May 14, 2024

BSE Ltd. **Corporate Relationship Department** Phiroze Jeejeebhoy Towers Dalal Street Mumbai – 400 001	**National Stock Exchange of India Ltd** **Listing Department,** Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051
Scrip Code – 530517	**Scrip Code – RELAXO**

Sub: Conference call Transcript

Dear Madam / Sir,

With reference to captioned subject, we hereby enclosed herewith the transcript of Investors call regarding Q4 & FY 24 results which was hosted by the company on May 10, 2024 at 4:00 P.M (IST).

The same is for your information and record please.

Thanking You,

For **Relaxo Footwears Limited,**

ANKIT JAIN

Digitally signed by ANKIT JAIN
DN: c=IN, st=Uttar Pradesh, 2.5.4.20=4cad0d6e8b5c6e72b7e843c72462fb559b037d4253f0e22e381f589ec1aad647, postalCode=201301, street=Gautam Buddha Nagar, pseudonym=b65979b5b3d6fd38faf8451bc2fdaac4, serialNumber=37d26129a109a4905cae278f4d22c9c9 85c3a0e4869ef13db6a605a4e3db875, o=Personal, cn=ANKIT JAIN
Date: 2024.05.14 11:43:19 +05'30'

Ankit Jain
Company Secretary & Compliance Officer

Encl. as above

"Relaxo Footwears Limited

Q4 & FY24 Earnings Conference Call"

May 10, 2024

MANAGEMENT:	**MR. RAMESH KUMAR DUA – CHAIRMAN AND MANAGING DIRECTOR** **MR. GAURAV KUMAAR DUA – WHOLE TIME DIRECTOR** **MR. RITESH DUA – EXECUTIVE VICE PRESIDENT, FINANCE** **MR. SUSHIL BATRA – EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER** **MR. ANKIT JAIN – COMPANY SECRETARY & COMPLIANCE OFFICER**
MODERATOR:	**MR. RAJIV BHARATI - DAM CAPITAL ADVISORS**

Moderator: Ladies and gentlemen, good day, and welcome to Relaxo Footwears Limited Q4 & FY24 Earnings Conference Call, hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rajiv Bharati from DAM Capital Advisors. Thank you, and over to you, sir.

Rajiv Bharati: Thank you so much, Riya. Good evening, everyone. Representing DAM Capital. It is our absolute pleasure to host Relaxo Footwears Limited for its Q4 & FY24 conference call. From the management side, we have Mr. Ramesh Kumar Dua, Chairman and Managing Director; Mr. Gaurav Kumaar Dua, Whole Time Director; Mr. Ritesh Dua, Executive Vice President, Finance, Mr. Sushil Batra, Executive Director and Chief Financial Officer; and Mr. Ankit Jain, Company Secretary. We'll begin the call with a brief discussion from the management, and then we'll open the floor for Q&A. Thank you, and over to you, Mr. Sushil.

Sushil Batra: Good evening, everyone, and thank you for joining us on our Q4 and full year FY24 Earnings Call to discuss the financial and operational performance of the company. We have already uploaded the earnings press release and the investor presentation on the stock exchanges as well at our website and hope that you have had the opportunity to go through those.

Before we begin the question-answer session, let me quickly go through the Q4 and FY24 performance, starting with Q4. During Q4FY24, we recorded revenue of Rs. 747 crores as compared to Rs. 765 crores in Q4FY23, reporting a marginal decline of 2.3% year-on-year on account of slight decline in volumes. EBITDA for the quarter was at Rs. 120 crores, up by 2% year-on-year from Rs. 118 crores in the corresponding quarter of the previous year.

EBITDA margins were up marginally by 69 basis points and stood at 16.1% in Q4FY24 as against 15.4% in Q4FY23. PAT was at Rs. 61 crores as compared to Rs. 63 crores reported in Q4FY23. PAT margin for Q4FY24 remained flat at around 8.2%.

Now coming on the full year FY24. We have achieved a moderate growth of 4.7% year-on-year from Rs. 2,783 crores in FY23 to Rs. 2,914 crores in FY24. This performance was largely driven by a significant uptick in open footwear volumes, a witness to the efficacy of our strategic initiatives to regain market share.

EBITDA for the year was at Rs. 407 crores as against Rs. 336 crores in FY23, registering a growth of 21.1%. EBITDA margin was at 14%, improved by 188 basis points year-on-year as against 12.1% in FY23. Margins majorly benefited from the softening of raw material prices, which was partially offset by the increased fixed costs. PAT was at Rs. 200 crores in FY24 as compared to Rs. 154 crores in FY23, recording a significant growth of 29.8%. PAT margin was 6.9% during FY24 against 5.6% in FY23, improving by 133 basis points year-on-year.

