"Raymond Limited Investor Call to Discuss Business Restructuring"

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Moderator Ladies and gentlemen, good evening and welcome to the Raymond Limited Investor Call to discuss The Business Restructuring hosted by Antique Stock Broking Limited. As a reminder, all participants will be in a 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 Ms. Priyanka Trivedi from Antique Stock Broking. Thank you. And over to you, ma'am.

Priyanka Trivedi: Thanks. On behalf of Antique Stock Broking, I would like to welcome all the participants in the Investor 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 handover the call to Mr. Mukund. Over to you, Mukund.

J. Mukund: Thank you, Priyanka. Good evening, everyone. And thank you for joining us in this Conference Call to discuss Business Restructuring of Raymond Limited. I hope all of you would have received a copy of our media release and the presentation. I would kindly urge you to go through this along with the disclaimer slides.

Today, we have with us Mr. Sanjay Bahl – Group CFO, Mr. Sanjay Behl – CEO, Lifestyle Business, and Mr. K. Mukund Raj – CEO of the Real-Estate Business. I will now hand over the call to our Group CFO who will give you the summary of the initiatives undertaken, before we open up for Q&A. Over to you, Sanjay.

Sanjay Bahl: Thank you, Mukund. Good evening, ladies and gentlemen. Thank you for joining us today on this call at such a short notice. I am happy to share that in continuation of our transformational journey of value creation, Raymond Limited yesterday announced two major corporate initiatives.

The first one was a deleveraging initiative:

The Board of Directors of Raymond Limited in the meeting held on 7th November have approved the following deleveraging initiative, issue and allotment of equity shares and compulsively convertible preference shares to JKIT and associate company against the infusion of net proceeds of JKIT land sale of Rs. 350 crores that was announced in October 2019. The breakup of equity shares in CCPS is as follows: Rs. 225 crores through 33.4 lakh equity shares, Rs. 125 crores through 18.5 lakh compulsively convertible preference shares with a conversion ratio of 1:1, convertible within a period of 18 months. Both equity shares and CCPS to be issued at Rs. 674 per share. The allotment shall be completed within a period of 15 days from the date of shareholder meeting to be held on the 2nd December for approval of the proposed issue. Post the preferential issue and conversion of CCPS, the Promoter Group shareholding will increase from 43.83% to 48.21%.

To give you an overview of the land transaction in JKIT:

JKIT is an associate company in which Raymond Limited holds 47.66% stake. This company recently announced the signing of agreement of sale of 20 acres of land with Virtuous Retail, which is utilizing the net proceeds of Rs. 350 crores from the land sale to be infused into Raymond Limited. The gross sale value of the land parcel is Rs. 700 crores, out of which Rs. 650 crores is expected to be received in the third quarter of FY20. Out of this, Rs. 300 crores related to approvals for conversion of land, ULC and other costs, related to brokerage, legal and financing arrangements, and includes the capital gains tax. A balance of Rs. 50 crores of the sale value is contingent on certain pre-agreed obligations and is expected to be received in 9 to 10 months. The JKIT Board will decide on the usage of the balance Rs. 50 crores at the time of receipt of the balance tranche of Rs. 50 crores. Post receipt of the Rs. 350 crores into Raymond Limited, the company will be utilizing the funds to repay debt, deleveraging the balance sheet of Raymond Limited. With this infusion we expect an annualized interest cost saving of around Rs. 24 crores. The above initiatives are in line with the stated strategy of asset monetization to deleveraged our balance sheet and improve our operational efficiencies.

Now coming to the demerger:

The Board of Directors of Raymond Limited, on recommendation of its Audit Committee, considered and approved the composite scheme of arrangement. The key highlights of the scheme includes; the demerger of Lifestyle businesses into a separate entity that will be listed through a mirror shareholding structure. Every shareholder of Raymond Limited will be issued one share of the new company held in Raymond Limited. The move will create a clear demarcation of Lifestyle and other businesses leading to the simplification of the group structure. Further, the Apparel business currently being conducted under Raymond Limited will be merged in the Lifestyle business, providing a single platform for all the branded consumer focused businesses of Lifestyle business. Lifestyle Company will be a branded consumer company and include the following businesses; the entire Suiting businesses, manufacturing plants, our B2C Shirting and MTM business, Branded Apparel with its entire portfolio of brands, Garmenting business with is manufacturing facilities.

