



“Raymond Limited
Q2 FY2023 Earnings Conference Call”

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ANALYST: MR. ABHIJEET KUNDU- ANTIQUE STOCK BROKING LIMITED

MANAGEMENT: MR. S. L. POKHARNA – DIRECTOR, RAYMOND LIMITED
MR. AMIT AGARWAL – GROUP CFO
MR. SUNIL KATARIA – CEO, LIFESTYLE BUSINESS
MR. HARMOHAN SAHNI – CEO, REALTY BUSINESS
MR. JATIN KHANNA – HEAD, CORPORATE DEVELOPMENT
MR. J MUKUND – HEAD, INVESTOR RELATIONS

Moderator: Ladies and gentlemen good day and welcome to the Raymond Limited Q2 FY '23 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 ask question after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhijeet Kundu. Thank you and over to you.

Abhijeet Kundu: Thanks on behalf of Antique Stock Broking, I would like to welcome all the participants in the Q2 FY '23 conference call of Raymond Limited. I have with you 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 our Q2 FY '23 earnings call of Raymond. I hope 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 from the senior management of Raymond, Mr. S. L. Pokharna, who is Director of Raymond Limited; Mr. Amit Agarwal, Group CFO; Mr. Sunil Kataria, CEO of Lifestyle Business; Mr. Harmohan Sahni, CEO of Realty Business; and Mr. Jatin Khanna, Head of Corporate Development.

Now I would like to hand over the call to our Group CFO, Amit, who will give you the summary of the company's quarterly performance 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 for the earnings call to discuss our results of second quarter for the fiscal 2023.

First of all, I would like to wish you all a very happy Diwali and a new year. I hope that all of you had a wonderful festive season with your near and dear ones. It has been a much-awaited occasion for all of us in India and the festivities have ushered in a spirit of optimism and hope.

Let me now start with giving you a brief overview of the second quarter of the current fiscal. It has been a strong quarter that has seen encouraging demand with life returning to normalcy. Majority of physical offices have resumed, and Work from Home has now more or less taken a back seat. We have also seen an increasing number of social gatherings owing to festivals and travel and tourism bouncing back with vigor. All these factors have been good contributors in maintaining healthy momentum in consumer sentiments that witnessed consumers being on a spending spree.

As far as Apparel segment is concerned, the End of Season Sale (EOSS) extended till mid of August and we witnessed lower discounting by brands in the market. In addition to the surge in shopping for festivals, we also saw an uptake in our new product offerings in terms of design and functionality. We have been consistent about delighting our consumers with freshness in collection across our store network.

Now let's delve into Q2FY23 performance:

Raymond group has embarked on a journey of enhancing profitable growth and has maintained the momentum quarter on quarter basis across businesses by capitalizing on existing offerings along with a new range of products & services. Our sustained focus on cost and working capital optimization has reaped results in improving our performance across business.

We are happy to share Q2FY23 has recorded the highest ever quarterly revenue and EBITDA. This quarter performance is 4th consecutive quarter of record performance.

Our consolidated revenues have grown by 38% to ₹ 2,191 Crores from ₹1,583 Crores in the second quarter of fiscal 2022, driven by strong demand across all businesses in both domestic and exports markets. I am delighted to share that we have clocked highest ever revenue and have achieved highest quarter two EBITDA of ₹358 Crores with EBITDA margin of 16.3% in last 10 years. It's heartening to share that we have a PAT of ₹159 Crores which is a growth of 198% as compared to ₹53 Crores in Q2 of last year.

Also, as compared to pre-pandemic levels of same quarter, we have delivered profitable growth across segments with the revenues in Q2FY23 higher by 15% vs ₹1,913 Cr in Q2FY20 and EBITDA margin at 16.3% in Q2FY23 was higher by about 390 basis points vs. 12.4% in Q2FY20. Our Q2 reported PAT of ₹159 Crores is 89% higher as compared to ₹84 Crores in Q2FY20.

Now let's go through our segment-wise performance for the quarter:

Branded Textile segment maintained quarter on quarter strong performance with topline of ₹912 Cr and robust EBITDA margins of 22.3%. The topline grew by 26% as compared to previous year same quarter sales of ₹ 722 Cr

The revenue performance was driven by a strong demand for premium product categories across suiting and shirting fabrics. The trade channel sales grew at the backdrop of strong bookings driven by product innovations that were well received by our trade partners. In addition to strong festive demand, there was sustained demand for the office wear and encouraging response to our casual wear categories by the customers.

In the Suiting business, reopening of offices led to a resurgence in demand for wool rich blends and premium poly viscose categories that is an apt choice for suits and trousers. In addition to the exotic and exclusive collections, the newly launched stretchable and sustainable collections including Spanax, Supernova and Technoseries, Techno Stretch received a promising response from our customers. Our social initiative, Garment Exchange program in association with Goonj which was executed across our 1,000 plus strong The Raymond Shop (TRS) network has received great response as about 3 lakhs pre-owned garments were given to the lesser privileged sections of society under the Clothes for Work Program.

In B2C Shirting business, new seasonal collections imbuing latest designs and comfort which is offered by premium quality cotton and linen drove higher realizations and better product mix.

As India went on a shopping spree, our 1,000+The Raymond Shop (TRS) network spread across 600 towns and cities reported 26% growth in average transaction value (ATV) as compared to pre-pandemic Q2FY20 levels. The increasing disposable incomes and the exposure to newer

fashion trends have resulted in consumers widening their wardrobe choices that are suited for different occasions beyond work.

The segment reported robust EBITDA margin of 22.3% driven by diversified product mix in suiting as well as shirting fabrics, and enhanced operational efficiencies.

