

## Raymond Limited

September 27, 2022

### Ratings

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	2,607.00 (Enhanced from 1,280.00)	CARE AA-; Stable (Double A Minus; Outlook: Stable)	Reaffirmed
Short-term bank facilities	820.00 (Enhanced from 495.00)	CARE A1+ (A One Plus)	Reaffirmed
<b>Total bank facilities</b>	<b>3,427.00</b> <b>(₹ Three thousand four hundred twenty-seven crore only)</b>		
Non-convertible debentures	585.00	CARE AA-; Stable (Double A Minus; Outlook: Stable)	Reaffirmed
<b>Total long-term instruments</b>	<b>585.00</b> <b>(₹ Five hundred eighty-five crore only)</b>		
Commercial paper	550.00	CARE A1+ (A One Plus)	Reaffirmed
<b>Total short-term instruments</b>	<b>550.00</b> <b>(₹ Five hundred fifty crore only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed rationale and key rating drivers

The ratings of the bank facilities and instruments of Raymond Limited (RL) continue to derive strength from its dominant position in the worsted suiting segment, integrated presence across the textile value chain along with diversified revenue stream, widespread distribution network supplemented by asset-light retail strategy, presence of established brands in the apparel segment, and experienced promoter group as well as management.

Post reporting a modest performance across all its business segments in FY21 (refers to the period April 1 to March 31) due to covid-led disruptions, the business recovery has been significant in FY22 and has continued in Q1FY23. The recovery was supported by revival in demand across its segments and opening up of offices, social gatherings, etc., with covid impact having bottomed out leading to recovery in the overall economic scenario. The consumer demand is expected to stay strong, which is expected to maintain the growth momentum. RL plans to expand its presence in the ethnic wear segment by adding more retail outlets over the next few years. The company's growth has been supported by stable cash flows from manufacturing businesses and favourable traction in the real estate projects. The margins have been improved by stringent cost rationalisation measures adopted despite commodity inflation and higher input prices.

The financial risk profile though improved marginally continues to remain average characterised by relatively high gearing levels; however, it is expected to further improve with higher future cash flows, deleveraging initiatives undertaken and management's focus on becoming net debt free over the next few years. The liquidity profile of the company continues to be supported by healthy cash balance and sufficient cushion between scheduled debt repayment and expected gross cash accruals (GCA).

These rating strengths are, however, partially tempered by working capital intensive nature of operations inherent to the textile industry, susceptibility to fluctuation in the raw material prices and fluctuation in foreign exchange imparting volatility to profitability and intense competition faced from organised and unorganised players, especially in the branded apparel segment and cyclical nature associated with both textile and real estate division. The real estate division is also exposed to the execution and saleability risk, and thus overall progress of the real estate projects and management plan for net debt free over few years would remain a key monitorable.

### Rating sensitivities

#### **Positive factors – Factors that could lead to positive rating action/upgrade:**

- Sustained improvement in the operating performance with PBILDT margins of 15% and above.
- Significant debt reduction leading to improvement in debt metrics with total debt/PBILDT of 2x.

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

**Negative factors – Factors that could lead to negative rating action/downgrade:**

- Inability of the company to deleverage, thereby increasing overall gearing above 1.00x on a sustained basis.
- Delay in execution or sluggishness in collection in the real estate projects resulting in strain on liquidity, increase in working capital intensity with the company reporting negative cash flow from the operations.

**Detailed description of the key rating drivers****Key rating strengths**

**Strong parentage, track record of management and experience in managing businesses spread over diverse sectors:** The promoter group has been in the textiles business since decades and has also been closely involved in defining and monitoring the business strategy. Gautam Singhania (Chairman and Managing Director of Raymond) has been on the board since 1990. He has restructured the group, sold Raymond's non-core businesses (synthetics, steel and cement) and focused on making Raymond an internationally reputed fabric to fashion players. Furthermore, 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:** A strong brand image with a long track record of 95 years assisted by a large retail network has aided Raymond to emerge as one of the leading players in the worsted suiting business. It is India's largest manufacturer of worsted fabrics and wool blends having a dominant market share. It had 1,058 retail outlets branded as The Raymond Shop (TRS) as on June 30, 2022, 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. In the tools and hardware business, Raymond is among the leading manufacturers of steel files globally and it has around 65% market share in India.

