



SECRETARIAL DEPARTMENT

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November 17, 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 9, 2023, with respect to the financial results of Raymond Limited for the second quarter and half year ended September 30, 2023.

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 Darji
Company Secretary

Encl.: as above



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“Raymond Limited Q2 FY-24 Earnings Conference
Call”

November 09, 2023



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

MODERATOR: **MS. PRIYANKA TRIVEDI – ANTIQUE STOCK BROKING LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Earnings Conference Call of Raymond Limited 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 ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Priyanka Trivedi. 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 evening, everyone and thank you for joining us for our Q2 FY24 earnings call for Raymond. I hope you 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 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 Sahani – CEO of Realty Business and Mr. Jatin Khanna – Head Corporate Development.

Now I would like to hand over the call to a 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, everyone. Thank you for joining us today for the earnings call to discuss the results of the 2nd Quarter of Fiscal ‘24.

Let me start with a brief overview of the market for the quarter. The quarter witnessed subdued consumer demand and seasonality. The discretionary spending was impacted primarily due to inflationary pressures and continued higher commodity prices. Additionally, this calendar year also had Adhik maas which pushed the festival ceremonies and weddings towards the end of the year. With Pitrupaksh period concluding in the middle of October, all festivals have been delayed, especially weddings have been pushed to late November onwards.

Now let us delve into the consolidated financial results for the 2nd Quarter of Fiscal ‘24. At the inflection point of its transformation journey, Raymond continues to attest its growth momentum with strong quarter-on-quarter performance and 2nd Quarter Fiscal ‘24 was the 9th consecutive quarter that reported highest ever performance, both in terms of revenue and EBITDA despite being in quarter impacted because of subdued consumer demand. Raymond reported revenue of

₹ 2,321 crores in the 2nd Quarter of Fiscal '24 with a growth of 27% on quarter-on-quarter basis as compared to ₹ 1,826 crores in the first quarter Fiscal '24 and by 6% on year-on-year basis over ₹ 2,191 crores in the 2nd Quarter of fiscal 2023. This year-on-year growth was driven by our branded apparel and garmenting segment and well supported by the branded textile segment.

At the EBITDA level, we recorded the highest ever quarterly EBITDA of ₹ 382 crores with a healthy EBITDA margin of 16.5% in the 2nd Quarter fiscal 2024 with a growth of 52% on quarter and quarter basis as compared to ₹ 252 crores in the first quarter of Fiscal '24 and by 7% on year-on-year basis over ₹ 358 crores in the 2nd Quarter of fiscal 2023. Also, during the quarter, the company recorded a cost of about ₹ 4 crores during the quarter and recorded an equivalent liability under the share options outstanding account in other equities. This is according to the Raymond ESOP Scheme 2023 granted in the first quarter of the current fiscal. Excluding the ESOP cost of ₹ 3.9 crores, the EBITDA would have been higher to the tune of ₹ 386 crores with an EBITDA margin of 16.6%. During the quarter the company also recorded an exceptional item of ₹ 23 crores relating to the Voluntary Retirement Scheme in our engineering business. Post this exceptional item, we reported net profit of ₹ 160 crores during the quarter compared to ₹ 159 crores in the 2nd Quarter in the previous year. Excluding this exceptional item, the net profit would have been ₹ 177 crores, which is 11% growth over the 2nd Quarter of the previous year.

Now let me discuss the segmental performance for the 2nd Quarter of fiscal 2024; the branded textile segment reported a steady top line of ₹ 933 crores in the 2nd Quarter, a small growth of over ₹ 912 crores in the 2nd Quarter of last fiscal year. The EBITDA margin continued to be healthy at 22% which is marginally lower compared to 22.3% in the 2nd Quarter last year. Here, I would like to point out that despite being a slow quarter with market witnessing lower offtake due to delayed festivals and wedding dates and Hindu Calendar also had Adhik maas (additional month) this year in the suiting business we were able to garner some traction in the wool blended category by expanding the product portfolio across multiple sales channels. However, the B2C shirting business witnessed stable top line at the backdrop of new launches in the cotton blend category with growth driven in the multi-brand outlets channel.

Now let me talk about the branded apparel segment; the branded apparel segment showed a very healthy sales growth of 18% to ₹ 437 crores as compared to ₹ 370 crores during the 2nd Quarter of the previous year. There are a couple of reasons for this growth. One, is our distinct product offerings with a new collection for the season that includes vast range of casual wear and increased premiumization. Second, our focused approach of increasing our footprint and reach of our apparel brands. We have rolled out about 100 stores in the first half of the year across metro Tier-I to Tier-IV towns in pan India basically. Additionally, we have also increased number of doors in the multi-banded outlets and large format stores. The growth was witnessed across all brands with Park Avenue, Color Plus, Raymond Ready to Wear leading the front and well supported by Parx and Ethnix by Raymond. The segment witnessed healthy EBITDA margin of 12.2% in 2nd Quarter Fiscal '24 as compared to 9.7% in the previous year. The improvement is mainly due to premiumization and operational efficiency.

