# Raymond Lifestyle



**Operator:** Ladies and gentlemen, good day and welcome to the Raymond Lifestyle Ltd. Q2 and H1 FY27 earnings conference call hosted by Motilal Oswal Financial Services. As a reminder, all participant lines will be in 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 touchtone phone. I now hand the conference over to Mr. Avinash Karumanchi from Motilal Oswal Financial Services. Thank you, and over to you, sir.

**Avinash Karumanchi – Motilal Oswal Financial Services:** Thank you, Sailaja. On behalf of Motilal Oswal Financial Services, I would like to welcome all the participants to the Q2 and H1 FY27 conference call of Raymond Lifestyle Ltd. Today, we have with us from senior management Mr. Saptarshi Ghosh, Chief Executive Officer; Mr. E. C. Prasad, Chief Financial Officer; Mr. Shalin Bawa, Group Head and Investor Relations; and Mr. Sunny Desha, Head, Investor Relations. Without taking further time, I would like to hand over the call to Mr. Saptarshi Ghosh. Over to you, sir.

**Saptarshi Ghosh – Chief Executive Officer:** Good evening, everyone. Thank you for joining us today on our Q2 FY27 and H1 FY27 results conference call. Before we review our operations and financial performance, let me contextualize the macroeconomic landscape in which we have operated over the first half of the fiscal year.

We navigated an intricate macroeconomic situation shaped by both international headwinds and domestic dynamics. Globally, persistent geopolitical tensions and ongoing shipping disruptions have kept Brent crude elevated in the range of 105 to 110 dollars per barrel, sustaining input cost pressures across fibers and specialty dye chemicals. Tariff prices and global freight tariffs remain high. At the same time, the Indian rupee has traded near record lows, hovering between 94 and 95 against the US dollar, thereby increasing landed import costs of raw materials. Furthermore, the risk of US tariff uncertainty continues to loom over us.

Domestically, agriculture yield variations resulting from unseasonal rainfall patterns and localized heat events have generated intermittent swings in raw material fiber supplies. Benchmark wool prices have remained firm near a multi-year high, and domestic cotton prices continue to be elevated.

On the broader economic front, the Reserve Bank of India has revised India's FY27 real GDP growth projections upwards to 7.1%, up from baseline estimates, reflecting strong domestic consumption, robust urban demand, and ongoing premiumization across lifestyle categories. Concurrently, the RBI CPI inflation projection was revised to 5.2% due to sticky input cost pressures. RBI has also increased the repo rate recently by 25 bps to 5.50% basis.

Against this dynamic backdrop, Raymond Lifestyle has demonstrated solid operational resilience and stability, despite navigating external headwinds in H1 FY27, including global freight escalations, raw material price pressures, channel mix variations, and the late festive season. Our agile execution and deep consumer trust have kept us firmly on track to achieve our stated guidance for FY27. Our strategic focus, anchored in premiumization, casualization, geographic diversification, and increased marketing investment, continues to deliver tangible results, while our garmenting

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export platform is capitalizing successfully on global trade realignments.

In Q2 FY27, Raymond Lifestyle registered its highest-ever quarterly total income of 2,125 crores, representing a robust 14% year-on-year growth compared to 1,865 crores in Q2 FY26. Revenue from operations reached 2,075 crores, up 13% year-on-year. For H1 FY27, total income grew 10% year-on-year to 3,685 crores compared to 3,340 crores in H1 FY26. Consolidated EBITDA for Q2 FY27 rose 4% year-on-year to 270 crores versus 259 crores in Q2 FY26, achieving an EBITDA margin of 12.7%. For H1 FY27, EBITDA expanded 6% year-on-year to 404 crores with an 11% margin. While EBITDA margin moderated by 120 bps year-on-year in Q2 due to peak freight rates, elevated wool and cotton prices, and deliberate marketing investments ahead of the festive season, our enriched product mix provided substantial defensive support.

Reported PBT before exceptional items was 91 crore for Q2 and 53 crore for H1 FY27. Net finance cost for Q2 FY27 was 25 crores against 27 crore last year, a reduction of 7%. Sequentially, Q2 FY27 witnessed 36% total income growth, 100% EBITDA growth, and 337% PBT growth over Q1 FY27. This is a smart recovery, and the recovery continues.

We maintained our fortified debt-free balance sheet, closing the quarter with a net cash surplus of 69 crores as of September 2026. This represents a significant operational turnaround and a net cash accretion of 300 crore-plus compared to a net debt position of minus 246 crores in September 2025. Net working capital improved. Our disciplined inventory management and tighter collection cycles yielded a 23-day reduction in our net working capital cycles, decreasing to 82 days in September 2026 compared to 105 days in September 2025. Absolute net working capital contracted from 1,870 crores to 1,622 crores, despite a 240 crore sales jump.

