CARE Ratings
Professional Risk Opinion

Raymond Limited

January 18, 2018

Rating

Facilities	**Amount (Rs. crore)**	**Rating[1]**	**Remarks**
Long term Bank Facilities	1275	**CARE AA; Stable (Double A; Outlook: Stable)**	**Reaffirmed**
Short term Bank Facilities	390	**CARE A1+ (A One Plus)**	**Reaffirmed**
Total	1665 (Rupees One Thousand Six Hundred and Sixty Five Crore only)		
Commercial Paper (CP) Issue	**550 (Rupees Five Hundred and Fifty Crore only)**	**CARE A1+ (A One Plus)**	**Reaffirmed**
Non-Convertible Debentures	**100 (Rupees One Hundred Crore only)**	**CARE AA; Stable (Double A; Outlook: Stable)**	**Reaffirmed**
Non-Convertible Debentures	**150 (Rupees One Hundred and Fifty Crore only)**	**CARE AA; Stable (Double A; Outlook: Stable)**	**Reaffirmed**
Non-Convertible Debentures	**-**	**Withdrawn**	**Rating withdrawn to Non-Convertible Debenture issue (ISIN: INE301A08381) as the same is fully repaid and there is no outstanding against the same.**

Details of instruments/facilities in Annexure-1

Detailed Rationale

The reaffirmation of ratings assigned to the bank facilities and debt instruments of Raymond Limited (Raymond) continue to derive strength from the dominant position of the company in the worsted suiting fabrics industry, widespread distribution network supplemented by asset-light retail strategy and experienced promoter group and management. Integrated operations along with diversified revenue stream and presence of brands in the apparel segment add strength to the rating. The ratings also take cognizance of adequate liquidity profile and moderate financial risk profile of the company.

These rating strengths are tempered by susceptibility to fluctuation in raw material prices and fluctuation in foreign exchange imparting volatility to profitability and intense competition faced from organized and unorganized players in the branded apparel segment.

The company's ability to improve its debt coverage indicators and profitability margins amidst intense competition in the industry is the key rating sensitivity.

Detailed description of the key rating drivers

Key Rating Strengths

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

Dominant position in the worsted suiting business and presence of brands in apparel segment: An established track record of nearly a century, a strong brand image, and large retail network has helped Raymond develop a healthy market position in the worsted suiting business. Being India's largest manufacturer of worsted fabrics and wool blends, the company enjoys 65% market share. It had 1142 (796 retail outlets branded as The Raymond Shop (TRS), 69 MTM and 277 EBO) over 2.07 sq. ft. as on September 30, 2017, spread across India. Over the years, apart from its flagship brand, Raymond has also developed various other brands in apparel segment like Raymond Ready-to-Wear, Park Avenue, ColorPlus and Parx. Furthermore, Raymond is also present in the engineering segment, where it manufactures tools (including steel files) and, hardware and automotive components and is the leading manufacturer of steel files, with a domestic market share of about 65% in FY17.

Experienced promoter group and management: The promoter group of Raymond has been in the textiles business since decades and has also been closely involved in the management of operations in addition to defining and monitoring the business strategy. The promoters are supported by a well-qualified and experienced management team. Mr. Gautam Singhania, Chairman & 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 in making Raymond an internationally reputed fabric to fashion player. The promoters are supported by a well-qualified and experienced management team.

Diversified revenue stream along with complete vertical integration: On a consolidated level, the revenue profile is well-diversified and fairly distributed across its segments. It has significant presence in Branded Textiles (Suiting, Shirting fabrics, and Made to Measure; 48% of revenue in FY17; vis-à-vis 45% in FY16), Branded Apparel (22% in FY17 and 20% in FY16), Garmenting (11% in FY17 and 10% in FY16), Shirting (9% in FY17 and 15% in FY16), and Engineering (containing auto components and tools and hardware; 9% in FY17 and 11% in FY16) businesses. Furthermore, Raymond’s clothing business operations (comprising Textiles, Garmenting, Denim & Shirting and Apparel) are vertically integrated across the complete value chain from fabric to garments to branded apparel to retail. This integrated setup gives Raymond significant operational flexibility and an ability to rationalize costs by managing dependence on outsourced vendors.

Widespread distribution network: Raymond has one of the largest retail networks in the textile space in India with a retail store network of 1,142 stores (796 retail outlets branded as The Raymond Shop (TRS), 69 Made to Measure (MTM) and 277 Exclusive Brand Outlets (EBO)) and dedicated retail space of 2.07 million sq. ft. as on September 30, 2017. Raymond, via pan India presence, retails its products through a distribution network of more than 20,000 touch-points in 600 cities and towns reached through 160 wholesalers, 3300 multi-brand outlets (MBO), 1080 exclusive ‘The Raymond Shop’ outlets, and 800 LFS.

Adequate liquidity profile despite deterioration in current ratio*:* Over the past few years, Raymond Group’s short term liabilities (including borrowings, customer advances and creditors) have increased leading to moderation of current ratio which witnessed a decline viz. 1.04x as on March 31, 2017 vis-à-vis 1.29 as on March 31, 2016. However, the group continues to enjoy adequate liquidity position as can be seen from its low working capital utilization (35% of average utilization in the past 12 months ending October 2017). Its liquidity risk is further mitigated on account of sizeable treasury investments and cash aggregating Rs.447.35 crore as of March 31, 2017 (comprising of current investments of Rs.367.00 crore, non-current investments in tax free bonds and venture capital funds aggregating Rs.72.28 crore, and unencumbered cash balance of Rs.8.07 crore).

