MOTILAL OSWAL
FINANCIAL SERVICES

26 December 2024

MORNING INDIA

Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	78,473	-0.1	8.6
Nifty-50	23,728	-0.1	9.2
Nifty-M 100	57,058	-0.1	23.6
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	6,040	1.1	26.6
Nasdaq	20,031	1.3	33.4
FTSE 100	8,137	0.4	5.2
DAX	19,849	0.0	18.5
Hang Seng	7,304	1.2	26.6
Nikkei 225	39,037	-0.3	16.7
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	73	1.3	-5.6
Gold ($/OZ)	2,617	0.2	26.8
Cu (US$/MT)	8,846	0.5	4.5
Almn (US$/MT)	2,539	2.0	8.3
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	85.2	0.1	2.4
USD/EUR	1.0	-0.1	-5.8
USD/JPY	157.2	0.0	11.5
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.8	0.00	-0.4
10 Yrs AAA Corp	7.3	0.00	-0.5
Flows (USD b)	**24-Dec**	**MTD**	**CYTD**
FIIs	-0.3	2.20	0.4
DIIs	0.33	2.87	61.4
Volumes (INRb)	**24-Dec**	**MTD***	**YTD***
Cash	817	1129	1258
F&O	3,89,445	2,06,853	3,66,528

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Raymond Lifestyle: Multiple growth drivers in place

- The festive and the ongoing wedding season has improved the demand environment for retailers such as Raymond Lifestyle (RLL), with expectations of double-digit growth (~12-14%) in secondary sales, which should result in improved collections in 3QFY25.
- However, primary sales may reflect demand improvement with a quarter's lag owing to higher inventory in the channel amid demand weakness in the past 12-15 months.
- Given a higher number of wedding days extending the season to 1HFY26, the demand momentum is expected to remain robust, which places RLL in a sweet spot as its wedding portfolio accounts for ~35-40% of its total revenue. We factor in a CAGR of 9-11% in revenue/EBITDA/PAT over FY24-27. We value RLL at a PE multiple of 30x on Dec'26E. Reiterate BUY with an unchanged TP of INR3,000.

Research covered

Cos/Sector	Key Highlights
Raymond Lifestyle	Multiple growth drivers in place
TCI Express	Industry headwinds continue to impact volumes; near-term outlook remains weak

Chart of the Day: Raymond Lifestyle (Multiple growth drivers in place)

We build in ~10% consolidated revenue CAGR over FY24-27, largely driven by branded apparels and garmenting

Incremental revenue for FY27 (INR)		Comments
CAGR over 3 years	**10%**	
Incremental revenue - FY24-27	**21,410**	
1. Branded Apparel		
a) Sleepz + Innerwear	3,000	❖ Currently average brand does INR3.5-4b annual revenue. We are expecting these 2 categories to clock INR1b/INR2b innerwear/Sleepz revenue by FY27.
b) Ethnix	4,109	❖ Assuming average revenue of INR1.05m per store (vs. ~INR0.9m currently)
c) Branded Apparel (four brands)	7,328	❖ Expecting ~15% 3-yr CAGR driven by network expansion and mid-single digit SSSG
2. Garmenting	3,865	❖ Building 11% 3-yr revenue CAGR on tailwinds from China+1 and Bangladesh+1
3. Others segment including intersegmental	3,108	❖ Low-single-digit growth in branded textile and HVCS

Source: Company, MOFSL

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Kindly click on textbox for the detailed news link

1

To fund expansion, Chinese electronics and auto companies like Xiaomi, SAIC and Haier in india tap reserves, loans

Some like Haier and Midea Group are using a mix of cash reserves and loans including external commercial borrowings (ECBs)

2

Fireworks in defence sector in Q4: Sharp rise in order inflow expected as indigenization up

With indigenization as the primary theme for India's defence story, the allocation to domestic companies stands at 75 per cent of the total budgeted defence capex in FY25BE or Rs 1.05 trillion.

3

Great expectations: Telcos draw up a long New Year wishlist

In 2025, India's leading telecom operators will seek government action to ensure fair satellite spectrum access against international companies. They want rules to make major data traffic generators share 5G infrastructure costs and include OTTs in spam regulations.

