



SECRETARIAL DEPARTMENT

Jekegram, Pokhran Road No.1, Thane (W)-400 606
Maharashtra, India
CIN No.: L17117MH1925PLC001208
Tel: (91-22) 4036 7000 / 6152 7000
Fax: (91-22) 2541 2805
www.raymond.in

RL/SE/24-25/112

August 12, 2024

To

The Department of Corporate Services - CRD
BSE Limited
P.J. Towers, Dalal Street
Mumbai - 400 001
Scrip Code: 500330

The National Stock Exchange of India Limited
Exchange Plaza, 5th Floor
Bandra-Kurla Complex
Bandra (East), Mumbai - 400051
Symbol: RAYMOND

Dear Sir/Madam,

Sub.: Intimation pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 –Conference Call Transcript

Please find enclosed transcript of the conference call held on August 7, 2024, with respect to the financial results of Raymond Limited for the quarter ended June 30, 2024.

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

This is for your information and records.

Thanking you.

Yours faithfully,
For Raymond Limited

Rakesh Darji
Company Secretary

Encl.: as above



REGISTERED OFFICE

Plot No. 156/H No. 2, Village Zadgaon,
Ratnagiri - 415 612, Maharashtra
Tel: (02352) 232514
Fax: (02352) 232513



**“Raymond Limited
Q1 FY '25 Earnings Conference Call”
August 07, 2024**

MANAGEMENT: MR. S.L. POKHARNA – DIRECTOR – RAYMOND LIMITED
MR. AMIT AGARWAL – GROUP CHIEF FINANCIAL OFFICER – RAYMOND LIMITED
MR. SUNIL KATARIA – CHIEF EXECUTIVE OFFICER, LIFESTYLE BUSINESS
MR. HARMOHAN SAHNI – CHIEF EXECUTIVE OFFICER, REALTY BUSINESS
MR. JATIN KHANNA -- HEAD CORPORATE DEVELOPMENT – RAYMOND LIMITED
MR. GAUTAM MAINI – CHIEF EXECUTIVE OFFICER, ENGINEERING BUSINESS
MR. SAMEER SHAH – CHIEF FINANCIAL OFFICER, LIFESTYLE BUSINESS

MODERATOR: MR. ABHIJEET KUNDU – ANTIQUE STOCK BROKING LIMITED

Moderator:

Ladies and gentlemen, good day, and welcome to the Raymond Limited Q1 FY '25 Earnings Conference Call hosted by Antique Stock Broking Limited. As a reminder, all participant 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'll now hand over the conference to Mr. Abhijeet Kundu from Antique Stock Broking. Thank you, and over to you, sir.

Abhijeet Kundu:

So thank you, Deepika. On behalf of Antique Stock Broking, I would like to welcome all the participants in the Q1 FY '25 conference call of Raymond Limited. Today, we have with us from senior management of Raymond, Mr. S.L. Pokharna, who is Director of Raymond Limited; Mr. Amit Agarwal, Group CFO; Mr. Sunil Kataria, CEO of Lifestyle Business; Mr. Harmohan Sahni, CEO of Realty business; Mr. Jatin Khanna, Head of Corporate Development; Mr. Gautam Maini, CEO of Engineering Business; and Mr. Sameer Shah, CFO of Lifestyle Business.

Without taking further time, I would like to hand over the call to Mr. Amit. Over to you, Amit.

Amit Agarwal:

Thank you, Abhijeet. Good afternoon, everyone. Thank you for joining us today for the earnings call to discuss the results of the first quarter of Fiscal '25. I hope you have received a copy of our results presentation. And I would like to urge you to go through this along with the disclaimer slides.

Let me start with an update on the various corporate initiatives in line with our objective of simplifying the group structure. First, the demerger of our Lifestyle business, which got completed as on 30th of June 2024. Vertical demerger of the real estate business, which was announced the 4th of July 2024, and will take almost 14 to 16 months to complete the demerger of the real estate business. The restructuring of the engineering business, which we expect to complete in this fiscal year.

Now for the clarity purposes, the lifestyle business comprises of branded textiles along with its manufacturing facilities, branded apparel with its portfolio of brands Raymond Ready to Wear, Park Avenue, ColorPlus, Parx and Ethnix by Raymond as well as garmenting business with its manufacturing facility and B2B shirting business with its manufacturing facilities are now demerged into Raymond Lifestyle Limited, and which will be listed as a separate entity in the second quarter of this fiscal year.

The listing of Raymond Lifestyle Limited is expected in this quarter. The record date for the demerger of lifestyle business was on 11th of July 2024. As we have informed earlier, that every shareholder of Raymond who were there on 10th of July 2024, will be entitled for receiving four shares of Raymond Lifestyle Limited for every five shares held by them of Raymond Limited.

Secondly, after the demerger of lifestyle business, Raymond Limited will be having real estate business and engineering business. Furthermore, Raymond Limited has initiated the vertical demerger of its real estate business into its wholly owned subsidiary, Raymond Realty Limited.

