Raymond
LIFESTYLE LIMITED
(Formerly known as Raymond Consumer Care Limited)

Great Place To Work. Certified FEB 2023 – FEB 2024 INDIA

RLL/SE/24-25/15

November 12, 2024

To

The Department of Corporate Services - CRD
BSE Limited
P.J. Towers, Dalal Street
Mumbai - 400 001
Scrip Code: 544240

The National Stock Exchange of India Limited
Exchange Plaza, 5th Floor
Bandra-Kurla Complex
Bandra (East), Mumbai - 400 051
Symbol: RAYMONDLSL

Dear Sir/Madam,

**Sub: Intimation under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Conference Call Transcript**

Please find enclosed transcript of the conference call held on November 06, 2024, with respect to the financial results of Raymond Lifestyle Limited for the second quarter and half year ended September 30, 2024.

The transcript has also been uploaded on the Company's website (www.raymondlifestyle.com)

This is for your information and records.

Thanking you.

Yours faithfully,
For **Raymond Lifestyle Limited**

Priti Nitin Alkari
Digitally signed by Priti Nitin Alkari
Date: 2024.11.12 16:45:40 +05'30'

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Encl.: A/a


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# “Raymond Lifestyle Limited
# Q2 FY '25 Earnings Conference Call”
## November 06, 2024

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| **MANAGEMENT:** | **MR. AMIT AGARWAL – GROUP CHIEF FINANCIAL OFFICER – RAYMOND**<br>**MR. SUNIL KATARIA – CHIEF EXECUTIVE OFFICER, MANAGING DIRECTOR – RAYMOND LIFESTYLE LIMITED**<br>**MR. SAMEER SHAH – CHIEF FINANCIAL OFFICER, RAYMOND LIFESTYLE LIMITED**<br>**MR. SUNNY DESA – HEAD IR – RAYMOND** |
| **MODERATOR:** | **MR. DHIRAJ MISTRY – ANTIQUE STOCK BROKING LIMITED** |

**Moderator:** Ladies and gentlemen, good day and welcome to Raymond Lifestyle Limited Q2 FY25 Earnings Conference Call hosted by Antique Stock Broking Limited. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Dhiraj Mistry from Antique Stock Broking Limited. Thank you and over to you, sir.

**Dhiraj Mistry:** Thank you. On behalf of Antique Stock Broking, I would like to welcome all the participants in the Q2 FY25 conference call of Raymond Lifestyle Limited. Today, we have with us from Senior Management of Raymond, Mr. Amit Agarwal, Group CFO, Mr. Sunil Kataria, CEO and MD, Mr. Samir Shah, CFO, and Mr. Sunny Desa, Head IR. Without taking further time, I would like to hand over the call to Mr. Sunil, over to you.

**Sunil Kataria:** Thank you. First of all, welcome to everyone for joining in this Q2 result conference call of Raymond Lifestyle Limited. I will now start reading out the performance highlights of the Q2 FY25.

At the outset, I would like to extend warm wishes for a very happy Diwali and a prosperous New Year to all of you and your families. We deeply appreciate your continued support, especially as the new entity, Raymond Lifestyle Limited, which has achieved a significant milestone by becoming a separately listed company on the stock exchange on September 5, 2024. I hope everyone has got an opportunity to go through our financial results and investor presentation, which have been uploaded on the stock exchange as well as the company's website.

Now, before I start my discussion on the Q2 FY25 performance, I would like to provide a brief update on the macroeconomic conditions. Despite ongoing global geopolitical challenges and supply chain resources, the global economy has shown resilience. India continues to lead this growth, with the RBI projecting a 7.2% GDP growth rate of FY25. However, factors like excessive rainfall in August and September, rising food inflation, which drove CPI to a nine-month high, and discretionary spending getting impacted – these are some of the headwinds which played out in the Q2. These headwinds have influenced consumer sentiment and weighed on overall consumption, shaping a more cautious environment in the Q2. Now, let me talk about the performance highlights.

Overall, the Raymond Lifestyle Limited business delivered a stable quarterly performance, successfully navigating multiple headwinds in the first half of the year. This quarter, we faced softer demand, driven by muted consumer sentiment, and reduced discretionary spending, which impacted footfall at our retail outlets and across markets in general, resulting in low revenue and consequent margins. Despite these challenges, our performance improved sequentially, with total income reaching INR1,735 crores in Q2 FY25, up from INR1,250 crores in Q1 FY25, a quarter-on-quarter growth of approximately 39%.

However, the revenue declined from Rs 1,849 crores in Q2 FY24, which was a decline of 6.2%. Our EBITDA for Q2 stood at Rs 242 crores, compared to Rs 89 crores in Q1 FY25 and Rs 331 crores in Q2 FY24, with EBITDA margins at 13.9%.

Now, I'll take you through some of the highlights of our segmental performance. First of all, the branded textile segment. The branded textile segment revenue declined to INR854 crores, which was a decline of 8% in Q2 FY25, as compared to INR933 crores in the second quarter of fiscal year FY24.

This was primarily on account of softer consumer demand, seasonal factors like “Shraadh” in September, and lower footfalls impacting secondary sales. The segment EBITDA margin was impacted due to lower revenues primarily, and was at 18.9% in Q2 FY25, as compared to 22.2% in Q2 FY24. This quarter, we made a new entry into a segment which is ceremonial fabrics, a category which is designed to cater to ready-to-stitch or tailored ethnic wear preferences of our customers, with over 150 designs which got rolled out across different segments.

