"Raymond Lifestyle Limited
Q1 FY27 Earnings Conference Call"
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Moderator: Ladies and gentlemen, good day and welcome to the Raymond Lifestyle Limited Q1 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 this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note this conference is being recorded.

I now hand the conference over to Mr. Avinash Karumanchi from Motilal Oswal Financial Services. Thank you and over to you, sir.

Avinash Karumanchi: Thank you, team. On behalf of Motilal Oswal Financial Services, I would like to welcome all the participants to Q1 FY27 conference call of Raymond Lifestyle Limited. Today, we have with us from the senior management of Raymond Lifestyle: Mr. Satyaki Ghosh, Chief Executive Officer; Mr. E.C. Prasad, Chief Financial Officer; 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 afternoon, gentlemen. Thank you for sparing time to come to our results conference call. Before we discuss our quarterly performance, it is vital to contextualize the current macroeconomic environment. We are operating within a complex landscape marked by both global headwinds and domestic challenges.

Geopolitically, the collapse of peace talks between US and Iran has pushed the Brent crude back to USD100 per barrel within this quarter, though it is now settling at USD80, exerting pressure on energy costs and freight. Coupled with the anticipated Federal Reserve rate hikes, this has contributed to significant currency volatility.

Domestically, we continue to navigate climatic and inflationary pressures. Persistent El Nino conditions have led to record-breaking heat waves and a potentially subpar monsoon, which we are monitoring closely as a factor in discretionary spending. On the inflationary front, the RBI has adjusted its FY27 growth outlook to 6.6% from 6.9% amidst these headwinds, and CPI projections have been revised to 5.1%.

Furthermore, we are seeing steady upward pressure on key commodities including wool and cotton, driven by supply constraints and high demand. However, against this backdrop, Raymond Lifestyle has demonstrated remarkable resilience. Our strategic focus anchored in premiumization, casualization, and geographical diversification is yielding results.

While some segments faced base effects and scale deleveraging, our international growth is gaining strong traction. Specifically, the US-India tariff rationalization and our proactive expansion into UK and EU markets, helped by the free trade agreements, have created a robust demand recovery in our garmenting segment. This foundation, combined with a debt-free balance sheet and improved operational efficiencies, allows us to remain agile.

We are successfully executing our strategy to capture value in high-potential markets while remaining disciplined in our cost and working capital management. Let me walk you through how these initiatives are driving our path forward towards sustainable stakeholder value. Let me come to financial and operational highlights. Topline - Our first quarter FY27, we recorded a total income of INR1,560 crores in Q1 FY27 versus INR1,475 crores in Q1 FY26, representing a 6% year-on-year growth.

Profitability. Our EBITDA for the quarter rose to INR135 crores, a 11% year-on-year growth, resulting in an improved EBITDA margin of 8.6%, a 40 basis point expansion over the same period last year. We sustained our debt-free status with a net cash surplus of INR154 crores in June ‘26, a marked improvement from a net debt position of INR55 crores in June ‘25, which is a INR209 crores swing within the year.

Net working capital days improved by 15 days, stood at 75 days in Q1 FY27 versus 90 days in Q1 FY26. We continue to optimize our store footprint to enhance store productivity and margins. Since June 2025, we exited 133 underperforming stores and strategically opened 85 new high-yielding locations, bringing our active network to 1627 stores across 600 cities. We have also seen high double-digit growth in the more modern channels in branded apparel like e-com and LFS.

As promised in our previous call, we have officially instituted a segment reclassification to provide complete transparency on our core operations versus growth bets. We have carved out emerging businesses comprising of Ethnix by Raymond, Raymond Home, innerwear, sexual wellness and the newly launched Chairman's Collection into a standalone reporting segment. This now breaks up our portfolio into five segments. Branded Textile, Branded Apparel, which constitutes only the four core brands, Garmenting, High Value Shirting, and Emerging Business.

Coming to the segment-wise results: In Branded Textiles, revenue stood at INR684 crores in Q1 FY27 compared to INR699 crores in the same quarter FY26, primarily due to the base effect from the previous year. EBITDA was at INR95 crores in this quarter compared to INR107 crores in FY26, with an EBITDA margin of 13.9% due to scale deleverage.

You would remember that last year's first quarter for fabric business was a large quarter because the fourth quarter had IT issues, so a large amount of invoicing had moved to the first quarter, especially in the fabric business last year. So that is the scale deleverage that we are talking about. Despite inflationary pressures in this business affecting raw material prices, the overall product mix remained resilient.

