“Raymond Lifestyle Limited

Q2 and H1 FY27 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to the Raymond Lifestyle Limited Q2 and H1 FY27 Earnings Conference Call hosted by Motilal Oswal Financial Services. As a reminder, all participant lines will be in the 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 Limited. Thank you, and over to you, sir.

Avinash Karumanchi: Thank you, Shyja. On behalf of Motilal Oswal Financial Services, I would like to welcome all the participants to Q2 and H1 FY27 Conference Call of Raymond Lifestyle Limited. Today, we have with us from the senior management: Mr. Satyaki Ghosh, Chief Executive Officer; Mr. E. C. Prasad, Chief Financial Officer; Mr. Salil Bawa, Group Head and Investor Relations; and Mr. Sunny Desa, Head, Investor Relations.

Without taking further time, I would like to hand over the call to Mr. Satyaki Ghosh. Over to you, sir.

Satyaki Ghosh: Good evening, everyone. Thank you for joining us today in 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 have 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 USD105 to USD110 per barrel, sustaining input cost pressures across fibers, specialty dye chemicals are at high prices, and global freight tariffs remain high.

At the same time, Indian rupee has traded near record lows, hovering between 94 and 95 against the US dollar, thereby increasing landed import costs of raw material. Furthermore, the risk of US tariffs uncertainty continues to loom over us. Domestically, agriculture yield variations resulting from unseasonal rainfall patterns and localized heat events have generated intermittent swing in raw material fiber supplies. Benchmark wool prices have remained firm near multi-year highs, 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%. 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 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 investments continues to deliver tangible results, while

our garmenting export platform is capitalizing successfully on global trade realignments. In Q2 FY27, Raymond Lifestyle registered its highest-ever quarterly total income of INR2,125 crores, representing a robust 14% year-on-year growth compared to INR1,865 crores in Q2 FY26. Revenue from operations reached INR2,075 crores, up 13% year-on-year.

For H1 FY27, total income grew 10% year-on-year to INR3,685 crores, compared to INR3,340 crores in H1 FY26. Consolidated EBITDA for Q2 FY27 rose 4% year-on-year to INR270 crores versus INR259 crores in Q2 FY26, achieving an EBITDA margin of 12.7%. For H1 FY27, EBITDA expanded 6% year-on-year to INR404 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 INR91 crores for Q2 and INR53 crores for H1 FY27. Net finance cost for Q2 FY27 was INR25 crores against INR27 crores last year, a reduction of 7%. Sequentially, Q2 FY27 witnessed 36% total income growth, 100% EBITDA growth, and 337% PBT growth over Q1 FY27, which 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 INR69 crores as of September 2026.

This represents a significant operational turnaround and a net cash accretion of INR300 crores plus compared to a net debt position of minus INR246 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 cycle, decreasing to 82 days in September 2026 compared to 105 days in September 2025. Absolute net working capital contracted from INR1,870 crores to INR1,622 crores, despite a INR240 crores sales jump.

Our active retail footprint stands at 1,634 stores across 600 plus towns and cities, comprising of 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 of Ethnix by Raymond, Raymond Home, Park Avenue Innerwear, Sexual Wellness, and the newly launched Chairman's 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 Businesses. Branded Textile: The revenue grew 7% year-on-year to INR971 crores in Q2 FY27 versus INR906 crores last year, taking H1 revenue to INR1,650 crores, which is a plus 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 INR188 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 a sequential growth from Q1 of plus 42% in Branded Textile segment.

In Branded Apparel, the segment achieved its highest-ever quarterly revenue of INR559 crores in Q2 FY27, up 20% year-on-year from INR465 crores last year, and the H1 was INR908 crores this year versus which is a plus 14% year-on-year of last year. Performance was propelled by volume expansion, spearheaded by our casual brands, ColorPlus and Parx. Segment EBITDA rose 20% year-on-year to INR49 crores in Q2 FY27 with a stable margin of 8.8% on account of adverse channel mix, higher raw material prices, offset by closure of non-performing stores and higher marketing investments. This also shows a plus 60% growth sequentially over this year first quarter.