Branded Apparel segment showed a strong sales growth of 67% to ₹370 Crores as compared to ₹221 Crores during second quarter of previous year

As mentioned earlier, the resumption of normalcy along with the launch of our products imbuing new design aesthetics in line with global fashion trends are resonating well with consumers as they are seeking freshness in their wardrobes. Our performance was driven across all brands of Park Avenue, Color Plus and Raymond Ready To Wear and Parx which offer a plethora of options for consumers to dress-up across occasions. We have been optimistic about ethnic wear as a segment given the increasing demand for the category as an occasion wear and we have launched collections wide ranging from smart ethnics to wedding wear and expanding our presence in the segment through 'Ethnix By Raymond'. The performance was driven across our retail network of Exclusive Brand Outlets (EBOs) and The Raymond Shop (TRS)

During the first half of the year we have opened 21 EBOs on net basis. Currently our EBO network is performing well as we have received overwhelming response from our customers for our new collection in core product portfolio and casual category. There are plans underway to make a strong foray into the ethnic wear segment through our brand Ethnix by Raymond and till date, we have overall 35 stores.

The segment reported an EBITDA margin of 9.7% as compared to 3.4% in the same quarter previous year driven by continued operational efficiencies.

Retail network: During the first half of the year, we have further strengthened our retail footprint with net addition of 25 stores across metros, tier I to IV towns taking the total count to 1,376 stores spread across 600 towns as on 30th September, 2022 from 1,351 stores as on 31st March, 2022. Amidst the backdrop of strong consumer sentiments, we witnessed strong traction in secondary sales with significant improvement in average transaction value. As mentioned earlier, the TRS network reported 26% growth in average transaction value as compared to pre pandemic levels respectively.

Now let's move to the Garmenting Segment, we reported a strong growth of 25% to ₹266 Crores compared to ₹212 Crores in previous year, due to higher demand from our existing and newly acquired global customers. While the key export markets of US, Europe and Japan continued to grapple with the inflation and supply chain issues, however, with continued adoption of hybrid work culture, there has been a growing consumer demand for office wear and we have been fulfilling increasing bulk business and tailored clothing from customers. Given our strong capability in manufacturing fabric as well as garments, increasingly we have acquired new customers on account of vendor consolidation along with China+1 strategy adopted by leading global brands who prefer integrated suppliers to be their core partners.

The EBITDA for the quarter in the garmenting segment was ₹23 Crores with an EBITDA margin at 8.7% while it was ₹22 Crores of EBITDA in the previous year with EBITDA margins of

10.3%. The EBITDA was impacted as due to the increase in the order intake, we are adding workforce to cater to the increased demand and as we are supplying to high end global retailers, adequate training is to be imparted to the employees to ensure high quality product delivery which resulted in increase in employee cost.

High Value Cotton Shirting segment sales grew by 42% to ₹211 Crores compared to ₹148 Crores in the previous year due to higher cotton fabric sales in the domestic markets along with a demand tailwind from B2B customers. The segment reported EBITDA margin of 13.2% for the quarter as compared to 17.4% in previous year, lower mainly as the inventory consumed for production was at higher cotton prices. However, we have the ability to largely pass on the increase in cotton prices to our customers with a time lag.

Now let's have a look at the performance of the engineering business which was consolidated under JK Files & Engineering Limited in quarter 3 last year on an aggregate basis. Sales grew by 4% to ₹228 Crores as compared to ₹219 Crores in the previous year.

In the domestic markets, the demand momentum across sectors was maintained for most of our product categories - Ring gears, drills, hand tools and power tools continued to perform well.

In the exports markets, with inflationary environment and Euro currency depreciation, our B2B customers have deferred certain orders as they are witnessing a slowdown in secondary demand

On an aggregate basis the business reported lower EBITDA margin of 12.8% as compared to 15.5% in previous year. The margin was lower mainly due to higher steel prices, continued higher freight costs and Euro depreciation which were partly offset by higher productivity and efficiency.

Coming to our newest business which is the Real estate segment has been scaling greater heights of success. I am delighted to share for the second consecutive quarter, we have been rated Number 1 in Thane Market with our projects being number 1 and number 2 in terms of value of units sold in the region. This rating has been done by CRE Matrix, a leading real estate research platform. Our premium quality offering in 1 & 2 BHK project of Ten X and premium 3 & 4 BHK project of Address by GS which is backed by fast paced construction activity has been well appreciated by the customers. We are on time to deliver homes in the first three towers two years ahead of RERA timelines and numerous first time home owners will get the keys to their dream homes in December

The sales grew 3 times to ₹247 Crores from ₹81 Crores in the previous year. The EBITDA margin stood at 25.6% as compared to 20.6% in previous year.

The topline growth was mainly due to higher number of bookings in both the projects with construction momentum being maintained. Our first project Ten X Habitat received 120 booking in the current quarter higher than 107 bookings received in the same quarter of previous year. In total of 2,186 units booked as on September 30th, 2022 which accounts for about 85% of the total inventory launched with a booking value of ₹2,210 Crores.

Our new premium residential project 'The Address by GS 'which was launched in third quarter of fiscal 2022 continued to receive great response from customers with 68 bookings in this quarter. The total bookings made for this project accounts for 349 units which is ~85% of the total inventory launched with a booking value of ₹834 Crores. It gives us immense pleasure to state that within 11 months of the project launch, about 64% of the total inventory has been sold.

On the construction front, fast-paced construction activity continued in all 10 towers of the 10X Habitat project and the 2 towers of 'The Address by GS 'project.