In Branded Apparel, revenue grew 4% year-on-year to INR349 crores, supported by high double-digit growth in LFS and online channels, with casual brands witnessing double-digit growth. EBITDA for the segment was INR18 crores with a EBITDA margin of 5.1%, impacted by an adverse channel mix, though partially mitigated by reduced markdowns and store rationalization.

Garmenting Business: This segment reported a stellar performance with revenue of INR296 crores versus INR197 crores in the same quarter last year, reflecting a robust growth of 50% year-on-year. This growth was driven by strong order book execution following the US-India tariff rationalization and the on-boarding of new global clients from Europe and UK. The segment achieved an EBITDA of INR22 crores versus negative INR8 crores last year same quarter, with an improved EBITDA margin of 7.3% versus minus 4.1% last year, which is a 1100 bps jump.

In High Value Cotton Shirting, revenue was INR195 crores compared to INR205 crores in the same quarter last year, on account of the same thing, the base effect of last year. EBITDA for the segment remained steady at INR19 crores with an improved EBITDA margin of 9.7% versus 9.1% in the same quarter last year due to favourable product mix despite high raw material costs.

Emerging Business comprising of Ethnix by Raymond, Raymond Home, Park Avenue Innerwear, Chairman's Collection, and Sexual Wellness. This segment reported a revenue of INR79 crores reflecting a growth of 9% year-on-year. We continue to execute our tactical investments in this segment to drive long-term growth.

Moving to our marketing strategy, I'm pleased to highlight the launch of our 2026 Garment Exchange Program, GEP, themed, Refresh Your Style with Perfect Tailoring. This was the key strategic initiative designed to drive brand awareness and retail footfall. By offering value-added tailoring services in exchange for pre-owned garments, the program incentivizes customer engagement, promotes a circular fashion ecosystem, and strengthens the brand's connection with consumers.

Furthermore, our loyalty ecosystem now reached 12.4 million members, providing a data-led consumer insight engine to drive repeat visits and lower marketing acquisition costs. As we navigate through what we have designated as our year of consolidation, Raymond Lifestyle Limited is actively shifting its focus towards restoring sustainable profitability.

While we face short-term macroeconomic pressures such as extreme heat waves domestically and elevated energy, raw material, and freight costs internationally, our core strategic pillars remain highly resilient.

The exceptional growth we witnessed in our garmenting segment this quarter demonstrates the strength of our global positioning as we capture trade tailwinds like the US-India trade deal, leverage our vertical integration and diversify geographically.

As we move forward, our priorities are clear. Number one, premiumization, shifting product mix across textile, apparel, and garmenting towards high-value wool, poly-wool blends, and pure linen collections. Casualization is two, expanding smart casuals, polos, chinos, knits, corduroys, and denims with fabric innovation like Airshield, Flextech, Technoclean across ColorPlus, Parx, and Park Avenue remains a big priority.

Number three is GTM expansion. Expanding distribution depth for branded textile and apparel through multi-brand outlets and large format store channel. Geographical diversification is leveraging vertical integration fabric-to-garment and incoming UK-EU FTAs to expand market share in European markets and de-risk export concentration.

Holistic marketing: Driving sharper brand positioning, differentiated omnichannel campaigns, and prudent media selection to maximize footfalls and brand equity. We are actively exiting underperforming stores to ensure a lean, highly profitable, and high-performing retail footprint. The growth would come in the next phase of our EBOs.

Future-ready ESG execution remains our commitment. We remain fully on track to achieve our target-driven 2030 ESG goals. Backed by our structurally debt-free balance sheet and a robust Q1 FY27, a net cash surplus of INR154 crores, we possess the operational flexibility required to navigate this consolidated phase. We are entirely committed to making this company deeply consumer-centric and building a resilient future-ready institution that delivers sustainable value for all our stakeholders.

Thank you. And we are now open for our questions.

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

Avinash Karumanchi: Hi, sir, good evening. So my question is regarding the RM cost. So you have highlighted in your opening remarks that you are seeing inflation in the RM cost. So my question is two parts: one, in that fabric and the textile business, are you seeing any input cost pressure and how are you going to tackle it through price hikes or inventory efficiencies? And point number two, I'll follow it up after this question.

Satyaki Ghosh: Okay. So cost pressures are real in today's world. I think cost pressures are coming from raw material costs; wool prices are high, flax prices are high, cotton prices are high. The other costs like dyes and chemicals are going up.

We have had two-three pronged approach to this. Number one, for our vendor bases, we have diversified our vendor bases and we have looked for new vendors who are willing to come in and do business with us at more competitive rates. We have taken trials, we have done samples, and without compromising quality, we have introduced a few new vendors.