Additionally, on the premiumization journey, we launched the Bello Italiano collection, which brings authentic Italian fashion from premium Italian mills, aimed at high net worth individuals who seek exclusive premium products. Our linen shirting offerings also have seen a very positive demand, highlighting continued interest in this product line as well. On the marketing front, we launched the Garment Exchange Program, engaging customers to donate pre-owned garments to those in need through our collaboration with the NGO Goonch. As part of this initiative, customers receive complimentary stitching on trousers and shirting fabrics, fostering goodwill and reinforcing our brand's social responsibility. It's worth mentioning that lifestyle business is seasonally weaker in the first half of the year.

Coming to the branded apparel segment, the revenue of this segment was marginally higher at INR441 crores compared to INR437 crores in the same quarter last year. This growth was supported by the addition of new stores, despite subdued consumer demand and challenging market conditions.

Our strategy remains focused on expanding our distribution reach network, with an emphasis on premiumization and casualization. We are also centering our presence and building the new product categories, including Ethnics by Raymond and our Sleepwear entry, Sleeps by Raymond. Ethnics by Raymond is showing promising demand, with 129 stores now operational and ready to cater to the festive and upcoming wedding season.

We continue to invest in brand building, and with the current festive season and a strong wedding calendar in the second half of the year, we are very optimistic about maintaining the growth momentum. We are also pleased to announce the successful launch of our new brand, Sleeps by Raymond, which targets the largely unbranded men's sleepwear market. As a unique entry, it is the first national branded player in this category.

We have already appointed over 60 distributors, with product pricing positioned attractively between INR500 and INR999. On the marketing front, we are thrilled to announce that we have been selected as the official wardrobe partner for this season's highly popular quiz show, Kaun

Banega Crorepati. This partnership not only enhances our brand visibility among a vast and diverse audience, but also provides a unique platform for consumer engagement. By showcasing our latest collections on a widely watched television program, we aim to connect with millions of viewers, reinforcing our commitment to quality and style.

The branded apparel segment delivered in a beta margin of 13% versus 12.1% in the same quarter of the previous year. This performance reflects our ongoing focus on intake margins and includes investment in new store openings, branding and categorization, and spending on advertising and marketing to support our brands.

Aligned with our strategy, we have continued to expand our retail footprint, adding 52 new stores in this quarter, bringing our total number of stores in India to 1592 as of 30th September 2024. Our stores are now spread across 600 towns and cities in India, including 129 Ethnix By Raymond stores. We remain committed to expanding our product portfolio and retail presence to meet growing demand during the festive and wedding season.

Next, we will take on the garmenting segment. During the quarter, the reported revenue of the garmenting segment was INR260 crores in this quarter as compared to INR286 crores in the same quarter previous year. During the quarter, EBITDA margin was at 9.6% as compared to 7.5% reported in the previous year. Our vertically integrated supply chain, which enables seamless conversion from fabric to garment, provides us with a distinct advantage in the market.

This integration supports our growth ambitions and positions us as a unique player within the industry. Over the past few months, we have successfully added over 20 new clients across key markets, including the US, UK, and Europe. We are currently expanding our capacity, a move that will significantly bolster our global standing.

Once this expansion is complete, we expect to become the third largest suit maker worldwide, paving the way for further growth and customer acquisition. Our high-value cotton shirting segment saw an improvement in revenue by 8%, INR228 crores compared to INR211 crores in the previous year. The demand for our fabric offering to B2B customers in the domestic market in anticipation of a healthy festive and wedding-length demand led to this increase. The EBITDA margin for the quarter was 9.7%.

On the financial front, our net debt stood at INR396 crores as of Q2 FY25. This increase is mainly due to a planned rise in working capital, which grew by approximately INR325 crores to INR1,692 crores in September 2024, up from INR1,367 crores in March 2024. This increase is linked to the planned placement of inventories across our expanded retail and distribution network in anticipation of the upcoming festive and demand wedding season.

We remain focused on optimizing our networking capital to ensure freshness across our distribution channels. We expect a reduction in NWC in the second half of FY25 as demand for the festive and wedding season begins to materialize driving sales and improving cash flow.

Now let me take you through some of the strategic initiatives. Our focus remains on expanding our footprint in both domestic and international markets. We continue to invest in digital transformation and e-commerce capabilities to enhance customer experience and drive sales growth. Looking ahead on the outlook, we are optimistic about the upcoming months with the festival season and a strong wedding calendar expected to drive consumer engagement. With nearly 4.8 million weddings projected for November and December alone, this period presents significant demand potential which should benefit key segments across our business.

The month of October has already shown good optics compared to the previous period and we anticipate this momentum to go ahead as we move through peak wedding and winter season. Amidst these positive demand indicators, we remain mindful of a challenging macroeconomic environment marked by ongoing geopolitical tensions and concerns around economic volatility. However, domestic demand revival, fueled by festive celebrations, adds a hopeful note to our outlook.

Aligned with our growth strategy, we are progressing towards expanding our retail footprint, targeting 200 additional stores over the next 18 months, primarily following an asset-light franchising model. The expansion will emphasize our Ethnix by Raymond stores, positioning us to capture rising demand in the ethnic wear segment.

In the garmenting segment, we are leveraging the China Plus One strategy and the newly emerged Bangladesh Plus One pivot as well, to strengthen our global consumer base. Our capacity expansion is on track to meet the rising export demand, enhancing our vertically integrated supply chain from fabric to garment. Raymond Lifestyle remains committed to delivering sustainable growth and value to our stakeholders. We appreciate your continued support and engagement as we navigate the opportunities ahead.

Thank you once again for joining us today and we look forward to addressing any questions that you may have.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Manoj Jethwa from KSA Shares and Securities Private Limited. Please go ahead.