Let me give details about the construction - In the 10 X Habitat project the tower wise construction status is as follows: The Lift installation, electrical fittings & entrance lobby works in progress for the tower 1, 2 and 3. In tower 4, Internal finishing works are in progress, Terrace slab completed, above terrace works are in progress for tower 5, 6 and 7, 41st slab work in progress for tower 8; 11th slab work in progress for tower 9 and 9th slab work in progress for tower 10.

As far as our second project the Address by GS is concerned, Columns above Podium - 3 slab R/F & concreting work in progress for Tower A and Columns above Podium - 1 slab R/F & concreting work in progress for Tower B.

Now let me discuss on the operating cost, working capital and cashflows:

Our operating cost

This quarter as well, our opex to sales ratio is lower at 24.6% as compared to 26.8% in same quarter last year and 30.4% of pre-Covid levels of Q2FY20. On absolute value basis, while our revenues have increased by 38% to ₹2,191 Cr, our opex cost has increased by only 27% to ₹540 Cr as compared to previous year same quarter.

Also, as compared with pre-Covid levels, while revenues have increased by 15%, on absolute basis, however, our opex cost has decreased by 7.2% to ₹540 Cr in Q2FY23 as compared to ₹582 Cr in Q2FY20.

At Raymond, we continue to stay focused on costs and the numerous initiatives undertaken have been instrumental in achieving desired cost efficiencies which we have regularly highlighted over last 2 years. However, with a sustained focus to drive growth and building a strong brand equity for the future, we are investing in Advertising and Sales Promotion

On the working capital front, with continued our focus on efficient working capital management, during this quarter, we have been able to reduce the net working capital (NWC) days to 62 days which is lower by 7 days on quarter on quarter basis from 69 days in June-22 and by 11 days on a year on year basis from 73 days in September, 2021

To cater to the strong festive and winter wedding season in H2, we deployed working capital primarily in production and sales which resulted in increase in inventory and receivables. Hence on absolute terms, as compared to June-22, the net working capital is higher by ₹169 cr to ₹1,492 cr in September-22 vs ₹1,323 cr in June-22

From a cash flow perspective – At the backdrop of strong profitability, we generated operating cashflows of ₹119 cr and free cashflows for the quarter is ₹35 Cr

The cashflows generated from the operating businesses was partly utilized for funding the working capital requirement and the free cashflows was primarily utilized for net debt reduction

As far as debt is concerned, the gross debt stood marginally higher at ₹2,096 Crores as on September 30, 2022; as compared to ₹2,049 Cr as on June 30, 2022.

We continue to maintain strong liquidity levels, with cash and cash equivalent at ₹810 Crores as compared to ₹739 Crores as on June 30, 2022. The cash & cash equivalents is a combination of cash and bank balances, short term investments and certain long term investments whose maturity is long term however which can be liquidated on a short notice

Overall, our net debt reduced by ₹24 Crores and our net debt stood at ₹1,286 Crores as on September 30, 2022 as compared to ₹1,310 Crores as on June 30, 2022.

In an increasing interest rate scenario, we have been able to reduce the average interest cost to 7.65% in Q2FY23 as compared to 7.79% in Q1FY23 led by change in borrowing mix.

There is a marginal increase in the interest cost in Q2FY23 at ₹63 cr which is higher by ₹4 cr on a y-o-y basis as compared to ₹58 cr in Q2FY22 which is mainly due to higher utilization of working capital facilities during the quarter.

Overall, our net debt to equity ratio has marginally increased from 0.45x in March, 2022 to 0.48x in September, 2022 which is also at a comfortable level.

Now let me talk about the current status of operations and the near-term outlook:

The October month was full of festivities and we have witnessed greater demand for our products and services in this period. Also, we have witnessed, improvement in average transaction values in our retail stores. Also, we received good bookings by the trade partners for the winter wedding season. With the upcoming winter wedding season, starting from mid of November, we expect the momentum to continue in both Branded Textile and Branded Apparel segments while at the same time we are closely monitoring the impact on demand in the current inflationary environment.

With regard to store expansion, we are in-line to have 70 stores in the current year across India driven by ‘Ethnix By Raymond’ store expansion to cater to the fast growing ethnic wear market

In the garmenting segment, export levers continue to be China plus one strategy and the global retail industry undergoing consolidation. We have order book in place for the next two quarters.

From a raw material perspective, the wool and poly viscose prices have remained stable. Over the last couple of years, the cotton prices have increased significantly however recently, the prices have stabilized but remains at a higher levels as compared to pre-pandemic levels. However, we have been able to largely pass it on to our customers with a time lag.

In the engineering business, we are witnessing the domestic retail demand in consuming sector remain healthy and we expect the same to continue. In the exports markets, where we cater to multiple sectors across geographies with inflationary trends in economies of European countries

and US, we are working closely with our customers in assessing the demand and catering the requirement. From raw material cost perspective, the steel prices have been in an inflationary trend for the last 1.5 years have recently softened. Also, we have the ability to pass on the same even though with a small-time lag. However, the freight cost continues to remain the core area of monitoring as there is shortage of containers which is resulting in delay in shipments as well as higher freight cost.

In the real estate market, we expect the growth momentum in residential market to continue. The construction activities are in full swing in both of our projects and we stay on course to start delivering some flats from 10x Habitat ahead of RERA timeline by nearly 24 months. The recent rate hikes by RBI, 1% metro cess imposed by central government, increase in GST rates on works contracts from 12% to 18% and increase in input prices are being closely monitored.

