk about 40 acres is roughly you can talk about more than 7 million - 8 million square feet. And 8 million sq. ft. is a decent number to build over the next few years. And our thought process is that the land which is kept at the Raymond Limited, we will consider monetization of that land as well.

Meet Jain: Thank you.

Moderator: Thank you. The next question is from the line of Hardik Jain from Whitestone Financials. Please go ahead.

Hardik Jain: So initially when the demerger was planned, there was an intention that the shareholders of Raymond Limited will ultimately get the shares of the real estate company. So now although the real estate division is being carved out as a subsidiary, but at later stage should the shareholders expect that they will get realty shares in some ratio or no that company will remain as a subsidiary and any investor that wants to take an exposure to the real estate division will have to take it only through the shares of Raymond limited?

Amit Agarwal: No, what we have done, if you look at the journey two years back, it was just a division of the Raymond Limited where he started with our development of the Thane land. Now, it is better in order to attract different pools of capital for the growth, it has the ability to grow. So that is why we have put it into a subsidiary at a later point of time depending upon the business we can evaluate various options which could be available to us for value creation because as a group we have said clearly, laid it out not in this conversation in earlier conversation that the group very strongly believes in deleveraging and value creation for the shareholders at large.

Hardik Jain: No, so as a shareholder if I want to take exposure only in the real estate division that option is out so if I have to take exposure to real estate division, I will have to take exposure to the textile as well.

Amit Agarwal: Yes, as of now yes.

Hardik Jain: Okay and any reason for not transferring the balance land to the real estate right now while some portion is still kept in the Raymond Limited. If we are monetizing anyway through real estate division, and you have carved out a separate company for real estate division, then why this extra land is kept here?

Amit Agarwal: So, the purpose of the real estate subsidiary is for the development of the project. And this land which is being kept at the Raymond Limited is primarily for a land monetization. So the purpose of the two businesses are different.

Hardik Jain: So this land will be out-rightly sold and will not be developed?

Amit Agarwal: At this juncture yes. Over five, seven years things will change.

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

Mithun Aswath: Just a couple of questions. You mentioned that the balance land will remain in Raymond Limited, but is that land completely owned by Raymond, or is it in a JV with another group company. If you could just explain to us what is the amount of land which is or the benefits of which Raymond Limited will have. And another question was on the FMCG and consumer businesses of yours where you had some stakes, but they are unlisted, is there any thought of some sort of unlocking of value there as well. These are the first two questions, can I have one more question as well or should I.

Amit Agarwal: First finish your questions, then we will respond to you in one go?

Mithun Aswath: Yes. And the third question was, in terms of a little bit of a longer term strategy, in terms of what do you think would your focus areas be as a company and the unlocking would happen through maybe listing these companies or would you be looking at strategic sales in some of these businesses, which are not really core to your long term strategy. So, I just want to understand how things would pan out over the next two to three years in your mind?

Amit Agarwal: Thanks, very relevant questions. So first of all, all the land belongs to Raymond Limited and there is no such with a group company, it is Raymond Limited. And through the subsidization, we will transfer as we talked about the 40 acres into the 100% wholly owned subsidiary of

Raymond Limited. So that point is clear. The next point about the FMCGs. FMCG is a business where Raymond Limited holds close to 47.5% and that being an associate, as a group we believe that these businesses, all our businesses have a potential for a significant growth and value creation for the shareholder at large. So, as we speak, we have got a very strong business plan going for the FMCG business and once it starts to show a stronger results, which we believe that is going to be the case, then we will consider also sort of a monetization either through PE or through a strategic stake sale, so that is always a possibility. As far as the various businesses if you look about so, what we talked about very specifically, and I mentioned in my script as well that we are going to have one lifestyle business which is primarily B2C which is housed under the Raymond Limited, which will be typically the Suiting, Shirting and the Apparel, which is a consumer facing business.

The second in the lifestyle business is the B2B business where we demonstrate our garment exports, as well as we have got the shirting B2B business. So these are the two businesses which are in the lifestyle business as a division. However, these are into the subsidiaries. Then the new business which we talked about, is about the corporatization or the subsidization of the real estate business, which we again believe, the way we have done and demonstrated seems to be a strong core for us.

