



SECRETARIAL DEPARTMENT

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August 21, 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 August 11, 2023, with respect to the financial results of Raymond Limited for the quarter ended June 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
Q1 FY-24 Earnings Conference Call”**

August 11, 2023

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

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

Moderator: Ladies and gentlemen, good day and welcome to the Raymond Limited Q1 FY24 Earnings Conference Call.

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, please signal an operator by pressing “*” and then “0” 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 Limited. 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 Q1 FY24 Conference 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 our Q1 FY24 Earnings Call of Raymond. I hope you would have received a copy of our “Results Presentation”.

I would like to urge you to go through this along with the disclaimer slides. Today we have with us from senior management of Raymond Mr. S L Pokharna who is Director of Raymond Limited; Mr. Amit Agarwal – Group CFO; Mr. Sunil Kataria – CEO of Lifestyle Business; Mr. Harmohan Sahni – CEO of Realty Business and Mr. Jatin Khanna – Head Corporate Development.

Now, I would like to hand over the call to our Group CFO – Amit who will give you the summary of the Company’s Quarterly Performance before we open up for Q&A. Over to you, Amit.

Amit Agarwal: Thank you Mukund. Good evening, everyone. Thank you for joining us today for the Earnings Call to Discuss the “Results” for the 1st Quarter of Fiscal ‘24.

Let me start with a brief overview of the market for the quarter. As you may be aware that quarter one is a seasonally weak quarter with low consumer demand given the absence of occasion and festive led spending. Also, this subdued sentiment across markets impacted brands across categories related to discretionary spending. Additionally, factors such as weather conditions have had a significant impact on consumer demand. While there was a marginal uptick in consumer sentiment, owing to the summer weddings in the months of May and June. However, the weather conditions such as heatwave across India, followed by incessant rains, mainly in Northern India led to lower walk-ins in malls and high street retail outlets. In the branded apparel segment, the early onset of the end of season sale in the month of June and higher discounting by large e-commerce online players have had an impact on the store sales as well.

Now let us have a look at the consolidated financial results for the 1st Quarter Fiscal ‘24. Despite being in quarter impacted by subdued consumer demand, we were able to sustain a good

performance and delivered the highest ever 1st Quarter revenue of ₹ 1,826 crores with a growth of 4% over ₹ 1,754 crores in the 1st Quarter of fiscal 2023. It is heartening to see this seventh consecutive quarter of consistent performance. The revenue growth was driven across B2C businesses of a branded textile and branded apparel, and well supported by B2B business of high value cotton shirting in the domestic markets, as well as in the garmenting business in the export markets.

At the EBITDA front, we recorded the highest ever 1st Quarter EBITDA of ₹ 252 crore with a healthy EBITDA margin of 13.8% as compared to an EBITDA of ₹ 235 crores in the 1st Quarter of fiscal 2023. Also, during the quarter, the Nomination and Remuneration Committee of the company on 13th of May 2023, has granted 1,380,588 stock options almost 2% of the total outstanding shares to the eligible employees of the company and its subsidiaries under Raymond Employee Stock Option Plan 2023. Accordingly, the company has recorded a cost of ₹ 3.9 crores during the quarter of 30th June 2023. Excluding the ESOP cost of ₹ 3.9 crore the EBITDA could have been higher at ₹ 256 crore with a higher EBITDA margin of 14%. Most of the businesses contributed in delivering the highest EBITDA in the quarter, with branded textile garments and engineering leading the front. However, real estate EBITDA was lower due to the launch cost of the new project Tex X Era.

During the quarter the company reported exceptional item expense of ₹ 9crore related to voluntary retirement scheme in one of the Suiting plants located in Chhindwara, Madhya Pradesh.

In the quarter, we announced and completed the slump sale of our FMCG business in our associate company Raymond Consumer Care Limited (RCCL) to Godrej Consumer Products Limited for a total consideration of ₹ 2,825 crore with net of tax realization of ₹ 2,200 crores. We have received the consideration and accordingly the transaction stands concluded. As Raymond Limited holds 47.66% shareholding in RCCL, ₹ 983 crores related to share of Raymond Limited of profit on sale of FMCG business in Raymond Consumer Care Limited has been accounted for.

Including this, we reported a net profit of a total of ₹ 1,065 crore in the quarter.

Now, let me discuss the segmental performance for the 1st Quarter of Fiscal 2024. The Branded Textile segment reported a healthy growth of 6% driving sales to ₹ 688 crore in the 1st Quarter of Fiscal '24 as compared to ₹ 648 crore in the 1st Quarter of last fiscal year. The growth was driven by strong volume growth in the B2C shirting business, a reflection of consumer offtake of our new casual wear categories and an increased range of cotton and poly blends, which were well received by our trade partners and customers. In the suiting business, the sales growth was driven through a combination of volume growth and an increase in average selling prices due to mix improvement. The innovative product offerings and gifting solutions for the summer weddings was well-accepted by the consumers. Amidst the backdrop of the summer wedding season, we witnessed a traction of large purchases by our customers, leading to 8% growth in average transaction value as compared to previous year in The Raymond shop network that is

TRS network. The segment delivered an EBITDA margin of 17%, marginally lower as compared to 17.6% in the 1st Quarter last year.

Now let me talk about the Branded Apparel segment, which showed a healthy sales growth by 16% to ₹ 305 crore as compared to ₹ 262 crore during the 1st Quarter of the previous year. The top line growth was witnessed across all brands, with Color Plus, Raymond Ready To Wear, Parx leading the front and well supported by Park Avenue and 'Ethnix by Raymond'.