Now let us talk about the retail network; We continue to strengthen our retail footprint by opening 63 new stores during the quarter, with a focus to expand our chain of EBOs 40 branded outlets were added to our existing portfolios across all brands. Ethnix by Raymond being the majority with 17 new stores for the quarter taking it to a total of 92 stores for the brands as on 30th September 2023. Also, during the quarter, we have closed 17 stores which is mainly a combination of relocation of stores and the closure of some part of EBOs as we are focusing on expanding the brand outreach through MBOs, LFS and online channel in line with our stated strategy. As on 30th September 2023 our retail store network stood at 1453 stores spread across 600 towns and cities in India.

Now let us talk about the garmenting segment, which we explained earlier that we are expanding our garmenting capacity by about one third in order to take the advantage of China Plus One adopted by the global brands. Also, this capacity augmentation is in line with Government of India's Make in India initiative. We continue to acquire new customers and we are getting increased size of order from our existing customers. Accordingly, our sales have consistently grown over the last 2 years and in line with the trend. During the quarter we reported ₹ 312 crores which is a robust growth of 18% as compared to ₹ 266 crores in the previous year. As we supply to marquee global brands, product quality remains at the forefront as far as customer service is concerned. Therefore, we train our staff well to deliver the same and as we undertake the capacity augmentation, upskilling of our employees is an ongoing process leading to a buildup of cost. This resulted in the EBITDA margin for the quarter to be at 7.3%, a tad lower as compared to 8.7% in the previous year. In the high value cotton shirting segment, the top line was stable at ₹ 211 crores as compared to the sales in the previous year. In the current environment of subdued consumer sentiment, the demand was stable for our cotton and linen fabric offerings by our B2B customers in the domestic market. EBITDA margins for the quarter at 13.2% also maintained as well as compared to the same in the previous year.

Now coming to the performance of the engineering business, which is consolidated under JK Files & Engineering Limited on an aggregate basis. The sales stood at ₹ 201 crores in 2nd Quarter as compared to ₹ 228 crores in the 2nd Quarter of last fiscal. The sales in the engineering consumer category continued to be impacted by the existing sluggish export markets. However, we continue to cater to the growing automotive segment both in India and export market. In line with our stated strategy of business expansion, market consolidation and overall margin improvement, we have acquired the business of Maini Precision which has a strong presence in the automotive segment and as well as into the sunrise sectors of aerospace, Defence and electric vehicle components. We will discuss the same later in my remarks. Despite the challenges in the engineering consumable sector, we were able to maintain the EBITDA margins at 12.7% for the quarter as compared to 12.8% in the previous year.

Now let me talk about the real estate segment; in the 2nd Quarter we launched new projects in Thane of over million square feet with over ₹ 2,000 crores revenue potential. We received an overwhelming response from the customers and sold over 40% of the launch inventory in these projects during the quarter. Overall, the real estate business showed a stellar performance during the quarter and recorded a total booking value of over ₹ 650 crores in the 2nd Quarter of Fiscal

'24 across all our projects which is double the booking value as compared to the 2nd Quarter of last fiscal. Also, I would like to highlight that we have sold more than 85% of the total units in the first two projects in Thane, namely Ten X Habitat and the Address by GS. We have around 100 acres of land in Thane of which about 40 acres is under development with an estimated revenue of ₹ 9,000 crores. The balanced land of about 60 acres has a potential revenue of ₹ 16,000 crores which can be developed over the next few years. Considering that the land in Thane is finite, we have taken a leap forward by expanding our presence beyond Thane in the MMR region and would now be developing three residential projects based on the Joint development route. Now the first project which you all know is in Bandra with a potential revenue in excess of ₹ 2,000 crores. Last week we announced the second project under the JDA route where Raymond Reality has been appointed as a developer for redevelopment of a prominent housing society located in Mahim West spread over across 3.6 acres. The project is estimated to have a revenue potential of more than ₹ 1,700 crores over the project period. Today we have also announced that Raymond Reality has been selected as a preferred developer for redevelopment of a prominent society located in Sion East Mumbai spread over 4.3 acres and we estimate a revenue potential from this about ₹ 1,400 crore during the project period. Put together, the revenue potential from these joint development projects in MMR outside of our Thane land is in excess of ₹ 5,000 crores.

Now let me give an update on the construction status of all the projects; the construction momentum in all the 5 projects is going quite well and especially in the Ten X Habitat project first three towers have been delivered which is 2 years ahead of the RERA timeline in December 2022. In Tower 4, lift installation is under progress, Tower 5 to 8, internal finishing is under progress and in Tower 8 and 9, 37th and 35th flats have been completed respectively, In the Address by GS project 18th and 10th flats have been completed respectively in Tower A and Tower B. In the Ten X Era project, the foundation has been completed for Tower B and plinth slab has been completed for Tower C. In the Address by GS Season 2 and Invictus by GS Project excavation is under progress. The business delivered a sales revenue of ₹ 243 crores which was marginally lower by 2% as compared to ₹ 247 crores in 2nd Quarter of fiscal '23. The revenue recognized during the quarter is not compatible with the previous quarter as we followed the percentage of completion method for revenue recognition which is based on the incremental percentage of completion of different towers in different projects. The EBITDA margin of 19.5% for the quarter as compared to 25.6% in the same quarter last year. The margins are lower due to initial launch costs of the new project the Address by GS Season 2 as well as the Invictus by GS.

