



“Raymond Limited
Q3 FY '23 Earnings Conference Call”
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MODERATOR: MS. PRIYANKA TRIVEDI – ANTIQUE STOCK BROKING LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Raymond Limited Q3 FY '23 Earnings Conference Call, hosted by Antique Stock Broking Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero 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: Thank you. On behalf of Antique Stock Broking, I would like to welcome all the participants in the earnings call of Raymond Limited. I have with me Mr. J. Mukund, who is the Head of Investor Relations of Raymond Limited.

Without taking further time, I would like to hand over the call to Mr. Mukund. Over to you, Mukund.

J. Mukund: Thank you, Priyanka. Good afternoon, everyone, and thank you for joining us for our Q3 FY '23 earnings call of Raymond. I hope you would have received a copy of our results presentation. Today, I would like to urge you to go through this along with the Disclaimer slides. Today, we have with us from senior management, Mr. S L Pokharna, who's 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 a brief summary of company's quarterly performance before we open up for Q&A. Over to you, Amit.

Amit Agarwal: Thank you, Mukund. Good afternoon, ladies and gentlemen. Thank you for joining us today for the earnings call to discuss the results of the third quarter of fiscal 2023. Let me start with a brief overview of the third quarter performance of the current fiscal. The quarter began with the festival in the month of October and positive consumer sentiment gave a boost to secondary sales. We witnessed an encouraging consumer demand for occasion wear across all our fabric and apparel brands portfolio. Wedding and festive-related sales have been the highlight of the quarter, thereby contributing to a strong sales momentum.

While consumer sentiments were upbeat, there was an increasing consciousness of inflationary pressures that have had an impact on the overall demand. As we progressed during the quarter, the delay in the onset of the winter impacted the sale for winter season. Also in the apparel category, the quarter witnessed an aggressive end-of-season sale across brands that began in the third week of December.

Now let us discuss about the third quarter fiscal '23 quarterly performance. Raymond Group has embarked upon 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 and services. Our sustained focus on cost and working capital optimization has reaped the results in improving our performance across businesses.

We are happy to share that the third quarter fiscal '23 recorded the highest ever quarterly revenue, reaching the milestone of INR 2,200 crores for the first time. This is the fifth consecutive quarter of record performance. Our consolidated revenues have grown significantly by 18% to INR 2,200 crores from INR 1,871 crores in the third quarter of fiscal 2022, which is spread across all B2C and B2B businesses in domestic markets and garmenting business in export market as well as the real estate business.

Additionally, I'm delighted to share that we have clocked highest quarter 3 EBITDA of INR 351 crores, with an EBITDA margin of 15.9% in the last 10 years. Also, as compared to pre-pandemic levels for the same quarter, we have delivered profitable growth across segments with the revenue in the third quarter of fiscal '23, higher by 15% vis-a-vis INR 1,905 crores in the quarter 3 of fiscal '20 and EBITDA margin at 15.9% in the third quarter of fiscal '23 was higher by about 410 basis points versus 11.8% in the third quarter fiscal '20.

Now I would like to discuss Raymond Limited has exercised the option of new corporate tax rate regime during the current quarter. Raymond Limited had carried and absorbed tax losses due to disruption caused by COVID-19 pandemic. As for the accounting standard, the company made deferred tax assets at the rate of 34.94% at the then prevailing rates as per the old tax regime. However, over the last few years, the company reported strong operational performance, owing to set off the past losses with the current profit, the company was not liable to pay tax under the normal provisions of the Income Tax Act.

However, continuing with the old tax regime, the company was liable to pay MAT which is Minimum Alternative Tax under Section 115 JB of the Income Tax Act, though there was no taxable profit after setting of the carried past tax losses. Hence, the company decided to opt for the new tax regime under section 115 BAC of the income tax to optimize the tax cash outflow. Since the tax rate for the company has now reduced to 25.17% as per the accounting standards, the company has remeasured the deferred tax asset, which resulted into one-time charge to the P&L of the current quarter.

Let me explain the one-time charge in more detail. The company reversed the current tax provision, deferred tax assets and MAT credit under old tax regime recognized till previous year ended 31st March 2022 and 6 months ended September 2022. This has resulted in a one-time net impact of INR 73.5 crores in financial statement for the third quarter fiscal '23 and 9 months ending the 31st December 2022.

Current tax rate for the quarter 3 fiscal '23 is ~20% and 9 months ending 31st December 2022 is ~26%. Excluding this one-time impact, our normalized PAT is INR 168 crores, which is 68% higher than INR 100 crores in the previous year. On a reported basis, our PAT is INR 95 crores after incorporating the one-time impact of 73.5 crores. Now, I would like to explain the seasonality of the business as we are going to discuss the segment-wise performance for the quarter.