The pro-forma unaudited FY19 key financials of the Lifestyle Company are: Revenues of around Rs. 5,284 crores and EBITDA of Rs. 601 crores, with EBITDA margins of 11.4%. The existing company has the potential to predominantly become a real-estate company. Other businesses include High Value Cotton Shirting, Engineering businesses of auto components and Tools and Hardware shall continue as subsidiaries of the existing company. While FMCG and denim shall continue as associated JVs respectively. The pro-forma unaudited FY19 key financials of the existing company are, revenues of Rs. 1,549 crores and EBITDA of Rs. 101 crores, with EBITDA margins of 6.5%.

Also note that our Real-Estate business has just begun in March 2019, and contribution in previous year was marginal. With this demerger, the Real-Estate business will be able to chart its own growth plan with a land bank of about 80 acres in Thane.

With respect to High Value Cotton Shirting, there is an existing litigation with the JV partner which is under proceeding at NCLT. Due to the existing litigation, NCLT has passed an order that shareholding of RLCL will not be changed further and fixed assets of RLCL will remain within the existing company till further orders, till the matter is sub-judice. Due to the above reason, B2B Shirting business will continue to remain in the existing Raymond Limited.

The Raymond brand will continue to stay with the existing Raymond Limited. The existing company will grant perpetual brands usage rights for the Raymond brand to the Lifestyle Company at a brand royalty to be charged at a percentage of Turnover with a cap, in line with the best market practices. The proposed restructuring is a means to transform the Raymond Group from a strategic operational and financial perspective. From a strategic perspective, the Lifestyle business is being positioned as an independent branded consumer business. The existing company has the potential to predominantly become a Real-Estate company, along with strong cash flow businesses have auto components and tools and hardware. Also, it will facilitate focused investor opportunities and better access to capital. From operational perspective, it will lead to simplification of the Group structure, creation of operational efficiency through demerger, resulting companies to each have focused strategy and specialization for sustainable growth and profitability. From a financial perspective, it will help in unlocking shareholder value and focused investor opportunities that give the choice to investors.

To conclude:

I would like to restate our Chairman and Managing Director, Mr. Gautam Singhania's quote, which captures the essence of the Raymond Reimagine Transformational Journey undertaken, and I quote - "For over three years now we have been relentless in building the organization that is future ready, and our efforts have been unwavering during this transformational journey, despite multiple challenges. As we continue to build capacity for enhanced performance and delivery across verticals, demerging the core Lifestyle business is an affirmative step towards that direction and will also simplify the group structure".

We remain resolute to take the right steps to enhance value creation for our shareholders. Now, we open the floor for questions and answers. Thank you.

Moderator: Sure. Thank you very much. We will now begin with a question and answer session. The first question is from the line of Zain Iqbal from Alpha Invesco. Please go ahead.

Zain Iqbal: I have got a couple of questions. So your net realization from JKIT is Rs. 350 crores and the gross realization was Rs. 700 crores, so I just want to understand the math for the balance Rs. 350 crores. That is first. And second, which entity owns the Raymond brand? And how will the FMCG use the brands, any royalty payments in that?

Sanjay Bahl: Okay. So, first let me answer your first question which is the breakup of the net realization from the land proceeds. So, the total sale of the land was Rs. 700 crores. It was to be paid in two tranches, Rs. 650 crores is the first tranche, and I mentioned in my speech, Rs. 50 crores is contingent on certain obligations, and it will be paid over a period of nine months. So, out of the Rs. 650 what are the other expenses which we have to meet? We have to meet the expenses of the Sanad and ULC which I spoke about, and the I2R conversion. Both these put together have a cost of around Rs. 200 crores. And we have tax obligation which is around another Rs. 100 crores. So, this is the total cost that we have around Rs. 300 crores, from the Rs. 650 crores we get to Rs. 350 crores, which is a net proceeds of sales that we get in the first tranche. Rs. 50 crores, as I mentioned, will probably come to us after a period of nine months once we have met the conditions which are attached in the agreement.

