The Raymond Limited: 
A Study

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THE RAYMOND LIMITED: A STUDY

1.1 INTRODUCTION:
India has the second largest manufacturing capacity in textiles globally and accounts for 13% of the world’s production of textile, fibre and yarn. The Government of India has announced a special package of Rs.6,000 crore towards few months back for boosting the Indian textile industry. This could help Indian firms to grab the opportunity because after fully reaping the benefits of access to the markets of developed economies in the post-Uruguay round world, China is beginning to exit the textiles and apparel sector due to rising domestic wages. This leaves a huge demand base for India to exploit as rightly recognized by the government.

1.2 OBJECTIVES:
The case study has been designed in order to achieve following few objectives:
- To explore the condition of Indian textile industry
- To analyse in detail analysis of The Raymond, its history, the SWOT analysis and the 4P’s analysis.

1.3 METHODOLOGY:
The study is based on the secondary sources of information. The research design is basically comparative research in nature. For gathering data, various newspaper cuttings like the mint, the Economic Times, The Business Standards etc., have been considered. For the analysis about The Raymond, its annual report 2014-15 has been considered. Most of the facts are compiled informations.

2. THE INDIAN TEXTILE INDUSTRY:
The textile industry is the second largest employer in the country after agriculture; any allocation to it has a multiplier effect on the economy at large. According to an ASSOCHAM report, employment generated in the economy because of a rise of Rs.1 in demand of the industry, is more than 5 times the employment created in this sector itself. It employed nearly 51 million people directly and 68 million people indirectly in 2015-16. Textile and apparel sector contributes 14% to
industrial production, 4% to India's Gross Domestic Product (GDP) and constitutes 15% of the country's export earnings. The new Rs. 6,000 crore package is a chance for it to upgrade and expand India’s textile industry has a long history of being a mainstay of the economy’s global trade linkages. It was, after all, the English East India Company’s focus on trade of cotton and silk from India that made it one of the richest and most powerful corporations in the 18th century.

2.1 Fibre
- India's fibre production in 2015-16 is 9 million Tonnes and is expected to reach 10 million Tonnes in 2017-18.
- Largest producer of Cotton in the world with 5,984 million kg production in 2015-16.
- Largest producer of Jute in the world with 1,710 million kg production in 2013-14.
- Second largest producer of Silk in the world with 29 million kg production in 2014-15.
- One of the major producer of Wool in the world with 48 million kg production in 2014-15.
- Second largest producer of Manmade Fibre and Filament in the world with 2,511 million kg production in 2015-16.

2.2 Spinning
- Second largest installed spindle capacity in the world with more than 50 million spindles in 2014-15.
- Second largest installed rotor capacity in the world with more than 8 million rotors in 2014-15.

2.3 Weaving
- World’s highest installed weaving capacity with more than 4.9 million looms (including 2.4 million handlooms) in 2014-15.

2.4 Apparel
- Apparel has contributed highest i.e. 42% to the textile and apparel export basket of India during 2015-16. Investors can benefit from the market access arrangement of India with countries like Japan, South Korea, ASEAN, Chile etc.
3. **AN INTRODUCTION TO THE RAYMOND:**

3.1 **History:**

It was incorporated as the Raymond Woollen mill during the year 1925 near Thane Creek. Lala Kailashpat Singhania took over The Raymond Woollen Mill in the year 1944. In 1958, the first exclusive Raymond Retail showroom, King's Corner, was opened at Ballard Estate in Mumbai. In 1968, Raymond had set up a readymade garments plant at Thane. A new manufacturing facility was set up at Jalgaon (Maharashtra) during the year 1979 to meet the increasing demand for worsted woollen fabrics.

The Raymond limited is a $800 million company with $797 million as operating income. The total net income of the company stood at $850 million with a total assets of $ 500 million with a total equity of $ 475 million.

