

The Choice of
Millions of Feet



Relaxo Footwears Limited

Q4 and Full Year FY2014 Earnings Presentation

May 10, 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



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Relaxo: At a Glance

Company Background

- Established in 1984, Relaxo is the largest footwear manufacturing Company in India
- The Company's products include Rubber / Eva slippers, canvas shoes, sport shoes, sandals, school shoes and other types of footwear
- It has a portfolio of 10 brands and ~50,000 retailers and distributors. Major brands of the Company are Relaxo, Flite, Sparx and Schoolmate with Relaxo being the flagship brand
- Relaxo has 8 state of the art manufacturing facilities, six in Bahadurgarh (Haryana) and one each in Bhiwadi (Rajasthan) and Haridwar (Uttaranchal)
- Production capacity of around 160 million pairs of footwear per annum
- Relaxo has 184 company-owned outlets across India, with a concentrated presence in Delhi, Rajasthan, Gujarat, Haryana, Punjab, Uttar Pradesh and Uttarakhand

Key Brands



Financial Performance

Highlights – FY2014 vs. FY2013

- Net Sales increased by 20.0% to Rs. 120,583 lacs
- EBITDA increased by 34.7% to Rs. 14,936 lacs; EBITDA margins increased by 135 bps to 12.4%
- Net Profit increased by 46.5% to Rs. 6,564 lacs; Net Profit margins increased by 98 bps to 5.4%
- Total debt decreased by (12.0)% to Rs. 19,835 lacs; Debt / Equity ratio of 0.7x
- Total retail outlets increased from 168 to 184 during FY2014
- Board of Directors recommended dividend of 50% for FY2014

Management Commentary

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

We are pleased to announce another year with a strong performance despite a difficult overall economic environment. FY2014 revenue grew by 20% to over Rs. 1,200 Crore and EBITDA increased by 35% at 12.4% margins. Our financial performance was driven by the strong growth of our key brands, in particular Sparx. Market penetration for our key brands continued to increase.

Management's relentless efforts towards the cost optimization and efficiency enhancement through our 'Parivartan' initiative have started to contribute to our overall productivity. Furthermore as we continue to expand our retail distribution network, the Company has also strategically undertaken rationalization of selected stores to improve profitability.

With the Rubber / Eva slippers capacity expansion at Bhiwadi and the central warehousing facility at Bahadurgarh, Relaxo is well positioned to capitalize on the increasing demand for our products and enhance service levels.



Financial Performance

Key Financial Statistics

Rs. Lacs

Particulars	Q4		y-o-y	Q3	q-o-q	Year Ended		y-o-y
	FY2014	FY2013	Growth (%)	FY2014	Growth (%)	FY2014	FY2013	Growth (%)
Net Revenue from Operations ¹	37,088	29,141	27.3%	25,923	43.1%	120,583	100,498	20.0%
EBITDA	4,480	3,388	32.2%	2,950	51.9%	14,936	11,089	34.7%
Margin (%)	12.1%	11.6%		11.4%		12.4%	11.0%	
Profit After Tax (PAT)	2,183	1,349	61.8%	1,058	106.3%	6,564	4,481	46.5%
Margin (%)	5.9%	4.6%		4.1%		5.4%	4.5%	
Basic EPS ² (Rs.)	3.64	2.25	61.8%	1.76	106.3%	10.94	7.47	46.5%

Note:

1. Net Revenue from Operations does not include other operating income
2. Equity shares of the Company has been split in the ratio 1:5 with effect from 22nd Nov 2013



Financial Performance

Performance Discussion: Q4 FY2014 vs. Q4 FY2013

- **Net Revenue:** Net Revenue during the quarter increased by 27.3%. This growth was driven by the strong performance of key brands Relaxo, Flite, Sparx including PU Fashion. Overall sales volume increased by 12.2%. Further, retail division sales increased by 30.0% y-o-y and the exports increased by 19.0%