Garmenting business continued its rapid export trajectory, posting Q2 revenue of INR339 crores, which is up 26% year-on-year, and H1 revenue of INR635 crores, which is up 36% year-on-year. Growth was driven by robust order execution following the US-India tariff rationalization, early market traction from UK-India FTA, and onboarding new global accounts, especially from Europe. EBITDA surged 75% year-on-year to INR25 crores in Q2 with operating margin expanding by 207 bps to 7.4%. This also shows a plus 15% growth in Garmenting business sequentially over Q1.

High Value Cotton Shirting revenues grew 5% year-on-year to INR222 crores in Q2 FY27, supported by strong linen demand and improved price rationalization. Segment EBITDA was INR21 crores with an EBITDA margin of 9.5%, predominantly due to increase in raw material prices, partially offset by higher ASPs. This is a plus 14% growth sequentially over this year Q1. Emerging Businesses, for the first time, touched INR100 crores in Q2 FY27.

Revenue grew 15% year-on-year, and the total turnover in H1 is now INR179 crores of Emerging Businesses. 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 INR23 crores as these lifestyle categories continue in their planned incubation phase. This Emerging Business segment showcased a plus 27% sequential growth over Q1 of this year.

The sequential growth overall in turnover for Q2 over Q1 was plus 36%. Marketing initiatives: We launched a few brand campaigns such as ColorPlus's "Live the Pause", "Wedding on Wheels" in Ethnix, and premium activations across Park Avenue and Raymond Ready-to-Wear for driving 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, zero liquid discharge in Chhindwara. We're also targeting 40% female representation backed by 100% independent committee governance and 100% independent board. We have started our CSR programs in three big verticals of Project Neev, Project Good Neighbor, and Project Weave. As we progress into the

high-demand festive and wedding corridors of H2 FY27, our strategic priorities are clear: Shifting fabric mix towards high-margin pure wool and linen, 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, denims, featuring proprietary fabric technologies like Air Shield, Flexfit, and Techno-Clean. This helps in our casualization momentum, and in casualization, our brand ColorPlus continues to accelerate faster than the rest of the portfolio. Deepening Tier 2 to Tier 4 penetration via MBOs remains across businesses remains a priority, and scaling 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 with our mills to our garmenting factories to grow UK and EU markets via the newly signed FTAs.

Retail network optimization continues, and disciplined store opening is the name of the game. We've closed more stores in in H1 than we have opened, but in H2, we will open more stores than we close, and hence we aim to end our store count at about plus 20 stores above our last year close, and this acceleration we will see next year next. Supported by our structurally debt-free balance sheet, INR69 crores 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 top-line growth and mid-double-digit EBITDA growth with INR300 crores plus of net cash and a double-digit growth in PBT.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Avinash Karumanchi from Motilal Oswal Financial Services. Please go ahead, sir.

Avinash Karumanchi: Yeah. Hi, sir. Good evening. Congrats on good set of numbers.

Satyaki Ghosh: Thank you.

Avinash Karumanchi: So, my question is regarding the Branded Apparel segment. The segment has reported a very strong growth after many quarters. So, how should we see this growth? Is it mainly because of the channel stocking that the festive actually shifted to third quarter or is it the secondary and primary also moving in line?

Satyaki Ghosh: So, Avinash, a very good question. Thank you for the question. I must remind you that the festive season this year is 20 days-25 days delayed versus last year. So, last year you had Puja, Dussehra at the beginning of October and Diwali around 22nd-23rd of October. So, the entire loading, primary loading for whether Pujo or for Diwali actually happened entirely in Q2. This year, Diwali is 8th-9th November, so a lot of that invoicing is in October.