In FY24, the company incurred a total CapEx of Rs. 248 crores, including a purchase of 30-acre land parcel in Bhiwadi, Rajasthan, worth Rs. 127 crores. We remain a net debt-free company supported by a positive cash from operations. Our key strengths include our in-house manufacturing capability, strong distribution network, product quality and strong brand recognition. We continue to explore new avenues and focus on other new channels and e-commerce platforms for growth. We are confident that our ongoing efforts will lead to favourable results for us in the future. Thank you. The floor is now open for questions.

Moderator: Thank you very much. We will now begin with the question-and-answer session. First question is from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

Shirish Pardeshi: Just two questions in the beginning. This 5 crores pieces what we have sold in Q4 against 5.1 crores in the Q1. So can you give some more colour what segment, which segment and which markets is driving this? And something more on the inventory side, is the inventory is now under control in the field? Or do you think it will take some more time? And the second question is on the pricing bit. What kind of pricing aspiration we will hold or we will continue the similar price over FY '25?

Gaurav Kumaar Dua: Yes. This is Gaurav. Just to answer your question. Q4, when we started, there was a QC order, BIS was implemented. So if you see that subdued growth or a little minus coming in, that the main reason was that we were implementing BIS. So there was some confusion in the market, how it will be implemented. So we increased price marginally. And then we saw that we were able to implement all this BIS. And what is the second question?

Shirish Pardeshi: I think the growth, what we have seen in a number of pairs. So Q1 was 5.1 and Q4 has come back to 5 crores. So any colour on what kind of growth we are seeing in number of pairs, which is now remained at 5 crores on an average?

Gaurav Kumaar Dua: No, our month January was affected because of BIS. That's why we're not able to cover that, we could not cross that 5.1 crores figures.

Shirish Pardeshi: If the similar trend has continued? And the question was, the parallel question was that whether the inventory is now adjusted or normalized or still there will be some effect, which can be seen in Q1?

Gaurav Kumaar Dua: So inventory is now normalized. There's no problem with inventory. And I think now the things have started picking up in the market.

Shirish Pardeshi: Okay. And the second question is that in terms of pricing aspiration, what should we look in FY '25 is the price increases will happen? Or will remain as where we are?

Ramesh Kumar Dua: The pricing depends upon our cost of the inputs. If the input remains stable, then prices also remain stable. So by and large, we have to make sure we are always competitive in the markets, keeping that thing in view, we have our pricing strategy.

Moderator: Next question is from the line of Devanshu Bansal from Emkay Global.

Devanshu Bansal: Sir, we have invested in acquiring this land parcel during the year for enhancing our manufacturing capacity. I just wanted to check what is the current capacity utilization? And what is the expected increase in the capacity with this new addition?

Ramesh Kumar Dua: Capacity utilization is around 65%. And on the land parcel that we have bought, we have to always stay ahead of the curve where land searching is always time-consuming. So for future growth, we have land in our hand. So whenever we want to increase production, then we have to start the process of building the factory because we are always having greenfield projects. And then we take steps accordingly. So that is something keeping future in view that we have acquired this land.

Devanshu Bansal: Understood, sir. And a follow-up to this is, there is a lot of substandard open footwear being imported as of now, which should, in my opinion, at least be restricted after BIS implementation. So is this capacity expansion somewhat factoring in restricted imports from other countries? Which may sort of lead to higher demand from local players like Relaxo?

Ramesh Kumar Dua: Earlier also before implementation of BIS, the product category we were in by and large our Hawaii segment, nothing was imported. It is only where footwear industry was not able to make that kind of products, they were being imported. Now after this kind of restriction, definitely some shoes, some EVA slippers their import will be restricted. Particularly low quality the EVA slipper were being imported. So there will be a restriction on that. Indirectly, we may have some benefit. Let us wait and see.

Devanshu Bansal: Yes, sir. That's what I'm trying to ask. So is this benefit going to be large in quantum? Or is it just a small benefit that can come to a place like Relaxo?

Ramesh Kumar Dua: I don't think it is going to be very large. Overall import was hardly 5%-6% of the Indian consumption. That is going to be restricted.

Devanshu Bansal: Understood, sir. And one last question is our ROE is currently at 8%-10% over the last 2 years. So how do you see these levels? And any trajectory that you would like to sort of highlight in the initiatives that the company is taking to improve this?

Sushil Batra: ROE definitely because the profits were under pressure in the last 2-3 years. So that's why it has come down, and we have added more assets in the system. So, from next year or in coming time growth will be there. So it will improve definitely.

Devanshu Bansal: Okay. Last, sorry, final bookkeeping question is, sir, while revenues have grown by about only 4%-5% in this year, the receivable increase is about 30-odd percent. Is this something a one-off? Or why is this number increased at FY24 end?

Gaurav Kumaar Dua: This has increased because there is a pressure in the market. The demand is subdued. So because of pressure in the market, there is an increase of the outstanding. So the payments are slow, you can say, the payment is slow in the market.

