

JV CAPITAL SERVICES PVT. LTD

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RAYMOND LTD.

CMP 187

BUY

INDUSTRY : TEXTILE

RISK PROFILE— MEDIUM

TARGET 225

NSE Symbol : Raymond Ltd.

Key Data :

52 week H/L : 271/73
 Market Cap (Rs Cr.) : 1080
 Face Value : Rs. 10
 Beta : 0.58
 P/E : -
 Div % : -
 BV : 183.61
 PBV : 1.01

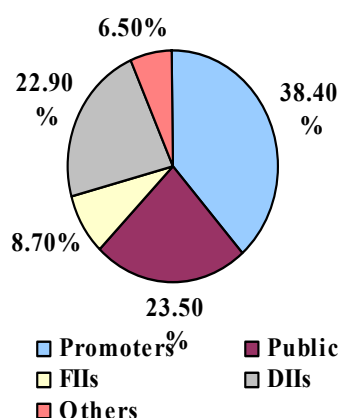
(Source : Company)

Raymond Limited is a multi-product conglomerate with interests in textiles, apparels, retail, brands and engineering. It operates Raymond brand in textile industry and has a retail presence in the form of The Raymond Shop. The Company manufactures many products in various segments. Textiles segment includes fabric, rugs, blankets, shawls and furnishing fabric. Denim includes Denim fabric and cotton yarn. Garments segment includes readymade garments and designer wear. Files and Tools segment includes engineers' files and rasps, high speed steel twist drills and bars and rods. Auto Components segment includes starter gear, shaft bearings and sheet metal components. Others segment includes aviation and home living.

INVESTMENT RATIONALE

In FY08, Raymond's sales have increased 3% to Rs1323cr from Rs1284cr. Revenues of the company reflect an increase in its annual sales and increased other income. After a long bullish run, the company has posted a loss in past few quarters, this is because of increased staff cost, higher other expenses and interest expenses as the company has opened 26 new stores in Q2FY10. Indian Denim operations have continued to report a positive EBIDTA. Margins have improved due to better pricing & higher sales to domestic brands. In FY10, the company is planning to increase its retail stores from 618 to 950 & hope that the revenue from stores will increase by more than 45% in 2010. Most of these stores will come up in small towns.

Share Holding Pattern (%):



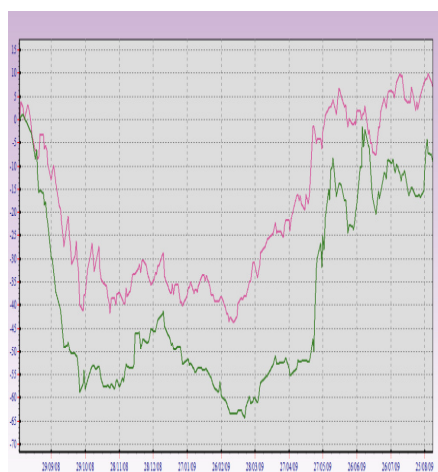
VALUATION:

In our view, Raymond is expected to show a turnaround in its Net sales in the coming quarters. By the end of FY10, the management is planning to open around 300 new retail stores in the small towns of the nation. This expansion plan will increase the revenues by more than 50%(for the coming quarters). Currently the stock is trading at a lower P/E and is expected to perform above market expectations. Net sales are expected to grow at a CAGR of 4% over 2009-2011. We maintain a 'buy' on the stock with a target price of Rs 226 for medium to long term. The company is undergoing restructuring which would enable cost savings & make it a focused entity.

(Rs cr)

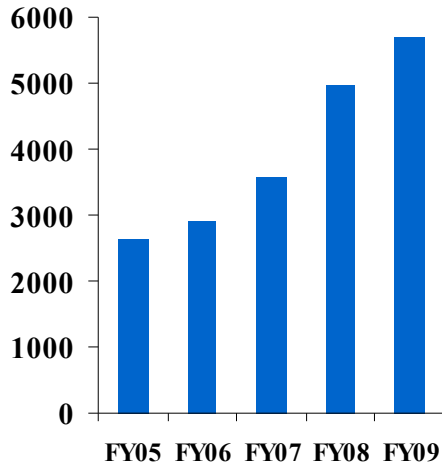
Relative Performance Analysis:

SENSEX
 RAYMOND



Financial Summary	Net Sales	Total Expenses	PAT	EPS
Year				
FY2005	1144	1018	76	12.4
FY2006	1325	1126	121	20
FY2007	1284	1103	202	32.9
FY2008	1323	1216	66	10.7

(Source : JVCs RESEARCH)



Raymond's Apparel business has grown by CAGR of 21% over FY05-FY09

INDUSTRY PROFILE

Indian textile & apparel sector is a major contributor to the GDP, industrial production and total export earnings of the country. The present global economic scenario throws up opportunities to the fundamentally strong companies like Raymond. Inherent strengths like strong domain expertise, powerful brand positioning & fully integrated state of art production helped the companies to sustain in this current scenario.