4

Tata Sons may infuse fresh funds into ecomm arm only by mid-2025

Tata Sons plans to infuse capital into its ecommerce business, Tata Digital, only by mid-2025, with a focus on internal funding and debt until then. The strategy emphasizes growth, better execution, and sustainable profitability.

5

Satcom race may set off big hiring rush in telecom

Although the introduction of satcom services is in a wait-and-watch mode and the numbers are yet unclear, the sector could create the need for highly skilled talent in space technologies to manage operations from India once players such as Elon Musk's Starlink, Amazon's Kuiper, Bharti-backed Eutelsat OneWeb and the Reliance Jio- SES JV foray into the satcoms race, hiring experts said.

6

IBM in advanced talks to lease 260,000 sq ft at Gurugram's TRIL Tower amid India's office leasing boom

IBM is negotiating to lease 260,000 square feet of office space in Gurugram's TRIL Tower. The increasing demand for office spaces is driven by new Global Capability Centres, flexible workspaces, and the growth of Big Tech.

7

Steelmakers may cut down on Capex amid price slump

Steelmakers in India are expected to reduce their capital expenditure plans in 2025 due to declining steel prices, impacted by increased imports from China. This downturn has resulted in reduced profitability and cash flows, affecting expansion efforts as domestic steel consumption grows.

24 December 2024

Company Update | Sector: Retail

Raymond Lifestyle

BSE SENSEX	S&P CNX
78,473	23,728

Raymond LIFESTYLE LIMITED

Bloomberg	RAYMONDL IN
Equity Shares (m)	61
M.Cap.(INRb)/(USDb)	122.7 / 1.4
52-Week Range (INR)	3100 / 1913
1, 6, 12 Rel. Per (%)	2/-/-
12M Avg Val (INR M)	349

Financials &Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	65.4	68.6	76.8
EBITDA	9.4	9.2	10.8
Adj. PAT	4.9	4.1	5.0
EPS (INR)	80.2	66.9	81.4
EPS Gr. (%)	-	(16.7)	21.7
Ratios			
BV/Sh. (INR)	1,599	1,656	1,738
RoE (%)	10.9	8.7	9.7
RoCE (%)	15.1	12.3	13.0
Valuations			
P/E (x)	25.2	30.2	24.8
P/BV (x)	1.3	1.2	1.2
EV/EBITDA (x)	13.7	14.0	11.9
Div. Yield (%)	-	-	-

Shareholding pattern (%)

As On	Sep-24
Promoter	54.7
DII	7.9
FII	12.7
Others	24.8

FII Includes depository receipts

CMP: INR2,013 TP: INR3,000 (+49%) Buy

Multiple growth drivers in place

- The festive and the ongoing wedding season has improved the demand environment for retailers such as Raymond Lifestyle (RLL), with **expectations of double-digit growth (~12-14%) in secondary sales,** which should result in improved collections in 3QFY25**.**
- However, primary sales may reflect demand improvement with a quarter's lag owing to higher inventory in the channel amid demand weakness in the past 12-15 months.
- Given a higher number of wedding days extending the season to 1HFY26, the demand momentum is expected to remain robust, which places RLL in a sweet spot as its wedding portfolio accounts for ~35-40% of its total revenue.
- RLL is targeting **12-14% revenue growth** and **15-18% growth in EBITDA/PAT** in the medium term. The branded apparels segment will be the key growth driver, aided by increased EBO footprint, the ramp-up of the Ethnix by Raymond, and the entry into sleepwear and innerwear segments.
- RLL operates at ~30% operational RoCE and the management **expects RoCE to improve further**, driven by 1) the improved demand environment, resulting in better collections; and 2) moderation in capex vs. FY25 levels.
- We factor in a CAGR of 9-11% in revenue/EBITDA/PAT over FY24-27. We value RLL at a PE multiple of 30x on Dec'26E. **Reiterate BUY with an unchanged TP of INR3,000.**