Moderator: Next question is from the line of Prerna Jhunjhunwala from Elara Capital.

Prerna Jhunjhunwala: I would like to understand the demand outlook in both open footwear and closed footwear? How do we see for the next 1 year and beyond? And what are the figures for the same?

Gaurav Kumaar Dua: See, as you see, the sports segment is growing faster than the open footwear category. But last year, what we have seen is that open has grown more than the closed footwear, sport shoes. So the industry, if you talk about 3 to 4 years' time. Sports footwear or closed footwear will definitely exceed in growth compared to the open footwear.

Prerna Jhunjhunwala: Okay. And what are our current capacities if you see the breakup of the two? And what is the revenue share of the two segments?

Gaurav Kumaar Dua: See, as company Relaxo as a whole, our closed footwear contributes 20%, and open footwear contributes 80%. But one of the brand, which is Sparx, there, it is 60% closed and 40% open. So we are trying to grow this category - Sparx, which has more contribution of closed footwear.

Prerna Jhunjhunwala: Okay. And why was closed footwear under pressure this year? I did not understand that part?

Gaurav Kumaar Dua: So that is because of the demand. A lot of new entrants have come in the market and the price what they are offering. But there's more supply than demand in the last 2 years. A lot of capacity has been put-in by the other players.

Prerna Jhunjhunwala: Okay. So you mean there is an oversupply of product in the market?

Gaurav Kumaar Dua: Local players are there, yes.

Prerna Jhunjhunwala: So you see that oversupply correcting in how much time? Is it fair to ask, I mean, understand that? Or it will be on market forces?

Gaurav Kumaar Dua: It depends on the market. It's dependent on the market. But consolidation will happen definitely.

Prerna Jhunjhunwala: Okay. And will you please help us understand the brand-wise revenue share as well?

Sushil Batra: Already we have shared in our investor presentation, but even then, I can tell you. So Relaxo, it's contributing, Relaxo with Bahamas, 25%. And then Sparx and Flite both are equal, so 25% Relaxo plus Bahamas and rest 50-50 Sparx and Flite.

Prerna Jhunjhunwala: Okay. So Relaxo and Bahamas 25%, Flite 25%?

Sushil Batra: Sparx is 37%. So 50% of 75 divided by 2, 37.5% roughly half-half.

Moderator: Next question is from the line of Videesha Sheth from Ambit Capital.

Videesha Sheth: My first question is on the market share. In 2Q, you had mentioned about gaining market share that was lost in FY '23. So any comments on how market share has moved in the second half of the year? That is my first question.

Gaurav Kumaar Dua: Yes, you must have read, we have sold maximum number of pairs. We have touched 19.5 crores pairs, that is all-time high. So this is done by more sales in Open Footwear. So we have gained, our volume growth is more than the value growth.

Videesha Sheth: Okay. So on a value basis, market share would have increased?

Gaurav Kumaar Dua: Yes, Correct.

Videesha Sheth: Got it. And the second question was we've always been talking about increasing our agency and presence in the south of India. So any incremental initiatives that are being undertaken to increase the share from that region?

Gaurav Kumaar Dua: So we have implemented DMS across India. So DMS has been implemented throughout. Now we have launched the app. So this is a retailer app. We are doing engagement with the retailer now. So with the help of the app, we are able to touch 50,000 outlets. So 50,000 outlets have downloaded this app. So there is a direct connect from company to the retailer now. So if you talk about South, last year, there was a little decline in sales. There was pressure in the market. So we are just trying to maintain that market share.

Videesha Sheth: Okay. And essentially, this app that we're talking about, would that largely help from a demand, from a more accurate demand forecasting perspective?

Gaurav Kumaar Dua: Correct. A lot of things. We can even pass on the gifts to the retailer directly. We'll try to, we'll understand what is the market demand and which outlets are demanding what, what is the market share of this outlet? A lot of data will come through that.

Moderator: Next question is from the line Onkar Ghugardare from Shree Investments.

Onkar Ghugardare: My question was mainly regarding the revenue, which has been flattish for the last three years. What kind of revenue projections you can model for this? And you have talked about the industry growing at, I mean, not industry, the footwear market size growing by around 15%-17% in next year. So our growth has been 3%-4%. You are projecting the market size to be around, growing at 15%-17%. What kind of projections we can go ahead with?

Ramesh Kumar Dua: This year, we have taken certain strategic initiatives in which we have launched DMS, which will control our, or keep an eye on secondary sales. Then we have improved our retailers connect. We have also, through BAS - Brand As Seller and e-commerce platform selling direct-to-consumer. So all this information, which we'll gather through all these three apps will be kind of a big source of knowing market what is what. And all these combined efforts will help us penetrate and grow better in the coming time.

