

Raymond Limited

April 3, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	975.00	CARE AA (Double A) Credit watch with developing implications	Continues to be on credit watch
Short-term Bank Facilities	690.00	CARE A1+(A One Plus) Credit watch with developing implications	
Total Facilities	1665.00 (Rupees One Thousand Six Hundred and Sixty Five crore only)		
None-Convertible Debentures	200.00(350.0) (Rupees Two Hundred crore only)	CARE AA (Double A) Credit watch with developing implications	Continues to be on credit watch
Proposed Non-Convertible Debentures	200.00 (Rupees Two Hundred crore only)	CARE AA (Double A) Credit watch with developing implications	Continues to be on credit watch
Commercial Paper	550.00 (Rupees Five Hundred Fifty Crore only)	CARE A1+ (A One Plus) Credit watch with developing implications	

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the instruments and bank facilities of Raymond Limited (RL) continue to remain on credit watch with developing implications.

On November 7, 2019, the board of RL approved and announced restructuring of the Raymond group wherein the lifestyle businesses (Branded textile, Branded apparel and garmenting) will be demerged to a separate listed entity (Raymond Lifestyle). The existing company Raymond Limited will house the real estate business, Thane land bank, B2B shirting business, engineering business, tools and hardware, FMCG and other investment businesses like denim.

According to the management the demerger process is expected to take about 6-9 months subject to necessary statutory and regulatory approvals.

CARE will take a final view on the ratings, once the exact implications of the above development on the business and overall credit profile of the company are clear.

The ratings assigned to the bank facilities and various instruments of 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, experienced promoter group & management and satisfactory liquidity.

These rating strengths are tempered by moderate financial risk, working capital intensive nature of operations, 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 especially in the branded apparel segment and demand risks associated with real estate.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

CARE has also withdrawn the rating assigned to the NCD [INE301A08423] of Raymond Limited with immediate effect, as the company has surrendered repaid the aforementioned NCD issue in full and there is no amount outstanding under the issue as on date.

Key Rating Sensitivities:

Positive

- * Sustained improvement in operating performance with PBILDT margin at 12% on sustained basis
- * Significant debt reduction leading to improvement in debt metrics with total debt/EBIDTA below 2x

Negative

- * Significant reduction in available liquid investments
- * Increase in working capital intensity with the company reporting negative cash flow from operations

Detailed description of the key rating drivers

Key Rating Strengths

Dominant position in the worsted suiting segment: A strong brand image with a long track record of nearly a century assisted by a large retail network has aided RL 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.

Diversified revenue stream coupled with integrated presence across the textile value chain: The group 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 RL operational flexibility to rationalise costs by managing dependence on outsourced vendors.

Over the years, apart from its flagship brand, RL has also developed various other brands like Raymond Ready-to-Wear Apparel, Park Avenue, Colorplus and Parx. Furthermore, RL 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 FY19. FY20 the group entered into the realty business with a new division Raymond realty which has an on-going development of 20 acres of its Thane land parcel. The group also has presence in denim mfg. and FMCG through its JVs and associates.

Hence, on consolidated level, Raymond's revenue profile is well diversified and fairly distributed across segments. In FY19, Indian operations contributed 83% to the total revenues and the balance from overseas operations.

Widespread distribution network supplemented by asset-light retail strategy: In India, Raymond alongwith its subsidiary Raymond Apparel Limited (RAL) has one of the largest retail networks of 1,584 stores (1106 retail outlets branded as The Raymond shop (TRS), 67 Made to measure (MTM) and 411 exclusive brand outlets (EBO)) and dedicated retail space of 2.40 million sq. ft. as on December 31, 2019. Furthermore, of the branded apparels and made to measure (EBOs and MTM), around 75% are on franchise basis whereas around 95% of The Raymond stores (TRS) are on franchise basis.

Experienced promoter group and management: The promoter group has been in textiles business since decades and has also been closely involved in the defining and monitoring the business strategy. Mr Gautam Singhania (Chairman & Managing Director of RL) has been on the board since 1990. He has restructured the group, sold RL's non-core businesses (synthetics, steel and cement) and focused on making RL an internationally reputed fabric to fashion player. Furthermore, Raymond group has a qualified management team comprising of industry personnel with over decades of relevant consumer experience.