**Diversified revenue stream with integrated presence across the textile value chain:** Raymond's revenue profile is well diversified and fairly distributed across various segments. In FY22, Indian operations contributed 78% to the total revenues and the balance from overseas operations. Furthermore, it has largely an integrated presence across the textile value chain right from yarn manufacturing to suiting and shirting fabrics 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, Raymond has one of the largest retail networks of 1,372 stores [1,058 retail outlets branded as The Raymond shop (TRS), 36 Made to measure (MTM) and 278 exclusive brand outlets (EBO)] and dedicated retail space of 2.30 million sq. ft. as on June 30, 2022. The company's retail network is spread across 600 towns and cities in India and overseas stores in nine countries. Furthermore, of the branded apparels and made to measure (EBOs and MTM), more than 80% are franchisee owned, whereas around 70%-75% of The Raymond stores (TRS) are on franchise basis implying that the company generally follows an asset-light franchise model, wherein 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.

**Substantial improvement in the operating performance:** RL's consolidated revenue improved significantly ₹6,348 crore, thereby reporting a strong 74% growth in FY22 over previous year. The momentum has continued well in Q1FY23 also as normalcy prevailed in April and May, fuelled by the summer wedding season and healthy footfalls in malls. With impact of covid gradually weakening after the second wave from Q2FY22 onwards, Raymond's business has witnessed substantial recovery since then. In export markets, such as the US, the UK and Europe, the demand momentum was maintained, albeit supply chain disruptions persisted on account of the Russia-Ukraine conflict. The company has plans to expand its presence in the ethnics wear segment by adding several stores.

The demand for engineering products was also healthy with improvement in the semi-conductor availability for the automobile sector and infrastructure spending by Government. RL's PBILDT margin improved from 3.7% in FY21 to 13.9% in FY22. This was achieved by continued focus on cost optimisation. In FY22, with sustained focus on optimising operating expenses, RL has lowered the annual opex by 21% compared with pre-covid level FY20 annual opex. The real estate division has seen favourable response from the customers despite being launched recently. The company has also concluded the consolidation of its engineering business and B2C apparel business transfer. CARE Ratings expects the growth momentum to continue going ahead driven by the improving demand.

**Financial risk profile is expected to improve gradually:** The financial risk profile of RL is characterised by moderate credit metrics. The overall gearing has improved marginally to 0.96x as on March 31, 2022 from 1.11x as on March 31, 2021. The interest overage has also improved from 0.41x in FY21 to 3.16x in FY22. The improvement in the operating performance, focus on improving working capital by deploying cash generated during the year resulted in partial improvement of debt metrics. Going

forward, the company is planning to avail debt to fund the real estate projects and enhance working capital limits to scale up textile business. However, higher expected internal accruals from manufacturing business and reliance on customer advances for real estate funding are expected to keep debt metrics under control. Raymond has also filed DRHP for Initial Public Offering (IPO) of its subsidiary, JK Files & Engineering Limited (JKFEL), which is in engineering business. The expected proceeds of ₹500-600 crore will be directed towards debt reduction and consequently deleverage the balance sheet. Raymond has adequate financial flexibility in terms of raising capital from the market and also supported by its owned land bank of 80 acres at a prime location in Thane. That said, CARE Ratings would continue to closely monitor RL's debt metrics periodically, especially in the light of substantial enhancement in its overall banking limits.

### **Key rating weaknesses**

**Susceptible to commodity price risk as well as foreign exchange fluctuation risk:** For Raymond, the cost of raw materials (including wool, cotton and polyester) constitutes around 40%-45% of the cost of sales. In the past, the prices of raw materials especially cotton, dyes and others have been volatile exposing the company to commodity price risk. Nonetheless, being an established brand, Raymond is able to alter its product mix accordingly and pass on the increase in costs, which partially mitigate the commodity price fluctuation. Hence, margins were not adversely affected despite cotton prices touching all time high of almost ₹100,000 per candy.