Sanjay Behl: The second questions was on the brand use. The way it is, Zain, Raymond as a brand will be with the Old Co., and New Co. i.e. the Lifestyle Company will use the services of the brand for a consideration of a license fee which is likely to be in percentage of revenue or an absolute number capped, whichever is lower. So this is the best practice for a brand usage, licensing usage in the country today, and we will benchmark with everybody and we will decide the specifics of that. So that's going to be the in-principle usage of brand. All the other brands which are Lifestyle related brand will shift with the New Co., apart from Raymond. So, Color Plus, Park Avenue, Parx, Ethnix, Next Look, all the other brands will move into the New Co. FMCG is the investment co sitting in the Old Co., and they will hold the right for Park Avenue FMCG within their company, so there won't be any royalty that needs to be paid to the New Co. KamaSutra and other brands which are FMCG related will continue to sit there. So this is how it will be, Raymond in the Old Co., all other Lifestyle brands moving to the New Co.

Zain Iqbal: Okay. One last question. Is there any room to further simplify the Group structure? Because we have significant cross holdings between JKIT and Raymond now.

Sanjay Bahl: But that doesn't change the structure, the JKIT structure remains where it is, the cross holdings will continue. Those are investments that JKIT has made in Raymond Limited, so those shareholding will continue. The structure to a large extent is already getting simplified with this demerger, because the core branded businesses are just having the three segments with Branded Textile, Branded Apparel and Garmenting.

Moderator: Thank you. The next question is from the line of Chetan Phalke from Alpha Invesco. Please go ahead.

Chetan Phalke: First of all, congratulations. This was a long-pending move, which all of the shareholders were waiting. My question is related to the B2B Shirting transfer. So while in your media interviews you have indicated that the transfer to Lifestyle will happen once the legal issues or stay related issues with our Italian JV partner are resolved. But then, what's the roadmap forward as these issues get resolved? Will there be a slump sale or how this transaction will happen? And what's the roadmap for UCO Denim, what's happening in UCO Denim per say?

Sanjay Bahl: Okay, first on the B2B RLCL business. Now, since the matter is sub-judice I cannot put a timeline as to this. But clearly the intent is that, yes, the business belongs to the Lifestyle part of our portfolio, so it should ideally have been part of the Raymond Lifestyle Company. However, because of the legal reasons as I mentioned, it continues to remain in the Old Co. As and when this dispute is resolved, and it's difficult to put a timeline, we will certainly work out a mechanism to then see as to how this business is transferred. As of now, what the slump sale, etc., just those options which are there, but certainly we will consider at that point in time.

And UCO Denim business continues. It's an investment that Raymond Limited has in the JV, and that investment continues, the business continues as part of Raymond Limited.

Chetan Phalke: Okay. And sir on the asset monetization front, of course, we have recently concluded this 20 acre land parcels sale, do we have anything else in the pipeline on the other non-core businesses or on the land parcel front which is owned by Raymond Limited?

Sanjay Bahl: Okay. So, let me first clarify that, what was core and non-core in Raymond Limited, now that whole paradigm has changed. The core businesses in Raymond Lifestyle: Branded Apparel, Branded Textile and Garmenting are core businesses of Raymond Lifestyle. What remains in Raymond Limited, which is the land bank, real-estate division, auto and engineering have become core businesses of the existing Raymond Limited,. So, since they were all together, we had this distinction between what is core and non-core. But since we have these two different entities, each business is core within that entity. But certainly, I mean, we will look at in terms of again the core principles, the intent remains shareholder value creation. And what this segregation of businesses and restructuring enables is to look at opportunities within real-estate development. There is 80 acres of land waiting to be developed there, and there will be different mechanisms to do that, whether it is sale, joint development, developing it ourselves, all those are opportunities which are now on the table for us.

Chetan Phalke: Okay. So, we are open to monetize the land asset even from here going forward, if and when the opportunity comes?

Sanjay Bahl: If and when the opportunity is there, we are certainly open to certainly doing all those three options.

Moderator: Thank you. The next question is from the line of Dixit Mittal from Subhkam Ventures. Please go ahead.

Dixit Mittal: Sir, my question is on the pro-forma financials. Though you have given the profit and loss accounts of these two. So can you give some rough idea on the balance sheet also, like what kind of capital employed is in both the businesses in terms of debt, how much will be transferred to the Lifestyle business?

Sanjay Bahl: I can give you a brief perspective over how the debt - in principle we will be allocating it and the exact numbers and the balance sheets, of course, will be now worked out, now that the board has approved the restructuring in the scheme. So, broadly, if you look at the overall debt that we had, we had a debt of around Rs. 2,800-odd crores, that reduces by Rs. 350 crores at a gross level. At a net level, you know that we have Rs. 440 crores of treasury investment, so at a net level we should be around Rs. 2,000 crores. In broad principal terms when we look at the businesses in Raymond Lifestyle and the existing Raymond Limited, the rest of Raymond Limited, the allocation of debt would be in percentage terms about 75% of the debt would be transferred to Raymond Lifestyle Company, 25% would remain with the existing Raymond Limited.