Onkar Ghugardare: Yes. But if you can specifically guide us like what low digit growth or like mid-teen growth or low single digit growth or what kind of growth you are expecting at least, not saying one year, say three or four years?

Ramesh Kumar Dua: We are expecting a double digit growth this year.

Onkar Ghugardare: Which you haven't done for the last three years?

Ramesh Kumar Dua: Yes, because a lot of initiatives we have taken. And this, a lot of sales transformation is taking place, whose fruits we'll bear this year onwards.

Onkar Ghugardare: And what kind of margins are sustainable on a medium-term basis?

Ramesh Kumar Dua: Around 15%-16% EBITDA you can expect.

Onkar Ghugardare: 15%-16% of EBITDA, correct?

Ramesh Kumar Dua: Yes.

Onkar Ghugardare: Okay. But even the EBITDA percent for last two, three years has been like ranging from 12%, 14%-15%? So, like on sustainable basis, we can 15%-16% is possible, right?

Ramesh Kumar Dua: No. Next year, it is going to be like that. We had difficult years, because raw material volatility was too much. We achieved in this quarter also. If you see this quarter, we have achieved 16% EBITDA.

Onkar Ghugardare: Just talk more about the competitive intensity, what kind of competitive intensity you are seeing currently in the market?

Ramesh Kumar Dua: That is always there. It will always remain. We have to keep ourselves more competitive than others. That is our focus.

Onkar Ghugardare: Yes. But just now you said that there were some new entrants. So because of that, what kind of competition level is currently?

Gaurav Kumaar Dua: So, more people, when they come into industry, they pass on more credit in the market. They pass on more discount in the market. So, this happens once in five-six years. But now things will consolidate and we will definitely gain the market share.

Moderator: Next question is from the line of Tanmay Gupta from Motilal Oswal.

Tanmay Gupta: Sir, I just wanted to understand. The revenue declined 2% in this quarter and gross margins improved to 60%. Is that because of the high sales in closed footwear for the quarter? Is my understanding right?

Gaurav Kumaar Dua: So the sales were not high, open footwear was more, if you talk about sales.

Tanmay Gupta: So sir, I just wanted to understand where the gross margin lever is coming from?

Gaurav Kumaar Dua: We have taken a moderate price increase.

Tanmay Gupta: Okay. In the open footwear?

Gaurav Kumaar Dua: That's correct.

Tanmay Gupta: And so because of the raw material price increase we have taken or we will maintain these prices going forward?

Gaurav Kumaar Dua: We'll maintain these prices. It depends upon raw material also, plus because of BIS. We have improved the quality. We have improved the specs of our products also. So it's mixed. So it's both.

Tanmay Gupta: So we can expect like 58%-60% of gross margins going forward, I believe?

Gaurav Kumaar Dua: Yes.

Tanmay Gupta: Understood, sir. And sir, second question is on the sportswear. So like sportswear would be around Rs. 200 crores-Rs. 250 crores in Sparx?

Gaurav Kumaar Dua: In Sparx, we have Rs. 400 crores plus.

Tanmay Gupta: No. In the sportswear. Sportswear could be like how much of the Sparx in total?

Gaurav Kumaar Dua: 50% is that. If you talk about closed footwear, 55% is closed of total Rs. 1,000 crores what we do in Sparx.

Tanmay Gupta: Right. So sir, I just wanted to understand the strategy in increasing our closed footwear penetration because, as you said, a lot of unorganized peers have also come up. And we have, obviously, the competition from the organized. So looking going forward, are we, how will we penetrate the footwear, the closed footwears footprint in the market? And with the price range or premiumization or what kind of strategy if you can, little bit tell me?

Gaurav Kumaar Dua: A lot of steps. it's not special this year. Every year, we take a lot of steps like, it depends upon launching of new NPDs we launch every year and then new markets, new distributors, opening new outlets, then e-commerce. The penetration in e-commerce earlier it was through a distributor now it is through BAS. A lot of steps, there are like 15-20 steps we take. The strategy we can't define right now.

Tanmay Gupta: But the pricing would be around Rs. 400-Rs. 600? Means the mass segment we will be focusing on?

Gaurav Kumaar Dua: You're talking about ASP Rs. 400-Rs. 600? Or what?

Tanmay Gupta: Yes, it means ASP and in the trade distribution channel like that.

Gaurav Kumaar Dua: The ASP will be almost similar. We'll try to improve that. The Sparx ASP is more than Rs. 450. Overall.

Moderator: Thank you. Next question is from the line of Varun Gajaria from Boring AMC. Please go ahead.

Varun Gajaria: Hi sir, Thanks for taking my question. Just wanted to understand how is the supply chain aligned in terms of sourcing RM? Do we import raw materials? So how is it aligned at this point? And I'll ask my follow-up question after this.