Then the third leg, which we have is the engineering business, which we talked about, because we have been running this business and it is a stronger business. We believe that this is again, a strong leg, where you have a possibility of monetization through stake sale or through various other options available to us. So these are the three even and in the FMCG business we have a significant growth potential, which could be monetized after let's say, three, four years at some point of time. So, I hope that answers your questions.

Mithun Aswath: Yes, sorry. Just on the land you mentioned that this balance land will remain in Raymond. I'm talking actually about the balance land, not about the 40 acres. How much of land is there and how much is completely owned by Raymond is, I just wanted to set a value to that, so that one can understand.

Amit Agarwal: So almost 40 acres of land, after this 40 acre of transfer will remain at Raymond Limited. Which is 100%, owned by Raymond Limited.

Mithun Aswath: Okay, that's very useful. And are there any pieces of land across the country which the group has, and which may of value which the group can use to monetize or develop?

Amit Agarwal: We have lot of factories all across the country and in those factories, sometimes you bought a larger piece of land, which may we not have been utilized today. But you can utilize either tomorrow for expansion purposes, but also you can use to monetize some portion of land.

Moderator: Thank you. The next question is from the line of Arun Malhotra from CapGrow Capital. Please go ahead.

Arun Malhotra: A couple of just observations. First of all, I am not clear as to how this current scheme is better or beneficial for the minority shareholder than the previous one. If you could give me three pointers as to what is there in your mind that, why it is beneficial that will be helpful. Second, is you have talked of monetization a lot, even in the note which you have circulated. And there monetization is mentioned three, four times. And we have been hearing this for last two years that we will monetize either the engineering division or the FMCG business. How far have we achieved, have we made any progress in that. So, these two are the main questions and thirdly, it seems to be a very, if you ask me a very strategy which a lot of businesses which do not have any synergies, which have different requirements of capital are being housed in a one single company, why not separate this businesses and let the shareholders decide which piece of the company they want to invest in. Thank you.

Amit Agarwal: Okay. So now, if we talk about the current scheme, how it is beneficial to the shareholders. So as I talked very clearly, that we are very clear that our immediate focus is to consider a deleveraging of the business, we have demonstrated deleveraging to the tune of Rs. 450 crores in the fiscal 21 and over the last six quarters by March 21, we are reduced debt by Rs. 1000 crore. So very focused, and especially during the uncertain times, which one goes through, because there is a bit of an uncertainty who knows the third wave may come or may not come. But in terms of these, we believe that the deleveraging is an important prospect and once you are strong in terms of low debt company, your ability to sustain businesses and grow businesses becomes important. As far as the monetization, look we have talked very clearly that an identified opportunity for monetization once you have created a consolidation of engineering business, you have achieved a certain scale, which will enable monetization in terms of either stake sale or some kind of an arrangement which will enable the pool of capital to come into that business and further grow the business and enable Raymond to get the deleveraged, because we have ensured that we have businesses where you have possibility of shareholders who are focused on each of the businesses. For example, if somebody wants to come into the engineering business, we have got a consolidated engineering business where the possibility exists, that people can come and invest and grow that business. Similarly, we have also in the real estate, where you have a very different pool of capital is available for growing that business. So therefore, we have again done a subsidiary which will enable a different pool of capital to come in and grow that business. And in the B2C business, which is consolidated at Raymond Limited both the Raymond fabric as well as apparel business, which is a B2C business at the Raymond Limited level. So that way people have the ability and the shareholders can come in at the Raymond Limited and can take the advantage of all the three businesses. So this is a much more balanced approach, which we believe will give significant value boost and by unlocking, you will unlock the value for the shareholder.

Arun Malhotra: Sir, second thing was you mentioned about the deleveraging part. Deleveraging how have we done this deleveraging of Rs. 1,000 crores when the revenues have been down, is it because of the lower working capital or is it we have reduced the long term debt, and how have we achieved it?

Amit Agarwal: Yes, so if you see the Rs. 1000 crore is in past six quarters, and the Rs. 450 crores what we have reduced the debt was in the pandemic year. And this was done primarily that we managed to cut down our cost, and also managed to work on the working capital efficiently. So those two things led to a reduction in debt by Rs. 450 crores and going forward what we are saying is, that we will work on the monetization of the businesses, which we talked about the engineering, the land bank and which has been demonstrated in the past, that we were able to sell the land and bring the money and reduce the debt. So further we say that on our engineering business monetization as well as land bank monetization we can reduce the debt.