Moderate but improved financial profile: RL's debt coverage metrics have improved with Total debt/PBILDT and total debt/GCA improved to 3.66x and 6.45x respectively as on March 31, 2019 from 4.45x and 7.32x, respectively as on March 31, 2018 largely due to improved profitability in spite of increase in total debt. PBILDT interest coverage improved marginally to 2.80x in FY19 (vis-à-vis 2.68x in FY18). As of 9MFY 20, interest coverage stood at 3.34x as compared to 2.70x in 9MFY18. PBILDT margins improved to 11.47% as compared to 10.17% in the same period.

Total debt increased at the end of March 2019 driven by a substantial increase in working capital borrowings. As of March 31, 2019; working capital borrowings stood at Rs. 1278 crore as against Rs. 693 crore on March 31, 2018. Overall gearing has largely remained stable during the last three fiscals and stood at 1.22x as on March 31, 2019 (vis-à-vis 1.29x as on March 31, 2018).

RL through its associate JK Investo Trade (India) limited (An associate company) sold a 20 acre land parcel to an affiliate of Virtuous Retail South Asia Pte. Ltd. (Xander group) for a consideration of Rs.700 crore. The net sale proceeds of Rs.350 crore) were up streamed to Raymond Limited and have been utilised to pare debt. The gross debt stood at Rs.2420 Crs at the end of December 2019 as compared to Rs. 2835 at the end of September 2019.

Key Rating Weaknesses

Working capital intensive nature of operations: Average gross and net working capital cycle remained stable at 191 days and 106 days respectively in FY19 vis-à-vis 171 days and 106 days respectively in FY18. Furthermore, average collection period remained comfortable at 65 days in FY19 vis-à-vis 66 days in FY18. Current ratio is weak albeit stable at 0.96x as on March 31, 2019 vis-a-vis 0.98x on March 31, 2018. Thus, operations continue to be working capital intensive and fund based utilization on an average for the last 12 month period ending January 2020 stood at 84%.

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 43% of cost of sales in FY19 (vis-à-vis 44% in FY18 and 43% in FY17). In the past, the prices of raw materials 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.

Raymond is exposed to foreign exchange fluctuation risk via export driven sales in its garmenting and engineering segments as well as exports in branded textiles and branded apparels. It is partly balanced by raw material imports in foreign currency (around 45% of its total raw material requirement procured from overseas).

Intense competition from organized and unorganized 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, etc. and is also vulnerable to changes in fashion trends as well as consumer spending habits. RL's apparel business has been affected by the continuing economic slowdown. Both primary and secondary sales saw slowdown in receivables and inventory pile up at the end of Q3FY20. There was aggressive discounting in all its channels leading to dip in profitability during this period. However, Raymond limited with its widespread distribution network and strong brand image is expected to sustain its operating performance.

Exposure to Demand Risk in Real Estate:

RL owns ~ 100 acres land in Thane of which ~ 20 acres of land is being developed as a residential project. The project was launched in Q4FY19. In Phase 1 the company on 14 acre land parcel is developing 10 towers (2.70 mn sq.ft. saleable and 2960 apartments). The company received RERA registration for 6 towers. The towers are located in a prime location in Thane at an attractive price point. The total bookings at the end of 9MFY20 stood at 898 and amounted to Rs. 919 Crs for 6 towers with an inventory of 1530 units. The project has received Rs. 200 crores in customer collection till 9MFY20. However, the project remains exposed to demand as well as implementation risks. Timely completion of the project and offtake remain key monitorables.

Liquidity: Adequate Liquidity continues to be satisfactory, marked by sizeable unencumbered treasury investments in mutual funds and fixed deposits (including cash and bank balances) aggregating to Rs.474 crore on consolidated basis as on December 31, 2019 (vis-à-vis Rs.433 crore as on March 31, 2018). Against these, RL has maintenance capex requirements of Rs.170-200 crore and scheduled debt repayments of Rs.325 crore in FY20, of which ~ Rs. 284 crore has been repaid as of Q3FY20. Further the Company has also prepaid an outstanding NCD amounting to Rs. 150 crore. For FY 21, the Company has scheduled debt repayments of Rs. 184 crore.

