

## Raymond Lifestyle Limited (Revised)

December 09, 2024

| Facilities/Instruments     | Amount<br>(₹ crore) | Rating <sup>1</sup> | Rating Action |
|----------------------------|---------------------|---------------------|---------------|
| Long-term bank facilities  | 1,235.00            | CARE AA; Stable     | Assigned      |
| Short-term bank facilities | 820.00              | CARE A1+            | Assigned      |
| Non-convertible debentures | 300.00              | CARE AA; Stable     | Assigned      |
| Commercial paper           | 550.00              | CARE A1+            | Assigned      |

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to bank facilities, short term and long term instruments of Raymond Lifestyle Limited (RLL) derive strength from its dominant position in the worsted suiting segment, integrated presence across the textile value chain and diversified revenue stream, widespread distribution network supplemented by asset-light retail strategy, presence of established brands in the apparel segment, and experienced promoter group and management.

The lifestyle business of Raymond Limited (RL) was demerged and transferred to RLL (earlier known as Raymond Consumer Care Limited) on June 30, 2024. The record date was fixed as July 11, 2024, with RL's shareholders receiving four shares of RLL for every five shares held in RL. The company was listed on September 05, 2024.

RLL had 1,592 stores as on September 30, 2024, which includes 1,083 The Raymond Shop (TRS), 46 made-to-measure (MTM) and 463 exclusive brand outlets (EBOs). RLL has 20,000+ stock keeping units (SKUs) in branded textiles segment and presence across 600+ cities and towns. The company has a portfolio of brands in its Branded Apparel segment such as Colorplus, Park Avenue, Parx, Ethnix and recently launched "Sleepz by Raymond".

Ratings derive strength from its diversified revenue profile with branded textile, branded apparels, garmenting and high value cotton shirting contributing ~50%, 23%, 12% and 15% respectively. Total operating income (TOI) for FY24 was ₹6,535.41 crore with profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin at 14.33%. In H1FY25, TOI was ₹2,928 crore against ₹3,125 crore in H1FY24 and PBILDT margin for H1FY25 was 9.37% against 12.73% in H1FY24. Moderation in performance was due to general decline in consumer sentiment and discretionary spending, which impacted footfall at retail outlets and overall market demand. Excessive rainfall, rising inflation, and other economic headwinds affected consumer spending. Also, the increase in input costs have affected PBILDT margins. CARE Ratings Limited (CARE Ratings) expects performance in H2FY25 to improve with the onset of festive and wedding season. The company's branded textile and branded apparels segment is expected to do well with higher number of wedding dates in H2FY25 compared to H2FY24. The company recently launched "Sleepz by Raymond" comfort/night wear in men clothing segment. Revenue contribution from new categories (ethnix, sleepwear and innerwear) is expected to improve in the medium term contributing ~6-7% of the total revenue. In FY24, the company opened 200+ stores increasing its market presence, which assisted growth in sales despite muted demand scenario. In H1FY25, the company opened 74 new stores and intends to add 600+ stores in the next three years.

Ratings further derive its strength from healthy financial risk profile with comfortable capital structure and liquidity position. Overall gearing stood at 0.35x and PBILDT interest coverage ratio at 4.79x as on March 31, 2024. Capital structure is expected to slightly moderate with capacity enhancement capex planned for its garmenting division and addition of retails stores.

However, rating strengths are partially tempered by working capital intensive operations inherent to the textile industry, raw material price fluctuation and fluctuation in foreign exchange making profitability volatile, intense competition faced from organised and unorganised players, especially in the branded apparel segment, and cyclical associated with the textile sector.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications

## Rating sensitivities: Factors likely to lead to rating actions

### Positive factors

- Improvement in the operating performance aided by growth in revenue and stable PBILDT margin leading to healthy cash generated from operations.
- Maintaining strong financial risk profile with Net Debt/PBILDT less than 1.00x on a sustained basis and surplus liquidity in the form of cash and liquid investments.

### Negative factors

- Increase in leverage, thereby increasing overall gearing above 0.75x on a sustained basis.
- Slowdown in demand leading to lower than expected revenue generation and profitability.