The other principle that is to be followed is that the working capital, of course, moves with the respective businesses. And at overall level, 65% of the debt is really working capital and 35% is on the term loan front. So, working capital moves with the business. The loans have a specific end use and are securitized and have a charge on assets. So, the loans which have an end use for the Lifestyle business and have a charge on the Lifestyle assets will go to the Lifestyle business. And the loans which have a charge on land or linked to the real-estate business or the other businesses, remaining business in Raymond Limited will remain within the Old Co., which is Raymond Limited. So that's the broad classification of how the debt would go.

Dixit Mittal: And sir, in terms of asset, asset classification?

Sanjay Bahl: Yes, so our specific assets, as we mentioned, specific to the segments that will move to Raymond Lifestyle, so whether it is manufacturing assets of the textile plants or even for the branded textile, branded apparel assets, the retail assets, the garmenting business, all those assets would move to Raymond Lifestyle.

Dixit Mittal: Okay. So, sir can you give rough idea, rough quantification of the scheme?

Sanjay Bahl: We will work out the specifics, asset wise in terms of the details. But these are the broad principles on which the assets would really move.

Moderator: Thank you. The next question is from the line of Ashok Shah from LFC Securities. Please go ahead.

Ashok Shah: Sir, as per your talk, I think, we have extra land of around more than 100 acres, to be specific, I think 160 acres?

Sanjay Bahl: No, the total land that we have is 120 acres in Raymond Limited, out of which 20 acres is under development. Balance is 100 acres, out of which 20 acres is with the school trust. So what we are left with is about 80 acres.

Ashok Shah: So out of 80 acres, we had 80 acres extra land to be developed in future. Sir, by doing this allotment or specifically sale to the promoter entity, we are diluting the equity. Was it not advisable to sell our own land of 20 acres and reduce our debt?

Sanjay Bahl: Well, I think there were many things which were possible. We were also looking at selling land, of course, in Raymond Limited as well. But it's a question of not of our choice, but what is it that is the market requirements and what is the valuation that you are likely to get. And I think in the markets like this which is as it is going through such a downturn in terms of land sales, one hardly hears of any land sales in such market and economic environment in terms of liquidity squeeze on funding. I think to actually carry out a land sale at a valuation that we have itself is a big positive. Having a choice in terms of which land to sell, sometimes is left to the buyer.

Ashok Shah: Okay. So as this deal is totally biased towards promoter increasing the holding and small investor are deprived of the future profits or everything by not diluting the equity. Secondly…

Sanjay Bahl: I don't think that comment is right. It's not biased, it's the choice of the buyer to buy which parcel of land. This parcel of land that was sold is for a commercial retail cum community center or a mall, which is a world-class facility which is to be created. And this is a front facing corner plot which is there. So it's the most prime piece of land which we had mandated to sell. And the valuations that we have got, really have given us this value. So the whole objective was not that in terms of what you are saying, in terms of diluting. The whole, in fact, having done this land deal at these valuations, the attempt has been to deleverage the balance sheet. And I think that's been a big step that has been taken in the decision that the Board took.

Ashok Shah: Okay. I don't have any choice, but it could be a better choice if the company had sold own land and without diluting the equity and increasing the equity to be serviced. Sir, secondly, does after this all the restructuring, Raymond brand will be owned by the company or still it will be owned by the promoters as it is in past?

Sanjay Behl: It has already been said but let me reiterate, it will be owned by Raymond Limited.

Ashok Shah: All the brands are going to be with Raymond Limited, not by promoter?

Sanjay Behl: No promoter, the promoter will have whatever stake he has in Raymond Limited. Ownership of the brand, Raymond brand, is with Raymond Limited, which is the old company. In the new company, which is Raymond Lifestyle will have ownership of Park Avenue, Color Plus, Parx, Ethnix and Next Look. These are the five brands which will move there, and Raymond will be owned by the old company.

Ashok Shah: And what is the date from which this restructuring will be applicable?

Sanjay Bahl: The appointed date will be 1st of April 2020.

Moderator: Thank you. The next question is from the line of Kunal Shah for Carnelian Capital. Please go ahead.