Upon completion of this demerger, Raymond Limited and Raymond Realty Limited will operate as separate listed entities within the Raymond Group, which is pending all statutory approvals.

The new entity will seek automatic listing on stock exchanges. And according to the scheme of arrangement, each Raymond Limited shareholder will receive one share of Raymond Realty Limited for every one share held in Raymond Limited. This strategic move comes as Raymond's real estate business has achieved scale, reported a revenue of INR1,593 crores and an EBITDA of INR370 crores in fiscal '24. This will position Raymond Realty Limited to independently pursue its growth trajectory as a separate entity.

The engineering business will continue to be a subsidiary of Raymond Limited. The engineering business of JK Files which does engineering consumables, Ring Plus auto components and Maini Precision comprises of auto components, aerospace and defense business. Further, as announced earlier, through a scheme of arrangement, 2 new subsidiaries of Raymond Limited will be created. And one will focus on aerospace defense, while the other would cater to the auto component and the engineering consumables, each charting its unique part of growth with a primary objective of value creation. Raymond Limited will hold 66.3% in both the new subsidiaries and the remaining shares will be held by the Maini family and the minority shareholders 28.5% and 5.2% respectively. Just as a reminder that on a pro forma basis, for fiscal '24, the consolidated revenue of engineering business, including Maini Precision, was around INR1,800 crores, and the consolidated EBITDA for the engineering group was INR270 crores.

Now before I start my discussion on the first quarter fiscal '25 performance, I again want to mention that Raymond Limited now encompasses the real estate and engineering business and during the discussion, all the numbers and details will be for Raymond Limited. The demerger of the lifestyle business has been completed on 30th June 2024, and listing is expected to be in the second quarter of this fiscal year. Yes, there will be no separate call for the lifestyle business during this quarter. I will cover operational highlights of the lifestyle business in the later part of my discussion.

Let me start with a brief overview of the market for the quarter for the real estate and engineering business. The real estate market maintains its upward momentum, driven by increasing residential demand with expectations for this trend to persist in the forthcoming quarters. Additionally, there is a rise in demand for affordable luxury residences alongside strong interest from the first-time homebuyers. Engineering market witnessed growth in auto ancillary segment. However, engineering consumables has been weak, both in domestic as well as export markets. Further, the aerospace sector is also showing promising signs.

Now let me talk about the first quarter fiscal '25 performance of Raymond Limited. Raymond delivered strong quarterly performance in real estate and engineering business, reporting a revenue of INR998 crores in the first quarter of fiscal '25 with a growth of 93% on a year-on-year basis over INR517 crores. The revenue growth was driven by outstanding performance in the real estate sector. In first quarter fiscal '25, the company achieved a strong booking of INR611 crores, primarily driven by the demand for The Address by GS Season 2 in Thane and the recently launched The Address by GS in Bandra.

Further, Raymond Limited completed the acquisition of Maini Precision Products Limited, MPPL, on 29th of March 2024. Starting from first quarter of fiscal '25, the company has consolidated the performance of its engineering business to include MPPL. The segment has shown strong performance post-acquisition, making Raymond's Group entry into the sunrise sector of aerospace, defense and EV components. During the quarter, the company has delivered an EBITDA of INR162 crores in the first quarter of fiscal year 2025 with an EBITDA margin of 16.2%. This marks a remarkable 82% year-on-year growth compared to INR89 crores in the last year first quarter.

Overall, the company has reported the annual profit after tax from continuing operations of INR57 crores, making a 27% increase compared to INR45 crores in the previous year. During the quarter, as discussed, we have demerged the lifestyle business. And because of this, there is a profit from discontinued operations to the tune of INR7,310 crores. According to IndAS Accounting Standard, the demerger of a lifestyle business must be recorded at fair value in the financial statements of Raymond Limited. As of 30th June 2024, the fair value amounted to INR8,516 crores, which includes Raymond's share on gain made on sale of FMCG business, net of tax to the tune of INR1,178 crores. Consequently, the net gain from the demerger is totaling to INR7,338 crores, which is recorded under profit from discontinued operations and subsequently credited to reserve in Raymond Limited. This net gain does not affect the net worth as the same amount of INR7,338 crores is also debited to reserve as a non-cash dividend attributable to Raymond Limited shareholders.

The Engineering segment performed well with a resilient demand in the domestic market, while export orders were impacted due to challenges in the global market, and our growth is further fueled by completion of acquisition of Maini Precision in March '24, which has a strong presence into sunrise sector, aerospace, defense and EV components. Now let me talk about the segment-wise performance for the first quarter.

The Real Estate segment, leveraging an asset-light model, in February '24, Raymond Realty launched its first JDA project in Bandra, Mumbai. Initial response from our customers for the first 2 towers was overwhelming, leading to the launch of two new additional towers in Q1FY25. With our strong brand and execution skills, we are confident in our continued success of the real estate projects. In June 2024, we were selected as a preferred developer to redevelop a housing project in Bandra East area, with an estimated revenue potential of more than INR2,000 crores, thereby making it to the fourth JDA project under our realty business.