BUSINESS UPDATES:

- Raymond Ltd. is one of the largest company with largest retail network in Indian textile & apparel space with 618 retail stores covering over 1.33mn sq ft of retail space. The company is planning to commission Hand made suits plant with a capacity of 200 suits per day in Q2-Q3FY10.
- Asset liquidation of discontinued USA & Belgium operations are progressing slower than expected.
- The consolidated Debt on the book of the company was to the tune of Rs 1700cr while that of standalone was Rs1250 cr. The cash in hand for the company is Rs525cr.
- The company has no major capex plan for FY11 but would have Rs 50cr for regular maintenances of the facilities & power plant.

FIRST MOVERS IN AUTOMOTIVE SEGMENT

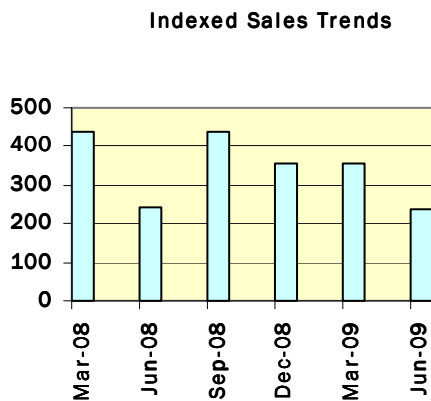
Rayves, Raymond Ltd's joint venture with Treves S.S. of France, will make printed seated fabrics for TATA motor's five seater-Iris. This initiative will help to establish the company's presence prominently in the automotive seat fabric segment. Auto component business is expected to turnaround in coming quarters due to optimism in domestic auto sector.

Despite severe downturn faced in 2008-2009, poor consumer sentiments & credit squeeze, Raymond had successfully reported a nominal growth in sales. Textile exports were Rs 110cr as against Rs 114cr in the previous year. Although Romanian operations in the denim front is a major concern & reported loss at PBT level owing to continue slow down in Europe. The demand has been witnessing good growth with a neutral PBT.

INCREASING EXPORT INCOME

Textile exports for FY08-09 were Rs 110cr as against Rs114cr in the previous year. During the current fiscal year, wool prices were lower, the company has developed alternate vendors in other countries to reduce its dependence on traditional sources from Australia. We expect the export performance to improve in the current year, This coupled with good demand in the domestic market will fuel the revenue growth of the company. Wool prices have declined , while the cotton & steel prices are expected to decline. Hence the pressure on margins is likely to ease while going forward.

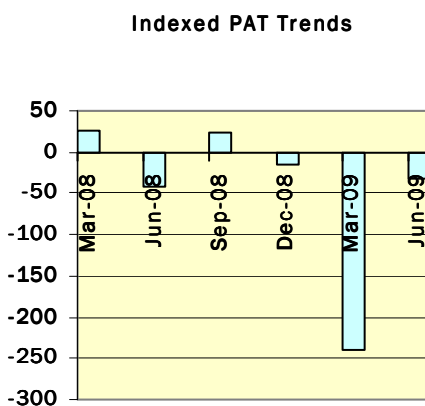
PEER COMPARISON



Company Name	MCap	EPS (Rs)	P/E (x)	P/BV (x)	Dividends (%)
Raymond Ltd.	1080	-	-	1.26	0.00
Alok Industries	141	3.59	6.52	0.66	7.50
Bombay Rayon Fashion	236	15	14.70	2.64	15

FINANCIAL FORECAST

(Rs cr)



Earning Estimates

Particulars	Mar '09	June'09	Sep'09E	Dec'09E
Net Sales	363	240	391	368
Total Expenditure	366	246	332	329
PBDT	-243	-13	30	63
Depreciation	26	27	24	28
PBT	-269	-40	7	36
Tax	-30	-8	-1	-4
PAT	-239	-31	7	41

(Source : JVCS RESEARCH)

OUTLOOK

Going ahead, we expect the cotton prices to increase by 10%, while the polyester & viscose prices to marginally move up. While the realizations have improved in the fabrics front, realizations in the apparel have not yet moved up. In our view, the apparel prices should move up once the marriage season begins. We are highly optimistic in the turnaround in the textile industry & apparel sector. Raymond is a highly volatile operator driven stock. Many clued up investors are showing their fanatical interest in this stock, which will play a vital role in raising the price and volume of the stock under review. Thus, we expect the stock to perform above market expectations.

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RISK PROFILE:

Low Risk: Fundamentally Sound companies, with low beta. Expected market out-performance is 0–10%

Medium Risk: Expected market out-performance is 10-20%. Preferably for the Investors with a maximum time frame of 6 months.

High Risk: High Beta Stocks, expected market out-performance is more than 20%, Preferably for the investors willing to take advantage of market momentum and are aggressive in nature.

Disclaimer Appendix

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