Generally, the second quarter of the financial year, which is July to September, is a stronger quarter for us. As we do primary sales to over trade partners across India to cater to the festive and the wedding season in the third quarter. However, last year, in the second quarter, in the month of July and August, we had the impact of second pandemic wave, which resulted in primary sales being spilled over to September and October months. However, due to seasonality and the second pandemic wave, for the purpose of comparison, we should consider the performance of Q2 and Q3 together for a better explanation. Now let me explain to you our segment-wise performance for the third quarter.

Branded Textile segment maintained a quarter-on-quarter strong performance with a top line of INR 902 crores and an EBITDA margin of 20.9%. Now, if you consider Q2 and Q3 figures together, the top line has reported a strong 12% growth to INR 1,814 crores compared to INR 1,621 crores for quarter 2 and quarter 3 of last year. As the festival started from the first week of October month, our primary sales were well spread from mid-August to September, which ensured that retail outlets are fully geared up with our festive offerings to the consumer.

This robust revenue performance reflects a strong demand for our product offerings with latest designs across categories in suiting and shirting fabrics. Given the festivities during the quarter, there was higher demand for our products for personal consumption as well as gifting. Post festivities, the trade channel sales gained momentum in anticipation of the impending wedding season in the fourth quarter.

Additionally, we continued to focus on product innovation and for trade partners showing a positive response for our new product launches. In the suiting business, demand for wool rich blend and premium poly viscose category continued along with an uptick in gifting solutions in the festivity period. Premiumization in products through our exotic collection and new product innovation such as Spanax, Supernova and Technoseries has been well received by the customers. Let me talk about our B2C shirting business, which introduced new products, which are in tune with the fashion sensibility for the new season.

The third quarter also sustained the trend of evolving shopping patterns where we saw a growth in the average transaction value by 24% across our 1,000-plus TRS stores spread across to 600 cities and towns as compared to previous year. With the weddings in the quarter, the trend of high-value purchase continued during the third quarter as well. Now, the segment reported a robust EBITDA margin of 20.9% achieved by diversified product mix in suiting as well as shirting fabrics along with enhanced operational efficiency.

Let me talk about the branded apparel segment, which reported a sales of INR 364 crores with an EBITDA margin of 11.2% in the quarter. Considering Q2 and Q3 together, the top line has reported strong 37% growth to INR 734 crores compared to INR 537 crores for Q2 and Q3 of last year. This clearly reflects that our offerings inviting latest designs in line with the fashion print was well received by consumers. During the quarter, the performance was seen across brands like Park Avenue, ColorPlus, Raymond ready-to-wear and Parx, which offer a plethora of options for consumers on various occasions.

The wedding season saw a positive demand momentum for Ethnic wear and we launched a wide collection ranging from smart ethnics to wedding wear, and we expanded our presence in the segment through the brand Ethnix by Raymond. The performance for apparel segment was driven across our trade channels and the retail network of EBO and the TRS shops. The EBO network has been performing well, and it is encouraging to see the overwhelming response from our customers who choose to visit our branded apparel stores that offer a great shopping experience.

Our new collections in core product portfolio and casual categories are well placed with attractive pricing proposition in line with our plan to make a strong foray into the ethnic wear segment through our brand, Ethnix by Raymond. We opened 21 exclusive stores until date, we have got overall 46 stores across the country. The segment reported a double-digit EBITDA margin of 11.2% as compared to 10.7% in the same quarter previous year, driven by continued operational efficiency.

Let me talk about the retail network. During the year, we have continued strengthening our retail footprint with net addition of 49 stores across Metros, Tier 1 to Tier 4 towns, making a total count to 1,400 stores spread across 600 towns as of 31st of December 2022 compared to 1,351 stores as of 31st of March 2022. With festivities in the third quarter of the year, we witnessed strong traction in secondary sales with significant improvement in average transaction value. As mentioned earlier, the TRS network reported 24% growth in average transaction value as compared to previous year same quarter.

Now let us talk about the garmenting business, where we reported a strong growth of 39% to INR 282 crores compared to INR 203 crores in previous year due to higher demand from our existing and newly acquired global customers. With a strong order book and the China plus 1 policy adopted by leading global brands, have contributed steadily to the garmenting business. The EBITDA for the quarter in the Garmenting segment stood at INR 26 crores with an EBITDA margin of 9.1%, while it was INR 17 crores of EBITDA in the previous year with EBITDA margin of 8.6%. The EBITDA margin improved mainly due to operational efficiencies.

Now about our high-value cotton shirting segment, which has reported a robust growth of 32% to INR 195 crores compared to INR 148 crores in the previous year, led by strong demand from our domestic B2B customers for Cotton fabrics. The segment reported EBITDA margin of 10.7% for the quarter as compared to 8.6% in the previous year, mainly on account of better capacity utilization for catering to higher number of orders and operational efficiencies.