Raymond Realty has 100 acres of land in Thane, which delivers 11.4 million square feet RERA approved corporate area, of which approximately 40 acres is currently under development. There are five ongoing projects of 4 million square feet generating revenue of INR9,000 crore on its Thane land, with an additional potential of 7-plus million square feet to generate more than INR16,000 crores revenue, making a total potential of over INR25,000 crores from this land bank.

Additionally, Raymond has signed four JDA projects in Mahim, Sion and including the Bandra projects, the combined revenue potential from four JDA projects in the Mumbai Metropolitan

region is over INR7,000 crores. With the development of Thane land bank and current 4 JDAs, gives the company a potential revenue of INR32,000 crores over the next few years.

Overall, during the quarter, we have seen a strong booking momentum and made a total booking of INR611 crores across our projects. The construction momentum across all projects, both Thane and Bandra, is progressing well, demonstrating our commitment to timely delivery and adherence to high-quality standards.

A comprehensive update on the construction status of our projects is provided in our investor presentation. Our Raymond Realty business, which offers affordable luxury apartments ranging from 1 to 4 BHK that caters to multiple segments of society, and our proven ability to execute the project at a faster pace, enables our sales to increase by 108% to INR488 crores in the first quarter of fiscal '25 from INR235 crores in the first quarter of fiscal '24. The EBITDA margin stood at 17.5% for the quarter is lower as compared to the same quarter last year, majorly due to marketing and initial cost of new projects.

Now coming to the performance of the engineering business, considering growth strategy in engineering sector, Raymond Limited completed the acquisition of Maini Precision Products Limited, MPPL, on 29th of March 2024. Starting from first quarter of fiscal '25, the company has consolidated the performance of the engineering business, which includes MPPL. The segment sales stood at INR419 crores in the first quarter of fiscal '25, doubling revenue compared to INR209 crores in first quarter of last fiscal.

This performance includes acquisition of MPPL and supported by demand in Flexplates & Shaft Bearings categories in domestic markets and shield-ring category in the export market. However, engineering consumable category continued to be impacted due to sluggishness in domestic and export market and weaker retail markets due to excessive heat and inflation. During the quarter, the business reported an EBITDA margin at 13.2%, mainly due to change in product mix.

Now let me talk about the debt and cash position at Raymond Limited. We continue to remain a net-debt-free business with net cash surplus of INR618 crores, which has increased by INR117 crores compared to March '24. Our total gross debt stood at INR870 crores, which includes the debt taken to acquire MPPL business and existing working capital of MPPL.

Further, we continued to maintain liquidity with cash and cash equivalents of INR1,488 crores as of 30th of June 2024. The interest cost incurred during the quarter is INR31 crores, which is higher by INR23 crores as compared to INR7.7 crores in the same quarter last year. The rise in interest cost can be attributed for the debt taken for the acquisition of MPPL business and on the existing working capital debt of Maini business.

Now let me provide you the brief highlights of segmental performance for the first quarter of fiscal '25 for the lifestyle business. During the quarter, lifestyle business witnessed weaker revenue due to discretionary spend, continued to remain under pressure, prolonged heatwave, which impacted footfalls in retail outlets, general elections, negligible wedding dates impacted demand in inflation, which impacted our overall revenue performance and margin.

In the first quarter of fiscal '25, the lifestyle business revenue stood at INR1,249 crores, lower by 8% compared to INR1,353 crores in the first quarter of fiscal '24. EBITDA stood at INR87 crores in the first quarter of fiscal '25 compared to INR180 crores in the first quarter of fiscal '24.

The Branded Textiles segment revenue declined to INR565 crores by 18% over INR688 crores in the first quarter of fiscal '24 due to lesser wedding dates, weak demand in the market and decline in secondary sales driven by lower footfalls. The EBITDA margin was at 10% in the first quarter of fiscal '25 due to decline in revenue and average selling price because of the change in the product mix.

Now let me talk about the Branded Apparel segment, where the revenue maintained at INR303 crores compared to INR304 crores during the first quarter of previous year. Despite challenging market conditions, we continued with our strategy of expanding distribution reach and network, focusing on premiumization and casualization. The segment delivered an EBITDA margin of 4.8% in the first quarter of fiscal '25 compared to 6.4% in the same quarter of the previous year. The lower EBITDA margin was due to mid-season sales, which started in May and the early onset of the end-of-season sale in June. Additionally, we increased the investment in branding and category creation such as Ethnix by Raymond through additional spending on advertisement and marketing initiatives to support our brands.

We continued to strengthen our retail footprint as we opened 21 new stores during the quarter as well taking the tally to 1,539 stores as on 30th of June 2024, which are spread across 600 towns and cities in India, which include 118 stores of Ethnix by Raymond brand.

Now let us talk about the Garmenting segment. During the quarter, our revenue stood at INR252 crores, which increased by 5% in the first quarter of fiscal '25 as compared to INR239 crores in first quarter of fiscal '24. This growth was driven by acquiring new customers and enhancing our presence in new geographies. During the quarter, EBITDA margin was at 3.5% as compared to 9.8% reported in the previous year, mainly due to change in product mix.