**Manoj Jethwa:** Good evening and many congratulations for the first earnings conference and wishing all the best for all the future endeavors to whole team. My first question is pertaining to the sleepwear market, which you have started the sleep brands recently. I appreciate to add some color on the business, the margin, how big is India market and do we have any plans to export that in US and other European markets where we already have a presence?

**Sunil Kataria:** Okay, thank you. So this sleepwear market in India is primarily an unbranded market and to that extent, honestly, it's very difficult to get a perfect sizing of this market. There are obviously, when we go through multiple reports, there are different sizes available anywhere ranging between INR6,000 crores to INR10,000 crores.

I mean, that's the kind of thing which some of the reports we have seen say. But it's really good to say that it's a pretty large, humongous market which has not been catered to by any national brand and that is where we see the large opportunity and that is what we believe is the rationale and right to win for us in this market. Now, our 4M to this market, to our work that we did, quick work that we did, we realized that there are two critical consumer reasons to succeed in this market.

One is obviously the product requires a huge amount of quality and comfort because this is something which one use for sleeping at night. And secondly, this being a shift from a fashion segment to an essential segment, people look for value for money and there is only so much anyone would pay for a daily wear sleepwear item. And hence, what we've been able to create as a separate brand is Sleepz by Raymond where we have launched two large segments.

One is Indian wear which is things like kurta, pyjama in South, the dhotis and also Western loungewear which is very high-quality t-shirts, boxer shorts and, you know, track pants. The products are of the highest quality in line with Raymond's standards and what we've done is we've kept the pricing between let's say INR500 for a t-shirt to let's say INR999 for a set or similarly INR500 kurta to INR999 kurta pyjama set. So, this is a sub- INR1000 segment which is aimed at democratizing and upgrading the unbranded sleepwear segment.

The current status is that we have appointed 60 distributors all across the country. Our distribution would be through both our own network of TRS which is spread across 600 plus towns. But we see a large chunk of this market has to be distributed through multi-brand outlets and for that we have appointed 60 distributors already and we have already reached roughly 1000 odd stores of multi-brand outlets as we talked today. We will be targeting to reach something around 8,000 to 9,000 stores in next 6 months to 8 months or 10,000 stores would be also an aspiration for us and we have already done the first rollout in the market. Early feedbacks, the product has been appreciated a lot and the pricing is found to be very attractive right now. So, initial signs look positive. Obviously, as we scale up we get more feedback from market and consumers, but we are very hopeful of building a very disruptive play in this market.

So, the answer in international, I think it's too early. This is a market which is international not at all on our horizon. I think India itself is a humongous play. This has Indian wear also. This has western wear also, but we will keep focus on India only. So, no plans to take it international.

**Manoj Jethwa:** So, my second question is pertaining to the ethnic brand which Raymond has already started with almost around 60 outlets and 150 designs you are having. So, how do you see the growth trajectory going ahead in the next couple of years and where do you see this brand, ethnic brand as compared to other competitive brands like Tasva which many, many industrial houses they have started. So, what is so unique about the Indian wedding industry about this? Do you see the premiumization or do you see the splurging of the money in the wedding seasons and all that? How do you see this particular market?

**Sunil Kataria:** Okay. So, first of all, Indian ethnic wear market is one of the largest markets which has emerged in the recent decade. One thing very clearly is that Indian wedding per se has shifted from a two-day wedding to a five-day wedding. That's what made it a big fat Indian wedding. And there are today the men's ensemble which used to be maybe a two-day event ensemble of two outfits has become a five to six outfits of different kinds. And that is what the opportunity this Indian ethnic wear market projects.

So, the data that we have this market is projected to grow at around anywhere between 12% to 13% per annum. This market is roughly around 50-50 branded and unbranded today. And the branded part is only going to grow. So, this game first of all to my mind is not about us versus another brand or third brand. This game is about actually converting the unbranded ethnic wear market which is itself emerged very fast to a branded segment. And that is where all players will play that role. So, that's the way I see this role emerging.

Now, coming to what is the right to win for ethnics, one correction I would like to do is we are not 60 stores. We have reached 129 stores already in Ethnix by Raymond. And we are looking to cross 200 stores over the next 6 months to 8 months. So, that's the kind of ambition that we are having right now. Now, our right to win three very clearly. One, we believe we have been able to create a very unique and differentiated offering at very I won't call it value for money, but very correct rise price points at the mass premium end. And that is completely, clearly the feedback that we've got from all customers across the country on our products. Our products are differentiated.

Our products are the right fabric. Our products are pretty much premium looking. The second one is, I think the retail identity that we've come, that also has created experience which consumers like. And the third part, I would say, is the kind of brand building that we're doing. You would have seen our Raymond I think the Raymond campaign that we have positioned ourselves on a very unique place of, saath sajenge toh khoob jachenge which is a whole bit of family feel to the wedding. And that is something, the three pieces which I think are placing us in a very good space to get our fair share and in fact lead the entire conversion of the unbranded market to branded.

What we're looking at in terms of revenue, I think over the next 2 years to 3 years we're looking at INR300 crores to INR350 crores revenue over a 3 year period from this brand.

**Manoj Jethwa:** Okay. Thank you. So my last and third question would be regarding the management of your working capital cycle, especially the inventory, your debtors, creditors and all that. So how do you manage going ahead, sir? How do you see the margins going ahead in terms of EBITDA and your PAT margin?

**Sunil Kataria:** Okay. So first of all, as you see, we are very conscious about networking capital management. And the increase that you have seen in the networking capital right now is something which we normally happen and we have a little bit planned because we were expecting this time, the wedding season in a way it's kind of shifted from the first half to the second half.

