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INDIA's BEST CEOs

RAMESH KUMAR DUA, Managing Director, Relaxo Footwears

The Curious Entrepreneur

Ramesh Kumar Dua has taken Relaxo Footwears to great heights despite strong competition.

BY SONAL KHETARPAL

For Ramesh Kumar Dua, MD of Relaxo, learning never stops. The 62-year-old admits that he regularly visits his factories and meets distributors "to learn".

He joined the company, a very small enterprise back in 1976, at the behest of his father, while prepping for MBBS exams. At 17, he was helping his older brother run the manufacturing business of *hawai chappals*. From blue and white slippers in 1976 to 10 casual and semi-formal footwear brands, Relaxo has emerged as one of the largest manufacturers of footwear in the country, with a production capacity of more than 600,000 pairs a day, across its eight factories.

There's been a steady rise in its financials, too. Its income soared from ₹1214.6 crore in FY2014 to ₹1715.3 in FY2016. During this period, its net profit increased at a CAGR of 37.3 per cent to ₹116 crore. Interestingly, the proportionate increase in debt is quite low – it increased at a CAGR of 4.9 per cent to ₹236.4 crore.

Dua attributes the growth to "constant change and evolution". Forty years ago, the focus was on durable slippers for the working class that would last them a year. With disposable incomes rising and people becoming more fashion conscious, Relaxo has been focusing on premium footwear. Its product catalogue, which Dua displays with childlike enthusiasm, depicts quite a contrast – from the 90's monochromes to the new range of colourful flip-flops, with an emphasis on colours and screen prints. The company has brought in new screen printing technology with which 200 new designs were launched last year. As of

BEST CEO
(Consumer Goods)

TOTAL INCOME/ 3-YR CAGR
₹1,715.3 cr / 19.3%

PBIT/ 3-YR CAGR
₹200.5 cr / 32.9%

PAT/ 3-YR CAGR
₹116 cr / 37.3%

3-YR AVERAGE TSR
94.9%

AVERAGE MCAP YOY GROWTH*
22.2%

ROE/ ROCE
28.4% / 30.3%

CASH/ DEBT
₹2.4 cr / ₹236.4 cr

NET PROFIT MARGIN
6.9%

*For Oct 2015-Sep 2016
Standalone data; Total Income, PBIT & PAT net of extraordinary items; TSR: Total shareholder returns;
Source: ACE Equity

today, Relaxo offers over 400 designs across its 10 brands.

Analysts say that in the ₹48,000-crore footwear market – growing at 15 per cent per annum – casual footwear and active wear categories are driving the growth. "Relaxo caters to both these categories in the value segment. Moreover, its focus on functional footwear, such as slippers and slip-ons, caters to the low -and high-value consumer," says Ankur Bisen, Senior VP, Retail & Consumer Products, Technopak.

Relaxo competes with unbranded trademarks and other value-focused footwear brands such as Action, Liberty, Lakhani, and regional brands. Recently, there has been a spurt of retailers, such as Big Bazaar, launching private footwear labels, too. "Even if the company is able to continue with its pace and protect its market share, it will grow due to the growing segment," adds Bisen.

THE JOURNEY

Brand Relaxo was incorporated in **1976**

Started with one product; now has **12,000 SKUs**

Has **14,000** employees

Reaches 50,000 retail outlets through 800 distributors

Manufactures in eight factories

Has ten brands – Relaxo, Flite, Bahamas, Sparx, Schoolmate, Elena, Casualz, Mary Jane, Boston and Kidsfun

Market size: **₹48,000 crore**

STRIDING ON

Apart from its product portfolio, the company is expanding its production capacity, too, in line with the trends. To capitalise on the popularity of PU (polyurethane) footwear, the company installed a state-of-the art plant in Bahadurgarh, Haryana. It has 70 products in the PU range, and plans to add 30 more in the next few months.

Over the past two years, the company has taken initiatives to improve its supply chain efficiency. Relaxo has implemented lean manufacturing across all its eight manufacturing units to reduce raw material wastage, and encourage optimal manpower utilisation. Instead of buying electricity from state boards, it does so from electricity exchanges at differential prices. "This has considerably reduced the per-unit cost of electricity, and has had a significant impact on the company's bottom line," Dua informs.

Even as companies opt for asset-light models, Relaxo still does all of its production in-house, except for leather shoes. "We will continue to own everything – the land, machinery, factory, because it helps us keep a tight grip on quality. Also, we can bring in the best technology for our manufacturing units," Dua says. Till now, all of its 260 retail outlets have been company-owned and operated. Dua now plans to adopt the franchise model to accelerate the company's reach in untapped markets in India, "having established the company's best practices".

On the anvil is a 15-acre factory in Bhiwadi, Rajasthan – three times the average size of its current manufacturing units – to meet Relaxo's product expansion plans. The company also wants to consolidate its distributor base to tap unexplored markets, and improve its retail connect all over India. "In South India, for instance, Sparx is an established brand; so we will now focus on expanding in other categories," says Dua. The company currently has a network of 800 distributors with a reach of around 50,000 multi-branded outlets, accounting for more than 90 per cent of its sales.

EAR TO THE GROUND

Dua and his brother Mukand Lal are always listening – to their customers and distributors. The latter visits retail outlets twice or thrice a week to gather feedback from customers and spot trends. Mukand Lal Dua can be seen walking around with different shoes to experience their comfort level first hand. "Technical specifications can be tested in a lab, but to get the 'feel' one has to use it," Dua says, adding that it only makes them more confident about their products. Relaxo has a team of over 25 product development experts involved in renewing the product portfolio.

The company holds distributor meets regularly, where all its 800 distributors are invited. Dua makes it a point to meet some of the 'intelligent' ones for feedback, and to understand the challenges they face. It is this curiosity that frequently takes him to his company's eight manufacturing units. "I try to visit every factory twice in a quarter. But, if there is a new machine or some challenge, I may go every week."

Whether it is new technology or administrative issues – nothing is trivial for him. Every factory of Relaxo's has an MD's register in which he diligently notes his observations and suggestions for improvement – something as banal as changing the lights so as to spot product defects easily. "These little details often get missed when one works from air-conditioned offices, affecting the company's productivity," he says. ◆

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