In the last few days, challenges faced by the exporters in Bangladesh have presented a great opportunity for all the Indian exporters and particularly Raymond Lifestyle, due to our integrated supply chain from fabric to garment.

We have expanded our capacity by investing INR200 crores, which will be highly beneficial as this capacity can be quickly utilized to meet customer demand whereas building garmenting capacity typically takes 12 to 15 months. We are closely monitoring the situation and have reached out to our customers who currently source from Bangladesh. However, it is a bit premature to discuss specific volumes at this stage.

Let me talk about the high-value Cotton Shirting segment, where the revenue declined by 3% to INR186 crores compared to INR192 crores in the previous year. The demand for our linen fabric offering to B2B customers in the domestic market continues to be strong. The EBITDA margin for the quarter was 5.5%. I would like to emphasize that our lifestyle business is seasonal in

nature and major sales of high value-added products are linked to festivals and weddings. So the first quarter performance is not at all an indication of the full year performance.

Now let me discuss about the current status of the operations and outlook. In the Real Estate segment, residential real estate continues to demonstrate sustained demand. We are focusing on future expansion through a capital-light business model via JDA route and targeting 20% to 25% growth in booking value year-on-year. We are currently in advanced discussions to finalize new JDAs as we continue to expand our operations.

As far as Engineering segment is concerned, the auto ancillary subsegment is witnessing very strong growth. And the engineering consumables seems to be having still a challenge in the demand. We are driving growth from our sunrise sectors of aerospace, defense and EV component businesses. And the aerospace business, particularly post-acquisition, is showing promising level.

Lifestyle business, considering the wedding days in second half of this fiscal, indications are that we will be witnessing good sales in the second half of this year. Further, we are enhancing our product portfolio and expanding our retail footprint to capture the increased demand during the festive and the wedding season. Our focus on customer-centric offering is expected to drive sales growth.

In conclusion, Raymond Limited has made significant strides in the first quarter of fiscal 2025, and the successful demerger of our lifestyle business and the strategic restructuring of Real Estate and Engineering segments will position us strongly for future growth and value creation. As we move forward, our focus remains on operational excellence, strategic growth initiatives and delivering value to our shareholders -- we appreciate the continued support and trust of our investors and stakeholders.

Thank you for joining us today, and we look forward to your questions and further discussion. Operator, please open the line for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of CA Garvit Goyal from Nvest Analytics Advisory.

Garvit Goyal: Congrats for a good set of numbers. Just two questions. One is on basically the engineering consumables and the lifestyle business. So can you tell me what are the reasons behind this weak environment in terms of demand for these segments?

Amit Agarwal: Yes. So I'll ask Sunil for Lifestyle to respond. And after he finishes, we'll ask Gautam Maini, who is also there, who is the Managing Director of Engineering business to respond. Sunil?

Sunil Kataria: Yes. This is Sunil here. I think in terms of the lifestyle business, the weak environment is primarily 3 factors which happened together. Normally, India sees 2 wedding seasons, one which happens around April, May and one is the winter season which starts from October, November and goes on until February. This time, after a long period, there were negligible weddings in the April, May seasons of weddings. So that is one very large factor, which normally provides a

large stimulus to all the apparel businesses and more so to our business, which has also got linkages to the wedding.

The second big piece which happened, which obviously nobody anticipated, was extraordinary heatwaves which spread through India, right from the middle of April continuing until June, which impacted the whole consumer footfall across all kinds of sectors. And the third is India, as we know, all saw a very long staggered phase by phase elections, which put a lot of restrictions in terms of movements as well as cash flows into the market. So in a way these 3 factors came together to create an environment which is very, very muted. And that impacted footfalls and hence secondary sales across.

Garvit Goyal:

And what is the outlook for rest of the year for this segment?

Sunil Kataria:

So one thing is very clear that in a way what's the good part which happened is the entire backlog of the wedding season, which normally would have happened in the first phase as well is now going to shift over to the second half. The second half has got a very, very large number of weddings, almost the second half of the season has got some 45 days of wedding across, spread over 4, 5 months. So this is one of the largest number of wedding days to come together. So that is one piece which is looking very, very positive.

Second is that it's obvious that the weddings which did not happen in the first half are likely to come back together with a backlog towards the second part of the season. So the outlook is very clearly that with the festive season starting on towards end of second quarter and with very, very strong wedding dates in place, that the second half of the year would be very, very good. And normally what happens in our business is, that just before the weddings start, around 45 days or so before we start seeing traction which starts happening. So we would expect a gradual recovery happening in this quarter itself and momentum picking up towards the second half itself. So that, I think, is a very, very good piece in terms of the way the outlook is.

The second part, which I think Amit mentioned was, the Bangladesh piece, which I think is a piece which we would like to watch out. And that could have a very, very positive trajectory in the midterm for our garmenting business.

Garvit Goyal:

So are you spending on the capacity to cater to that additional opportunity due to Bangladesh?