**Intense competition from organised and unorganised sector in the branded apparel segment:** RL faces intense competition in the branded apparel space from other established players like Allen Solly, Louis Philippe, Van Heusen, Arrow, Siyaram, US Polo, Blackberry, Zodiac, Tommy Hilfiger, Nautica etc., and is also vulnerable to the changes in fashion trends as well as consumer spending habits which was more noticeable during covid. However, RL with its widespread distribution network and strong brand image is expected to sustain its operating performance going forward.

**Risks related to ongoing and proposed residential projects:** The real estate business of RL is being carried out at its own land parcel at a prime location in Thane (Maharashtra). Their first project named 'TenX Habitat' has seen favourable response since launch. The construction is progressing fast paced and the company is focused on delivering three towers ahead of RERA completion date of December 2024. Despite being a new entrant, the real estate projects of RL, viz., 'TenX Habitat' and 'The Address by GS' have received favourable response and seen healthy sales velocity with 66% and 52% of the total inventory already sold. In Q1FY23, TenX has received 157 new booking collections of ₹198 crore, whereas The Address has received 102 new bookings and collections of ₹38 crore. The tied-up receivables are adequate. Although RL has received favourable responses from already launched projects, CARE Ratings notes that these projects are in relatively early stages of development, thus exposing RL to demand, saleability risk (considering sizeable unsold inventory) and execution risk. The overall physical and financial progress of the real estate projects vis-à-vis RERA milestones would remain a key monitorable.

Furthermore, a definitive Joint Development Agreement (JDA) has been signed by Raymond for a Premium residential Project at Bandra East, Mumbai. It is estimated to have a revenue potential in excess of ₹2,000 crore over the next 5-6 years. This venture is in line with the company's growth plan to expand its Real Estate footprints beyond Thane micromarket. The project is yet to be launched and the company is likely to raise term debt to the tune of ₹500 crore (peak debt, although expected drawdown is not expected to exceed ₹250- ₹300 crore as articulated by RL management) for part financing the project cost which may further leverage the balance sheet in the event of low cash flow generation from the project. With increasing interest rates, the cost of finance is going up for homebuyers, which may impact the overall demand scenario in the real estate industry. Furthermore, input prices, viz., of steel and cement, have also been exhibiting inflationary trend. Some of the key mitigants for the above risks are tie up with premium contractor (Capacite Infra) resulting in speedy construction pace, healthy funding pattern with lower reliance on debt, prime location of project and attractive pricing propositions.

CARE Ratings also notes that subsidiarisation of the real estate business of RL is currently underway.

### **Liquidity:** Strong

The liquidity profile of Raymond is marked by unencumbered treasury investments in liquid mutual funds and fixed deposits (including cash and bank balances) aggregating to ₹742 crore as on June 30, 2022. There is sufficient cushion between debt repayment for FY23 of ₹394 crore and expected gross cash accruals in excess of ₹600 crore for FY23. Furthermore, it has unutilised working capital limits of 49%. The company has higher debt repayment obligation of ₹450 crore in FY24 out of which ₹285 crore is towards non-convertible debenture (NCD) as bullet repayment. The company may not opt for refinancing as it generally preserves an adequate liquidity buffer. Furthermore, their current investment management is also planned with maturity dates prior to debt repayment dates.

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

**Applicable criteria**

[Policy on default recognition](#)  
[Consolidation](#)  
[Financial Ratios – Non financial Sector](#)  
[Liquidity Analysis of Non-financial sector entities](#)  
[Rating Outlook and Credit Watch](#)  
[Short Term Instruments](#)  
[Cotton Textile](#)  
[Manufacturing Companies](#)  
[Rating methodology for Real estate sector](#)

**About the company**

Incorporated in 1925, Raymond Ltd (Raymond) is one of the leading integrated producers of worsted suiting fabric in the world. It is the flagship company of the Raymond group, which is a diversified conglomerate having interests in textiles, retailing, auto components, engineering files & tools, real estate, etc. The group has about 19 plants located across India. Raymond, on a standalone basis, is mainly engaged into suiting and shirting fabrics with production capacity of approximately 38 million metres per annum and development of real estate. All other businesses are housed largely in wholly-owned subsidiaries.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Qtr. ended June 30, 2022 (UA)
Total operating income	3,648	6,348	1,754
PBILDIT	135	881	235
PAT	(304)	260	82
Overall gearing (times)*	1.11	0.96	-
Interest coverage (times)	0.41	3.16	3.97