We've also worked on a little bit of "Make in India." A lot of these components, dyes and chemicals, have a lot of Chinese impact on the price. So we have tried to work with vendors who can make equivalent products with less Chinese participation and hence can give us better rates on those.

On the freight side, for international especially as the freight rates went up, we went the opposite direction; we consolidated our vendors and we tried to work with one or two shipping lines where we gave higher volumes and hence rationalized our freight costs of going international.

So we've worked on all of this, plus we are working on a transformation project where we are trying to look at every cost in the organization and trying to find out what is a good cost and what is not such a good cost and trying to rationalize them. It's like taking a fresh guard, Avinash; the company is 100 years old and we are getting ready for the next 100 years.

So the job here is to take fresh guard, not to hit the ball out of the park and do all the right things. That is what we are trying to do, and we are trying to recalibrate our costs and some of those have started falling in place. So we've been able to control costs largely. The balance from Q2 onwards, we would start passing on a little bit of price increase because normal inflationary pressures also demand that, and we will pass on as little as possible, but enough to cover our margins.

Avinash Karumanchi: So there shouldn't be any gross margin impact in the textiles part, at least?

Satyaki Ghosh: Individually in each SBUs, no. If you see a gross margin drop in first quarter, 35 bps points, then that is the, that is the business mix. The business mix is: last year I said suiting, shirting, fabric, which is our highest gross margin, actually the highest gross margin business is suiting, because we have dominance there and our products are unique; that had a big quarter.

Now when you have a lesser quarter than that, but you have a bigger quarter actually in garmenting has grown, garmenting comes at a lower gross margin than suiting domestic. Garmenting is export. Now when that mix changes, the gross margin has changed 35 bps. But if you see EBITDA, that has grown 40 basis points. Individually if you look at SBUs, then gross margin is healthy everywhere.

Avinash Karumanchi: Okay, okay, understood. And the second question is regarding the garmenting segment. This quarter, garmenting segment actually has seen a very good topline and much better EBITDA growth. So how should we read this going forward?

And the second part is that, given the inflation in these RM costs that you are facing, does the contract offer you a chance where you could take those price hikes, within the order book or how should we see the margin for the segment going forward?

Satyaki Ghosh: So there are advantages and disadvantages. First, let me talk about the order book. We have closed taking orders for December on 31st July. From 1st August, we've started booking for fourth quarter, that is January onwards, which means my garmenting capacity is full from now till December. The orders that I take are January onwards. So my order book is looking very good, if you want that as a forward guidance.

In terms of margins, generally when we take order, we work on a costing module and we take it cost-plus. So ideally it should not affect unless it affects in the next two-three months. Like, now I'm taking orders for January; if something dramatic happens in September-October, then that can happen. But a lot of our customers in export are long-term customers and they understand.

If there is a little bit of here and there, we can always adjust, and hence that works. But because our productivity is going up, because the plant utilization is going up because of this full orders, the cost versus last year, we are being able to rationalize. This year at least we have that advantage over last year where our plants are now running at full capacity, and hence the capacity utilization advantages we will get. So this year going forward, there is no risk on the margins, and we take it on cost-plus basis in any case, and our order books are looking quite solid.

Avinash Karumanchi: Okay, okay, understood. And so assuming that things don't worsen from here, and given the healthy order books, should we see a historical kind of a EBITDA margin in the garmenting segment? FY24 was the peak in garmenting business which seen a 10% kind of EBITDA margin; at least in the next two years, if not immediately, can we see the margins inching to those kind of levels?

Satyaki Ghosh: So Avinash, the international headwinds now come without warning. A Truth Social message comes and things change in your life. So it's very, very difficult to predict, but we've hit 7.3 at one change, and if we can keep our combination right, which is the suit versus shirt versus trouser, this combination, the product mix there, then there is no reason why we shouldn't go to double-digit EBITDA actually.

It may not take two years. If it stabilizes, then it can be faster. But international business today is very, very, very unpredictable. So that is why I don't want to give a guidance on that, but the endeavour is that.

Avinash Karumanchi: Understood sir.

Satyaki Ghosh: Importantly, the business is that if you sell more shirts, where casualization starts working and you sell more shirts, it's a much more competitive category and works at a lower margin. If you can sell enough number of suits and your mix doesn't change, then your margins will come.

Good news is, I was recently in US and UK and Europe meeting some of these big customers because this is a very important SBU for me this year, and the suit usage I felt is coming back. The product mix is changing a little bit from 100% pure wool suits to a little bit of poly-wool to manage the cost, but at least the suit-wearing piece is coming back in Western world, which I think is a welcome news. But that's only a consumer trend; it has not resulted in any orders right now.