Sunil Kataria:

We've already mentioned in the discussion of Amit when he talked about that we've already invested around INR200 crores of capex behind expansion of line. Our capacities are already being almost close to double, and we have vertically integrated play already. So we are one of the very few companies in the world who have this vertically integrated play and a skill set, which we can immediately take advantage of us as a result of this geopolitical situation which is panning out in our neighborhood.

Garvit Goyal:

Understood, sir. And secondly, on that engineering consumables segment, sir?

Gautam Maini:

So I think some of the reasons are common like weather was very hot and because of which the sales were definitely affected, inflation, general elections. I think it's played a role across many of the sectors, including the tools and hardware sector. Apart from that, the logistics of exports

have increased costs significantly, the availability of containers, et cetera. So that put a little bit of a setback in terms of the actual sales taking place. So we feel that, that recovery will happen because now the productions are all being enhanced, new products have been introduced. And therefore, we see a much brighter second quarter.

Garvit Goyal: And sir, what portion of revenue coming from engineering consumables to the entire Engineering segment?

Gautam Maini: Yes. So basically, it will be about 20-odd percent.

Moderator: The next question is from the line of Pritesh Sheth from Motilal Oswal.

Pritesh Sheth: So a couple of questions on the real estate business. Firstly, on the margin side, while Amit, you mentioned the reasons for lower margins. But I just wanted to dwell little detail into how different are the margins for our Bandra JDA project versus our Thane project. I mean, because of that mix, is that one of the reasons that we had slightly lower margins? Yes, that's the first question.

Harmohan Sahni: So Pritesh, there are 2 things in this. This is Harmohan. One is which Amit mentioned that the marketing expenses in the quarter were higher because of Thane. We had a home fest and that provided a fillip to our sales, which will continue for next 2 quarters. And then also the Bandra launch, which was there, we had a big bang launch in that. So the expenses were, as compared to our other quarters, it was higher than usual. And as the accounting that we follow, is that, that comes as a period cost, and it doesn't get amortized.

So it is showing this quarter. Next quarter, it will normalize. So that impact will go away significantly. So that's one thing. The second thing which you also hinted at, of course, there is a difference between the Thane margin and the outside margin because Thane in that sense, the land cost is very low or negligible because it's legacy land. So there is an element of land cost, which is there. And we have always maintained over the last 1 year and also in the last few presentations that we have made that our margin from this business is going to be in the range of 20% or a little over 20%. And the main reason is because of the blending which happens of the projects outside of Thane. And the other factor, the third factor, which is more important, and you would understand this because you understand the nuance of real estate very well, is when the project is launched, in the beginning, the pricing is different and in the second and third year, the pricing changes after that.

So over a 4- or 5-year project, the margin of the project keeps going up and it peaks towards the end of the project so that the average margin comes to around 20%, 25%. So since this was the first year we launched the project, the Bandra project in Feb itself, so first quarter is the lowest margin that you will see in this project, and it will continue to climb up. And we've already taken 2 price hikes in this project, which will start reflecting in the next few quarters. And also the product mix going forward will change because we have other projects which will be coming onstream in Thane, which have significantly higher margin. There is an element of retail that will come in.

So our guidance for the full year remains the same. We will achieve our average margin that we have achieved last year, somewhere in the range of 23-odd percent. So that we will very safely achieve this year. I hope I've answered comprehensively your question.

Pritesh Sheth: Yes, Harmohan. That's very clear. The second, on the balance launches at Sion, Mahim and the new Bandra one, should one expect that all these 3 projects should get launched in next 12 months or it's a little aggressive kind of a target that we are looking at?

Harmohan Sahni: Actually, a fair assumption would be to look at H1 of next year as the launch period for all the projects put together. And if something happens before that, it will be a pleasant surprise for all of us.

Pritesh Sheth: Sure. So I mean, right now, at this stage, none of them would get launched at this year end?

Harmohan Sahni: By March?

Pritesh Sheth: Yes. By March.

Harmohan Sahni: Well, maybe one of them is likely, but I won't really commit that because we are yet to go through the approval process for that. But out of the 3 projects, one is definitely moving faster than the other two. So maybe one project we can expect by March, but it will not really contribute significantly this year even if it was launched. So H1 probably is a better assumption to make.

Pritesh Sheth: Sure. That's great. And lastly, on the project addition. So last year, we had almost 3 additions. This year, we have started with 1. That's the target that you would go by, I mean, 2 to 3 projects every year, adding up to INR4,000 crores to INR5,000 crores worth of JDA pipeline to our overall portfolio?

Harmohan Sahni: The visibility of that seems quite clear as of now. Of course, our target and our desire is to add minimum 4 projects every year, and upward of INR5,000 crore GDV is what we are targeting. But INR4,000 crores to INR5,000 crores, 2 to 3 projects, I think would be a safe assumption to make, that is quite achievable.

Moderator: The next question is from the line of Himanshu Nayyar from Systematix. Apologies, the current participant has disconnected. The next question is from the line of Tanmay Gupta, Motilal Oswal.