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*The Family Tree of Singhanias. Compiled from S.W.Staff publication.*
With a capacity of 38 million meters in wool and wool-blended fabrics, Raymond commands over 60 per cent market share in worsted suiting in India and ranks amongst the first three fully integrated manufacturers of worsted suiting in the world. We are perhaps the only company in the world to have a diverse product range of nearly 20,000 designs and colours of suiting fabric to suit every age, occasion and style. Raymond export products to over 55 countries including USA, Canada, Europe, Japan and the Middle East.

Raymond produces high-value pure-wool, wool-blended and premium polyester viscose worsted suiting in addition to half a million blankets and shawls. Our strong in-house skills for research and development have always resulted in path-breaking new products raising the standard of the Indian textile industry.

3.2 A Brief Company Profile:

The annual report 2014-15 makes the current position of the company clear. A brief outline is done below:

3.2.1 Financial Performance:

Amid optimism and rising business sentiments, your Company reported a top-line growth of 21% over the Previous Year. At standalone level, the Gross Revenue from operations stood at Rs.2645.47 crore compared with Rs.2185.91 crore in the Previous Year. The Operating Profit before tax stood at Rs.111.58 crore as against Rs.64.61 crore in the Previous Year. The Net Profit for the year stood at Rs.100.00 crore against Rs.88.12 crore reported in the Previous Year.

The Consolidated Gross Revenue from operations for FY 2015 was placed at Rs.5374.54 crore (Previous Year: Rs.4593.74 crore), registering a growth of 17%. The Consolidated Operating Profit stood at Rs.159.72 crore (Previous Year: Rs.160 crore). The Consolidated Profit after tax stood at Rs.112.81 crore (Previous Year: Rs. 107.63 crore).

3.2.2 Dividend and Reserves:

Your Directors recommend a dividend of 30% i.e. Rs.3 per equity share of face value of Rs.10 each aggregating to Rs.18.41 crore (Previous Year: Rs.12.28 crore).
During the year under review, your Company transferred a sum of Rs.43.75 crore to the Debenture Redemption Reserve (Previous Year: Rs. 45 crore). During the year under review, no amount was transferred to general reserve.

3.2.3 Share Capital:
The paid up Equity Share Capital as at March 31, 2015 stood at Rs.61.38 crore. During the year under review, the Company has not issued shares with differential voting rights nor has granted any stock options or sweat equity. As on March 31, 2015, none of the Directors of the Company hold instruments convertible into equity shares of the Company.

3.2.4 Performance Highlights:
During FY 2015, your Company’s total Textile sales registered a growth of 24%; Net Revenue Being Rs.2538.66 crore as against Rs.2051.29 crore in FY 2014. The increase in sales was led by volume growth in domestic and export market and deeper penetration of shirting fabric market.

3.2.5 Finance and Accounts:
In FY 2015, your Company had issued and allotted 10.20%-750 Unsecured Redeemable Non-Convertible Debentures (NCD) Series G of Rs.10,00,000/- each for cash at par aggregating to Rs.75 crore on private placement basis. The aforesaid NCD series is listed on Wholesale Debt Market (WDM) of National Stock Exchange of India Limited. During the year under review, 750 Unsecured Redeemable Non-Convertible Debentures (NCD) Series B of Rs.10,00,000/- each were redeemed.

4. PERFORMANCE OF SUBSIDIARY COMPANY

4.1 Domestic Subsidiaries
(a) Raymond Apparel Limited
Raymond Apparel Limited brings to the customers the best of fabric and styling through some of India’s most prestigious brand-Raymond Premium Apparel, Park Avenue and Parx.
The Gross Revenue of the company stood at Rs.702.31 crore (Previous Year: Rs.599.17 crore). Profit after tax for the year stood at Rs.15.49 crore (Previous Year: Rs.8.19 crore). The commendable growth is driven by strong performance across all three brands. Multiple strategic initiatives undertaken have helped to reduce input costs and improve design and quality, thus resulting in higher efficiency and effective supply chain management.

