



May 16, 2025

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

**Sub: Conference Call Transcript**

Dear Madam / Sir,

With reference to captioned subject, we hereby enclose herewith the transcript of Investors call regarding Q4 & FY 25 results which was hosted by the company on May 12, 2025 at 4:00 P.M (IST).

The same is for your information and records please.

Thanking You,

Yours Sincerely,

For **Relaxo Footwears Limited**,

**Ankit Jain**  
**Company Secretary and Compliance Officer**

Encl. as stated above

**RELAXO FOOTWEARS LIMITED**

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Classification: **Public**



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“Relaxo Footwears Limited  
Q4 & FY '25 Earnings Conference Call”  
May 12, 2025

<b>MANAGEMENT:</b>	<b>MR. RAMESH KUMAR DUA</b>	<b>CHAIRMAN AND MANAGING DIRECTOR</b>
	<b>MR. GAURAV KUMAAR DUA</b>	<b>WHOLE TIME DIRECTOR</b>
	<b>MR. SUSHIL BATRA</b>	<b>EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER</b>
	<b>MR. RITESH DUA</b>	<b>EXECUTIVE VICE PRESIDENT, FINANCE</b>
	<b>MR. ANKIT JAIN</b>	<b>COMPANY SECRETARY AND COMPLIANCE OFFICER</b>
<b>MODERATOR:</b>	<b>Ms. PRERNA JHUNJHUNWALA</b>	<b>ELARA SECURITIES INDIA PRIVATE LIMITED</b>

**Moderator:** Ladies and gentlemen, good day, and welcome to Relaxo Footwears Q4 & FY '25 Results and Business Update Conference Call hosted by Elara Securities India Private 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 Ms. Perna Jhunjhunwala from Elara Securities India Private Limited. Thank you, and over to you, ma'am.

**Perna Jhunjhunwala:** Thank you, Yousuf. Good afternoon, everyone. On behalf of Elara Securities, we welcome you all to Q4 and full year FY '25 Post Results Conference Call of Relaxo Footwears Limited. Today, we have with us the senior management of the company, including Mr. Ramesh Kumar Dua, Chairman and Managing Director; Mr. Gaurav Kumaar Dua, Whole-Time Director; Mr. Sushil Batra, Executive Director and Chief Financial Officer; Mr. Ritesh Dua, Executive Vice President, Finance; and Mr. Ankit Jain, Company Secretary and Compliance Officer.

I would now like to hand over the call to Mr. Sushil Batra for opening remarks. Thank you, and over to you, sir.

**Sushil Batra:** Thank you, Perna. Good evening, everyone, and thank you for joining us on our Q4 and FY '25 earnings call. We appreciate your continued interest in our company and are pleased to walk you through our financial and operational performance. The earnings release and investor presentation are already available on the stock exchanges and on our website for your reference.

Before we move into the question-and-answer session, I'd like to highlight some key performance metrics for Q4 and FY '25.

Revenue from operations stood at INR 695 crores in Q4 FY '25 as compared to INR 747 crores in Q4 FY '24. The decline was primarily due to softer volume amid a challenging demand environment, particularly in the mid-range footwear segment. EBITDA for the quarter was at INR 112 crores as compared to INR 120 crores in the corresponding quarter of the previous year. PAT was at INR 56 crores with a margin of 8.1% in Q4 FY '25.

Now moving to our FY '25 performance. In FY '25, we recorded a revenue of INR 2,790 crores, EBITDA was at INR 382 crores with margin at 13.7%. PAT for FY '25 stood at INR 170 crores with margin at 6.1% as compared to 6.9% in FY '24. The company has incurred a capex of INR 62 crores net of capital subsidy amounting INR 17 crores till 31st March '25. Our company continues to be net debt free and due to working capital efficiency, reported investments of INR 357 crores as of 31st March '25.

We have implemented key initiatives including the Relaxo Parivaar app, Brand As Seller model and broadening our e-commerce product offering. We are confident that these initiatives will establish a solid foundation for the future. Although some uncertainty persists, we are confident

to see an improvement in our performance on top line with EBITDA margin enhancement led by operational efficiency.

Thank you. The floor is now open for questions.

