# Raymond Ltd

## Result Update

HOLD

## HOLD with an SOTP-based TP of INR 1,152

Raymond (RAYMOND), now a pure-play engineering company after the demerger of its lifestyle and realty businesses, reported 2QFY27 revenue from operations of INR 655 Cr (+24.2% YoY, +8.2% QoQ), led by a record quarter in Aerospace & Defence (A&D), which grew 72% YoY to INR 139 Cr. Precision Technology & Auto Components (PT&AC) grew 15% to INR 471 Cr. EBITDA excluding other income rose 74.1% YoY to INR 75 Cr at an 11.5% margin (+330 bps YoY), but fell 2.6% QoQ as gross margin slipped 125 bps on higher manufacturing costs. Reported EBITDA, which includes INR 28 Cr of other income, was INR 103 Cr (+30% YoY). PAT was INR 32 Cr (+131% YoY) against a base quarter distorted by a INR 167 Cr exceptional charge and a INR 162 Cr tax credit. Management guided for sustainable A&D growth in the mid-to-high 20s, raised the revenue potential of the existing Bengaluru aerospace facility to INR 700–750 Cr and kept the Andhra Pradesh greenfield on track for December 2027. We rate the stock HOLD with an SOTP-based TP of INR 1,152 (6% upside), valuing PT&AC at 15x and A&D at 40x FY28E EBITDA.

### Key Business Highlights

- **Aerospace at a Record:** Revenue of INR 139 Cr grew 72% YoY and 14% QoQ with EBITDA margin steady at 21.0%; A&D is now 21% of revenue from operations, up from 15% a year ago.
- **PT&AC Steady:** Revenue up 15% YoY to INR 471 Cr; EBITDA of INR 61 Cr rose 39% YoY excluding the ~INR 13 Cr land gain in the base quarter, with OEM (B2B) revenue up ~17–18%.
- **Sequential Margin Dip:** EBITDA margin excluding other income fell 127 bps QoQ to 11.5%; manufacturing and operating costs rose 12% QoQ against 8% revenue growth.
- **Other Income Flatters the Headline:** INR 28 Cr of other income is ~27% of reported EBITDA of INR 103 Cr; excluding it, the Others segment (aviation and corporate) posted an EBIT loss of INR 2 Cr.
- **Capacity Ahead of the Greenfield:** Nozzle guide vane capacity doubles to 16,000 units a year with revenue from 4QFY27; ~INR 400 Cr of the INR 1,000 Cr Andhra Pradesh commitment will be spent by December 2027.

### Valuation at a Glance

- **We rate Raymond HOLD with an SOTP-based target price of INR 1,152 (6% upside), valuing PT&AC at 15x and A&D at 40x FY28E EBITDA.** We model FY27E/FY28E revenue of INR 2,594 Cr/2,989 Cr, EBITDA (excluding other income) of INR 319 Cr/395 Cr at margins of 12.3%/13.2% and EPS of INR 13.4/14.9. At the CMP of INR 1,089, the stock trades at 82x/73x FY27E/FY28E EPS.

### Key Financial Snapshot

| Particulars (INR Cr) | FY24 | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|---|
| **Revenue** | **9,020** | **1,947** | **2,212** | **2,594** | **2,989** |
| *Revenue YoY %* | *9.8%* | *-78.4%* | *13.6%* | *17.3%* | *15.2%* |
| **EBITDA (INR Cr)** | **808** | **177** | **235** | **319** | **395** |
| *EBITDAM%* | *9.0%* | *9.1%* | *10.6%* | *12.3%* | *13.2%* |
| **PAT (INR Cr)** | **1,643** | **52** | **54** | **135** | **173** |
| *PAT Margin %* | *18.2%* | *2.7%* | *2.4%* | *5.2%* | *5.8%* |
| **EPS (INR)** | **246.1** | **7.0** | **8.1** | **13.4** | **14.9** |
| P/E (x) @CMP | 4.4x | 155.6x | 134.3x | 81.5x | 73.0x |
| ROCE % | 6.1% | 0.4% | 2.3% | 3.9% | 4.5% |
| ROE % | 32.5% | 1.3% | 1.7% | 4.0% | 4.2% |