So, it's not full loading, so it is full loading in the base and maybe half loading here. And yet you see 20% growth, which is supported by our secondary offtake growth. Our like-to-like stores are

right now growing at double digit. And I'll give you two, three equations. We measure Dussehra minus 45 days so that, you know, the timing for the year gets taken off. In Dussehra minus 45 days, we observed a plus 14% like-to-like growth. And right now, we are measuring Diwali minus 30 days.

So, our big days are still yet to come, right? Today should be a big day. There are 10 days-12 days to go for Diwali. This is the main offtake time. And we have all the days of last year, and we are plus 23%. So, the Diwali offtakes are also looking good. So, this is not only a function of primary loading, which is there will be something in September, but last year there was a full loading.

This year we had Adhik Maas in Q2. We had half loading, but our secondary offtake sales are good, and this is led by better designs, better product, and better supply chain management, where the product dropped at the right time. So the stores had the right stock at the right time, and we are seeing very strong offtakes. I can tell you that Casual brands, are growing in Q2 at high double digit over last year. So, that is a very, very strong growth.

Avinash Karumanchi: Okay. Got it. And coming to the same segment's margins, this quarter again has seen 8.8% kind of a margin. So, I just want to see how much more can you squeeze on the cost-cutting side, and how much more should be waiting for the operating leverage to play out or on the margins to improve on a full-year basis, sir, on a quarterly basis?

Satyaki Ghosh: So, two things will happen, Avinash. Number one, we are invoicing a lot of fresh goods in October, and we work on booking cycles, right? So, our festive, autumn-winter booking was done long back. Q2 had EOSS partly, and then fresh stocks started going in. This month, only fresh stocks are going in, so all with new prices. So, we will see some price increase factored in in Q3, plus the size leverage should start coming in.

And we have started working in the last 2 quarters on our costs everywhere. Unviable stores are getting closed, so all those advantages will start coming in. Just to tell you, in Q2, especially for the B2C business, we spent much higher on marketing than we did last year. This was because there was Adhik Maas, there were no marriage dates, festive was behind, and the fundamental work of restarting the brand investments and building the Raymond Lifestyle brands has started.

New agencies onboarded, maybe you'll see in publicist through integrated marketing and through a pitch process. So, the marketing costs were much higher, and raw material costs were higher. We have still held on to the margin. So, once we get the leverage, I think this margins will improve further, that's my expectation.

Avinash Karumanchi: Okay. If you can guide us to a number on like FY28 or '29, 2 years down the line, how should the segment margins shape up? Because this segment at one point used to do double-digit margins, then it came down to 6% last year.

Satyaki Ghosh: Yeah. So, I think in a couple of years, we will be double digit plus. Improving every percentage point actually takes a lot of work. So, we should be double digit plus. That's the guidance right now.

Avinash Karumanchi: Okay. Got it. And finally, on the garmenting side, congrats on a good show. There is a consistent improvement for garmenting in the last 3 quarters. So, my question is like at what capacity utilization are we operating, and how much would be the peak revenue that you could generate from the existing capacities?

Satyaki Ghosh: So, you know, our plants operate at 90% plus always. Garmenting plants, whether it is 95% or 90% depends on what is the MOQ of orders you get. So, at 90% also the plant could be full, and at 95% also the plants could be full, depends on the MOQ of the order. If it's a large order, it runs back to back. If there are many small orders, then changeovers happen.

So, you lose some capacity. However, here we are building up capacity. We had three plants in Karnataka, and we had one plant in Ethiopia. So, now Ethiopian plant is also running at full capacity, and we're building our fifth plant in Hindupur in Andhra. This we had planned with three lines, but after this FTAs happened, we have decided, and we are putting in capex for seven more lines. So, it from three lines, it will go to 10 lines.

So, that investment process is on, and one by one, the lines will start coming. So, our capacity will keep going up. At peak, our capacity would be about 10 million units, and in our case, the value is much higher because we make a lot of suits, instead of others who make shirts, etcetera, our competitors. We make a lot of suits and jackets. So, 10 million should give us growth for the next 2 years, that capacity.

