

RESULT UPDATE

MID CAP

Share Data

Reuters code	RYMD.BO
Bloomberg code	RWIN
Market cap. (US\$ mn)	604
6M avg. daily turnover (US\$ mn)	12.3
Issued shares (mn)	61.4
Target price (Rs)	340

Performance (%)	1M	3M	12M
Absolute	16	90	114
Relative	15	69	79

Valuation ratios (Consolidated)

Yr to 31 Mar	FY11E	FY12E
EPS (Rs)	15.0	18.5
+/- (%)	190.9	23.2
PER (x)	29.1	23.6
PBV (x)	2.1	1.9
EV/Sales (x)	1.5	1.3
EV/EBITDA (x)	12.4	10.7

Major shareholders (%)

Promoters	39
FII's	7
MF's	9
BFSI's	18
Public & Others	27

Financial highlights

(Rs mn)	2QFY10	2QFY11	YoY (%)	1HFY10	1HFY11	YoY (%)	FY10	FY11E	YoY (%)	FY12E	YoY (%)
Net Sales	3,985	3,949	(0.9)	6,333	6,358	0.4	24,910	29,593	18.8	32,866	11.1
Other operating income	36	37	1.9	88	70	(20.3)	167	184	10.0	210	14.5
EBITDA	615	789	28.3	552	831	50.5	2,436	3,547	45.6	4,156	17.2
EBITDA Margin (%)	15.3	19.8	-	8.6	12.9	-	9.7	11.9	-	12.6	-
Other Income	115	200	73.6	327	260	(20.5)	1,055	759	(28.0)	712	(6.2)
Interest	228	225	(1.1)	459	435	(5.2)	1,293	1,366	5.6	1,399	2.5
Depreciation	281	256	(9.1)	551	510	(7.4)	1,765	1,729	(2.1)	1,762	1.9
PBT	220	507	130.1	(131)	146	(211.0)	432	1,211	180.5	1,707	41.0
Extraordinary income	(152)	(1)	(99.1)	(201)	(20)	(90.1)	(825)	(50)	(94.0)	-	-
Tax	(6)	114	-	(91)	(17)	-	109	281	159.1	563	100.4
Net profit	74	392	427.3	(242)	143	(159.2)	(501)	881	(275.6)	1,144	29.9
Prior period adjustment	-	-	-	-	-	-	(18)	-	-	-	-
Minority interest	-	-	-	-	-	-	(6)	(7)	14.9	(6)	(9.8)
Adjusted PAT	226	393	73.9	(40)	163	(504.5)	317	923	190.9	1,138	23.2
Adjusted PAT Margin (%)	5.7	10.0	-	(0.6)	2.6	-	1.3	3.1	-	3.5	-
Adjusted EPS (Rs)	3.7	6.4	73.9	(0.7)	2.7	(504.5)	5.2	15.0	190.9	18.5	23.2
P/E (x)	-	-	-	-	-	-	84.6	29.1	-	23.6	-

Note: The quarterly numbers are standalone and yearly numbers are consolidated.

Raymond

Maintain Underperformer

Price: Rs 437

BSE Index: 20,221

27 October 2010

2QFY11 Result – Better standalone earnings

The revenues of textile segment improved by 13.9% to Rs 3,927 mn, due to 9% volume growth and 3% realisation growth. The standalone results for the quarter are not directly comparable on YoY, as the files and tools division was transferred to wholly owned subsidiary, Hindustan Files Ltd. (subsequently renamed as JK Files (India) Ltd.) with effect from 01 October 2009. The EBIT of textile segment improved by 43.7% to Rs 904 mn, with 480 bps YoY improvement in EBIT margin to 23%. The extraordinary item of Rs 1 mn in 2QFY11 pertains to VRS payments made and written-off during the quarter. The standalone reported profit for the quarter is Rs 392 mn, and adjusted for the extraordinary item, the adjusted profit is Rs 393 mn. On the consolidated basis, the company reported 16% YoY growth in sales to Rs 7.9 bn, of which textiles 53%, branded apparel 21%, garments 5%, denim 10%, files 8% and auto components and others 3%.

Currently, the stock trades at 18.8x FY11E consolidated EPS of Rs 15.0 and 15.2x FY12E consolidated EPS of Rs 18.5, after considering Thane land value ~Rs 155 per share for 126 acres.

We maintain Underperformer rating, with a target price of Rs 340 (value from core business Rs 185 per share and land value Rs 155 per share). Any upside on land value against our estimate of Rs 100 mn per acre, will lead to change in our value from real estate.