Our active retail footprint stands at 1,634 stores across 600-plus towns and cities, comprising 1,134 The Raymond Shops, 450 EBOs, and 50 Made to Measure stores. Over the past 12 months, we have methodically exited 53 lower-productivity stores while opening 24 high-yielding premium stores, which leads to a net rationalization of 29 stores, to drive throughput and return on capital. We remain firmly on track to achieve net 20-plus store additions for the year, strengthening our retail footprint.

As mentioned in our previous call, we have officially instituted a segment reclassification from this financial year to provide complete transparency on our core operations versus growth bets. We have carved out emerging businesses comprising Ethnix by Raymond, Raymond Home, Park Avenue Innerwear, Sexual Wellness, and the newly launched Denim Collection into a standalone reporting segment. This now breaks up our business portfolio into five segments: Branded Textile, Branded Apparel, Garmenting, High Value Shirting, and Emerging Business.

Branded Textile revenue grew 7% year-on-year to 970 crores in Q2 FY27 versus 906 crores last year, taking H1 revenue to 1,650 crores, which is 3% year-on-year growth. Growth was anchored by premiumization, volume expansion, and strong trade bookings leading into the wedding season. Segment EBITDA stood resilient at 188 crores in Q2, with an EBITDA margin of 19.3%. A favorable product mix shift towards pure wool and poly-wool blends insulated gross margins against input cost pressures. This also shows sequential growth from Q1 of 42% in the Branded Textile segment.

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In Branded Apparel, the segment achieved its highest-ever quarterly revenue of 559 crores in Q2 FY27, up 20% year-on-year from 465 crores last year. H1 revenue was 908 crores this year, which is a 14% year-on-year increase over last year. Performance was propelled by volume expansion, spearheaded by our casual brands ColorPlus and Parx. Segment EBITDA rose 20% year-on-year to 49 crores in Q2 FY27, with a stable margin of 8.8% on account of adverse channel mix and higher raw material prices, offset by the closure of non-performing stores and higher marketing investments. This also shows 60% sequential growth over this year's first quarter.

The Garmenting business continued its rapid export trajectory, posting Q2 revenue of 339 crores, which is up 26% year-on-year, and H1 revenue of 635 crores, which is up 36% year-on-year. Growth was driven by robust order execution following the US-India tariff rationalization, early market [cut off]

**Management:** ...traction from the UK-India FTA and onboarding new global accounts, especially from Europe. EBITDA surged 75% year-on-year to 25 crores in Q2, with operating margin expanding by 207 bps to 7.4%. This also shows 15% sequential growth in the Garmenting business over Q1.

High-value cotton shirting revenues grew 5% year-on-year to 222 crores in Q2 FY27, supported by strong linen demand and improved price rationalization. Segment EBITDA was 21 crores, with an EBITDA margin of 9.5%, predominantly due to an increase in raw material prices, partially offset by higher ASPs. This is 14% sequential growth over this year's Q1.

Emerging businesses touched 100 crores for the first time in Q2 FY27. Revenue grew 15% year-on-year, and the total turnover in H1 is now 179 crores for the Emerging Business segment. Raymond Home registered double-digit growth and introduced a super-premium line, while innerwear expanded across channels. Ethnix rationalized 27 stores to transition towards an asset-light, high-productivity format. Segment EBITDA stood at negative 23 crores as these lifestyle categories continue in their planned incubation stage. This Emerging Business segment showed 27% sequential growth over Q1 of this year. The overall sequential growth in turnover for Q2 over Q1 was 36%.

Marketing initiatives: We launched a few brand campaigns such as ColorPlus's Lead the Pause, Wedding on Wheels in Ethnix, and premium activations across Park Avenue and Raymond Ready-to-Wear to drive top-of-mind recall ahead of the festive season.

A nationwide network of 1,600-plus exclusive retail stores, 20,000-plus MBOs across 600-plus cities, and 11 manufacturing plants gives us a real all-India presence.

We are also tracking towards a 15% reduction in Scope 1 and Scope 2 emissions, 25% renewable energy, up from 15.1% last year, zero waste to landfill, and zero liquid discharge in Chhindwara. We are also targeting 40% female representation, backed by 100% independent committee governance and a 100% independent board.

We have started our CSR programs in three big verticals: Project Neev, Project Good Neighbor, and Project We.