Moderate financial risk profile: Raymond Group’s financial risk profile has remained moderate over the past with overall gearing in the range of 1.20x to 1.24x in the past three years ending March 31, 2017. However, due to reduction in profitability on account of demonetization, its debt coverage indicators moderated as exhibited by interest coverage ratio of 2.03x during FY17 (vis-à-vis 2.53x during FY16) and total debt to gross cash accruals of 12.28x as on March 31, 2017 vis-à-vis 8.70x as on March 31, 2016. Furthermore, its debt service coverage ratio continues to be below unity on consolidated levels. Nonetheless, comfort is derived from the Group’s established brand and financial flexibility by way of adequate refinancing capability as well as the option to monetize non-core assets (~120 acres of land in Thane, Maharashtra). Furthermore, Raymond has consistently maintained an adequate liquidity position along with a sizeable liquid investments portfolio which adds strength to its debt servicing capability.

Stable operational performance: Being a market leader in worsted suiting fabrics as well as having established apparel brands and a wide spread distribution network, Raymond's operational performance has remained stable with consistent growth across all textile segments. Despite demonetization and GST rollout affecting industry demand, Raymond achieved a ~3% year on year growth in total operating income as well as like-to-like store sales in FY17. Furthermore, with innovative product launches such as 'Techno Smart' and 'Techno Stretch', intelligent product mixes and streamlined advertising setup, Raymond Group achieved a 7% growth in revenue and 110bps improvement in PBILDT margins in H1FY18 (vis-à-vis H1FY17).

Key Rating Weaknesses

Susceptibility to adverse movements in input costs: Volatility in wool, cotton, and other raw material prices have also led to fluctuations in operating margin. In fiscal 2017, sharp and sustained increase in cotton prices, a key raw material, led to erosion in profitability. Also, Raymond imports bulk of its wool requirement from Australia and New Zealand, and thus, faces currency volatility as well.

Intense Competition from organized and unorganized sector in the branded apparel segment: Raymond faces intense competition in the branded apparel space from other established players like Allen Solly, Louis Philippe, US Polo, Blackberry, Zodiac, etc. and is also vulnerable to changes in fashion trends as well as consumer spending habits.

Analytical approach: CARE has considered the consolidated financials of Raymond.

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology-Manufacturing Companies
Financial ratios – Non-Financial 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 Vijaypat Singhania Group, which is a diversified conglomerate having interests in textiles, apparel retailing, auto components and engineering files & tools amongst others. Raymond, on a standalone basis, is mainly engaged into fabric manufacturing with total production capacity of approximately 38 million meters per annum.

Brief Financials (Rs. crore) – Consolidated	FY16 (A)	FY17 (A)
Total operating income	5,235	5,410
PBILDT	480	361
PAT	93	27
Overall gearing (times)	1.20	1.24
Interest coverage (times)	2.53	2.03

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	535.00	CARE AA; Stable
Non-fund-based-Short Term	-	-	-	340.00	CARE A1+
Fund-based - LT-Term Loan	-	-	December 2020	740.00	CARE AA; Stable
Fund-based-Short Term	-	-	-	50.00	CARE A1+
Debentures-Non Convertible Debentures	-	-	-	0.00	Withdrawn
Debentures-Non Convertible Debentures	-	-	April 2019	100.00	CARE AA; Stable
Debentures-Non Convertible Debentures	-	-	April 2020	150.00	CARE AA; Stable
Commercial Paper	-	-	-	550.00	CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	535.00	CARE AA; Stable	1)CARE AA; Stable (19-Apr-17)	1)CARE AA (18-Oct-16)	1)CARE AA (27-Jul-15)	1)CARE AA- (14-Jul-14)
2.	Non-fund-based-Short Term	ST	340.00	CARE A1+	1)CARE A1+ (19-Apr-17)	1)CARE A1+ (18-Oct-16)	1)CARE A1+ (27-Jul-15)	1)CARE A1+ (14-Jul-14)
3.	Fund-based - LT-Term Loan	LT	740.00	CARE AA; Stable	1)CARE AA; Stable (19-Apr-17)	1)CARE AA (18-Oct-16)	1)CARE AA (27-Jul-15)	1)CARE AA- (14-Jul-14)
4.	Commercial Paper	ST	550.00	CARE A1+	1)CARE A1+ (09-Oct-17)	1)CARE A1+ (18-Oct-16)	1)CARE A1+ (27-Jul-15)	1)CARE A1+ (14-Jul-14)
5.	Fund-based-Short Term	ST	50.00	CARE A1+	1)CARE A1+ (19-Apr-17)	1)CARE A1+ (18-Oct-16)	1)CARE A1+ (27-Jul-15)	1)CARE A1+ (14-Jul-14)
6.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (12-Apr-16)	1)CARE AA (27-Jul-15)	1)CARE AA- (14-Jul-14)
7.	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (01-Apr-15)	1)CARE AA- (14-Jul-14)
8.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (18-Oct-16)	1)CARE AA (27-Jul-15)	1)CARE AA- (14-Jul-14)
9.	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (19-Apr-17)	1)CARE AA (18-Oct-16)	1)CARE AA (27-Jul-15)	1)CARE AA- (14-Jul-14)
10.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (12-Apr-16)	1)CARE AA (27-Jul-15)	1)CARE AA- (14-Jul-14)
11.	Debentures-Non Convertible Debentures	LT	-	-	1)CARE AA; Stable (19-Apr-17)	1)CARE AA (18-Oct-16)	1)CARE AA (27-Jul-15)	1)CARE AA- (14-Jul-14)
12.	Debentures-Non Convertible Debentures	LT	100.00	CARE AA; Stable	1)CARE AA; Stable (19-Apr-17)	1)CARE AA (18-Oct-16)	1)CARE AA (22-Feb-16)	-
13.	Debentures-Non Convertible Debentures	LT	150.00	CARE AA; Stable	1)CARE AA; Stable (19-Apr-17)	-	-	-

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