Kunal Shah: I have got two questions. First question being, any thought behind Raymond brand with the Old Co. and not with the Lifestyle Company? And second question, if I could understand properly, company as on today would be having Rs. 2,000 crores worth of net debt, out of it 65% is working capital and 35% is a long-term debt. If you could help understand what proportion of working capital debt would be with the Lifestyle Company? And similarly, what amount of long-term debt would be with the Lifestyle Company? Thank you.

Sanjay Behl: I will answer the brand question. The thought of the brand is that the new company will get perpetual rights of using the Raymond brand, which is the current scope of its deployment of brand in the market in all categories of textile, apparel and garment. So, from fiber-to-fashion, in that value chain which is already getting used, perpetual rights of Raymond usage are being given to the new company by the old company which is Raymond Limited. All the other brands, since the current company doesn't have any direct deployment, are completely getting shifted to this. So the whole rationale was that it's like the best practice in the market. If you take any example of the brands in a diversified group, the brand is typically held by the original company or a trust which holds the brand, and then gives the rights to the diversified group independent entity to use it basis whatever the best governance principles which are completely transparent. So Tatas does it, Reliance does, I think you take any of the corporate examples in any diversified group, this is the structure. And we are following the best practice structure of transparency and governance in the deployment of our brands. There is no deviation from that.

On your other question on working capital and long-term and short-term, I will hand over to Sanjay to answer them.

Sanjay Bahl: So, as I mentioned, the broad principle of the total gross debt that will be there after the repayment of around Rs. 350 crores, if you take a ballpark Rs. 2,400 crores, 75% of that would be in Lifestyle and 25% would be in the existing Raymond Limited. Out of this 75%, largely the allocation of working capital and term loan remaining within Lifestyle would be in a ratio of 30% term loan and 70% would be working capital. In the existing Raymond Limited, which is the 25% of the total gross debt, the ratios will be different because the working capital for real-estate is much lesser and for the existing businesses of auto engineering and the RLCL put together would be more in the region of around the around 60:40 ratio, 40% would be working capital 60% would be the term loan.

Kunal Shah: Okay. Just to follow up question by my colleague on the royalty front. Sir just wanted to understand, like if we want to give a clear choice to shareholders, post demerger, alike whether they want to keep the equity of Old co. or the new Lifestyle Company. Now, with this kind of structure where the brand of Raymond remains with the Old Co. and the Lifetime Company will keep on paying royalty to the Old Co., so still the shareholder is not getting like a complete brand as well as the distribution's ownership of the Lifestyle Company. Like, when all other brands are getting transferred to Lifestyle Company, what's the rationale of keeping Raymond brand out of Lifestyle Company in their existing company?

Sanjay Behl: So it's like a parent child relationship. So, I think right Raymond brand has been invested in for over 9 decades by the parent company, which is now the parent company. And what the rationale of this is in terms of whether you are getting full disclosure of that should be the concern rather than where it is getting held. There will be a complete transparent disclosure of the royalty or the license fee that is getting paid, which in line with the best practices, will be kept at either a percentage of revenue or an absolute amount, whichever is lower. This is the best. So there is always going to be a cap, and that cap will be decided basis the overall revenue profile of the organization growth profile, what is going to be the future in terms of the scaling up ability of the new venture. So, there will be a certain cost, it is like an owner of the home and then there is a rent we have to pay. But you know that there is no doubt or there is no anxiety in terms of what the future rent is, because it's going to be capped to the best practice. So there will be full disclosure of that. And these are perpetual rights, this cannot be changed overnight or at any point in time at the discretion of the old company, they cannot change it, it's a perpetual right being granted today. So in terms of its usage, its scope of usage, in terms of pricing mechanism, in terms of having a limited exposure to a certain level of upper cap, every possible tick mark has been done to make sure that this is a completely transparent governance framework to ensure that the brand deployment is done as per the best practice in any diversified group, and Raymond would follow that. So I don't think there should be a concern there.

Kunal Shah: Sir, but why not complete simplification, right? Because now if you want to give shareholder complete choice to help those shares of Lifestyle Company vis-à-vis the real-estate company, but if he is exiting real-estate company then essentially he is selling the brand rights along with the real-estate company shares. So, just is one of the thing is, why not complete simplification, where all other bands are getting transferred, why Raymond is remaining out.

