

Raymond



AT THE HEART OF IT

ANNUAL REPORT 2017-18

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Online Report

raymond.in/report

Caution regarding forward-looking statements

This Annual Report contains statements about expected future events and financial and operating results of Raymond Group, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward looking statements will not prove to be accurate. Do not place undue reliance on forward-looking statements as a number of factors could cause assumptions and actual future results or events to differ materially from those expressed in these forward-looking statements.

'The Raymond Group' (or "Company") includes reference to the Raymond Limited, its subsidiaries, Joint Ventures and Associates of Raymond Limited.

A man with dark, curly hair and a beard, wearing a white dress shirt, a dark bow tie, and a dark tuxedo jacket, is looking off to the side. The background is dark.

AT THE HEART OF IT

In an increasingly volatile and disruptive world, we stay strongly bonded with our evolving and aspiring customers. Having won the trust of millions of customers for over nine decades with quality offerings, we at 'Raymond Reimagined' continue to innovate our products, services and business models with Customer Centricity at the heart of it!

Transforming Raymond into a new-age organisation



Dear Shareholders,

Every journey creates milestones reminiscent of the fact that there is steady progression towards attaining the vision for the future. Having embarked on the 'Raymond Reimagined' journey last year, we have made steady progress that has exemplified our unwavering commitment towards sustainable value creation and to achieve the remarkable dream of transforming Raymond into a new-age customer centric & future-ready organisation. Our intrinsic passion about creating highest quality innovative offerings to meet the rising expectations of our consumers remains the force propelling us to scale new levels of success.

The year 2017 was a momentous one as the Indian economy embraced the biggest economic reform of GST within a year of demonetisation. This move towards 'One nation, One market, One tax' will provide a big boost towards economic inclusion of a largely unorganised textile sector. Today, India is one of the largest growing economies in the world, poised to record a healthy growth rate of 7% on the back of consumption and increased public spending. With the country getting younger every day and with the rising aspirations of emerging India, there are thousands of thriving markets beyond the urban metros that uphold the power to fuel the nation's economic engine. This growth will get accelerated with a slew of ecosystem enablers such as Make in India, Skill India and Start-up India.

Having pledged to the Make in India initiative, it is our

At Raymond, we are at the cusp of transformation today. As we continue to shape our future and build sustainable competitive advantage through our products, brand, retail and enabling platforms, it is imperative that we embrace customer centricity which is now at the heart of Raymond Reimagined.

endeavour to contribute to the manufacturing-led job-intensive growth of our nation. Reaffirming our commitment, Raymond commissioned a state-of-the-art Linen manufacturing unit in Amravati in December 2017, within a record span of 18 months of signing the MoU. In the next phase, we plan to set up a world-class educational institution and an affordable housing facility in the vicinity of the Amravati plant, thereby providing a stable foundation for sustainable development and prosperity of the Vidarbha region in the state of Maharashtra.

Continuing with our contribution towards the Government's Skill India initiative, Raymond launched 25 Tailoring Hubs last year in addition to our existing tailoring skill institutions in many states across the country. Elevating Indian craftsmanship to a whole new level, Raymond's Khadi initiative celebrates a fabric quintessential to the Indian ethos and blends it with contemporary sensibilities appealing to the consumers of today. We aim to conserve the craftsmanship innate to Indian heritage via PPP collaboration to develop a sustainable ecosystem for the future.

The ever-growing middle class of India is pivotal to the economic take-off of the nation and

remains a strong contributor to domestic demand creation. With rising aspirations and increasing consumption, the new emerging India residing in Tier III, IV, V & VI towns will be a big growth opportunity. In our quest to provide world-class products, services and retail experience, we have embarked upon an asset-light expansion model of Mini format Raymond Shops, which will have presence in 300 towns by 2020.

In line with our global ambitions to emerge as a leading manufacturer of suits, Raymond commissioned a garmenting facility in Hawassa, Ethiopia. This facility commissioned in June 2017 will provide duty-free access to our products in the USA and Europe over the next decade, in addition to providing us with an unprecedented cost competitiveness in global markets.