And we are also anticipating and from what we are seeing in October already, that there is a momentum and swing in the retail optic and sales. So in line to prepare for that, it's always a better sense that you actually make sure that your shelf share does not go down. And it sometimes makes it prudent to say, okay, it's better to have a little larger shelf share than the normal one.

So that is one part which is definitely planned that we wanted to stock up greater shelf space across the categories. And that is something which we have done. Now, what will also happen along with this is now we are seeing some very early positive signs in October in terms of the way the market is behaving in retail offtake and secondly from our stores.

With the wedding season now coming in from November 12th and slated to be over next 5 months, we in any case will expect this networking capital to ease out and start coming down over this next coming period. Hence, we believe that by the end of March, we will be in a pretty regularized and normalized space of networking capital.

**Manoj Jethwa:** Thank you very much. That's all from my side.

**Moderator:** Thank you. The next question is from the line of Devanshu Bansal from Emkay Global Financial Services Limited. Please go ahead.

**Devanshu Bansal:** Yes, sir. Hi, Sunil. Thanks for taking my questions. Just a continuation to previous questions, Sunil. So, this working capital increase is actually correspondingly resulting into increase in debt also. So, I just wanted to understand your strategy behind mapping of capital allocation and growth going ahead. So, obviously, H1 was weak, but we decided to sort of increase the working capital with debt. So, what's your strategy here? Can we see further rise in debt going ahead as well?

**Sunil Kataria:** Yes. So, first of all, if you see this, debt increase is only at a very short-term level for us, which has actually happened as we said, that we wanted to play out in the market a little bit more aggressively in terms of stock placements. We don't have any large capex planned. There is only one growth capex by and large which is required for us, which is the garmenting capacity expansion for which we have already done roughly around INR100 odd crores which has gone into this. So, we do not have a very large growth capex planned, which will put a pressure on in terms of our debt management, in terms of any long-term debt at all.

**Devanshu Bansal:** So, by this year-end, we should expect reduction in debt from current level. Is this a right assumption?

**Sunil Kataria:** Yes, that would be a fair assumption to make.

**Devanshu Bansal:** Understood, Sunil. Second question, Sunil, both garmenting as well as branded apparel were strong focus areas and projected to be growth drivers for the company. However, in H1, at least the growth trends are relatively weaker here. Do you foresee reduction in because both these categories were expected to grow in high teens. So, do you foresee a downward revision to our guidance here?

**Sunil Kataria:** In fact, I will tell you in case of garmenting, let me first tell you that the part of this garmenting result that you see is also due to certain logistics challenges that we got from due to the Red Sea piece, where the lead times have increased by around two to three weeks. And that led to some of our order books actually the revenue recognition of that did not happen because the transit times increased. So, actually, that is one very clear piece that it was more logistics led rather than any order book led kind of a change.

So, I think that's one context I would like to put on the table. Having said that, in the garmenting business, we have a pretty decent and healthy order book. And I see that going forward in the second half, we should be able to deliver strong growth in the garmenting business. And we do not see any major revision happening in terms of garmenting businesses coming downwards because that piece remains healthy.

We also have started seeing some quick wins, early wins, which have happened due to Bangladesh Plus One. They are not very large material in size, but they are actually a decent start for us. And we also have a series of queries, which are already happening and engagements, discussions happening on that front as well with interested parties.

So, I think given China Plus One, which kind of continues to hold in different degrees with some emergence of Bangladesh Plus One, with the same commentary that we gave earlier on, hopefully, FTA is coming soon. And given the current order book lineup that we see, I don't think so there should be a major revision downwards on this, the garmenting.

On the branded apparel piece, yes, this was a quarter which was 1% kind of a growth for us. And different from the guidance that we had given earlier. But I think this is also in the light of the fact that the whole first half has seen a very muted, weak discretionary consumer spending. Now, again, the same piece holds is that what we are seeing right now is that the retail optics in October have been very positive.

And that is something which we have seen across categories for us. So, that is something which is a very encouraging sign that the consumers seem to have kind of come back, the footfall across most of the stores seem to be pretty healthy. And the consumer has come back. I won't say it's a full revenge consumption as yet, but it has come back in a very, very positive manner.

What we are seeing clearly is that with the wedding season spread out over five months now, that we should see a double-digit kind of a growth happening across apparel or a healthy growth happening across apparel. Exact number, whether it will be high teens, mid-teens, early teens, I mean, it's difficult to say that at this stage, any guidance on that.

But yes, the trend is looking positive from October onwards. And another thing I would say on this, which is helping us and which will help us also is that we have been spending right from end September, a large amount of money behind demand generation and apparel. Like, for example, we have done a 100-week sign-up with Kaun Banega Crorepati right from mid-August or end-August to end of December.

And that's something, again, which from the market feedback is giving us a pretty good mileage. We are investing behind Park Avenue, Colour Plus, Ethnix, all through multiple initiatives either in terms of PV or digital. So, I think the demand generation initiatives are fully back on as well.

**Devanshu Bansal:** Understood. Just a small follow-up, Sunil. So, H1 obviously has been mutated, but for H2, at least low teen revenue growth with high teen EBITDA is possible as per initial indications that you are getting from the market for the overall Raymond's lifestyle business. Is this a fair assumption?

**Sunil Kataria:** So, okay. See, I wouldn't be giving a -- I mean, it's difficult to give a guidance and maybe not right at this stage, but we will see a good growth. That is what we are saying. And we will have -- maintain a healthy EBITDA margin. In fact, we have seen the apparel business our EBITDA margins have moved up.