Avinash Karumanchi: Okay. And out of this growth that you get, is there any ASP element also playing out because of the price hikes in the cotton and these sort of things for the garmenting segment, I mean?

Satyaki Ghosh: So, in any B2B business, Avinash, you take every order basis your current costing, right? So, when your costing of raw material goes up, your quotes go up, and the next order you take at a higher price. This B2B. So, there is no uniform price increase. Similarly, when raw material price falls, your quoted price to the educated buyers across the world, it can fall. So, there is no one-way traffic in this. What is important is, are you improving your margins or not? In that, I think in 3 quarters you're seeing we're continuously improving our margins.

Avinash Karumanchi: Yeah. Okay. Understood, sir. And the last question is a bookkeeping one. So, what should we be building for the capex for this year and next year, given that you're expanding the capacity on the garmenting side? And second thing is on the stores, you said like you'll be adding more stores in the second half. Will that be franchisee stores or company-owned stores? So, overall, what would be the capex for FY27 and '28?

Satyaki Ghosh: So, FY27 is stated. It is about INR200 crores capex, and the net cash generation that I said is post this capex. FY28, we are yet to finalize the budget, so there is no real number right now, but the investments should continue. 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. So, we said 50-odd store closures, 20-odd store opening in H1.

So, we are at 1,634 now. In the next quarter, you'll have -- next half, you'll have a net addition of, let's say, 35-36 stores net addition. So, we'll close some, but we'll add more. And these stores will be a combination of FOFO and COCO. It depends on how the year goes, because these are

projects, right? Which store comes in February, March and which goes on to April, May, you never know. It depends on the landlord. It depends on the project team, many things, but will be a combination of COCO and FOFO.

Avinash Karumanchi: Got it, sir. The last follow-up on this one, INR200 crores capex, how much would be going into the asset, how much would be going into the expansions?

Satyaki Ghosh: Can't hear you, Avinash. Will you ask the question again?

Avinash Karumanchi: Again regarding the capex one. Out of the INR200 crores-INR250 crores planned out for FY27, how much would be utilized in the garmenting capex, and how much would be the maintenance and the store addition capex?

Satyaki Ghosh: So, capex has many parts. Capex also means in your existing plants you upgrade. In your garmenting plants, you upgrade -- ESG is becoming important for international clients, and there are various other things that you invest in for safety of your workers, etcetera, plus machine upgradation in your mills. So, part of it goes that side. Greater than 70-odd crores would go towards expansion of Hindupur, and some would go towards our COCO stores.

So, it's a combination of all kinds of capexes. Plus, there are capexes on IT, actually, in this, because we are upgrading to SAP S/4HANA. We've gone live, you remember -- I don't think you remember -- in February on the textile and home part of our business. We are going live on SAP HANA from 1st November, which is day after tomorrow, on the textile and the B2C side of the business. So, SAP HANA is also substantial capex, actually. S/4HANA. Yeah.

Avinash Karumanchi: Okay, sir. Got it. I'll join the queue for more questions. Thank you, and wish you all the best.

Satyaki Ghosh: Thank you.

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

Chetan: Yeah. Hi. Thank you for the opportunity. Few questions: First on our guidance. So we have reiterated our Fiscal 2027 guidance of around, say, double-digit revenue growth and higher double-digit EBITDA growth.

Given that our H1 revenue growth is around 10% and EBITDA growth of around mid-single digit, and apart from that, there is raw material inflation, increased marketing investments. So what should drive the performance on revenue and especially on the overall EBITDA for the second half to meet this target?

Satyaki Ghosh: So we are a fashion company, right? We are generally 42%-43% first half and 57%-58% second half for a 100 year, okay? So second half is generally bigger, and this time Diwali is in November. Last time it was in October. So a lot of primary business that gets reported came into September. This time, some of it is going into October. So the revenue growth would be stronger than 10% in second half, which will take the year above 10%, that's my belief.