Avinash Karumanchi: Okay, understood. And the last question, a bookkeeping question. So this quarter you've seen a depreciation has gone up by 25%. So how should we see the depreciation and what's the reason for that?

Satyaki Ghosh: Yes. So depreciation has 2 elements to it. One is your lease accounting because of the store depreciation. There was a bit of an error which happened last year because of which there was a INR11 crores depreciation which has come in one time, that won't happen in the quarters going forward. So you can actually eliminate INR11 crores from the overall depreciation.

Avinash Karumanchi: So this quarter's depreciation has a INR11 crores of one-off?

Satyaki Ghosh: One-off, yes.

Avinash Karumanchi: Okay, understood. Thank you, I'll join the queue.

Moderator: Thank you. The next question comes from the line of Chetan with Systematix Group. Please go ahead.

Chetan: Yes, hi, thank you for the opportunity. Couple of questions. Firstly on garmenting. So if you can provide more color on the new global customers added during the period and how will be our geographic mix now?

Satyaki Ghosh: So, Chetan, thank you for the question. The geographic mix pre-Trump era was 65% US, 10% UK, and about 5%-6% Europe. That was the geographic mix pre-Trump tariffs. During Trump tariffs, the 65% had fallen to 55%, and firstly our business also went down, because you cannot change 10% of your business suddenly in a seasonal item, you have to sample, etc.

But all the hard work that we did started getting us clients from Europe and UK. Today that because the US tariffs got rationalized, some of our old clients have come back, but some have still not come back, because they placed orders on Vietnam, Cambodia, Turkey, some other factories, and those orders will take time to come back.

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So we've gone back to 59%-60% in US, but our UK has moved from 10% to 12% and Europe has moved from 6% to 7%-8%. But the Europe orders are yet coming, because the FTA has just been announced and it will take about 6 to 9 months to come into force. So right now it is largely inquiries, sample orders, etc. The bulk orders have -- not many of them have come through in Europe, but they will come through.

UK, some of the bulk orders have started coming through because the FTA is live from 15th July, so the orders came in the first quarter, but most of them are getting made and Q2 and Q3 you'll see UK material really moving. But I'll give you some client names. From UK, new client is next. Next is a big client in UK.

From Europe, I'll give you different countries. From Spain, the biggest departmental store El Corte Ingles, from Italy OVS, and from Germany, Carl Gross. These three are new orders that we are already processing in our plant. And Next is from UK, there's another client from UK called T.M. Lewin, which is a shirting client. Shirting after these duty rationalization actually that's why I talked about the mix in the earlier question.

Shirting, our neighbor countries were very competitive on shirting, always. But as UK-India enter FTA and if we can get zero tariff, then we can fight these companies and we are starting to get shirting orders. So T.M. Lewin is coming to us for shirting, which is a good news because that runs different lines in our factory apart from our suiting lines.

Chetan: Got it, sir. That was helpful. Secondly on store addition, so are we close to completing the rationalization phase of underperforming locations or should we see any further net store closures during this year? And also on Ethnix, we have seen a net reduction of around 29-30 stores since last June, and we have mentioned that we are focusing on aspirational locations now. So what kind of store additions should we expect in Ethnix for the next couple of years?

Satyaki Ghosh: So on the EBO terms, firstly the store closure is not over. It'll take time. It does not get over in a quarter because there are some FOFO stores, there are other partners involved and everybody has a business to run and commitments to keep and there are notice periods and such things like that with landlords. So it takes time, there are negotiations that go on. So it'll take another 2-3 quarters, so that is why we called this year as the year of consolidation. And our net openings in branded EBO stores will be negative this year.

We will open, for example, we've opened 8 stores this quarter but we've closed 24, so there's a net of minus 16 in branded EBOs. But if you look at our TRS format, The Raymond Store format where the whole company comes in to retail, we are plus 6 in this quarter. Ethnix, we have opened one store actually, and we've closed 18, so you're seeing minus 17 over there in Ethnix.

Ethnix we will close a few more stores where it is not working. But in Ethnix, the big project is changing the business model a little bit. The business model change is at the top end where you have structured products like sherwanis or bandhgalas, top-end bandhgalas, etc. Anything that costs upwards of INR50,000, let's say, sherwanis from INR75,000 to INR1 lakhs, INR1.5 lakhs, we are going to Made-to-Measure model from Made-to-Stock.

Because we feel from a consumer point of view a person who spends INR75,000 plus for a sherwani for his wedding day does not want to wear something that the next groom can wear. So he wants some customization, either in embroidery or in the color or in the fabric or in the collar or something or the other, and they are willing to wait 14 to 21 days to get their choicest sherwani. So that will go on MTM, because we also have very good MTM exposure, we have garmenting factories, we have the tailor masters, we have the know-how, so we'll go there.

