

The Choice of
Millions of Feet



Relaxo Footwears Limited

Q2 FY2015 Performance Presentation

November 04, 2014



Forward Looking Statements

This presentation contains statements that contain “forward looking statements” including, but without limitation, statements relating to the implementation of strategic initiatives, and other statements relating to Relaxo Footwears’ (Relaxo) future business developments and economic performance.

While these forward looking statements indicate our assessment and future expectations concerning the development of our business, a number of risks, uncertainties and other unknown factors could cause actual developments and results to differ materially from our expectations.

These factors include, but are not limited to, general market, macro-economic, governmental and regulatory trends, movements in currency exchange and interest rates, competitive pressures, technological developments, changes in the financial conditions of third parties dealing with us, legislative developments, and other key factors that could affect our business and financial performance.

Relaxo undertakes no obligation to publicly revise any forward looking statements to reflect future / likely events or circumstances



Table of Contents

1. Financial Performance	4
2. Quarterly Financial Performance	7
3. Operational Metrics	8
4. Market Data	9
5. Leverage Profile	10
6. Statutory Financials	11



Financial Performance

Highlights – Q2 FY2015 vs. Q2 FY2014

- Net Sales increased by 26.0% to Rs. 33,190 Lacs
- EBITDA increased by 26.9% to Rs. 3,863 Lacs at a 11.6% margin
- Net Profit increased by 48.6% to Rs. 1,733 Lacs at a 5.2% margin; Net Profit Margins expanded by 80 bps
- Net addition of 7 retail stores during the quarter; total stores stood at 197
- Net Debt reduced significantly from Rs. 19,269 Lacs (March 2014) to Rs. 16,441 Lacs (September 2014)
- Debt / Equity reduced from 0.7x (March 2014) to 0.5x (September 2014)

Commenting on the results and performance, **Mr. Ramesh Kumar Dua, Managing Director** said:

“We are pleased to report that your company has delivered another quarter of “profitable growth” with revenue increasing by 26% and PAT by 49%, compared to same period last year. It has been driven by a healthy mix of volume growth, premiumization and expanding distribution reach to West and South markets.

We continue to invest significantly behind our brands with the aim of creating brand awareness and enhancing visibility. Towards the same, we have engaged Bollywood star Sonakshi Sinha as the brand ambassador for FLITE during the quarter. Operations at the central Warehouse facility at Bahadurgarh, Haryana has commenced during this quarter which would help us to drive logistics and warehousing efficiencies in addition to cost savings in rentals.

The final Phase II of SOPs (Standard Operating processes) has been successfully culminated and will further yield operational benefits going forward. During the quarter the Credit rating of long term facility has been upgraded to A + by leading rating agency – ICRA. This is a testament to the strength of our balance sheet.

The Management remains confident about the growing demand of high quality affordable footwear and will endeavor to further enhance its market share in the times to come”



Financial Performance

Key Financial Statistics

Rs. Lacs	Q2		y-o-y	Q1	q-o-q	Half Year Ended		y-o-y
	FY2015	FY2014	Growth (%)	FY2015	Growth (%)	FY2015	FY2014	Growth (%)
Net Sales	33,190	26,336	26.0%	37,211	(10.8)%	70,400	57,572	22.3%
EBITDA	3,863	3,043	26.9%	4,824	(19.9)%	8,688	7,506	15.7%
Margin (%)	11.6%	11.6%		13.0%		12.3%	13.0%	
Profit After Tax (PAT)	1,733	1,166	48.6%	2,313	(25.1)%	4,046	3,323	21.8%
Margin (%)	5.2%	4.4%		6.2%		5.7%	5.8%	
Basic EPS (Rs.)	2.89	1.94	49.0%	3.85	(24.9)%	6.74	5.54	21.8%



Financial Performance

Performance Discussion: Q2 FY2015 vs. Q2 FY2014

- **Sales:** Q2 FY 2015 Net Sales increased by 26% y-o-y to Rs. 33,190 lacs. The increase in sales was primarily driven by volume growth across major brands and premiumization