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As we progress into the high-demand festive and wedding corridors of H2 FY27, our strategic priorities are clear.

We are shifting the fabric mix towards high-margin pure wool and linen.

We are launching new premium products across our formal brands, Park Avenue and Raymond Ready-to-Wear. This accelerates our premiumization strategy.

We are also expanding smart casuals, polos, chinos, and denims featuring proprietary fabric technologies such as Air Shield, FlexFit, and Techno-Clean. This helps in our casualization momentum. In casualization, our brand ColorPlus continues to accelerate faster than the rest of the portfolio.

Deepening Tier 2 to Tier 4 penetration via MBOs across businesses remains a priority, and scaling our presence in LFS and digital channels is happening very fast and remains a priority.

We are leveraging our vertically integrated B2B garmenting, including our verticalization from our mills to our garmenting factories, to grow in the UK and EU markets via the newly signed FTAs.

Retail network optimization continues, and disciplined store opening is the name of the game. We have closed more stores in H1 than we have opened, but in H2 we will open more stores than we close. Hence, we aim to end our store count at about 20 stores above our last year's closing count, and we will see this acceleration continue next year.

Supported by our structurally debt-free balance sheet, 69 crore net cash surplus, and working capital cycle reduced to 82 days, Raymond Lifestyle is exceptionally well positioned to navigate cost headwinds. We expect a strong H2 FY27 performance and remain firmly on track to achieve our FY27 guidance of double-digit topline growth and mid-double-digit EBITDA growth, with 300 crore-plus of net cash and double-digit growth in PBT.

Thank you very much, and we are now open for questions.

**Operator:** Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Avinash Karumanchi from Motilal Oswal Financial Services. Please go ahead, sir.

**Avinash Karumanchi – Motilal Oswal Financial Services:** Hi, sir. Good evening. Congratulations on a good set of numbers.

**Management:** Thank you.

**Avinash Karumanchi – Motilal Oswal Financial Services:** My question is regarding the Branded Apparel segment. The segment has reported very strong growth after many quarters. How should we view this growth? Is it mainly because of channel stocking, with the festive season shifting to the

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third quarter, or are secondary and primary sales also moving in tandem?

**Management:** Avinash, a very good question. Thank you for the question. I must remind you that the festive season this year is delayed by 20-25 days versus last year. Last year, you had Puja and Dussehra at the beginning of October and Diwali around October 22-23. So the entire loading, or primary loading, for Puja and Diwali actually happened entirely in Q2. This year, Diwali is on November 8-9. Therefore, a lot of that invoicing is in October, so it is not full loading. It is full loading in the base and perhaps half loading here. Yet, you see 20% growth, which is supported by our secondary offtake growth. Our like-to-like stores are currently growing at double digit.

I will give you two or three equations. We measure Dussehra minus 45 days so that the timing for the year is taken out. In the Dussehra-minus-45-days period, we observed 14% like-to-like growth. Right now, we are measuring Diwali minus 30 days, so our big days are still yet to come. Today should be a big day. There are 10-12 days to go for Diwali. This is the main offtake time. We have all the days of last year, and we are up 23%. So Diwali offtakes are also looking good.

This is not only a function of primary loading. There will be some loading in September, but last year there was full loading. This year, we had an intercalary month in Q2. We had half loading, but our secondary offtake sales have grown. This is led by better design, better products, and better supply chain management, where the product was delivered at the right time. So the stores had the right stock at the right time, and we are seeing very strong offtake. I can tell you that ColorPlus as a brand is growing in Q2 at 26% over last year. That is very, very strong growth.

**Avinash Karumanchi - Motilal Oswal Financial Services:** Okay, got it. Coming to the same segment's margins, this quarter again saw a margin of around 8.8%. I want to understand how much more you can achieve on the cost-cutting side and how much more we should wait for operating leverage to play out or for margins to improve on a full-year basis rather than on a quarterly basis.

**Management:** Two things will happen, Avinash. Number one, we are invoicing a lot of fresh goods in October. We work on booking cycles. Our festive autumn-winter booking was done long ago. Q2 had EOSS partly, and then fresh goods started going in. This month, only fresh stocks are going in, all with new prices. So we will see some price increase factored into Q3. In addition, sales leverage should start coming in.

We have started working in the last two quarters on our costs everywhere. Unviable stores are being closed, so all those advantages will start coming in. Just to tell you, in Q2, especially for the B2C business, we spent much more on marketing than we did last year. This was because there was an intercalary month, there were no marriage dates, the festive season was delayed, and the fundamental work of restarting brand investment and building the Raymond Lifestyle brand has started. New agencies were onboarded, perhaps you will see Publicis through integrated marketing and through a pitch process. So marketing costs were much higher, and raw material costs were higher. We have still held on to the margin. Once we get the leverage, I think this margin will improve further. That is my expectation.