Highlights

- The net sales from Raymond Zambaiti JV, improved by ~29% YoY to Rs 530 mn, with volume growth of 23% and realisation growth of 4%. The EBITDA margin got impacted with ~550 bps decline to 18.9% due to rising cotton yarn prices. Export share declined YoY to 15% from 32% in 2QFY10. The share of Raymond in the above JV is 50%. The expansion of shirting fabric capacity from 11.5 mn metres to 21.6 mn metres is expected to commence production by 4QFY11.
- The net sales from the subsidiary Raymond Woollen Outerwear Ltd. improved by ~30% YoY to Rs 130 mn. Despite the revenue growth, the operating profit was nil due to high expenses.
- The net sales from the Indian operation of Raymond UCO Denim JV, improved by ~20% YoY to Rs 1,460 mn. However EBITDA margin declined by 90 bps YoY to 13% due to high operating cost. The revenue from the Romanian operation improved by 10% YoY to Rs 110 mn and the operating loss declined from Rs 50 mn (2QFY10) to Rs 30 mn in 2QFY11. The share of Raymond in the above JV is 50%.
- The net sales from branded apparel business, that is the subsidiaries, Raymond Apparel and Colorplus Fashion improved by ~6% YoY to Rs 1,740 mn with EBITDA margin declining by ~80 bps YoY to 13.8%.
- The net sales from garmenting business, that is the subsidiaries, Silver Spark and Celebrations remained flat at Rs 360 mn. EBITDA declined by ~33% YoY to Rs 40 mn and EBITDA margin dipped by 560 bps YoY to 11.1%.
- During the quarter, the total number of retail stores is 704, of which 509 are TRS (The Raymond Shop), 156 are EBOs (Exclusive Brand Outlets) and 39 are TRS in overseas markets, like, Middle East and SAARC. During the quarter, the company added ~23 stores.
- The company agreed on VRS package for employees in Thane factory of ~Rs 2,600 mn in October 2010 with the labour union, of which Rs 1,500 mn is payable immediately and Rs 1,100 mn is payable after three years. As per the management, out of 1,885 workers, over 93% accepted the VRS package. In addition, there would be payment of another ~Rs 490 mn in lieu of dues like, gratuity, etc. to be payable immediately. The total compensation package works out to Rs 3,090 mn. The ~126 acres in Thane currently houses the factory, school and employee quarters. Since there is no clarification and visibility on the land development plans, we have taken the land value after considering the compensation package to the employees. The current land cost in Thane is around Rs 100 to 200 mn per acre. Considering the land value at the lower end of the price band, the ~126 acres can be valued at Rs 9,510 mn (after Rs 3,090 mn compensation package, which will work up to Rs 155 per share).

Segment results (Standalone)

(Rs mn)	2QFY10	2QFY11	YoY (%)	1HFY10	1HFY11	YoY (%)	FY10
Sales							
Textile	3,448	3,927	13.9	5,299	6,310	19.1	12,229
Files	503	–	–	965	–	–	965
Others	35	22	(37.0)	69	48	(30.2)	155
EBIT							
Textile	629	904	43.7	554	956	72.4	1,705
Files	73	–	–	132	–	–	132
Others	(82)	(44)	(46.5)	(127)	(71)	(44.4)	(247)
EBIT margin (%)							
Textile	18.2	23.0	–	10.5	15.1	–	13.9
Files	14.5	–	–	13.7	–	–	13.7
Others	(235.2)	(199.5)	–	(183.4)	(146.1)	–	(159.1)

Source: Company

Income Statement (Consolidated)

Yr end 31 Mar (Rs mn)	FY09	FY10	FY11E	FY12E
Net sales	25,409	24,910	29,593	32,866
<i>Growth (%)</i>	6.7	(2.0)	18.8	11.1
Operating expenses	(23,502)	(22,641)	(26,230)	(28,920)
Operating profit	1,907	2,269	3,363	3,946
Other operating income	189	167	184	210
EBITDA	2,096	2,436	3,547	4,156
<i>Growth (%)</i>	31.9	16.2	45.6	17.2
Depreciation	(1,666)	(1,765)	(1,729)	(1,762)
Other income	(469)	1,055	759	712
EBIT	(39)	1,725	2,577	3,107
Interest paid	(1,328)	(1,293)	(1,366)	(1,399)
Pre-tax profit	(1,367)	432	1,211	1,707
(before non-recurring items)				
Non-recurring items	(1,135)	(825)	(50)	–
Pre-tax profit	(2,502)	(393)	1,162	1,707
(after non-recurring items)				
Tax (current + deferred)	204	(109)	(281)	(563)
Net profit (before Minority Interest, Pref. Dividend, etc.)	(2,298)	(501)	881	1,144
Interest, Pref. Dividend, etc.)				
Prior period adjustments	(16)	(18)	–	–
Minority interests	(6)	(6)	(7)	(6)
Reported PAT	(2,319)	(525)	874	1,138
Adjusted net profit	(1,168)	317	923	1,138
<i>Growth (%)</i>	(4,790.6)	NA	190.9	23.2

Balance Sheet (Consolidated)

Yr end 31 Mar (Rs mn)	FY09	FY10	FY11E	FY12E
Cash & Marketable Securities	836	707	853	876
Other Current assets	14,010	13,279	16,423	20,194
Investments	6,301	6,297	6,297	6,297
Net fixed assets	15,995	14,790	14,232	13,470
Total assets	37,142	35,072	37,804	40,837
Current liabilities	6,403	6,107	6,790	8,435
Total debt	18,230	16,921	18,089	18,333
Other non-current liabilities	275	212	212	212
Total liabilities	24,908	23,240	25,091	26,980
Share capital	614	614	614	614
Reserves & surplus	11,552	11,145	12,019	13,156
Shareholders' funds	12,166	11,759	12,633	13,770
Minorities interests	67	73	80	87
Total equity & liabilities	37,142	35,072	37,804	40,837
Capital employed	30,739	28,965	31,014	32,402