For the basic, more basic products like kurtas, kurta sets, bundis, etc., we will go to other channels other than Ethnix EBOs, like we'll go to TRS, for example 50 to 100 TRS which are in the wedding areas of the markets, we will start putting these kurtas and the basic products over there which is no extra cost for anybody in the company, we just place the products and we try to sell from there. We'll also go on e-commerce. We've already started on our D2C. Our agreements with the big marketplaces are in the final stages for this product and it'll go live over there this quarter.

First quarter we are already live on D2C and it is starting to see traction. So we will start selling in channels other than EBOs to get better ROCE, but to get the full range and the full groom collection, we will start opening high-impact stores. So high-impact stores will be in high-impact territories. For example, in Mumbai it could be Linking Road, it could be Santa Cruz where weddings happen, wedding shopping happens, Borivali where it happens, wedding shopping is a big place is Borivali, and so on and so forth.

In other cities also, it'll be similar areas where we will try to have flagship stores over there. So, it'll be a combination of high-value sales from EBO and higher ROCE sales from other channels so that we steadily bring the brand towards profitability.

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

Satyaki Ghosh: Thank you.

Moderator: The next question comes from the line of Deepali Kumar with Arihant Capital Markets. Please go ahead.

Deepali Kumar: Thank you for the opportunity. I just have a few questions. Like, could you give brand-wise revenue growth rates rather than segment-wise? Since casualization is a stated strategic pillar, which brand is leading the casual mix shift?

Satyaki Ghosh: Deepali, we are not able to hear you. If you could just repeat your question please and speak up a little bit. Yes.

Deepali Kumar: Okay. Could you give a brand-wise revenue split rather than, like, segment as the casualization. Hello?

Satyaki Ghosh: Yes, Deepali. If I hear you correctly, you're asking for a brand-wise revenue split, is it?

Deepali Kumar: Yes, sir, and like which brand is leading the casual mix shift?

Satyaki Ghosh: Yes. So let me try and answer you on your question broadly. Our large growth is coming from casual brands. This quarter, our Branded Apparel growth is about 4%. Now, the 4%is also because we are closing EBOs and we lose some sales when you take a transformational journey like that, you start losing that business. So your growth is coming from e-commerce and LFS as channels.

So those are growing in high double digit. In fact, in e-commerce is growing high double digit and LFS is growing upwards of 25%. So that's very, very good. From the casualization point of view, ColorPlus and Parx, which are our casual brands, are growing at double digit. Also, the casual part in Park Avenue and Raymond Ready-to-Wear has grown up by 200 bps over last year.

So, from about 15%-16%, they're all 18% in casualization now within those brands. The problem in this branded apparel business has been this first quarter. The first quarter has had a one month of what is called Adhik Maas in India, where people think that it is not auspicious to buy new things and you don't have any celebration dates during Adhik Maas.

You'll see an after-effect of that, that all the celebration dates have gone back by 20-25 days. For example, Ganpati is mid-September, Durga Puja is mid-October and Diwali is early November. Which means it is at least 25 days delayed and that purchase did not happen, the summer weddings, the dates were just not there.

What happens in this is the more expensive products that we sell because Raymond largely is a formal brand which is trying to do casualization, so our main business is suits, blazers, etc. So in summer months if there are no weddings and no celebration dates, the suit business becomes more difficult in terms of off-take.

When that happens, value sale drops, margins drop, etc., for us peculiarly. So, our casualization has worked, premium products are selling, but the product mix has been adverse to us for these various reasons. But we are very hopeful that in the second half, all those wedding dates are going to come back and they are going to come back during winter.

So, winter weddings actually much better than a summer wedding for our kind of product portfolio, and we think that the festivities which are spread over from Onam to Ganpati to Puja to Diwali are in four different months. So the festive period is over a longer period than last year and hence we think purchases would continue to go on.

So my guess is that our H2 will be very, very strong. But in the first quarter as well, given all these headwinds, we are ahead of our budget phasing which we had done for the year, we are ahead of last year and we are doing decent in Q2, so we should end up having a very good year and we would have good casualization and finally the premiumization would also happen.

Deepali Kumari: Yes, got it. And sir, then can we expect recovery on the retail side also on the export side, what can be projected for like upcoming years like if this will be same like Q1 FY27?

Satyaki Ghosh: Can't hear you, Deepali, can't understand what you're saying. It's all getting cut.

Deepali Kumari: Okay, sorry. Am I audible now?

Moderator: Deepali ma'am, can you speak a bit louder please?

Deepali Kumari: Okay. Sir, I'm asking when we can expect recovery on the retail side.