From net working capital perspective, over last 2 years, we have optimized the net working capital in terms of number of days and we would aspire to maintain those levels on annual basis.

Overall, we would like to state that our debt guidance of being net debt free within 3 years stays on course. The net debt is expected to be substantially reduced through a combination of free cash flows generated from our businesses and proceeds from corporate actions such as our Engineering IPO.

At Raymond we are committed to create an organization that upholds our values of Trust, Excellence and Quality in all we do. We value your support and look forward to being together with each one of you in this journey. Thank you very much. We are now open for questions.

Moderator:

Thank you. We will now begin the question and answer session. Participants who wish to ask a question may press star and one on your touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have the first question on the line of Darshil Jhaveri from Crown Capital. Please go ahead.

Darshil Jhaveri:

Thank you, once again congratulations for amazing kind of numbers. So I just wanted to understand that since that now we've been growing quarter-on-quarter have been growing so well. So and we're doing better than pre-COVID. So what kind of base do we assume right now, that will it be sustainable in terms of revenue and margins? Should quarter 2 be taken as the base for our future growth, or due to some seasonality quarter 2 or quarter 3 would be better? So give us some explanation regarding that?

Amit Agarwal:

Yes. Actually, thank you. The business has a seasonality. There's no doubt about it. We will have the wedding season, festive season, which would be at a peak, so to speak. And we all since we sell primary to our dealer network & franchisee network, Q2 seems to have a very big push. But also, we know, as I talked to you, that in the Q4, we have a large number of marriage date, almost 48 marriages are there in Q4. So we see a good momentum for our business. And I think our focus is clearly, we have built a strong base and grow the base from here.

- Darshil Jhaveri:** So if I could summarize, we feel that quarter 3 and quarter 4 could be better than quarter 2. And quarter 2 could be a decent base for us in terms of our margins as well as revenue, right?
- Amit Agarwal:** Actually, as I said, in quarter 2, we have shipped out. So we have invoiced for meeting the demand for the customers to our dealer network in the quarter 3. So quarter 2 is already at a higher level because that has picked up all the benefits of the festive season.
- Darshil Jhaveri:** So could you just help out and maybe what are our plans for next year or maybe some kind of guidance for FY '25 or what is some short-term kind of growth in terms of revenue and margins? That would be very helpful.
- Amit Agarwal:** Yes. At this juncture, we are not giving really a guidance in terms of the revenue and profitability.
- Moderator:** Thank you. Participants, who wish to ask a question may press star and one on your touchtone telephone. We have the next question from the line of Priyanka Trivedi from Antique Stock Broking. Please go ahead.
- Priyanka Trivedi:** My first question is on the Branded Apparel business. Could you give us a sense on what would be for the existing stores like-to-like growth over Q2 FY '20 levels?
- Amit Agarwal:** Yes. I'll ask Sunil to respond to you.
- Sunil Kataria:** Yes. This is Sunil here. So I'll give you broad estimates. So I think a like-to-like growth store because we had also done a reduction in number of stores during COVID rationalization. So our like-to-like store growth right now pre-COVID is decent healthy double-digit growth right now as I see.
- Priyanka Trivedi:** And in terms of the margin, the margin that we've delivered this quarter of almost 9%, do you think that could continue in the coming quarters?
- Sunil Kataria:** Yes. I think the focus on delivering margin is very clear. We have done a very strong cost rationalization exercise over the last year itself. I think the clear two areas of focus in the branded apparel business for us will be. That now, we are ramping up our product portfolio. So I think that will be one very big area that you'll see us doing. In fact, one theme, which I want to put further forward would be that we will see going forward from next quarter onwards to the next year is the casualization theme, but that's a very big opportunity. So product portfolio rational expansion is happening.
- Secondly, you may have already seen right now a lot of brand investments have started happening after a gap now. So that's the second area which we're doing. And third, as Amit also mentioned, we are looking at store expansion. But while doing all this, we expect to make sure that we have healthy EBITDA margins here. We want to hold that.
- Amit Agarwal:** Yes. And just to add, the best part is the operating leverage. And if you see across our businesses that the operating leverage has improved our margins. As we talked about pre-COVID, our opex

cost used to be at 30%, and now we have been able to bring it down to 24.6%. So to that extent, that is truly the benefit which we are going to see in improving the margin.

Priyanka Trivedi: And just on the casualization theme that you mentioned, what would be the share of casuals right now? And what are you targeting it towards?

Sunil Kataria: I would not be able to give you an exact number because if you see two of our brands themselves are currently casual. The way I look at we have four portfolio of brands between Raymond, Park Avenue, ColorPlus and Parx, out of which Parx and ColorPlus are 100% casual bet. And the two brands which are Raymond and Park Avenue are more skewed towards formals. So the theme which I see is what I'm saying is that even within the brands like Raymond and Park Avenue, we see a foray into casualization should start happening. While two of our brands in many cases are our casual brands.

Priyanka Trivedi: And last question is on the real estate business. So just wanted to understand the project revenue and the cash flows that we are targeting from the Address by GS project over this time of next three to four years?

Amit Agarwal: So look, between these two projects, we are targeting very clearly revenue to the tune of INR 4,200 crores to INR 4,300 crores, and we expect free cash flow generation to the tune of INR 1,200 crores between these two projects.

Moderator: Thank you. We have the next question from the line of Ritesh Badjatya from Asian Market Securities. Please go ahead.

Ritesh Badjatya: Firstly, congratulations on the good set of the numbers. So I have a couple of questions. First one is on the garmenting margins. This quarter, we have reported about 7.5%, 7.3% kind of the margin. So just wanted to understand, it is just one quarter phenomenon? Or is it a normalized margin also going ahead?