(b) **Colorplus Fashions Limited**
This company operates as the ready-to-wear premium casual lifestyle brand for men under the ‘Colorplus’ brand. The company’s Gross Revenue for FY 2015 stood at Rs. 245.47 crore (Previous Year: Rs.210.44 crore). The company made a loss of Rs.12.70 crore (Previous Year: Rs.6.01 crore).

(c) **Silver Spark Apparel Limited**
The company has a quality overseas clientele, and the strong export order book led to a strong sales growth performance. The Gross Revenue of the company for FY 2015 stood at Rs.392.78 crore (Previous Year: Rs.313.91 crore). The company had a profit after tax of Rs.16.24 crore (Previous Year: 22.33 crore).

(d) **Celebrations Apparel Limited**
This company has a state-of-the-art manufacturing facility for formal shirts. The Gross Revenue of the company for FY 2015 was placed at Rs.59.20 crore (Previous year: Rs.28.10 crore). The company incurred a loss of Rs. 0.87 crore (Previous Year: 0.46 crore).

(e) **Everblue Apparel Limited**
This company has a state-of-the art denim-wear facility offering seamless denim garmenting solutions. The Gross Revenue of the company for FY 2015 stood at Rs.51.83 crore (Previous Year: Rs.50.19 crore). The company earned a Profit after Tax of Rs.0.72 crore (Previous Year: 0.73 crore).

(f) **Raymond Woollen Outerwear Limited**
The Gross Revenue of the company for FY 2015 stood at Rs.4.09 crore (Previous Year: Rs. 5.39 crore). During the year, the company had a profit of Rs.0.06 crore (Previous Year: loss Rs.0.27 crore).
(g) **JK Files (India) Limited**
This company is the largest manufacturer of steel files in the world with a global market share of 30% in the files business. The company reported a Gross Revenue of Rs. 449.98 crore for the FY 2015 (Previous Year: Rs. 457.83 crore) with a loss of Rs. 2.49 crore (Previous Year: Profit Rs.4.42 crore). The loss was due to the adverse impact of low volume off-take in both domestic and export markets caused by weak economic conditions in the company’s main markets, hence impacting the operating margins.

(h) **JK Talabot Limited**
This company manufactures files and rasps at its plant at Chiplun in Ratnagiri District, in the State of Maharashtra. During FY 2015, the Gross Revenue of the company stood at Rs.27.07 crore (Previous Year: Rs.27.59 crore). The company reported a profit after tax of Rs.0.93 crore during FY 2015 (Previous Year: Rs. 2.89 crore).

(i) **Scissors Engineering Products Limited**
The company registered a loss of Rs.0.01 crore during the year under review (Previous Year: Loss of Rs. 0.004 crore).

(j) **Ring Plus Aqua Limited**
This company manufactures high quality automotive components and supplies to the domestic markets as well as to Europe, North America and Latin America. The Gross Revenue of the company stood at Rs.221.25 crore (Previous Year; Rs.235.28 crore). During the year under review, the company made loss of Rs.12.29 crore (Previous Year; Profit Rs.2.83 crore). In FY 2015, the challenging business environment in the Auto sector, both in the domestic and export market was responsible for the downturn in performance. During the year under review, the company received the Bombay High Court order sanctioning the scheme of amalgamation of the company with erstwhile Trinity India Limited. The appointed date was April 1, 2013. Accordingly, the financial statement of this Company include the operations of both the Ring Gear Bearing and Forging Division.