**Moderator:** Thank you very much. We will now begin the question and answer session. First question is from the line of Videesha Sheth from Ambit Capital.

**Videesha Sheth:** Thank you for the opportunity. My first question was on the top line front. I wanted to understand the volume behavior a bit in depth. While the consumption environment is not favorable at the moment, but beyond these external factors, could you elaborate on if there are any structural challenges that could be impacting volumes, either on the competition side or you even spoke about restructuring of the distribution model. But can you elaborate that? That's the first question from my side.

**Ramesh Kumar Dua:** Regarding volume, our Hawaii segment was under pressure, because rural segment & middle income segment there has been, what we experienced, pressure on demand, maybe these rural people are really struggling more. So as volume gets affected for Hawaii because there are more pairs but less ASP. We covered the sales from other segment, but volume of pressure, only because of the Hawaii segment last year versus this year 2% sale of the share was less in our Hawaii segment, which is meant for rural segment of society.

**Videesha Sheth:** Just a follow-up to this, this is a segment where we've also taken similar price hikes, I mean, to the tune of 7-8%, right? Just want you to comment on this.

**Ramesh Kumar Dua:** No, last year, there were no hikes at all. And it is a competitive environment also. So we have to be cautious. For profitability, we are working on our back-end operations. So you will notice that our margin structure remains intact throughout the year. Margin structure has been quite good. We have created good cash flow this year.

Our efficiency and our utilizing working capital has also improved. So, all these things, our cash generation has been quite satisfactory, and our back-end operations are getting more efficient. This year also, we are working on it, and our profitability will improve this year also further.

**Videesha Sheth:** And can you talk a bit about the restructuring of the distribution model, which you touched upon in the press release?

**Ramesh Kumar Dua:** Yes, the work is going on, and we are facing good resistance from a lot of distributors because they don't want to become really fully transparent. The DMS, what we are implementing we are facing resistance from a lot of people. And then from primary mode of selling, we are focusing on secondary mode. And all this kind of effort company is doing, things happening, happening slowly, but we are in the right direction. Our foot is down. We are not giving too much credit to bad distributors. Some distributors are closed also.

So we are improving the quality of our distributor, quality of credit also given to the distributor. So sale for the year is somewhat affected. But in the years to come, things will be on much better footing because our focus is on improving sale at the distribution, not at retailer level. And that

is what is going to really change our complexion of the company itself. It has been a wholesale-driven company, but now it has to be a distribution-led company.

We are facing resistance but we'll overcome. Things are happening and it will happen. By H2, you will see the difference in it. We are setting right our e-commerce model also other things also. But because 75% is our distribution. So our focus remains there much more.

**Moderator:** Next question is from the line of Shraddha Kapadia from SMIFS.

**Shraddha Kapadia:** Yes. So sir, I just wanted to understand that our gross margin has been impacted, if you could mention the specific reason for the same? But our EBITDA margin has remained flat for the quarter. So what exact initiatives which we have taken so as to achieve this? And also, if you could provide a bit of guidance for the future. That would be very helpful.

**Sushil Batra:** Gross margin, if you see last year versus this year, gross means, I think definition of this should be aligned. It's revenue minus cost of goods manufactured. So it has improved 0.7% roughly. It's majorly due to some material advantage and a little bit price increase, which we took long back in January '24, not in this financial year. So there is a little improvement due to product mix and material advantage.

**Ramesh Kumar Dua:** EBITDA remains constant, same last year versus this year. There is not hardly any change. The margin we have been able to protect actually despite loss in sale.

**Shraddha Kapadia:** Sir, just to confirm, so the gross profit margin for your Q4 for this quarter is 54.9% previously it was 60.3% so there is a reduction of approximately 500 basis points.

**Sushil Batra:** You're talking about Q4. So Q4, it has come down reason, there is a decrease in inventory. When there is a decrease in inventory, the conversion cost is also there in the inventory part. So due to that, it looks much higher than cost of goods, but that is not the real case because once inventory decreases, it adversely impacts our margins. It's an accounting entry not much more than that.

**Shraddha Kapadia:** Okay, sir. But if take a look at the other expenses, then that has reduced very significantly. So do we see that we have reduced advertising spend or if you could help with the mix of the other expenses that would be very great?