Scale-up of distribution network in branded apparels – a key focus area

- RLL boasts a legacy of established brands such as Park Avenue, Raymond RTW, Parx, and Colorplus. However, the presence of RLL brands remain under-penetrated with 463 EBOs (including Ethnix EBOs).
- RLL plans to expand the retail network in the branded apparels segment while maintaining mid-single-digit LFL growth.
- RLL targets to increase its EBO count to ~900 by FY27 (~30% CAGR over FY24-27) as brands like Park Avenue, ColorPlus and Ethnix could expand their presence to 300 stores each across Tier-1 to Tier-4 cities.
- The majority of RLL's EBO expansion will likely be done through the asset-light FOFO model. Further, the company is looking to expand its share in large-format stores (LFS) and MBOs.
- RLL has recently launched sleepwear under the 'Sleepz by Raymond' brand offering western and Indian sleepwear products at a price range of INR500-999. Further, the company is targeting the innerwear category though Park Avenue Innerwear. We expect incremental revenue of ~INR3b by FY27 from these two categories.

Rising focus on the ethnics and wedding wear market through Ethnix

- The 'Raymond' brand has a strong customer recall for wedding wear in India. RLL derives ~35-40% of its total revenue from its wedding wear portfolio (Exhibit 2).
- Through 'Ethnix by Raymond,' RLL aims to become a significant player in the largely unorganized Indian ethnic wear industry (~INR140-150b).
- Ethnix currently has a presence across 136 EBOs and generated ~INR1b in revenue in FY24. RLL plans to increase the store footprint of Ethnix to 300+ stores over the next two to three years and expects to generate ~INR3.5b in annual revenue.
- Gross margin is typically higher in the ethnics category. RLL focuses on the ~INR15-30k category and aims to gain market share from unorganized players. RLL is not considering designers-led tie-ups.

Headwinds in leading garment-exporting countries bode well for RLL

- The recent turmoil in Bangladesh (~USD50b market), a global trend of China+1, and free trade agreements (FTAs) with the UK, EU, and Australia could create a large opportunity for RLL's garmenting business.
- Bangladesh's textile industry benefited from low power costs (no longer the case). Further, in CY29, Bangladesh is expected to lose the LDC (least developed countries) benefits (link), which could further improve the competitiveness for the Indian textile companies.
- RLL has on-boarded customers such as Calvin Klein (CK), Tommy, etc. under the FTA with Australia. Further, it is receiving inquiries from large clients such as Marks & Spencer and H&M, which could fructify after FTAs with the UK and EU.
- RLL is incurring a cumulative capex of INR2b over FY24-25 to increase its capacity to benefit from the China+1 and Bangladesh+1 shifts.
- Given macro tailwinds, we build in ~11% revenue CAGR over FY24-27 in RLL's garmenting business. Further, we expect EBITDA margins to improve to ~12% by FY27, driving a ~17% EBITDA CAGR over FY24-27.

Valuation and view: Reiterate BUY with unchanged TP of INR3,000

- While RLL benefits from strong brand affinity, its valuation has been impeded by sluggish execution in the past (volatility in PAT growth over FY10-20).
- However, RLL's renewed focus on growth, along with working capital discipline, could lead to a valuation re-rating over the medium term.
- A growth recovery in the branded apparel segment, the scale-up of newer categories like sleepwear and innerwear, and the successful execution in Ethnix by Raymond are the key growth drivers, in our view.
- We build in a CAGR of 9-11% in revenue/EBITDA/PAT over FY24-27. We value RLL at a PE multiple of 30x on Dec'26E, resulting in a TP of INR3,000 per share. **Reiterate our BUY rating on RLL.**

24 December 2024

Company Update | Sector: Logistics

TCI Express

BSE SENSEX	S&P CNX
78,473	23,728

TCI EXPRESS
LEADER IN EXPRESS

Stock Info

Bloomberg	TCIEXP IN
Equity Shares (m)	38
M.Cap.(INRb)/(USDb)	31.8 / 0.4
52-Week Range (INR)	1438 / 801
1, 6, 12 Rel. Per (%)	1/-28/-51
12M Avg Val (INR M)	71
Free float (%)	30.5

