Raymond LIMITED
SECRETARIAL DEPARTMENT
Jekegram, Pokhran Road No.1, Thane (W)-400 606
Maharashtra, India
CIN No.: L17117MH1925PLC001208
Tel: (91-22) 4036 7000 / 6152 7000
Fax: (91-22) 2541 2805
www.raymond.in

RL/SE/23-24/183

November 10, 2023

To

The Department of Corporate Services - CRD
BSE Limited
P.J. Towers, Dalal Street
Mumbai - 400 001
Scrip Code: 500330

The National Stock Exchange of India Limited
Exchange Plaza, 5th Floor
Bandra-Kurla Complex
Bandra (East), Mumbai - 400051
Symbol: RAYMOND

Dear Sir/Madam,

Sub.: Intimation pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 –Conference Call Transcript

Please find enclosed transcript of the conference call held on November 3, 2023, with respect to the Company's corporate initiatives.

The transcript has also been uploaded on the Company's website (www.raymond.in)

This is for your information and records.

Thanking you.

Yours faithfully,
For Raymond Limited

RAKESH MULJIBHAI DARJI
RAKESH MULJIBHAI DARJI
2023.11.10
15:58:52 +05'30'

Rakesh Darji
Company Secretary

Encl.: as above

"Raymond Limited
Corporate Initiative Conference Call"
November 03, 2023

SENIOR MANAGEMENT TEAM OF RAYMOND REPRESENTED BY:

MR. AMIT AGARWAL – GROUP CHIEF FINANCIAL OFFICER
MR. BALASUBRAMANIAN V – MD - JK FILES & ENGINEERING
MR. JATIN KHANNA – HEAD - CORPORATE DEVELOPMENT
MR. J. MUKUND – HEAD OF INVESTOR RELATIONS

MAINI PRECISION PRODUCTS LTD REPRESENTED BY:

MR. GAUTAM MAINI -FOUNDER OF MAINI PRECISION PRODUCTS LIMITED

MODERATOR: MS. PRIYANKA TRIVEDI - ANTIQUE STOCK BROKING

Moderator: Ladies and gentlemen, good evening and welcome to the Raymond Limited Corporate Initiative 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 this conference, 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 Ms. Priyanka Trivedi from Antique Stock Broking. Thank you and over to you ma'am.

Priyanka Trivedi: Yes. Thank you. On behalf of Antique Stock Broking, I would like to welcome all the participants in the corporate initiative 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. J. Mukund. Over to you, Mukund.

J. Mukund: Thank you, Priyanka. Good evening, everyone, and thank you for joining us for this corporate initiative call at such a short notice. I hope you have received a copy of a presentation, media release. I would like to urge you to go through this.

We have with us from our Senior Management Mr. Amit Agarwal, Group CFO; Mr. Balasubramanian V , MD, JK Files & Engineering; Mr. Jatin Khanna, Head of Corporate Development. Also, we have with us Mr. Gautam Maini, who is the founder of Maini Precision Products Limited.

Now I would like to hand over the call to our Group CFO, Amit, who will give you a brief summary of the company's corporate initiative. I would also request all the participants to limit the questions relative to this transaction only as we are currently under the silent period related to Q2 results. Now over to you, Amit.

Amit Agarwal: Thank you, Mukund. Good evening, everyone. Thank you for joining us today on this call on such a short notice. I am pleased to share that the Raymond Group with its continued focus to further strengthen all its businesses has now defined a clear growth road map for its engineering business. To enable this Raymond Group is foraying into fast-growing sunrise sector of Aerospace, Defence and EV components business through acquisition of business of Maini Precision Products Limited.

Now let me talk about the transaction. Raymond Group would be acquiring 59.25% stake in Maini Precision Products Limited business for ₹ 682 crores, concluded through Ring Plus Aqua Limited (RPAL), which is a subsidiary of JK Files & Engineering Limited, which is a subsidiary of Raymond Limited.