Amit Agarwal: Maybe I think you've tell all your questions, and then we can respond to the question.

Ritesh Badjatya: So one is this on garmenting margins. Another one is on the real estate side. So in the Address by GS, we have seen the collections of INR 204 crores, against the total booking of INR 834 crores. So it is still just 25% on the collections. So how do we see the collection in the coming period?

Thirdly, in the real estate side on the Q-on-Q, if we look at the numbers, there is a drop in the saleable area as well as number of units also. So is it because of the higher interest rate actually impacting the demand? Or how do we look at going ahead in this particular aspect? And lastly, we have seen some news regarding ban on the new construction near Sanjay Gandhi National park within the vicinity of one kilometer. So is it impacting us by any chance? And what is the status there?

Amit Agarwal: So, first question regarding garmenting, I will ask Sunil to respond. And the real estate Harmohan will respond.

Sunil Kataria: On the garmenting business, if you see that what a biggest features which are working in our favor, and due to context the margin there. As Amit mentioned, the China on-Plus strategy is leading to a lot of global top players working with us, coming out towards and working with us in future on the strategic basis. So we have been able in the last one, get in to very strong alignment system of the top global brand. Now as a result what happen it is the business which have got a highly skilled labour pool and to meet the global quality standards, you have to make sure that you have great capacity expansion in terms of man power and we have to train them well. So what you end up doing is end up recruiting manpower cycle around six months in advance of the lines that have been put.

So in the light of the strong demand that we are seeing with strategic tie-ups happening with global brands, we are ramping up man power, so that we can get them paid and make them fully skilled before they really start working on these high-quality lines. And that is one of the reasons why you're seeing a correction on the margin. But actually, this is something which is our investment of the future. We are very happy to see this happen because what this does is this helps us get into a space where we can go and pitch for even better, stronger alignment. So I think that's the only piece, and this actually should be treated as an investment which is happening currently in our business.

Ritesh Badjatya: So that present workforce addition as well as our present capacity on the garmenting side, what kind of the business growth we can see over the next two years, three years? Or do we need also to do some investment. Is there any mindset you have that you have to do some investment on the garmenting side in the next one year or two years?

Amit Agarwal: So look, if you can see just the demonstrated performance compared to last year, we have demonstrated a 25% growth in the revenue already. And we see a very clear plan to grow this business as we get more and more opportunity. India is becoming a large textile export destination as people want to move out of China, diversify their supply chain. So we are fully there, we are taking the facilities in order to cater to the needs for whatever demand it comes. And therefore, we are training our people, we are adding people. We are adding lines and we continue to grow this business. We see there is a great opportunity for us in terms of taking it to a very different level. And as I mentioned, operating leverage will help us in improving the margins as well.

Ritesh Badjatya: So any plans for expansion also in this garmenting side, in the foreseeable future?

Sunil Kataria: Yes, very clearly. So what is happening is that we have, in fact, one of the biggest successful pieces for us in this business has been, A, we have increased orders from an existing customer, but we also have a very strong pipeline of new global customers. The way we see it, we are evaluating a very strong expansion, which will happen over the coming years in terms of meeting this increased tie-up that we're doing strategic customers.

Amit Agarwal: Just to give a perspective, we don't need a significant amount of capex. There's a small capex which we do. And depending upon and the time taken to estimate that capex is also not very large. So when we get a customer, by the time the order starts to be executed, we will be able to

install the line. But clearly, we have a big plan in this to take this business forward. And on the real estate, I will ask Harmohan to respond.

Harmohan Sahni:

Yes. So there are three questions that you asked on real estate. So I will answer the last one first, which is the Sanjay Gandhi National Park. There's no impact as far as we are concerned on that. And in any case, Supreme Court has already clarified for Bombay that one kilometer distance does not exist. So it does not have an impact on anyone as of now. So that has already been clarified by the Supreme Court. In any case, we are not in the vicinity of that, so it will not have an impact even if it was there.

Your second question was relating to interest rate impact on the demand. As far as we are concerned, we are not seeing any impact on the demand owing to interest rate increase because as far as Indian consumer is concerned, anything less than 10% is still considered cheap for home loans. So people have seen very high interest rates in the past as far as home loans are concerned. And a profile of our multi-projects you see in Ten-X only about 60% people have taken home loans, and in addressed by GS, barely 10% to 15% have taken home loans. And rest of it is all through equity. So going forward also, we don't see any significant impact on our demand as far as interest rates are concerned.

And your third question, was relating to cash flows of Address by GS impacted only INR 200 crores against a fair value of approximately INR 850 crores. So all these sales are on construction-linked payment plan basis, as you are aware, I mean, that's a normal practice in the industry. And as the construction progress goes on, the collection will happen. We barely come out of ground as far as addressed by GS is concerned, we are just in the parking levels and just the amount of the basement level. So it's a very healthy and strong collection that we've got already of INR 200 crores, which is approximately almost 30% of the total sales value we already have collected. So as the construction progresses, the balance will be collected over the next two years to three years.

Ritesh Badjatya:

Just last one on the branded apparel side. Last quarter, there was some write-off of about INR 98 crores. So for this quarter, this high growth is the reason of this backfilling of this destocking or this is a sustainable number going ahead also in that branded apparel side?

Amit Agarwal:

There was no write-off of INR 98 crores in the last quarter. And it is the growth in the business. And if you see that we have been consistently growing for the last four quarters, building up the Apparel business. So there's no write-off or anything of that nature in the last quarter.

Moderator:

We have the next question from the line of Sachin Kasera from Svan Investments. Please go ahead.