**Avinash Karumanchi - Motilal Oswal Financial Services:** If you can guide us to a number for FY28 or FY29, two years down the line, how should the segment margins shape up? Because this segment used to have double-digit margins at one point. Then it came down to 6% last year.

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**Management:** I think in a couple of years, we will be double digit-plus. Improving every percentage point actually takes a lot of work. We should be double digit-plus. That is the guidance right now.

**Avinash Karumanchi – Motilal Oswal Financial Services:** Understood. Finally, on the Garmenting side, congratulations on a good performance. There has been consistent improvement in Garmenting over the last three quarters. At what capacity utilization are we operating, and what would be the peak revenue that we could generate from the existing capacities?

**Management:** Our plants operate at 90% plus always. Garmenting plant utilization, whether it is 95% or 90%, depends on the MOQ of the orders you receive. At 90%, the plant could be full, and at 95%, the plant could also be full. It depends on the MOQ of the order. If it is a large order, it runs back-to-back. If there are many small orders, changeovers happen, so you lose some capacity.

However, we are building up capacity here. We had three plants in Karnataka and one plant in Ethiopia. The Ethiopian plant is now also running at full capacity, and we are building our fifth plant in Hindupur in Andhra Pradesh. We had initially planned this with three lines. However, after these FTAs happened, we decided to invest in capex for 7 more lines. So it will go from 3 lines to 10 lines. That investment process is underway, and the lines will start coming up one by one. Our capacity will keep increasing.

At peak, our capacity would be about 10 million units. In our case, the value is much higher because we make a lot of suits, unlike competitors who make shirts and so on. We make a lot of suits and jackets. So 10 million units should give us growth for the next 2 years. That is the capacity.

**Avinash Karumanchi – Motilal Oswal Financial Services:** Understood. Out of this growth, will the price element also play a role because of price hikes in cotton and similar items for the Garmenting segment?

**Management:** In any B2B business, Avinash, you take every order based on your current costing. When your raw material cost goes up, your quotes go up, and you take the next order at a higher price. This is B2B, so there is no uniform price increase. Similarly, when the raw material price falls, your quoted price to educated buyers across the world can fall. So there is no one-way traffic in this.

What is important is whether we are improving our margins. In that respect, I think that over 3 quarters, you are seeing that we are continuously improving our margins.

**Avinash Karumanchi – Motilal Oswal Financial Services:** Understood, sir. The last question is a bookkeeping one. What should we be building for capex for this year and next year, given that you are expanding capacity on the Garmenting side? Second, regarding the stores, you said that you will be adding more stores in the second half. Would those be franchisee stores or company-owned stores? Overall, what would be the capex for FY27 and FY28?

**Management:** FY27 is stated. It is about 200 crores of capex. The net cash generation that I mentioned was after this capex. For FY28, we are yet to finalize the budget, so there is no real number right now. However, the investments should continue.

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In terms of stores, we are currently at 1,634 stores. Last year, we exited with 1,653 stores. This year, we should exit between 1,665 and 1,670 stores. We said 50-odd store closures and 20-odd store openings, so we are at 1,634 now. In the next half, we will have a net addition of, let us say, 35-36 stores. This is a net addition, so we will close some but add more.

These stores will be a combination of COCO and FOFO. It depends on how the year goes. These are projects. Which store comes in February or March and which one moves to April or May, you never know. It depends on the landlord, the project team, and many other things. However, it will be a combination of COCO and FOFO.

**Avinash Karumanchi - Motilal Oswal Financial Services:** Got it, sir. Just a quick follow-up on this. Of the 200 crores of capex, how much would be going into the {? asset ?}, and how much will be going into the store side?

**Management:** I cannot hear you, Abhinash, sir. Will you ask the question again?

**Avinash Karumanchi - Motilal Oswal Financial Services:** It is again regarding capex. Of the 200-250 crores planned for FY '24, how much would be utilized in Garmenting capex, and how much would be maintenance and store-opening capex?

**Management:** Capex has many parts. Capex also means upgrading your existing plants. In your garmenting plants, you upgrade because ESG is becoming increasingly important for international clients. There are various other things that you invest in for the safety of your workers, and there is machine upgradation in your mill. So part of it goes towards that.