In a subdued consumer demand environment, we witnessed sales growth in our strong retail network of over 1400 stores of The Raymond shop (TRS) and EBOs. With the increase in doors in MBOs and large format stores, the sales growth was further amplified. The segment also witnessed an improved EBITDA margin of 6.4% in the 1st Quarter of Fiscal '24 as compared to 5.6% in the previous year. The improvement is mainly led due to operational leverage and efficiencies.

Now coming to our retail network, we continue to further strengthen our retail footprint by opening 37 new stores during the quarter, which led primarily by 'Ethnix by Raymond' EBOs along with new EBOs for Raymond Ready To Wear, Park Avenue and Color Plus stores. The expansion across metros Tier-1 to Tier-4 towns on a pan India basis.

In line with the stated strategy of ethnic store expansion, we open 15 stores during the quarter, leading to a total of 75 stores of 'Ethnix by Raymond' as on 30th of June 2023. The remaining stores were opened mainly for Raymond Ready To Wear, Park Avenue, Color Plus and The Raymond Shop. Also, during the quarter, we have closed some 39 stores, which is mainly a combination of relocation of stores and closure of some Parx brand EBO as we are focusing on expanding the brand outreach through Multi Brand Outlets (MBO), LFS and online channel in line with our stated strategy. Overall, as on 30th of June 2023 our retail network stood at 1,407 stores spread across 600 towns and cities.

Now let me talk about the Garment segment, which reported a growth of 7% to ₹ 265 crores compared to ₹ 247 crores in the previous year, due to continued higher demands from our existing and newly acquired global customers. EBITDA margin for the quarter was 9.2% as compared to 6.1% in the previous year mainly due to operating leverage and operational efficiency. Also, the capacity expansion in our plant is well underway as per plan which will cater to the increasing demand in the coming months.

Let me talk about now the High Value Cotton Shirting segment where the top line grew by 13% to ₹ 192 crores compared to ₹ 170 crores in the previous year, led by demand for our cotton and linen fabric offerings by our B2B customers in the domestic market. EBITDA margin for the quarter was marginally higher at 10.0% as compared to 9.7% in the previous year, mainly due to operational efficiencies.

Also, during the quarter Raymond Luxury Cottons Limited, which is a subsidiary company as part of buyback process purchase the entire shareholding of Cotonificio Honegger SpA, Italy the

erstwhile joint venture partner of Raymond Limited in RLCL for a consideration of ₹ 19.11 crore consequently with effect of from 9th June 2023, RLCL is a 100% wholly owned subsidiary of Raymond Limited.

Coming to the performance of the engineering business, which is consolidated under JK Files & Engineering Limited on an aggregate basis. The sales were maintained at ₹ 209 crore in the 1st Quarter of FY24 similar to first quarter of FY23. In the domestic market, the demand momentum was well maintained especially in the passenger vehicles, commercial vehicles, and industrial sectors, driving growth in ring gears, flex plates and bearings categories. In the export markets we witnessed growth driven by ring gear, and other categories in a global inflationary environment. The EBITDA margin for the quarter was higher at 14.0% as compared to 12.8% in the previous year, mainly due to operational efficiencies and the impact of Euro depreciation has also reduced. However, the devaluation of currencies in certain regions continues to impact the overall business.

Now coming to the real estate segment performance. We maintain a strong booking momentum during the quarter. During the quarter we received a total of 215 bookings in our three projects for a total value of ₹ 330 crores. Our two brand offerings of Tex X and premium offering under Address by GS brand have been well accepted into the market. In the Tex X brand offering which includes Tex X Habitat and Tex X Era, we received 174 bookings with a booking value of ₹ 237 crores as compared to 157 units with a booking value of ₹ 175 crores in the 1st Quarter fiscal 2023. The launch of Ten X Era project in February 23 contributed to the booking momentum as 80%+ of the units are already sold in the Tex X Habitat. In the Address by GS premium brand offering, we received 41 booking with a booking value of ₹ 93 crore in the 1st Quarter of Fiscal '24 as compared 102 bookings with booking value of ₹ 270 crores in the 1st Quarter of fiscal 23. With 87% of the inventory already sold in this premium brand in July 2023 we launched the Address by GS Season 2 with similar configuration for which we have received an overwhelming response and we made a booking of 50+ units on the launch day itself. The construction momentum in all the three project is being maintained well, in the Tex X Habitat project first three towers have been delivered which is two years ahead of the RERA timeline in December 2022 and the tower 4-8 terrace slab have been completed and 27th and 28th slabs have been completed for tower 9 and ten respectively.

In the Address by GS project seventh and the third slabs have been completed respectively in tower A and tower B. In the Tex X Era project excavation has been completed for tower B and foundation work is in progress for tower C. The business delivered a sales performance of ₹ 234 crore which is 18% lower as compared to ₹ 286 crore in the 1st Quarter of fiscal 2023. 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 incremental percentage of completion of different towers in different projects. The EBITDA margin stood at 23.0% for the quarter, slightly lower as compared to 27.5% in the same quarter last year.

Now, let me talk about working capital and cash flows. On the working capital front in general, the 1st Quarter of the year is seasonally weak. However, from the month of June onwards, in order to cater the upcoming festivities and wedding seasons in second half, the working capital starts getting built up especially the inventory as a lead time in the fabric business from raw material procurement to finish fabric being available at the retail store is about three to four months. The net working capital stood at ₹ 1,583 crores as on 30th of June 2023, higher by ₹ 318 crore as compared to ₹ 1,265 crore as on 31st March 2023 and higher by ₹ 260 crore as compared to ₹ 1,323 crore as on 30th of June 2022. The increase is mainly on account of an increase in inventory catering to the upcoming festive season and also due to construction costs & approval costs related to the new projects.