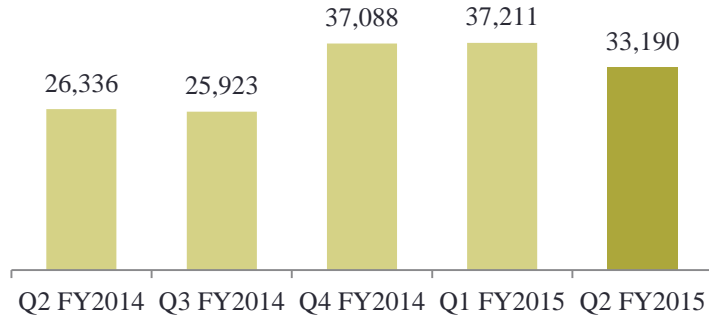
During the quarter, there has been a net addition of 7 retail stores in UP, Haryana, Punjab, J&K and Delhi. The Company also expects to continue its growth trajectory in South and West regions in India. Relaxo has also made early strides in the online business and expects to continue its focus on enhancing the same

- **EBITDA:** Q2 FY2015 EBITDA increased by 26.9% y-o-y to Rs. 3,863 Lacs. This increase was driven by higher volumes and premiumisation of products. During the quarter, the Company continued to expand its scale of operations and has been able to take advantage of controlled administrative fixed costs
- **Net Profit:** Q2 FY2015 Net profit increased by 48.6% to Rs. 1,733 Lacs. Interest cost decreased significantly by 27.9% due to lower debt requirements owing to better working capital management and internal cash accruals. Depreciation cost increased by 32.9% due to the adoption of Schedule II of the New Companies Act, 2013
- **Operations:** During the quarter, the central warehouse in Bahadurgarh (Haryana), having approximately covered area of 1,65,000 sq feet, became operational. The final Phase 2 of SOPs (Standard Operating Processes) was successfully implemented for streamlining of internal processes and cost optimization

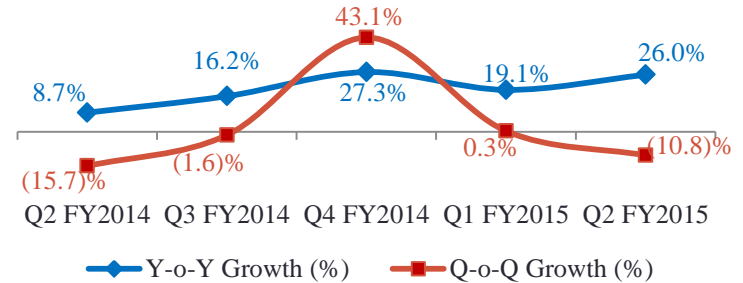


Quarterly Financial Performance

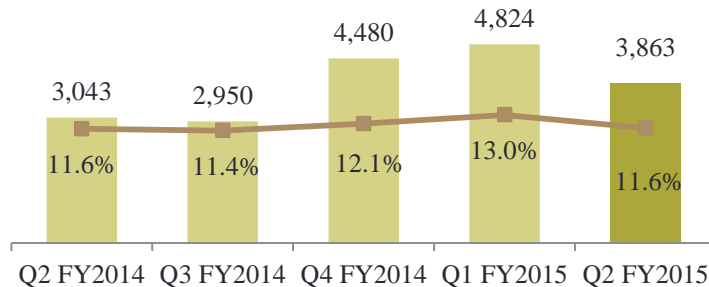
Net Sales (Rs. Lacs)



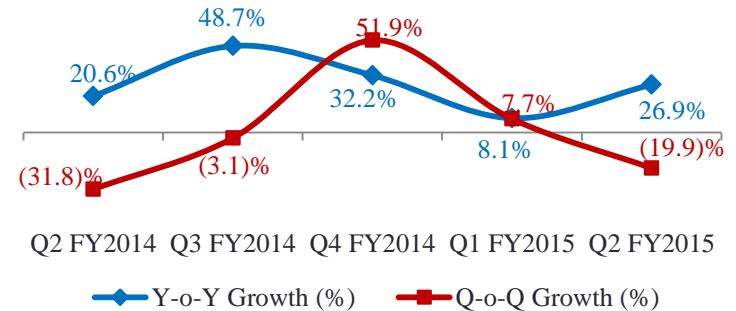
Net Sales Growth (%)