About 70-odd crores would go towards the expansion of Hindupur, and some would go towards our COCO stores. So it is a combination of all kinds of capex. In addition, there is capex on IT because we are upgrading to SAP S/4HANA. We went live, as you may remember, in February on the textile and home part of our business. We are going live on SAP HANA from November 1, which is the day after tomorrow, on the textile and B2C side of the business. So SAP HANA is also substantial capex. S/4HANA.

**Avinash Karumanchi - Motilal Oswal Financial Services:** Okay, sir. Got it. I will join the queue for more questions. Thank you, and I wish you all the best.

**Management:** Thank you.

**Operator:** Thank you very much. The next question is from the line of Chetan from Systematix Group. Please go ahead.

**Chetan - Systematix Group:** Hi. Thank you for the opportunity. A few questions. First, on our guidance. We have reiterated our fiscal '24 guidance of around double-digit revenue growth and higher double-digit EBITDA growth. Given that our H1 revenue growth is around 10% and EBITDA growth is around mid-single digit, and apart from that there is raw material inflation and increased marketing investments, what would drive the performance on revenue and especially on overall EBITDA in the second half to meet this target?

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**Management:** We are a fashion company. We are generally 42-43% in the first half and 57-58% in the second half in an average year. The second half is generally bigger, and this time Diwali is in November. Last time it was in October, so a lot of the primary business that gets reported came into September. This time, some of it is going into October.

Therefore, revenue growth would be stronger than 10% in the second half, which will take the year above 10%. That is my belief. In terms of EBITDA, the scale effect starts happening. If you look at our sequential EBITDA, you will understand that our EBITDA was 8.6% in the first quarter. This quarter, our EBITDA is 12.7%. Our turnover grew by 36% between Q1 and Q2, but our EBITDA in absolute terms grew by 100% between Q1 and Q2. That is called the scale effect. A 36% revenue growth gives you 100% EBITDA growth.

Q3 and Q4 are supposed to be strong as well. That is the plan. We will deliver higher EBITDA numbers, let us say around 12.7%, those kinds of numbers, because we delivered that in Q2. When you get that average, you get a higher percentage.

You should also know that because we book in advance booking cycles, we work on autumn-winter and spring-summer for our textiles and apparels. Some of the bookings that we have made have not yet had the full price pass-on. The full price pass-on will come in Q3 and Q4. So chances are that we will do much better than 12.7% EBITDA in H2.

If H2 goes above 12.7%, with Q2 at 12.7% and Q1 at 8.6%, we suddenly have an EBITDA that is higher on a double-digit basis. I think we will move towards a mid-double-digit number at the end of the year.

**Management:** Chetan, one more thing: as we mentioned earlier, we are working with a company on strategic initiatives and related matters. A lot of cost-saving initiatives have also been identified, which will actually help us in the future with EBITDA growth.

**Chetan – Systematix Group:** Got it. Lastly, on Garmenting, we had stated last time that our garmenting facility was booked until December. How is the order book visibility now?

**Management:** We are booking February now, Chetan.

**Chetan – Systematix Group:** Understood. Thank you, sir, and all the best.

**Management:** Thank you.

**Operator:** Thank you very much. The next question is from the line of Dheeraj Mistry from Antique. Please go ahead.

**Dheeraj Mistry – Antique:** Hi, sir. Good evening. I have only one question. Like most consumer and discretionary companies, we are currently witnessing good growth because of the festive season. However, if I look at the overall macro scenario and the global geopolitical situation, there is an increased risk of inflation rising in India, crude prices going up further, and the monsoon not turning out that well. There is a possibility that macroeconomic demand could be weak. Have we factored all these things into your estimates for second-half growth?

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**Management:** It is a very, very good question. I will give you some situations that we are in. We all know that there is an election in a big country on November 3. If that election goes haywire and the gentleman becomes unpredictable, then a lot of this may not hold. However, that is only 3-4 days away, because nobody can guess what he will do. So that is not built in.

Our estimates are based on our order books, which are looking very solid. I told the earlier gentleman that I am booking February right now for exports, so it is looking good as of now.

In terms of domestic demand, you are right that drought-like situations can happen, inflation could be somewhat higher, repo rates are a little higher, and demand can go down. However, we are also looking at a few things. Right now, the Diwali offtake that I talked about, based on the minus-30-days calculation, is 20% above last year. That does not show a slowdown yet. So I think it will continue until Diwali. I think it will continue until Chhath Puja for sure, which is November 15, and after that we will see what happens.

The marriage dates are very strong until December 15 from November 15. Then, with a one-month calendar gap, from January 15 until March-April, the marriage dates are very strong. Raymond is heavily involved in suits and jackets, as well as this marriage business with Ethnix, structured products, kurtas, waistcoats, and so on. Marriage is our season.