In terms of EBITDA, what is going to happen is the scale effect starts happening. If you look at our sequential EBITDA, you will understand that first quarter, our EBITDA was 8.6%. This quarter, our EBITDA is 12.7%. So our turnover grew by 36% between Q1 and Q2, but our EBITDA between Q1 and Q2 absolute terms grew 100%. So that is called the scale effect. 36% revenue growth gives you 100% EBITDA growth.

Q3 and Q4 are supposed to be strong also. That is the plan. So we will deliver higher EBITDA numbers, let's say, around 12.7%, those kind of numbers because we've delivered that in Q2. And when you get that average, you'll get a higher percentage. But also you should know that because we book on -- we work on a advance booking cycle on our textiles, we work on apparels on autumn-winter and spring-summer, some of the bookings that we have done, the full price pass-on has yet not happened. The full price pass-ons will come on Q3 and Q4.

So chances are that we will do much better than 12.7% in EBITDA in H2. So if H2 goes above 12.7%, Q2 is 12.7%, Q1 is 8.6%, you'll suddenly have a EBITDA which is higher on double digit, and I think we will go towards mid-double-digits number at the end of the year.

E. C. Prasad: So Chetan, one more thing is as we had mentioned earlier, we are working with a company for the strategic initiatives, etcetera. So a lot of the cost-saving initiatives also have been identified, which is actually going to help us for the future for the EBITDA growth.

Chetan: Got it. And sir, lastly on garmenting, we had stated last time that our garmenting facility is booked until December. Right? So how is the order book visibility now?

Satyaki Ghosh: We're booking February now, Chetan.

Chetan: Okay. Got it. Yeah. Thank you, sir, and all the best.

Satyaki Ghosh: Thank you.

Moderator: Thank you very much. The next question is from the line of Dhiraj Mistry from Jefferies. Please go ahead.

Dhiraj Mistry: Yeah. Hi, sir. Good evening. Sir, I have only one question. Like most of the consumer company as well as discretionary company. As of now, because of festival season, they are witnessing good growth.

But if I look at overall macro scenario, as well as global geopolitical situation, there is a increased risk of inflation kicking in India, crude prices going up further, and also with monsoon panning out not that great, there is a possibility there should be a weak macroeconomic demand. Have you factored in all this things in your estimates for second-half growth?

Satyaki Ghosh: So it's a very, very good question. I'll give you some situations that we are in. We all know 3rd November, there's an election in a big country. If that election goes haywire and the gentleman becomes unpredictable, then a lot of this may not hold, but that's only 3 days, 4 days ago, because what he will do, nobody can guess, right? So that is not built in.

It is basis my order books, which are looking very solid, and I told the earlier gentleman that I'm booking February right now for exports. So it's looking good as of now. In terms of domestic demand, you are right that drought-like situations can happen. Inflation could be a bit up, and repo rates are little up, and the demand can go down.

But we are also looking at a few things that right now, the Diwali offtakes that I talked about, the minus 30 days calculation, we are plus 20% over last year. That does not show a slowdown yet. So I think it'll continue till Diwali. I think it'll continue till Chhath Puja for sure, that is 15th November, and after that, we will see what happens.

But the marriage dates, we are very marriage-driven. Marriage dates are very strong till 15th December -- from 15th November. And then with a one-month calendar issue from 15th January till March, April, the marriage dates are very strong. Now Raymond is a lot into suits, jackets, this marriage business with Ethnix, structured products, kurtas, bandis, this, that. Marriage is our season.

So when you have much higher marriage dates than last year, chances are that in marriage, whatever happens, the rich Indian, fat Indian weddings still happen. And the winter weddings are generally stronger than summer weddings. That also you'll know that the winter weddings are stronger, and during this time, our suits really work. So we are quite positive that we go through because our cost pass-ons, the two things, EC just said that our cost-cutting measures are also falling in place.

So if the cost-cutting measures fall in place, our media works harder, if 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. So there is cautious optimism is what I'll say.