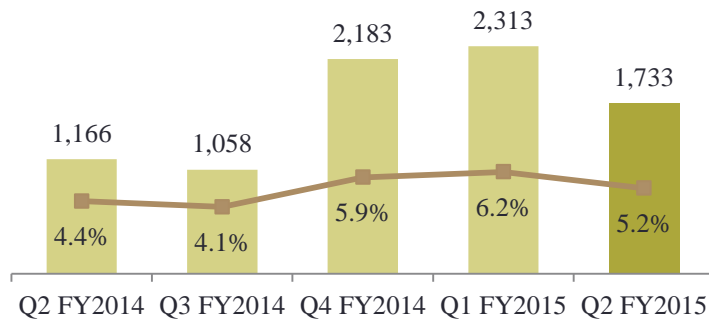
EBITDA (Rs. Lacs) and Margin (%)



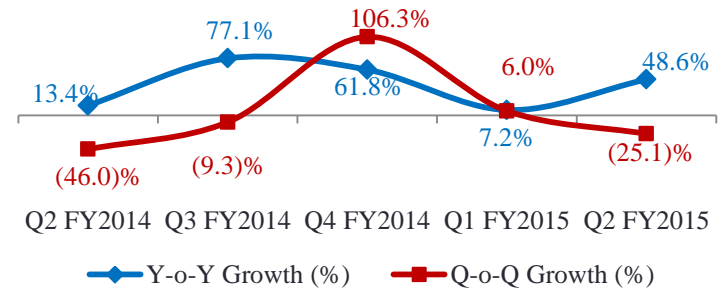
EBITDA Growth (%)



PAT (Rs. Lacs) and Margin (%)

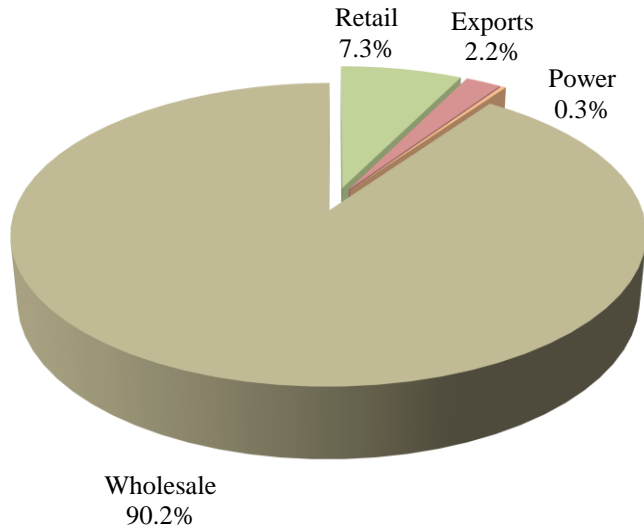


PAT Growth (%)



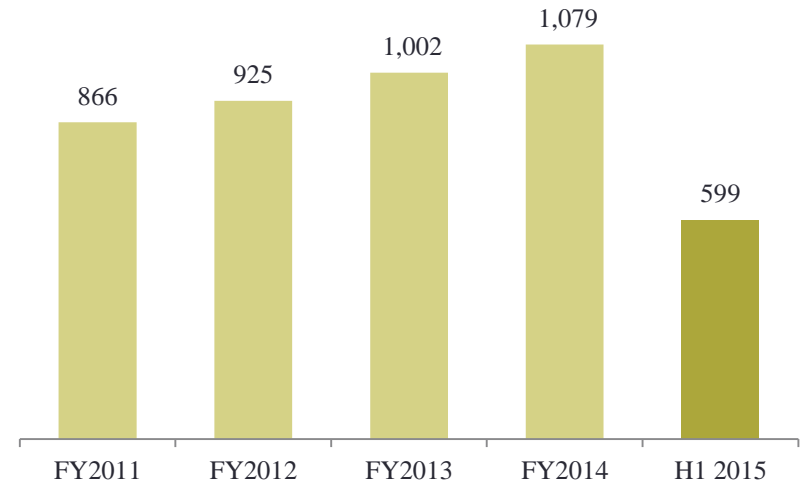
Operational Metrics

Sales by Distribution Network*



* Q2 FY2015

Sales Volumes – No. of Pairs (in Lacs)