Now let me talk about the working capital and the cash flows:

As explained earlier the festivities and winter weddings have been pushed towards the fag end of the calendar year due to Adhik maas. Given the fact that majority of the festivities and the weddings are in the second half of the financial year, inventory is made available across all channels in the 2nd Quarter in order to cater to the increasing demand in the second half of this fiscal year. Accordingly, the networking capital stood at ₹ 1,927 crores as on 30th September, 2023 higher by ₹ 344 crores as compared to ₹ 1,583 crores as on 30th June, 2023 and higher by

₹ 435 crores as compared to ₹ 1,492 crores as on 30th September, 2022. In addition to the above seasonality and with the expansion of Ethnix by Raymond and other branded exclusive brand outlets, the inventory was higher during the quarter. As you are aware, we do primary sales over sales channel partners including wholesalers and franchise of our stores to cater to the festive season requirement post Pitru Paksh in early October resulted in increase in receivables. Also with two new real estate projects being launched during the quarter there has been an increase inventory due to construction costs as well as approval costs.

Now regarding cash flows:

Due to the increase in the net working capital for the quarter, our operating cash flows have been utilized to the tune of ₹ 53 crores. During the quarter we also incurred a CAPEX of ₹ 36 crores mainly in the ongoing capacity expansion in the garmenting and engineering business and maintenance CAPEX across our various plants in various businesses. With an increase in the net working capital and post CAPEX and interest cost related outflows, our free cash flow for the quarter was a net utilization of ₹ 171 crores.

Now let me talk about the consolidated debt position:

Our total gross debt stood at ₹ 2,851 crores which comprises of external gross debt of ₹ 1,151 crores and NCD issued by Raymond Limited to Raymond Consumer Care Limited of ₹ 1,700 crores. We continue to maintain liquidity with cash and cash equivalent of ₹ 1,712 crores as on 30th September, 2023. I wanted to highlight that the issuance of ₹ 1,700 crores NCD by Raymond Limited to RCCL is a temporary arrangement which will be netted off at the completion of the demerger. The demerger will result in two independent net debt free pure play listed entities for B2C focused lifestyle business and real estate business with significant liquidity surplus at the group level to spur future growth. The interest cost in the quarter is ₹ 89 crores which is higher by ₹ 26 crores on year-on-year basis as compared to ₹ 63 crores in the same quarter last year. The interest cost has increased on account of the following that there is an interest cost of 38 crores on the NCD issued to RCCL which will be netted off at the completion of the demerger as the effective date of demerger is 1st April 2023. Higher interest on lease liabilities on account of the increase in the stores which are open has been taken on a rental basis.

Now let me discuss the current status of the operations and outlook:

As stated a few times earlier the onset of activity festivities and weddings are delayed this calendar year we are leading to limited secondary sales. However, from the third week of October we witnessed a progressive uptick in consumer demand driven by festive celebrations and the start of the wedding season. We expect the momentum to maintain with the winter wedding season which has started from November till February-March. In line with our stated guidance, we are on track to expand our retail footprint and we'll be adding almost 200 stores in the next 12 to 18 months and we'll follow the asset-light franchise model. This will be driven by large store network expansion for Ethnix by Raymond to cater to fast growing ethnic wear markets.

In the garmenting segment export lever continues to be China Plus One strategy and we are focusing on building new strategic customer relationships and gearing up for the increasing demand with the capacity expansion which is well under progress. In terms of our raw material prices while the wool, cotton and poly viscose continue to remain stable. However, prices of linen flax seeds have also been on an increasing trend. In the real estate sector, the strong consumer response to our recently launched premium residential project, the address by GS Season 2 and Invictus by GS has been overwhelming in the current quarter as well and we are witnessing strong booking momentum in our Thane project. In our Bandra redevelopment project the initial work demolition of the existing building has been initiated and we'll be launching the project in due course of time.

In the engineering business as we announced last week, we have forayed into the sunrise sectors of Aerospace, Defence, EV components through acquisition of business of Maini Precision Products Limited. This acquisition of Maini Precision aligns seamlessly with our business strategy of business expansion, market consolidation and overall margin improvement. As far as the **business expansion** is concerned with a strong foothold in aerospace component manufacturing since 2004 MPPL has integrated three sub verticals Aerospace Engines, Aircraft Systems, Aerostructures. The extensive experience position MPPL to supply the aerospace industry leveraging long standing relationship with international customers and furthermore MPPL has forayed into defense programs spanning across land, airborne and naval platforms to collaborate with major Defence players in the US, Europe, and Israel. With the acquisition we will be complementing customers to scale up the auto component business. Together, we will be catering to global top auto OEMs in multiple geographies. We will leverage our existing relationships to sell MPPL products by enhancing our product portfolio and utilize MPP existing global customer base to sell our existing products of JK Files & Engineering Group. **Margin improvement:** This Consolidation would help in deriving synergies and operational efficiencies. We will be building operational efficiencies across manufacturing, supply chain process, 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 experienced and focused strong management team in place. MPPL founder Mr. Gautam Maini with his entrepreneurial mindset will be leading the consolidated engineering business, driving growth and create larger value for the overall 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 Make in India initiative and this acquisition will also provide an impetus to the China plus One strategy that has been benefiting us.

Let me provide an update on the demerger of the lifestyle business:

Currently it is in the approval stage with the regulatory authorities, with SEBI, and we expect the process to complete in the first quarter of next financial year. To conclude I would like to reiterate that Raymond Group will continue to have three distinct vectors of profitable growth

that will create shareholder value for each of the businesses. To achieve this, we have taken affirmative steps in the form of selling the FMCG business, demerging the lifestyle business and shaping the scalable real estate business and consolidation of engineering business. With strong free cash flow and no major CAPEX requirement Raymond Group will remain net cash positive post the transaction.

Now we would like to open the floor for Q&A. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Priyanka Trivedi from Antique Stock Broking.

Priyanka Trivedi: My first question is on our branded textiles business. The growth of 2% that we have seen, what has been the volume led growth and what has been the realization growth in this segment?

Sunil Kataria: I think we have seen a good healthy mix in a suiting business of polywool fabrics which have done pretty well. So, in the suiting business we have seen a healthy positive volume growth led by the poly wool fabric and in the case of a certain B2C business we have seen a flattish volume growth in line with the market. So overall I think if you see our EBITDA margins are pretty healthy. And one of the reasons is that our mix has improved a lot with a lot large volume growth being driven by polywool fabric.

Priyanka Trivedi: And if you have to look at our first half performance in the textile business, we have grown at almost the 4% level. So, what is the yearly guidance for the textile business in terms of the growth?

Amit Agarwal: First of all, we are not going to give specific guidance but as we have demonstrated the sum of the growth sector which you see very consistently delivered in the quarter is clearly the branded apparel segment which witnessed 18% growth. Second is the garmenting. Again, we are putting ₹ 200 crores of CAPEX in this segment in order to expand the capacity by almost one third. I think these two segments we are very bullish that these two segments will give a significant growth. And overall, as we have always talked about, that it is not just a question of one quarter or the other quarter. Over a 5-year period what we are seeing is in terms of revenue growth to the tune of early teens and in terms of the profitability, we are seeing mid-teens growth across the 5-year period in the lifestyle business.

Priyanka Trivedi: My third question highlighted that the linen prices have been increasing. So, what would be the impact in terms of the margins and our B2B shirting business, any guidance on that front?

Amit Agarwal: Actually, we have been very fortunate in terms of because of our brand presence and the quality of fabric which we make is like very high nature. Therefore, we have been consistently being able to pass on the cost increases, especially on the raw material side. The last 2-2.5 years we have witnessed the cotton price increase from a ₹ 32,000 candy, it went to almost ₹ 85,000-90,000 a candy. But we have been able to contain and deliver consistently the margins because of the reason that we could pass on the raw material increases to the customer.

Priyanka Trivedi: Lastly my question is on profitability in our JDA business versus our own land projects in the real estate business and post that I'll come back in queue.

Harmohan Sahani: The profitability on our own land has been quite stable. If you look at our gross margins and the EBITDA margins that we have, it has ranged between 23%-25% depending on which quarter we are in and how because we follow percentage completion. So, it goes 1% or 2% here and there in terms of consistency. As far as the JDA model is concerned, JDA model also will give similar profitability in the range it will be in early 20s. From deal to deal it can be different, but it will be a similar range.

Moderator: The next question is from the line of Varun Pratap Singh from ICICI Securities.

Varun Pratap Singh: My first question is on branded apparel segment wherein we have seen a very strong growth number. If we compare it with other companies, the number appears very healthy and strong. Just wanted to understand that what would be the same store sales growth SSG number into this segment if you wish to call out that?

Sunil Kataria: I think same store growth would be in mid-single digits. It's in that range, I think, which again if you see the trend which we have seen of the industry in the 2nd Quarter has been mostly negative to flat. So, we have outperformed the industry also in the same store like-to-like growth also. And the two factors which have really contributed to strong apparel growth is one is, we have kept the focus in terms of our casualization journey, that has happened across most of our brands. So, that has started to help us in some of these growths. Second, obviously our distribution outreach where we are actually taking a very aggressive go to market approach in EBOs as well as expanding our large format store and MBO footprint.

Varun Pratap Singh: My second question is on Ethnix, now that we are close to 92 odd stores which is quite a healthy number, if you want to highlight the health of the business with regards to SSG, revenue performance. So, anything in this segment of Ethnix?