The Company has recently initiated modern trade through institutional sales and online shopping access to the customers, to boost sales and have presence in all Trade options

- **EBITDA:** Q4 FY2014 EBITDA increased by 32.2% and margins increased by 45 bps to 12.1% during the same period. This increase was driven by higher sales, employee cost optimization in the sales team and rationalization of retail stores

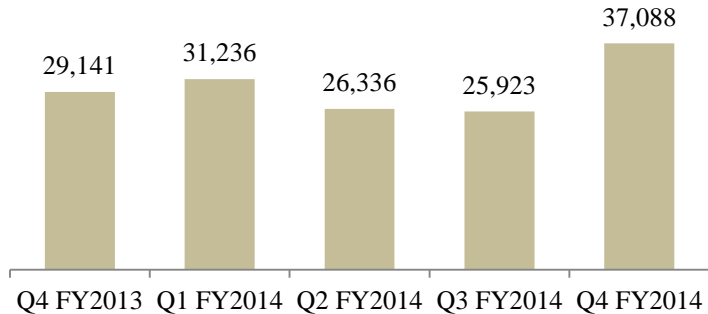
Parivartan, a strategic initiative targeted towards improving operating efficiency was undertaken by Relaxo in Q3 FY2014. The project has been making contributions in improving the productivity during the quarter

- **Net Profit:** Q4 FY2014 Net Profit increased by 61.8% and margins increased by 126 bps to 5.9%. Interest cost remained relatively flat compared with Q4 FY2013. There was a portion of interest on account of investment in the Flite PU Fashion brand, which was capitalized last year and now being charged to P&L. This was offset by lower interest as a result of reduction in total debt.
- **Operations:** Relaxo is setting up a central warehouse at Bahadurgarh (Haryana). This will further enhance the service levels of the Company
- **Employee Benefit:** The Board has given in-principle approval for Employees Stock Option Scheme (ESOS) to be executed in one or more tranches subject to approval of Shareholders. In this scheme maximum 1.50 % equity shares of issued, subscribed and paid up capital may be offered to eligible employees

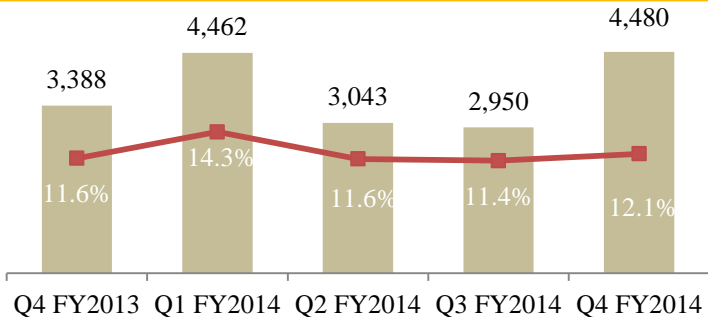


Quarterly Financial Performance

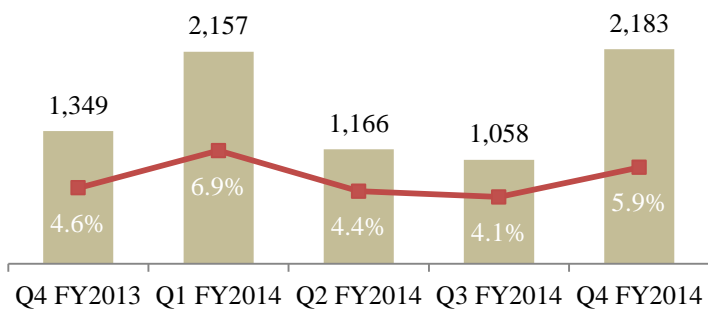
Revenue from Operations (Rs. Lacs)