At Raymond, we are at the cusp of transformation today. As we continue to shape our future and build sustainable competitive advantage through our products, brand, retail and enabling platforms, it is imperative that we embrace customer centricity which is now at the heart of Raymond Reimagined.

Gautam Hari Singhania
Chairman and Managing Director

Raymond Reimagined has customers at the heart of it



Dear Shareholders,

The era of exponential change is upon us when neither size nor reputation nor even current sales guarantee our existence tomorrow. Intrinsic in this turbulence and an era of defying convention lies an exceptional value creation opportunity for brands and organisations which stay strongly pivoted at the heart of their customers. And it is unleashing this power of insights and creation of delightful customer experiences to conquer new frontiers, which is now the soul of the 'Raymond Reimagined' journey.

Having entered the second phase of the Raymond Reimagined journey, customer centricity is not just fuelling new market creation but also ensuring sustainable and profitable growth for Raymond. The continued ascendance of the business can be attributed to a series of vision-aligned strategic initiatives that have demonstrated exemplary success in the marketplace and promise to be the growth drivers for the future.

Driven by Innovation

Inspired by the rapidly evolving lifestyle of our customers, we continue to reimagine our products, services and business models. To augment our internal organisational capabilities in areas of product technology, design and manufacturing, we now have a stable platform to open-source and crowdsource any of these capabilities across the world. This new capability coupled with an accelerated thrust on product innovation is paving the way for many 'World-class Products' and 'World Firsts' from Raymond. During FY 2017-18, we launched the most expansive range of black suiting fabric and accessories under the canvas of Raymond 'All Black Collection'. The Technosmart fabric was successfully extended to offer the stretch benefit. Product innovations in our apparel portfolio ranged from launch of Yoga Denims to Reversible Shirts to Light Weight Sneakers to 3D-printed Accessories. Beyond products, there were a series of service innovations like express delivery in custom tailoring, concierge service in MTM products and zero interest financing facility for high value purchases. We believe that continuous innovation across the value chain will unlock disruptive growth for all our businesses.

Reaching to the New India

With technology conquering physical barriers at breakneck speed and marketplaces becoming increasingly flatter, Raymond is reaching out to newer markets at an equally scorching pace – both in physical and digital formats. We believe that experiential shopping for fabric and apparel coupled with bespoke tailoring and fashion advisory services will always be in vogue. Inspired by this thought, we embarked upon a journey to gratify aspirations of our consumers in Tier III, IV, V & VI towns by launching an asset light franchise store model Mini TRS (The Raymond Shop). During the last fiscal, over 90 Mini TRS were rolled out in addition to renovating 41 of our existing Raymond stores and launching 80 new exclusive brand stores for Raymond, Park Avenue, Parx and Color Plus. This scale of new retail rollout by Raymond in FY 2017-18 marks the highest achieved by any brand ever in the industry.

Digital Immersion

With a clear vision, enabling strategy and ongoing roadmap of 'digital way of life' at Raymond, we are rapidly learning to organise ourselves better in an information based world. With the creation of Raymond's Digital Customer Centre (DCC), the focus is now shifting to strengthening our Omnichannel capabilities across India's largest physical retail footprint of 1,167 exclusive retail stores in over 450 cities. In addition to augmenting physical retail with pure play ecommerce and Omnichannel platforms, we launched an 'Online Custom Tailoring' service in Mumbai and Pune which is gaining traction and has the potential to grow exponentially.

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Building Sustainable Platforms and Ecosystems

A robust, large and productive tailoring ecosystem is one the most critical enablers for the sustained growth of our fabric business. As market leaders, the onus is upon us to nurture, build and strengthen this ecosystem. We envision to create an effective outreach programme for over 1 lakh tailors in the country and double their income by 2020. This programme primarily entails upskilling existing tailors, upgrading technology, facilitating microfinance and providing employability on a sustained basis. During the last fiscal, Raymond set up Worlds' first tailoring 'Centre of Excellence', launched 25 state-of-the-art Tailoring Hubs, trained 20,000 tailors and logged over 100,000 hours of formal training.