Sunil Kataria: So, I think Varun as you have seen that we have ramped up these stores between January to really October till now. And this is a period when really the wedding season has been very lean and what we are seeing is that it's a good thing that we have now got a reasonable threshold level of stores. The season has just begun around 20 days back. And I think these 20 days are telling us some very healthy signs that the way our sales per square feet is ramping up, it's a very progressive phase. But I can tell you we'll be in much better shape maybe around 6 months down the line to really give some indication on the health of the business. But what we are seeing three things which have really giving us good thing is that our product assortment is getting very strong reviews across consumers. So, we think we have been able to map up a very clear positioning in terms of high-quality products at very good pricing. Secondly, our store feel, look, experience that I think has also worked very well with consumers. Now the third thing which is really happening is we are seeing the business scaling up as soon as the season has come up. You know that this business is very heavily linked to festive and wedding business. I think this is the season which is really the first season for us in that sense.

- Varun Pratap Singh:** In the lifestyle business, like if we break down our performance in terms of geography how would we compare revenue growth in Tier-I and II compared to Tier-III and IV cities?
- Sunil Kataria:** Which segment are you talking of within lifestyle?
- Varun Pratap Singh:** Branded apparels.
- Sunil Kataria:** If you see, our presence in Tier-IV and V and VI is primarily through TRS, The Raymond Stores and we are focusing through our EBO route and primarily Tier-I and II. So that's a very clear demarcation of our strategy because we have a very large footprint already of (+1000) Raymond Stores which span across some (+650) cities in the country anyway. So, if I see that differentiation, I think we are clearly seeing that Tier-I and II have performed well which is in line with a little bit of K-curve which we have seen across the country. I think that's spanning out across Tier-I-II have done well. It's not that Tier-IV or V are bad, but I think there's clearly a difference between the two segments that we'll address and now what we expect is, a lot of our Raymond Stores also are dependent on heavily skewed towards wedding season because that's the time the gifting takes a very large play. And we know that Raymond is part of almost—I mean you can't have a wedding complete without Raymond—it's almost like a jewelry kind of thing. I think we expect this curve to flatten out a little bit more for us and we'll see growth happening more uniformly across clusters. That's what the hope is here.
- Moderator:** The next question is on the line of Aliasgar from Motilal Oswal.
- Aliasgar Shakir:** First question is on brand apparel. You did mention a few points on ethnic wear. But would you be able to just tell me the kind of growth you have seen in brand apparel, how much of that would be contributed from ethnic wear and if I adjust that what would be the growth in rest of the brands?
- Amit Agarwal:** Ali, the branded apparel what we reported the number for the 2nd Quarter is the revenue. Revenue in the 2nd Quarter from Ethnix cannot be meaningful because we had no weddings, no festivity, Diwali-Dussehra is not there. What happens, everything what we have done is, we have put the stores, created the stores and make available for the customer. What I can tell you is that the Puja and the Diwali sales which have been seen and which is not the expensive Sherwanis and such things, in the kurta and all we have seen that our product is liked by everyone so much. The sales what has been seen in the last 10 days is good, compared better than what we had even expected. I think the true testimony of our wedding collection will be seen from now till the end of December and then furthermore from February till May and all. So as Sunil pointed out that truly how our Ethnix has performed, not performed will come to know in 6 months from now. Then we know exactly because so far everybody likes our collection but now next important is that the customer has to walk in, buy our product because the suit in any case is going to buy from us because that is a natural destination for him for any wedding. This is an extension we feel and there is a significant belief with our franchisees and our trade partners that this could also do well.

Sunil Kataria: We have also in line with the fact that now we have a pretty healthy threshold level of stores, given this wedding season we have also upped our investments behind Ethnix. We clearly believe that it's a strong strategic opportunity for us and we'll continue to build awareness for this brand.

Aliasgar Shakir: Correct, so I understand and in fact that was my point that if our H1 has done somewhere about close to 17% growth certainly 3Q, 4Q one because of the festive shift and second because ethnic wear we have in the last 1 year added more.

Sunil Kataria: I think we just pointed out that in Quarter 2 Ethnix is pretty much not meaningful.

Aliasgar Shakir: Correct. And that in the last 1 year you have added a very sizable number of stores, so both contributions should drive H2, so H2 should be meaningfully higher than what we have seen in H1 in terms of the growth for branded apparel, right?

Amit Agarwal: Yes, that's absolutely the plan.

Aliasgar Shakir: Second on the margin front for branded apparel. Now I just want to understand the trajectory from two points of view. One is that I understand raw material prices have softened. So how have we managed it? Have we passed it on, are we retaining some given that we had taken very sharp price increases when the raw material prices were going up? And secondly given the fact that you will be now in a heavy festive season and as you mentioned that marketing costs will be aggressive, so how will you manage both and what is the kind of margin trajectory we should see for the apparel business in probably next couple of quarters and beyond?