The source of funding for this transaction is a mix of internal accruals of engineering business and debt. About ₹ 85 crores is from the internal accruals of engineering business and ₹ 597 crores is the debt, which is a combination of ₹ 342 crores of external debt and ₹ 255 crores of debt from Raymond Limited.

Such debt would be serviced by the engineering businesses as it would be on the consolidated balance sheet of the engineering business. The transaction will be subject to requisite regulatory approvals and is expected to be completed in the current fiscal year.

Post the acquisition, Raymond will consolidate all the 3 businesses of JK Files, RPAL, and Maini Precision Products Limited and will form a new subsidiary (Newco). Raymond will hold 66.3% in the 'Newco' and the same will be positioned as a precision engineering focused subsidiary of Raymond Limited.

The remaining shares will be held by MPP Group and the current noncontrolling shareholders of RPAL, which is 28.5% and 5.2%, respectively. On a pro forma basis, for fiscal '23, the consolidated revenues were over ₹ 1,600 crores with more than 60% of the revenues coming from export business and the consolidated EBITDA of the Engineering Group was ₹ 220 crores.

Now let me talk about the synergies between the two businesses that could chart out an aggressive growth plan. The acquisition of the Maini Precision business aligns seamlessly with our business strategy of business expansion, market consolidation and overall margin improvement. Let me talk each one separately.

In terms of business expansion, we are entering into the sunrise sectors of aerospace, defence and EV components, which have exponential growth potential. With a strong foothold in aerospace component manufacturing since 2004, Maini Precision has integrated 3 sub-verticals, aerospace engines, aircraft systems and aerostructures. This extensive experience positions Maini Precision to supply to the aerospace industry, leveraging long-standing relationships with the international customers.

Furthermore, Maini Precision has forayed into defence programs spanning across land, airborne and naval platforms to collaborate and collaborating with major defence players from U.S., Europe and Israel. In terms of market consolidation, with this acquisition, we will be complementing customers to scale up the auto components business.

Together, we will be catering to global top auto OEMs in multiple geographies, and we will leverage our existing relationships to sell MPPL products by enhancing our product portfolio and utilize Maini Precision existing global customer base to sell our existing products of JK Engineering Group. In terms of our margin improvement, the consolidation would help in deriving synergies and operational efficiency.

We will be building operational efficiencies across manufacturing, supply chain processes, sourcing, product development and other operating cost synergies to supplement revenue and earnings growth for both the businesses. Along with the above strategy, we have an experience and a focused strong management team in place, Maini Precision Founder, Mr. Gautam Maini, with his entrepreneurial mindset will be leading our consolidated engineering business, driving growth and create larger value for the overall business.

On a forward basis, we expect the combined business to drive a top line growth in high teens through exponential growth from the sunrise sectors of aerospace, defence and EV components and well supported by established auto components business. We also expect to drive EBITDA growth by over 20% through high-margin and high-growth sunrise sectors and operational efficiencies, as mentioned above. We also believe we will gain synergy benefits to the tune of 250 to 300 basis points at a consolidated level.

We expect to generate strong free cash flows from the profitable growth across the businesses with no major capex requirement for further expansion from these businesses, the free cash flows would be comfortable to service the interest and the principal repayment of debt of the consolidated engineering business. With this acquisition, Raymond Engineering business will emerge as a large-scale provider of engineering, automotive, EV, aerospace and defence components, distinctly positioned to target high-growth precision engineering segments with a significant presence across domestic as well as international markets.

Raymond Group has always believed in the Make-in-India theme initiative, and this acquisition will also provide an impetus to China Plus One strategy that has been benefiting us across businesses. To conclude, I would like to mention that in its transformation journey, Raymond has been demonstrating affirmative actions in the form of selling the FMCG business, demerging the lifestyle business and shaping the scalable real estate business.