Creating a Global Footprint

Raymond took major strides in expanding its footprint in global markets by setting up our first offshore garment manufacturing facility in Ethiopia and setting up sales offices in USA, UK, Dubai and China. Having earned the trust and respect of eminent brands across the globe, our Ethiopian facility will ensure price competitiveness in export markets, and at its peak capacity it will mark Raymond's entry amongst the 'Top 5' leading Suit manufacturers in the world.

Leading a Movement called Khadi

We believe that Khadi is not just any other product but a revolution in waiting. It is our aim to take this fabric of national pride infused with artisans' love, and put it on the pedestal of global fashion. Khadi, just like Yoga, could single-handedly pave the way for 'India's craft economy' in global markets. In creating a compelling range of products and accessories, Raymond aims to reinvigorate the craftsmanship quintessential to India by collaborating with Khadi artisans at the cluster level and enable market linkages.

With continued consumption growth in urban and rural India, and benefitted by broad-based structural reforms like GST, we believe that Raymond has an unprecedented opportunity to create significant value for all its stakeholders. And with the epicentre of the Raymond Reimagined evolution strongly rooted in customer centricity, we remain confident of creating a virtuous growth cycle and a perpetual source of competitive advantage in years to come.

Sanjay Behl

CEO – Lifestyle Business

Focussed to deliver enhanced value



Dear Shareholders,

Amidst the backdrop of structural reforms, FY 2017-18 was a year that tested the resilience of the Indian economy and businesses grappled with the biggest economic reform. Having combatted the headwinds that were created by the implementation of GST, which had short-term impact across the value chain, our businesses have grown steadily and reaffirmed our commitment of creating enhanced value for all our stakeholders.

With increased agility, we continue to race ahead in the Raymond Reimagined journey with 'Customer Centricity' being the guiding force propelling the group to new altitudes of success and increased mind share of our consumers. Led by decisive action and strong execution, our businesses are now better equipped to embrace the future with vigour and are fully geared to combat the increasingly volatile environment. Driven by consumer insights, our product innovations coupled with implementation of financial prudence and consistent delivery mechanism have contributed to the top-line growth of the Group.

Scaling the Profitability

At an overall consolidated level, revenues have grown by 9% (13% on excluding GST impact) from ₹5,509 Crore to ₹6,025 Crore. The EBITDA margin expanded by 140 bps from 7.7% in the previous year to 9.1% in FY 2017-18.

- The flagship business, Branded Textiles, witnessed 7% increase (10% on excluding GST impact) in sales, driven primarily by the wedding season, recovery in the wholesale channel post GST stabilisation and growth in the institutional category.
- The Branded Apparel segment posted strong sales growth of 12% (19% on excluding GST impact) on the back of continued focus on strengthening of brands and Raymond's core proposition as a wardrobe solutions provider despite facing industry-wide challenges on account of heavy discounting and extended EOSS across the industry. Sustained investments in 4 Power Brands coupled with widening the retail footprint is further consolidating our leadership position in the menswear category. Additionally, the portfolio is now ably supported by our two new customer segments, Ethnix for ethnic wear and Next Look that is specifically targeted at the value

segment, which are capturing new categories that will be growth drivers in the future. The Branded Apparel margin expansion is on track and the business continues to drive momentum and maintain a profitable growth rate.

- During the year, export business in the Branded Textile and Garmenting businesses faced short-term challenges due to currency fluctuations which moderately impacted the margins.
- Having commissioned two new state-of-the-art greenfield projects, in Ethiopia for the Garmenting business and Amravati Plant for Linen manufacturing, our peak capex is behind us and going forward the focus on asset-light expansion model will continue. The Ethiopian plant will meet the demand from the increasing global garmenting business while the Amravati plant will largely cater to the high-margin Linen portfolio.
- In the Tools & Hardware segment, the successful turnaround strategy of building operational efficiency and product rationalisation has enabled in significantly improving EBITDA margins to 9% vs. 2% in the previous year.
- The Auto Components business witnessed robust sales growth driven by high demand from passenger and commercial vehicle segments. Acquisition of customers in the industrial segment also contributed to this expansion. The high growth in profitability continued with EBITDA increasing by 90% from ₹24 Crore in FY 2016-17 to ₹45 Crore in FY 2017-18.