(k) **Pashmina Holdings Limited**
The company made a profit after tax of Rs.0.57 crore in FY 2015 (Previous Year: Rs.0.03 crore).
During the year under review, Raymond Zambaiti Limited has changed its name to “Raymond Luxury Cottons Limited”. This company caters to niche high-value Luxury Cotton shirting customers. The erstwhile Joint Venture partner Cotonifico Honegger s.p.A was declared bankrupt by an Italian Court. The bankruptcy proceedings are in progress. The Company's claim for a sum aggregating to Rs.11 crore towards Export receivables has been admitted by the Italian Court Receiver. The Company has appointed an Italian Lawyer to protect its interest and attend to the legal proceedings in Italy. During the year under review, Raymond Limited subscribed to the entire rights issue by the said Subsidiary Company and subscribed Rs.20 crore of the Equity Share capital to help finance the expansion program of this subsidiary. The Gross Revenue for the FY 2015 stood at Rs. 393.32 crore (Previous Year: Rs.336.96 crore). The Net profit after tax stood at Rs. 18.14 crore (Previous Year: Rs.7.10 crore).

4.2 Overseas Subsidiaries:

(a) Jaykayorg AG
This Company recorded a loss of CHF 1326008 (equivalent to Rs.8.41 crore) for the year ended December 31, 2014 (Previous Year: Profit CHF 1681 (equivalent to Rs.0.01 crore))

(b) Raymond (Europe) Limited
The Company recorded a profit of GBP 48197 (equivalent to Rs.0.48 crore) for the year ended December 31, 2014 (Previous Year; Profit GBP 34664 (equivalent to Rs.0.33 crore)).

(c) R & A Logistics INC, USA
This Company is the subsidiary of Ring Plus Aqua Limited set up in USA to provide better service to US based customers, made a loss of USD 20,635 (equivalent to Rs.0.09 crore) for the year ended March 31, 2015 (Previous Year: Profit USD 15003 (equivalent to Rs.0.16 crore)).

Raymond UCO Denim Private Limited
This company is engaged in the business of manufacturing and marketing of denim fabrics and garments. In FY 2015, revenue from Indian operations, net of returns
and discounts recorded a 3% growth at Rs.870.56 crore (Previous Year: Rs.842.90 crore). The company earned a profit after tax of Rs.34.62 crore (Previous Year: Rs.6.90 crore). This Company has successfully maintained its price leadership position. The company was able to sustain profitability through introduction of high margin value added products especially for the export markets.

5. THE RAYMOND: SWOT ANALYSIS

Strengths of Raymond:

**Strong Brand Name:**
Raymond is almost a 100-year-old brand and has sustained through different phases and fashion trends in India and all over the world through the trust and credibility of its customers. It has strong brand loyal customers in the market.

**Strong Brand Image**
The Raymond brand itself is sufficient enough to impress the customers.

**Popular Tagline “Raymond: The Complete Man”:**
The tagline *The Complete Man* is a very successful tag line in advertisement arena. The recall impact of this advertisement upon the customers are quite large. Raymond get a good recognition of its brand through this tag line.

**Product Line Extension:**
Raymond is continuously expanding its product line by adding various new brands under its level. This helps the company to target customers of various age and occupation groups. The detailed product line is discussed in the discussion of the section about the company.

**The Raymond Shop:**
The Raymond shop is a new creation of Raymond where the company make all its brands available under one roof. In other words, it is a chain of stores through which the company retains all the brands under it. It has been a successful venture for Raymond in terms of engaging its customers through its brands and has also contributed heavily in increasing the sales.
Weaknesses of Raymond:

*Raymond Defamation Case*

Vishal Patel, a minority shareholder at textile major Raymond who brought to light the alleged misuse of the company’s funds. On March 2, Vishal Patel published an open letter in the *Business Standard* newspaper saying the company spent more than ₹186 crore in the JK House property in Mumbai.

*Low Global Penetration:*

Raymond has the major presence in India and some South East Asian nations which is very low as compared to its major competitors which are a weakness for the company.

*Over Dependence on Home Market:*

The strategies that the company is adopting since its inception looks like more domestic centric in nature.

*The Singhania Vrs Singhania:*

There is a family war between the father and son about the property issue which exposed the brand in both national and domestic market.

Opportunities of Raymond:

*Increasing Per Capita Income in India:*

The per capita income in India is increasing. This could be an added advantage for the company. This will certainly increase the demand in the apparel industry.