Arun Malhotra: Sure sir. And just as a feedback as your shareholder that we have definitely done some monetization in the past. We should have a definitive timeframe for these monetization, because the market is definitely ignoring it, if you see the stock performance that is being reflected. So, we should definitely have some concrete plan for the analyst and the shareholder community, that's just a feedback sir. Thank you.

Amit Agarwal: Absolutely appreciate it. And if you see very clearly we have said and in my script I talked about that we will be a debt free company in the next three years. And you know very well that to be a debt free company, one needs to have a very clear plan of monetization of certain assets, otherwise from the cash flows of the company, it will not be possible. So very clear plan we have got laid out as and when it gets concretized and it is possible to announce we will announce at that point of time.

Moderator: Thank you. The next question is from the line of JD Mundra from MyTemple Capital Advisors. Please go ahead.

JD Mundra: Sir this earlier scheme which was a demerger of lifestyle business, was given a mirror image of the shareholding which was really unlocking the value of the shareholders. Each shareholders were getting the same amount of share, which he is holding as of today. But now the new scheme where the holding and subsidiary structure, everything is being locked in, the value is being locked in by holding company. So if any shareholder wants to exit from either real estate, or from engineering or want to enter into a specific business is debarred or will not be able to enter into this business. So if the subsidiary holding, instead of the subsidiary holding structure, if you keep the same mirror image of the shareholding, you achieve all the objectives which we have narrated earlier. Like if you want investment in real estate business, or if you want investment in engineering business, or if you want any demonetizations or you want key investment that you will achieve. So, if you can just think in those lines and create a mirror image of the shareholding that would unlock the value of the shareholders. Otherwise the shareholders' value is being locked in the holding company without your holding company or subsidiary company structure, that was my concerns.

Amit Agarwal: So look, we hear your comment. But what I said that today, what is very, very critical is for the company to monetize asset and reduce the debt level. Once you do that debt level reduction, and as I have clearly outlined that, we have created these companies so that at some point of time you will have the opportunity to bring a pool of capital into these businesses to further grow these businesses. So to that extent, we are making it more simplistic structure and had it been going away onto a demerger then you would have created one lifestyle business, which effectively if I look at my Raymond Limited, Raymond Limited on a standalone basis is operating B2C business.

JD Mundra: With all these things you can take the advantage of all monetization or further investment in respective business by creating a mirror image of the shareholding, it will give the value unlocking to the shareholders otherwise minority, shareholders value not getting unlocked, their value is getting locked in the holding company structure, that is what my solution is, if you can have a look into it, it will be grateful.

Amit Agarwal: Sure we will look, we have thought through about this and we believe that this structure will provide because once you are less debt company, your value is there in each of the businesses. There is enough and more cash flow generation, we will provide more growth to the businesses and to that extent, there is more traction for the business. And then we have said already that in the next three years, we have stated a clear objective as somebody said, that timeline, we have taken ourselves as a very strong timeline that in the next three years we will be a net debt free company.

JD Mundra: But sir as a minority shareholder and as my earlier friend also has conveyed, our value is getting locked into holding company, it should be a three clear the distinctive company listed in the stock exchange, then every shareholder and every investor will have a choice to where he wants to invest or where you want to continue or anybody else wants to invest in real estate or engineering company or lifestyle business or B2C business, he will have option to choose, but here the value is locked in and we have no option as such, we have to either continue with all the business or we'll have to leave.

Amit Agarwal: So, what we have said very clearly that we believe today the deleveraging is important, we have given a timeline when it will be de-lever and then we have also said, that we believe that at some point of time we will evaluate again the options to see what is the best way further, beyond this what we are seeing the unlock of the value to be done for the shareholders.

JD Mundra: Only my assumption is that deleveraging can be done with the mirror image of shareholding that is what my solution is, kindly have a look into it. Thank you very much.

Moderator: Thank you. The next question is from the line of Samir Rachh from Nippon Asset Management. Please go ahead.