Now let us explain the performance of the engineering business, which was consolidated under JK Files and Engineering Limited in the Q3 last year on an aggregate basis. The top line remained flat at INR 208 crores as compared to the previous year. In the domestic market, with the demand or momentum in auto-sector higher for most of our product categories. We witnessed growth in ring gears, drills, bearing and flexplates.

In the export market, with inflationary impacted environment, Euro-currency depreciation and devaluation of currency in certain markets, our B2B customers have deferred certain orders as they are witnessing a slowdown in the secondary demand. On an aggregate basis, the business reported a slightly higher EBITDA at 15.8% compared to 15% in previous year. The margin was higher mainly due to operational efficiency.

Now, let us talk about our newest business, which is the real estate. Raymond Realty has set a new benchmark in the real estate sector in India and I'm delighted to share that as promised to the customers, we have been able to deliver the first 3 towers of the Ten X Habitat project, 2 years ahead of RERA timeline. The first of its kind feat has set a new benchmark in the real estate sector.

Our premium quality offering in the 1 and 2 BHK project of TenX and premium 3 and 4 BHK of The Address by GS, which is backed by fast-paced construction activity has been well appreciated by the customers. The sales grew by 67% to INR 292 crores from INR 175 in the previous year. The EBITDA margin stood at 25.5% as compared to 20.8% in the previous year. The top line growth was driven with increased number of bookings in both the projects with construction momentum being maintained. The total booking value for both the 2 projects for the quarter is INR 380 crores and for the current year is INR 1,137 crores. This highlights the continued strong demand for our value-based differential product offering.

Now let me provide some project wise details. Our first project TenX Habitat received 151 bookings with a booking value of INR 192 crores in the current quarter. In total, the total bookings are 2,337 as of 31st of December 2022, which accounts for about 75% of the total units with a booking value of INR 2,402 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 62 bookings with a booking value of INR 188 crores in this quarter. The total booking made for this project accounts for 411 units, which is 75% of the total units with a booking value of 1,022 crores.

On the construction front, fast-paced construction activity continued in all 10 towers of the Ten X Habitat project and the 2 towers of The Address by GS project. Now let me start with the project-wise construction detail. In the Ten X Habitat project, the tower wise construction is as follows. As stated earlier, we have received occupational certificates for the first 3 towers and from Tower 4 to 8, the terrace slab has been also completed and Tower 9, 16th slab completed and Tower 10, 15th slab has been completed. As far as the progress on second project is concerned, The Address by GS, podium 5 and podium 3 have been completed for Tower A and Tower B respectively.

Now let me talk about the operating costs, working capital as well as the cash flow. In terms of operating cost for the quarter, our opex to sales ratio is slightly higher at 26.7% as compared to 25.5% in the same quarter last year and 30.4% of pre-covid levels of Q3 fiscal '20. On an absolute value basis, our revenues have increased by 18% to INR 2,200 crores. However, our opex cost has increased by 23% to INR 588 crores from INR 478 crores as compared to same quarter of previous year.

Also as compared with pre-covid levels, while revenues have increased by 15% on absolute terms, our opex costs have marginally increased by 1% to INR 588 crores in Q3 fiscal '23 as compared to INR 580 crores in Q3 fiscal '20. At Raymond, we continue to stay focused on cost and numerous initiatives have been undertaken which are instrumental in achieving desired cost efficiencies over the last 2 years.

The increase in cost is mainly on account of inflation, which has impacted wages and other incidental costs. Also with a sustained focus to drive growth and build a strong brand equity for the future, we are investing in advertising, sales promotion and retail expansion for future revenue and growth potential.

On the working capital front, with our continued focus on efficient working capital management, during this quarter, we have been able to reduce the net working capital days to 55 days, which is lower by 7 days on a quarter-on-quarter basis from 62 days in September 22 and similar on a year-to-year basis with net working capital at 54 days in December 2021.

We have seen some strong cash collections in place, which has been able to help the reduction in receivables. On an absolute terms, our net working capital is lower by INR 176 crores to INR 1,316 crores in December 22 vis-a-vis INR 1,492 crores in September 2022. Now let me tell you about the cash flow that at the back of strong profitability, we generated operating cash flow of INR 492 crores and a free cash flow of INR 416 crores. And the free cash flow has been primarily used for debt reduction.

So our gross debt stood at INR 2,022 crores as on 31st of December 2022. We continue to maintain strong liquidity levels with cash and cash equivalents of INR 1,090 crores as compared to INR 810 crores as of September 30, 2022. The cash and cash equivalents are a combination of cash and bank balances and short-term investments. Overall, our net debt reduced by INR 354 and has stood at less than INR 1,000 crores at INR 932 crores as on December 31, 2022, as compared to INR 1,286 crores as on 30th of September 2022. This is the highest net debt reduction in a quarter through internal accrual.

There is an increase in the interest cost in the fiscal quarter of '22 at INR 70 crores, which is higher by INR 13 crores on a year-on-year basis as compared to INR 57 crores. It is in an increasing interest rate scenario, our interest borrowing cost has increased to 7.92% in the third quarter as compared to 7.65% in second quarter of fiscal '23 and higher interest on lease liabilities on account of increase in the stores, which is taken on a rental basis as well as the notional interest due on the deferred approval cost for the real estate project.

Overall, our net debt-to-equity ratio, which was already at a comfortable level of 0.45x in March 2022 has further reduced to 0.33x in December 2022. Now, let me take you through the current status of operations and the near-term outlook. The beginning of the fourth quarter witnessed modest consumer sentiment as the discretionary spend have been moderate in the inflationary environment as market is experiencing toned down impulse purchases by consumers.

On the ongoing apparel EOSS, the consumer demand uptick is relatively moderate. Also, the inflation pressure for the last 3 quarters has led to a K-curve recovery where the discretionary spend has been impacted for the low-income households, while there is an upsurge in consumption of high-income households. With CPI inflation pressure easing off and pro middle-class budget, we expect the consumption to improve over the coming months. In the near future, a large number of wedding days are spread in the month of February and March, we expect the trade channel to gain momentum in anticipation of strong secondary sales, which is expected to drive demand.

Our Pan-India retail network is well geared for the expected surge in the consumer demand owing the number of wedding days. With regard to store expansion, we are in line to have net additional 70 stores across India in the current year as compared to 1,351 stores at the beginning of the year, primarily 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 a strong order book in place for the next 2 quarters. From a raw material perspective, the wool and the poly viscose have remained stable. Over the last couple of years, the cotton prices have increased significantly.

However, recently, the prices have stabilized but remained at a higher level as compared to pre-pandemic level. However, we have been able to largely pass the price increases to our customers with a time lag. In the engineering business, we are witnessing the domestic retail demand in consuming sectors are healthy, and we expect the same to continue. However, in the export market, where we cater to multiple sectors across geographies, the inflationary trends continue in the economy of European countries and US and currency devaluation of certain developing economies.

We are working closely with our customers in accessing the demand and catering the requirement for this. From raw materials cost perspective, the steel prices have been an inflationary trend for the last 1.5 years, which has recently softened a bit. Also, we have the ability to pass on the same though with the time lag. 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 expect to stay on course.

From a net working capital perspective, over the last few years, we have optimized the net working capital in terms of number of days, and we would aspire to maintain those levels on an annualized basis. From a cash flow perspective, there's a continued focus to generate strong operating cash flows from the profitable growth of the business and our asset life expansion model is very well in place.

However, to address the increasing order book, we are investing into line expansion in the garmenting business and also expanding capacity in certain growth categories in engineering business. Overall, the strong focus continues to generate free cash flow and continue the journey of deleveraging. At Raymond, we are committed to create an Organization that upholds our value of trust, excellence and quality in all what we do. We value your support

and look forward to being together with each one of you in this journey. Thank you very much. Now we are open for questions.

Moderator: The first question is from the line of Nikhil Jain from Galaxy International.

Nikhil Jain: Congratulations from my side to the management for doing -- for having a great performance. I have a couple of questions actually. So first was, let's say, our net debt is actually down, so we have reduced by more than INR 300 crores, but the interest expenses have been up, as compared to the last quarter. If you can explain that? That is question number one.

The second question was with respect to the other expenses. So there is a significant increase of roughly around 2% in other expenses as compared to the last quarter. So can there be some explanation on that, that would be great. The third question is on -- I just wanted to understand how the traction is on ethnic. And if you can share some information about, let's say, how many stores for ethnic? What's the kind of turnover? And what's the kind of EBITDA margin that we are making in this business?

Amit Agarwal: Thanks, Nikhil. Obviously, you're right that in on a scenario where we are, the interest rate has been consistently increasing. And if you look at the interest rate increase by the RBI is over 2.25%. If I compare compared to the previous year, we have an impact, though the debt has been reduced. However, because of the change in the rate, it costs you in terms of the interest rate rise is to the tune of INR 7.5 crores to INR 8 crores. As well as we talked about, we are in a journey of expanding stores.

And as for Ind AS accounting portion is going on the rent of the stores, there is an increase of close to INR 2 crores. And then on top of it, as you know that we are into the real estate business and the certain approval cost as per the local government, there is a possibility to defer these payments and there is an interest which is being charged on the approval cost. So we follow that logic and there is an interest cost assigned also close to INR 3 crores, INR 3.5 crores.

So overall, we have this increase of INR 12 crores to INR 13 crores on account of these 3 major reasons. Then we talk about the other point you had was in terms of other expenses, primarily, as we said, there are 2 or 3 things in the past last year as you were coming out of COVID, we had primarily cut down a significant amount in terms of advertisement. So we have gone back into advertisement plus the volume being higher, there is an increase in the freight cost.

If I look at it between advertisement, freight costs, plus our sales people have started to travel because as we want to grow our export business and all other businesses, we are seeing a good opportunity for people to travel. So that has increased. Some of these expenditures, what was not there in the last year, and now have started to come back. However, what is important is to see that compared to the pre-COVID level, we are able to still -- if you look at the total opex cost, we are still exactly at the same level in spite of increasing our revenue by 15%. I think the increase because of the inflationary pressure has been fully absorbed by the cost optimization, which has been done by the company.

Now I will ask Sunil to talk a little bit about the ethnic. Sunil?

I think there's some issue in terms of connectivity. Now I can give you some highlights. We are very clear that in terms of ethnic stores, we are going to open consistently the stores in order to achieve the reach. And as we speak, we have got some 45, 46 stores as we speak today of ethnix and we expect to reach it to the 75% mark by the end of this year. And we have got very significant presence in the ethnics because of 2 reasons. We understand the fabric, we understand the wedding market because we have been serving the wedding market for more than 97 years.

So truly, that has given us a good impetus to participate into this market, fast-growing market. At this juncture, you should call that we are in an investment mode that we are opening the stores. We have a setup cost, people start to come, understand the product. So, it is going to take a little while by the time you start seeing truly the big revenues coming out of the Ethnics. I hope that answers your question.

Moderator: We have the next question from the line of Abhijeet Kundu from Antique Stockbroking.

Abhijeet Kundu: So my first question was on branded textile. For branded textiles, we have seen a very flat kind of sales to whereas the festive season was good and then there was -- what we have heard is there has been a sort of a moderation during November and then some pickup posting in December but to the towards the end of December. So, alluding to your branded textile business one, where we can see on a 9-month basis, it shows good growth but during the quarter, it is on the high base and hence, there is flat sales.

One question is that why not growth has been seen. And other part is in your branded apparel business, where do we see the overall profitability going up? So how much further improvement can be seen in the EBITDA margin? Obviously this is post IND-AS, but how much improvement can you see in EBITDA margin? When I look at your branded apparel business, it should settle down somewhere around INR 1,250 crores, INR 1,300 crores or INR 350 crores for the year looking at the quarterly run rate. At one point in time, it used to be close to about INR 1,500 crores to INR 1,600 crores. So where do you see -- so these are my two questions. On branded textile and second on branded apparel.

Amit Agarwal: No, absolutely. I think we try to catch base the branded textile and I think you have a very clear question about the third quarter branded textile. The last year, if I look at it, we were just coming out of COVID when July was completely COVID-impacted and August started in the second half of August. And then the whole momentum did not take place in the last 15 days of August. So the supplies to -- and we are a primary supplier to our dealers and agents. So what happens is that you would supply to your dealer distribution and network, which happened last year in the month of September and October.

And this year, if you see our second quarter results were so strong because we were following the normal cycle, which was in terms of supplies in the month of July, August and September. And that is one of the reasons. If you recall, I gave a number that if I take the Q2 plus Q3 sales of the last year to this year, we have grown by 12%. So this year, Q2 plus Q3 branded textile is

INR 1,814 crores vis-a-vis INR 1,621 crores in the last year. So that is the one very important reason which we need to -- Last year was an aberration. You cannot take a second quarter at a third quarter exactly in a similar manner.

And in terms of the branded apparel, if I look at it, we have been consistently improving the margin, and we have talked through that we have a game plan where we really given down on the cost. And we have identified -- see in the last 2 years we shut some of the stores in order to make sure that whichever stores are operating are primarily a profitable stores. Therefore, it was a journey where we went down on our revenue. In the last year, we had seen a revenue of INR 900 crores. This year, you are seeing more like a revenue of INR 1,400 crores. And then we have a growth year in going after. Similarly, as you get higher revenue, you will start seeing the benefit of the operating leverage.

Abhijeet Kundu:

Okay. Another question over here in Branded Apparel is overall discounts, I mean, the way I understand branded apparel is run across the industry, is say, about 45% to 50% of the overall branded apparel sales is discounted. I mean -- and of that, the level of discounts range from 25% to, say, 40%, 45% on the discounted sales. So that's how it all happens, and it has been building on the gross margin and hence the EBITDA margin.

Have you done some work on the product assortment in branded apparels and tried to bring down the overall discounting? Something like that? Anything that has been some of initiatives that have been taken to better understand the product assortment of branded apparels. So that is something very important. And if branded apparels goes back to that INR 600 crores or INR 700 crores on a number and with a better profitability, then it could lead to a very good relative forum?

Sunil Kataria:

This is Sunil. I think you're in a very valid point that how much how well can you play this entire discount, managing in the apparel business is very critical. So let's say 2 critical actions which we have taken. The first answer is we are looking at improving our entire product assortment mix itself. So we have gone brand by brand and looked at how we can do a much more premium assortment play across our brands without losing the critical value points.

Now both are very critical, for example, if there is a price point of, let's say, 1,999 in a shirt segment of mine. I don't want to lose that. But at the same time, there are always some very nice smart speaking I can do to premium as the product assortment, which gives me an overall improvement in the margin play itself. There is a very important exercise that we've done for all our brands. Second point you're doing is how can we manage and optimize our discount plan across the seasons. This is an area where across our EBO channel and in case of some of our trade channels. We have been working on with channel partners as well as our own retail outlets. And while I cannot disclose you the exact number, we have been able to optimize our discounts also in this entire year.

Now coupled with this, overall play of improving the product assortment, with margin discounts, we are very confident that this has helped us improve our margins, and we're very confident that this -- as we scale up, along with the leverage will help us give strong margins in

terms of EBITDA on an ongoing basis. But we've also done along with this starting September this year onwards. You will have seen a brand coming back on media and even in store, which were in a big way.

Now we have started investing behind all our brands You would have seen campaigns have been behind ethnic, you would have seen campaigns between Park Avenue, ColorPlus, Raymond. So whatever profitability generating additionally, we are right now in the way of investing behind brands because we know that this is a very critical play, especially as we go to ramp up and open stores going forward.

And right now, the next 3 years -- take 2 years focus for a disruptive growth and experiential growth in terms of footprint as well as scale up of those stores. And that is what we are building in our current and going forward annual plan is as well that there will be store expansion, various plans behind brand building. We will optimize product assortments and their margins, and we will optimize our discounting so that we could do a very smart balancing of brand building, store expansion without losing our EBITDA leverage.

Abhijeet Kundu: Okay. And what would be the total number of stores to be added in the next 2 to 3 years? Or what would be the percentage to be added. But total number of stores would be more at...

Sunil Kataria: I think Amit has already called out in his speech already that this quarter itself is going to be a very aggressive quarter for us. We are looking at around 70-odd stores opening. So this itself is one of the biggest quarter that we are hoping that we will definitely deliver this number. And going forward, our intent is to look at, at least around 300-odd stores over the next year anywhere between, I think, 18 to 24 months. That's what we're looking at. across our brands.

Abhijeet Kundu: And sorry if I missed that, how much of those stores would be in Ethnics.

Sunil Kataria: This quarter or the next quarter of the year-- In the next 2 years are you talking about?

Abhijeet Kundu: Next 2 years. So this quarter also next 2 years?

Sunil Kataria: So roughly around, you can say, we will roughly around 100 -- we would like in the next 2 years to at least around 200 to 250-odd Ethnix stores.

Abhijeet Kundu: 200 to 250-odd ethnic stores? And also I mean let to the brand and you have got a very good response to ethnics. So, how would you describe your positioning in ethnics, because the analysis that we have done in your case, is that you have -- you are in the mid to higher, I mean, premium segment ASPs, our average selling price would be somewhere around INR 4,000. And you would rather cater to a wide consumer base rather than...

Sunil Kataria: When you have -- when you say 4,000 ASP you're talking about which product? Which product segment in ethnics? As there are multiple product segments like...

Abhijeet Kundu: Kurta is common. I mean, sherwanis are on the -- at the level of 1000 and all?

Sunil Kataria:

No, I don't think so we have an average ASP of INR 4,000 in kurta. We are -- we are more in the range of around, roughly on 2700-odd kind of average kurta -price point. But I can tell you one thing. We are bang in the middle of the mass premium segment. The largest segment in the ethnic segment is what you call as a mass premium segment, which is the bulk of the market, and we are right bang in the middle of that. The way we are positioned ourselves, let me explain to you that. We see ourselves playing ethnic across 2 segments of the market. One is that will definitely be in the mass up end and mass segment.

And then we do not want to leave the bottom end of the premium segment as well. So we see ourselves straddling across the top end of the mass as well as the bottom the premium segment. And hence, we call ourselves as a mass premium segment player because this will help us leverage ourselves very strongly across the bulk of the value of the market. Second, one more piece that we see as a big opportunity area and which is already forming as we are growing right now, a decent size of our business is something what we call a smart ethnics. We also see that there is a market which is not only wedding related. This is a market which -- where one trend is happening, that Indians are wearing more and more regular ethnic as a more hybrid wear or as a casual wear.

This is nothing to do with like for example, bundis, today in our office itself or actually most of you can see, bundis are becoming part of hybrid office wear. It has nothing to do with the bundis which are more brighter festive bundis, which we wear in Diwali, which you wear on the Dussehra. These are bundis which are being worn regularly to the office or an evening dinner when you want to go.

Now that is smart ethnic, and we are also building that segment. Couldn't believe that segment has not been leveraged itself in the category itself. And that we have defined as a category expansion, category developing task for ourselves.

So that's a piece, which will happen gradually. So, this brand itself, if I could define it, obviously, it has all the heritage of Raymond. It has all the great qualities of Raymond. But our design positioning is premium just in the way Raymond has been. The language is very, very premium, what I would call classy-stylish pattern, for individually made kind of designs. And obviously, the quality of Raymond is always there. And the markets that we straddle is within the core market instead of mass and premium and will gradually adjacently category develop the segment of what we're calling Smart Ethnix. It is a name we have built ourselves.

Moderator:

We have the next question from the line of Himanshu Nayyar from Systematix.

Himanshu Nayyar:

So firstly, just wanted your thoughts on -- obviously, we are the leaders in branded suiting, and we hear that at the lower end, especially there is a lot of -- I mean some smaller players are doing quite well there. So do we see that as a stress to us? I mean, especially at the lower end in branded suiting, I mean, especially given the inflationary pressures that you're talking about, do you see that lower end of the branded suiting doing well?

Amit Agarwal:

Look, I'll tell you simply, people have the aspiration to wear a Raymond suit -- and weddings are such a big market that they have one simple --that in the wedding, you can't be without a

Raymond suit. So that is one very important. Second thing, you see, you have always different price point market. One can never say that it is only one price point market. We cater in our segment. We have our tailoring, we have other MTM. We bring a lot of things. And therefore, you have got a very strong, what we call, CRM-based.

We have got a 10 million CRM base, which ensures that people keep coming back and having a repeat customer. And very simple, as I talked earlier, that we have seen 24% year-on-year average ticket value increasing. That reflects that there are enough and more people who want to come shop and improve. And as we know, and just yesterday, based on the FM's announcement, the INR 10 lakh crores, and this is going to come a capex into the system Overall, the affluent domestic growth, everything goes up, people will continue to go and wear better and better fabric.

Himanshu Nayyar: The second bit was on -- I mean, based on the current -- how current goes is also sort of going, I mean what sort of near-term demand visibility do you have for our growth momentum to sort of continue at the current rate, especially on the branded suiting and apparel side? And similarly, what's the comment on the inventory has that currently our channel partners have in terms of fresh make, etcetera, especially given the fact that winter was a bit delayed and do you see some inventory challenge coming in there?

Sunil Kataria: So first of all, there is no EOSS on fabric business of ours. It's only in apparel. So I think that clarifies. So EOSS has no role to play in fabric at all. Was your question related to fabric only?

Himanshu Nayyar: No, I was asking for both, actually, if you can make separate comments.

Sunil Kataria: Yes. So okay. fabric, there is no EOSS and hence, there is no role to play in that. And in terms of apparel, the initial start of EOSS across segments across the industry was slower. It is initially also because when the winter -- but when they set up the first 15 days of this -- as expected in this year also saw some very severe temperatures across many parts of the country. So obviously, at that time, people did not move out. But the last 10 days of the month had a very strong pickup in terms of the EOSS.

And we actually are very hopeful right now with wedding seasons panning out post mid-month, which always happens with onset of Sankranti in parts of the country. The wedding seasons is looking very well staggered this time. It is not concentrated in maybe 10 days. It is actually well staggered over a 35-odd-per day period that we will see a very sustained and spread of demand over the next coming quarter. We don't see any signs of demand linked to it.

While obviously, there's a backdrop of this K-curve, which keeps playing out, but I think that is something which is a much more macroeconomic factor, which we keep in mind, but no other factor seems to be at play right now.

Amit Agarwal: And just to mention, on the inventory, we are very well focused that what inventory we will take, which we can sell very quickly. And that is very well demonstrated in our net working capital performance that we have brought it down to 55 days compared to an earlier views to be in the 95, 97 days. So very clear, both on the inventory and receivables. We will be very

tight. We will take a little bit of a hit on the sales, but we will not say that we keep inventory getting. So very clear, and we are implementing the best systems in order to ensure that the supply chain is tight.

Moderator: The next question is from the line of Nirav Savai: from Abakkus Invest.

Nirav Savai: My question is regarding the real estate side now, we almost sold of 75% of inventory across both the projects. So what is the next plan ahead? I mean, when is the broad phase planning to launch?

Harmohan Sahni: This is Harmohan. You will get good news very soon. We have applied for the RERA registration. The moment we get the registration, it will get launched. You will get to hear about it very soon.

Nirav Savai: And then also, are we planning to take any price hikes for the residual inventory, which we have because we have very limited inventory left. And going by the sales velocity in the way we are reporting, we would get exhausted very soon.

Harmohan Sahni: So if you see the margin trend over the last few quarters or from last year to this year, you would have seen that there is a significant improvement in margin, and it's primarily because of the price hikes that we have taken. We continue to do that depending on how we see the market. It really all depends on how much the market can absorb. So we are not going to leave too much on the table like that. So whatever market can absorb, we will continue to take price from time to time.

Nirav Savai: Right. And lastly, I think in the initial remarks, you had highlighted the milestones achieved on the construction side. Can you please help me out the same again? I had just missed that. I think first three tags was OC has been received later on...

Harmohan Sahni: So the project 10X for balance towers, the super structure complete. And on the balance 2 towers, we are on the 15, 16 storey. And as far as the other project is concerned, which is Address by GS, we are at the podium stage now, the parking is getting completed. So on one building tower rate, currently, it is at T6 levels. So the podiums are getting over. And the Tower B is at parking 3 levels.

Moderator: The next question is from the line of Anushka Chitnis from Arihant Capital Markets Limited.

Anushka Chitnis: Congratulations on a good set of numbers. I wanted to ask about the budget recently, they had mentioned that they will be giving a both to improve the productivity of ELS cotton in India. What would that mean for Raymond on the garmenting or the high-value cotton shirting side?

Anushka Chitnis: So the budget had mentioned that they will be giving a boost to improve the productivity of ELS cotton in India. What would that mean for Raymond on the garmenting and the high-value cotton shirting business?

Amit Agarwal: So in terms of these incentives, what we have been doing is actually with the China plus 1, what we are truly expecting is a free trade agreement, which has been signed by Australia and

India. What we expect now is to happen between U.K. and EU. And that is going to give a significant boost and improve our cost competitiveness. So that is, for us, the biggest focus. In terms of our other operations, the shirting operations, the cotton, the linen, we are doing at the most optimum level in terms of economizing the cost and being a quality producer.

Anushka Chitnis: My second question was about the real estate business. The previous target you have given in this call revenue target was INR 2,200 crores to INR 4,300 crores over the next 4 years or so and cash flows of INR 1,200 crores. Does this include the JDA in Bandra, -- if not, what would your revised target be?

Harmohan Sahni: I don't know where you are putting these numbers from because these are all new numbers for us. INR 2,000 and INR 4,000...

Harmohan Sahni: INR 1,200 cr and INR 4,000 cr is all relating to Thane project role. But that is going to come over the years.

Moderator: The next question is from the line of Ms. Priyanka Trivedi from Antique Stock Broking.

Priyanka Trivedi: My first question is with regard to your export business. So what is the outlook in terms of these businesses considering the inflationary trends that are going on? So especially in the engineering business, I assume that the garmenting business, we are full with our order book, but in terms of the engineering business, if you could give us some guidance that would be helpful.

Amit Agarwal: So Priyanka, as we know, that engineering business, what we are seeing, clearly, the challenge because we have been distributing our products into continents like Africa, Latin America, these countries have faced a significant challenge in the foreign exchange. So therefore, that is one. The second thing, there is a significant slowdown in those economies. Now because of that, we have seen relatively lower orders coming for the tools business.

Now if we talk about in the auto-segment, what we are seeing is that some of the new, what we call launches have been delayed by the major BMW and other players have delayed in the European market. And that has also led for a delay in our order book. However, there is not going to be any change. It is only going to be shifting by 6 months to 9 months. But at the same time, we are seeing a very, very strong and a robust demand in the domestic segment.

If you see, we are talking 4 million cars, a run rate of 4 million cars, the factor is at 1 million plus. So these are helping us and we enjoy some very significant market shares with some of the auto majors. Similarly, in the files and engineering business, we are seeing the -- because of this big infrastructure push that the drill and the cutting tools segment, we have seen a significant growth in that segment. So overall, balancing between the domestic and international, we are seeing growth. However, on an export market, you are right that there are certain challenges. But hopefully, in the next few quarters, we should see a better sign there.

- Priyanka Trivedi:** Okay. That's clear, sir. And sir, my second question is with regards to if you could just give us a sense on what has been the like-to-like growth of the same-store sales growth over the FY '20 levels in the branded apparel space?
- Amit Agarwal:** If I look at it, pre-COVID level, I think the whole lifestyle business has grown by more than 15%. And in terms of the branded apparel, if I look at it, because we had certain store shuts, and we are doing close to 4-4.5% growth.
- Priyanka Trivedi:** Okay. So the same store sales growth should be around 4%, right?
- Sunil Kataria:** 6%.
- Moderator:** Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments. Over to you, sir.
- Amit Agarwal:** Thank you very much and looking forward to talk to you in the next quarter. Bye.
- Priyanka Trivedi:** Thank you. On behalf of Antique Stock Broking Limited, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.