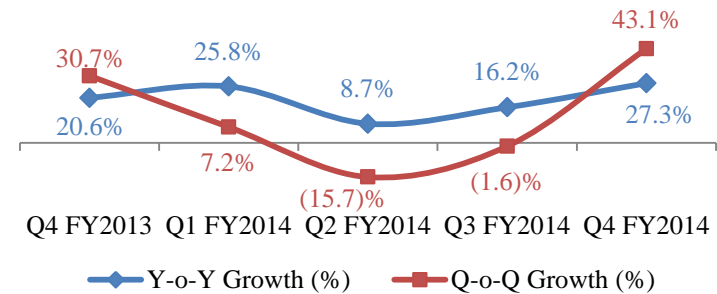
EBITDA (Rs. Lacs) and Margin (%)



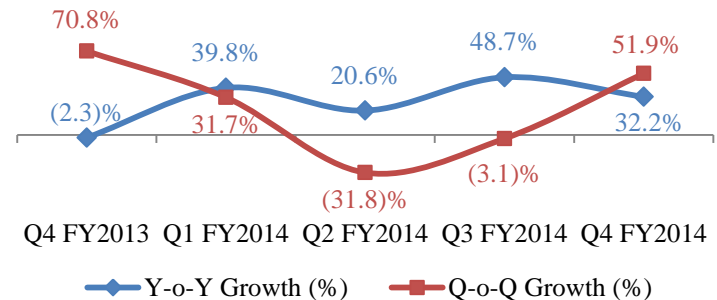
PAT (Rs. Lacs) and Margin (%)



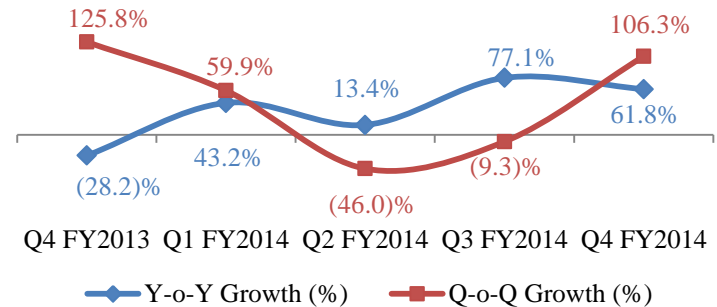
Revenue Growth (%)



EBITDA Growth (%)

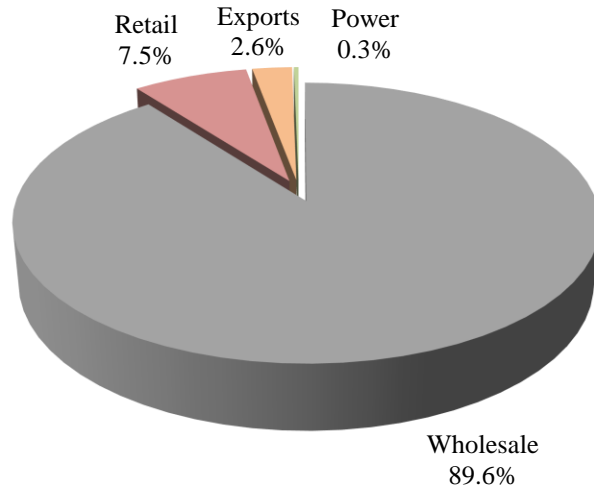


PAT Growth (%)