A: Audited; UA: Unaudited

\*Debt is inclusive of lease liabilities

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

**Any other information:** Not applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure-4

**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 along with Rating Outlook
Fund-based - LT-Cash credit	-	-	-	-	1186.00	CARE AA-; Stable
Non-fund-based-Short term	-	-	-	-	550.00	CARE A1+
Fund-based - LT-Term loan	-	-	-	30/06/2028	1421.00	CARE AA-; Stable
Fund-based-Short term	-	-	-	-	45.00	CARE A1+
Fund-based - ST-Factoring/ Forfeiting	-	-	-	-	225.00	CARE A1+
Debentures-Non-convertible debentures	INE301A07011 INE301A07029 INE301A07045	22/05/2020	8%- 9.50% p.a.	26/12/2024	585.00	CARE AA-; Stable

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 along with Rating Outlook
	INE301A07052 INE301A07060 INE301A07078					
Commercial paper-	INE301A14HU0	02/05/2022	5.90	28/04/2023	550.00	CARE A1+

**Annexure-2: Rating history for the 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash credit	LT	1186.00	CARE AA-; Stable	-	1)CARE AA-; Stable (29-Sep-21)	1)CARE AA-(CWD) (06-Oct-20) 2)CARE AA (CWD) (06-Jul-20) 3)CARE AA (CWD) (03-Apr-20)	1)CARE AA (CWD) (18-Nov-19)
2	Non-fund-based-Short term	ST	550.00	CARE A1+	-	1)CARE A1+ (29-Sep-21)	1)CARE A1+(CWD) (06-Oct-20) 2)CARE A1+(CWD) (06-Jul-20) 3)CARE A1+(CWD) (03-Apr-20)	1)CARE A1+ (CWD) (18-Nov-19)
3	Fund-based - LT-Term loan	LT	1421.00	CARE AA-; Stable	-	1)CARE AA-; Stable (29-Sep-21)	1)CARE AA-(CWD) (06-Oct-20) 2)CARE AA (CWD) (06-Jul-20) 3)CARE AA (CWD) (03-Apr-20)	1)CARE AA (CWD) (18-Nov-19)
4	Commercial paper-Commercial paper (Standalone)	ST	550.00	CARE A1+	-	1)CARE A1+ (29-Sep-21)	1)CARE A1+(CWD) (06-Oct-20) 2)CARE A1+(CWD) (06-Jul-20) 3)CARE A1+(CWD)	1)CARE A1+ (CWD) (18-Nov-19)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
							(03-Apr-20)	
5	Fund-based-Short term	ST	45.00	CARE A1+	-	1)CARE A1+ (29-Sep-21)	1)CARE A1+ (CWD) (06-Oct-20) 2)CARE A1+ (CWD) (06-Jul-20) 3)CARE A1+ (CWD) (03-Apr-20)	1)CARE A1+ (CWD) (18-Nov-19)
6	Debentures-Non-convertible debentures	LT	-	-	-	-	1)Withdrawn (06-Jul-20) 2)CARE AA (CWD) (03-Apr-20)	1)CARE AA (CWD) (18-Nov-19)
7	Debentures-Non-convertible debentures	LT	-	-	-	-	1)Withdrawn (03-Apr-20)	1)CARE AA (CWD) (18-Nov-19)
8	Debentures-Non-convertible debentures	LT	-	-	-	-	1)Withdrawn (06-Jul-20) 2)CARE AA (CWD) (03-Apr-20)	1)CARE AA (CWD) (18-Nov-19)
9	Fund-based - ST-Factoring/ Forfeiting	ST	225.00	CARE A1+	-	1)CARE A1+ (29-Sep-21)	1)CARE A1+ (CWD) (06-Oct-20) 2)CARE A1+ (CWD) (06-Jul-20) 3)CARE A1+ (CWD) (03-Apr-20)	1)CARE A1+ (CWD) (18-Nov-19)
10	Debentures-Non-convertible debentures	LT	145.00	CARE AA-; Stable	-	1)CARE AA-; Stable (29-Sep-21)	1)CARE AA- (CWD) (06-Oct-20) 2)CARE AA (CWD) (06-Jul-20) 3)CARE AA (CWD) (03-Apr-20)	1)CARE AA (CWD) (18-Nov-19)
11	Debentures-Non-convertible debentures	LT	90.00	CARE AA-; Stable	-	1)CARE AA-; Stable (29-Sep-21)	1)CARE AA- (CWD) (06-Oct-20)	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
							2)CARE AA (CWD) (28-Jul-20)	
12	Debentures-Non-convertible debentures	LT	55.00	CARE AA-; Stable	-	1)CARE AA-; Stable (29-Sep-21)	1)CARE AA-(CWD) (06-Oct-20) 2)CARE AA (CWD) (28-Jul-20) 3)CARE AA (CWD) (06-Jul-20)	-
13	Debentures-Non-convertible debentures	LT	195.00	CARE AA-; Stable	-	1)CARE AA-; Stable (29-Sep-21)	1)CARE AA-(CWD) (06-Oct-20) 2)CARE AA (CWD) (28-Jul-20)	-
14	Debentures-Non-convertible debentures	LT	-	-	-	1)Withdrawn (29-Sep-21)	1)CARE AA-(CWD) (06-Oct-20)	-
15	Debentures-Non-convertible debentures	LT	100.00	CARE AA-; Stable	-	1)CARE AA-; Stable (02-Dec-21)	-	-