While the inventory has increased given the seasonality, however, there has been a continued focus on efficient working capital management. We have seen strong cash collections in place which has been able to help the reduction in receivables on an absolute term. Now regarding cash flows, due to the increase in net working capital for the quarter, our operating cash flows have been utilized to the tune of ₹ 149 crore. During the quarter we also incurred a CAPEX of ₹ 58 crore mainly in the ongoing capacity expansion in the garmenting & engineering business and maintenance CAPEX across our various plants in various businesses. With the increase in the net working capital and post CAPEX & interest cost related outflows, our free cash flow for the quarter was the net utilization of ₹ 260 crores.

Now, let me discuss the consolidated debt position of Raymond Group, after considering the utilization of the net of tax realization proceeds from FMCG business slump sale in Raymond Consumer Care Limited. The FMCG business sale proceeds were ₹ 2,825 crore with an estimated after-tax realization of ₹ 2,200 crores. Post this transaction, the Raymond Group has become net debt free two years ahead of stated guidance with over ₹ 1,500 crores of surplus cash available for future growth.

Now, let me explain the utilization of the FMCG sale proceeds. In order to facilitate external debt reduction at consolidated level, Raymond Limited issued non-convertible debentures to the tune of ₹ 1,700 crores to RCCL. From the total ₹ 2,200 crore net available, ₹ 1,029 has been utilized for prepayment of external borrowings and balance amount in Raymond Limited and RCCL has been invested into liquid investments.

Our external gross debt excluding accrued interest stood at ₹ 1,071 crore with cash and cash equivalent of ₹ 1,806 crore, we will continue to utilize certain levels of our working capital required for the day-to-day working capital requirement in the normal course of business.

The issuance of ₹ 1,700 crore NCD by Raymond Limited to RCCL is a temporary arrangement, which will be netted off at the completion of demerger. The demerger will result into two independent net debt free listed entities of pure play B2C focused lifestyle and real estate business with significant liquidity surplus at the group level to spur future growth.

Coming now to the interest cost:

The interest cost in the quarter is ₹ 79 crore, which is higher by ₹ 20 crore on a year-on-year basis as compared to ₹ 59 crore in the same quarter last year. The interest cost has increased on account of the following:

- Our borrowing cost increased on account of RBI rate hikes, which was increased by almost 225 basis points compared to 1st Quarter FY2023.
- There is an interest cost of ₹ 10 crore on the NCDs 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 opened has been taken on a rental basis.
- Unamortized transaction cost for external long-term loans prepayment from the FMCG business sales proceeds.

Now, let me discuss the current status of the operations and outlook. As we all know, most parts of the country received incessant rain that impacted the agriculture output resulting in some somber sentiments as far as consumer demand is concerned. The discretionary spending has been impacted most primarily due to inflationary pressures and increased commodity prices. Adding to this there has been an extended duration of overall discounting particularly in apparel segments. The calendar year also has Adhika-masa that has pushed the festival ceremonies and weddings towards the end of the year. With Pitru Paksha period now concluding in the middle of October, all festivals are delayed, especially weddings being pushed from November onwards. Given the situation we expect the primary sales to our channel partners will also be delayed in order to make our products available in the market for the consumers before the festive season commences.

In line with our stated guidance, during the 4th Quarter last year call we are on track to expand our retail footprint, we will be adding almost 200 stores in the next 12 to 18 months and will 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 market.

In the Garmenting segment export lever continues to be China Plus One strategy and the global retail industry is undergoing consolidation as well. We have a strong order book in place for the next couple of quarters. That capacity expansion is well under progress to cater to the increasing demand from our customers. 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 Engineering business we are witnessing that the domestic retail demand in consumer sectors is healthy, and we expect the same to continue. However, in the export market the inflationary trend continues to be in the economy of European countries, as well as US and currency devaluation of certain developing economies.

We are working closely with our customers in assessing the demand and catering to the requirements from a raw material cost perspective, steel prices have recently moderated softened

after going through an inflationary trend for the last two years. However, we have the ability to pass on the same with a time lag. In the real estate market, we continue to see growth momentum in the residential market. As you all are aware that we created a benchmark, in the sector by delivering the first phase of the first project Tex X Habitat 24 months ahead of RERA timeline and now with over 200 families residing there, the overall consumer confidence has been reinforced. The growing consumer query and interest is a testimony to the fact that Raymond Reality is now a brand to reckon with and has been the largest and fastest selling real estate developer in Thane market. Recently in July, we launched a premium residential project with a total RERA carpet area of about a million square feet with a revenue potential of over 2,000Crores. . We received an overwhelming response with the +50 unit being booked on the launch day itself.

Regarding the net working capital, we have been consistently optimizing the net working capital in terms of the number of days, and we continue to maintain the same. From a cash flow perspective there is a continued focus to generate significant cash flow from the profitable growth of the business.

Thank you now, I would request the moderator to open the forum for the question-and-answer session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Himanshu Nayyar from Systematix. Please go ahead.

Himanshu Nayyar: To start with, if you can just give some more color on the demand environment which clearly has been sluggish. So, now do we sort of wait for things to improve externally or are we taking any extra efforts or are there any internal levers maybe like marketing or price cuts or some more product innovation or any of the other levers which we have internally to push growth higher till the time this overall environment does not improve?

