

**Raymond Limited**

November 18, 2019

**Ratings**

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	975.00	CARE AA (Double A) Credit watch with developing implications	Placed on credit watch with developing implications
Short-term Bank Facilities	690.00	CARE A1+(A One Plus) Credit watch with developing implications	
<b>Total Facilities</b>	<b>1665.00</b> <b>(Rupees One Thousand Six Hundred and Sixty Five crore only)</b>		
<b>Non-Convertible Debentures</b>	350.00 (Rupees Three Hundred Fifty Crore only)	CARE AA (Double A) Credit watch with developing implications	Placed on credit watch with developing implications
<b>Proposed Non-Convertible Debentures</b>	200.00 (Rupees Two Hundred crore only)	CARE AA (Double A) Credit watch with developing implications	
<b>Commercial Paper</b>	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**

CARE has placed the ratings assigned to the instruments and bank facilities of Raymond Limited (RL) on credit watch with developing implications post the following announcements made by the company.

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.

Raymond Limited (post demerger) for FY19 would have revenue of Rs.1,549 crore and EBIDTA of Rs.101 cr. The company post demerger would have 25% of gross debt (Rs.2700 crore gross debt as per management in November 2019). Raymond Lifestyle will house the branded textile, branded apparel and garmenting business. Raymond lifestyle for FY19 would have revenue of Rs.5,284 crore and EBIDTA of Rs.601 cr. Raymond Lifestyle would have 75% of gross debt of Raymond Limited prior to demerger.

Raymond Limited on October 09, 2019 also announced a sale of 20 acre land parcel in Thane held under JK Investo Trade (India) limited (An associate company) to an affiliate of Virtuous Retail South Asia Pte. Ltd. for a consideration of Rs.700 crore. The net sale proceeds of Rs.350 crore would be upstreamed to Raymond Limited by way of preferential allotment of equity and Compulsorily Convertible Preference Shares and would be utilised to prepay debt.

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.

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

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 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. Hence, on consolidated level, RL's revenue profile is fairly diversified and distributed across segments which reduce its cash-flow dependence from any single segment.

**Widespread distribution network supplemented by asset-light retail strategy:** In India, RL has one of the largest retail network of 1,444 stores including 378 EBOs, 318 mini The Raymond Shops (TRS) as on September 30<sup>th</sup>, 2019. RL, 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 185+ wholesalers.

**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:** On consolidated basis, PBILDT improved (in absolute value terms) by 28.55% in FY19 to Rs.702.14 crore and consequently the PBILDT margin improved to 10.47% in FY19 vis-à-vis 9.07% in FY18 due to operational efficiencies.

In H1FY20, total income increased to Rs.3383 crore from Rs.3165 crore in H1FY19 on account of better overall performance. Similarly PAT also improved to Rs. 74 crores in H1FY 20 from Rs.67 crore in H1FY19.

PBILDT interest coverage improved to 3.02x in FY19 (vis-à-vis 2.97x in FY18) on account of increased PBILDT. 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).

**Liquidity: Adequate** Liquidity comfort is derived through unencumbered treasury investments in mutual funds/ fixed deposits (including cash and bank balances) aggregating to Rs.377 crore as on March 31, 2019 (vis-à-vis Rs.420 crore as on March 31, 2018). Besides, these investments have continued to be in place over a period of time despite subdued profitability at times. Furthermore, fund based working capital limits utilization on an average for the last 12 month period ending August 2019 stood at 69%. RL has access to capital markets/banking channels and has demonstrated fund raising/refinancing abilities and is expected to continue doing so. Liquidity is expected to be further supported by preferential allotment of Rs.350 crore to JK Investo Trade (India) Limited.

##### 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. Current ratio was stable at 0.96x as on March 31, 2019 vis-a-vis 0.96x 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 August 2019 stood at 69%.

##### Susceptible to commodity price risk as well as foreign exchange fluctuation risk:

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

material requirement procured from overseas). Furthermore, the company actively manages its currency risk by hedging a considerable amount of its net exposure.

**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.

### **Rating Sensitivities**

#### **Positive Factors**

- Improvement in margin leading to ROCE above 16% on sustained basis

#### **Negative Factors**

- Significant decline in liquid investments
- Lower than expected inflows from the real estate project

#### **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 (RL) 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, etc. The group has about 19 plants located across India and 3 plants overseas. RL, on a standalone basis, is mainly engaged into suiting and shirting fabrics with production capacity of approximately 38 million meters per annum. All other businesses are housed largely in wholly owned subsidiaries.

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	-	-	Dec 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)
Proposed Non-Convertible Debentures	-	-	-	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	150.00	CARE AA (Under Credit watch with Developing Implications)
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	-	-	7 days to 364 days	550.00	CARE A1+ (Under Credit watch with Developing Implications)

## 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 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; 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+ (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; 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+ (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+ (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 Debentures	LT	-	-	-	-	1) Withdrawn (19-Apr-17)	1) CARE AA (18-Oct-16)
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; Stable (07-Dec-18) 2) CARE AA; Stable (19-Apr-17)	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	150.00	CARE AA (Under Credit watch with Developing Implications)	-	1) CARE AA; Stable (07-Dec-18) 2) CARE AA; Stable (19-Apr-17)	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; 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+ (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; Stable (07-Dec-18)	-	-

**Annexure -3:****List of Subsidiaries Consolidated**

- (a) Raymond Apparel Limited India
- (b) Pashmina Holdings Limited Indias
- (c) Everblue Apparel Limited India
- (d) J K Files (India ) Limited India 100%
- (e) Colorplus Realty Limited (Formerly, Colorplus Fashions Limited)India
- (f) Silver Spark Apparel Limited India
- (g) Celebrations Apparel Limited India
- (h) Scissors Engineering Products Limited India
- (i) Ring Plus Aqua Limited India
- (j) JK Talabot Limited India
- (k) Raymond Woollen Outerwear Limited India
- (l) Raymond Luxury Cottons Limited India
- (m) Dress Master Apparel Private Limited India
- (n) Jaykayorg AG Switzerland
- (o) Raymond (Europe) Limited United Kingdom
- (p) R&A Logistics Inc. United States of America
- (q) Raymond Lifestyle International DMCC United Arab Emirates
- (r) Silver Spark Middle East FZE United Arab Emirates
- (s) Silver Spark Apparel Ethiopia Plc.

**List of JVs**

- (a)Raymond UCO Denim Private Limited (and its subsidiaries and Joint Ventures) [RUDPL]
  - UCO Fabrics Inc. And its Subsidiaries, United States of America
  - UCO Testatura S.r.l. Romania

- UCO Raymond Denim Holding NV Belgium

**List of Associates and their Subsidiary and Joint Venture:**

- (a) P.T. Jaykay Files Indonesia \* Indonesia \$ Tools and Hardware
- (b) J.K Investo Trade (India) Limited (and its subsidiaries and Joint Ventures) FMCG
  - J.K. Helene Curtis Limited India
  - J.K. Helene Curtis International FZE United Arab Emirates "
  - Raymond Consumer Care Private Limited (and its Subsidiaries) (Formerly, J.K. Ansell Private Limited) India
  - Ray Global Consumer Trading Private Ltd (w.e.f 30th November, 2018) India
  - Ray Universal Trading Private Limited (w.e.f 30th November, 2018) India
- (c) Radha Krshna Films Limited India Entertainment

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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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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