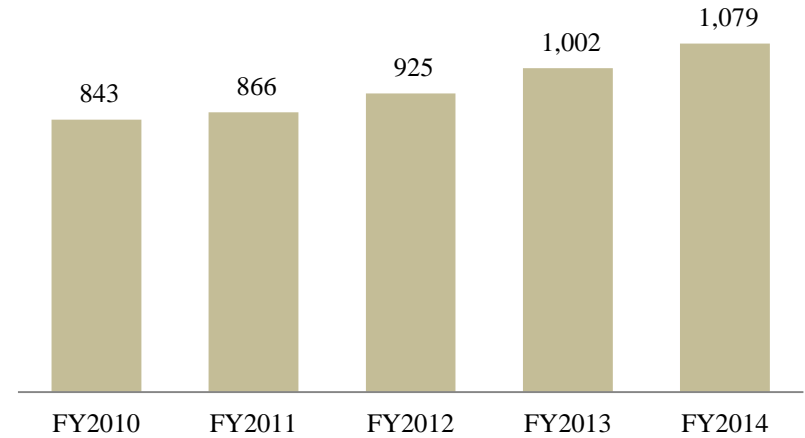


Operational Metrics

FY2014 Revenue by Distribution Network



Sales Volumes – No. of Pairs (in Lacs)



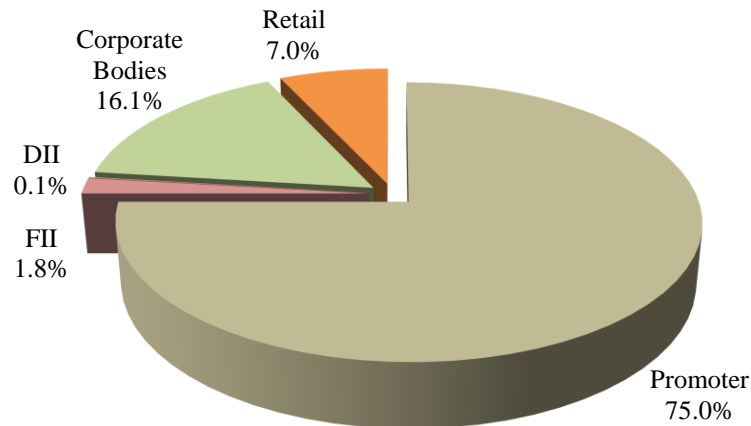
Comments

- FY2014 sales volume increased by 7.7% to 1,079 lacs pairs
- The increase in sales volume was driven by its key brands Relaxo, Flite, Sparx and recently launched Flite PU Fashion brand. This demonstrates the success and the acceptance of the brands from consumers



Market Data

Shareholding Pattern (31st March 2014)



Market Data

Market Cap. (Rs. million) (9-May-14)	20,427.8
Outstanding Shares (million)	60.0
Book Value /Share (Rs.) (31-Mar-14)	46.10
Bloomberg Ticker	RLXF:IN
Reuters Ticker	RLXO.BO
BSE Ticker	530517
NSE Ticker	RELAXO

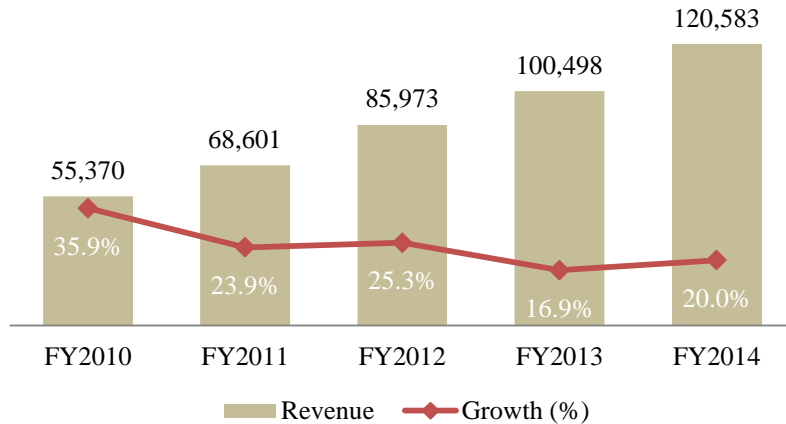
Shareholders	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14
Promoter	75.0%	75.0%	75.0%	75.0%	75.0%
Foreign Institutional Investor (FII)	1.2%	1.2%	1.2%	1.1%	1.8%
Domestic Institutional Investor (DII)	0.0%	0.0%	0.0%	0.0%	0.1%
Corporate Bodies	16.1%	16.3%	16.5%	16.4%	16.1%
Retail	7.7%	7.5%	7.3%	7.5%	7.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: BSE