Tanmay Gupta: Sir, my question is on the margin side of branded textile, like the margin has declined a lot like to 10% from the range of 20%. Is that all because of the decline in sales, if you can quantify what are the fixed costs here in this segment? Or going forward, what kind of margin should we look in the Branded Textile segment?

Sunil Kataria: Sunil here. See, the primary reason for this margin decline is actually scale deleverage. I think that's the big reason for this. And there is some marginal impact which has come because of a little bit of mix change, again, which is related to the wedding season. Because in wedding season, you end up selling, let's say, higher segment of suits, jackets kind of fabrics which are higher selling prices. But a big chunk of this actually, I would say, majority is because of scale

deleverage, and we should come back very quickly once the business scales up from quarter 2 onwards. So I don't see any threat to the margin or it's a structural change or any threat to the margin in the future. It is just scale deleverage and a little bit on exchange.

Tanmay Gupta: Okay. So mixed change, you mean, it has moved more into the shirting segment for this quarter?

Sunil Kataria: No, what happens is, normally when you have wedding linked businesses, you tend to get higher value purchases, which happen. In terms of the mix, which happens is, they are more high value, more high selling prices. That's the whole thing. It's not a shirting versus suiting change. I mean within the suiting business that change does happen. But that's a marginal impact, the bigger impact is scale deleverage.

Tanmay Gupta: Okay. So you mean to say in suiting, value segment suite has sold more?

Sunil Kataria: No, see what happens is between suits and trousers itself there is a change. So normally, suits get changed when high-value suits get or fabric gets bought when it is wedding date. So that's the change which happens.

Tanmay Gupta: And in garmenting also, it's like because of the decreasing scale, the margins have declined?

Sunil Kataria: Yes. So one piece is definitely decreasing scale. And the second piece is a little bit of an ASP change which has happened, which is a very, very temporary shift itself, which we don't see having any impact for us going forward. We again expect the ASP in the garmenting business to come back from this quarter itself onwards.

Tanmay Gupta: So should we expect in both the textile and garmenting the earlier margins to continue going forward?

Sunil Kataria: Yes. Actually, definitely, we expect the margins to come back. We don't see any structural change in the margin profile of both these businesses.

Moderator: The next question is from the line of Nirav Savai from Abakkus.

Nirav Savai: My question is regarding this Address by GS, which is a Queenscourt. Now if I look at the realizations for the first quarter, it's come down to about INR25,000, INR24,430 versus INR33,000 in the fourth quarter. So what has changed those realizations?

Harmohan Sahni: Yes. So can you repeat the question, please? You're...

Nirav Savai: So if I look at the first quarter, the blended realizations of this Queenscourt is about INR24,430, which is on 0.07 million square feet sold and the quantum of sales is about INR171 crores. Roughly fourth quarter, where we had sold 0.09 million square feet for INR298 crores. So the per square feet realizations have come down. Our understanding was maybe on the launch quarter, we would have been a bit more aggressive. But even in the first quarter after the launch, the prices have actually gone down.

Harmohan Sahni: We will have to come back to you on this.

- Nirav Savai:** And another thing was on the revenue recognition on Queenscourt, INR128 crores have been recognized this quarter.
- Harmohan Sahni:** So what's the question?
- Nirav Savai:** My question was, we have just launched it last quarter. So how do we read this INR128 crores of revenue recognition in a very initial phase of launch?
- Harmohan Sahni:** It is dependent on the quantum of work which has been done.
- Nirav Savai:** Okay. Because I was just looking at the other projects which we had launched. And even in immediate quarters, the revenue recognition was not so high. So just wanted to get a sense of this.
- Harmohan Sahni:** So each project cost structure is different. So against the budgeted cost, the cost which gets incurred really determines how much of revenue we can book because the matching principle has to be followed as per accounting standards. So the approval costs are different, the premium that you have to pay. One is in Thane. The other one is in Bombay. So all those material difference.
- Nirav Savai:** Right. And then what was the quantum of our total marketing expense for this quarter, which has dented overall margins?
- Harmohan Sahni:** It was approximately in the range of INR20 crores to INR22 crores.
- Nirav Savai:** All right. So that's it from my side. I just wanted some more clarity. Maybe we can take it offline for...
- Harmohan Sahni:** Sure, sure, sure. If you could just send your email ID across, we will send you the answer for the second one. We'll just study that...
- Nirav Savai:** I was just looking at the areas sold and the value of sales, and that's where I found that there is a disconnect there.
- Harmohan Sahni:** Right. Right. We'll get back to you on that.
- Moderator:** The next question is from the line of Deepesh Agarwal from UTI AMC.
- Deepesh Agarwal:** My question is on the Maini Precision portfolio that you acquired. If I look at the mix margin during the quarter I think when we acquired it, that was a much higher margin. So what has happened in this portfolio? And how – will the margin would go back to the 10%, 12% mark or these are the new numbers?
- Gautam Maini:** I couldn't clearly hear the question. I mean, I understood that something about margin, but for some reason, the voice was not very clear.