**Sushil Batra:** Other expenses, yes, definitely, there is a reduction in advertisement as compared to last year, because production levels were also low, due to low sales that is also there because less production and less overhead, other expenses. These are the two major reasons.

**Shraddha Kapadia:** Can I ask one more question?

**Sushil Batra:** Yes, yes, yes, you can ask.

**Shraddha Kapadia:** Okay. So if you could just give a percentage, if you have it handy for the ad spend for the full FY?

**Ramesh Kumar Dua:** Ad spend?

- Shraddha Kapadia:** Yes, sir.
- Ramesh Kumar Dua:** 3 % of the revenue.
- Shraddha Kapadia:** The Disney and Marvel collection contribution to the overall sales and how it is perceived by the consumer and what is the response on the consumers? If you could highlight that?
- Gaurav Kumaar Dua:** We just started with Disney and Marvel and, the figure is quite low. So it's too early to comment anything upon it. Also, it is only available at our retail outlets.
- Moderator:** Next question is from the line of Prerna Jhunjhunwala from Elara Securities.
- Prerna Jhunjhunwala:** Just wanted to understand how has been the sales of closed footwear for the company? And how has it grown against last year?
- Ramesh Kumar Dua:** Closed is also 20% and 80% is our open footwear. Last year also it was same.
- Prerna Jhunjhunwala:** Okay. So, we had increased our capacities also in terms of closed footwear. So how do we see that segment moving going ahead?
- Ramesh Kumar Dua:** Still, we are setting our e-commerce model because closed footwear is now moving a lot of share to e-commerce model. So, this year, we are focused on it. But still, there remains some challenge in that e-commerce because BAS is not proven to be at the moment profitable and efficient. Now we have created a special line for e-commerce, which will have some good influence this year but number of players overall, if you see, the ratio remains same.
- Prerna Jhunjhunwala:** Okay. And what will be the e-commerce share for us today as compared to in the past?
- Gaurav Kumaar Dua:** See, we are continuing the same percentage. Last year it was 10%, and this year also, 10% of our revenue comes from ecommerce.
- Prerna Jhunjhunwala:** Okay. And what will be our capacity utilization today?
- Gaurav Kumaar Dua:** 55% is our capacity utilization.
- Prerna Jhunjhunwala:** Understood. So, sir, we had also started with DMS and we were reaching approximately 1 lakh retailers in that initiative. Where are we now? And how do we take the learnings from there going forward?
- Gaurav Kumaar Dua:** Yes, yes. You're quite right. We have implemented DMS across India to all our distributors. One more thing what we have done is we have launched RPA program, which is called Relaxo Parivaar App, so in that, we have tied up 70,000 outlets. So, 75,000 have downloaded the app and 60,000 are buying regularly. So, it's more advanced than the DMS. So, we are getting the data, how the consumptions are happening across India. So, this is a new thing which we have started last year. And in future, we'll have our data to understand what is the consumer requirement at different parts of the country.

