



CAPSTOCKS & SECURITIES (INDIA) PVT. LTD.

Capstocks Research Team

Conviction Ideas - 35

Raymond

Recommendation**Buy : Rs.400****Target : Rs.460**

Holding Period: 3 Months

Risk: Low Liquidity

COMPANY OVERVIEW:

Raymond Limited, the largest integrated manufacturer of worsted fabric in the world was incorporated as the Raymond Woollen mill during the year 1925 in the area around Thane creek. Lala Juggilal, Lala Kailashpat Singhanian took over The Raymond Woollen Mill in the year 1944. The Company had set up a new manufacturing activity in the year of 1950 for making indigenous engineering files known as JK Files & Tools. This has now become the largest facility of its kind in the world. The first exclusive Raymond Retail showroom, King's Corner, was opened in 1958 at Ballard Estate in Bombay. During the year 1964, the company had set up of a new Combing Division. This was followed by a phase of vertical integration, facilitating in the processing of multi-fibres and technology improvements to make blended fabrics. Raymond had set up a readymade garments plant at Thane in the year 1968. The readymade garments division of Raymond has since then grown rapidly. A new manufacturing facility was set up at Jalgaon during the year 1979 to meet the increasing demand for worsted woollen fabrics. Vijaypat Singhanian took over the reins of the company in the year 1980; he injected fresh vigour into Raymond, transforming it into a modern, industrial conglomerate. Launched 'Park Avenue', the premium lifestyle brand of the company in the year 1986 provides a complete wardrobe solution to the men who like to dress well & be current on styles & fashion. Apart from the domestic operations, the made spread its wing into abroad also, the first showroom for Raymond was opened in Oman during the period of 1990.

BUSINESSES:

The company comprises three business divisions, such as Textiles, Engineering and Aviation. Textile division of the company has a distribution network of more than 4,000 multi-brand outlets and over 400 exclusive retail shops in the domestic market itself. Suiting's are available in India in over 400 towns through 30,000 retailers and an exclusive chain is present in over 150 cities across India and overseas especially the products exports to over 55 countries including USA, Canada, Europe, Japan and the Middle East. The group has three engineering divisions, J.K. Files & Tools, J.K. Talabot Ltd. to cater to national and international markets and a controlling interest in Ring Plus Aqua Ltd engaged in the manufacture of auto components. Raymond Ltd. is one of the first Corporate Houses in India to launch Air Charter Services in India and since then it has been always a way ahead for Raymond Aviation under the name of Million Air and have a fleet of 3 helicopters and 1 executive jet for the busy corporate executive.

CONSOLIDATED FINANCIAL HIGHLIGHTS:

	FY 2009	FY 2010	FY 2011
Net Sales Cr.	2559.4	2507.8	3035.9
Net Profit Cr.	-228.3	-46.0	53.6
EPS Rs.	-37.2	-7.5	8.7
Book Value Rs.	194.8	191.5	198.7
Dividend Rs.	-	-	1

INVESTMENT RATIONALE:

Raymond has very good brand equity in retail textile segment in India. Textiles and branded apparel form over 70% of the combined revenues of the overall business. The margin in these businesses is growing consistently with increasing focus over the domestic operations led by the retail footprint into Tier 3, 4, 5 towns of India. The main raw materials wool and cotton showing signs of weakness after steep run in prices last year which augurs well for the company. In the future the company is likely to monetize its Thane land including sale, partial sale and joint development. Proceeds from the land are likely to be used for reducing debt. In the current year the company is likely to show a consolidated Earnings Per Share of around thirty five rupees which discount the current price by around ten times. There is a very good chance of PE re rating for the company as the topline and bottom line is consistently growing. Investors can consider buying Raymond with six months view for decent returns.

SHAREHOLDING PATTERN AS ON Dec '11

	%		
PROMOTERS		NSE SYMBOL	RAYMOND
Indian	39.2	FACE VALUE Rs.	10
INSTITUTIONS		BOOK VALUE Rs.	198.7
Mutual Funds	14.3	TTM EPS Rs.	29.4
Finance institution	13.0	MARKET PRICE Rs.	400
FII	8.1	P/E	13.6
NON-INSTITUTIONS			
Bodies Corporate	4.6		
Public and others	20.8		

Previous Conviction Ideas:

Company Name	Recommendation Date & Price		Status
Amararaja Batteries	18-May-11	₹ 208	Target Achieved
GMDC	25-May-11	₹ 138	Target Achieved
IGL	1-Jun-11	₹ 342	Target Achieved
Ineos ABS	8-Jun-11	₹ 595	Target Achieved
City Union Bank	15-Jun-11	₹ 45	

IDFC	22-Jun-11	₹ 122	Target Achieved
Goodyear	29-Jun-11	₹ 322	Target Achieved
Yes Bank	6-Jul-11	₹ 325	Target Achieved
Sundaram Finance	13-Jul-11	₹ 552	Target Achieved
ITC	20-Jul-11	₹ 205	
CRISIL	27-Jul-11	₹ 8600	Target Achieved
L.G. Balakrishnan	3-Aug-11	₹ 290	Target Achieved
Wyeth	10-Aug-11	₹ 1016	
Balmer Lawrie	17-Aug-11	₹ 660	
Gateway Distriparks	24-Aug-11	₹ 130	Target Achieved
Ashok Leyland	7-Sep-11	₹ 27	
Gujarat Industries	14-Sep-11	₹ 76	Target Achieved
United Phosphorus	21-Sep-11	₹ 155	
Biocon	28-Sep-11	₹ 345	
FDC	5-Oct-11	₹ 89	
Grindwell Norton	12-Oct-11	₹ 235	Target Achieved
Raymond	20-Oct-11	₹ 356	Target Achieved
LIC Housing	2-Nov-11	₹ 235	Target Achieved
Amararaja Battery	17-Nov-11	₹ 223	Target Achieved
Mangalore chemicals	30-Nov-11	₹ 33	Target Achieved
Zensar Tech	5-Jan-11	₹ 135	Target Achieved
Tata Motors	11-Jan-11	₹ 205	Target Achieved
Oracle Financial	18-Jan-11	₹ 2020	Target Achieved
Escorts	25-Jan-11	₹ 84	
Fag Bearings	1-Feb-11	₹ 1199	Target Achieved
NIIT Tech	9-Feb-11	₹ 240	
Zensar Tech	15-Feb-11	₹ 181	
Cera Sanitaryware	22-Feb-11	₹ 219	
Hydrabad Industries	29-Feb-12	₹ 345	

Prepared By:

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