Amit Agarwal: I think we have discussed that our apparel margin is question of achieving a certain scale because the operating leverage kicks in. As you continue to open the stores which we talked to you, in the next 3 to 5 years, we are opening almost 500 stores. So, every time you open a store there is a small investment, maybe not so much direct investment, but advertisement is there to bring the products and the customer to come in. It takes a while. The second thing as we want to expand the apparel category, Ethnix category in a very dramatic manner these categories require a significant amount of advertisement. As you would watch over the next few days starting, that we will come back with a very strong ad campaign, and we are going to invest behind the ad campaigns across the four apparel brands plus Ethnix by Raymond in the next 3 years in order to create a sizable because this is an investment. In the plant and machinery, you do CAPEX, in the branded business, I think the investment is by creating the brand and putting the advertisement and market outreach. That is why you would see that our margins would stay around a similar level, anything between 10% to 12% you would be seeing for the coming quarters to see. Then over the next 4 years, we have always spoken that over the 4 years we should get to 14%-15% of apparel margin.

Aliasgar Shakir: And what about the raw material price softening? How are we playing that? Have we fully passed it on and has that played out in the existing inventory?

Amit Agarwal:

The price softening as I said it is such a thing that we have been able to negotiate. We start making combinations, we are making blends and so on and so forth. So effectively in our business we have not seen much of an impact because of the big price increase. Maybe 100 basis points here or 50 basis points here and there, it can happen from one quarter to another quarter but over the one two quarters it gets stabilized. I am not so seen that the price increases because we also don't want to give a shock that if I was selling a trouser for ₹ 3,000, I make it to ₹ 3,500 and the next month next season I bring it down to ₹ 3,000 because that hurts the customer sentiment. So therefore, we are trying to maintain more or less the price parity. But also, through operating efficiencies and other things, we are able to also maintain the margins in the business.

Aliasgar Shakir:

And last on the textile business; we have very clearly highlighted our strategy of both suiting business where we are expanding in the premium jackets and the shirting piece where we are kind of filling the gap in certain price point that we have not been available because of those two factors our growth should be in high single digit which is something that we did in 1Q. But 2Q was an aberration maybe for the reason that you already indicated. Should we expect this strategy to enable us to do that high single digit growth probably, maybe in third quarter onwards and you did mention October, late October has already started showing traction, so is that playing out well?

Sunil Kataria:

I think two things would happen on this. From a midterm to long term perspective the strategy stays true for us. Very clearly, we see that we'll do a lot of premiumization in the suiting segment. We're already seeing polywool as a fabric. We're investing with new products as well insuring as you already rightly mentioned and good to see that you recall that we are filling up the gaps in terms of mass-to-mass premium price points and parallelly we are also expanding our outreach which we think that is a huge scope to grow that in the shirting business. Now what will happen is in going forward in Quarter 3, Quarter 4 as the season picks up then I would say this mid-single digit strategy should pan out between the two. There could be a quarter here and there of some base effects which may come in because of primary secondary mismatches of the two quarters. But other thing, if you ask me over a 6-month period, 1 year period, yes we stay true to this projection that we have given. Plus, one thing which is also panning out well for us is as we said that we have also started introducing in a shirting business some very differentiated products like prints. Now we are finding casualization is a theme which is not playing only readymade apparel. It is a theme which is playing across ready to Stitch segment as well. I think that is another segment you'll see, maybe in the coming quarter some campaigns will also happen around that where the product development is already rolling out in the market. Plus, hopefully in the next quarter we will also be able to tell you something new, some new product developments and new segments that we are creating within our suiting business in line with a premiumization strategy. To cut the story short, we hold true to this mid-single digit kind of growth over a period of 6 to 12 months definitely we should be able to do that.

Aliasgar Shakir:

And just last question is on the demerger process. Where are we on that and when should we expect that to conclude?