Sachin Kasera:

Good afternoon. Two questions. One was on the debt. You mentioned that because of the season, there's a lot of inventory in the shelf. So can you give us a sense as of the IPO proceeds, what type of debt reductions we can see in H2 of FY '23?

Amit Agarwal: Look, we are not going to give a specific guidance in terms of the number, what it would be. But as in nature, and we have the demonstrated performance that first half is the build phase for the working capital. And in the second half, people sell our dealer network, franchisee network, sell the inventory and pay us the receivables which gets created on the second quarter and the first quarter the inventory. So that is what we are going to see.

As far as the IPO proceeds are concerned, we have clearly outlined that whatever the IPO happens proceeds happens, it goes directly for further debt reduction. However, when we talk about in the next three years, we will be a net debt-free company. It is based on the strength of the significant cash flow being generated by the businesses because we don't have a large capex cycle to run. So all the cash flow generation and the working capital management will go towards debt reduction, which has been clearly shown if I look at it in the last eight quarters, we have reduced the debt by over INR 800 crores on net debt basis.

Sachin Kasera: Sure. But by end of the year, on a full year basis, do you see the working capital for the current financial year being lower than last year?

Amit Agarwal: So what happens is it will not be lower than the last year. However, what will happen is that the EBITDA generation will support the funding for the working capital and the free cash flow generated thereafter would be used towards debt repayment.

Sachin Kasera: My question was more in terms of number of days, not the absolute number?

Amit Agarwal: As the number of days. So if you see, we have already reduced from June to September, and we see further reduction going to be there in there by March.

Sachin Kasera: My second question was you mentioned that you've got some very good inroads and good order booking on the garmenting side. So if you could give us some sense what type of order book increase we have seen? And what type of traction that we could see in utilization currently and the ramp up we could see going ahead?

Sunil Kataria: I think, yes. I'll take the question. So if you see what is happening for us right now as a result of this whole China plus One strategy. I think one context I want to give you is that we are right now built a very strong capability as a business unit in the garmenting business. there's a strategic realignment, which is happening globally as a result of this, and people are looking for players who are vertically integrated and you can deliver very high-quality garments.

And we are one of the players which has got both these capabilities. So that is one context you have to keep in mind. That gives us a huge headroom to go for the vacant space, which is coming across as a part of this China plus One strategy. Some of the customers, which I can share in terms of a couple of indicative names, which have come to us, and we are in too very strong closures with them is, for example, some of the leading global players would be there. So that is something which you'll have to keep in mind. Some of those names I may not be able to tell you right now.

- Sachin Kasera:** But I'm not asking for specific numbers, but can you give us some sort of indication like if your order booking, if you could share the number of the order booking or if you could share?
- Sunil Kataria:** I don't do the order booking, but if you see, we have delivered a 25% growth right now. And I think we are very confident of delivering such kind of a strong, healthy double-digit growth going forward also. We have pretty strong confidence. And as it was mentioned in the call also, we have clear visibility over the next two quarters, but we also believe that we will keep this momentum going.
- Sachin Kasera:** No. I was saying if you could at least share if your order booking was INR 100 in March or last year September, what is it today? What is the percentage increase in order booking, if you not a specific order booking number per se?
- Amit Agarwal:** Yes, it is in the range of 25%. We have increased the order book compared to the last period.
- Sachin Kasera:** And what would be the utilization levels currently in the factoring is how much of headroom do we have before we may have to do any more capex there?
- Amit Agarwal:** So this is a constant process that we continue to invest into the line. So we will have, by the time we get the order, as I mentioned, it is a question of six to seven months while you start executing the order. And it is in this time frame, we are able to install a new line. So therefore, we are not going to have a situation that our utilization, our lack of equipment will prevent us to execute an order. And between both India and Ethiopia, we are at a utilization level of 80% to 85%.
- Sunil Kataria:** And also maybe just one more thing to add here is that we have also got a very strong program on improving our productivity and efficiencies. And that is also something which is coming in handy very much on your current capacity itself.
- Sachin Kasera:** Sure. And my last question was on the real estate segment. The reported margin around 25% EBITDA so in this, how is the land cost is at historical value? Which I believe would be very low? Or is it the revalued cost of the land? And hence, because if the cost is at historical value, then the EBITDA margin should be significantly higher?
- Harmohan Sahni:** Yes. So the land is at historical value. And if you see the secular trend on the margins, it has been an upward trend over the last few quarters and it is continuing to rise as compared to last year also, we've improved it by 5 percentage points. And before that, I mean over the last 1.5 years, two years, we have actually doubled the margins from 13% to 25%. And you will see an upward trend, albeit it will be a marginal upward trend but that's the kind of margins you will see.
- Amit Agarwal:** And you please understand also this is our first project, which we have started to build. We have created a team of 200 people, and we have a large vision for the real estate business. As you know, we have signed one JDA project. Now we are not going to buy the land. We will invest and build the real estate business through JDA projects beyond Thane. So you need to build that infrastructure so that you can efficiently construct it. As you know, for us, the execution is the

key and the sales velocity. And that is the reason why we are able to deliver first few towers of Ten X two years ahead of RERA time lines.

Sachin Kasera:

That's understandable, sir. and commendable, but what I'm saying is that when we look at some of the other listed peers also, despite buying land at the current market value, their EBITDA margins are similar to what we report. And hence, then we do in Mumbai, the land is the biggest cost. And hence this 25% margin looks to be quite low because in our case, the land cost is almost very-very negligible. And when could be a little more because we right now are building a larger organization. But still optically seeing why a very common sense logic, this 25% market looks quite low for this segment?