Dhiraj Mistry: Got it, sir. And second and last question, how do we think from the cash flow perspective? Because if I look at first half free cash flow statement, it's not that encouraging from the operating cash flow as well as free cash flow generation. How should we settle down for the full-year basis?

E. C. Prasad: Yeah, so Dhiraj, if you actually look at, you have to compare it on a season-to-season basis, because there is a normal trend of the cash flow going down in Q2 because of the seasonal build-up that happens. So if you actually look at, we have actually from a INR226 crores negative last year, we have actually converted that into a positive cash flow, translating into a INR315 crores plus cash during this last one year, right?

So it is not that bad as you've mentioned. Similarly, the H2 cash flows normally are better than the H1 cash flows. So we are quite confident that by end of the year, we'll be doubling the cash that we had as at the beginning of the year.

Satyaki Ghosh: So just to give you some numbers, last year, the same time, our cash flow was minus INR246 crores. We ended the year with plus INR179 crores. This is documented, because H2 works like that, and H1 works like that for a fashion company.

This year, instead of minus INR246 crores, we have plus INR69 crores. So chances are we will end up at INR300 crores plus in cash flow versus INR179, which, and it could be close to doubling of our cash flows versus last year. And this is post the capex that I talked about.

Dhiraj Mistry: Got it. That explains. Thank you very much, sir.

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

Deepali Kumari: Yeah. Thank you so much for the opportunity. I just have a few questions. Like, other expenses grew about 21% year-on-year in Q2. So how much of that is advertising and marketing, and what is the A&P of as a percentage of sales now versus last year? And is it front-loaded for the festive season or any structural step-up?

E. C. Prasad: Yeah. So the increase predominantly in the operating expenses is the brand spend, which is about INR18 crores, that translates to an 18% growth over last year. We had spent about INR98 crores last year, and this year we have spent about INR116 crores on the brand spend. And that translates to about 7.2% of the B2C sales as against 6.8% last year.

Apart from that, there is also a increase on salaries, which is about INR20 crores, and these are the two major increase that has happened in the operational expenses. Regarding your questions on the future spends, we have budgeted for increased brand spends given the targets that we have considered, so we'll continue to spend on the brands going forward.

Deepali Kumari: Okay, sir. Got it. And sir, like, on the High Value Cotton Shirting, like, H1 revenue was flat and margin also compressed more than 200 bps in Q2. So is this purely cotton price or is there any competitive pricing pressure as well? So what is the outlook for margin recovery on the high-value cotton shirting?

Satyaki Ghosh: So cotton, when we say High Value Cotton Shirting, actually it is nomenclated like that. This also includes linen shirting. So cotton prices remain elevated, but flax prices also remained elevated from France. So the input cost pressures were high. And also, High Value Cotton Shirting is a B2B business.

So B2B, you tend to take orders and then execute over a period of time. When prices keep going up, you take orders, and then when you execute, maybe your margins come in less. What is happening now is that the flax price are stabilizing, this year's crop is better, and prices are stabilizing. And we have orders in hand.

So it will pan out a bit better in Q2 that we have been able to hold on to all our orders is great. And the margins in H2 would be much better than this because the cost-cutting measures are falling in place in the plants, and also the newer orders we have taken at higher prices. So those invoicing will happen in H2, so the margins would be better. And I believe that the EBITDA would be double-digit plus at the end of the year.

Deepali Kumari: Okay. Sir, there is any change due to like higher crude oil prices in the horizons?

Satyaki Ghosh: Yeah, the cost prices are up everywhere. So I'm only talking about raw material prices, but you imagine crude prices, you imagine coal prices, you imagine dyes and chemicals in the plant, you imagine everything. Every price is up. And when you're in B2B business, is very difficult to pass on the entire pricing. So I'll give you another mathematical example.

Let's say 60 in B2B business, actually 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%. Now, if my cotton prices are up by INR100, this means that I have to increase my selling prices by INR70 just to pass on the price increase, and my gross margin will still drop. To keep my gross margin same, I have to increase prices by INR100. Then only it will work.