- Amit Agarwal:** Ali, you know that in India any demerger from the time of announcement is a 12-to-14-month process. We have announced the end of April. Based on our processes we look very comfortable. In the first quarter of next year, which is 12-14 months, we should be able to achieve the demerger. I think the process is completely on. We are expecting very shortly the NOCs from various people and then launching with NCLT and after the demerger you know is a traditional 35 to 45 days to take for listing. I think in the first quarter 30th June, 2024 should be possible to complete the demerger and the listing of the two businesses separately.
- Moderator:** The next question is from the line of Pritesh Sheth from Motilal Oswal.
- Pritesh Sheth:** Congrats on the real estate business for ramping up your non-Thane pipeline. Safe to say all these three projects that we have acquired, including the older one which is in Bandra would be launched in next 12 months?
- Harmohan Sahani:** As far as Bandra is concerned, Bandra launch is imminent and it's at the last stage of approval. So, it should happen either within this year or early next financial year. But as far as our plan is concerned, we are budgeting it for it to happen in this financial year itself. So that's Bandra. As far as the other two projects are concerned, they both come to us now and by the time we finish all the planning and approval process, it is going to be easily 12 to 14 months and not before that we will be able to hit the market. So typically, in a real estate project as you know the time to market is about 18 to 24 months. But of course, we work slightly differently, and we try and cut it short. So for us it is going to be about 14 months or so.
- Pritesh Sheth:** What I meant was FY25 we should see all these three projects coming online and contributing to our residential presales?
- Harmohan Sahani:** Yes, definitely.
- Pritesh Sheth:** And just from your broad estimates since you are closer to launch Bandra, the revenue potential that you have indicated for Bandra even for the recent two new projects, any upside potential in terms of pricing that we might have assumed when we have underwritten these projects versus probably where the market is right now? Specifically, Bandra was at least 1-1.5 year back and since then prices have increased a bit. So, any sort of revisions that you expect in terms of pricing?
- Harmohan Sahani:** Give us the pleasure of surprising you positively.
- Pritesh Sheth:** Yes sure. And just lastly, I think on the P&L side we have one line item which is caused towards development of property which is in this quarter little unusually high. While in the presentation we have mentioned that we have still earned that 19.5% EBITDA margin. I mean still clocked 19.5% EBITDA margin. So, is these ₹ 284 crores all related to a residential segment or there is some other amount also included in this?

- Amit Agarwal:** All are residential. And basically, what we mentioned in our brief that basically when you launch a project there is an advertisement cost, there are certain onetime approval costs which you need to incur and that is a P&L item. And that is why it is reflected into this and therefore the margin of normal 24%-25% is reflected in this quarter to the tune of 19.5%.
- Harmohan Sahani:** So, we have launched three projects all around the same time. So, their marketing expenses are a period cost, and they don't get amortized over the lifecycle of the project like all the other cost. Since they are period cost, they come and hit upfront, and the bulk of the cost goes right up front. Because at the time of launch we have to make the market aware of the product being available. So that's really the impact that you have seen. It will kind of even out over the next couple of quarters.
- Pritesh Sheth:** Got that point. But I was just wondering if we had net sales, net revenue in real estate business of ₹ 243 crores while this expense item is ₹ 284 crores. And still we are saying 19.5% was this EBITDA margin, so where is that disconnect?
- Management:** Out of that (₹ +100) crore is the inventoried cost, so P&L impact is less, ₹ 160 only.
- Pritesh Sheth:** So yes, there is some item which is netting of about ₹ 164 crores and that is where it's getting adjusted. Got it.
- Moderator:** The next question is on the line of Varun Pratap Singh from ICICI Securities.
- Varun Pratap Singh:** My question is on engineering business. I understand our guidance of high teens revenue growth and (+ 20%) EBITDA growth for the next maybe 3-4 odd years. But just wanted to understand that given we mentioned cost synergies between the existing business and the new business. So how do we objectively measure with regards to this so-called cost synergy between the two businesses also given that auto is a common element between the two pieces of business. If you can give some understanding about the cost synergy element and as a consequence, the EBITDA margin improvement etc. into the consolidated numbers.
- Amit Agarwal:** Sure. So look fundamentally what we are saying is the synergy between the two businesses would deliver me 250 to 300 basis points improvement on synergy. Now the way the synergy will work out, for example both of us both the businesses buy lot of steel. There is an clear possibility to negotiate on the steel. In terms of manpower, the way we are structured that is there a way we can create a common team. So that would also help. The third thing in terms of exchanging better practices that there has been lot of innovation on both the sides. We can exchange the practices, good efficient practices on both sides, which will help us reduce the cost. For example, very clearly, we keep the warehouses, Ring Plus keeps the warehouse even Maini keeps the warehouse in different parts of the world. Maybe we can share together a warehouse, so that the space utilization can improve, and the rental can be saved. So, there is a plethora of activities which we have identified which will enable us to get to the synergy benefit. On top of it I think the fundamentally the biggest thing which I mentioned in my script was that we supply to some of the top auto OEMs and Maini's supplies to some of the other top OEMs. If we get an

access in these auto OEMs together, we can cover practically all the top auto majors which is the single biggest achievement which one can do, and it is very difficult to enter into an auto OEM if you don't have an earlier relationship. That is in my opinion one of the very large synergy benefits which will come into this business.

Varun Pratap Singh: And second question is by when—I understand we have given a guidance that by—FY24 we are expected to close the transaction. But still by the end of Q4 or by when are we expected to start consolidating the number?

Amit Agarwal: In Q4 we will start consolidating. But obviously it is subject to some of the external approvals as we mentioned that there is certain external approvals are required. So, post that we will be able to consolidate, and we expect that to happen during the fourth quarter.

Varun Pratap Singh: And the last question is again in the apparel segment, there has been one common observation that the premium price point may be not growing as fast as the value price point. As a consequence, we see several oldies or several companies entering into the value format. For example, Shopper Stop entered into the Zudio kind of market at the price point. Reliance has entered into the same market. Arvind exists in the same market now, maybe ramping up their plans etc. Also, for example if we see in the last 4-5 years there have been examples of few companies not growing, maybe the store expansion for example Zara would not have added much store over last 3-4 years. So having said that I understand our portfolio is relatively strong, robust and we have all price points also which we are catering to. But having said that given so much of excitement for example Trent result also it has been quite strong and so much excitement around this so-called value format. Given that we have entered into ethnics, do we also not aspire to maybe enter into this very segment where there has been so much of excitement?