- Prerna Jhunjunwala:** So how are we using this Relaxo Parivaar app to improve our product mix or availability quotient of the stores? I mean I'm just trying to understand how are we using the data that we are collecting now?
- Gaurav Kumar Dua:** See, it is just the first year. First year is to collect the data. Second year onwards, then we'll do up-selling. The scheme, it is first for the retailers to download and start using it. Once they're into the habit, we'll understand which are the outlets who are giving more sales. So, we can target them well. We can take more shelf space, and we can focus there more.
- Prerna Jhunjunwala:** Okay. And is there any incentive?
- Gaurav Kumar Dua:** Yes. It has an incentive program. We have given starting from 2% to 7%. So depends upon the buying of the retailers.
- Prerna Jhunjunwala:** Okay. Sir, I'll come back to the question queue. I have a few more questions, and we'll have more on this.
- Moderator:** Next question is from the line of Devanshu Bansal from Emkay Global.
- Devanshu Bansal:** Sir, we sort of interacted with the channel, and there were two feedback that we picked in our interactions. One is that during the course of FY '25, there were multiple changes in terms of channel commissions and that too in a very short period of time. So that sort of brought a lot of uncertainty in terms of distributors as and when to sort of purchase the stock and when not.
- Second feedback, was that, obviously, it's a very good initiative in terms of the retail app. But there is difficulty in scanning of each and every product to get the sales target commission. And there is feedback that retailers do not scan and the burden sort of only increases with distributors. So I just wanted to check, as you also mentioned that there is some resistance in terms of adoption of these good policies, but regular change of commissions obviously typically do not gel well with the trade. How are we trying to stabilize such commission rates going ahead.
- Gaurav Kumar Dua:** So, talking about commission, we have a fixed commission for our distributors. It is only the scheme, which is the add-on, which keeps on changing seeing the season. For example, if shoe season is there, the more scheme is given on the shoe. In the summer, more scheme is given on the Hawaii category or the open category. So this is nothing new what happened this year. This is every year phenomenon. So schemes go up and down slightly, but commission is fixed.
- The second thing you're talking about is RPA. It's again, I'm telling it's the first year. It's the implementation year. So like 75,000 retailers who have downloaded, 60,000 are regularly scanning the products. Yes, there is some technical issue which we are working upon it. But sooner or later, the habit will be there with the retailer, and they will get the benefit of this.
- Devanshu Bansal:** Got it. Sir, on feedback, obviously, I may not be understanding it properly, but the feedback that we were sort of getting is that MRP minus 35 is there, sometimes it is minus 37, sometimes it is 39. So is this largely because of the incentives or there were some change in the commissions? I wanted to just pick up. So these were the things that we were getting in our feedback.

- Gaurav Kumar Dua:** So we have just launched RPA. So, we have started giving directly to the retailer. So yes, there was some resistance from the trade that you are reducing our margin a little bit and giving directly to the retailer. So that was a little, you can say, not taken well with the distributor in some months, which we have corrected later on.
- Devanshu Bansal:** So now is it like giving directly to the retailer? Or is it via distributors?
- Gaurav Kumar Dua:** We are doing both, distributor as well as retailer. So RPA is only for retailer and distributor commission is separate with schemes.
- Devanshu Bansal:** Okay. But the tensions and the resistance is more or less largely done with?
- Gaurav Kumar Dua:** It's already done. Yes, we have done in quarter 4, yes.
- Devanshu Bansal:** Okay. And sir, now secondly, on the demand front. So obviously, there is some benefits expected out of the tax relief announced by the government, right? So obviously, April was the first month, but any initial signs that you are picking up in terms of how your trade exhibitions went for the upcoming season. So anything that you can sort of indicate, which is giving you some confidence on the growth recovery front?
- Ramesh Kumar Dua:** Presently, actually, things are settling down because our retail app got accepted. Our trade has been now more secondary, we are going secondary focus a little bit. This Indo-Pak situation has made the thing little jittery. We have to wait and see how the things settle down. Otherwise, we are going on our fundamental strong distribution network settling down, because of this retail, recently what we have experienced in the last fortnight.
- Retailers are there on all north side because there were a lot of blackout which they're going to see in the market. That must have affected some sentiments on demand, but once it stabilizes, things will be all right.
- Moderator:** Next question is from the line of Rakhshit Desai from IIFL.
- Rakhshit Desai:** Yes. My first question was on the U.K. trade deal. It has opened by export opportunities across many sectors, including footwear. So with an extensive manufacturing footprint, are you exploring this as a revenue stream?
- Ritesh Dua:** Ritesh Dua this side. We're already in touch with a few leads in the U.K. but we need to see how we can explore this opportunity seeing own branded footwear sales or the private table. So we are open with both the ideas, and we'll see how the opportunity comes, and we'll surely tap them and capitalize that.
- Rakhshit Desai:** Understand. And my second question was on the outlook on EBITDA margin. With crude prices correcting, do you see margins inching up even as sales growth remains tepid? Or do you see competitive intensity heating up something that happened last time around?
- Ramesh Kumar Dua:** No, I think it will be better because we are working on back-end operation, bringing efficiency, things should be better than what we saw last year, in spite of competition intensity.



- Moderator:** Next question is from the line of Nipun Sharma from VLS Finance.
- Nipun Sharma:** For your financial year '25, your revenues were dropped by 4%. So I just wanted to know the reason behind this and your future guidance on the revenues as well as the volume growth?
- Ramesh Kumar Dua:** One thing, the consumer sentiments were muted last whole year. It has been actually happening for the last 1 or 2 years. And second thing, we are focusing on our general trade transformation, which will generally from primary-led focus, we are putting focus to secondary led and focusing on retail growth. To some extent, our distributor partners, they have been resisting all this transparency, implementation of DMS and our retailer's app, all these things. So that resistance is there that has affected our sale also.
- And then quality of the distributor, a lot of distributors where there were a lot of credit against them. We didn't want to give more credit. We wanted discipline all with our distributors. So all these things, our quality of distributor has gone up, quality of debtors have gone up, and we have been able to bring down our inventory levels. All this efficiency has brought good. So whenever you bring change of anything, there is always a pain, but it is only for the short term. But for the long term, it is going to be a real good gain for the company. That's it.
- Nipun Sharma:** Okay. And what is our future guidance for the company? Can you please share your future guidance?
- Ramesh Kumar Dua:** The way market is, I don't think the sale will be too high or jump because of general conditions are not good. But as far as, we are focusing on improving the bottom line of the company. We are working on it. But our top line also in H2 what I think keeping in view all transformation, which we are bringing. These things are settling down. Our top line will also grow, and our bottom line will also grow.
- Moderator:** Next follow-up question is from the line of Shraddha Kapadia from SMIFS.
- Shraddha Kapadia:** So, sir, if you could just give the guidance for the capex for the next year?
- Ramesh Kumar Dua:** Around INR 100 crores.
- Shraddha Kapadia:** Okay. And not in terms of only revenue, but if we take a look that our ASP has been increasing continuously. So do we have any for the next 2 or 3 years?
- Ramesh Kumar Dua:** There are 2 things. The share of premium article and share of shoe business that is going up and our lower price segment like Hawaii that has gone down. So our average sale price has gone up. And in future also with the launch of more premium articles, this will also improve further.
- Shraddha Kapadia:** Sure sir. Just one last question from my side. So, if you could highlight something on the BIS and how is this currently having an impact especially for small players and how it will benefit to us?
- Ramesh Kumar Dua:** No, now as far as we are concerned, we have implemented this QC or quality control orders. And things are settled down in our organization. As for others whom government has exempted that is government's outlook. I don't know, up to now, micro and small they are exempted. They

are going to be remain or they are going to implement government has to decide. As far as we are concerned, our job is over. We are complying with it, and we have nothing to now fear or anything.

**Moderator:** Next follow-up question is from the line of Prerna Jhunhunwala from Elara Securities.

**Prerna Jhunhunwala:** I just wanted to understand, has there been any impact of the ongoing situation in the country on the sales? Like how should we take it for this quarter? I mean, what kind of impact should we assess?

**Gaurav Kumar Dua:** So recently, like what we are hearing from the market is some of the markets in North, they were keeping the retail outlets off. But now the things have improved. Now the things have, from I think, today onwards, we are seeing that all the outlets are getting open. So, I think it is a matter of some time, things will come back to normal, and we will have a normal quarter.

**Prerna Jhunhunwala:** Okay. And do we look forward to reduce any prices given that raw material prices are coming down?

**Gaurav Kumar Dua:** As of now, we have not seen any major shift in raw material prices. So as soon as there is any change, we'll...

**Ramesh Kumar Dua:** No, no, there is no change.

**Gaurav Kumar Dua:** There's no change as of now in raw material prices.

**Prerna Jhunhunwala:** Okay. Because crude oil prices were coming down. So we thought that there would be a rub-off effect on our key raw materials.

**Gaurav Kumar Dua:** Till now, there's no change in raw material for us.

**Prerna Jhunhunwala:** Okay. And sir, in e-commerce, now we understand that there is a lot of competition in the mid-segment, mid-price segment and all. So how are we thinking about product launches, like how many SKUs do we think are we increasing? And how are we connecting with the younger generation going forward? Any thoughts on the same?

**Gaurav Kumar Dua:** So first of all, we have segregated our portfolio. So we had our general trade portfolio. Now we have a specific e-com portfolio. So there was a price war between these 2 channels, but now we have addressed that. