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# Growth potential of Raymond's Thane project is Rs 25,000 crore over several years: Group CFO

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**Synopsis**
The demerger process of Raymond's real estate and lifestyle businesses is ongoing, with SEBI approval already in place. The company aims for Thane to contribute 50-60% of the revenue mix in the next few years. The potential growth of Thane is estimated at Rs 25,000 crore, with Rs 5,000 crore already signed. The urban market, especially Tier I, II, and III cities, has shown strong growth in premium products. However, Tier V and VI cities have experienced some softness due to cautious consumer spending.


"People have consistently increased ticket purchases. Over the last three years, people have been increasing by almost 50% the average ticket purchases. However, in tier V and VI, there has been a little bit of a softness. "

*Amit Agarwal, Group CFO, Raymond, says "the growth potential of Thane is Rs 25,000 crore over several years and Rs 5000 crore we have already signed. So, we are in a decent spot in order to take this business really-really forward. The demerger is on so hopefully by mid-May, we should be able to announce that de-merger. The SEBI approval is in place, now the NCLT and the other process is on. So, to that extent, you will have separate companies for real estate as well as for the lifestyle. Our target is that Thane should be in the range of 50 to 60% of the revenue mix over the next three, four years, and 40% to 45% should come out of Thane."*

**How was Diwali and Christmas? Any reasons for your shareholders to get worried?**
**Amit Agarwal:** No. I think Diwali was great. People had a really good time. There has been a sort of hiatus of almost seven-eight months when people were not into so much of shopping in the first half and going up to August-September because of that extra month of Malmas (inauspicious period) and as soon as that Malmas got over, people started to come back and saw a great shopping trend there.



Post Diwali, we were expecting a very strong comeback on the weddings. It had come back. It is decently better, but we were not getting the same level as we thought that it would be so strong. But now, once again, we have got a very strong wedding season. After the 14th, 15th of January, we start the wedding season till April. From the dealer network, there is a very good opportunity to grow our business in this period.

**Could you tell us what is happening for Raymond in the urban market and what is happening in the semi-urban market because we are getting a sign that it is a K-shape economy where urban is doing exceedingly well and semi-urban is yet to recover?**
**Amit Agarwal:** Yes, absolutely. This is exactly what we are also seeing. Tier I, II, III have seen people who have gone into the premium products continue to do more and more premium products. Premiumisation is the way forward for what we are seeing as we speak today. The same was seen in the Diwali time all over the wedding.

People have consistently increased ticket purchases. Over the last three years, people have been increasing by almost 50% the average ticket purchases. However, in tier V and VI, there has been a little bit of a softness. First of all, people shifted the weddings from summer to winter and somehow even in the winter, the pickup in the tier IV and V, VI cities has not been so great. So, people are a little cautious as they continue to watch and beat the inflation on the main consumption side.



I think then comes the discretionary which is the spending for the marriages, for the textiles, apparels and so on. Therefore we have seen a bit of slowness in the tier V, VI cities.

**I want to understand your individual businesses. Let me talk about apparels first, because you have undertaken some very aggressive store expansion plans and rampup of the ethnics business in particular. What is the kind of growth that you are envisaging for branded apparels specifically?**

**Amit Agarwal:** Branded apparels have been a good spot. Even in the second quarter when we reported the numbers, we have seen a good 18% growth. I think we are very excited that we have crossed over 100 stores in ethnics all across the country and the traction is very satisfactory. People are liking and buying our product. So, to that extent, we will really say it is just the beginning of the ethnic journey. It would take at least a year or two when it really matures itself. Even for our other brands like Park Avenue, ColorPlus, Raymond's ready to wear, we are expanding stores.

Our broader theme is very clearly that we would be opening more than 500 stores over the next three years. This year, we have opened more than 75-80 stores and we expect to open a few more next quarter. So, 500 store additions are on the anvil. Actually, the advantage for us is that we have got the franchisees all across the country, who tell us exactly which right property is available for us and the right markets because cities are expanding, new areas are being developed and we get the opportunity to participate within the first few months itself and open our stores. That is also very helpful for us in order to place the right stores at the right location. And we continue to believe that apparel has a very-very strong potential to grow.