With this acquisition aimed at growing the engineering business significantly, Raymond Group has reiterated its intent that it will continue to have 3 distinct vectors of profitable growth that will create shareholder value for each of our businesses. With strong free cash flow generation and no major capex requirement, Raymond Group will remain net cash positive post the transaction. I would like to express our gratitude for your attention and support. We are excited about the future possibilities with this acquisition, which presents for Raymond Group. Now we are open for the questions.

J. Mukund: The first question is from the line of Himanshu Nayyar from Systematix.

Himanshu Nayyar: Congratulations on the transaction. Sir, firstly, if you can -- would you be in a position to share some more financials on MPPL in terms of the sort of right margins that they do, the ROCE profile and whether there is any debt on their books, which will come in -- which we will be getting when we sort of acquire this?

Amit Agarwal: Yes. So thanks Himanshu. Actually, it's a very attractive business. FY '23, they delivered almost ₹ 750-odd crores of revenue with almost ₹ 100 crores of EBITDA. I think that the whole business has a significant potential as they move forward more and more into the aerospace the margins, all of us know the margins at the aerospace business is far higher compared to the auto components business. So that is one which they have invested well into the businesses in order to drive the revenue and growth opportunity.

The second thing is at this juncture because it is the business where you're supplying to the Tier 1 and Tier 2 on the auto side, but also to the large engine makers in the aero side, which tends to be a larger working capital cycle. So, they have a debt to the tune of close to ₹ 285 crores to ₹ 290 crores in the business. So that will obviously because it is a share purchase, which is a consolidation of that business so we will have that coming over.

And we look at it that as of now, they have invested decent enough for a good growth opportunities over the next 3 to 5 years. And as I mentioned earlier that we believe that the growth overall consolidated Engineering business should deliver high teens on revenue and clearly a 20%-plus growth in the absolute EBITDA terms. And obviously, synergy benefits. We have worked out, we believe, 250 to 300 basis points margin improvement for should also be there.

Himanshu Nayyar: Got it. So, second bit was on the funding , source of funding, given that we had, I think, enough net cash on our books, both the consumer care business sale, what was the need for taking on external debt? I mean, wasn't there an option to completely take on the Raymond internal debt to fund this?

Amit Agarwal: No, no. Absolutely, see what we thought is appropriate because the way it is structured is that ₹ 682 crores, the way it will come is close to ₹ 600 crores is going to sit as a debt on the consolidated engineering business, which is partly the external debt, which is ₹ 350 crores, ₹ 340 crores or and the ₹ 255 crores comes from Raymond as a debt. So effectively, within the group, external debt is only ₹ 340 crores. But for the Engineering business because we see a significant potential, they are going to service a debt to the tune of ₹ 600 crores.

Himanshu Nayyar: This ₹ 600 crores plus the ₹ 300 crores, which will come in, right?

Amit Agarwal: Yes, yes. So if you see this last year, they delivered a consolidated basis, ₹ 220 crores EBITDA. I'm saying to you, 20% plus growth. So, you see there is a substantial free cash flow generation, which is going to happen, which will be a very, very comfortable situation in terms of servicing the debt obligation.

Himanshu Nayyar: And what will be the cost of this debt, sir, if you can give us some numbers, the cost of debt?

Amit Agarwal: It's the same as a AA company, what we are getting in the range of 9%, 9.5%.

Himanshu Nayyar: Okay. Got it. And sir, final question from me on this acquisition now, I mean, the merger which you will do of the 3 entities, I mean, you have given the shareholding will be 66%. So, what's the sort of -- you would have provided some value to your existing engineering business to come up with this sort of a shareholding in terms of a swap ratio, etc. So how have you valued the JK Files and RPAL business, if you can give us some colour to arrive at the 66% shareholding post consolidation?

Amit Agarwal: So, look, it is a combination where we took the issue, what it was called, advisers who did the fairness opinion and valuation. And based on that report we have come to. And I think the value, including the debt, the enterprise value is coming close to ₹ 1,300 crores or so.