Sunil Kataria: I think first of all I think there are two parts to happening. There are two phenomena very clearly happening in India. India is seeing a very large wave of premiumization which is very clearly panning out that every segment that you take whether it's automotive, whether it's real estate, whether you see jewelry, there's a large piece happening that the premiumization is playing out. So, people who always had money who actually have the money disposal they're actually spending more and more on high value items. And that's where we are seeing a trend very clearly for our product portfolio. Second trend which is happening is yes there's K curve happening in the mass end and there in fact there's a down-trading happening. So, both premiumization downtrading are playing out. In downtrading you're seeing this trend that the players who are below ₹ 500-600 segment that also you're seeing some wave happening. Now the question for us is a very clear large play already possible. We play in the mass premium to premium end. I think there's a huge scope for us across our brand on multiple vectors of growth. One is that we are going through expansion of go to market which is standard across brands. Second, we are going through casualization. Third we are going through premiumization. Fourth sector is getting into a new adjacent category like ethnics. So, for us there's enough large market to grow that rather than change our strategy or looking at it to a sub ₹ 600 kind of a value for money segment, we don't see that as a critical area for us. We have enough room to grow across between

mass premium to premium and through adjacencies. And that is something that we're doing. Having said that our Parx brand anyway that's a conscious call which is happening a Parx strategy that for Parx will not do EBOs because there it's a value brand. It is not a 500 minus brand it's a brand which is I would say mass brand. That segment we are catering to a Parx, and we are saying there we would rather not spend money on EBOs. We'd rather go and expand outlets to multi brand and large format stores where there is an automatic flow of consumer so that you can participate in a share game there.

Amit Agarwal:

And also, just to add that look as Raymond we have got 12 million CRM base. And the way the affluence is coming in our country. This will always show that people moving up the value chain. If you are able to cater to even that much of a segment, even 50 million customers if you are able to cater to, I think the revenue has a full potential to grow in high teens or even crossing (+20%) growth in the apparel segment. There's such a big market.

Varun Pratap Singh:

What about beauty segment? For example, we have seen listing of some of the beauty companies also and as Raymond has been relatively under indexed in the beauty side. So, will we also not aspire to venture into this very segment and kind of exist with the lifestyle or apparel dominated plus the category extension that we are doing? That's my last question.

Amit Agarwal:

At the end of the day, you see we just sold our FMCG business which was into the personal chain. Now there is a reason why we sold the business though we have absolutely non-compete available. We can start the FMCG business from today tomorrow. However, what I want to add is that we believe there is a significant growth potential across our all businesses, be it the branded fabric through big way in a shirting. Second thing on the branded apparel, see our revenue even if you take it at ₹ 1,500-1,600 crores. This is a \$50 billion market growing to \$75 billion market over the next 5 years. So, there is a huge opportunity and the whole shift is happening from an unorganized sector to an organized sector that opens up lot of space for people like us. So therefore, we feel that there is significant opportunity in our own segment to cater to. We can do a much better business which you know and you have done it for so many years.

Sunil Kataria:

Also within the lifestyle current business within the men's apparels itself, there are so many adjacencies which are possible which we can nurture and I would rather focus where we have right to win which is so obvious to us rather than getting into segments where you can say okay is our right to win really very clear.

Moderator:

The next question is from the line of Reuben Matthews from Equity Intelligence India Private Limited.

Reuben Matthews:

I just had a quick question on financials. Can you share a little bit more light on why there was an increase in the receivables and maybe on which segment is it primarily for the branded apparel? If you could just give a little bit of explanation on that'd be great.

Amit Agarwal: Sure. As we talked about, that the dealers and the franchisees are expecting a very strong second half of the year based on the festivities as well as the wedding season. So normally what happens when they buy the product, they bought the product mid to late September and that stood as receivables in our book. So, this is primarily for the lifestyle business, and it is a classical case because of seasonality. Every year the same thing happens. Now this time it is slightly more delayed because the Pitrupaksh continued till 15th of October. Otherwise, you would have seen by 14th of September, 15th of September the Pitrupaksh gets over. So, people start to take the material in mid of August whereas this year, they started to take mid to late September. And that's the simple reason which we believe can be during the quarter, this quarter and the next quarter we will be able to bring back to normalcy to the working capital.

Moderator: As there are no further questions, I would now like to hand the conference over to Mr. Amit Agarwal Group CFO for closing remarks.

Amit Agarwal: Thank you very much and we convey our wishes of Happy Diwali and prosperous New Year to each one of you and we will talk in the next year. Thank you.

Moderator: Thank you. On behalf of Antique Stockbroking Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.