### Stock Data

| | |
|---|---|
| CMP (INR) | 1,089 |
| Target | 1,152 |
| Upside (%) | 6% |
| BSE code | 500330 |
| NSE code | RAYMOND |
| Bloomberg Code | RW:IN |
| Face Value | 10.0 |
| Market Capitalization (Cr) | 7,226 |
| 1M Average Daily Volume | 33,05,745 |
| 52-week H/L | 1,339/320 |

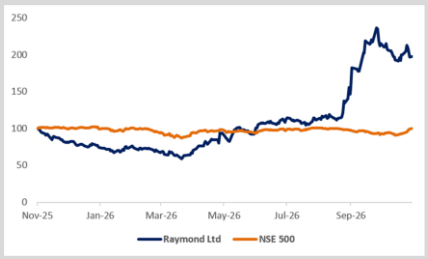
### Shareholding Pattern (%)

| Period | Jun'26 | Sep'26 |
|---|---|---|
| Promoters | 48.87 | 48.87 |
| FII | 7.89 | 7.19 |
| DII | 3.81 | 6.11 |
| Others | 39.41 | 37.82 |

### Estimates

| | Old | | New | |
|---|---|---|---|---|
| | FY27E | FY28E | FY27E | FY28E |
| EBITDA | 296 | 363 | 319 | 395 |
| EBITDA% | 11.7 | 12.6 | 12.3 | 13.2 |
| PAT | 79 | 100 | 89 | 114 |
| EPS | 11.79 | 15.07 | 13.36 | 14.92 |

### Price Chart




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## Key Takeaways from Earnings Call

### 1. Financial Performance

- **Revenue:** INR 655.2 Cr, up 24.2% YoY and 8.2% QoQ. Total income, including other income of INR 28.1 Cr, was INR 683.2 Cr (+21.2% YoY). H1FY27 revenue from operations was INR 1,260.8 Cr, up 19.8% YoY.
- **Gross margin:** 41.7%, -89 bps YoY and -125 bps QoQ. Material cost was stable at ~33% of revenue; the decline came from manufacturing and operating costs at 24.9% of revenue (24.0% in 1QFY27).
- **Costs:** Employee costs rose 18.7% YoY to INR 121.7 Cr (18.6% of revenue vs 19.4% in 2QFY26) and other expenses fell 3.6% YoY to INR 76.0 Cr (11.6% vs 14.9%), driving YoY operating leverage. Product development of ~4% of revenue is expensed through the P&L.
- **EBITDA:** INR 75.3 Cr excluding other income, up 74.1% YoY and down 2.6% QoQ, at an 11.5% margin (+330 bps YoY, -127 bps QoQ). Reported EBITDA including other income was INR 103 Cr, up 30% YoY (~56% excluding the ~INR 13 Cr land gain in 2QFY26), at 15.1% of total income.
- **PAT:** INR 32.1 Cr, up 130.8% YoY and 3.9% QoQ. PBT before exceptional items was INR 42.7 Cr (+123% YoY) and the tax rate was 24.9%. D&A was INR 39.8 Cr and finance costs INR 21.6 Cr. The share of JVs and associates, mainly Raymond UCO Denim, turned positive at INR 0.7 Cr.
- **Balance sheet:** Net cash surplus of INR 77 Cr at Sep'26 (INR 68 Cr at Mar'26). Inventory rose ~INR 23 Cr in 2Q as the company holds higher buffers against international shipping delays.

### 2. Operational Performance

- **Aircraft localisation:** 135 part awards on a flagship programme, with 100 parts in serial production and 35 in First Article Inspection.
- **LEAP engines:** Supplies both LEAP-1A and LEAP-1B; ~65% share in parts making up ~45% of the relevant portfolio and ~35% in most of the rest.
- **Development pace:** About one new aerospace component developed a day (~5 a week); customers are raising allocations after successful deliveries.
- **Defence:** Mass production of precision components for a leading defence OEM began in PT&AC; formal audit approval received from a key Indian defence and aerospace OEM in H1, and an undisclosed order secured for components and sub-assemblies.
- **Geography:** A&D revenue is 76% international (Europe 53%, US 23%); PT&AC is 59% international (Europe 32%, US 15%, Asia 8%, Africa 3%).

