Raymond Limited

October 09, 2017

Rating

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Commercial paper (CP) Issue	550 [enhanced from Rs.250 crore]	**CARE A1+ (A One Plus)**	**Reaffirmed**
Total	**550 [Rupees Five Hundred and Fifty crore only]**		

Details of instruments/facilities in Annexure I

Detailed Rationale

The ratings assigned to the bank facilities and debt instruments of Raymond Limited (Raymond) 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 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

Dominant position in the worsted suiting business: An established track record of over a century, a strong brand image, and large retail network have 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 60% market share. It had 1080 (763 retail outlets branded as The Raymond Shop (TRS), 16 MTM and 257 EBO) over 1.99 sq. ft. as on March 31, 2017, spread across India.

Resourceful parent group and experienced 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: The revenue profile is well-diversified, with significant presence in textiles (suiting, shirting fabrics, and made to measure; 48% of revenue in FY17 2017), apparel (22%), garmenting (11%), and shirting (9%) businesses. The company owns well-known brands such as Park Avenue, Raymond ready-to-wear, Colorplus, and Parx, and has also introduced the 'Made-to-Measure' store concept to offer custom-fit solutions. Raymond is also present in the engineering segment, where it manufactures tools (including steel files) and hardware and automotive components (10% of revenue in FY17). It is the largest manufacturer of steel files, with a global market share of over 30%.

***Healthy liquidity profile**:* Raymond continues to enjoy satisfactory liquidity position as can be seen from its low working capital bank limit utilization (average working capital utilization in FY16 has been 40%). Additionally, the liquidity profile

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

of Raymond is strengthened 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).

Key Rating Weaknesses

Susceptibility to adverse movements in input costs: Volatility in cotton and wool 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.

Analytical approach: CARE has considered the consolidated financials of Raymond and its major subsidiaries due to operational synergies derived.

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: Not Applicable

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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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
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	485.00	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	790.00	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+ (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	LT	-	-	-	1)Withdrawn (12-Apr-16)	1)CARE AA (27-Jul-15)	1)CARE AA-

	Debentures							(14-Jul-14)
11.	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 (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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