However, over the past two years, the current ratio has moderated 0.96x as on March 31, 2019 vis-à-vis 0.98x as on March 31, 2018 and 1.04x as on March 31, 2017. Thus operations continue to be working capital intensive and fund based utilization on an average for the last 12 month period ending February 2020 stood at 85%.

Analytical approach: Consolidated

List of companies that are consolidated to arrive at the ratings are given in Annexure 3 below.

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[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 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 meters per annum and development of real estate. All other businesses are housed largely in wholly owned subsidiaries.

On Nov. 7th 2019, Raymond announced the restructuring of its various businesses whereby the lifestyle business (Branded textile, Branded apparel and garmenting) will be demerged in a separate listed entity Raymond Lifestyle Limited. The existing company Raymond Limited will have real estate business, Thane land bank, B2B shirting business, engineering business, FMCG business and other investment businesses like denim. Appointed date of the transaction will be 1st April 2020.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	6,006.40	6691.47
PBILDT	529.14	675.52

PAT	141.54	174.77
Overall gearing (times)	1.29	1.22
Interest coverage (times)	2.68	2.80

A: Audited; Financials are classified as per CARE standard

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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 (Under Credit watch with Developing Implications)
Non-fund-based-Short Term	-	-	-	340.00	CARE A1+ (Under Credit watch with Developing Implications)
Fund-based - LT-Term Loan	-	-	December 2020	440.00	CARE AA (Under Credit watch with Developing Implications)
Fund-based-Short Term	-	-	-	100.00	CARE A1+ (Under Credit watch with Developing Implications)
Fund-based - ST-Factoring/ Forfeiting	-	-	-	250.00	CARE A1+ (Under Credit watch with Developing Implications)
Debentures-Non Convertible Debentures- Proposed	-	-	-	200.00	CARE AA (Under Credit watch with Developing Implications)
Debentures-Non Convertible Debentures INE301A08415	February 10, 2016	9.52%	10/04/2019	100.00	CARE AA (Under Credit watch with Developing Implications)
Debentures-Non Convertible Debentures INE301A08423	April 21, 2017	8.35%	21/04/2020	0.00	Withdrawn
Debentures-Non Convertible Debentures INE301A08431	March 27, 2018	8.65%	26/03/2021	100.00	CARE AA (Under Credit watch with Developing Implications)
Commercial Paper	-	-	-	550.00	CARE A1+ (Under Credit watch with Developing Implications)

Annexure-2: Rating History of last three years

Sr.	Name of the	Current Ratings	Rating history
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No.	Instrument/Bank Facilities	Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	535.00	CARE AA (Under Credit watch with Developing Implications)	1)CARE AA (Under Credit watch with Developing Implications) (18-Nov-19)	1)CARE AA; Stable (07-Dec-18) 2)CARE AA; Stable (16-Aug-18)	1)CARE AA; Stable (18-Jan-18) 2)CARE AA; Stable (19-Apr-17)	1)CARE AA (18-Oct-16)
2.	Non-fund-based-Short Term	ST	340.00	CARE A1+ (Under Credit watch with Developing Implications)	1)CARE A1+ (Under Credit watch with Developing Implications) (18-Nov-19)	1)CARE A1+ (07-Dec-18) 2)CARE A1+ (16-Aug-18)	1)CARE A1+ (18-Jan-18) 2)CARE A1+ (19-Apr-17)	1)CARE A1+ (18-Oct-16)
3.	Fund-based - LT-Term Loan	LT	440.00	CARE AA (Under Credit watch with Developing Implications)	1)CARE AA (Under Credit watch with Developing Implications) (18-Nov-19)	1)CARE AA; Stable (07-Dec-18) 2)CARE AA; Stable (16-Aug-18)	1)CARE AA; Stable (18-Jan-18) 2)CARE AA; Stable (19-Apr-17)	1)CARE AA (18-Oct-16)
4.	Commercial Paper	ST	550.00	CARE A1+ (Under Credit watch with Developing Implications)	1)CARE A1+ (Under Credit watch with Developing Implications) (18-Nov-19)	1)CARE A1+ (07-Dec-18) 2)CARE A1+ (16-Aug-18)	1)CARE A1+ (18-Jan-18) 2)CARE A1+ (09-Oct-17)	1)CARE A1+ (18-Oct-16)
5.	Fund-based-Short Term	ST	100.00	CARE A1+ (Under Credit watch with Developing Implications)	1)CARE A1+ (Under Credit watch with Developing Implications) (18-Nov-19)	1)CARE A1+ (07-Dec-18) 2)CARE A1+ (16-Aug-18)	1)CARE A1+ (18-Jan-18) 2)CARE A1+ (19-Apr-17)	1)CARE A1+ (18-Oct-16)
6.	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (12-Apr-16)
7.	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (18-Oct-16)
8.	Debentures-Non Convertible	LT	-	-	-	-	1)Withdrawn (19-Apr-17)	1)CARE AA (18-Oct-16)