Ramesh Kumar Dua: Presently, supplies are consistent. There's not much of a challenge in sourcing the material. The material, natural rubber, we are sourcing here in India itself and the other polymers like EVA, they're being imported. And it has been always there. So presently, we don't find any challenge on that.

Varun Gajaria: Okay. Sir, these polymers are imported from China?

Ramesh Kumar Dua: No, not China. There are a lot of other countries.

Varun Gajaria: Got it. So there's no challenge there in terms of sourcing?

Ramesh Kumar Dua: I don't think we source any polymers from China.

Varun Gajaria: What is the impact of BIS that we'll be seeing on overall raw materials supply and the relevant demand across industries? Because it seems there has been some commentary in the market that currently some of the factories based out in China have not been approved. So sourcing of sportswear, especially has been a challenge since the first few months. How do you see that trending in terms of inventory and overall demand?

Ramesh Kumar Dua: As far as we are concerned, we have implemented these BIS standards. And it is the people who have been importing and depending on them, maybe they will face some problems. But as far as we are concerned, we have been our own manufacturers and selling. So we will have no issue of that.

Moderator: Thank you. Next question is from the line of Chandra Govindaraju from Ashmore. Please go ahead.

Chandra Govindaraju: Hi, Sir. Thank you for the opportunity. What was the Relaxo mix from last year for FY '23?

Gaurav Kumaar Dua: You want to know channel mix or brand-wise mix? What are you asking, which mix?

Chandra Govindaraju: I'm looking for the revenue mix.

Ramesh Kumar Dua: But Revenue brand-wise or what?

Chandra Govindaraju: Brand-wise.

Ramesh Kumar Dua: 25% is from Relaxo and Bahamas and 37% from Flite brand and 38% is from Sparx brand.

Chandra Govindaraju: Okay. That is for this year, right? I am asking for FY '23.

Sushil Batra: More or less, revenue-wise, it was more or less same, because volume has grown in the open footwear, but value mix is more or less same. Not much changed.

Gaurav Kumaar Dua: Major change is not there.

Sushil Batra: Major change is in the volume, but value-wise, it's more or less the same, 25%, 37% and 37%.

Chandra Govindaraju: Okay. And whatever I'm trying to understand is in terms of pricing, which Sparx also had corrections. That's what I'm trying to understand.

Ramesh Kumar Dua: In Sparx, there's no correction.

Gaurav Kumaar Dua: There's no correction. We have maintained the volumes. And we have grown in volume, our value is low single digit.

Ramesh Kumar Dua: That is open footwear.

Gaurav Kumaar Dua: Major volume growth is in open footwear.

Chandra Govindaraju: If I remember correctly, last year, when we spoke, we were looking for more premiumization of Sparx. Because there was raw material volatility and though you might have not increased the prices, but can we expect price increases in Sparx in this year for FY '25?

Ramesh Kumar Dua: We have been developing our new products as per the requirement of the market. So premium products are also coming. Not that we have restricted anything. Now ultimately, it is a need of the consumer or pickup in the market what happens. But we are offering premium articles also in the market.

Chandra Govindaraju: Okay. Got it sir. Thank you.

Moderator: Thank you. Next question is from the line of Vikas Jain from Equirus Securities. Please go ahead.

Vikas Jain: So the question was with the quality control being implemented now, has that led to any increase in the production cost per pair for us or any sort of something? Is there any meaningful uptake that we are seeing in that?

Ramesh Kumar Dua: Well, there have been some moderate increase in costs which we have already accordingly passed down and revise the rates. So not a major issue at all. Our quality is otherwise also good, we have been always quality-conscious players. So it was not much of a thing. Only certain specs which government wanted to have, so we have aligned these.

Vikas Jain: Correct. So then in that scenario how do you rate the implementation across competition that are operating in the same price points? And how do you think the adherence is being like implementation? How would you rate the implementation actually going on that level? Are the competitors and everyone following that vigorously?

Ramesh Kumar Dua: As per the rule, government has exempted micro and small from this implementation of QCO. It is only on medium and large industry. We are one of the large industries. So as far we are concerned, we have implemented.

Vikas Jain: But, means at the ground level are you seeing that means, because some players are exempted, is there any differential that has been created, is there any impact coming out of it on the overall demand?

Gaurav Kumaar Dua: No, we do not see that. It's too early to say that because there's some extension given by government also. So it's, we'll wait and watch what the situation is there.

Vikas Jain: Okay. Sir, second question is with respect to closed footwear means in qualitative terms while, how would you rate the demand actually at this point in time? Has it like be taking we are hearing a lot in open footwear also that the rural is picking up? And people are going back to normal. So how do you see the journey in that point of time and do you see that further a good amount of pickup happening there?