- Deepesh Agarwal:** Sir, my question is on the Maini Precision portfolio. If we look at the margin this quarter, it came to a low single digit kind of a margin. This is much lower than the margin at which we acquired.. So what happened during the quarter in the portfolio?
- Gautam Maini:** No, I mean the portfolio the margins have been very similar or are on an upfront. So I'm not sure what are you comparing it with?
- Deepesh Agarwal:** Sir, I hope I'm audible...
- Moderator:** I'm so sorry to interrupt you Mr. Agarwal. Can you please use your handset while asking the question? We are unable to hear your question. Can you please speak a little bit up so that we can hear your questions?
- Deepesh Agarwal:** Yes, Maini Precision portfolio we did a EBITDA of INR7.3 crores during the quarter, that is a revenue of INR219 crores, which is barely a 3% EBIT margin. So what happened in this portfolio in terms of profitability?
- Gautam Maini:** Yes. I think he is comparing yearly percentage to a Q1 percentage, then, of course, the Q1 percentage is always slightly lower because the business is in that form. So if that is the question, then there is no effect really on our margins because they're very similar to what they were last year. And therefore, I'm not sure if you're comparing it with last year's Q1 or you're comparing it with the overall margin? The overall margins will be slightly higher as the quarters go by, and they'll go higher in Q3 and Q4.
- Amit Agarwal:** Just one more supplementary to that. Basically, if you see, the aerospace business always is very high margin. And what has happened is because the customers and the shipping delays, which is there due to lack of availability of containers, the proportion of revenue recognition for the aerospace is significantly lower proportioned compared to the auto as well as the engineering consumables. And that used to be very different in the last year's first quarter, but you don't have that number. But for the overall year, that was always the case, which will get rectified going forward in the second and third and fourth quarter. So that you will get back to those margins because the margin differential between an aerospace as well as the auto is significantly larger.
- Deepesh Agarwal:** Okay. Can you share the number of the aerospace, both the revenue and the profitability?
- Amit Agarwal:** Yes, it is in the range of we are on a run rate of roughly INR75 crores with a 25% margin. And this quarter, it is less, the revenue for the aerospace.
- Moderator:** The next question is from Mr. Himanshu Nayyar from Systematix.
- Himanshu Nayyar:** So first question was on the lifestyle bid where we've seen we've had a soft quarter. So I just wanted to understand whether our channel inventory or distributor inventory also played a part in that. I mean if you could let us know what was the difference in primary and secondary sales during the quarter? And what is the current inventory situation like with both the channels?
- Sunil Kataria:** Himanshu, Sunil here. Himanshu, in fact, our secondaries versus primary gap has been on the positive side there, in fact, our secondaries have been higher than primaries. Obviously, what

had happened initially was that there was an expectation of the wedding season, which did not pan out, but we still took initiatives and across our businesses, whether its fabric or apparels, our secondaries are higher than primaries. One thing which happened is why to put a quantum on this exactly that the wholesale channel in the fabric business does not really it's not very easy to track on a real-time basis inventory unlike in our apparel business, but we have our own ways to taking an estimate and the secondary is definitely much more than primary. So we do not see any concern on the channel inventory buildup in the business.

Himanshu Nayyar: Understood, sir. The second bit is, while you explained, I believe, on the reason for the margin fall in the branded textiles and the apparel piece where I believe negative operating leverage and higher marketing spends would have contributed to that. But on the garmenting side, while we have seen a revenue growth, there, the margin fall is quite significant. So can you specify the reasons of what led to the sharp decline in garmenting business margins?

Sameer Shah: Himanshu, this is Sameer here. So I think as earlier also called out, there are a couple of reasons for garmenting's margins to be on lower side. We are also ramping up our capacity and hence, in run-up to that, there has been relatively higher employee cost, especially the blue-collared labor. So that's one. And secondly, there has been a little bit of adverse mix impact, which has also resulted in lower realizations, lower gross margins and all the way getting reflected to lower EBITDA margins. But on a full year basis, I mean, at this point in time, we do remain of the view that we should be close to our margins which we had for last year.

Himanshu Nayyar: Okay. We can still maintain that despite this ramp up?

Sameer Shah: We have at this point in time. And hopefully, this Bangladesh plus 1, if it kind of fructifies as and when, I mean, it materializes, it should kind of add to the overall scale and volumes.

Sunil Kataria: But we are pretty confident that this is only a temporary blip.

Himanshu Nayyar: Got it. And just final bit on the marketing side in the lifestyle business. Can you give a number, we're talking about higher marketing spends, how much would that have grown, I mean, for the branded businesses put together this quarter?

Sunil Kataria: I think that data would be roughly around gone up by around maybe a couple of percentage points of advertising to sales ratio. And there are 2 kind of marketing spends, Himanshu, which happen here. One is the mass media spend, which you see in the mass media. The other spend which happens is that because we are ramping up stores rapidly, we do a lot of new store activation marketing, which goes behind. When the store is launched, you have to establish the store in the first, maybe roughly around 6 weeks by doing a lot of hyperlocal activations. And that is also the marketing, which is also taking place as we are scaling up a lot of new stores right now.