Satyaki Ghosh: Retail side, you know the TRS stores, which are also part of retail, are plus 5%, plus 6%. And the EBOs are plus 3% like-to-like, but you can understand that we are closing EBOs. So we are losing some sales over there, which is a conscious decision because loss-making stores over a period of time nobody wants.

So we will do calibrated opening there, but this year is about consolidation. So we will consolidate stores and we would try and be rational about it. We will open some stores for sure. We are now 34 net EBO down, that is 9% of my overall network. So you are seeing 4% growth despite 9% of EBO closure.

So you imagine if I do it. Meanwhile, I'm growing in e-commerce, I'm growing in LFS, which are the more modern channels, though they are margin-dilutive a little bit. Once I'm ready and I'm okay with this LFS and e-commerce channels, when I press the button on EBO, opening is very easy. You say go open, you can open 100 stores. Can you open 100 good stores is the question.

So we will keep the good stores, we will eliminate some of the bad ones, we will work on some of the medium ones, and once we are ready then we will press the button. It's not going to be a three-to-five year phenomenon. But we will need three-four quarters still to get this rationalized and then go for the next bit of EBO growth. That is when you will see margin recovery, that is when you will see huge amount of sales recovery, because that is the main channel.

Deepali Kumar: Yes, got it. And sir, like what's your assumed raw material cost inflation and EBITDA guidance for FY27 and how much ASP will hike, like without hurting any volume growth?

Satyaki Ghosh: So in Q1, we have largely sold without individual ASP hikes because we work on forward booking, and we had bookings, we had forward bookings, which we have honored. So you are seeing margins with honored prices. In Q2, we will take some prices up and we will see how the situation goes in Q3 and Q4.

But my guess is between 5% to 7% in apparel and between 7 to 8% in fabric. Because fabric will need between 7% to 9% depending on the quality, because a larger proportion of a fabric business is raw material price. In apparel, a lesser portion of raw material is part of your COGS. So apparel 5% to 6% should suffice and maybe fabric 7% to 9%. But it will be calibrated.

We will keep watching our volumes, because also what is very important, we make our own products. We have 11 factories. So we have a very good reason to run our factories and hence volumes are important for us. So we will keep a rational line between volume, productivity, efficiency, capacity utilization, and the price that we have to take where the consumer does not start rejecting the price point.

Having said that, I'll come back to the answer that I gave in the first question, that we will mitigate this raw material price rise through better vendor negotiations, larger base of vendors, like I said, a little bit of Make in India and cost-cutting measures elsewhere in the system, which is a 100-year-old system, gathers dust over a period of time.

We are going through a transformation project with a big consultancy firm, and we're looking at every cost from media buying cost to product buying cost to manpower cost to factory productivities, and we will find these monies without too much price pass-on to the consumers.

Management: Deepali, one more thing is, you asked about what is the quantum of cost increase: so if you look at wool, it is almost increased 100% over the same quarter last year. Cotton and flax has almost increased by about 20% over last year. Your chemicals have increased by about 30%. And in spite of that, we have delivered the same amount of gross margin. And as Satyaki mentioned, we have not taken much of a price increase in this quarter. And going forward, we'll also be taking the price hikes in a calibrated way, so you can expect better margins coming going forward. Unless the raw material prices go further north.

Deepali Kumar: Okay. And on the export side you said you have a order book. Can I know the split between geographies-wise from which segments how much order you are expecting and export will be the same in line with Q1 FY27 in FY27 or 28?

Satyaki Ghosh: So FY28, Deepali, I tried to explain that one Truth Social announcement changes everything. We are not even looking at FY28 that minutely right now. I talked about my order books; my order books are filled till December by last month only. This month I'm already booking Q4.

So if my order book runs, if nothing dramatic happens in the US-India relationship, nothing dramatic happens in this war in the Middle East, we are looking good at this point in time to deliver the full year, and somebody else asked can you go to double digit and I said that is the endeavor.

So the endeavor is the same, to keep improving on this till the tailwinds persist. And then we get back to the grind. But till the tailwinds are there, I think this year is looking very, very good.

Deepali Kumar: Okay, and this order book is from US and UK both?

Satyaki Ghosh: It's across Europe, US, Japan, Korea, Asia, all places.

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

Moderator: Thank you. The next question comes from the line of Dhiraj Mistry with Jefferies. Please go ahead.

Dhiraj Mistry: Yes. Hi. I completely understand that at least in the near term perspective things remain quite volatile from the global trade perspective. But if I take a let's say three to five years time horizon, what would be your revenue guidance for each of the segment?