And one thing which I think we can share at this stage definitely is that we have put in some very focused efforts on improving our sourcing and intake margins in apparel. And that is something you have been noticing across our businesses and across results over the last two years as well. And that journey has continued despite a tough market demand.

And we have not scaled up to the extent that we wanted, but still the intake margin sourcing efficiencies has played out a role very strongly. And this is despite us opening stores, etcetera, parallelly along with it. So, I think a good growth definitely that we expect along with maintaining healthy EBITDA margins. That definitely will do.

**Devanshu Bansal:** Understood, Sunil. Thanks for taking my questions and all the best for upcoming season. Thank you.

**Sunil Kataria:** Thank you.

**Moderator:** Thank you. The next question is from the line of Tanmay Gupta from Motilal Oswal Financial Services Limited. Please go ahead.

**Tanmay Gupta:** Yes. Thank you for the opportunity. So, I just wanted to clarify on the accounting for franchisee stores. So, we record the sales on primary sales and not on secondary sales. Is that right?

**Sameer Shah:** Hi, Tanmay. This is Sameer here. So, no, you are right actually. That is very much true for TRS, but not for EBO. So, as you understand, I mean, in April, you know, around a fourth of our revenue comes from EBO and another fourth comes from TRS and the rest comes from MBO plus LFS. So, it is equivalently, I mean, applicable for EBO, but not for TRS. TRS is an outright sale.

EBO is a sale or return kind of model. I mean, it is basically our own stock. It is a secondary sale to the end consumer.

**Tanmay Gupta:** So, in EBO, we record when you sell directly to the consumers, then only we record.

**Sameer Shah:** Absolutely. Absolutely.

**Tanmay Gupta:** Okay. So, and second question, sir, I wanted to understand that the decline in the branded textile margins is majorly because of the operating deleverage , right? Or anything else we are missing out?

**Sameer Shah:** No, absolutely. It is largely due to the operating kind of deleverage. As you are aware, I mean, it is a very high kind of EBITDA margin and in turn gross margin led segment for us. And relatively high single digit revenue decline has resulted in this EBITDA decline.

**Tanmay Gupta:** Correct. And lastly, if you can share the productivity or revenue per store for the stores, which has added in last one year, I mean, ethnics and branded stores, what we have opened in the last one year.

**Sunil Kataria:** Okay. See, on the ethnics piece, like I had maintained even the last conversation. One thing we are realizing, at least in the ethnics business, and this is true of the brand industry, nothing new of us, is that this is like almost like a beverages business. You have a season and you will see 80% of the sale out there. Now, with all the ethnics stores that we have opened, they have really not seen the season. I think the first season has started now.

**Tanmay Gupta:** No, sir. That's what I am saying. I mean, the store who has, like, who has completed one year, right, ethnics stores. So, those kind of stores are what, like, are we seeing good productivity over there?

**Sunil Kataria:** Okay. We have certain benchmarks for ourselves. I think we are seeing pretty -- we are pretty satisfied right now with the store's progress by and large. There will always be outlets and 15%-odd stores which will lag behind and then we will take calls on them. Having said that, the ethnics business, the real high, how high is high in terms of SPSF, you get to know when the wedding season hits.

Otherwise, like, for example, to our mind, whether a INR10,000 sales per square feet is the high or INR12,000 or whether INR15,000 sales per square feet is high in ethnic business is the point that you will get to know once the full wedding season spreads out. Otherwise, it's very difficult to comment at this stage whether it is a 10 is good or 15 is good or whether 8 is good. And one thing, another thing, you cannot average out ethnics based on one bad wedding season.

So, I think, to my mind, once we have seen three to four months of wedding season, we really get to know what, how high is high and what is the likely average of these stores. But whatever we saw, I think, in terms of assumptions made, I think we are not very much off the mark right now.

**Tanmay Gupta:** And for other brands like Park Avenue, Raymond, Ready to Wear, what kind of revenue PSF we are looking at the one-year older stores?

**Sunil Kataria:** So, I think, overall, my stores should kind of stabilize. Again, here, the breakeven -- the progression that we see, we try to break stores into somewhere around 18-month kind of period. Obviously, we track them, how they are progressing towards the 18-month period. Some stores, and you will get three kind of stores there. You will see some stores which will be flying off in the fourth month and you will have reached the SPSF that you wanted after one year in the fourth month. There will be some which will follow a normal trajectory and they will hit that period in 18 months.

And some you realize after 12 months that you need to do some either major interventions or you may have to take calls in six months that okay, something went wrong here. So, as of now, from the assumption that we have shared on the 12 month period, I think in around 80% of stores, we are on the right traction. 15%-20% stores will have to take a decision maybe. We will take calls. We are doing marketing interventions. And that is where we are pretty hopeful.

Another period, again, I will also give a word of maybe a caution or a flag on this, that even this last, you know, 12 months, even an apparel new store, Forget ethnics, which is very highly skewed. The fact is, six, seven months have been pretty much off-season kind of thing, which is muted across the country.

What we are seeing from the period of October across all stores is looking very, very different. So, I think I am pretty hopeful that we should be able to be in that state, that benchmark guidance which is given that we will get maybe around 85% stores right. There will always be around 15% odd stores which will take a call after 18 months, 24 months that we need to wean them out.

**Tanmay Gupta:** And that 85% stores we are able to generate like a mid-single digit EBITDA margin on store level or even higher than that?

**Sunil Kataria:** See, on this, again, the question on that, I will take a call somewhere around after 24 months because these stores initially will also have some kind of marketing which goes behind in the first 6 months. We have a program where we in the first 6 months you do new store opening marketing support programs.