Gaurav Kumaar Dua: So in last year inflation was high, and we witnessed a lot of down trading by consumers. And because of that there were delay in purchases of sport shoes which is discretionary in nature. So going forward we are expecting good monsoon and the demand should definitely uptake.

Vikas Jain: Okay. And you believe while as you rightly mentioned there was some market share loss, but we have gained by passing on the raw material price increase. Substantial room for further gaining share lift?

Ramesh Kumar Dua: This year we have taken a lot of sales transformation initiatives. That will help the company to grow at a better rate than competition I think.

Vikas Jain: Understood. Okay sir. Thank you so much. I will join back the question queue for any further questions.

Moderator: Thank you. The next question is from the line of Jasmine from VT Capital. Please go ahead.

Jasmine: Hi, I wanted to understand your trend on the realizations? I see that quarter-on-quarter there has been a slight increase on the realization, but the volumes have also grown consistently with that. So going ahead, are we looking at more and with rural picking up also, do we see any realization cut in open footwear and in closed footwear if you could give separate trends for those, please?

Ramesh Kumar Dua: Realization is not going to come down. It will only improve. Whatever rates we are having they're very competitive and there is no room for a reduction of any prices so that rate goes down. It will only improve.

Jasmine: For both open and closed footwear?

Ramesh Kumar Dua: Yes.

Jasmine: And my last question is on the international side. I wanted to understand how much the exports are contributing and how the different countries are doing where we're exporting?

Ritesh Dua: We are around 4.5% of footwear company turnover in exports. And we are getting traction from all the continents like Africa, then Gulf, then Central America and Oceania. So all markets are responding well. So wherever we have, all these countries we are selling in our own brand and we're getting good traction. And we're doing all the marketing activities also in these markets, in these priority markets. And we are bullish for future as well.

Jasmine: Just one clarification. I wanted to understand how much is the margin difference when we're exporting and with domestic it would just be a range if you could provide?

Ritesh Dua: It is almost similar because we get incentive also through government. So it's almost similar when you compare with the company level margins.

Jasmine: Thank you so much. All the best.

Ritesh Dua: Okay. Thank you.

Moderator: Thank you. Next question is from the line of Shayantina Malik Chaudhary from Kredent Infoegde. Please go ahead.

Shayantina Chaudhary: So my first question is on your take on premiumization. So like what are we looking into like, how to grow our premium product and how much quantum of revenue we are generating from this same? And going forward, what should be the opportunity from this kind of thing? This is my first question.

Gaurav Kumaar Dua: So premiumization is a journey. So every year, we are trying to increase our ASP. Last year, because of the demand the volume was more than the value. So this year also, we are expecting in our NPD we'll launch more of the premium articles and try to increase our ASP higher.

Shayantina Chaudhary: Yes. So despite that, our realization trend is going to be in the range of Rs. 145-Rs. 150 or there will be an increase in the same?

Gaurav Kumaar Dua: Definitely, there will be an increase because we, last to last year we were at Rs. 161 which came down to Rs. 148. So we'll definitely try to go above what we did last year.

Shayantina Chaudhary: Okay. And sir, I just wanted to understand how much quantum of revenue comes from this premium portfolio in percentage?

Gaurav Kumaar Dua: So if you talk like , we have a premium brand called Sparx which is contributing 1/3 rd of our total sales. So if you talk about premium definitely we have added more brands like Bahamas and Flite Urban Basics. So our journey is on, we have to improve in premium range.

Shayantina Chaudhary: So this will continue to remain one-third this year or we are looking some increase in that?

Gaurav Kumaar Dua: They will be increased, definitely, there will be an increase.

Shayantina Chaudhary: Okay. And second one is on e-commerce. So like how we are looking to leverage on the e-commerce segment and like what is our take on that?

Gaurav Kumaar Dua: See, last year, you have seen there were a lot of discounting happening on e-commerce. So we have taken some corrective action and now we are focusing more on BAS - Business-as-Seller to control the prices.

Shayantina Chaudhary: Okay. And so any percentage figures that how much e-commerce forms that are part of the total channel?

Gaurav Kumaar Dua: We do roughly around 9% to 10% in e-commerce of our total sales.

Shayantina Chaudhary: Okay. And sir last one is like will our salience in terms of open and closed footwear will continue to remain 75% or like it's going to see some changes?

Gaurav Kumaar Dua: No. Right now it is 80% is open and 20% is closed. So we are expecting that 75:25 it will become.

Shayantina Chaudhary: Okay. Thank you.

Moderator: Thank you. Next question is from the line of Mr. Rajiv Bharati from Dam Capital Advisors. Please go ahead.

Rajiv Bharati: Sir, this is regarding the capex line item. So you have done Rs. 250 crores this time. You mentioned that Rs. 127 crores was for this land. And typically you do Rs. 25crores-Rs. 30 crores on the moulds bit. Can you explain the remaining part of it?