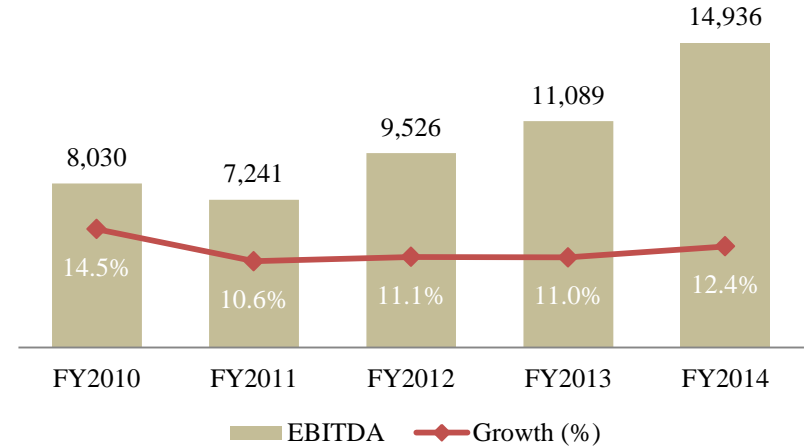


Yearly Financial Highlights

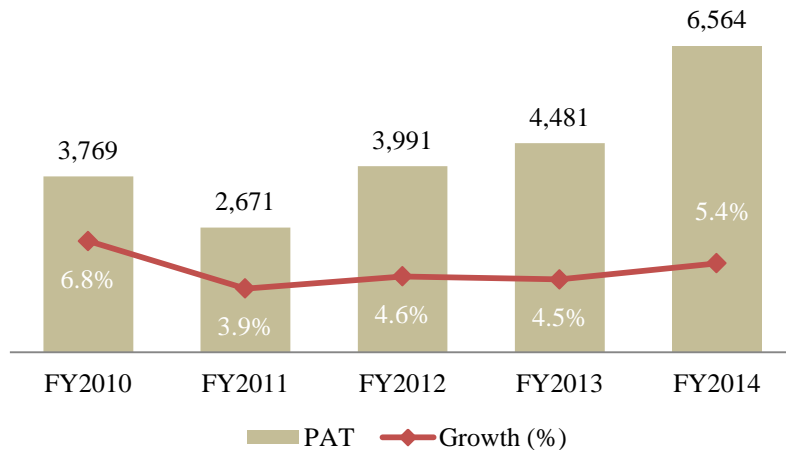
Revenue (Rs. Lacs) and Growth (%)



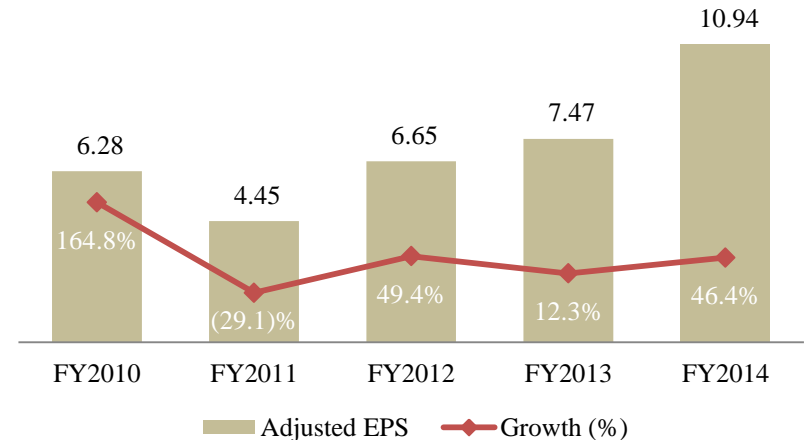
EBITDA (Rs. Lacs) and Margin (%)