Cash Flow Statement (Consolidated)

Yr end 31 Mar (Rs mn)	FY09	FY10	FY11E	FY12E
Pre-tax profit	(2,502)	(393)	1,162	1,707
Depreciation	(882)	1,093	1,729	1,762
Chg in working capital	1,620	435	(2,461)	(2,126)
Total tax paid	(164)	(172)	(281)	(563)
Other operating activities	(16)	(18)	–	–
Cash flow from oper. (a)	(1,943)	945	148	779
Capital expenditure	(758)	112	(1,171)	(1,000)
Chg in investments	69	5	–	–
Others	5	(1)	–	–
Cash flow from inv. (b)	(684)	116	(1,171)	(1,000)
Free cash flow (a+b)	(2,627)	1,061	(1,022)	(221)
Chg in minorities	(4)	–	–	–
Debt raised/(repaid)	2,881	(1,309)	1,168	244
Dividend (incl. tax)	(5)	(1)	–	–
Others	11	120	1	–
Cash flow from fin. (c)	2,883	(1,190)	1,169	244
Net chg in cash (a+b+c)	257	(129)	146	23

Key Ratios (Consolidated)

Yr end 31 Mar (%)	FY09	FY10	FY11E	FY12E
Adjusted EPS (Rs)	(19.0)	5.2	15.0	18.5
Growth	(4,790.6)	NA	190.9	23.2
Book NAV/share (Rs)	199.3	192.8	207.1	225.8
Dividend payout ratio	(0.4)	0.3	–	–
Tax	8.2	(27.6)	24.2	33.0
EBITDA margin	8.2	9.7	11.9	12.6
EBIT margin	(0.2)	6.9	8.7	9.5
RoCE	(0.1)	5.8	8.6	9.8
Net debt/Equity	142.2	137.0	135.6	126.0

Valuations (Consolidated)

Yr end 31 Mar (x)	FY09	FY10	FY11E	FY12E
PER	NA	84.6	29.1	23.6
PCE	53.9	12.9	10.1	9.3
Price/Book	2.2	2.3	2.1	1.9
Yield (%)	–	–	–	–
EV/Net sales	1.7	1.7	1.5	1.3
EV/EBITDA	21.1	17.7	12.4	10.7

Du Pont Analysis – ROE (Consolidated)

Yr end 31 Mar (x)	FY09	FY10	FY11E	FY12E
Net margin (%)	(4.6)	1.3	3.1	3.5
Asset turnover	0.7	0.7	0.8	0.8
Leverage factor	2.7	3.0	3.0	3.0
Return on equity (%)	(8.7)	2.6	7.5	8.6

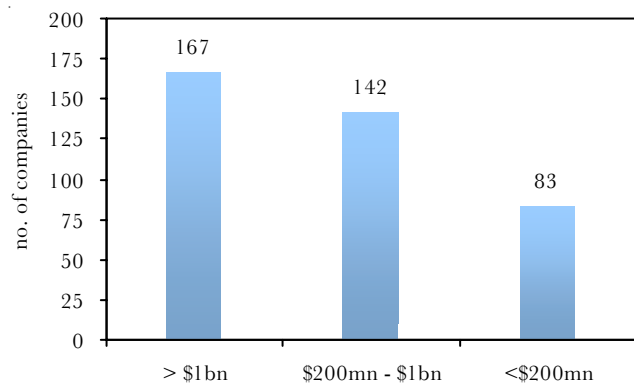
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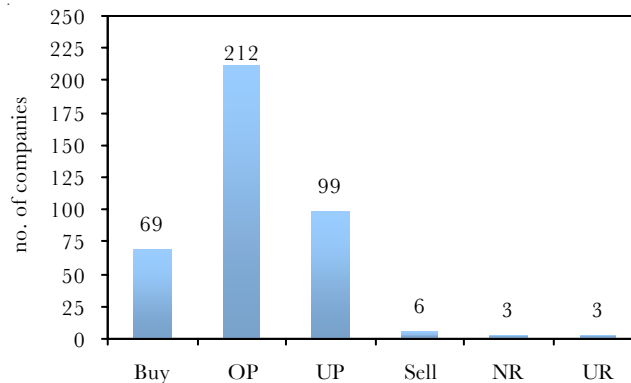
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B&K Universe Profile

By Market Cap (US\$ mn)



By Recommendation



B&K Securities is the trading name of Batlivala & Karani Securities India Pvt. Ltd.

B&K Investment Ratings:

1. **BUY:** Potential upside of > +25% (absolute returns)
2. **OUTPERFORMER:** 0 to +25%
3. **UNDERPERFORMER:** 0 to -25%
4. **SELL:** Potential downside of < -25% (absolute returns)

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