Himanshu Nayyar: Got it. And despite the slightly weak performance now in first quarter and maybe second quarter also might be a bit soft given your outlook, I mean do we still maintain our target on our footprint expansion plans? Or are we scaling them down for now?

- Sunil Kataria:** No, we are very clear. We had given our guidance of doing around 200-plus store footprint in the year. We are continuing to accelerate on that because we believe that we have headroom to really increase our reach across multiple points, whether it is our store expansion, whether it is on our opening up more doors within large format stores or whether increasing our reach among multi-brand outlets. So while there's a guidance of 200-plus stores that we're talking of in our stand-alone stores, but at the same time, we're also ramping up distribution across other 2 multi-branded formats and large format stores as well.
- Sameer Shah:** Himanshu, just to come back to your earlier question, the overall advertisement and sales promotion at lifestyle level went up by 10 percentage despite having 8 percentage decline on sales. So we continue to invest. I mean, invest for growth. So that was the call which was taken in first quarter.
- Moderator:** The next question is from the line of Garvit Goyal, Nvest Analytics.
- Garvit Goyal:** My question is on the MPPL. So now the entity is consolidated. So what kind of growth do we see here for next 2 to 3 years? And what kind of order book do we have here?
- Gautam Maini:** So basically, in terms of growth, we have a mid- to late-teens growth, that will happen, of course, based on a lot of things that are now developing that can slightly change because the aerospace has a bigger potential. It's a long-term plan. So you take steps that can have a long-term growth in a long-term business. So very bullish about the business in general, that will pull us up. It's also a high-margin business, so it will help us get the numbers.
- We're also seeing very good traction in the hybrid and EV markets for our products as well, which has also been ramping up quite significantly. So we are seeing a very healthy growth going forward and long term as well. We generally have long-term contracts and orders. So rather than giving you a number, it varies depending on certain contracts are 3 years, certain contracts are 5 years. We also have contracts up to 10 years. So we have a significant view of the next 3 to 10 years depending on the cases. And therefore, it allows us to plan for our resources in a very long-term manner.
- Moderator:** The next question is from the line of Abhijeet Kundu.
- Abhijeet Kundu:** Yes. Largely, most of my questions are answered. Just one clarification. Sameer, you said that in the lifestyle business, advertisement spend went up by 10% whereas the sales -- I mean, branded apparel business advertisement spends went up by 10%, whereas the sales growth was lower. Is that right? I mean.
- Sameer Shah:** No. Let me just reclarify, Abhijeet, what I said is the overall lifestyle advertisement and sales promotion spends went up by 10 percentage compared to 8 percentage decline.
- Abhijeet Kundu:** Okay. Understood. Understood. And when we say that we will add 200 stores -- will be, how much of it will be Ethnix and how much of it would be other stores?
- Sunil Kataria:** Okay. So roughly, you can take maybe 50% of -- 40%, 50% of that would be Ethnix, maybe 40%, I would say, and balance 60% would be other brands of the apparel business.

- Abhijeet Kundu:** Okay. And even in this quarter, end of season sale started off at the early stage. So the margin decline in case of branded apparel was not that substantial, but majority of it would be due to higher discounting, right? I mean, and some amount of deleverage?
- Sunil Kataria:** You're talking about which business? You're talking about apparels?
- Abhijeet Kundu:** Branded apparels.
- Sunil Kataria:** Yes. Partly, it would be discount led by EOSS and I think that's a bigger piece...
- Sameer Shah:** It was also in the base also, Abhijeet, right? So when you're looking at Y-o-Y margins, I mean, the EOSS was there in the base also. So on a delta base, I mean, it's not a big kind of driver.
- Sunil Kataria:** But if you see the big one is, we are ramping up stores also, which is increasing pace. And as I said, as we increase stores, the hyperlocal marketing starts playing also a role. And that's where the spends are going. And we definitely want to do this because we believe as much stores as we can ramp up throughout this year, it will really add onto the future. And plus, the season is also going to be very strong for the second half of the year.
- Abhijeet Kundu:** And most of the store additions would be franchisee owned, right?
- Sunil Kataria:** Yes, we are operating on an asset-light model where the ratio is very clearly that around 70% of our stores would be -- 70%, 75% stores would be asset-light model.
- Abhijeet Kundu:** And the inventory I think -- even Himanshu asked, but the inventories are under check, because there could be moderation in sales, that is fine. But inventories are something which...
- Sunil Kataria:** We have very, very tight controls on the inventories. We very particularly check inventories across, by and large, all points, and we don't see any issue there.
- Moderator:** Ladies and gentlemen, I would now like to hand the conference over to Mr. Amit Agarwal, Group CFO, for closing remarks.
- Amit Agarwal:** Thank you very much for taking the interest in Raymond Group, and we look for having the investors call once again in the next quarter. And at that point of time, we will have two calls, one for Raymond Limited and one for Raymond Lifestyle Limited. Thank you very 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.