Enhancing value creation

- We remain focussed on the three strategic levers that will deliver enhanced value:

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Focus on Capital Allocation, Sustainable and Profitable Growth and achieving Cost Efficiencies.

- Continued focus on working capital management remains a priority and initiatives such as improving Letter of Credit period, vendor financing and factoring are being taken. This will help us in optimising capital efficiency, reducing debt and improving our cash flows.
- During FY 2017-18, we successfully expanded our presence in over 70 Tier III, IV, V & VI towns through asset-light and franchise-based 91 Mini TRS (The Raymond Shop). This has been an immensely successful capital efficiency model and we expect to roll out another 200 Mini TRS stores by 2020.
- Sustainable and profitable growth by revitalising the core business and enhancing the customer service experience will drive Value Creation. The implementation of product reengineering process to counter raw material costs, especially wool prices, will further contribute to profitability.
- The path to profitability in the Branded Apparel business is well defined and is being executed by building scale for the Power brands while at the same time expanding the MBO and EBO channels as well as brand investments to ensure scalability. Strengthening our omnichannel capabilities, there is now a strong focus on loyalty programmes which are

reaping positive results for the organisation.

- In our B2B business, the garmenting exports segment will be driven by the new capacity addition in Ethiopia which is a low-cost model. The Amravati plant will meet the increasing consumer demand for the high-margin Linen portfolio.
- We will continue to focus on profitable momentum to be maintained in the Auto Components and Tools & Hardware business.
- Sharpening and unlocking brand strengths for the FMCG business through strategic initiatives like One Park Avenue has been pivotal in rejuvenating the male grooming product portfolio which will enable in growing this category.

Our teams remain guided by our corporate values while exploring avenues to drive profitable growth. We intend to continue our investments, with a focus on the most strategic options to reinforce our brands' long-term appeal. As we stay resolute, ensuring financial prudence under an ethical governance framework while attaining service excellence to, create a customer-centric organisation that is 'future ready' is the way forward at Raymond Reimagined.

Sanjay Bahl

Group CFO

Consolidated Financial Highlights

BALANCE SHEET

RETURN ON CAPITAL EMPLOYED (%)

8.9%



TOTAL ASSETS (₹ Crores)

6,109



PROFIT AND LOSS

Revenue (₹ Crores)

6,025



EBITDA (₹ Crores)

546



Net Profit (₹ Crores)

135



EBITDA Margin (%)

9.1%



SEGMENT RESULTS

SALES (₹ Crores) EBITDA (%)

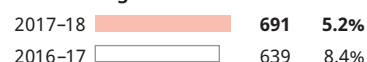
Branded Textile



Branded Apparel



Garmenting



High Value Cotton Shirting*



Tools & Hardware*

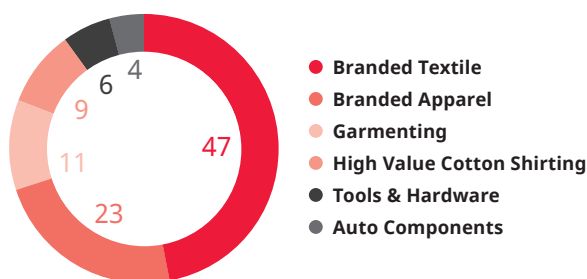


Auto Components*



SEGMENT WISE SALES CONTRIBUTION*

(%)



+ Gross of elimination

* The results shown are for 100% operations and include minority interest

GEOGRAPHIC DISTRIBUTION OF SALES

82%

India

18%

Rest of the world