Sunil Kataria: Hi, this is Sunil Kataria here. I'll take this question. So, thanks for asking such a pretty relevant question. But two parts to this. First is definitely we are very optimistic that this environment is a short term phenomena and this will improve once the wedding season kicks in post first half of October. So, that's the first piece which was, we believe that in fact there may be a pent up demand of the wedding season which will actually play out very bullish in the second half, that's the first part to it. Now, having said that the question is, what is there in our hands to stimulate growth further, and rather than only waiting for the season to come in. So, we have got a couple of levers, for example, in our suiting business, we have done a series of product innovations in both the mass end as well as in the premium end of the market. And both of them, the mass end innovation that we've done in the product, which is taking more and more share out of multi brand outlets, which has already been rolled out in the market. And the bookings, we have got very good feedback, we expect to gain more momentum. And the premium end offering that we are looking at launching is to be rolled out in October and early November. So, that's the kind of product innovation that we're looking at. In shirting's, again there has been a series of product innovations at the mass premium end which again are giving us a lot of leeway and we have

already started getting growth in the shirting business. We also believe we have headroom to grow in the shirting business in terms of sheer distribution reach itself, and that is going to be a, that is a very big lever in terms of expansion of our footprint of multi brand outlets and shirting.

In apparel, the results have been pretty strong, you are seeing a strong double-digit growth which is happening out, this is led by a focus on improving product designs and product quality and product portfolio. We have gone into casualization in a bigger way in Park Avenue and Raymond Read To Wear. And at the same time, we are looking at expanding our footprints. International business continues to be strong, so I'll not talk about that. Apart from this, we have been investing behind brands and our marketing spends will start going up from September onwards, just pre the season you will see a lot of new marketing campaigns also hitting the market. So, in a nutshell, with product innovation, go to market and marketing spreads, we believe we are very well placed to take advantage of the upcoming season or to stimulate demand. Apart from this, we are going to be, we have already started expanding stores, you will see this acceleration of stores over the next 9 to 12 months in a very, very significant manner, across our apparel portfolio.

Himanshu Nayyar:

Just a small follow up there, is pricing cut a possibility because we hear that in the new collection, some of the players are resorting to price cuts to boost demand?

Sunil Kataria:

This pricing cut or increase, I don't think so we are going to do it only from a demand point of what we have a policies, when we make new collections, we actually do a very good product portfolio benchmarking exercise where we see okay are we well covered in the mass end of the segment, are we well covered in the mass premium and the premium end and that is where we actually relook at the mix and that is a mix we had a relook at in AW 23 season, which has just rolled out and there is a relook we also had in spring summer 24, which will come somewhere in terms of January end plus, if you see end of season sales, this time started early and that while it had a laggard start, it panned out, it's picked up pretty much very well in the second half of the season. So, that end of seasons sale also has panned out for us. So, and in fact if you see there is one brand apart which is Parx, which is priced at the lower end of the market, there again we have taken some strong product portfolio introduction aim at mass end of the market.

Himanshu Nayyar:

Got it, thanks for the clarification, sir. The second bit is on the real estate piece. Now that is becoming a significant part of our portfolio. So, in terms of future visibility can you provide some updates on any new projects which we might be looking at outside our own Thane land parcel, or do you think for the next couple of years the focus will be on developing this piece in multiple phases?

Amit Agarwal:

I just answered, and I will ask Harmohan to respond more. See we have stated very clearly that our growth strategy is very clearly identified that we are going to utilize the Thane land, and I'm sure if you have seen our presentation, we talk about the 100 acre has a revenue potential of close to ₹ 25,000 crore of which ₹ 9,000 crore has been launched, of which 50% almost ₹ 4,200, ₹ 4,300 crores has been booked. And recently we launched further a project in Thane which is the Address by GS Season Two. And, we have already signed a JDA in Bandra which will be

launching in the next few months. But we have said clearly that we will have the expansion route through a JDA mechanism. So, that is where we will expand and Harmohan if you're there, if you can add.

Harmohan Sahni:

Yes. So, as far as the growth strategy is concerned, we've been clear right from the beginning and there is no pivot away from there and markets have supported us well. So, Thane is a good launching pad for the business, and it will continue to be so and outside of Thane we are looking at expansion first deal is already signed, as Amit mentioned, the Bandra deal, and we are expecting that to be put in the market shortly. Hopefully all goes well this year itself we will see the launch of that project subject to all the approvals being in place. And as we go along, we continue to look at other joint development opportunities. And having said that, we are very cautious in our approach to utilizing the capital very judiciously in terms of our growth, because this is a cyclical industry, and these are good times. So, it is very easy to get carried away, so very cautiously we are looking at growth. But we see very good growth potential outside of Thane also, and the kind of response we've got from market participants and the deal flow that we have is very, very encouraging. But we are being very choosy in doing deals.

Himanshu Nayyar:

Got it, very clear sir. And the final question sir would be, on capital allocation. I believe now we are sitting at more than ₹ 1,300, ₹ 1,400 crores of cash on our consol basis. So, do we, and that is, as you say, growth capital. So, do we wait for the demerger to finalize any further expansion plans, or do we have a plan in place right now to sort of or at least a broad roadmap as to how we will be utilizing the significant amount of cash plus the cash that we will be generating going forward, which will be a significant number. So, what is the broad allocation plan if you can share something on that front.