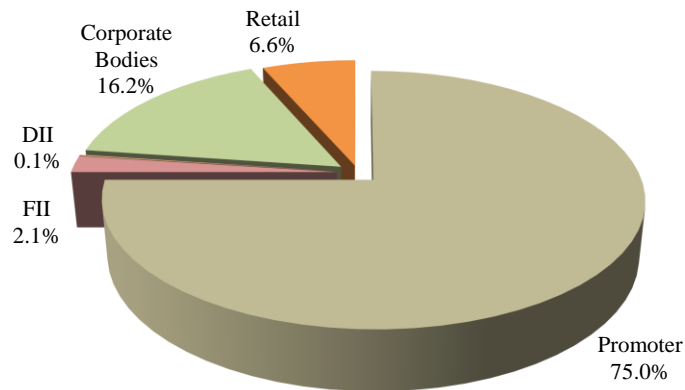
Comments

- Q2 FY2015 sales volume increased significantly
- The increase in sales volume was driven by strong performance of our key brands. This demonstrates the success and the acceptance for the brand from consumers



Market Data

Shareholding Pattern (30th September 2014)



Market Data

Market Cap. (Rs. million) (31-Oct-14)	30,798
Outstanding Shares (million)	60.0
Bloomberg Ticker	RLXF:IN
Reuters Ticker	RLXO.BO
BSE Ticker	530517
NSE Ticker	RELAXO

Shareholders	Sep-13	Dec-13	Mar-14	Jun-14	Sept-14
Promoter	75.0%	75.0%	75.0%	75.0%	75.0%
Foreign Institutional Investor (FII)	1.2%	1.1%	1.8%	2.0%	2.1%
Domestic Institutional Investor (DII)	0.0%	0.0%	0.1%	0.1%	0.1%
Corporate Bodies	16.5%	16.4%	16.1%	16.2%	16.2%
Retail	7.3%	7.5%	7.0%	6.7%	6.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%



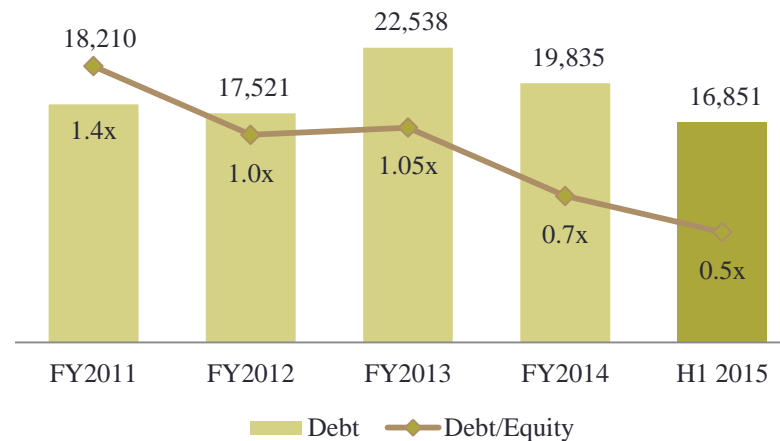
Leverage Profile

Particulars	30.09.2014 (Rs. Lacs)	31.03.2014 (Rs. Lacs)
Short Term Borrowings*	6,528	8,404
Long Term Borrowings	10,323	11,431
Total Debt	16,851	19,835
Less: Cash & Bank Balances	(410)	(566)
Net Debt	16,441	19,269
Net Worth	31,245	27,656