Samir Rachh: I agree with all previous shareholders. The current structure the subsidization is the right decision but just because you're subsidizing it doesn't automatically unlock value for minority shareholders. So, the next step should be that we list real estate subsidiaries separately and we also list the new combined engineering company also separately and give shares to minority shareholders directly so there is like unlock of value and frankly Raymond since we have already reduced the cost structure the brand business, et cetera so that business can easily stand on its own and generate free cash and retire it's debt over a period of time, but if you postpone like giving shares to minority shareholders directly for another three years that would be a little unfair for minority shareholders who are actually waiting for value to get unlock for last so many years and now markets are right, stock markets are good, everything is going good so maybe this is a perfect time, so instead of delaying for another three years, my request would be we should expedite and try to list real estate as well as engineering company separately and give shares to minority shareholders directly. That will be much more efficient structure.

Amit Agarwal: Yes, Samir thank you for your feedback. But what I say is that, at this juncture we believe and this three years is not that anything will happen only after three years. This is the three year the timeline we have set for making the net debt zero. Obviously prior to that also we will continue to evaluate the right structure so that we create the value for the shareholders.

Samir Rachh: Yes, so my only request is that, at least out of this two companies real estate and engineering at least you can expedite one so that shareholders get enough signal that we are going in the right direction and they taste the benefit of that whatever measures you're taking for unlocking the value for minority shareholders. So you actually get to taste that proof of pudding is in eating as they say so, at least maybe engineering companies currently valuations are so good. Kind of maybe you can list this company separately and you can get such a good value for the company.

Amit Agarwal: Sure, we take your feedback.

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

Priyanka: So, I had two questions. The first one is that I wanted to get a better sense on the debt. So how will the debt look in the standalone business and how much of the debt will be transferred in the real estate business, and the second is on the brand name like that the real estate business would leave, will Raymond Limited receive royalty from the real estate business or how will that look like. So these are the two questions from my side.

Amit Agarwal: Yes, so as far as debt is concerned, we have done at a high level math, which comes around into Rs. 250 – Rs. 270 crores of debt, which will be part of the real estate business, that is the level of debt because it's the cash flow generating business and it has got certain construction debt. So till that extent around the Rs. 250 to 270 crores of debt.

Priyanka: And that would be the long term debt or the working capital like how would that look like?

Amit Agarwal: So, in a real estate business you can classify it as a more working capital long-term debt, because it is for the life of the project, there is a repayment schedule under which the debt gets repaid over the lifecycle of the project. So that's the way project debt works. And as far as the Raymond brand is concerned obviously, it is a valuable thing that Raymond has created and we will evaluate the right structure in terms of putting the right to use of the Raymond brand.

Priyanka: Okay, so the terms have not been decided?

Amit Agarwal: Yes, as of now it is a 100% sub.

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

Utkarsh Somaiya: Sir after this whole scheme of arrangement eventually, what are the factors that on which it would depend whether or not will you list the three businesses separately, like what would make you not list them separately. Thank you.

Amit Agarwal: So, I'll tell you in terms of the various businesses, we said, we will look into the pools of capital, which is right for this business. And the focus would be, again in terms of deleveraging. So if we get the right set of capital, we will consider that capital pool to be infused into that business, or take the stake sale and reduce the debt at the Raymond level. So that will be the philosophy and some of the businesses you see, it is a step by step. First, let me give you an example of the real estate business. Real estate business was just a division of Raymond Limited. We saw good progress and developments and we brought into a 100% subsidiary. Maybe over some period of time we see further progress, then you can consider additional level of capital infusion in different shapes and form which is available. So it is difficult to say at this point of time that when is that going to happen. However, we are very clear that these are the path in which we will progress about our various businesses.

Utkarsh Somaiya: Sir but why wait, why not do it now, what is the difference?

Amit Agarwal: No, because we believe that the right thing is to further grow the business. If you see in the real estate business when we launched the business in 2019, we could have put that into a separate subsidiary at that point of time. But we felt it right and that worked right for us even then, and it worked right today that you're now corporatizing because there is a sustainable free cash flow is coming from that business. Now you need to grow that business, give them one, two, three projects beyond Thane so that we can also see that it can withstand on its own as a real estate business. And then it make sense to do and go on a broad base.

Utkarsh Somaiya: Okay, so until it's independent you will be using the cash flows of the core business?

Amit Agarwal: No, I'm not saying we are using the cash flows of the core business. I'm saying even the cash flow generated from the real estate business it is good but it needs to go out, it is currently doing the project on our own land. It needs to go out, test the water in one, two, three more projects outside and then you make it a much more robust business and then you go out. And we have said very clearly that we will be utilizing the cash flows of the real estate business to some extent for deleveraging and for the growth of the business.