Amit Agarwal:

Sure. Look, we are sitting today with ₹1,500+ crore cash. And as I mentioned that during the demerger process, the total debt of the lifestyle will move to the Raymond Consumer Care and the Raymond Consumer Care would have been ₹ 2,200 crore of cash and it will carry a debt from Lifestyle to the tune of ₹ 1,850 to ₹ 1,900 crore. So, ₹ 300, ₹ 400 crore of cash will sit in the Lifestyle business. And then you will have almost ₹ 1,000, ₹ 1,100 crore sitting on the Raymond Limited, which almost includes ₹ 400 crore of real estate cash because we are a completely net debt free on the real estate side as well. So, to that extent, we have the plans we have already initiated the plans on the Lifestyle side, we are investing almost ₹ 200 crore of CAPEX on expanding the garment line by third of the capacity. And we should be completed over 12 to 18 months. We are investing behind the technology, we are spending almost going to be in the next 24 to 30 months almost ₹ 100 crore from the technology side, especially in the lifestyle business. So, like that we have chalked out the plan. And on the real estate side, the question is that we want to be careful that we don't want to just go and as we have stated very clearly we are not buying any of the land, we will do only a joint development project, which will have enough and more opportunities available in the Mumbai market, MMR region. So, that's the way we want to go and just now the money has come for almost two months back. So, therefore we have deployed into the liquid investments, and we will continue to explore the right opportunities and expansion plan in order to deploy the capital.

Moderator: Thank you. The next question is from the line of Rohan Kalle from InCred Capital. Please go ahead.

Rohan Kalle: I have two questions. One is on Ethnix if possible, would you be able to share any what has been the numbers Y-o-Y in terms of commercials, are we seeing any reason that we need to rework or anything, how are we sort of positioned there, that is one and then the second part on the real estate division. I see another new launch on your website called Invictus by GS which says it is coming soon. So, is it possible to maybe shed some light on that project as well?

Amit Agarwal: Yes, absolutely. So, what I will do is, Ethnix, it will be difficult for us to say the numbers, because what is happening is Ethnix is just a start of the business. And you need to clearly see the cycle for the wedding, which happens in the month of November, December as this is delayed because of that extra month under the Hindu calendar. So, effectively any comparison right now, because we are starting from a very small base would not be meaningful. So, that is why for us any commentary on the market and prospective is better to be done after November and December. Sunil, you want to add something.

Sunil Kataria: Amit already said, our clear focus right now is on making sure that we have a best in class product, portfolio and designs, and which I think today we can give a feedback very clearly that from the stores which have got launched out and the consumer feedback that we continuously get from the stores, we have hit a bull's eye at least on the right pricing and the right product quality and designs. So, that is a piece which is very clearly established for us because that's the heart of the whole strategy. The second piece is that we have actually moved on to now 75 stores as we sit today. And the focus is to really expand in double the store network over the next 9 to 10 months. And that's the second focus which is happening. Around October, we are going to invest heavily, in fact a month before that itself will start investing heavily behind our marketing campaigns to make sure that we drive footfall toward the stores. That's when we really get a sense of the footfalls and the way the business pans out in these stores.

Amit Agarwal: And the real estate.

Harmohan Sahni: Amit, I'll take the Invictus question. Sir, the marketing strategy the way we are approaching the real estate business is that we are trying to build three brand properties and one of them is Tex X, which is an aspirational product which was our first project with 3100 units. And then the premium version was addressed by GS, which was Signature Homes by GS. And the third product offering we have is in the luxury segment which goes by the name of Invictus. So, the idea is to build these three brand properties and use them over and over again at different locations within Thane, outside of Thane, as per our stated strategy that within MMR we will be doing. So, the Invictus is the luxury and very exclusive, very limited number of units, large apartments and these are all going to be not finished apartments where the consumer will come and finish them. And we haven't really fully launched that, but the RERA registration was done, in July we've got a fabulous response on this product also. So, we have a very high level of interest in that. So, that's Invictus.

- Amit Agarwal:** And just to supplement one thing, we enjoy such a great market share for five consecutive quarters. We are the number one market leader in the Thane micro market. Consistently our products sold have been the highest if I take one, two, three being the almost 28% to 30% market share in the Thane micro market, for five consecutive quarters.
- Rohan Kalle:** Sure sir. Just a follow up on Invictus. So, you mentioned it being in the ultra-luxury segment. So, will these be basically separate projects, or will they be like maybe let say project with four, five tower, one of them will sort of be an ultra-luxury, clarification on that?
- Harmohan Sahni:** So, all options are open in that sense, depending on the land that we are trying to develop, each land will have its own characteristics and the planning constraints. So, based on that it can either be a separate gated community or it could be part of a larger complex where there could be some Address by GS and some Invictus, both possibilities exist.
- Moderator:** Thank you. The next question is from the line of Perna Jhunjunwala from Elara Capital. Please go ahead.
- Perna Jhunjunwala:** Sir, would like to understand this Branded Apparel growth in this quarter a little more in detail. If you could share some channel wise sales mix for the quarter and what really led to the growth apart from EOSS?
- Amit Agarwal:** Very simple, you see the product range we have introduced, you know that we were a little bit of formal wear company, and there was less casualization in the past, the whole focus has shifted to significantly boost the casualization part. And secondly, you have also seen some bit of a store expansion, which was happening, and with a very focused, which market needs, what kind of a product that has helped us to achieve in this subdued environment, also to gain an increase the products and the growth.
- Sunil Kataria:** Also, just to add on to supplement this data. Apart from one thing as will get the casualization piece that we have played out in Parx, by buffing of portfolio in Park Avenue and in Raymond Ready To Wear, that started doing well. We also are seeing that apart from our own retail channel expansion which is helping us we're also seeing what is coming, where we think we are gaining market shares is multi brand outlets and there is a LFS organic expansion of the footprint, which is also helping us, because we are now getting much more acceptability because we have a larger portfolio across multiple types of LFS. And clearly, we are seeing some gains happening across multi brand outlets. So, it's a very, very, I would say all-encompassing gain across channels, which is our own retail stores, MBO and LFS as well.
- Perna Jhunjunwala:** If you could put in some numbers to this in terms of growth, or sales mix or something?
- Amit Agarwal:** So, basically if you see Perna what has happened is, that we focus mainly on the Parx which has helped us to grow, especially the MBO and the LFS channel. Then you have also seen growth on the general MBO expansion, and the LFS where we are keeping our products.