Now, no buyer -- because they have to make shirts and apparel through it, right, they have to keep their MRPs. So nobody gives you INR100 price increase just because you've got INR100 raw material increase. So at best you can pass on 50%-60%. That is why it starts looking like a little drop. But B2B business is cyclical. As I'm taking newer orders, I'm taking at better prices.

The raw material price is cooling down, but my orders now will be at better prices, so suddenly my margins will start looking better. In another quarter, if you see a much higher margin, don't think that is the normal go. This is also not a normal go, that is also not normal go. B2B business, I think you should look at over a period of a year so that there are upcycles and downcycles. And over a period of time, I think the reality comes out, and I think you should look at it like that.

Deepali Kumari: Okay, sir. Got it. And on the Emerging Business side, like losses almost doubled in H1. So what is the target path to breakeven for the each business, like if we can talk about the Ethnix, Home, Innerwear, and Chairman's Collection? And is there any annual losses you are willing to absorb?

Satyaki Ghosh: So individually these are small businesses, and these businesses we are investing in. But still, 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, Home business will be breakeven plus. In terms of Innerwear business, it has started turning around. But like we had said in earlier calls, Innerwear also had a component called sleepwear, which we closed last year. So we are still taking back some material.

Individually, Innerwear as a business is already breaking even and at the end of the year will look breakeven. But because the sleepwear losses will be there, and hence, real terms it will not be breakeven. Next year it should be breakeven because sleepwear will vanish by that time. Chairman's Collection, there's only one store. We have launched it in April. We are just 5 months into it. It's super luxury. It takes time to build, and it's a super luxury store in Bandra. If you want to go and see, you have a look. It is one store. It doesn't make material difference to the organization as such.

From Ethnix point of view, we have changed the business model. We have gone on the higher structured products on made-to-order, and the lower structured products, which are bandi, etcetera, we are also going online, etcetera. So the sales would come without investment to some extent, and we're closing down loss-making doors very heavily. I already talked about it in my commentary.

So this will take a bit more time, but it's looking positive. Q3 could be a record quarter for Ethnix top line. Bottom line will still suffer, and it'll take 18 to 24 months for Ethnix to breakeven and become profitable.

Deepali Kumari: Okay, sir. And sir, one last question. Like, what is the progress on EU market opportunity? Like, when can we show the benefits in the numbers?

Satyaki Ghosh: Yeah. EU market, you're still not seeing in the numbers, because like EU negotiations got over and the FTA got announced, but it is not implemented. Our PM is supposed to be in Brussels in December, and it is supposed to get signed in December. But like the Minister say, you never say it is done till it is done.

So it should get done in December. When it gets done in December, then we will see. But our inquiries are already up because everybody expects it to be signed in December, so after that shipments will become better. UK is already looking better, but Europe, just to give you a number, in H1 over last year H1, we are 30% up in Europe.

In Q2, we are actually 50% up. But this number can go higher, because the Europe, our base was not that high. But in our diversified geographic, diversification strategy, we had said that we will move more towards UK and Europe, and that is panning out is all I can say.

Deepali Kumari: Okay. Thank you so much, sir.

Moderator: 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: Hello, good evening everyone. My question is regarding the capex capacity coming on Andhra Pradesh. When is it expected to go live?

Satyaki Ghosh: Sadiq, thank you very much. Thank you for joining, and thank you for asking. Three lines are already up. The efficiency is not up at 100%, because these are a lot of people on each line. Garmenting is that kind of a business. So the efficiency takes time to build up, but three lines are live that we had initially planned for.

The fourth line, the machine installations are done. We are recruiting, so should be live by November-December. And after that, every 3 months, one line should get live, because project work is going on line by line, but you need to recruit, you need to train, you need to get people up to the speed. So the balance six lines, you can take about 18 to 20 months from today.

The fourth line would be live in December, but maybe efficiency will come in March. And then March, maybe the next line will come. Efficiency will come in July. So 18 to 21 months from now for all 10 lines to work.