So, I think that will be a bit unfair to judge a new store straightaway in 12 months to say whether it has a steady state EBITDA margin. I would take that call really after maybe 18 months to 24 months is gone.

**Tanmay Gupta:** Okay, sir. Thank you, sir. All the best.

**Moderator:** Thank you. The next question is from the line of Sameer Gupta from India Info Line. Please go ahead.

**Sameer Gupta:** Hi, good evening and thanks for taking my question. So, firstly, I understand that the wedding season, the right earnest will begin only in the second half, but what I understand is that 2Q in general this year had a decent amount of weddings, at least in terms of dates and the competitor also has reported good numbers in that regard. And I remember in the Analyst Meet you mentioning that around 50% to 60% of our branded textile business is linked directly to weddings. So, why is that piece not worked well this quarter that is my first question, sir?

**Sunil Kataria:** So, I think first of all, I think one piece maybe I will just correct on this. Actually, the first half has seen no weddings. There were some marginal three or four wedding days which happened in April and then it was a one-off phenomenon which happened in this country and that is something if you see most of the industry peers also called out that there was lack of wedding completely. And that is something a very factual data on the table that India normally sees two wedding seasons. One is a wedding season which is obviously the second half which is urban wedding which go in a very full flow.

And then there is more Bharat weddings and some little urban, but more Bharat-led weddings which happened somewhere between April to mid-May. That just went blank after that completely. So, as our business is 50% odd linked to that, that is what the reason of the impact was Plus also there is a little bit of a base effect which would have come into place versus some of the peers that we have obviously had a much more larger outperformance in the previous and that played some role.

But having said that, I think the bigger factor was really that India's wedding season has got shifted towards a more second half of the year. And the real one way to look at would be 2 year CAGR also for the business, but now we have got 45 to 48 days. I mean those are different brand of numbers which are starting November 12.

Two things happen in the weddings. One, our apparel businesses, all apparel business purchases roughly around three weeks before wedding seasons. And the ready-to-stich business starts in that roughly around maybe a week earlier. And we are seeing those trends picking up already in the month of October.

**Sameer Gupta:** Great. That answers the question. Although the competitor also mentioned that July had an unnaturally higher number of weddings this year. So, I was just specifically asking on 2Q, but anyways, I will take it offline maybe. Second question was on Ethnics. Now, you have ambitious plans here. You have like 300-plus stores in the next 3 years which is roughly an average of 100 in this year. We started the year with 114. We are right now at 129 and we are all slated for a very good wedding season. So, I am just wondering why have we gone slow in terms of store additions if there is a great opportunity in the second half which is waiting for us to take it?

**Sunil Kataria:** No. I think again first of all as we talked today, those stores have become 136. So, that's a piece I just want to tell you. I mean while obviously, we can't report that. It's a 30th September figure. So, we have added another seven stores in the month of October. So, if you see and we are looking at adding maybe roughly another what do you call we are at 136. So, maybe another 20-odd stores would happen within this quarter, hopefully, including seven-plus, maybe another 13-14 will happen.

So, we should be at a figure of 150 by the end of this quarter is what we are targeting. Now, this is a cash-22 situation. Do you go for a complete, mindless, berserk store opening, but do you be very careful about how you open stores? There is one difference between - so we have not slowed the pace, but we are also not going to be going berserk without being in the right markets.

Ethnic stores have a unique phenomenon that we are seeing is that there are very clustered either malls or there are clustered markets which cater to the wedding needs. So, what we first of all choose is the tight clusters for opening ethnic weddings and hence, we become a little bit more choosy. That's all. We are not slowing down the pace. We will likely be around maybe 150 and then we are still hoping that we should be able to come close to the number that we have set out for the year.

**Sameer Gupta:** But you are still guiding for 300-plus stores in the next 3 years that stays?

**Sunil Kataria:** No, there is no debate about that at all. I mean, we are very clear that we will reach 300-odd store footprint mark over the next 2 to 3-odd years. So, that is something that remains on track. As I said, I mean, 114 was there. We are targeting 150. We have one thing very clearly seen as I said, our product has got a thumbs-up, a big thumbs-up from consumers.

And that is something which you can be going the most wrong in ethnic wear category. Because the insight that we have picked up here is everybody wants to remain, look unique on those special days, whether it's the Haldi or the Mehndis or the Shadis and that is what we believe we have got a right pulse now. So, having said that the game is right now about staying the course in terms of distribution, staying the course in terms of brand building.

**Sameer Gupta:** Sunil, I will just maybe blabber on this a little more. So, you are targeting 100 stores in a year in ethnics, but by 9 months, you will be roughly less than 50. So, I am not very sure as to how do I read this?

**Sunil Kataria:** Okay. So, if the question is would you reach 214 stores by March? No, we would not reach 214 stores by March. So, that is one piece, but what we are targeting for is to come close to maybe 180 to 200 stores. I mean, it could be in that range by March. So, we will be 150 and then quarter 4 we could be targeting either 30 to 40 stores.

So, that could be the number we will come close to. When we talked of 300 stores, we talked that over a period of 3 years. That we still stay the course. All I am saying is here is that we want to be first in the right clusters. We are not consciously slowing down our pace, but we are wanting to make sure that we are in the right clusters.

**Sameer Gupta:** But you are already there present in via the Raymond shops in the clusters, wouldn't that help you identify the clusters far better?

**Sunil Kataria:** Properties have to be available. So, identifying clusters in ethnics is the most easiest job. Let me tell you. I mean, for example, you know in Delhi, for example, if you are in Ajmal Khan Road, Karol Bagh that is the right place to be in. If you are in Dadar in Bombay it is the right place to be in. Cluster identification is actually a week's job. We just sit down and with the teams, we are all - we have got each city by city cluster identified.