Utkarsh Somaiya: Because in this way, the majority shareholder is going to enter businesses, we will have an opportunity to participate in individual businesses, but minority shareholders will not until you ultimately demerge and list it. So please just keep that in mind. Thank you.

Moderator: Thank you. The next question is from line of Anirudha an Individual Investor. Please go ahead.

Anirudha: Sir, what is the need of withdrawing earlier scheme, because I believe you can execute the proposed transaction without compromising the earlier transaction.

Amit Agarwal: So, fundamentally we have discussed with the lawyers and others it was not possible to continue with the older scheme, because there are two or three things which we are doing. So, as you saw that there is a entity called 'Scissors', which needs to be transferred to the JK Files, which was part of the earlier demerger scheme to be merged with Raymond Limited. So therefore, that had to be withdrawn and like that real estate was to be put down into a subsidiary that could not have happened. So, there was a legal way by which you were not in the position to do these initiatives or these steps provided you had to withdraw the earlier demerger scheme?

Anirudha: No, but why you are not combining that with the earlier transaction with the current transaction, because I believe we would like get some attention to the presentation made by you in November 19 where in you mentioned about this separation of B2C business actually from the point of view of taking up the business to the new level. So, ideally you can combine that transaction with the current transaction as well?

Amit Agarwal: Yes, so if you see B2C business, we are combining and we are taking at the Raymond Limited. So, at the Raymond Limited level you have one consolidated B2C business, which is what we have said earlier also. So, we are doing exactly the same, the whole thesis, the strategy remains the same that the B2C business, the benefits of combining the B2C business is intact and it is being taken at the level of Raymond Limited and that is at the operating company level it is being done.

Anirudha: But sir can't we achieve that separation of the branded apparel business through this revised transaction?

Amit Agarwal: Again, just for the sake of clarity that the branded apparel business is getting transferred at the Raymond Limited so that your B2C businesses are getting consolidated at the Raymond Limited.

Anirudha: Okay, the only request is the earlier whatever the shareholders also stated, we should chalk out the clear monetization plan and give it to the shareholders at the request from my side. Thank you.

Moderator: Thank you. The next question is from the line of Abhijit Kundu. Please go ahead.

Abhijit Kundu: So, my question was on firstly after transferring branded apparel business or consolidating the B2C business, any evident cost synergies you have seen, any operational synergies you have seen, because in Branded Textile what happens is the distribution is a bit different. Whereas Branded Apparel the distribution is very different. So, any distribution synergies that you are seeing, what has been the thought process behind consolidating the B2C?

Amit Agarwal: So, two or three things, you know that we operate (1,000+) TRS stores all across the country in 600 cities and these stores also sell fabric which is branded as well as sell branded apparel. So the biggest synergy if you see on the distribution is going to be that today they sell, both have teams from the apparel as well as this team, they go and talk to the people. Now we will have one unified approach and the whole structure will work in a manner that it is one business. So that's a single biggest thing which we will get. Second thing what used to happen was, we used to open the EBO for the different branded apparel let's say be Color Plus, be it Park Avenue and closer to that is a TRS store also. Now considering that it is under one umbrella, you will optimize and see what are the synergies and if you see during the pandemic, we have closed down some of the EBOs just to make sure that we will have the distribution which is profitable and not something where sometimes it becomes too expensive to operate any EBO. So, therefore, the consolidation of B2C business under one umbrella give a significant advantage on the distribution side.

Second, in terms of the whole procurement process, what we are end up buying the fabric, we will have obviously the capability to pick and choose the right fabric at the right price between apparel and fabric and the design, because you see the design which may be running today in the marketplace for an apparel could be transposed to the fabric side and similarly vice versa from the fabric to the apparel side. So that way, you will have lot of synergy benefits, which are not directly quantifiable, but qualitatively it will improve the marketability of the product. And again, the rejuvenation which you will get, the product innovations which you will get is again very, very substantial.

Abhijit Kundu: And another question, this was that the previous scheme was under NCLT approval for quite some time. Any issues you have faced at that time, because this could be one of the key concerns of investors that why come back after almost two years. So, why change in plan and why in the first place it take two years?