### 3. Segmental Performance

**Exhibit: Segmental performance**

| Particulars (INR Cr) | 2QFY27 | 2QFY26 | YoY | 1QFY27 | QoQ |
|---|---|---|---|---|---|
| Precision Tech & Auto Comp. | 471 | 409 | 15% | 444 | 6% |
| Aerospace & Defence | 139 | 81 | 72% | 123 | 14% |
| Others (incl. other income) | 73 | 73 | 0% | 61 | 19% |
| **Total income** | **683** | **564** | **21%** | **628** | **9%** |
| *A&D % of revenue from ops* | *21.3%* | *15.4%* | *+590 bps* | *20.3%* | *+100 bps* |
| PT&AC EBITDA | 61 | 57* | 8% | 61 | 0% |
| A&D EBITDA | 29 | 17 | 72% | 26 | 12% |
| Others EBITDA | 13 | 5 | 141% | 12 | 8% |
| **Reported EBITDA** | **103** | **79** | **30%** | **100** | **3%** |
| *PT&AC EBITDA margin* | *13.0%* | *13.9%* | *-90 bps* | *13.7%* | *-70 bps* |
| *A&D EBITDA margin* | *21.0%* | *21.0%* | *0 bps* | *21.1%* | *-10 bps* |
| *Reported EBITDA margin* | *15.1%* | *14.1%* | *+100 bps* | *15.9%* | *-80 bps* |
| **EBITDA excl. other income** | **75** | **43** | **74%** | **77** | **-3%** |
| *EBITDAM% (on revenue)* | *11.5%* | *8.2%* | *+330 bps* | *12.8%* | *-127 bps* |
| PT&AC EBIT | 40 | 37 | 9% | 42 | -3% |
| A&D EBIT | 19 | 7 | 156% | 16 | 19% |
| Others EBIT | -2 | -2 | | -2 | |

*Source: Company, InCred Research. Segment revenue and EBITDA as per the company's segmental disclosure, where Others includes other income, unallocated expenses and eliminations; 1QFY27 derived as H1FY27 less 2QFY27. Segment EBIT as per reported segment results. *2QFY26 PT&AC EBITDA includes a ~INR 13 Cr one-time gain on sale of land.*

- **Aerospace & Defence (21% of revenue)**
  - **Revenue:** INR 139 Cr, +72% YoY, +14% QoQ; H1FY27 INR 262 Cr, +56% YoY
  - **Margins:** EBITDA of INR 29 Cr at 21.0%, flat YoY despite 72% growth as the margin absorbs capacity scaling costs and full write-off of R&D on new parts; segment EBIT margin rose 438 bps YoY to 13.3%
  - **Drivers:** Higher aircraft build rates, new component additions and rising share in existing programmes

- **Precision Technology & Auto Components (72% of revenue)**
  - **Revenue:** Record INR 471 Cr, +15% YoY, +6% QoQ; B2B (OEM) ~INR 350 Cr, +17–18% YoY, and B2C (tools & hardware, aftermarket) ~INR 120 Cr, growing in the early teens
  - **Margins:** EBITDA of INR 61 Cr at 13.0%, +39% YoY and ~+220 bps excluding the base-quarter land gain, but ~70 bps lower QoQ
  - **Aftermarket:** Launched in August 2026 with ~800 part numbers, anchored by water pump assemblies; margins expected to exceed OEM in many categories
- **Others (other income, aviation and corporate items)**
  - **Profitability:** Reported revenue of INR 73 Cr includes INR 28 Cr of other income; excluding it, the segment posted an EBIT loss of INR 2.2 Cr (INR 2.4 Cr in 1QFY27)

## 4. Outlook & Guidance

**Revenue:**

- A&D growth guided in the mid-to-high 20s on a sustainable basis, rather than extrapolating recent 50%+ growth.
- Revenue potential of the existing Bengaluru aerospace facility raised to INR 700–750 Cr a year (from INR 600–650 Cr) through debottlenecking, additional machines, layout redesign and shorter cycle times.
- Nozzle guide vane capacity doubling from 8,000 to 16,000 units a year; machines have arrived, with ~45 days to commission and revenue visible from 4QFY27.
- Tools & hardware targeting double-digit growth, with ~50% of planned new product launches completed in the last three months.