PAT (Rs. Lacs) and Margin (%)



EPS (Rs.) & Growth (%)



Note: EPS has been adjusted for 1:5 share split in FY2014

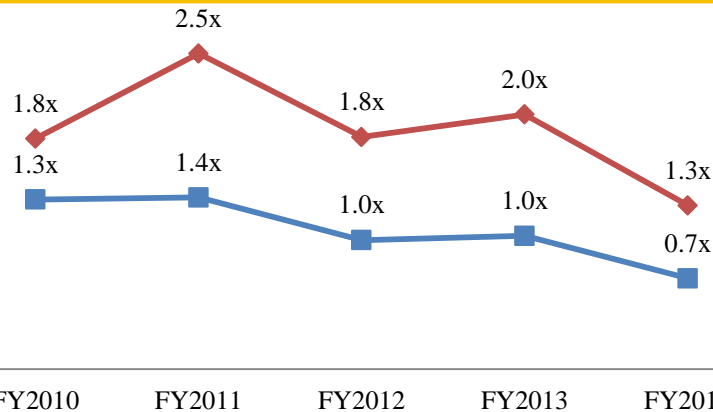


Leverage Profile

Particulars	FY2014 (Rs. Lacs)	FY2013 (Rs. Lacs)
Short Term Borrowings*	8,404	7,514
Long Term Borrowings	11,431	15,024
Total Debt	19,835	22,538
Less: Cash & Cash Equivalents	(566)	(297)
Net Debt / (Net Cash)	19,269	22,241
Net Worth	27,656	21,444

* Short term borrowings includes term loans repayable within 1 year

Net Debt/EBITDA (x) & Total Debt/ Equity (x)

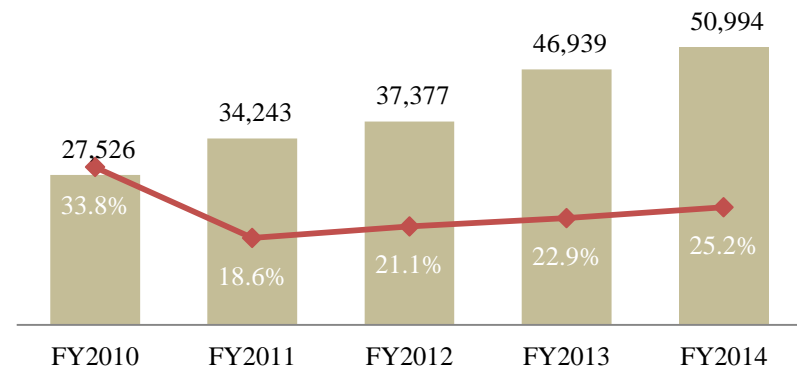


◆ Net Debt/EBITDA ■ Debt/Equity

Note: 1. Capital Employed: Total Asset – Current Liabilities

2. ROCE (Return on Capital Employed): Earnings before interest and taxes / Opening Capital Employed

Capital Employed (Rs. Lacs) and ROCE (%)



■ Capital Employed ◆ ROCE (%)