**Let's talk about real estate specifically when it comes to Mumbai. Now that Mumbai is getting this mega facelift, especially the suburbs with the recent opening of the Mumbai Trans Harbour Link as well, several other projects that we keep hearing about on a daily basis are in the pipeline as well. Has there been a second order effect on pricing on some of your projects in particular and are you eyeing any land parcels or JVs or JDAs either side of the MTHL?**
**Amit Agarwal:** We have been consistently increasing the prices as we have been able to do a very good sales velocity. Our products have sold very well. In the first two projects, more than 85% were sold. The Address by GS product, even the third tower which we launched in July of 2023 is sold more than 60%. So, to that extent, if I look at it, overall, the project traction at Thane is very good.

As far as JDAs are concerned, you are absolutely right, in the last quarter what we have been able to sign is two more JDAs, one at Sion, one at Mahim. The one we have in Bandra, we plan to start in this quarter. We are evaluating opportunities in Navi Mumbai. The infrastructure, which is very well seen in Mumbai is clearly reflected, if you see the traction of people buying in Thane and the proximity to Bombay, BKC is becoming very comfortable for people to drive.

As far as land buying is concerned, it is the stated philosophy of the group that we are not going to buy any land and we will do the JDA route. As we speak, today more than Rs 5,000-crore worth of project JDAs have been signed. So, if you look at it, the growth potential of Thane is Rs 25,000 crore over several years and Rs 5000 crore we have already signed. So, we are in a decent spot in order to take this business really-really forward.

The demerger is on so hopefully by mid-May, we should be able to announce that de-merger. The SEBI approval is in place, now the NCLT and the other process is on. So, to that extent, you will have separate companies for real estate as well as for the lifestyle.



**Potential for Thane is Rs 25,000 crore? Is that true?**
**Amit Agarwal:** Yes, absolutely.

**And is that land with you?**
**Amit Agarwal:** Land belongs to Raymond.

**I am just trying to understand it, because 25,000 crore, even if it is done on a 10-year basis, 10 to 12-year basis, we are looking at 2,500 to 3,000 coming on an annual basis.**
**Amit Agarwal:** Absolutely correct because if you see today, what we are running the projects is worth 9,000 crores, which is a span of, let us say, four years, which we have talked about and started the real estate business. And that is only on what is called 40 acres, less than 40 acres, we still have 60 acres to go. So there is a huge potential on the Thane itself, but we continue our journey as well as beyond Thane. As we spoke earlier, our target is that Thane should be in the range of 50 to 60% of the revenue mix over the next three, four years, and 40% to 45% should come out of Thane.

**Thane is with Raymond Limited, the listed company, it is not a promoter entity, it is not a holding company.**

**Everything is in Raymond Limited, the listed stock.**
**Amit Agarwal:** Absolutely, it is in the Raymond Limited. And that is why the demerger, which is happening, is taking the lifestyle business from Raymond Limited and moving it into [Raymond Consumer Care], which is the company where the lifestyle business will go. And Raymond Limited, who continues to hold the land, the development will continue to be a listed entity as primarily a business of real estate. And with a business of engineering, which is also, we have just acquired the mining precision in a fast growing sector.

**In Thane, you have the land bank. In the other two joint developments (JDAs) that you are doing, if you have to grow, you will have to ultimately acquire land or do JVs. And given that right now there seems to be a sugar rush in the real estate sector, there is more demand and less supply. How do you see the economics moving after two or three years? Real estate business has to have a visibility beyond 5, 7, 10 years, how will you grow beyond that?**
**Amit Agarwal:** If you ask me, we see that the opportunity in Mumbai is trillions of dollars. All across the city, there are many old buildings, which have got the older and lower FSI. Today, with the recent changes, the increase in the FSI norms, everybody wants to have a better lifestyle, better community and everything. So therefore, we do not see ever a dearth of potential to get the land parcels in GTA form.

As we speak today, I can tell you that we have reviewed over the last 24-25 months, more than 300 proposals on the JDA. And we picked, we did our diligence, we went through in detail, whether it makes the return matrix right or not and then we selected these 3 projects. So very, very clear, there is enough and more sort of raw material is available for all of us and we can get the right projects. And I am not seeing whether it is a two-three year or a 10-year project; you cannot build a city of this size over a five, 10 year period. Maybe that has a 50-70 year horizon.

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