Sanjay Behl: Even Raymond is getting transferred for all the categories that it is with Lifestyle, if only there could be tomorrow a promoter and a board of the old company decides that Raymond as a brand needs to diversify beyond Lifestyle usage, in that case the right should be with the old company, which is the owner of the brand. He just wants to get that right for diversified entry into the real-estate, you want to launch a real-estate under Raymond brand name, then let real-estate have that advantage or prerogative of getting it from the old company, which is what the Board wants to keep. So there could be many businesses which can spin off under a brand Raymond, which could be beyond Lifestyle. And the future deployment of those is the discretion that a promoter and the board wants to exercise, in this case the reason that the Board has approved the current structure.

Moderator: Thank you. The next question is from the line of Anil Jain from Equi Passion Capital. Please go ahead.

Anil Jain: My question is regarding FMCG business which is held by JV. So, can you elaborate what are the entities, what is the holding structure and entity wise turnover and what is the Raymond Limited holding in them?

Sanjay Bahl: Okay. So FMCG businesses is not a JV, it's an associate company for Raymond Limited. Raymond Limited has a 47.66% stake in the company which holds the FMCG business as a subsidiary, so JKIT is the company which holds the FMCG business and Raymond Limited has a 47.66% stake in JKIT. So that's what makes it an associate company of Raymond Limited, existing Raymond Limited.

Anil Jain: That is JK Helene?

Sanjay Bahl: No, JK Investo Trade is the holding company for the FMCG business. FMCG business earlier consisted of two companies, JK Helene Curtis, and also JK Ansell, JK Ansell was a JV that we had with the Ansell's Group, Australia. We bought over the Ansell stake and it became 100% subsidiary. And now we have now integrated the two companies which was erstwhile JK Ansell and J.K. Helene Curtis to form what is now called Raymond Consumer Care. Raymond Consumer Care is a subsidiary of the JK Investor Trade Company, JKIT. And Raymond Limited has a 47.66% in JKIT.

Anil Jain: Remaining 53% is held by JKIT?

Sanjay Bahl: No, so the shareholding of JKIT is - 47.6% with Raymond Limited and the balance of 49.3% is with the promoter company, and there is a 2.9% which has a long minority shareholders. So this is the shareholding of JKIT.

Anil Jain: Okay. And what is the holding of JKIT in Consumer Care business, FMCG?

Sanjay Bahl: The Consumer Care business is 100% subsidiary of JKIT. So that is how the structure of the FMCG business is, the turnover of the business is currently around Rs. 650 crores with an EBITDA margin of around 5.5%.

Anil Jain: Okay. And what rate this business is growing? Say, five years back, what was the turnover? If you have the number.

Sanjay Bahl: If you look at the last three year numbers, the numbers were closer to about Rs. 200 crores and now you must also understand with this Ansell which was a 50% JV is now 100%. So, that 100% of the turnover is now coming to the FMCG company. So, the business is witnessing significant growth, year-on-year growth and really there is a focused plan to scale this business up.

Anil Jain: So, your margin is very less, EBITDA margin in this business. So, any plan, what are the…

Sanjay Bahl: So the idea is to really scale the business up, there is a lot of investment which is happening. So we are engaged in the process of expanding the business, getting our volumes and value growth in this business. And there is investment happening in the expansion of the different categories that we are now entering into within the men's grooming space. We are at the investment stage, if I can say, and we are building up and scaling up this business.

Anil Jain: Okay. And any plans to simplify the structure in this FMCG?

Sanjay Bahl: This is a value unlocking opportunity, once we get to a certain size and scale, I think surely this will be beneficial for the existing Raymond Limited shareholders, that opportunity exists. And it is clearly in our radar.

Moderator: Thank you. The next question is from the line of Madhu Reddy, who is an individual investor. Please go ahead.

Madhu Reddy: Sir. Actually, my concern was raised by a different analyst, in a way the unhappiness remains with regard to the Raymond brand remaining in the old company. It could have definitely moved to the new company. And I will just express my thing, that's all. Thank you.

Sanjay Behl: Noted. I think, Madhu, just one clarification or one additional point I would like to make. I do acknowledge your comment on this. Look, one thing that should reassure, if there is any anxiety, unlike most conglomerates, in India and the world, typical brand rights are held by the promoter himself and not the holding company. In this case, promoter has no holding of the brand, he has given his entire right to actually, not in his personal capacity, but Raymond Limited is the brand owner, not promoter. And Raymond Limited is going to be an equally fully governed company with Independent Directors and they will decide. So I am saying, the structure of governance is as stringent as for any public limited company. So, to that extent, if you allay the concern that it is not held by an individual but actually a company, and not in his personal capacity.