### Analytical approach: Consolidated

Consolidated approach considering the strong operational and financial linkages between RLL and its subsidiaries. The list of subsidiaries which have been consolidated is provided in Annexure-6.

### Outlook: Stable

The Stable outlook reflects that the company is likely to maintain its strong operational performance, while maintaining its financial risk profile and liquidity in the medium term.

### Detailed description of key rating drivers:

#### Key strengths

##### Strong parentage, track record of management, and experience in textile business

The promoter group has been in the textiles business for decades and has been closely involved in defining and monitoring the business strategy. Gautam Singhania (Executive Chairman of RLL) has been on the board of RL since 1990. He has restructured the group, sold the Raymond group's non-core businesses (synthetics, steel, cement and FMCG) and focused on making RLL an internationally reputed fabric-to-fashion players. The Raymond group is managed by a qualified management team, comprising industry personnel with over two decades of experience in their respective fields.

##### Dominant position in the worsted suiting fabrics business

Strong brand image with a long-track record of 99 years assisted by a large retail network has aided Raymond to emerge as a leading player in the worsted suiting fabrics in India. It is India's largest manufacturer of worsted fabrics and wool blends having a dominant market share. It has a network of 1,083 retail outlets branded as TRS as on September 30, 2024, across India and abroad. It has also emerged as the largest over-the-counter (OTC) branded shirting player in the domestic organised market since its launch in 2015. Raymond is a leading business-to-consumer (B2C) branded player for suiting and shirting in India, and over the years commands the largest market share in domestic worsted suiting fabric industry. Raymond is major exporter of men's tailored suits, jackets, and trousers from India to the world.

##### Diversified revenue stream with integrated presence across the textile value chain

RLL's revenue profile is well diversified and fairly distributed across segments. In FY24, Indian operations contributed 85% (PY: 80%) to total revenues and balance from overseas operations. It largely has an integrated presence across the textile value chain right from yarn manufacturing to suiting and shirting fabrics, B2C shirting to garments to denim to apparel and retailing. This integrated setup gives Raymond operational flexibility to rationalise costs by managing dependence on outsourced vendors.

##### Widespread distribution network supplemented by asset-light retail strategy

In India, RLL has one of the largest retail networks of 1,592 stores (1,083 retail outlets branded as TRS, 46 MTM and 463 EBO as on September 30, 2024, and dedicated retail space of 2.61 million sq. ft. as on March 31, 2024). The company's retail network is spread across 600+ cities in India and overseas with 1500+ stores in seven countries. The company downsized losses, making EBOs and closed its unprofitable multi brand outlet (MBO) operations. Over 80% of branded apparels, EBOs and MTM, are company-owned, whereas ~75% of TRS are on franchise basis implying that the company generally follows an asset-light franchise model, where the company usually incurs only minimal capital expenditure needed to open a store (with land/store space owned by franchisee). Renovation costs are incurred by the franchisee for their stores. The entire stock requirement of franchisees is bought from the company without recourse; there are no returns of unsold stock. Therefore, the entire investment risk in the inventory is borne by franchisees. In EBO's the sales are booked when end-consumer purchases from stores, whereas in MBOs, sales are booked when Raymond sells to the MBO. The company plans to expand retail store network by opening 600+ stores in the next three years mainly focusing on expanding its EBO network.