J. Mukund: The next question is from the line of Sonam H. Udasi from Tata Asset Management.

Sonam H. Udasi: I just wanted to understand, would there be a separate listing of this company post the consolidation.

Amit Agarwal: Okay. Thanks, Sonam. Look, at the end of the day, what we have been able to demonstrate our performance that we want to make sure that the company reaches to a certain scale and size and accordingly, it is appropriate to do the demerger. You have seen the demerger of our lifestyle business, which we did once we had a very clear stated objective that it becomes a debt-free, reaches a certain size, profitability established at that point of time.

So, Raymond Group has clearly identified 3 vectors of growth, be the lifestyle, be real estate. And we have demonstrated and the Engineering business. We have demonstrated that we believe in a pureplay business. So, it is difficult for me to say at what point of time or what, but obviously, the natural course is set.

Sonam H. Udasi: And just to understand more on the company being acquired and plants or manufacturing facilities located for them?

Amit Agarwal: Yes. So, most of the facilities are located in Bengaluru. And there is a good mix of facilities spread. And the best part is that you have the manufacturing facilities where you get very skilled workforce. And I think that's a unique advantage that Maini Precision has been able to get that people who come to work there, there's an ecosystem built who get a skilled workforce for both the sites, and it is located mostly on the outskirts of Bengaluru.

Sonam H. Udasi: Okay. And if I may understand who will be the comparable companies for this company? I mean, so that just one gets an idea of what exactly they are into within aero and whatever else that we are talking about.

Amit Agarwal: Actually, you will not have one company similar to that. I think Mr. Gautam Maini, because of his entrepreneurial capability, what he has developed is that he created first auto business, and he saw the opportunity of moving from auto progressing into the aerospace. So therefore, it's very hard to have any company which is there who are into auto as well as aerospace.

So, you will have companies in auto components like we have Ring Plus, a similar company. You know what we have. But aerospace, there are different companies. I think the unique nature of this company in India is that they are into the engine components. And there's a long list of components every year slowly and steadily, they keep adding more and more components so I don't think, in any case, Gautam is here. So, we can ask him, do you see anybody comparable.

Gautam Maini: No. So, I think the advantage that we have is that we started with the most proficient side of the business, which is the engine side. The engine needs more complex thinking, more complex processes. And therefore, with our high precision engineering, we started with the engine side. So, most companies in the aerospace business are in the structure or the system side, which we also do, but it's in a smaller portion. So, I think that's where we have the unique head start and advantage to be on the engine side of the business in aerospace.

Sonam H. Udasi: Okay. And I understand that you will be heading this consolidated piece for the Raymond Group. Is that correct?

Amit Agarwal: Yes, the consolidated engineering piece will be headed by , led by Gautam Maini.

J. Mukund: The next question is from the line of Priyanka Trivedi from Antique Stock Broking.

Priyanka Trivedi: So, my first question is, if you could give us a sense on the industry of each and every segment that we are present in, like at what rate has the industry grown and at what rate it is projected to grow in the next 4 to 5 years? And also, versus how Maini has grown in the last 5 years and the trajectory going ahead. Excluding the Raymond Engineering business, how this segment is expected to grow going ahead?

Amit Agarwal: Yes. Look, I think one there is the aerospace, defence. Obviously, the base was small. It has grown. As you can see that in FY '23, we delivered 23% of the revenue of ₹ 750 crores towards the aerospace. Now, we see clearly a potential 23% growing to almost 1/3 or so, 35%, 38% over the next 4, 5 years into the aerospace segment, which is a very fast-growing sector. But at the same breadth in the auto industry, what we are looking at as a unique opportunity here that globally, we say 10, 15 top OEMs auto OEMs are in the world, maybe 7, 8 we supply. 6, 5, 7, 8 they supply. Now we get this complementary customer base, which we start sharing and then we have the potential to grow.