Amit Agarwal: So, you all know that the scheme was with the NCLT and how the authorities have been working, the regulators have been working, the courts have been working, there was a complete delay in that. Now, we saw this, that it is a good possibility to work on this. And broadly, our theme of lifestyle having an independent business does not change at all, we still believe and it is the process is on. So therefore, we believe there is no significant change in the strategy, maybe the path to achieve could be some changed. That's all.

Abhijit Kundu: So if we have to reduce debt in the next three years, that's the primary objective. So the first way of reducing debt will be through monetization of land, that's the easier part?

Amit Agarwal: Yes, that is true that is something which we will obviously working on and 20 acre has been sold in the past, which gives us more and more confidence that land monetization is a doable thing. And in the pandemic time nobody bought or sold the land. So now things are getting better, real estate market is looking up so there is a good potential for us to do a monetization of the land.

Abhijit Kundu: Okay. And in real estate, what key expertise have used where a major part of your improvement has happened in the real estate business?

Amit Agarwal: Three, four things one, the whole construction pace at which we are able to construct and complete the building you can see very clearly that again not to boast about ourselves, but we are significantly ahead compared to the competition. We have been able to demonstrate that the pace at which we construct as I mentioned, and we have already stated on our website that we will be delivering project significantly ahead of the RERA schedule. And Harmohan who is the CEO of the business, he can tell you what are the key differentiators for us in the real estate business vis-à-vis the broader competition.

Harmohan Sahni: So, what I would say the key differentiator is not in technology or any new technique that we are using. It's essentially the mindset, if you see typically the real estate operators mindset has been more of an investor mindset than a manufacturer's approach. So this is something unique, which Raymond brings because of its industrial experience, it has a complete manufacturer's approach towards real estate also. So the focus is on building in time, quickly build it, sell it, and move out and move on to the next and rather than holding on to the land, and hoping that it will appreciate, and it will create value. So, the mindset is the biggest factor which is there. And based on that mindset, then all the management systems operate and the monitoring of the project also operates in that fashion.

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

Mithun Aswath: I just wanted to get an understanding if you can just take us through a little bit in terms of what is the size of your ethnic brand and wedding wear business, because a key competitor of yours is also looking to get listed soon. So, I just wanted to understand if you can maybe start incorporating and showing us what is that size of business which is hidden in Raymond, that was question one. Number two is as investors, could you give us just a broad numbers how large your consolidated business for apparel and textiles would be in a normal year and what sort of EBITDA and ROCE are you looking at. Similarly, for your tools and auto components business, what sort of sales and EBITDA and ROCE you are looking at, because from the numbers I see your ROCE and tools and auto components is quite high. So, I just wanted to understand that if you could just elaborate?

Amit Agarwal: Look in terms of the past numbers we can give historically, forward looking we won't be able to provide you the numbers. But, if I look at it, ethnics we started the business just prior to the pandemic, six months, 12 months before the pandemic, and then the pandemic hit. So it is in a decent form, but not very, very large it is a somewhere in the range of Rs. 60-70 crore of our business. That is the kind of business we have, in the ethnic. However, what we play large is on the fabric side, which eventually both for the wedding wear in the classical Indian kind of wear as well. So that's a very large play we have through over the fabrics. Now, as far as the business we are talking about. If you look at it Branded Textiles plus the Branded Apparel segments we have been always talking about it could be over Rs. 4,000+ crore revenue numbers. And as far as the Tools & Hardware and Auto segments are concerned, it could be well over as we talk about the FY21 numbers which was muted, in any case round Rs. 650 to 675 crores.

Mithun Aswath: I'm just trying to understand these businesses can throw up their own cash and grow right, because the tools and auto business is quite self-sufficient. So just wanted to understand in terms of what sort of margins and return on capital employed you see here. And maybe that the first business maybe off the block to do an IPO or try to unlock value. So just wanted your thoughts in terms of a timeline. Obviously, three years you have mentioned net debt will go to zero, but just broadly in your priority list what do you think would happen?

Amit Agarwal: Look again, in terms of profitability clearly outlined in our segmented results as well that these are significantly profitable business. High double digit EBITDA margins we are getting into this. The ROCs between the two segments like last year we had reported close to (+45%) in the tools and hardware segment and auto component segment close to (+25%). Again these are debt free businesses and significant cash flow generating business that the EBITDA margins as I talked to. So these are very strong businesses, which we have and there is further opportunity as they continue to be strong in the marketplace, in the segments and products they operate, as they carry a large market share. So there is a good opportunity for them to grow further.