It is getting the right property in the right cluster and that is the piece we don't want to just go wrong on. I mean, we have to minimize going wrong. Obviously, after opening also you realize some pieces go wrong, but that is the piece. So, 150 is what we are chasing and then we could I mean, see I am giving you broad guidance. Internally, we are still hopeful we can come to a much larger number, but I guess this is at least a bare minimum we do. Yes, we may not be able to do 214 in this quarter, in this year.

**Sameer Gupta:** And so to read correctly real estate is the only constraint in terms of store opening in ethnics?

**Sunil Kataria:** That's it.

**Sameer Gupta:** Okay, got it. Thanks Sunil.

**Moderator:** Thank you. The next question is from the line of Anushka from Arihant Capital. Please go ahead.

**Anushka:** Hi. Thank you for the opportunity. I have a question related to the margins. They seem to be hit quite a bit this quarter. So, what was the rent impact on these figures on a like-to-like basis, especially for the apparel segment? And what were the margins be like on a pre-IndAS basis? Could you just shed some light on that?

**Sameer Shah:** Anushka, hi. This is Sameer here. So, on an average, we have around 2% to 2.5% of margins impact because of rentals. So, the margins, say, for Q2 FY '25, I mean, which would be around 14%, would be, kind of added by around, I mean, could be adjusted by around 2% to 2.5% for the overall rentals impact.

**Anushka:** All right. Thank you.

**Moderator:** Thank you. The next question is from the line of Pranav Shrimal from PINC Wealth Advisory. Please go ahead.

**Pranav Shrimal:** Yes. Hi, sir. I want to know the interest cost for this year and last year?

**Sunil Kataria:** Sorry. Can you repeat the question?

**Pranav Shrimal:** Yes. I want to know the interest cost for this year and last year for FY '24 and FY '25?

**Sameer Shah:** Yes. See, the reported interest cost, I mean, for current year is around INR53 crores and last year it was INR42.8 crores.

**Pranav Shrimal:** INR42.8 crores last year. And how much of this interest cost will be recurring?

**Sameer Shah:** Sorry. How much of this interest cost will be recurring? So, this interest cost, is also linked to the working capital, which we called out earlier in terms of a planned, kind of increase. But as we also mentioned that, during the course of the year, we will see a better kind of demand. And hence, kind of reduction in interest. I mean, working capital, the interest also will kind of come down.

**Pranav Shrimal:** So, how much would we expect the interest cost to come down? I just wanted to get a picture of the one-off interest cost and the long-term interest cost?

**Sameer Shah:** See, I think earlier also we mentioned that, I mean, we will reach to the net cash position, right, I mean, as of, kind of end of the year. So, that should, in a way reduce down the overall interest expenses. And we will be, kind of net debt free or net cash, I mean, at the end of the year as what we were at the beginning of the year.

**Pranav Shrimal:** Got it. That's it.

**Moderator:** Thank you.

**Sameer Shah:** Yes. And, sorry, if I can just go back to the earlier callers, kind of question, Anushka, I mean, the details which we shared were for the overall business, 13.9% or 14% margins for the overall business. For April, this impact would be, say, around 5.5% to 6%, thereabouts. The margins would go down by 5.5% to 6%. Just to clarify.

**Moderator:** Thank you, sir. The next question is from the line of Gaurav from Tech Salient Technologies Private Limited. Please go ahead.

**Gaurav:** Thank you. So, I wanted to understand what are the intangibles in your balance sheet that seems relatively high? Can you just help me understand what are the components of it?

**Sameer Shah:** Yes. So, these intangibles are largely the brand valuation and the distribution network value which is what created, right? According to the demerger, there was, kind of transfer of assets as well as creation of some of these assets. And the biggest asset for a consumer facing business is the brand. This also in parallel is, kind of corroborated by the brand equity study which we had actually recently.

Wherein, Raymond was ranked in one of the top 10 brands and the valuation assigned was close to around $300 million. And this is also personal to the fair value accounting which originates because of the demerger.

**Gaurav:** Okay. Understood. And my second question is on the Bangladesh situation. While you touched upon that, that it could be minor, could you just explain how the industry dynamics is changing? And maybe in the next, say, 1 year or 2 years, what could be the situation and would we get any benefit out of that?

**Sunil Kataria:** Yes. Okay. So, first, to give you a context, India's market is US$7 billion, India's government exports. Contextually, Bangladesh is US$48 billion. So, I think that's the first size. Bangladesh is 7x India's size. To be very honest, if you expect me that anybody is going to move out of Bangladesh wholesale, mass scale, it's not going to happen. So, we shouldn't even be fooling ourselves and we should not be buying that narrative. The question is, out of $49 billion, what percentage will shift?

Because India is so small compared to that $49 billion that even a 10% shift makes India double. I think that's a larger context. Broadly, it makes it India 1.8x. And I think that's what we have to keep in mind. Nobody is going to ditch Bangladesh wholesale. Because Bangladesh has its own strengths.

What we are going to see the shift and what is what we are seeing already is, yes, there are two kinds of shifts which are going to happen. One is the lower end pieces of the garments which shift, which is the lower T-shirts, etc. shifting. But there is also a shirt, trouser, little bit of high-end garmenting, pieces which today many global brand players make in Bangladesh. They want to de-risk them out of Bangladesh. And that de-risking is the game where the big opportunity lies.

So, in fact, the way the Bangladesh market also is today is, it's roughly two-thirds knitwear and one-third woven. And I don't play in the knitwear market. So, what we are seeing the opportunity is that woven market has two opportunities for India. One, Bangladesh does not produce any fabric of its own. That's a very big change event. That India is the only market which has this vertically integrated bit of woven.