Sunil Kataria: And also, if you see, we are seeing actually it's a twin strategy where we are playing out for us that we're seeing both premium brands as well as the mass brands doing well for us. So, we've seen pretty strong growth in Color Plus and Raymond Ready To Wear as well as Parx doing pretty well. So, both sides are playing out, one end we are getting, thanks to the improved product portfolios and focus, we're getting inroads into maybe multi brand outlets, and in LFS, it's happening both at a premium end of LFS as well as the value LFS which is now coming back into play. And at the same time brands like Color Plus and Raymond Ready To Wear, which are more premium brands, are gaining because we are doing well through our own stores and there is also footprint expansion also happening there.

Prerna Jhunjunwala: Understood. Sir how much of your exclusive retail stores would be COCO and franchisee driven?

Sunil Kataria: So, total our COCO stores overall footprint are roughly around 10% to 11% of our total business and the rest all are franchisee stores. So, we are very focused on making sure that, the strategy for COCO stores is that if there are some very, very marquee locations, which are high end malls, or maybe some very high end, high street locations, where we know that, the real estate cost may be higher, but those properties are marquee properties, that they actually drive a lot of brand equity per se apart from footfalls. Those properties we like to invest ourselves. But otherwise we would like to follow more asset light franchisee driven market.

Prerna Jhunjunwala: Okay, understood sir. Next question on garmenting piece, we saw 7% top line growth, but our EBITDA growth was 62%, was there any one-off advantage that we had in EBITDA, or was it only input price driven or was it sale mix, could you please help us understand this EBITDA expansion in garmenting business, as well as sales mix which is driving the growth?

Amit Agarwal: What has happened is, you see this is exactly the China plus one playing fully well. Now, previously, the customers who were buying from China, they are starting to shift here. And some of the big players very, very marquee players have come to us and who in turn, give a comparatively better pricing for our products, and then you go to throughputs mode, and if you increase the throughput, you get operating leverage and operating efficiency. So, it is let's say, bit coming from the sales, price improvement, product mix improvement, and a bit coming from the operational efficiency and operational leverage.

Prerna Jhunjunwala: Okay. Sir would it be fair to assume that volume growth would have been lower and price growth would have been higher because of mix improvement?

Amit Agarwal: You are right, volume growth is comparatively lower compared to what you call price improvement because of the mix. And see, at the end of the day what is happening is, that we also have an opportunity right now, as we continue to expand 1/3 of our capacity, that some of the volumes which are little low priced, we will keep it when we have the expansion of the facility which we should see some benefits coming soon as quick as in the next six months. So, therefore, we are taking a better priced order right now, and pushing some of the lower price orders to when we have the expanded capacity.

- Sunil Kataria:** And one point is that I would like to add here is, that thanks to, we are also doing one thing in our strategy, we are now expanding geographies globally in a very, very big way. So, let's say earlier, we would have very strong clientele coming from market like US now we are focused on new customer acquisition within US by the same time we have opened up markets in Europe, many clients and those are new customers are coming into play, are some very large global customers. And they are also opening along with new geography markets are opening new categories for us. So, one of the pieces we are seeing is, maybe shirts is becoming also a new emerging growth category for us within the whole mix itself. Thanks to new markets and new customers coming into play, which are driving almost, fundamentally different mix itself for us. And as you know, shirts have a much higher turnover within a wardrobe than what a suit would have been otherwise, or a jacket would have.
- Prerna Jhunjhunwala:** Okay, understood sir. And the expansion that we are doing for ₹ 200 crores in this business, is it for only shirting or is it a mix of woven as well as hosiery products?
- Sunil Kataria:** No, this is across trousers, jackets, suits and it's a complete across the wardrobe.
- Amit Agarwal:** And we don't do hosiery and we don't do woven.
- Prerna Jhunjhunwala:** Okay, understood. And last question on this segment only, could you help us understand this new marquee customers if you could name one or two, which would help us to understand?
- Amit Agarwal:** We are a bit hesitant or reluctant to tell you the names, but I can tell you, some of the top European names which you can think in men's clothing, they are with us.
- Sunil Kataria:** Global footprints, these are the top European brand in global footprints.
- Moderator:** Thank you. The next question is from the line of Aliasgar Shakir from Motilal Oswal Financial Services. Please go ahead.
- Aliasgar Shakir:** I had a question on the Branded Apparel business. So, we have communicated our strategy to expand our network. So, while we do that, what kind of margin trend we should build given that you will be rolling out aggressive network, should we expect the margins in the near term to kind of see some impact because of the aggressive store addition or because this is going to be on a FOFO model, it may not have any material bearing and we should see continuous improvement in brand new apparel margin. So, in that context, how should be a three-year trajectory and where should it settle, the apparel margin?
- Amit Agarwal:** Thanks Ali. We said that the way we are growing this business, we are looking at two or three significant aspects of improving the margins, number one what you need is store expansion. And we have stated very clearly that in the next three to four years, we would take our EBO expansion from a current level to almost double, we will open more than 450 to 500 stores over the next four years or so, that is the big expansion, an exposure creates demand that is number one. The second thing what is also happening is, when you are selling and expanding of this level, you

will automatically get a lot of operating leverage. So, secondly, it will help us to improve the margin significantly. Third thing, as we have also talked about that we are very clearly investing behind these brands and making the products like the casualization on one end, premiumization on the other hand. Second thing we will put money behind as Sunil talked about, immediately after the shradh and such thing, we will put out a large marketing campaign. So, my view is that we should be good in the range of 13% to 15% in the next three or four years from now, which is in line with all branded players.