Moderator: Thank you. The next question is from the line of Chetan Phalke from Alpha Invesco. Please go ahead.

Chetan Phalke: Sir, for UCO Denim, how's the financial performance for the first half of the year? And how is this looking like for the full year and going forward for outlook?

Sanjay Bahl: So, UCO, obviously is facing challenges or the excess capacity which there set up in the subcontinent in Bangladesh and Pakistan, which have set up massive denim capacity. So it's facing a challenge of excess capacity in the region. But however, having said that, I think there is good news on the Raymond UCO Denim front where our own capacity, while the sector is facing certainly headwinds on that, our denim capacity utilization are at full capacity. And the outlook that we have on the margin and cost side is also positive because of softening of cotton prices and softening of certain input costs related to Indigo imports etc., which saw a huge ramp up last year which have softened this year. So there is some comfort on cost, there is a comfort that we have on capacity utilization. And overall, the outlook is much better than it was in the previous year.

Chetan Phalke: Is it profitable for this first half of the year?

Sanjay Bahl: Yes, so at EBIT level, yes. But at a PBT level it is targeted to breakeven.

Chetan Phalke: Okay. And what's the roadmap good forward for UCO Demin? Do we plan to divest our stake or buyback 50% from the partner or nothing has been decided?

Sanjay Bahl: No plans as of now, the whole effort now is really to get the business to levels of profitability. There are cycles which happen because of cotton prices being unprecedently high over the last three years. And this is obviously impacting the business margins as well. Last three years cotton prices have shot up close to 30%. And we are now hopeful that in this year the cotton prices will soften. And since it's a commodity business, largely dependent on cotton, input costs, hopefully this will be a much better year.

Moderator: Thank you. The next question is from the line of Aditya Nahar from Alpana Enterprises. Please go ahead.

Aditya Nahar: First of all, congratulations. A very walk-the-talk over the last four or five years in terms of your commitment to all shareholders. I have two broad questions. The first one is, how has your Diwali season been, without getting into specifics and numbers if you can give some commentary or color on that? And the second question is, is there any further talks on the divestment of Ring Aqua? Or do you have a tentative timeline for both? Thank you.

Sanjay Behl: I will take the first part of your questions on how Diwali has been. So, Diwali has been a little lukewarm compared to our expectations. So we saw a dip versus what our initial investments were and more like a flattish trend to last year Diwali, in terms of footfall. So there was no real growth that we were expecting. However, Raymond also has equal, if not bigger, elasticity linked to the wedding season. And wedding season typically in India starts in mid of November. And we see purchases really picking up about four to six weeks prior to the wedding season and then really going on till about May or so. And most of the pre-Diwali footfall and now post Diwali, we have seen intensified footfall, an increased footfall on account of the wedding purchases for Raymond. And that momentum is going.

On the Ring Aqua question, I will hand over to Sanjay at once.

Sanjay Bahl: So, on the auto business, the auto was the star performer as you know last year, with the record growth, revenue growth as well as margin growth. This year obviously is going through the whole downturn that we are witnessing in the auto sector, both domestic as well as globally. And also, in the heavy infrastructure sector as well which are also consumers and customers of Ring Aqua products. So its witnessing a downtown currently. So the capacity utilizations have come down there, resulting impact that you are witnessing in margins. Now, we will wait this period out. The attempt is to rationalize cost as to maintain and try and develop new products, innovate and get into new categories as well, and wait for the cyclical downturn to turn positive. And hopefully once the business is back at its normal EBITDA margins, I think we will look at the future in this business and how do we create value or unlock value. I think those attempts will be back on the table.

Aditya Nahar: Just to follow up, what are your utilization levels today at Ring Aqua?

Sanjay Bahl: In proper if you look at from 100% capacity utilization, which was prevailing last year, we would be at about 70% - 75%.

Moderator: Thank you very much. We will take that as the last question. I would now like to hand the conference over to Mr. Mukund for closing comments.

J. Mukund: Thank you all for participating in this conference call. In case of any further queries, we are happy to serve you. You can reach out to me on my mail or mobile. Thanks, again.

Moderator: Thank you very much. On behalf of Antique Stockbroking, that concludes the conference. Thank you for joining us, ladies and gentlemen. You may disconnect your lines.