So actually, the industry may grow at a slower pace, but we may grow at a faster pace. Plus, what is very unique is the EV space, which they have just started the business, which is way at a nascent stage, but we believe across the board that the way the transformation is happening in the auto industry that EV can become a very large business for us. So that could also take, let's say, on the traditional auto business, I think maybe 12% to 14%, 15% could shift to the EV side as well.

So that's the way we are looking at it. The growth has been auto industry has been growing globally in the range of 4% to 6%. India has been growing 8%, 9%. I think we have been beating those numbers by far, both in the -- Raymond business as well as the Maini business. Correct Gautam?

Gautam Maini: Absolutely. I mean the opportunities like Amit; you said is absolutely there. And I think the bigger issue out here is that the supply chain is being constrained due to several reasons. So, the overseas customers that had to ramp back from the aerospace business in a very, very large manner. The supply chains couldn't supply back to them. So, companies like us that has the capacity that has the capability to ramp up quickly, are taking complete advantage of this factor as well as the China Plus One factors helping us to drive it even better.

Amit Agarwal: And just to supplement, with these guys, it's the most difficult to enter the space. But once you enter and you manage the quality right, I think in an aircraft, which cost you millions of dollars, I don't think the people would care for a $500 part that if I have to pay $500 or $550, I think most important is the quality and the safety is assured, you can continue to supply forever. So, I think that is one very, very big advantage, which has shown that the growth in the aerospace revenue at Maini precision that people have become comfortable to understand and accept the deliveries from these people.

Jatin Khanna: And also additionally, the macro view of aerospace industry is very, very strong in India. Government of India is talking about maintenance of aircraft starting in 2025 and manufacturing of aircraft in India starting 2030. Now, as India progresses in to more and more, let's say, advanced technology in the aerospace, I think at least for a decade, this can be an industry which can deliver a very sharp growth.

Gautam Maini: The other thing to add is EV has been in our blood. I mean, as a family, we were in EVs over 25 years ago, and therefore, we understand the whole evolution of EVs, and we have been there at the beginning of this evolution. So, for sure, as a strategy, we are at the forefront to carve out a very effective strategy in the growth of EVs and hybrids globally as well as locally. So, I think that will definitely enhance and speed up the growth as the market is growing at a much higher pace than normal.

Jatin Khanna: So just to give you a context, I mean, Reva was the car which was bought in India by many families. So, we have a lot of lineage in the EV industry in India

Priyanka Trivedi: Okay. Okay. Got it. And my second question is in our auto business, if you could give us a sense on the product portfolio, how it complements with the Maini's product portfolios that could help better?

Amit Agarwal: So, look, we are primarily into the Ring Gears and like space, which is on the transmission side and any products are across the engine and everything, and these are precision machine products. So, these are 2 sort of different products, which complement very well because the customer is the same, but it is not competing in any shape and form with the products which we manufacture at Ring Aqua or which is manufactured at our Maini Precision.

Priyanka Trivedi: Okay, sir. And lastly, if you could give us a sense on the cash position and the debt position in our existing engineering business.

Amit Agarwal: So as of now, before the acquisition, the company had almost ₹ 100 crores, ₹ 85, ₹ 90 crores of cash, practically no debt. That was the situation. And as I said, post this, the consolidated business by virtue of the debt, which is external plus the debt from Raymond into the Engineering business would be in the range of ₹ 600 crores from there. And the ₹ 300 crores coming from the ₹ 285 crores to ₹ 290 crores coming from the Maini's working capital debt.

Priyanka Trivedi: Okay. So around ₹ 800 crores, right? Okay, got it. That's it for me.

Moderator: We have no further questions at this time. I would now like to hand the conference over to Mr. Amit Agarwal, Group CFO, for closing comments. Over to you, sir.

Amit Agarwal: Thank you. Thank you all for talking to us at short notice. We look forward talking to you next week for the earnings call. Thank you.

Moderator: Thank you. On behalf of Raymond Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.