**Margins and returns:**

- Product development spend of ~4% of revenue is expensed; management said EBITDA margin would be ~4 pp higher without it.
- Raw material costs are passed through with a lag, while freight and tooling inflation require customer-by-customer negotiation.
- Long-term ROCE target of 20–25%, balancing high-margin but capital-intensive engine parts with aerostructures and adjacent precision applications.

**Capex and capacity:**

- Andhra Pradesh greenfield commissioning on track for 3QFY28 (December 2027); ~INR 400 Cr of the INR 1,000 Cr five-year commitment will be invested by commissioning, phased with RFQs and demand.
- The brownfield facility, 2–3 km from the greenfield site, will serve PT&AC and training, with automotive production in FY27; aerospace production will not move there because of customer qualification requirements.
- Customer approvals take 3–6 months in aerospace and 3–9 months in automotive; the company will first transfer already-qualified parts and is working with five to six customers to speed approvals.

## 5. Strategic Initiatives & New Products

**New verticals:**

- Medical components: sampling underway with European customers, with clarity on commercialisation expected within six months.
- Industrial gas turbines are being evaluated as an adjacency to existing precision machining capabilities.
- Raw material localisation: Indian suppliers are qualifying aerospace-grade titanium, Inconel and other alloys over two to three years, which could cut lead times, costs and working capital.

**Inorganic growth:**

- Share warrant proceeds are earmarked for an acquisition fund; no target or timeline was disclosed.

## 6. Other KTA's

- **Order book:** Management declined to quantify the A&D order book, citing frequent schedule changes, and asked investors to track platform exposure, market share and execution.
- **JV turnaround:** The share of profit from Raymond UCO Denim turned positive in 2Q after a loss of INR 3.6 Cr in FY26.
- **Net cash:** The investor presentation states that Raymond will remain net cash surplus despite the capex programme.

## Valuation Thesis

### HOLD with an SOTP-based TP of INR 1,152

We value Raymond on SOTP, assigning 15x FY28E EBITDA to PT&AC and 40x to A&D, the premium reflecting A&D's faster growth and higher margins, to arrive at a TP of INR 1,152. With 6% upside from the CMP of INR 1,089, we rate the stock HOLD. We model a 16% revenue CAGR over FY26–FY28E, with A&D growing 40% in FY27E and 28% in FY28E, in line with management's mid-to-high-20s guidance.

**Exhibit: Segmental estimates**

| Particulars (INR Cr) | FY25A | FY26A | FY27E | FY28E |
|---|---|---|---|---|
| PT&AC revenue | 1,513 | 1,667 | 1,877 | 2,121 |
| PT&AC EBITDA | 166 | 210 | 247 | 281 |
| *EBITDA margin %* | *11.0%* | *12.6%* | *13.2%* | *13.2%* |
| A&D revenue | 311 | 392 | 548 | 699 |
| A&D EBITDA | 70 | 87 | 122 | 164 |
| *EBITDA margin %* | *22.3%* | *22.2%* | *22.3%* | *23.5%* |
| Other operating income | 123 | 153 | 170 | 170 |
| **Total revenue** | **1,947** | **2,213** | **2,594** | **2,989** |
| Segment EBITDA | 236 | 297 | 369 | 445 |
| Less: unallocated costs | (59) | (62) | (50) | (50) |
| **EBITDA (excl. other income)** | **177** | **235** | **319** | **395** |
| *EBITDA margin %* | *9.1%* | *10.6%* | *12.3%* | *13.2%* |

*Source: Company, InCred Research estimates.*

Raymond is now a pure-play precision engineering company, with A&D at 21% of revenue and capacity headroom before the greenfield goes live in December 2027. The key debates are margin quality, with other income at ~27% of reported EBITDA, and returns on the INR 1,000 Cr capex. After the stock's re-rating, we see these as balanced at current levels.

**Key monitorables:** A&D growth against guidance, PT&AC margin recovery, other income as cash goes into capex, capex funding and the Others segment loss.