Satyaki Ghosh: Each of the segment three to five years is difficult, but let me tell you that we are doing this transformation project with Kearney India, and we are building a strat-plan for the next three to five years. If you ask me directionally, I want to at least double or more than double the turnover and grow EBITDA faster than topline, without doing the project I am telling you.

Once they come out with the project, there could be some dropouts in the business, some mergers and acquisitions, I am not talking about that. Business as is, the aim in five years to at least double the business and grow EBITDA faster than that pace.

Dhiraj Mistry: Got it. And let's say your medium to long term guidance remains of mid-to-high teens kind of EBITDA margin. What could be the levers for those?

Satyaki Ghosh: So first is the pillars that I talked about. First is premiumization because we strongly feel that the recovery across the world has been K-shaped and it's if you are in the middle, you get stuck in anything that you do. So in any category that you are, the top end is growing and the mass market is growing because people are continuously becoming urban and the average income is going up, but the sticky piece is the big mid-piece.

So anything that is a little premium starts growing, and as you keep going towards unless you hit luxury, etc., then the growth is quite robust. So premiumization is going to be a key theme going forward in every business that we do.

Second piece is casualization; more and more youngsters are not wearing very formal dresses, formal shirts to office, trousers. We need to be casual, we need to be in knitwear, we need to be in denims, we need to be in t-shirts, we need to be in polos, chinos, etc., and we will try to be there.

The third piece is where it'll come from is geographical expansion and this is what I said that from a garmenting perspective we had a huge dependence on U.S. and once we got this U.S. jhatka, we are quite sure that Europe, UK, and you know the other suit-wearing areas of Japan, Korea, etc., have to become viable and substantial markets for us.

So there is geographical these three are there. Another piece internal is, which I have been trying to say throughout this call, is we are doing this project, we are looking at every cost area, we challenging everything as a new management team, not because it was wrong, because when you run a company for 100 years, you gather inertia.

And it is good sometimes to stand back and say where do I stand and where do I want to go, and we are sure that we can take some chunks out of the cost which can help profitability, which can help margins, etc.

The final piece is I think through governance, we intend to do very good governance and guidance in our activities like community development through CSR, through our ESG activities, and every time you do that, I think your value increases. It may not directly link to your margins, but sometimes it does. For example, renewable energy: last year we had 8% to 9% percent in our factories.

This year we are close to 12% and we intend to get to 25% by 2030, but my guess is we will reach that much before time, and renewable energy today gives you cost saving while becoming more sustainable and more acceptable as a company. So we are working on all these fronts, Dhiraj.

And we will also work on working capital, some of it you have started seeing actually; the 90 days last year same quarter coming to 75 days helps us in releasing cash and becoming more agile and that is another piece that we are working on.

Dhiraj Mistry: Got it. Sir, last bit on this, what would be the potential benefit or let's say the order book you expect incrementally from India-UK and India-EU whenever it is then implemented?

Satyaki Ghosh: Like I said, U.S. has gone back to 59% to 60% now. If you ask me to reduce dependence there, I should think I should be able to restrict U.S. at 55% and still run my factories full and be ready to put in new lines and add capacity. So that's the endeavor, that the rest of the world has to grow faster than U.S. in my business portfolio for exports.

Now the India business is also growing. Our garmenting business, we also produce for other Indian brands, which you will go in and speak to them about their earnings, but when you speak of shirts, trousers, and suits, we are one of the best factories in the country, so we sometimes make for so-called our brand competitors also if we get orders.

Dhiraj Mistry: Got it. Sir, last bit on this, what would be the ROCE you would like to target and let's say what kind of utilization what you are right now, what can be the sustainable ROCE for this business?

Satyaki Ghosh: So, the ROCE is improving, but the ROCE will take some time to improve because we are still in investment mode. See, a lot of people are asking me when will stores come; as soon as the stores start coming, ROCE gets a hit. People are asking when will you put new lines and new factories because your garmenting demand is going up so much; moment I put that, ROCE gets challenged.

ROCE is sometimes an output metric and it's not a metric that you chase. It is good for the market to chase that, but when you run a business, you think, what can I do to make this business sustain for the next 50 years that it has done for the next 100 years? and not be short-sighted. So, I will work on my operational principles and I will try to do what is best for the company and the ROCE that comes out of it comes out.

But if you ask me, I have done enough businesses in my life to know mid-teens is a good ROCE to have for a manufacturing-driven business, so that will be the endeavor, but that is not the target that I am chasing. That should be the outcome of what I do.

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

Satyaki Ghosh: Thank you.

Moderator: Thank you. The next question comes from the line of Dev Rishi, an individual investor. Please go ahead.