Sunil Kataria:

And one thing which really happens, as we grow this now. After you've created great products, what matters in this category is also brand salience and brand awareness. Now, you can go ahead and do large brand investments, if your footprints are stronger, your brand has got to scale in terms of reach. Once as that has started happening, we are planning we are investing behind these brands also, because we believe now we have got a mix by and large right, with the footprint right and we are going to do brand investments now it's a very difficult thing for me to do a brand investment and get return on it. If I've got 40 stores or 50 stores per brand, it becomes a very different game, the moment I've got 150 stores per brand. And that is going to play out, which also in a way become, I believe, a kind of flywheel in itself, you do good products, you could do brand investments, you have the right go to market. And it's a kind of good churning model in itself, we then drive scale and that's the model we are trying to build, we will in this entire game Ethnix will be a very critical driver for us. On one hand we will drive as you said Raymond Ready To Wear brands, will do Park Avenue and Color Plus which is in the normal apparel business. But Indian ethnic wear will be again a critical area of focus, we have 75 stores, we are targeting to double this over the next 9 to 12 months. And there are investment campaigns which will happen behind Ethnix as well.

Aliasgar Shakir:

Understood, thank you this was very detailed. Just a quick follow up so 13% to 15% you were talking is post-IndAS or pre-IndAS and at what revenue scale we should be able to achieve that?

Amit Agarwal:

See, clearly this is a post-IndAS because now everybody talks that kind of a number, so it becomes very confusing to talk the other pre-IndAS. So, this is obviously post-IndAS and what we are talking about, see today we are on a ₹ 1,400- ₹ 1,500 crore kind of a run rate on the revenue side. we see based on the store expansion and such things in the next three years, easily hitting more than ₹ 2,000- ₹ 2,200 crores of revenues. And then when you're hitting a ₹ 2000- ₹ 2,200 crore revenue you should be able to achieve this 13%, 14%, 15% EBITDA margin, not a doubt.

Moderator:

Sir, the current participant seems to have dropped from the queue. We will proceed with the next question which will be from the line of Nirav Savai from Abakkus Asset Management. Please go ahead.

Nirav Savai:

So, my question is related to the real estate part of it. We have indicated in our presentation that we have sold 50 units of the Address by GS 2. So, would it be able to quantify the value of the sales for this project?

- Amit Agarwal:** So, very clearly the recently launched project we have said it's a million square feet with a ₹ 2000 crore potential.
- Nirav Savai:** No, I'm trying to understand the 50 units which has been sold, what would be the value of that 50 unit which has got sold?
- Amit Agarwal:** See, since it is for this quarter, it is sold we are not going out specifically and telling you, but it is Address by GS Season 2. So, it is exactly similar pricing or slightly better pricing compared to the Address by GS 1. So, you can do the math.
- Nirav Savai:** Understood, perfect. And this Invictus is yet to be launched, or is it something which is already launched?
- Amit Agarwal:** Soft launch has been done; we have got the RERA approval. We have not officially made it a big launch and we have already sold some of the apartments also in that.
- Nirav Savai:** Right. So, will we see some contribution for these two projects in the second quarter as well?
- Amit Agarwal:** Yes, but when you do the RERA start you do not see immediately for the next one, two, three quarters really a big revenue because we follow the percentage cost of completion method.
- Nirav Savai:** The presales.
- Amit Agarwal:** Pre sales obviously you will see, 101%.
- Nirav Savai:** On the second quarter onwards these two projects will start contributing. But in terms of the pricing if I were to compare Invictus with the Address, what would be the premium if you can quantify in percentage terms versus carpet area?
- Harmohan Sahni:** So, to begin with the premium is about 3% over Address by GS. And we are hoping to get up on the gap as the number of units sold has been very, very encouraging. And just to add to what Amit was saying that in the quarter that we launch a project there are two implications which happens, of course our presale immediately gets a boost up because launch sales are always higher than in the sustainability phase, but what happens is that all the expenses waiting to that launch start reflecting in the P&L. And as per the accounting policy, they are period cost. So, these two implications happen every time a project is launched.
- Amit Agarwal:** And just to add one more thing, when Harmohan mentioned 3% you must also assume from the cost side that Invictus is a bare shell delivery whereas the Address by GS you have built a finished facility and that also has a cost implication. So, one should consider that aspect as well.
- Harmohan Sahni:** That's right.