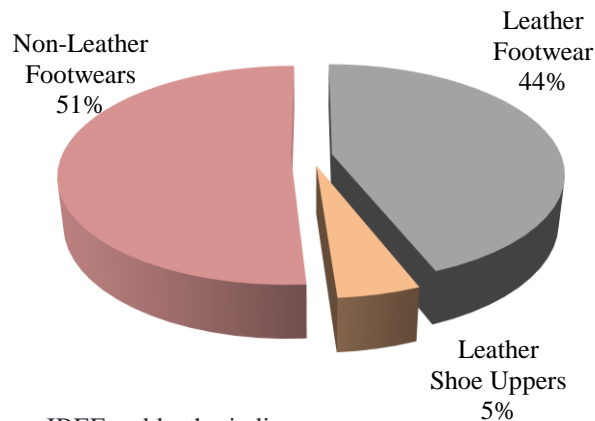


Industry Dynamics

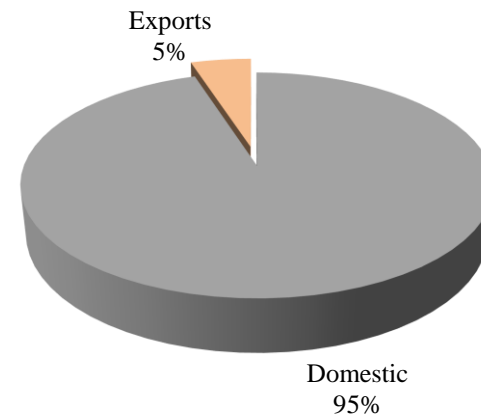
Indian Footwear Industry

- India is the second largest producer of footwear in the world after China with 16 billion pairs per annum, accounting for 13% of the global footwear production
 - Nearly 95% of the total footwear production in India is sold domestically
 - India's footwear export (leather, uppers and non-leather) has grown at a CAGR of 7.6% during the last five years ending FY2013
- Increasing scope for investment in footwear industry due to recent de-licensing by the government and foreign direct investment for the sector
- Indian footwear market is showing signs of improvement in quality and technology and is expected to be driven by the EU and the US markets

Production Breakup



Sales Geographic Breakup



Source: IBEF and leatherindia.org



Audited Results for the quarter and the year ended 31st March 2014

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

Particulars	Quarter Ended			Year Ended	
	31.03.2014	31.12.2013	31.03.2013	31.03.2014	31.03.2013
Part I- Statement of Financial Results	Audited	Unaudited	Audited	Audited	Audited
1 Income from operations					
Net sales / income from operations (Net of excise duty)	37087.64	25923.20	29140.82	120582.95	100498.27
Other operating income	143.74	121.82	142.94	600.37	484.46
Total income from operations (net)	37231.38	26045.02	29283.76	121183.32	100982.73
2 Expenses					
Cost of materials consumed	12901.06	10286.83	10102.96	46961.41	43495.25
Purchases of stock-in-trade	2972.06	1740.95	1524.69	7495.31	6800.91
Changes in inventories of finished goods, stock-in-trade and work-in-progress	2343.87	(368.91)	1754.78	645.93	(3354.08)
Employee benefits expense	3039.24	2664.81	2737.08	11459.14	11120.31
Depreciation and amortisation expense	835.22	818.62	686.19	3116.47	2549.82
Other expenses	11464.04	8807.75	9805.65	39963.85	31939.63
Total expenses	33555.49	23950.05	26611.35	109642.11	92551.84
3 Profit from operations before other income, finance costs and exceptional items (1- 2)	3675.89	2094.97	2672.41	11541.21	8430.89
4 Other income	(31.22)	36.42	29.85	277.85	108.24
5 Profit from ordinary activities before finance costs and exceptional items (3+4)	3644.67	2131.39	2702.26	11819.06	8539.13
6 Finance costs	559.01	591.01	522.85	2265.87	1770.29
7 Profit from ordinary activities after finance costs but before exceptional items (5-6)	3085.66	1540.38	2179.41	9553.19	6768.84
8 Exceptional items	-	-	-	-	-
9 Profit from ordinary activities before tax (7-8)	3085.66	1540.38	2179.41	9553.19	6768.84
10 Tax expense	903.07	482.51	830.58	2989.55	2288.02
11 Net Profit from ordinary activities after tax (9-10)	2182.59	1057.87	1348.83	6563.64	4480.82
12 Extraordinary items	-	-	-	-	-
13 Net Profit for the period (11-12)	2182.59	1057.87	1348.83	6563.64	4480.82
14 Paid up equity share capital (Face value of Re. 1/- share each)	600.06	600.06	600.06	600.06	600.06
15 Reserves excluding revaluation reserve				27056.12	20843.50
16 Earnings per share (EPS) in Rs.					
Basic & diluted EPS before extraordinary items	3.64	1.76	2.25	10.94	7.47
Basic & diluted EPS after extraordinary items	3.64	1.76	2.25	10.94	7.47