Financials Snapshot (INR b)

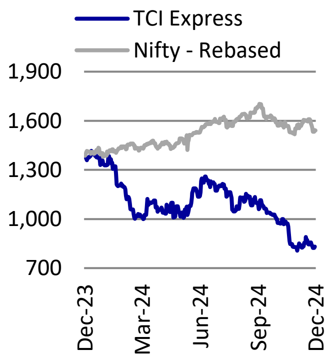
Y/E March	2025E	2026E	2027E
Net Sales	13.0	14.7	16.8
EBITDA	1.6	2.2	2.6
Adj. PAT	1.1	1.5	1.8
EBITDA Margin (%)	12.4	14.9	15.3
Adj. EPS (INR)	28.5	39.4	45.9
EPS Gr. (%)	-17.2	38.3	16.4
BV/Sh. (INR)	204	236	274
Ratios			
Net D/E (x)	0.0	0.0	0.0
RoE (%)	14.7	17.9	18.0
RoCE (%)	14.5	17.7	17.8
Payout (%)	28.1	20.3	17.4
Valuations			
P/E (x)	29.0	20.9	18.0
P/BV (x)	4.0	3.5	3.0
EV/EBITDA (x)	19.5	14.4	12.3
Div. Yield (%)	1.0	1.0	1.0
FCF Yield (%)	0.8	0.6	0.6

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	69.5	69.6	69.6
DII	10.1	10.2	8.9
FII	1.7	1.6	3.0
Others	18.6	18.6	18.5

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR829 TP: INR940 (+13%) Neutral

Industry headwinds continue to impact volumes; near-term outlook remains weak

- We downgraded TCI Express (TCIE) to Neutral (from BUY) in Oct'24 after 2QFY25 results, due to concerns over volumes and profitability. TCIE's business performance and volume growth have been impacted by additional cost pressures in the Air Express division, increased competition, and slower growth in key sectors such as manufacturing, automobiles, and textiles.
- As per our channel check, volume growth was muted in Oct-Nov'24, which could lead to a weak performance in 3QFY25 as well for TCIE. Allcargo Gati, an express logistics peer of TCIE, reported 13% MoM decline in volumes in Nov'24 (2% growth YoY). During Oct-Nov'24, Gati reported just a 3% YoY growth in volumes, signaling subdued demand in 3QFY25 so far. While the festive season in 3Q brought some QoQ volume growth for express logistics companies, their YoY performance remains weak, and this trend is expected to persist through the rest of FY25.
- While the long-term outlook for surface express services remains positive, near-to medium-term headwinds such as heightened competition, weak rural demand, a consumption slowdown, and elevated inflation are likely to weigh on volumes.
- **Weak demand from MSME customers and rising costs continue to hinder operational efficiency. Management has adopted a cautious stance on volume growth and expects mid-single-digit volume growth in 2HFY25, constrained by weak demand at the industry level. It also does not expect to hike prices in the current scenario. We expect TCIE to deliver a CAGR of 8%/10%/11%/10% in volume/revenue/EBITDA/PAT over FY24-27. TCIE is looking to incur a capex of INR5b over the next five years to set up its own sorting centers. It intends to have its own sorting centers in 11 cities by FY26. We reiterate our Neutral rating with a revised TP of INR940, based on 22x Sep'26E EPS.**

Branch expansion on track; allows TCIE to extend its services to a wider geographic area, thereby enhancing its market presence

- In order to facilitate its business growth, TCIE has successfully opened more than 500 new branches in the last five years and its customer count has increased to more than 0.225m as of Sep'24 from 0.16m in Mar'17. Looking ahead, TCIE plans to open 50-75 branches annually, capitalizing on the upcoming manufacturing facilities and clusters of SMEs to further expand its presence.
- With its expansion, TCIE seeks to expand its footprint in emerging markets in order to meet the increasing demands of SME customers more effectively. This strategic move enables TCIE to offer customized logistics solutions tailored to the unique requirements of SMEs.