*Growing Middle Class:*

The Indian middle class have experienced a shift in their spending pattern. The middle-class population of India can create high demand in the near future.

*Global Presence:*

Raymond is gradually targeting the global exposure.

Threats of Raymond:

*Intense Competition:*

Raymond is imaged as a high priced company in the market. With the availability of too many players, Raymond competes with various local and global players in the
market. Intense competition in the market puts pricing pressure and reduce market share in the industry.

It faces competition from several companies like:

- Birla Corporation Ltd
- Arvind Mills Ltd
- Century Textiles and Industries Ltd
- Sree Valliappa Textiles Ltd
- Ayyappan Textiles Ltd
- Grasim Industries Ltd
- Bombay Silk Mills Ltd

LiAS Warning:
A proxy advisory firm Institutional Investor Advisory Services (IiAS) had red-flagged the proposal saying Raymond's promoters and their extended family are trying to buy the premium property in Mumbai from the company at throwaway rates which will result in loss of over Rs 650 crore to the company and its shareholders.

Reduce in demand for Stitching Clothes:
Today market is the market for ready-made-cloths. The stitching cloths have almost lost its charm in the market. One of the important reason may be due to the non-availability of the professional tailors and expensive stitching.

6. THE MARKETING-MIX STRATEGY OF RAYMOND:
The analysis of 4P's highlights some interesting information about the company.

(a) The Products Mix:
Raymond is operating in the market with multiple products. Raymond has a diversified product portfolio and it includes:

- Readymade Garments
- Air-Charter Services
- Prophylactics including Surgical Gloves
- Engineering includes Files, Auto-Components, Agri tools, Cutting Wools and Hand Tools
- Toiletries and Cosmetics
- Denim Wear
- Designer Wear
- Fabrics include Shirting, denim and Worsted
- Furnishings
- Corporate Wear
- Total Textile Solutions
- Personal Care Includes Kamasutra and Park Avenue
- Retail includes Brand Store and The Raymond Shop
- Woollen Outerwear

(b) The Place Mix:
Raymond has spread its presence in both domestic and international markets with equal success. It has its headquarters base at Mumbai in Maharashtra. Raymond has several manufacturing facilities located at places like Jalgaon, Chindwara in India and Spain and Portugal in overseas markets. The company is a major supplier of completed garments and fabrics to the textile industry in nearly fifty countries in Japan, Middle-East, Europe and North America.

(c) The Price in the Mix:
Raymond caters to upper and upper-middle class section of urban society as its target customers. It is in premium business and offers fashionable clothing to people who desire to make a distinctive mark of their own with style and fashion sense.

Raymond is an aspirational brand that denotes achievement and hence has adopted a premium pricing policy for its products. As its potential customers are high-end individuals who are on a look-out for quality rather than quantity they can easily afford its prices in the consumer market.

(d) Promotions in the Mix:
Raymond has adopted numerous marketing policies to increase and maintain its awareness in the consumer market. It has launched several ad campaigns that are shown with help of every possible advertising medium like print, digital and electronic.

Raymond has utilised social media platform to advertise via Twitter, Facebook and YouTube. It has its own website that acts as its agent by updating important news and events at regular intervals.
Further to attract the customers, it has started the tailor made clothes at its Raymond Shops. Where tailor is easily available at cheaper cost to stitch the cloth.

7. CONCLUSION:
The task of turning Raymond into a true lifestyle, fashion retail company is still a work in progress, but it is safe to say the company has turned around. It reveals from the facts that the company had formed its FMCG Group in 2016 and its products reach 25 lakh retailer, including 90,000 pharmacies and also exports to Southeast Asia, West Asia and Africa. Furthermore the domestic men's grooming industry is estimated to be Rs 5,000 crore and Raymond’s new strategy of launching new products in the category will definitely a matter of wellbeing to the company. In the next step, an enhancement of product line by exploring the women’s segment predicts the future of the company.

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