When you have much higher marriage dates than last year, the chances are that whatever happens in the marriage segment, rich Indian, large Indian weddings will still happen. Winter weddings are generally stronger than summer weddings, as you will also know. During this time, our suits really work.

So we are quite positive that we will get through this. There are two factors. As the CFO just said, our cost-cutting measures are also falling into place. If the cost-cutting measures fall into place, our media works harder, the marriage dates are stronger, and our price pass-ons happen, then most probably we will be able to mitigate the risks that you are bringing on board, which are very real. There is cautious optimism, is what I will say.

**Dheeraj Mistry - Antique:** Got it, sir. The second and last question is about how we should think about cash flow. If I look at the first-half free cash flow statement, it is not very encouraging from the operating [inaudible] cash flow generation perspective. How should we expect that to develop on a full-year basis?

**Management:** You have to compare it on a season-to-season basis because there is a normal trend of cash flow going down in Q2 due to the seasonal buildup that happens. If you look at it, we have actually converted a negative 226 crore position last year into positive cash flow, translating into 315 crore-plus of cash during this last one year. So it is not as bad as you mentioned.

Similarly, H2 cash flows are normally better than H1 cash flows. We are quite confident that by the end of the year, we will double the cash that we had at the beginning of the year.

**Management:** Just to give you some numbers, at the same time last year our cash flow was minus 246 crores. We ended the year with plus 179 crores. This is documented because H2 works this way and H1 works this way for a fashion company. This year, instead of minus 246 crores, we are at plus

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69 crores. So chances are that we will end up at 300 crore-plus in cash flow versus 179 crores, which could be close to doubling our cash flows from last year. This is after the capex that I discussed.

**Dheeraj Mistry – Antique:** Got it. That explains it. Thank you very much, sir.

**Operator:** Thank you very much. The next question is from the line of Deepali Kumari from Arihant Capital Markets Limited. Please go ahead.

**Deepali Kumari – Arihant Capital Markets Limited:** Thank you so much for the opportunity. I have a few questions. Other expenses grew about 21% year-on-year in Q2. How much of that was advertising and marketing, and what is A&P as a percentage of sales now versus last year? Is it front-loaded for the festive season or is there any structural component?

**Management:** The increase predominantly in operating expenses is the brand spend, which is about 18 crores. That translates to 18% growth over last year. We spent about 98 crores last year, and this year we have spent about 116 crores on brand spend. That translates to about 7.2% of B2C sales, as against 6.8% last year.

Apart from that, there is also an increase in salaries, which is about 20 crores. These are the two major increases that have happened in operating expenses. Regarding your question on future spending, we have budgeted for increased brand spend, given the targets that we have considered, so we will continue to spend on the brand going forward.

**Deepali Kumari – Arihant Capital Markets Limited:** Understood, sir. On high-value cotton shirting, H1 revenue was flat and the margin also compressed by more than 250, more than 200 bps in Q2. Is it purely due to cotton prices, or is there competitive pricing pressure as well? What is the outlook for margin recovery in high-value cotton shirting?

**Management:** When we say high-value cotton shirting, it is actually nomenclated that way, but this also includes linen shirting. Cotton prices remained elevated, but flax prices from France also remained elevated. So input cost pressures were high.

High-value cotton shirting is also a B2B business. In a B2B business, you tend to take orders and then execute them over a period of time. When prices keep going up, you take orders, and then when you execute them, your margins may be lower.

What is happening now is that flax prices are stabilizing, this year's crop is better, and prices are stabilizing. We have orders in hand, so it will pan out somewhat better in Q3. The fact that we have been able to hold on to all our orders is great. Margins in H2 would be much better than this because cost-cutting measures are falling into place in the plant. In addition, we are taking newer orders at higher prices. Those invoicing activities will happen in H2. Margins would be better, and I believe that EBITDA would be double digit-plus at the end of the year.

**Deepali Kumari – Arihant Capital Markets Limited:** Is there any change due to higher crude oil prices and rising costs?

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**Management:** Cost prices are up everywhere now. I am only talking about raw material prices, but imagine crude prices, coal prices, dyes and chemicals in the plant; imagine everything. Every price is up. When you are in a B2B business, it is very difficult to pass on the entire price increase.

I will give you another mathematical example. Let us say that in a B2B business, 70% of your selling price is your raw material price. In B2C, it is slightly lower because you can dictate terms a little bit. In B2B, it is 70%.