Asset-light model helps in minimizing idle capacity during any downturns

- TCIE does not have any fleet on its books. In the absence of any owned fleet, the business relies on ~5,500 containerized vehicles from attached business vendors and associates to meet its customer requirements.
- By relying on a model that minimizes asset ownership, TCIE can flexibly adjust its operations and adapt to changing market conditions. This flexibility enables the company to maintain healthy profitability margins even in challenging times.

New value-added service offerings to augment growth

- In the past two years, TCIE introduced Rail Express, Pharma Cold Chain, and C2C Express services as part of its strategic efforts to enhance its value proposition while adhering to an asset-light approach. These services have received significant attention and have contributed to the expansion of TCIE's customer base.
- Among newly launched services, the Rail Express offering is getting good traction from customers, and the company has successfully expanded its customer base from 250 to 5,000+ and presence from 10 routes to 150 routes since inception. These high-margin offerings are expected to contribute materially in the next few years.

Targets INR20b revenues in next few years

- TCIE aims to focus on expanding its customer base, aided by doubling its branch network, ramping up new value-added services (Cold Chain Express, C2C express, Rail Express and Air express) to 25% of revenues (~18% contribution in FY23), and by owning sorting centers in major metro cities of India. With this, it expects to achieve revenues of INR20b in the next few years.
- TCIE’s large sorting centers in Chennai, Nagpur, Kolkata, and Mumbai are expected to streamline hub-to-hub movement and automation, improving operating efficiencies.

Valuation and view

- Volume growth has been muted in YTDFY25 due to slower growth in manufacturing, automobiles, and textile sectors. Management remains cautious about the growth outlook owing to the industry-level weakness.
- **We expect TCIE to clock a CAGR of 8% in volume and 10%/11% in revenue/EBITDA over FY24-27. TCIE has struggled to grow volumes, which affected its growth and margins. Volume growth is likely to remain muted in the near to medium term. We reiterate our Neutral rating with a revised TP of INR940 (based on 22x Sep’26E EPS).**

TeamLease Services: Looking For M&A Which Can Help In Expansion Of HR Portfolio; Ramani Dathi, CFO

- Acquires stakes in TSR Daraw and Crystal HR to expand HR Tech services.
- TSR Daraw adds 170,000 payroll records from large BFSI clients.
- Crystal HR, a profitable HRMS platform, services 300,000 payroll records.
- Total acquisition cost is over ₹40 crore with competitive profit multiples.
- Combined contributions expected to increase overall group profitability by 5-6%.
- Focus on cross-selling and upselling opportunities in staffing.
- Top priorities for 2025 include profit expansion and margin improvement.

Read More

Muthoot Finance: Quick Auction Of Gold Is An Injustice, We Prefer Giving Customers Time To Repay; George Alexander Muthoot, MD

- Revised loan growth forecast raised from 15% to 25% for FY25.
- Gold auctions viewed as unjust; only a last resort for defaults.
- Auctions are currently minimal due to rising gold prices.
- Average loan-to-value ratio is below 60%, indicating strong collateral.
- NPA levels slightly increased but asset quality remains stable.
- Microfinance sector facing challenges, but gold loans provide a vital service.

Read More

Kaynes Tech: Stick To Revenue Growth Guidance Of ₹3,000 Cr & 15%+ EBITDA Margin For FY25; Jairam Sampath, CFO

- New business ventures include OSAT and PCB fabrication.
- Guidance extends visibility until FY28 with aspirations for $1 billion revenue.
- Operating leverage and business mix are crucial for margin expansion.
- Government support through PL schemes expected to boost industry.
- Potential partnerships with major clients in non-consumer spaces.

Read More

Aurionpro Solutions: Fenixys Is A Profitable Co & The Acquisition Will Be EPS Accretive; Ashish Rai, Global CEO

- Acquires Fenixys for €10 million to expand into Europe.
- Fenixys specializes in capital markets consulting, partnering with major banks.
- The acquisition is expected to be EPS accretive and profitable.
- Current European contribution is near zero but projected to grow significantly.
- Aurionpro aims to increase Fenixys' margins to 20% over 18 months.
- Fenixys offers specialized services, providing a competitive edge.

Read More

NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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