\*Long term/Short term.

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

**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Commercial paper-Commercial paper (Standalone)	Simple
2	Debentures-Non-convertible debentures	Complex
3	Debentures-Non-convertible debentures	Simple
4	Fund-based - LT-Cash credit	Simple
5	Fund-based - LT-Term loan	Simple
6	Fund-based - ST-Factoring/ Forfeiting	Simple
7	Fund-based-Short term	Simple
8	Non-fund-based-Short term	Simple

**Annexure-5: Bank lender details for this company**

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

**Annexure-6: List of entities for consolidation**

Sr. No.	Particulars as on March 31, 2022	Holding/Subsidiary/Associate	Holding
1	Raymond Apparel Limited	Subsidiary Company	100%
2.	Pashmina Holdings Limited	Subsidiary Company	100%
3.	Everblue Apparel Limited	Subsidiary Company	100%
4.	JK Files (India) Limited	Subsidiary Company	100%
5	JK Talabot Limited	Subsidiary Company	90%

Sr. No.	Particulars as on March 31, 2022	Holding/Subsidiary/Associate	Holding
6	Colorplus Realty Limited	Subsidiary Company	100%
7	Silver Spark Apparel Limited	Subsidiary Company	100%
8	Celebrations Apparel Limited	Subsidiary Company	100%
9	Scissors Engineering Products Limited	Subsidiary Company	100%
10	Ring Plus Aqua Limited	Subsidiary Company	89.07%
11	Raymond Woollen Outerwear Limited	Subsidiary Company	99.54%
12	Raymond Luxury Cottons Limited	Subsidiary Company	75.69%
14	Raymond Lifestyle Limited	Subsidiary Company	100%
15	Jaykayorg AG	Subsidiary Company	100%
16	Raymond (Europe) Limited	Subsidiary Company	100%
17	R&A Logistics Inc.	Subsidiary Company	100%
18	Silver Spark Middle East (FZE)	Subsidiary Company	100%
19	Silver Spark Apparel Ethiopia PLC	Subsidiary Company	100%
20	Raymond Lifestyle (Bangladesh) Private Limited	Subsidiary Company	100%
21	Raymond Lifestyle International DMCC	Subsidiary Company	100%
22	P.T. Jaykay Files Indonesia	Associate Company	39.20%
23	J.K. Investo Trade (India) Limited	Associate Company	47.66%
24	Radha Krishna Films Limited	Associate Company	25.38%
25	Raymond UCO Denim Private Limited	Associate Company	50%

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

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