Sushil Batra: Last time it's on plant and machinery also and we have added buildings also. So last year, we added one manufacturing plant for back-end support in the PU category. And machines also we buy in the range of Rs. 30 crores-Rs. 40 crores. It's a routine expansion, which is always required. So Rs. 25 crores-Rs. 30 crores is the mould. So that is the breakup.

Rajiv Bharati: Sure. And it looks like I mean, is it right that the Sparx utilization currently is close to touching 75%?

Sushil Batra: No, that is not the case, it's around 55%-60%, overall company at 65%. So that's the overall number.

Rajiv Bharati: And are the immediate plans of expanding this Sparx bit in the next fiscal or so?

Ramesh Kumar Dua: Already we have generated enough capacity, we have enough capacity. That's not required immediately in the expansion of capacity.

Rajiv Bharati: Yes. And this online bit, you mentioned that 9% is coming from online. On the Sparx bit, this was close to 25% odd. Have we seen any improvement or directional improvement there after March?

Gaurav Kumaar Dua: You're talking about this April or last full year?

Rajiv Bharati: For the, so I was under the impression that the B2B guys have been slightly slow in ordering or placing orders. And that's why, and we were slightly heavily indexed on the Sparx side, on the online bit, right? I think 1/4 of Sparx is online. Have you seen some improvement on this front in the, let's say, second half?

Gaurav Kumaar Dua: Second half of last year, you're talking about, right?

Rajiv Bharati: '24.

Gaurav Kumaar Dua: Yes. So last year, there were a lot of issues coming from some of the sites. They were undercutting because of they have that big billion day and all whatever. So we have corrected that, and we have taken control on our own, and now we are focusing on brand-as-seller. So we are just maintaining the volume at the e-commerce, if you talk about that.

Moderator: Next question is from the line of Resha Mehta from Green Edge Wealth.

Resha Mehta: So the first question is that while our revenue for this financial year has grown by 5%, but if we look at the employee costs and other operating costs, they have grown almost by 13% and 16%, respectively. So anything exceptional here?

Sushil Batra: There is no exception because revenue has not grown as expenses has grown. So in cases implied, definitely, there is an increment and adding of some people also. So because revenue has grown by hardly 5%, so that's why percentage has increased. But in absolute terms, there is a normal inflation cost has increased.

Resha Mehta: All right. And can you also break up your revenue into how much of it comes from Metros, Tier ½, rural?

Gaurav Kumaar Dua: We have distributors district wise. So we do not capture exactly what is the rural. So major distributors are 5 lacs+ towns. So we are not able to capture exact what is the rural sale. Because rural is villages. We are not able to that capture right now.

Moderator: Next question is from the line of Prerna Jhunjhunwala from Elara Capital.

Prerna Jhunjhunwala: I just wanted to understand your A&P expenditure for the year? And are you planning to increase, decrease maintain the same for next year?

Gaurav Kumaar Dua: So if you talk about A&SP, so it is roughly around, for advertisement, we do around 4%-4.5%. And the rest is the schemes and that, both put together comes to 9%. And we're trying to maintain that same number.

Prerna Jhunjhunwala: So when you're looking at growing at a higher rate next year, what initiatives will help you to grow? Just wanted to understand that at a higher rate? When the demand continues to remain a little subdued as per your commentary earlier?

Gaurav Kumaar Dua: Yes. So there is not one. But there are multiple actions we are going to take. This is one. Advertisement is one. Then we are improving on our reach to the retailers. So we have implemented the app, which was, I was talking earlier. So we have enrolled 50,000 outlets. And our focus is how we can make it to 1 lakh outlets within this year. So a lot of activities are happening at BTL level, at ground level. So definitely, advertisement, if we see the market going up, that will also increase. And we are focusing on e-commerce, adding more outlets on EBOs. So there are a lot of things.

Prerna Jhunjhunwala: So EBOs, how many you're going to increase this year? Just help to understand.

Gaurav Kumaar Dua: So 50-60. We currently have more than 400. We're going to add 50-60 more outlets.

Prerna Jhunjhunwala: And any market competition-related activity that you've seen, like increased discounts by competitors, etcetera? So how are you reacting to the same?

Gaurav Kumaar Dua: So definitely, see, a lot of activities. Again, I'm saying that we are we are trying to go in the unrepresentative areas. We are adding more number of distributors, adding more number of outlets. So the reach we are trying to increase that and we are controlling the outstanding, and we are keeping an eye on the market and taking steps accordingly. So this is a monthly program what we do, and we try to understand what is happening in the market and take corrective actions.

Prerna Jhunjhunwala: Okay. Okay. And sir, has their competitive intensity increasing in open footwear as well? Or only closed footwear?

Gaurav Kumaar Dua: Majorly in closed footwear.