- Nirav Savai:** Got it. And would it be possible to throw some light on pending receivables of what we have sold and what is expected in FY24 from the sold inventory or the collection side?
- Amit Agarwal:** See this is based on a milestone the whole sales what happens is based on the milestone completion, that you reach the 27th floor then you get so many collections and so on so forth. So, therefore, it is largely dependent upon the construction piece. Otherwise, when we have done ₹ 4,200 crores of sales, you can well imagine we have collected almost ₹ 1700- ₹ ₹ 1,800 crores we have collected, the balance is yet to be collected.
- Nirav Savai:** Right. I am just trying to understand in case we can get some number from the sales, old receivables for '24. At least we'll get some idea about the kind of collections pending receivable which we would be getting this year.
- Amit Agarwal:** No, that would not be appropriate because what happens is, it depends on the construction pace, because as you keep continuing to construct you will get the demand raise for the customer and then they will make the payments. So, therefore it is literally too premature for me to say right now how much is the receivable because it has not yet become a receivable unless and until you do that milestone activity, it will not turn out to be a receivable. Hope that is clear to you.
- Moderator:** Thank you. We have the next question from the line of Priyanka Trivedi from Antique Stock Broking. Please go ahead.
- Priyanka Trivedi:** So, my first question is that you highlighted that we would be investing around ₹ 100 crores in tech. So, what are the digital initiatives that we are taking in front end as well as the back end to bring in the efficiencies?
- Sunil Kataria:** Okay. So, I'll take this question. So, in the lifestyle business, we have clearly laid out a roadmap which is both a base tech up-gradation model, and then a digital enhancement model. And this is a project which will pan out over the next, which has already started in full swing, and would pan out over the 36 months or so. The first and first, big project which is currently underway, is a upgrade of our multiple legacy SAP system into a very advanced consolidated and integrated S/4 HANA project. It's already kick started, we are in the middle of it, we expect to complete that in the period July, August and September in that quarter next year. And that will make sure that we are the state of the art and one of the best enterprise goals in this industry in the country. Apart from that, we have mapped out certain bolt on projects on S/4 HANA, which are aimed at improving, automizing & optimizing and I would say advanced algorithm-based B&M modules, production planning modules and also in terms of working out vendor management module, which we are doing. That is another project, those are other three or four projects which are already identified in the various stages of coming on board, some of them will go parallel with S/4 HANA implementation, some will happen in the second phase which is post the S/4 HANA implementation. Today, we have already shifted over from an older POS system across all our entire 1400 stores, to a completely state of the art new POS which is Dynamics 365. And that has been completed and rolled out in the quarter one of this year. This gives us an ability to really get real time data and analysis in terms of data from our various stores and links it over

back to a supply chain. The fourth thing which we are doing right now is, we have set up a completely independent e-com and omni channel team within our business, there's a new capability which we identify we need to build last year. It has happened over the last six months. Those teams are already in place and right now as we talk, we have started building our and upgrading our omni channel capability and what we will call endless aisles. And we hope to see that coming through also in the next six to nine months. So, on a whole these projects are going behind First upgrading the enterprise score, and then building multiple omni channel / supply chain enabled digital initiatives across the world. We see there are a lot of benefits, if I were asked about the benefits, the benefits will come through the projects. One is obviously a huge amount of variability of data, which will help us improve operating efficiency across the organization. Secondly, it will give us huge visibility and analysis into consumer databases, whereby we can then drive very focused and micro marketing initiatives to drive a better price through, upgrades on sales, uptick on production values, bill size, etc.

Priyanka Trivedi:

Okay, so thank you that was very detailed response. Sir, my second question was, we've mentioned in that presentation that, we've closed around 39 stores during the quarter. So, are there any further planned closures in our Branded Apparel space and out of the 200 stores that we are going to open during the years, how much of that would be excluding Ethnix?

Amit Agarwal:

Look, the closure now, what is happening is, in this process maybe I can open the store on a certain place in the High Street which does not cater to the wedding market. So, then what we said was let us close this door and move 100, 200, 500 meters from that place and open a new store and that store is under construction or purchasing. So, we are not closing per se store, store that we are closing, it is mostly relocation and some of the places where we are thinking that MBO can do a better job in terms of sales of our Parx brand we are doing that.

Sunil Kataria:

And actually, one call which we very clearly taken, I can actually remember in some of the earlier analyst calls, investor calls also talked about it that it, that within our Branded Apparel, we have identified and I'm talking the non-ethnic business right now. We have clearly identified three power brands which will be driven by retail footprint, which is Park Avenue, Raymond Ready To Wear and Color Plus and in case of Parx, yes we have shut down some stores because we are exiting the exclusive branded outlet strategy of Parx. We believe as a mass premium brand, it requires actually a much far intense deeper reach which can come to a through actually third-party reach which is like multi brand outlets, online channel, value LFS and that's the area through which we will driving Parx and the strategy there will be to gain market shares, while there are other three brands along with Ethnix as a fourth brand. We will be clearly driving EBO strategy.

Priyanka Trivedi:

Okay. And sir my last question would be with regard to our ad spending. So, how much of that has been incurred during the quarter versus last year and how is this expected to pan out for the year?

Amit Agarwal:

So, what has happened is, as we have said that our sales and promotion and ad spends is in that range of ₹ 45-₹ 50 crores for the company. We are talking a similar level of ₹ 45-₹ 50 crore that

is the way we have spent. But in this quarter the idea was obviously less because the big spent we need to do is closer to the wedding season, which we just talked about specially on the Ethnix area, that is something which we will do on the ad and the sales promotion. We do not consider separately these two, we consider as one bucket between ad and sales promotion. And obviously you will see more activity during October, mid-October, November, that kind of period where we will have larger sales activities.

Sunil Kataria: And as part of our normal annual operating exercises, these are phasing, which is done because we know we have linkages of consumer footfalls to season which is coming in. There are linkages to festive occasions and wedding in this kind of segments. So, automatically the plans are made, the marketing campaigns are made in line to sync with those initiatives. And that is something which we will see.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments. Over to you sir.

Amit Agarwal: Thank you very much, and we appreciate that and we wish everyone all the best and look forward to talking to you in the next quarter.

Moderator: Thank you. On behalf of Antique Stock Broking Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.