Harmohan Sahni:

See, every player has a different strategy that they are following. Now I mean we have our own strategy. We are focusing on growth as far as this business is concerned. And if you see the spectrum of margin ranges between 20% and goes all the way up to 45%, 50%, depending on the player that you look at. And each one has its own strategy. Some of them are focusing only on margins and not a very high growth. Over the last 30 years, 35 years, also, they have not seen too much growth. I mean, if you look at our growth numbers, we have hit almost 1/3rd of some of the large players who are you are referring to as high margin, but their growth has been pretty low. Their return on capital employed has been pretty low. I don't want to dwell too much on what competition is doing, but each one strategy is different. If you buy into our strategy, our strategy is more predicated on growth and a reasonable margin.

Moderator:

Thank you. We have the next question from the line of Surya Narayan from Sunidhi Securities. Please go ahead.

Surya Narayan:

Congratulations for a good set of number. Yes, my first question is towards the real estate division. So what I understand from the follow-up question from the previous person. Is that my understanding is correct, if I say when the Ten-X Habitat is more or less it is completely nearly booked and more of revenues to flow from the Address by GS, will the margin be rising from here onwards?

Amit Agarwal:

So let us first understand, the way the accounting is done is based on percentage of completion method. So if you see almost 2/3rd of the project is sold. And in terms of the construction pace, also almost, let's say, 50%, 55% has been constructive. So therefore, you're recording the revenue based on the completed completion method. So you have still a lot of revenue to be booked on the Ten-X project itself.

Second, on The Address by GS, it has just started. Therefore, the revenue on The Address by GS is always going as of now, it is lower. And going forward, as the construction takes place you will get more and more recording of revenue. As far as profitability is concerned, obviously, in a Ten-X project, which is a 1BHK, 2BHK pricing will be slightly different compared to a 3BHK and 4BHK project. And it is a premium. And at the end of the day, the construction cost, either you construct in Nepean Sea Road or you construct in Thane is broadly the same. It is the question is only about the pricing and the benefit and the margin which you get. Therefore, the

Thane pricing, based on the Thane pricing, the margins are appropriate. We have done a detailed work on this basis.

Surya Narayan: So how about the premium margins compare to Ten-X? Can you just contain or any ballpark figure realization terms?

Harmohan Sahni: So the margin difference between the two projects will be roughly in the range of 250 to 300 basis points.

Surya Narayan: And the second question is related to the number of square foot that your city is going to launched in the second half. What is the plan in both the cases in the Ten-X as GS for this year and for the next year?

Harmohan Sahni: So in H2, the entire project of Ten-X will be in the market. So whatever is remaining will be launched. And as far as address is concerned, that also will be fully launched in H2.

Amit Agarwal: See, look, the fundamental factor of the matter is that almost 2/3rd of the total inventory has been sold and the project, each of the project has at least three years to four years to go. So we are calibrating our inventory as well as our sales in order to maximize the realization. So therefore, we will watch the market very carefully, closely to see at the point of time, we release some units, we take a price increase in order to get that. So therefore, we will not be specifically giving you the number of units which we are planning to sell in the second half of the year. We are calibrating based on the number of units as well as the price increases which we take.

Jatin Khanna: So since your question is more on growth, I think the growth will firstly come from our Bandra project. So we have another project coming up in Bandra in quarter in the second half, which will help us grow.

Surya Narayan: That is in JDA, sir?

Amit Agarwal: That is the JDA, yes.

Surya Narayan: So what kind of possibilities from there?

Amit Agarwal: No. So as we said, the JDA project, we start once we have a decent amount of approval, then only we start the project. Therefore, we are in the process of getting approval. So it is difficult for us to say whether we start in one month, two months or five months. So therefore, as and when we get the approvals in place, we will announce that when we are starting that project.

Harmohan Sahni: And given the percentage completion method, the benefit of that will accrue only in the subsequent year. So you won't see any immediate impact of that in the numbers.

Surya Narayan: So what is the current status of the Bandra?

Management: So it's currently under planning and approval.

Surya Narayan: So when are you expecting it to start?

Harmohan Sahni: Sometime next year.

Surya Narayan: And regarding textile, just I wanted some clarification on elaboration regarding the Ethnix business as to what is the total number of stores, EBOs or whatever we have launched so far in this year? And what is further to be launched in the subsequent period. And overall, for the next year also because this is the first year. So the next year, what is the kind of strategy we are having, whether we will be having exclusive outlets. So what is the color of that?

And secondly, whether we will be manufacturing all those items or we will be outsourcing from different artisans across India. So what the competitors are doing. So what is the strategy – manufacturing strategy as well as sale strategy with regard to ethnic.

Sunil Kataria: Yes. Okay. So I'll take this question. So let me answer your second question first in terms of the manufacturing to sourcing strategy. So as you know, in the Ethnix business, the product lines are very, very unique in terms of craftsmanship. You have a different kind of segments like from sherwanis to bandgalas kurta, pyjamas and the smart ethnic; so hence, what we try to do is that we obviously try to use the best-in-class fabric from Raymond itself as much as possible in terms of ceremony India.

But since it's a very craftsmanship work, the model would be primarily getting it made and sourced at different places through artisans, as you say. And we are building right now a very strong and very unique vendor base of different segments across the country. So that's our point in terms of our sourcing strategy.

In terms of our expansion plans, we are pretty much on track to right now do a 70 exclusive brand outlets this year and that is a number that we are gunning for in Ethnix. We already have got reached 50% of that mark. We have 35 already right now. And as I speak right now, we have visibility of almost other 10 to 15 stores, which are under various stages of fit-out/ renovation, it out right now.

