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Rationalisation to shore up Raymond's same store sales

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RAYMOND, KNOWN FOR manufacturing and retailing men's wear across the country, is on a rationalisation spree. The company is looking to shut around 25 loss-making stores while renovating 50 stores in FY18, as it is focusing on reducing losses, senior executives close to the development said. Overall, the company plans to invest around ₹15 crore in retail, new stores and renovation in the next quarter.

While the company plans to add 150 stores in FY18, the retailer has already shut 12 stores in the first quarter and is likely to shut 13 more by year end. The company added 32 new stores in the first quarter, of which, 45% are franchised. In the same timeframe, Raymond completed renovation of eight stores. Currently, 15 stores of the company are under renovation.

Sanjay Behl, chief executive officer, Raymond, said, "Store renovation and shutting few loss-making stores has been a continuous process to reduce losses of the company. As for the store roll-out plan, in line with our strategy on asset light expansion, we will be adding about 150 stores. The majority of new stores will be based on a franchise model. Overall, our long-term strategy of improving our returns on investment remains intact."

Raymond's focus on renovation and shuttering down loss-making stores is likely to result in improvement of same-store-sales growth in the future. As per an Emkay report, the branded apparel revenue of Raymond grew by 17% year-on-year along with a same store sales growth of 20%. "Despite a decline in gross margins, operating cash flow losses narrowed to ₹7 crore from ₹8 crore in

Report card

Raymond (₹)	Q1 FY18	Q1 FY17	% chg
Total mn sq ft	2.02	1.93	1.04
No of stores	1,100	1,051	4.6
Y-o-Y (%)*	20	4	—
Sales per sq ft	5,228	4,782	9.3
Ebitda per sq ft	325	264	23

*same store sales growth (percentage-wise)

Q1FY17 on the back of operating leverage and lower ad spend," the report stated. Raymond's ready-to-wear segment outpaced the pack, growing by 42% year-on-year aided by network expansion, and expansion of product portfolio (leather and ethnic wear).

Analysts said that Raymond is presently revamping its ColorPlus brand and plans to promote it aggressively to bolster the recent slowdown in its sales. The company has also launched its ethnic wear collection Ethnix last season and plans to launch its Khadi collection in the second half of this fiscal. The branded apparels is expected to grow at a CAGR of 18% over FY17 to FY19, driven by the company's initiatives in branded extensions and retail expansion.

Basudeb Banerjee, an analyst at Antique Stockbroking, said in a report that every quarter, the management is targeting to renovate approximately 10 to 15 stores to improve the same store sales growth of these outlets from the current 20% levels. With these initiatives, the company is expected to ramp up margin in the branded apparel space to mid-single digit with channel mix and scale improvement down the line.



Honour for Nita

President Ram Nath Kovind presents Rashtriya Khel Protsahan Puruskar 2017 to Nita Ambani, chairperson, Reliance Foundation, at the National Sports and Adventure Award 2017 function at Rashtrapati Bhawan in New Delhi on Tuesday