	Debentures							
9.	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (12-Apr-16)
10.	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (18-Jan-18) 2)CARE AA; Stable (19-Apr-17)	1)CARE AA (18-Oct-16)
11.	Debentures-Non Convertible Debentures	LT	100.00	CARE AA (Under Credit watch with Developing Implications)	1)CARE AA (Under Credit watch with Developing Implications) (18-Nov-19)	1)CARE AA; Stable (07-Dec-18)	1)CARE AA; Stable (18-Jan-18) 2)CARE AA; Stable (19-Apr-17)	1)CARE AA (18-Oct-16)
12.	Debentures-Non Convertible Debentures	LT	-	-	1)CARE AA (Under Credit watch with Developing Implications) (18-Nov-19)	1)CARE AA; Stable (07-Dec-18)	1)CARE AA; Stable (18-Jan-18) 2)CARE AA; Stable (19-Apr-17)	-
13.	Debentures-Non Convertible Debentures	LT	100.00	CARE AA (Under Credit watch with Developing Implications)	1)CARE AA (Under Credit watch with Developing Implications) (18-Nov-19)	1)CARE AA; Stable (07-Dec-18)	1)CARE AA; Stable (26-Mar-18)	-
14.	Fund-based - ST-Factoring/ Forfeiting	ST	250.00	CARE A1+ (Under Credit watch with Developing Implications)	1)CARE A1+ (Under Credit watch with Developing Implications) (18-Nov-19)	1)CARE A1+ (07-Dec-18) 2)CARE A1+ (16-Aug-18)	-	-
15.	Debentures-Non Convertible Debentures	LT	200.00	CARE AA (Under Credit watch with Developing Implications)	1)CARE AA (Under Credit watch with Developing Implications) (18-Nov-19)	1)CARE AA; Stable (07-Dec-18)	-	-

Annexure 3:- Subsidiaries Consolidated

1. Raymond Apparel Limited
2. Pashmina Holdings Limited
3. Everblue Apparel Limited
4. JK Files (India) Limited
5. JK Talabot Limited
6. Colorplus Realty Limited
7. Silver Spark Apparel Limited
8. Celebrations Apparel Limited

9. Scissors Engineering Products Limited
10. Ring Plus Aqua Limited
11. Raymond Woollen Outerwear Limited
12. Raymond Luxury Cottons Limited
13. Dress Master Apparel Private Limited
14. Raymond Lifestyle Limited
15. Jaykayorg AG
16. Raymond (Europe) Limited
17. R&A Logistics Inc.
18. Silver Spark Middle East (FZE)
19. Silver Spark Apparel Ethiopia PLC
20. Raymond Lifestyle (Bangladesh) Private Limited
21. Raymond Lifestyle International DMCC
22. P.T. Jaykay Files Indonesia
23. J.K. Investo Trade (India) Limited
24. Radha Krishna Films Limited
25. Raymond UCO Denim Private Limited

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.

Contact us

Media Contact

Mradul Mishra
Contact no. – +91-22-6837 4424
Email ID – mradul.mishra@careratings.com

Analyst Contact

Group Head Name - Mr. Pulkit Agrawal
Group Head Contact no. - 022-67543505
Group Head Email ID- pulkit.agrawal@careratings.com

Relationship Contact

Name: Mr. Ankur Sachdeva
Contact no. : +91-22-6754 3495
Email ID : ankur.sachdeva@careratings.com

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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