If my cotton prices are up by 100 rupees, this means that I have to increase my selling prices by 70 rupees just to pass on the price increase, and my gross margin will still drop. To keep my gross margin the same, I have to increase prices by 100 rupees. Only then will it work.

No buyer will give you a 100-rupee price increase just because you have had a 100-rupee raw material increase, because they have to make shirts and apparel using it. They have to maintain their MRPs. So nobody gives you a 100-rupee price increase just because you have had a 100-rupee raw material increase. At best, you can pass on 50

**Management:** 60%, which is why it starts looking like a slight drop. However, the B2B business is cyclical. As I take newer orders, I am taking them at better prices. The raw material price is cooling down, but my new orders will be at better prices. So suddenly my margins will start looking better.

If you see a much higher margin in another quarter, do not think that is the normal level. This is also not a normal level, and that is also not a normal level. In a B2B business, I think you should look at performance over a period of a year so that there are upcycles and downcycles. Over a period of time, I think the reality comes out. I think you should look at it that way.

**Deepali Kumari – Arihant Capital Markets Limited:** Okay, sir. On Emerging Business, losses almost doubled in H1. What is the target path to break-even for each business, such as Ethnix, Home, Innerwear, and Chairman's Collection? Is there any annual loss that you are willing to absorb?

**Management:** Individually, these are small businesses, and we are investing in them. However, Home had a record quarter in Q2, and we are hoping for a record quarter on top of that in Q3. So we believe that at the end of this year, the Home business will be break-even plus.

In terms of the Innerwear business, it has started turning around. However, as we had said in earlier calls, Innerwear also had a component called Sleepwear, which we closed last year. So we are still taking some material from that business.

Individually, Innerwear as a business is already breaking even and will look break-even at the end of the year. However, because of Sleepwear, losses will remain, and therefore it will not be break-even in real terms. Next year, it should be break-even because Sleepwear will have disappeared by that time.

Chairman's Collection has only one store. We launched it in April. We are just 5 months into it. It is super luxury, and it takes time to build. It is a super-luxury store in Bandra. If you want to go and see it, you can have a look. It is one store. It does not make a material difference to the organization as such.

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From the Ethnix point of view, we have changed the business model. We have moved towards higher-structure products on a made-to-order basis, and the lower-structure products, which are waistcoats and so on, are also going online. If sales come without investment to some extent, and we are closing loss-making stores very aggressively, this will help. I already discussed this in my commentary. This will take a little more time, but it is looking positive. Q3 could be a record quarter for Ethnix topline. The bottom line will still suffer, and it will take 18-24 months for Ethnix to break even and become profitable.

**Deepali Kumari – Arihant Capital Markets Limited:** One last question. What is the progress on the EU market opportunity? When can we see those benefits in the numbers?

**Management:** You are still not seeing the new market in the numbers because the EU negotiations were completed and the FTA was announced, but it has not been implemented. Our PM is supposed to be in Brussels in December, and it is supposed to be signed in December. However, as the ministers say, you never say it is done until it is done.

It should get done in December. When it gets done in December, then we will see the benefits. Our inquiries are already up because everybody expects it to be signed in December. After that, shipments will improve. The UK is already looking better.

To give you a number, in H1 over H1 last year, we are up 30% in Europe. In Q2, we are actually up 50%. This number can go higher because our base in Europe was not that high. However, as part of our geographic diversification strategy, we had said that we would move more towards the UK and Europe, and that is panning out. That is all I can say.

**Deepali Kumari – Arihant Capital Markets Limited:** Thank you, sir.

**Operator:** Thank you very much. The next question is from the line of Sadiq Imam, an Individual Investor. Please go ahead.

Mr. Sadiq, please go ahead.

**Sadiq Imam – Individual Investor:** Hello, good evening, everyone. My question is regarding the capex capacity coming up in Andhra Pradesh. When can we expect this to go live?

**Management:** Yes, Sadiq, thank you very much. Thank you for joining and thank you for asking. Three lines are already up. Efficiency is not at 100% because there are many people on each line. Garmenting is that kind of a business. So efficiency takes time to build up, but the 3 lines that we had initially planned are live.

For the fourth line, the civil work and machine installations are done. We are recruiting, so it should be live by November or December. After that, one line should go live every 3 months because project work is progressing line by line. However, you need to recruit, train, and bring people up to speed.

For the balance 6 lines, you can take about 18-20 months from today. The fourth line would be live in December, but perhaps efficiency will come in March. Then the next line may come in March, with efficiency coming in July. So it will take 18-21 months from now for all 10 lines to be operational.

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**Sadiq Imam – Individual Investor:** Thank you. My second question is regarding bookings from Europe and Japan. How are we looking at the order book?