So I think that market is very much clearly in sight, and that's our goal. We have launched recently very, very fresh collections, which are very unique to the brand at entity of Ethnix. We are seeing a very strong acceptance of our collections. So this is a business, as we know, is a very, very unique business. Raymond is one of the biggest right to win, and we are all on track to all ramp up very strongly.

Surya Narayan: And regarding the export inquiries, just wanted to understand which part of the globe, we are getting inquiries, whether it is related to US market or Europe market or anything what are the traditional we presence improved and whether the new markets

Sunil Kataria: What happened to this business - one is there are obviously new markets opened up in parts like Australia, Europe as well. But I think one of the biggest theme, which is paying out for us is the strategic alignment, which are happening with the top global players who may be headquartered in one country, but the businesses that they are asking us to cater to are PAN-group businesses.

So in that sense, it is not uniquely placed to one geography because these customers actually cover a large part of the world itself. I think that's a theme which is playing out really for us. Apart from some of the geographies like Europe also opening up very actively for us.

Amit Agarwal: And truly, the diversification of supplier base, and that's the benefit which we are going to get, and we have seen that. Some of the people who have not come to India, they have come to India and have started to partner with us for the exclusive sort of supply of garments.

And let us not forget that we are a uniquely positioned that I start manufacturing right, the fabric, the tailoring and the garmenting and shipping it out. So to that extent, we have this unique advantage.

Surya Narayan: Okay. And sir, regarding the large fashion wear or Ethnix wear so are we partnering with some -- something like a nitrogen platform. So what the industry is aligning to where the significant traction elsewhere is being seen. So what is the digital strategy in there because people love to see for stocking happening through digital mode. So what is the case in ours?

Management: So I think the question which you're asking is what is our e-commerce digital omnichannel strategy? Is that a question, if I get it right?

Surya Narayan: No, not really. It is related to the question between retail there is a strategy with the many companies are adopting the hypers and platform, which we were just going to. So whether we are inquiring who are going in the direction for the virtualization of the design. I mean before somebody can buy a place order, we want to see what in things.

Sunil Kataria: If I get your question right. I think what you're asking for is that there is -- there's obviously a bit of the question I was asking is a bit on Metaverse question that there's a lot of augmented reality and virtualization of design which is happening. That's question So I think to be very honest, I think that Metaverse piece is a little earlier premature piece for us right now because I think this as a theme also is very premature piece, and we'll take it as things evolve going forward.

Surya Narayan: And lastly, sir, how much is the outsourcing component because if you combine everything, it is around 70 plus 72% to be precise, like year-ending it was 75%. So out of that, how much is the total outsourcing component in our business?

Amit Agarwal: So look, outsourcing, we have the manufacturing facilities right from -- we used to call from the sheep's back to the man's back. So we have got right the yarn fabric manufacturing, finishing facilities for both suiting, shirting, garmenting, we are doing the tailoring and ending it out. It is only in the branded apparel segment where we get the shirts or the trousers or the suits stitched outside of Raymond. And that's the only place where we get the outsourcing. Rest, the uniqueness with us is that we have an integrated facility, everything we do in-house.

Moderator: Thank you. Participants who wish to ask a question may press star and one on your touch tone telephone. We have the next question from the line of Mehul, an individual investor. Please go ahead.

Mehul: Congratulation on a good set of numbers. I've got a couple of questions. One is in quarter two, there's an exceptional item of INR 10 crores. So if you can explain this amount, that would be helpful. So second is regarding the JK File IPO. So we have been seeing since last two quarters that we are waiting for favorable market condition and all. Now as far as domestic market is concerned, it is almost at all-time high, and the primary market is floating with a lot of IPOs these days. So I'm just wondering what are we waiting for?

Amit Agarwal: Okay. Good. So first of all, a simple housekeeping question on the exceptional loss. So three things. Basically, we if you look at it, we had a -- in one of the LFS channel customers, there is an expected provisioning for a credit loss to the tune of INR 20 crores. At the same time, what has happened, there was a glass building at one of our office premises at Thane, which had got burned down. And we got a final settlement claim of INR 11 crores out of that. So it is a gain. And the third one is on the JK File, we had to dispose of certain land and reduced certain number of people so that offset it between INR 5.0 crores and INR 5.5 crores.

So that is a net INR 10 crore of exceptional loss, which has been booked during the quarter. So that's one. And as far as JK Files IPO is concerned, first of all, when you talk about, I think the primary markets are still the way we have been talking to our investment bankers that it is still not that conducive. And the purpose of our IPO was not to say that it is bringing the money into the business for growing either at engineering business or at the Raymond Limited level. We have very clearly outlined the purpose of doing this IPO was to bring the money and deleverage the balance sheet and make a debt-free company. So we are not in that hurry, so to speak, that I have to do and desperately I have to do it today to tomorrow. What we have the card available is till February. We are talking to our investment bankers and watching the market very, very closely. And in an appropriate time, we will do the IPO.

Mehul: But sir, the proceeds will be used to repay the debt. So earlier, we had the market will reduce the cost on interest repayment.

Amit Agarwal: That is true. And that is why this was planned. So in February, when we got the card immediately, the Russia Ukraine war started and you all know then what all happened. So that is why we are in very close contact with our investment bankers to see that how and when can we really launch this issue.

Moderator: Thank you. I would now like to hand it over to the management for closing comments.

Amit Agarwal: Thank you very much, everyone, and look forward to talking to you in the next quarter's earnings release.

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