And within that, we are the largest vertically integrated player. So, the customers in this woven segment, which I talked of trousers, cotton shirts, jackets, they are looking to de-risk themselves in the woven market. Obviously, they will do Knitwear also. Knitwear, I won't have any opportunity. So, this woven market, they will come to India. They will look for vertically integrated players. And that's where we stand to gain. And that is where the contextualization is. Look at it this way.

Even if they were to shift $1 billion out of the $48 billion into India and we get some chunk of it, it changes the game for India itself. And $1 billion is too small a play even for them. But that's the kind of shift that will happen. We are already seeing that de-risking of Bangladesh happening from customers with a lot of queries and some early wins as well.

**Gaurav:** Understood, sir.

**Sunil Kataria:** We are prepared for it. We have invested INR200-odd crores of capex. 50% of that is already under implementation. Balance 50% will come over the next 12 months. And that will make us a 10 million units capacity player. So, we are well-placed to that. I hope that answers the context of Bangladesh opportunity.

**Gaurav:** Just to add one more thing. Are there any support or any push from our government as well on this one? Do you see any policy push as well going forward?

**Sunil Kataria:** Honestly, I wouldn't have a ready visibility on this. I don't remember anything immediate which has happened. But the road map continues to the government. But to say that, okay, is there any specific major input? I don't think so. But one thing which is going to happen is, which will play invariably out is the FTAs. Right? And that's the piece because, look at this way. Why was Bangladesh big? Because A, Bangladesh built an amazing capacity on the knitwear. That's the infrastructure they created.

Secondly, as a least developed country, they were getting this whole preferential treatment and they signed FTAs with western part of the world. And that gives a hell of a lot of arbitrage. Now India is on the verge of signing an FTA with UK. India has signed an FTA last year with Australia. India is in conversations with EU.

Now at some stage EU-UK will come into play. Could be six months, could be nine months, could be ten months. And that will also take away in any case this arbitrage which Bangladesh has. So coming FTA, which is a big government initiative, along with this Bangladesh-Pakistan space one desire to de-risk and India's vertical capability and within that us having the best vertical capability puts us in the right way to take a leverage of the Bangladesh capacity.

**Gaurav:** Understood, sir. Thank you so much for the explanation. Best of luck.

**Moderator:** The next question is from the line of Axay Shah from Kriis PMS. Please go ahead.

**Axay Shah:** Thank you for the opportunity, sir. Sir, I just have two questions. First, we see a lot of competition in premium market. And then why are we opening our EBO instead of going high in the Raymond retail store where we see all the brands?

**Sunil Kataria:** Hello? Your question is EBO, not MBO, sorry. Let me clarify. You are talking about EBO or MBO?

**Axay Shah:** EBO?

**Sunil Kataria:** EBO, okay. And I think your question is with respect to branded apparel.

**Axay Shah:** Yes, yes.

**Sunil Kataria:** Okay, so let me give you a context on this. Okay, you are right. We have a great footprint in TRS across 600 cities. Now, this TRS also sell a pretty decent chunk of apparel brand as well of ours. Having said that, one thing which happens is, so one thing, our strength is we get 600 cities reach and distribution through this TRS and we are very focused on that as well. Having said that, as we are premiumizing our brands and as Indian consumer is becoming more retail experience centric, that is a very important consumer shift which is happening.

That people, whether they go to malls, they are looking for malls with a high retail experience. When they go to stores, they are looking for stores with high retail experience. And two things happen. If you want to give a brand retail experience to stores, it is very unique to that brand. Like our ColorPlus is a casual brand with a very different sporty feel. Ethnix by Raymond is a store which is completely Indian traditional ethnic feel.

So each brand experience can only come through EBO's, that's point one. Secondly, EBO will carry the full assortment of the brand. Which, given the fact that TRS is a multi-brand outlet, carries all our four brands, they will have a choice in the assortment, limited assortment. They will never be able to carry four brands full play ensemble ever. So, given these two reasons, it's important to have EBO's coexisting with TRS.

Plus, also then there are things like Ethnix by Raymond, which are stores where the consumer wants to spend 3 three hours, four hours with family, sitting down to choose products for the wedding. There's sometimes the store sizes also change, which again feeds into that whole retail experience angle. So I think that's the piece, along with the brand assortment.

**Axay Shah:** Okay, and in Branded Textile segment, how is the Diwali season this year compared to last year?

**Sunil Kataria:** Okay, that is something is a good interesting question. We all have been waiting that okay how this season will pan out, with all bated breath, to be very honest. So I think I am happy to say that I think it's a very positive start to the Diwali season and across all segments.

I think and we are doing - talking of only a Diwali-to-Diwali comparison, normalized, and not an October-to-October comparison. I think clearly, retail footfalls have gone up, retail sales have gone up, and we are seeing demand kicking in on a very positive note.

**Axay Shah:** Okay, so can we say that there is a double-digit growth compared to last year, for Diwali season?

**Sunil Kataria:** Okay, if you ask me, maybe this is where I will actually kind of give you a figure. Yes, you can say that on a Diwali-to-Diwali comparison, there is a double-digit growth.

**Axay Shah:** Thank you so much.

**Moderator:** I now hand the conference over to the management for closing comments.

**Sunil Kataria:** Once again, thank you to all of you for joining this call and having a very interesting, interactive conversation. Looking forward to meeting you all again soon. Thank you so much. And wishing all your families a very good season ahead, which is the festival as well as the wedding season. Thank you so much.

**Moderator:** Thank you. On behalf of Antique Stock Broking Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.