Dev Rishi: Yes, thank you for the opportunity. So wanted some color on the outlook for the garmenting business. Like, are we seeing an improvement in overall demand from UK and U.S. markets? Like if you could just elaborate on the visibility of the business over the next few quarters, it'll be helpful.

Satyaki Ghosh: So I said, I have clear, full I have three factories in Karnataka, I have set up a new factory in Andhra, we have a factory in Ethiopia. So my five factories, I have no capacity to give till December. I am booking for January and my bookings are going well. So that's the guidance. We have orders from everywhere and we seeing demand.

I was in UK in July. I was in U.S. in July personally. I have met customers, I have met CEOs of big brands that you think of that you can think of, I have met the CEO of Tommy Hilfiger, Calvin Klein, Brooks Brothers, Charles Tyrwhitt in UK, I have met Taylor brands, Men's Wearhouse.

I have met Tommy Hilfiger in U.S., everybody is bullish about the business, everybody is seeing good off-take growth, like I am saying at the premium end of the market off-take in first quarter doesn't seem to be an issue. Consumer sentiment seems to be okay across territories. India as well, by the way.

Dev Rishi: So that's helpful. My next question is on the retail network. So the company has been optimizing its store network, overall portfolio over the last few quarters now. So like should we expect our store productivity and profitability from the existing network to improve like going forward?

Satyaki Ghosh: We should. The answer is yes.

Dev Rishi: Lastly on premiumization. This is a strategy which the company has been following for some time. So over the medium term, do we believe this strategy can support our revenue and margin expansion?

Satyaki Ghosh: The answer is again yes. Premiumization, I think I started talking about a quarter back, but maybe the company was following for quite some time, I don't know if you're a regular investor then you would know. But it should work on both ASPs and margin, because if you get ASP growth via premiumization and you don't get margin growth, that may not also be worth it.

Dev Rishi: So that's it from my side. Thank you so much, all the best.

Satyaki Ghosh: Thank you.

Moderator: Thank you. The next question comes from the line of Yogesh, an Individual Investor. Please go ahead. Mr. Yogesh Vittalrao, your line has been unmuted. Please go ahead with your question.

Yogesh Vittalrao: Yes. So I want to ask like there was some news related...

Moderator: I am sorry, sir, Mr. Yogesh, could you please use your handset? We can't hear you clearly.

Yogesh Vittalrao: Hello? Yes, am I audible now?

Moderator: Yes. Please go ahead.

Yogesh Vittalrao: So there is a trade agreement with the Australia or New Zealand announced by Indian government. So does it have any advantage to us related to the raw material cost as far as the wool is concerned?

Satyaki Ghosh: Actually wool never had so much taxes coming from Australia to India, it was always zero. So the FTA done by Indian government is most welcome, but it doesn't affect us so much. It doesn't positively or negatively.

Yogesh Vittalrao: Okay. The second question I have is the garmenting business, the tailwind in the garmenting business for the whole of the country. The other business are also showing good results. So does it have any advantageous impact on our fabric business also, like does other garmenting business source from us?

Satyaki Ghosh: So two pieces to your answer: number one, we get a lot of orders especially from top-end brands like Tommy, like Calvin Klein, like Brooks Brothers, because we are vertically integrated, because we can say the fabric is also made in my mill, the designer is also mine, I make the garment as well, and because I have my own brand, I understand how to make for a brand.

So the whole piece is called vertical integration and that works in our favor. Second, you are asking that do you make it for some Indian brands? The answer, short answer is yes.

You will not even get to know you will wear somebody else's garment but I do B2B fabric also, it could be my fabric, they have made it in another factory; it could be my fabric and my factory, I have made it for them; it could be somebody else's fabric, my factory, I have made it for them. All three are possible.

Yogesh Vittalrao: Okay. So what I am saying is do you see any uptrend in the textile business because of this garmenting tailwind?

Satyaki Ghosh: No, anybody who has garmenting stands a better chance of doing textile business, especially in B2B. Because when you go and sell the fabric, the brand still has to make the garment somewhere. If you can provide an integrated solution, it always helps in your pitch whether it is in India or abroad.

Yogesh Vittalrao: Okay, so that's it.

Moderator: Mr. Yogesh, does that answer your question?

Yogesh Vittalrao: Yes.

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

Satyaki Ghosh: Thank you to everybody who attended the call. We thank you for your time and interest in our business. We are really bullish about the year, we have done a good Q1, we are ahead of our budgets and we hope that we will give you good returns at the end of the year. Going forward, please do come and ask us as many questions as possible. It really helped. Thank you very much.

Moderator: Thank you sir. On behalf of Motilal Oswal Financial Services, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.