Audited Results for the quarter and the year ended 31st March 2014

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

Part II-Select Information for the Quarter and Year Ended 31st, March 2014					
A	Particulars of Shareholding				
1	Public Shareholding				
	Number of shares	15001500	15001500	15001500	15001500
	Percentage of shareholding	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
	Percentage of shares (as a % of the total shareholding of promoters)	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
B	Particulars	Quarter Ended 31.03.2014			
	Investor Complaints/ Requests				
	Pending at the beginning of the quarter			1	
	Received during the quarter			3	
	Disposed of during the quarter			4	
	Remaining unresolved at the end of the quarter			0	



Audited Results for the quarter and the year ended 31st March 2014
(All amounts are in Lacs of Indian Rupees, unless otherwise stated)



Quality Par Excellence

Particulars	As at 31.03.2014	As at 31.03.2013
(A) Equity and Liabilities		
1 Shareholders' Funds		
Share Capital	600.06	600.06
Reserves and Surplus	27056.12	20843.50
Sub-total - Shareholders' Funds	27656.18	21443.56
2 Non Current Liabilities		
Long Term Borrowings	11430.95	15024.36
Deferred Tax Liabilities (Net)	2638.43	2412.69
Other Long Term Liabilities	552.82	565.26
Long Term Provisions	286.05	337.68
Sub-total - Non Current Liabilities	14908.25	18339.99
3 Current Liabilities		
Short Term Borrowings	4840.80	5466.21
Trade Payables	5868.61	4514.30
Other Current Liabilities	11881.44	8433.74
Short Term Provisions	526.64	503.79
Sub-total - Current Liabilities	23117.49	18918.04
Total Equity and Liabilities	65681.92	58701.59
(B) Assets		
1 Non Current Assets		
Fixed Assets	39005.62	35045.89
Non Current Investments	6.01	6.01
Long Term Loans and Advances	1272.28	1469.08
Other Non Current Assets	38.66	77.27
Sub-total - Non Current Assets	40322.57	36598.25
2 Current Assets		
Inventories	16399.93	15943.94
Trade Receivables	6821.81	3596.42
Cash and Bank Balances	566.42	297.14
Short Term Loans and Advances	1283.28	1991.74
Other Current Assets	287.91	274.10
Sub-total - Current Assets	25359.35	22103.34
Total Assets	65681.92	58701.59



Audited Results for the quarter and the year ended 31st March 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 10th May, 2014.
2. The Board of Directors has recommended a dividend at the rate of Re.0.50 per share of face value of Re.1.00 each aggregating to Rs.351.02 lacs (including corporate dividend distribution tax of Rs.50.99 lacs) for the year ended 31st March, 2014.
3. 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).
4. All Trade Marks / Brands in Co-ownership with Associate Companies have been exclusively assigned to the Company at nominal value.
5. The Board has given in-principle approval for Employees Stock Option Scheme (ESOP) to be executed in one or more tranches subject to approval of Shareholders. In this scheme maximum 1.50 % equity shares of issued, subscribed and paid up capital may be offered to eligible employees.
6. The figures for the quarter ended 31st March, 2014 are the balancing figures between the Audited figures in respect of full financial year and the year to date figures upto the third quarter.
7. Previous period figures have been regrouped / rearranged wherever considered necessary, to conform to the presentation as per Revised Schedule VI of the Companies Act, 1956.

On behalf of the Board of Directors

Delhi, 10th May, 2014

Ramesh Kumar Dua
Managing Director





Quality Par Excellence

Relaxo Footwears Limited

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