### Strong operating performance across all business segments in FY24, however moderated in H1FY25

Raymond reported TOI of ₹6,535.41 crore in FY24 with contribution from branded textile (~50%), branded apparels (~23%), Shirting (~12%) and Garmenting (~15%). Despite subdued consumer demand, the growth is primarily attributed to expanding distribution reach with the opening of 200+ stores in the last 12 months with focused approach on premiumisation, casualisation, and newer designs. The company's branded textile and branded apparels are retails business with ~72% contribution while shirting and garmenting are business-to-business (B2B) businesses housed under its two subsidiaries Raymond Luxury Cotton Limited and Silver Spark Apparels Limited respectively. In H1FY25, the company reported TOI of ₹2,928 crore against ₹3,125 crore in H1FY24. Decline in consumer sentiment and discretionary spending, impacted footfall at retail outlets and overall market demand. Excessive rainfall, rising inflation, and other economic headwinds affected consumer spending. Increase in input costs have also affected the PBILDT margin. CARE Ratings expects performance in H2FY25 to improve with the onset of festive and wedding seasons. The company's branded textile and branded apparels segment is expected to do well with higher number of wedding dates in H2FY25 compared to H2FY24. The company recently launched "Sleepz by Raymond" comfort/night wear in men clothing segment. Revenue contribution from new categories (ethnic, sleepwear and innerwear) is expected to improve in the medium term contributing ~6-7% of the total revenue.

### Healthy financial risk profile

RLL's financial risk profile is characterised by healthy capital structure and debt protection metrics. Overall gearing for FY24 was 0.35x and PBILDT interest coverage ratio of 4.79x. As on September 30, 2024, total debt including lease liability stood at ₹2,114 crore and cash & liquid investments at ₹773 crore. Capital structure is expected to slightly moderate with capacity enhancement capex planned for its garmenting division and addition of retails stores. However, CARE Ratings expects the company's overall gearing and liquidity to remain comfortable in the medium term. RLL has opened 74 stores in H1FY25 with the total store count reaching 1,592 as on September 30, 2024.

### Key weaknesses

#### Susceptible to commodity price risk and foreign exchange fluctuation risk

For RLL, the cost of raw materials (including wool, cotton, and polyester) constitutes ~23% of cost of sales. In the past, raw material prices have been volatile, exposing the company to commodity price risk. Being an established brand, Raymond is able to alter its product mix accordingly and pass on the increase in costs, which partially mitigate commodity price fluctuation. Per the management, there can be a lag in passing on price increase. Wool consumption is a major part of RLL's total raw material consumption, and RLL purchases wool from Australia, South Africa and South America. The geographical spread of the company's cotton yarn includes Indian and imported Cotton. The company covers commodity in advance. RLL manages price fluctuation risks through combination of forward and spot bookings, inventory management and pre-emptive vendor development practices.

#### Intense competition from organised and unorganised sector in branded apparel segment

RLL faces intense competition in the branded apparel space from other established players such as Allen Solly, Louis Philippe, Van Heusen, Arrow, Siyaram, US Polo, Blackberry, Zodiac, Tommy Hilfiger, and Nautica among others, and is also vulnerable to changes in fashion trends and consumer spending habits, which were more noticeable in COVID-19. However, with its widespread distribution network and strong brand image, Raymond is expected to sustain its operating performance going forward.

### Liquidity: Strong

RLL's liquidity is marked by unencumbered cash and liquid investments aggregating to ₹773 crore as on September 30, 2024 (March 31, 2024: ₹915 crore). There is sufficient cushion between debt repayment and capex for FY25 with expected gross cash accruals (GCA) of ~₹500 crore for FY25. On average it has unutilised working capital limits of 69% for 12-months ended August 31, 2024.

### Environment, social, and governance (ESG) risks

| Parameter     | Compliance and action by the company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Environmental | <ul style="list-style-type: none"> <li>All three manufacturing units of the company are ISO 9001, ISO 14001, ISO 50001 and ISO 45001 (OH&amp;SMS) certified.</li> <li>In the year under review, 100% wool was sourced sustainably and was certified under the Responsible Wool Standard. The company also sourced 0.5% of Recycled Polyester Tow and 0.2% of Recycled spun yarn, both certified by the Global Recycling Standard.</li> <li>Hazardous waste within departments is segregated and stored in labeled bins. Waste with oil goes to Stores for disposal, while hazardous waste-contaminated containers is washed at the Effluent Treatment Plant (ETP) before storage. Washed water goes to ETP for treatment, and sludge is disposed of via PCB authorized agency.</li> </ul> |