Prerna Jhunjhunwala: Okay. Understood. And sir, in closed footwear, what is your capacity utilization? I missed that part.

Gaurav Kumaar Dua: It is 55% in closed footwear.

Prerna Jhunjhunwala: And our total capacity is 150,000 pairs, if I'm, correct?

Sushil Batra: Yes, yes. You're right. It's a 10.5 lakh pair per day.

Moderator: Next question is from the line of Vikas Jain from Equirus Securities.

Vikas Jain: Sir, brand-wise, volume mix for FY '23? If you could give?

Ramesh Kumar Dua: Brand-wise also, last year also almost it was same share similar. You're talking volume?

Vikas Jain: Volume, you said it was different, right? You said value it was same, but volume was different, right?

Sushil Batra: Yes, volume-wise definitely different. So let me get some data. Just as we can see it. If we can get it, just, I think I have to provide? Any anything else except this one?

Vikas Jain: Nothing. That was the only question.

Ramesh Kumar Dua: Value-wise we are the same. But volume, it has increased in open footwear.

Moderator: Next question is from the line of Mr. Onkar Ghugardare from Shree Investments.

Onkar Ghugardare: My question is are the management setting any internal targets for the next three-four years? So themselves in terms of revenue, profitability, cash flow, ROE, ROCE, etcetera, to grow the business? Just wanted to know the management's vision in the business?

Ramesh Kumar Dua: Next year, we have told. We will be having double-digit growth. We aim to grow it at double digit growth for the next two-three years.

Onkar Ghugardare: What about the other parameters? Profitability, ROE, ROCE?

Ramesh Kumar Dua: Other parameters, ultimately, we have to the watch the competition, raw material prices and keep our prices ultimately competitive. So accordingly, I don't see any fear that we'll see any challenge in EBITDA or profitability.

Onkar Ghugardare: Why this specific question, is that let's say 5-6 years back this was a different kind of Relaxo we used to see. But now that thing is no more in the company. If you look at the ROE it was at best industry best level. The revenue growth were also seemed very good. But I guess, last three-four years that has not been the case and this question?

Ramesh Kumar Dua: No. Because in the past, there was a lot of volatility in the raw material prices that affected us. Since we have to import the raw materials, we have to maintain a long supply chain, but now things are stable. That is why we are telling things will be a little better.

Onkar Ghugardare: Raw material volatility affects each and every player in the industry, right? I mean why won't it affect only Relaxo?

Ramesh Kumar Dua: Because we are one of the largest importer of raw material. We can't depend upon local availability of material. The local players they have smaller consumption. And they buy from a local market. But we have to maintain a long supply chain from all imports.

Onkar Ghugardare: Correct. The raw material volatility would have been there five, six years back as well, right? Still your growth was quite good. I just wanted to know what is the exact reason for this?

Ritesh Dua: Actually this raw material volatility what you are talking about, it has been too much if we talk about previous year. Because we talk about EVA from Rs. 120 per kg, it went to Rs. 300. And this is short span, it came down to Rs. 150-Rs. 120 again. That kind of volatility we've never seen in the past.

Onkar Ghugardare: Okay. So this is like related to particular commodity you are talking about, volatility in particular commodity?

Ramesh Kumar Dua: It was ethylene vinyl acetate polymer. It was low density polyethylene also, PVC also. All polymers, they became volatile. Because we have to keep, I mean, a good inventory of all these things. And that was the reason for that. Otherwise, generally, we are beneficial in the rising market. We always have good inventory. This is the first time when it rose to Rs. 300 and then came down Rs. 150. So that affected us.

Onkar Ghugardare: Okay. Can you confidently say that for the next couple of years, your profit will be higher than the revenue growth at least?

Ramesh Kumar Dua: No. Nobody can predict what kind of raw material you will get, what kind of extra uncontrolled circumstances we'll be facing. Only thing is we have to see, we have to keep ourselves competitive. And based on the raw material costs, we have to keep our pricing.

Onkar Ghugardare: In terms of growing the business, what kind of model you are targeting? Like EBO or like company? Like What kind of models you are targeting, the online model or like what exactly are you targeting?

Ramesh Kumar Dua: No, we are focusing on all channels. Not that we are neglecting any channel. We have to see how EBOs should grow, how e-commerce business should grow, general trade should grow, exports should grow. We're focusing on all these channels, not any channel at the cost of another channel.

Onkar Ghugardare: Thank you very much.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Sushil, sir, for closing comments. Over to you.

Sushil Batra: Thank you all for joining the call. This is all from our side. Looking forward to joining you again. Thank you very much.

Moderator: Thank you. On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Contact details:
Registered Address: Aggarwal City Square, Plot No.10, Manglam Place,
District Centre, Sector-3, Rohini, Delhi-110085 (India)
CIN: L74899DL1984PLC019097
Website: www.relaxofootwear.com