**Management:** Sorry?

**Sadiq Imam – Individual Investor:** The order book for Garmenting from Europe and Japan.

**Management:** The order book is very good. We are getting new customers. Our samplings are done, our yardages are done, trial orders are going on, and we will start shipping bulk orders after the December signing because the tax difference will be important for those customers.

The order book is very good. I told someone that I am booking Garmenting orders for February now. My factories are full until the end of January, perhaps until February 10 or 15. I am booking for the end of February, and by next month I will be booking for March. So the year looks good unless something happens with the election on November 3.

**Sadiq Imam – Individual Investor:** Thank you, sir. That is all from my side.

**Operator:** Thank you very much. Ladies and gentlemen, in order to ask questions, please press star and one. The next question is from the line of Avinash Karumanchi from Motilal Oswal Financial Services. Please go ahead, sir.

**Avinash Karumanchi – Motilal Oswal Financial Services:** Good evening, sir. Thank you for the follow-up opportunity. This is a bookkeeping question regarding cash flow and the balance sheet. I am sorry if I missed it in between. From the balance sheet, the core working capital build-up was close to 65 crores, but from the cash flow statement, the working capital build-up was close to 382 crores. What am I missing? Is there any line item that I should be reading, or has my question not come through clearly?

**Management:** Avinash, Amit? Amit? Avinash, can you repeat the question?

**Avinash Karumanchi – Motilal Oswal Financial Services:** Basically, from the balance sheet, core working capital—inventory plus receivables minus payables—was up by 65 crores from the March 2026 levels.

**Management:** Yes.

**Avinash Karumanchi – Motilal Oswal Financial Services:** However, from the cash flow statement, the cash outflow for working capital build-up was close to 380 crores. Where is the difference coming from? I was not able to understand.

**Management {? Amit ?}:** There are other current assets and current liabilities as well, which you also need to consider. What you are looking at is the cash conversion cycle. There is a big element of unutilized GST credits lying there. You also need to consider that as part of working capital.

**Avinash Karumanchi – Motilal Oswal Financial Services:** Is that why the working capital requirement has gone up from the cash perspective?

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**Management {? Amit ?}:** You have to consider that in days because as the volume goes up, obviously working capital will also go up. However, if you look at the number of days, during the same period last year we were at 105 days of working capital. Today, we are at 82 days. Last year, if you remember, those 105 days had come down to 77 days by the end of March.

If I go by the same ratio, we should be somewhere around 60 days by the end of March. So it is a normal cycle in which working capital increases during Q2 and slowly starts coming down in Q3 and Q4.

Because there is a seasonal buildup and the season is heavily tracked in Q3, you need to have more inventory. You tend to push more primary sales, so there is a debtor sitting there. That is the reason why working capital is somewhat higher in Q2.

**Avinash Karumanchi – Motilal Oswal Financial Services:** Okay.

**Management:** It is normal. It happens every year. If you look at it year-on-year, you can see that, for example, on inventories, our sales this year between H1 and H2 have gone up by roughly 250 crores, give or take. Inventory has gone up by roughly 200 crores. Raw material prices and material prices are high, so the value increase is about 150 crores out of that 200 crores. The volume increase is worth only 50 crores on sales of 250 crores, which will also include some price increase, but the full pass-on has not happened. So the inventory buildup is actually lower as a proportion of last year.

Similarly, if you look at debtors, debtors were 1,200 crores last year, and this year they are about 1,100 crores on a higher sale of 240 crores. This means the collection cycle is better. That is why the number of days has gone down to 82 days from 105 days. The 105 days resulted in 70-odd days at the end of the year because of the cyclical H1-H2 pattern.

If the cycle works properly, then we should be below 70 days for sure this year at the end of the year. So, for us, it is looking absolutely fine.

**Avinash Karumanchi – Motilal Oswal Financial Services:** Okay, got it, sir. Thank you for the clarification.

**Operator:** Thank you very much. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments.

**Management:** Thank you, everybody, for hearing us out and asking us relevant questions. Thank you very much. We think we are in for a good year, and we reiterate our position of double-digit growth in topline, mid-to-high double-digit growth in EBITDA, about 300 crores of FCFF, and good PBT of at least double-digit growth over last year, close to 220 crores or 225 crores, perhaps.

We are in for a good H2. Keep faith and keep supporting us. I think we are in for a good year. Thank you very much, and thank you for your support.

**Operator:** Thank you very much. On behalf of Raymond Lifestyle Ltd., that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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# Raymond Lifestyle



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Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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