|            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|            | <ul style="list-style-type: none"> <li>The wastewater generated by the Chhindwara Plant is being reused/recycled for production, gardening and other purposes and the plant is in the final phases of obtaining ZLD. Vapi Plant has the Effluent treatment plant in place including primary, secondary &amp; tertiary treatment and water is discharged following the Gujarat Pollution Control Board norms.</li> <li>In Chhindwara plant, RLL has Installed energy-efficient lighting systems with LED lighting, adopted Operations &amp; Maintenance best practices in electrical systems, and utilised Rice Husk as a renewable fuel in boilers for steam generation, significantly reducing Greenhouse Gas emissions. Variable Frequency Drives on Machines, energy-efficient fans, and motors on Humidification Towers have also been implemented</li> </ul> |
| Social     | <ul style="list-style-type: none"> <li>The company has zero fatalities in its factories in the last five years.</li> <li>RLL has single digit employee turnover rate.</li> <li>The company has a target of achieving 20% gender diversity by 2030.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Governance | <ul style="list-style-type: none"> <li>To address the governance risk, the company continuously strives for excellence and focuses on enhancement of long-term stakeholder value through adoption of best governance and disclosure practices.</li> <li>The company maintains a comprehensive set of compliance policies and procedures which assist them to comply with the law and conduct its business in an honest, ethical and principled way.</li> <li>The policies are intended to maintain high standards of corporate governance, which underpins the company's ability to deliver consistent financial performance and value to its stakeholders.</li> <li>The promoter representation on the board is moderate — one out of 10 directors (10%).</li> <li>Over 50% of the board members (7 of 10 members) are IDs.</li> </ul>                           |

### Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Cotton Textile](#)

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### About the company and industry

#### Industry classification

| Macroeconomic indicator | Sector   | Industry            | Basic industry        |
|-------------------------|----------|---------------------|-----------------------|
| Consumer discretionary  | Textiles | Textiles & apparels | Garments and apparels |

RLL is a fashion and retail company with iconic men's fashion brands and a vast retail network. The company offers fashion products and services with branded textile, apparel brands across formal, casual and ethnic wear.

Lifestyle business of RL was demerged and transferred to RLL on June 30, 2024.

RLL has 1,592 stores as on September 30, 2024, which includes 1,083 TRS, 46 MTM and 463 EBOs. RLL has 20,000+ SKUs in branded textiles segment and presence across 600+ cities and towns. RLL has a portfolio of brands in its branded apparel segment including Colorplus, Park Avenue, Parx, Ethnix and Sleepz by Raymond.

RLL has aggregate capacity of ~120 mn meters of fabric and ~11+ mn garmenting capacity per annum. Garmenting and High Value Cotton Shirting businesses are housed under wholly owned subsidiaries. On a standalone basis RLL is mainly into branded textile and branded apparel.

| Brief Consolidated Financials<br>(₹ crore) | March 31, 2023 | March 31, 2024 (A) | H1FY25 (UA) |
|--------------------------------------------|----------------|--------------------|-------------|
| Total operating income                     | -              | 6,535.41           | 2,928.38    |
| PBILDT                                     | -              | 936.57             | 274.51      |
| PAT                                        | -              | 2,644.71^          | 18.97       |
| Overall gearing (times)                    | -              | 0.35               | 0.49        |
| Interest coverage (times)                  | -              | 4.79               | 2.15        |

A: Audited/Abridged; UA: Unaudited Note: these are latest available financial results.

^includes ₹2,165.20 crore profit on sale of FMCG business.

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

| Name of the Instrument                                | ISIN         | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook |
|-------------------------------------------------------|--------------|-------------------------------|-----------------|----------------------------|-----------------------------|------------------------------------|
| Commercial Paper-<br>Commercial Paper<br>(Standalone) | Proposed     | -                             | -               | 7-365 days                 | 550.00                      | CARE A1+                           |
| Fund-based -<br>LT-Cash Credit                        |              | -                             | -               | -                          | 1235.00                     | CARE AA;<br>Stable                 |
| Fund-based -<br>ST-Factoring/<br>Forfeiting           |              | -                             | -               | -                          | 225.00                      | CARE A1+                           |
| Fund-based-<br>Short Term                             |              | -                             | -               | -                          | 45.00                       | CARE A1+                           |
| NCD                                                   | INE301A07060 | 10-Feb-2021                   | 9.00            | 09-Feb-2031                | 200.00                      | CARE AA;<br>Stable                 |
| NCD                                                   | INE301A07078 | 27-Dec-2021                   | 7.60            | 26-Dec-2024                | 100.00                      | CARE AA;<br>Stable                 |
| Non-fund-<br>based-Short<br>Term                      |              | -                             | -               | -                          | 550.00                      | CARE A1+                           |