Agency	Instrument	Rating	Comment
ICRA	Short-Term Funds	A1	Indicates highest credit quality rating to short term debt instruments. Instruments rated in this category carry the lowest credit risk in short term
ICRA	Long-Term Funds	A+	Indicates adequate quality rating of long term debt instruments. Instruments rated in this category carry low credit risk in long term

* Short term borrowings includes term loans repayable within 1 year

Total Debt (Rs Lacs) and Total Debt/ Equity (x)



Unaudited Results for the quarter ended 30th September 2014

(All amounts are in Lacs of Indian Rupees, unless otherwise stated)

(Rs. in lacs)

Particulars	Quarter Ended			Half Year Ended		Year Ended
	30.09.2014	30.06.2014	30.09.2013	30.09.2014	30.09.2013	31.03.2014
Part I- Statement of Financial Results	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1 Income from operations						
Net sales / income from operations (Net of excise duty)	33189.61	37210.69	26335.75	70400.30	57572.11	120582.95
Other operating income	189.07	171.27	208.86	360.34	334.81	600.37
Total income from operations (net)	33378.68	37381.96	26544.61	70760.64	57906.92	121183.32
2 Expenses						
Cost of materials consumed	13886.49	15851.61	11335.40	29738.10	23773.52	46961.41
Purchases of stock-in-trade	2027.00	1728.16	1719.49	3755.16	2782.30	7495.31
Changes in inventories of finished goods, stock-in-trade and work-in-progress	(1305.99)	(495.17)	(1660.12)	(1801.16)	(1329.03)	645.93
Employee benefits expense	3136.73	3301.09	2744.88	6437.82	5755.09	11459.14
Depreciation and amortisation expense	992.68	1039.80	746.87	2032.48	1462.63	3116.47
Other expenses	11784.22	12182.90	9591.50	23967.12	19692.06	39963.85
Total expenses	30521.13	33608.39	24478.02	64129.52	52136.57	109642.11
3 Profit from operations before other income, finance costs and exceptional items (1- 2)	2857.55	3773.57	2066.59	6631.12	5770.35	11541.21
4 Other income	13.03	11.05	229.87	24.08	272.65	277.85
5 Profit from ordinary activities before finance costs and exceptional items (3+4)	2870.58	3784.62	2296.46	6655.20	6043.00	11819.06
6 Finance costs	416.10	490.15	577.35	906.25	1115.85	2265.87
7 Profit from ordinary activities after finance costs but before exceptional items (5-6)	2454.48	3294.47	1719.11	5748.95	4927.15	9553.19
8 Exceptional items	0.29	-	0.32	-	-	-
9 Profit from ordinary activities before tax (7-8)	2454.19	3294.47	1718.79	5748.95	4927.15	9553.19
10 Tax expense	721.46	981.26	553.19	1702.72	1603.97	2989.55
11 Net Profit from ordinary activities after tax (9-10)	1732.73	2313.21	1165.60	4046.23	3323.18	6563.64
12 Extraordinary items	-	-	-	-	-	-
13 Net Profit for the period (11-12)	1732.73	2313.21	1165.60	4046.23	3323.18	6563.64
14 Paid up equity share capital (Face value of Re. 1/- share each)	600.06	600.06	600.06	600.06	600.06	600.06
15 Reserves excluding revaluation reserve						27056.12
16 Earnings per share (EPS) in Rs.						
Basic & diluted EPS before extraordinary items	2.89	3.85	1.94	6.74	5.54	10.94
Basic & diluted EPS after extraordinary items	2.89	3.85	1.94	6.74	5.54	10.94
17 Earnings before interest, taxes, depreciation and amortisation (EBITDA)	3863.26	4824.42	3043.33	8687.68	7505.63	14935.53



Unaudited Results for the quarter ended 30th September 2014
(All amounts are in Lacs of Indian Rupees, unless otherwise stated)