### Key Risks to Our Thesis

| Risk | Description | Mitigation |
|---|---|---|
| **Aerospace programme concentration** | Revenue depends on LEAP engine programmes and a few global OEMs and Tier-1s; build-rate cuts or schedule changes hit volumes, and the order book is not disclosed. | 25+ aerospace clients and 1,300+ parts developed; the 135-part localisation programme adds breadth. |
| **Capex execution and returns** | ~INR 1,000 Cr Andhra Pradesh investment over five years against INR 77 Cr of net cash; slow customer approvals could hold back utilisation and ROCE. | Modular capex tied to dispatch schedules; already-qualified parts transferred first. |
| **Cost inflation and margins** | Freight, crude and tooling inflation; raw material pass-through lags, and ~4% of revenue goes on development. | Contractual pass-through, operating leverage and alloy localisation over two to three years. |
| **Export and auto demand** | 59% of PT&AC and 76% of A&D revenue is exported; tariffs or a slowdown in auto demand could weigh on volumes. | Powertrain-neutral products; aftermarket and defence diversify the mix. |

## Summary of Financials

Consolidated Quarterly Performance

| Particulars (INR Cr) | 2QFY27 | 2QFY26 | YoY | 1QFY27 | QoQ |
|---|---|---|---|---|---|
| **Revenue from Operations** | **655** | **528** | **24.2%** | **606** | **8.2%** |
| COGS | 382 | 303 | 26.1% | 346 | 10.5% |
| *%* | *58.3%* | *57.4%* | | *57.1%* | |
| **Gross Profit** | **273** | **225** | **21.6%** | **260** | **5.0%** |
| *GM%* | *41.7%* | *42.6%* | | *42.9%* | |
| Employee Exp. | 122 | 103 | 18.7% | 114 | 7.1% |
| *%* | *18.6%* | *19.4%* | | *18.8%* | |
| Other Exp. | 76 | 79 | -3.6% | 69 | 10.2% |
| *% of rev* | *11.6%* | *14.9%* | | *11.4%* | |
| **EBITDA** | **75** | **43** | **74.1%** | **77** | **-2.6%** |
| *EBITDAM%* | *11.5%* | *8.2%* | | *12.8%* | |
| D&A | 40 | 38 | 3.4% | 38 | 4.9% |
| Other Inc. | 28 | 36 | -22.1% | 22 | 24.8% |
| **EBIT** | **64** | **41** | **55.8%** | **62** | **2.8%** |
| *% margin* | *9.7%* | *7.7%* | | *10.2%* | |
| Interest | 22 | 22 | 0.6% | 20 | 6.7% |
| Share of JV / Associates | 1 | (0) | | (0) | |
| Exceptional Items | - | (167) | | - | |
| **PBT** | **43** | **(148)** | | **41** | **3.2%** |
| Tax | 11 | (162) | | 10 | |
| *tax %* | *24.9%* | | | *25.4%* | |
| **PAT** | **32** | **14** | **130.8%** | **31** | **3.9%** |
| *% margin* | *4.9%* | *2.6%* | | *5.1%* | |

Balance Sheet

| Particulars (INR Cr) | FY24 | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|---|
| Property, Plant & Equipment | 3,475 | 1,782 | 1,563 | 1,632 | 1,707 |
| Other NC Assets | 2,137 | 347 | 734 | 734 | 734 |
| **Total NC Assets** | **5,612** | **2,129** | **2,297** | **2,366** | **2,441** |
| Inventories | 3,514 | 419 | 487 | 540 | 593 |
| Trade Receivables | 1,407 | 406 | 521 | 604 | 655 |
| Cash & Liquid Inv. | 1,598 | 1,155 | 1,223 | 1,618 | 2,276 |
| Other Current Assets (incl. held for sale) | 870 | 3,608 | 211 | 235 | 266 |
| **Total Current Assets** | **7,389** | **5,587** | **2,442** | **2,996** | **3,791** |
| **Total Assets** | **13,001** | **7,716** | **4,739** | **5,361** | **6,232** |
| Equity Share Capital | 67 | 67 | 67 | 67 | 77 |
| Other Equity (incl. NCI) | 4,989 | 4,091 | 3,051 | 3,322 | 4,021 |
| **Total Equity** | **5,055** | **4,158** | **3,118** | **3,389** | **4,097** |
| Borrowings | 3,142 | 677 | 998 | 1,269 | 1,369 |
| DTL, Provisions & Other NCL | 1,312 | 314 | 126 | 147 | 147 |
| Trade Payables | 2,064 | 254 | 345 | 405 | 466 |
| Other Current Liabilities (incl. held for s | 1,428 | 2,314 | 152 | 152 | 152 |
| **Total Liabilities** | **7,946** | **3,559** | **1,621** | **1,973** | **2,134** |
| **Total Liabilities & Equity** | **13,001** | **7,716** | **4,739** | **5,361** | **6,232** |