Sadiq Imam: Thank you. My second question is regarding the booking from Europe and Japan side. How you are looking at the order book?

Satyaki Ghosh: Sorry?

Sadiq Imam: Order book regarding garmenting from Europe and Japan?

Satyaki Ghosh: No, 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 bulk orders, we will start shipping post the December signing, because that tax difference would be important for those customers. So order book is very robust.

I told somebody that I'm booking garmenting orders for February now. My factories are full till January end, maybe 10th-15th February. I'm booking for end February. And by next month, I'll be booking for March, so the year looks good, unless 3rd November, something happens in the election.

Sadiq Imam: Thank you, sir. That's all from my side.

Moderator: Thank you very much. The next question is from the line of Avinash Karumanchi from Motilal Oswal Financial Services. Please go ahead, sir.

Avinash Karumanchi: Hey, good evening, sir. Thank you for the follow-up opportunity. So this is a bookkeeping question regarding the cash flow and balance sheet. I'm sorry if I missed it in between. So from the balance sheet, the core working capital build-up was close to INR65 crores only, but from the cash flow statement, if I look at it, the working capital build-up was close to INR382 crores. So what am I missing? Is there any line item that I should read into or I was not able to understanding clearly?

E. C. Prasad: So Avinash, can you repeat that question?

Avinash Karumanchi: So basically, from the balance sheet, if I look at it like the core working capital, inventory plus receivables minus payables, was up by INR65 crores from the March '26 levels.

E. C. Prasad: Yes.

Avinash Karumanchi: But if I look at the cash flow statement, the cash outflow for working capital built up was close to INR380 crores. So where is the difference coming from? I was not able to understand.

E. C. Prasad: No, there is an other current assets and current liabilities as well, which you also need to consider. What you're looking is at the cash conversion cycle. So there is a big element of unutilized GST credits which is lying, right? So that you also need to consider that as a part of the working capital.

Avinash Karumanchi: Is that why the working capital requirement has gone up from the cash specifically?

E. C. Prasad: So you have to consider that in days, because as the volume goes up, obviously, the working capital will also go up. But if you look at the number of days, the same period of last year, we were at 105 days of working capital. Today, we are at 82 days. And last year, if you remember, this 105 days has come down to 77 days by end of March.

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

and Q4, because there is a season build-up, because the season is heavily stacked in Q3. You need to have more inventory. You tend to push more of primary, so there is a debtor sitting there, so that is the reason why in Q2, the working capital lead is a bit higher.

Avinash Karumanchi: Okay.

Satyaki Ghosh: But it's normal. It happens every year. If you look at year-to-year, then you'll see that -- if you see, let's say, on inventories, Avinash, our sales this year have between half one and half two have gone up by roughly INR250 crores, roughly, give or take. The inventory has gone up by give or take INR200 crores, inventory.

Now, the raw material price is high, and the material prices are high, so the value increase is about INR150 crores out of that INR200 crores. So the volume increase is only worth INR50 crores on a sale of INR250 crores, which will also have some price increase, but the full pass-on has not happened.

So the inventory build-up is actually lower as a proportion of last year. Similarly, debtors, if you look at versus a INR1,200 crores last year, this is about INR1,100 crores on a higher sale of INR240 crores, which means the collection cycle is better. And that is why the number of days has gone down to 82 days from 105 days, and 105 days resulted in 70-odd days at the end of the year because of the cyclical H1, H2 thing. So if the cycle works properly, then we should be below 70 days for sure this year at the end of the year. So to us, it is looking fine, absolutely, actually.

Avinash Karumanchi: Okay. Got it, sir. Thank you for the clarification.

Satyaki Ghosh: Thank you.

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

Satyaki Ghosh: So thank you, everybody, for hearing us out, 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 here in top line, a mid-high double-digit growth in EBITDA, about INR300 crores of FCFF, and good PBT of at least double-digit higher than last year, close to INR220 crores, INR225 crores maybe. So we are in for a good H2, and 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.

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