Part II-Select Information for the Quarter Ended 30th September, 2014						
A	Particulars of Shareholding					
1	Public Shareholding					
	Number of shares	15001500	15001500	15001500	15001500	15001500
	Percentage of shareholding	25.00	25.00	25.00	25.00	25.00
2	Promoters and Promoter group shareholding					
	a) Pledged/ Encumbered					
	Number of shares	-	-	-	-	-
	Percentage of shares (as a % of the total shareholding of promoters)	-	-	-	-	-
	Percentage of shares (as a % of the total share capital of the company)	-	-	-	-	-
	b) Non Encumbered					
	Number of shares	45004500	45004500	45004500	45004500	45004500
	Percentage of shares (as a % of the total shareholding of promoters)	100.00	100.00	100.00	100.00	100.00
	Percentage of shares (as a % of the total share capital of the company)	75.00	75.00	75.00	75.00	75.00
B	Particulars	Quarter Ended 30.09.2014				
	Investor Complaints/ Requests					
	Pending at the beginning of the quarter			0		
	Received during the quarter			7		
	Disposed of during the quarter			7		
	Remaining unresolved at the end of the quarter			0		



Unaudited Results for the quarter ended 30th September 2014

(All amounts are in Lacs of Indian Rupees, unless otherwise stated)

Statement of Assets and Liabilities

Particulars	(Rs. in lacs)		
	As at 30.09.2014	As at 30.09.2013	As at 31.03.2014
(A) Equity and Liabilities			
1 Shareholders' Funds			
Share Capital	600.06	600.06	600.06
Reserves and Surplus	30645.17	24166.68	27056.12
Sub-total - Shareholders' Funds	31245.23	24766.74	27656.18
2 Non Current Liabilities			
Long Term Borrowings	10323.20	13838.02	11430.95
Deferred Tax Liabilities (Net)	2177.26	2403.60	2638.43
Other Long Term Liabilities	560.56	541.38	552.82
Long Term Provisions	324.60	424.37	286.05
Sub-total - Non Current Liabilities	13385.62	17207.37	14908.25
3 Current Liabilities			
Short Term Borrowings	3216.41	6465.31	4840.80
Trade Payables	4839.56	4119.24	5868.61
Other Current Liabilities	14119.99	11132.00	11881.44
Short Term Provisions	518.34	540.32	526.64
Sub-total - Current Liabilities	22694.30	22256.87	23117.49
Total Equity and Liabilities	67325.15	64230.98	65681.92
(B) Assets			
1 Non Current Assets			
Fixed Assets	38749.61	36385.03	39005.62
Non Current Investments	6.01	6.01	6.01
Long Term Loans and Advances	1916.86	1658.01	1272.28
Other Non Current Assets	0.74	38.55	38.66
Sub-total - Non Current Assets	40673.22	38087.60	40322.57
2 Current Assets			
Current Investments	-	1012.82	-
Inventories	18050.94	17362.07	16399.93
Trade Receivables	5931.97	5127.84	6821.81
Cash and Bank Balances	409.78	342.66	566.42
Short Term Loans and Advances	2040.05	2085.39	1283.28
Other Current Assets	219.19	212.60	287.91
Sub-total - Current Assets	26651.93	26143.38	25359.35
Total Assets	67325.15	64230.98	65681.92



Unaudited Results for the quarter ended 30th September 2014
(All amounts are in Lacs of Indian Rupees, unless otherwise stated)



Notes

1. The above results were reviewed by the Audit Committee and have been approved by the Board of Directors at their meeting held on 31st Oct, 2014. The same have been subjected to Limited Review by Statutory Auditors.
2. The Company's business activity falls within a single significant primary business segment, viz. "Footwear and Related Products", therefore no separate segment information is disclosed under Accounting Standard (AS) - 17, "Segment Reporting" issued by The Institute of Chartered Accountants of India (ICAI).
3. In accordance with Schedule II of the Companies Act, 2013, the Management, based on internal technical evaluation has reassessed the remaining useful life of certain assets with effect from 1st April, 2014. As a result of the above, depreciation is higher by Rs. 261.48 lacs for the half year ended 30th Sept, 2014.
4. Previous period figures have been regrouped / rearranged wherever considered necessary.

On behalf of the Board of Directors

Ramesh Kumar Dua
Managing Director

Delhi, 31st Oct, 2014





Quality Par Excellence

Relaxo Footwears Limited

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