Profit & Loss Statement

| Particulars (INR Cr) | FY24 | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|---|
| **Revenue from Operations** | **9,020** | **1,947** | **2,212** | **2,594** | **2,989** |
| *YoY Growth %* | *9.8%* | *-78.4%* | *13.6%* | *17.3%* | *15.2%* |
| Raw Material Costs | 3,321 | 695 | 751 | 895 | 1,031 |
| **Gross Profit** | **5,698** | **1,252** | **1,462** | **1,699** | **1,958** |
| *GM%* | *63.2%* | *64.3%* | *66.1%* | *65.5%* | *65.5%* |
| Employee Expenses | 1,161 | 382 | 418 | 467 | 538 |
| Other Exp. | 3,729 | 693 | 809 | 913 | 1,025 |
| **EBITDA** | **808** | **177** | **235** | **319** | **395** |
| *EBITDAM%* | *9.0%* | *9.1%* | *10.6%* | *12.3%* | *13.2%* |
| Depreciation | 284 | 146 | 152 | 156 | 175 |
| **EBIT** | **525** | **31** | **83** | **163** | **220** |
| Interest Expense | 376 | 65 | 84 | 91 | 105 |
| Other Income | 270 | 158 | 100 | 108 | 116 |
| Exceptional Items | - | - | (201) | - | - |
| **PBT** | **1,866** | **78** | **(102)** | **180** | **231** |
| Tax | 223 | 26 | (156) | 45 | 58 |
| **PAT** | **1,643** | **52** | **54** | **135** | **173** |
| *PAT Margin %* | *18.2%* | *2.7%* | *2.4%* | *5.2%* | *5.8%* |
| **EPS (INR)** | **246.1** | **7.0** | **8.1** | **13.4** | **14.9** |
| **PAT*** | **1,643** | **52** | **255** | **135** | **173** |
| **EPS (INR)*** | **246.1** | **7.0** | **38.3** | **13.4** | **14.9** |

**Adjusted for exceptional items (pre-tax add-back)*

Cash Flow

| Particulars (INR Cr) | FY24 | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|---|
| **CFO (Operating)** | **533** | **233** | **42** | **196** | **262** |
| PBT | 1,909 | 78 | 99 | 180 | 231 |
| D&A + Finance cost | 659 | 211 | 236 | 247 | 279 |
| Other non-cash items | (1,203) | 290 | (92) | (108) | (116) |
| WC changes | (755) | (230) | (127) | (100) | (75) |
| Taxes paid | (77) | (117) | (74) | (24) | (58) |
| **CFI (Investing)** | **(1,042)** | **(232)** | **(180)** | **(118)** | **(134)** |
| Capex | (208) | (158) | (114) | (225) | (250) |
| Others (incl. treasury) | (834) | (74) | (66) | 108 | 116 |
| **CFF (Financing)** | **502** | **(104)** | **230** | **316** | **531** |
| Net Borrowings | 957 | 19 | 327 | 271 | 100 |
| Dividends paid | (20) | (66) | (14) | - | - |
| Share issue proceeds | - | - | - | 136 | 536 |
| Other financing | (97) | 56 | - | - | - |
| Interest Paid | (337) | (113) | (83) | (91) | (105) |
| **Net Cash Change** | **(6)** | **(102)** | **92** | **395** | **659** |
| **Closing Cash** | **165** | **79** | **135** | **530** | **1,188** |
| **Free Cash Flow** | **326** | **75** | **(72)** | **(29)** | **12** |

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|---|---|
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|---|---|
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| Neutral | A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation. |
| Underweight | An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation. |

| Country Ratings | Definition: |
|---|---|
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| Underweight | An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark. |

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