Moderator: Thank you. The next question is from the line of Mahesh from MP Investments. Please go ahead.

Mahesh: My question is basically, you put the blame on NCLT for not able to clear the previous scheme of merger or splitting of business. So, what you are going to do differently now, that same NCLT you will get it cleared. What is your confidence level in getting this scheme of arrangement clear from the same NCLT, first question. Second question, see Raymond's has Raymonds aviation. So, which company will hold that business and then there is a JK House which is given for residence purpose to Mr. Gautam Singhania, which company is going to hold that JK House in its books. And third one last 30, 40 years I am shareholder of Raymond. Raymond has failed to deliver value to shareholders, only its dealers and distributors have made money. So what you are going to do differently this time that shareholder will get money. These are the three questions.

Amit Agarwal: Okay, so one first of all, if you talk about the NCLT, during the pandemic time the courts have not been functioning. We believe now the pandemic the vaccination drive and everything the pandemic has more or less subsided and there is a good possibility that the NCLT court starts to work and we should be able to get our approvals that's number one. Second one as far as the certain assets, which you talked about, that is held in Raymond Limite will continue to be held in the Raymond Limited. Third thing in terms of the shareholder value creation, we have said very clearly outlined that there is a process of a deleveraging which has been demonstrated that we have deleveraged and we will continue to focus on that and there is a path for that, we have clearly outlined, we have created enabled companies to have that kind of possibility to deleverage and monetize assets in order to bring cash at the Raymond level to reduce the debt.

Mahesh: See, Raymond aviation doesn't add any value to Raymond Limited, it is not a core business of Raymond, why it should be in the Raymond Limited, it should be a separate company, you can sell it to Gautam Singhania, why it should be in Raymonds?

Amit Agarwal: Look these some of the businesses are required because you are in a fashion business. So there is a branding which is required to be done. So certain businesses are required in terms of branding of the business. So therefore you need to keep these businesses in Raymond Limited, you cannot take it away from Raymond Limited.

Mahesh: But I don't agree with that, see in the pandemic also NCLT has cleared many cases of scheme of arrangements. So how only they are not able to conduct for Raymond Limited, there was problem at the Raymond's end looks like. NCLT was holding case through VC.

Amit Agarwal: Yes, so that is true we are saying, we are not saying that they would never hold but there was a delay it is very well known fact there was a delay in the NCLT clearances. And our case did not come up for the clearance. So that's look, we have understood that there is a possibility for us now we have spoken to over lawyers and our advisors who have given us adequate comfort and confidence that this will happen. And therefore we are proceeding on that.

Mahesh: See now also, what is the confidence level that you will be able to get it cleared. You are putting blame on NCLT, you are not taking any blame on your side for not clearing the scheme of arrangement?

Amit Agarwal: No, it is not a question of blame or no blame. It is a question of the process. We have gone through the process, something works, something doesn't work and it did not work in the NCLT which we had filed. And there is no point of having this discussion on the call that NCLT blame or no blame. We are not blaming anyone at this juncture.

Mahesh: As a shareholder we were waiting for this value creation since 2019. Nothing has happened, there was no communication from the company side in the last two years that the delay is getting because of NCLT, now suddenly you have come up with new scheme?

Amit Agarwal: We have been constantly engaging with all of you. I don't know whether you heard it or not. We had every quarter in the call we talked about the demerger process where we stood, in every communication we have said. So, I don't know how it was missed out by you. However, we have communicated as a company, as a responsibility that where is the status of the demerger.

Mahesh: Who were earlier there in 2019, none of that top management is there today, who have proposed that scheme of arrangement. Now suddenly, it's new team has come and it has come up with a new proposal.

Amit Agarwal: So look, at the end of the day you have a specific question, we responded to your question. Now you cannot go that there is a management which was there, not there. That doesn't matter. It is a company, which is responsible, and the company continues to be in function and responding to what it is possible to do. Thank you.

Moderator: Thank you. Ladies and gentlemen, as this was the last question for today, I would now like to hand the conference over to Mr. Amit Agarwal for closing comments.

Amit Agarwal: Thank you very much. And we look forward talking to you at the end of October.

Moderator: Thank you. On behalf of Raymond Limited that concludes this conference. Thank you for joining us and you may now disconnect your line.