#### Annexure-2: Rating history for last three years

| Sr. No. | Name of the Instrument/Bank Facilities                | Current Ratings |                              |                    | Rating History                              |                                             |                                             |                                             |
|---------|-------------------------------------------------------|-----------------|------------------------------|--------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|
|         |                                                       | Type            | Amount Outstanding (₹ crore) | Rating             | Date(s) and Rating(s) assigned in 2024-2025 | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 |
| 1       | Fund-based - LT-Cash Credit                           | LT              | 1235.00                      | CARE AA;<br>Stable |                                             |                                             |                                             |                                             |
| 2       | Commercial Paper-<br>Commercial Paper<br>(Standalone) | ST              | 550.00                       | CARE A1+           |                                             |                                             |                                             |                                             |
| 3       | Debentures-Non<br>Convertible<br>Debentures           | LT              | 300.00                       | CARE AA;<br>Stable |                                             |                                             |                                             |                                             |
| 4       | Fund-based-Short<br>Term                              | ST              | 45.00                        | CARE A1+           |                                             |                                             |                                             |                                             |

|   |                                       |    |        |          |  |  |  |  |
|---|---------------------------------------|----|--------|----------|--|--|--|--|
| 5 | Non-fund-based-Short Term             | ST | 550.00 | CARE A1+ |  |  |  |  |
| 6 | Fund-based - ST-Factoring/ Forfeiting | ST | 225.00 | CARE A1+ |  |  |  |  |

LT: Long term; ST: Short term; LT/ST: Long Term/Short Term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not available

#### Annexure-4: Complexity level of instruments rated

| Sr. No. | Name of the Instrument                         | Complexity Level |
|---------|------------------------------------------------|------------------|
| 1       | Commercial Paper-Commercial Paper (Standalone) | Simple           |
| 2       | Debentures-Non Convertible Debentures          | Simple           |
| 3       | Fund-based - LT-Cash Credit                    | Simple           |
| 4       | Fund-based - ST-Factoring/ Forfeiting          | Simple           |
| 5       | Fund-based-Short Term                          | Simple           |
| 6       | Non-fund-based-Short Term                      | Simple           |

#### Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

#### Annexure-6: List of companies/entities consolidated as on September 30, 2024

| Sr. No. | Name of the Company/Entity           | Extent of consolidation | Rationale for consolidation |
|---------|--------------------------------------|-------------------------|-----------------------------|
| 1.      | Silver Spark Apparel Limited         | Full                    | Subsidiary                  |
| 2.      | Celebrations Apparel Limited         | Full                    | Subsidiary                  |
| 3.      | Raymond Luxury Cottons Limited       | Full                    | Subsidiary                  |
| 4.      | Ray Global Consumer Products Limited | Full                    | Subsidiary                  |
| 5.      | Jaykayorg SA                         | Full                    | Subsidiary                  |
| 6.      | Raymond (Europe) Limited             | Full                    | Subsidiary                  |
| 7.      | R&A Logistics Inc.*                  | Full                    | Step down subsidiary        |
| 8.      | Silver Spark Middle East FZE*        | Full                    | Step down subsidiary        |
| 9.      | Silver Spark Apparel Ethiopia PLC*   | Full                    | Step down subsidiary        |
| 10.     | Raymond America Apparel Inc.*        | Full                    | Step down subsidiary        |

\*Subsidiaries of Silver Spark Apparel Limited

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

## Contact us

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### About us:

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