Raymond Limited (Revise)

April 19, 2017

Ratings

Facilities	**Amount (Rs. Crore)**	**Rating[1]**	**Rating Action**
Long-term Bank Facilities	1,275	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Short-term Bank Facilities	390	CARE A1+ (A One Plus)	Reaffirmed
Total Facilities	**1,665 (Rupees One Thousand Six Hundred and Sixty Five crore only)**		
Non-Convertible Debentures	-	Withdrawn	Rating withdrawn to Non-Convertible Debentures of Rs.100 crore (ISIN: INE301A08373) as the same is fully repaid and there is no outstanding against the same.
Non-Convertible Debentures	200 (Rupees Two Hundred crore only)	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Proposed Non-Convertible Debentures	150 (Rupees One Hundred Fifty crore only)	CARE AA; Stable (Double A; Outlook: Stable)	Assigned

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities and debt instruments of Raymond Limited continue to derive strength from the resourceful and experienced promoter group and management, dominant position of the company in the worsted suiting fabrics industry, diversified revenue stream supported by established brands, integrated operations and healthy liquidity position. The widespread distribution network supplemented by asset-light retail strategy and strong fixed asset base of the company add further strength to the ratings.

The ratings are, however, constrained on account commodity price risk as well as foreign exchange fluctuation risk. The rating also factors in deterioration in profitability in 9MFY17.

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

Resourceful and experienced promoters and management: The promoter group of RL 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

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

Singhania, Chairman & Managing Director of RL, has been on the board since 1990. 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 company has six major reportable segments – Textiles, Apparel, Denim & Shirting, Garmenting and Engineering which includes Tools & Hardware and Auto Components.

Furthermore, RL'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 RL significant operational flexibility and an ability to rationalise costs by managing dependence on outsourced vendors.

Dominant position in the worsted suiting fabrics industry in India: The 'Raymond' brand, under which the company's worsted fabric retails, is India's largest textile brand and has a dominant market share in the worsted suiting fabrics segment in the domestic market. Furthermore, in worsted suiting fabrics segment, RL has presence across various price points. Over the years, apart from its flagship brand, RL has also developed various other successful brands like Park Avenue, Parx, Colorplus and Raymond Premium Apparel. Made-to-Measure (MTM) stores allow customers to stitch their personalised ensemble as per their taste.

Widespread distribution network supplemented by asset-light retail strategy: RL has one of the largest retail networks in the textile space in the country. It had retail store network of 1,067 stores and dedicated retail space of 1.97 million sq. ft. as on December 31, 2016.

RL via pan India presence retails its products through a distribution network of more than 20,000 touch-points. Furthermore, of the Branded Apparels and Made to Measure (EBOs and MTM), 65-70% are company owned, whereas 90% 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 the initial capital expenditure needed to open a store.

Satisfactory liquidity position coupled with sizeable liquid investments: RL continues to enjoy satisfactory liquidity position as can be seen from its low working capital bank limit utilization (average working capital utilization in FY16 (refers to the period April 1 to March 31) has been 40%). Additionally, the liquidity risk of RL is further mitigated on account of sizeable treasury investments and cash aggregating Rs.460 crore as of March 31, 2017 (P).

The company has consistently maintained cash and investments over Rs.400 crore over the past four years, which enhances the credit profile of the company.

The company ≈120 acres of land in the prime location of Thane and has appointed a dedicated team for evaluating options to unlock value from the Thane land.

Comfortable debt coverage metrics: On a consolidated basis, the overall gearing of RL deteriorated to 1.28x as on March 31, 2016. The total debt to gross cash accruals (GCA) declined to 7.48x as on March 31, 2016. The PBILDT interest coverage improved marginally to 2.45x in FY16. Considering the healthy liquidity position, as on March 31, 2016, the net overall gearing stands moderate at 1.02x and net total debt to GCA is 5.96x.

Key Rating Weaknesses

Operating margins decline on account of higher advertising and promotional spends towards stores rollout: During FY16, RL on a standalone basis registered PBILDT of Rs.326 crore on total income of Rs.2,881 crore. The PBILDT margin declined by 65 bps to 11.33% in FY16 on the back of increase in selling and other expenses. PAT margin stood at 2.85% in FY16.

On a consolidated basis, RL reported a growth of 5% on the total income to Rs.5,667 crore in FY16. PBILDT remained flat at Rs.495 crore in FY16. The company in FY16 hived off its forging division at an exceptional loss of Rs.35 crore, which caused fall in PAT by 23.7% to Rs.91 crore.

For 9MFY17, on a standalone basis, RL reported net loss of Rs.3.71 crore on a total income of Rs.2,146 crore and on a consolidated basis, RL reported net loss of Rs.53 lakhs on total income of Rs.4,004 crore.

Susceptible to commodity price risk as well as foreign exchange fluctuation risk: For RL, the cost of raw materials (including wool, cotton and polyester) constitutes around 23% of cost of sales. Furthermore, RL imports around 45% of its total raw material requirement from overseas markets making it vulnerable to fluctuations in foreign exchange rates. Nevertheless, the company actively manages its currency risk by hedging a considerable amount of its net exposure.

Analytical Approach: Consolidated

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 (RL) 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. RL, on a standalone basis, is mainly engaged into fabric manufacturing with total production capacity of approximately 38 million meters per annum.

Status of non-cooperation with previous CRA: Not Applicable

Rating History (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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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	-	-	-	485.00	CARE AA; Stable
Non-fund-based-Short Term	-	-	-	340.00	CARE A1+
Fund-based - LT-Term Loan	-	-	March 2021	790.00	CARE AA; Stable
Fund-based-Short Term	-	-	-	50.00	CARE A1+
Debentures-Non Convertible Debentures	-	-	-	35.00	Withdrawn
Debentures-Non Convertible Debentures	-	Zero	April 2017	100.00	CARE AA; Stable
Debentures-Non Convertible Debentures	-	9.52%	April 2019	100.00	CARE AA; Stable
Debentures-Non Convertible Debentures-Proposed	-	-	April 2020	150.00	CARE AA; Stable

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	485.00	CARE AA; Stable	-	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+ (18-Oct-16)	1)CARE A1+ (27-Jul-15)	1)CARE A1+ (14-Jul-14)
3.	Fund-based - LT-Term Loan	LT	790.00	CARE AA; Stable	-	1)CARE AA (18-Oct-16)	1)CARE AA (27-Jul-15)	1)CARE AA- (14-Jul-14)
4.	Commercial Paper	ST	250.00	CARE A1+	-	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+ (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)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)

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
11.	Debentures-Non Convertible Debentures	LT	100.00	CARE AA; Stable	-	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 (18-Oct-16)	1)CARE AA (22-Feb-16)	-
13.	Debentures-Non Convertible Debentures-Proposed	LT	150.00	CARE AA; Stable	-	-	-	-

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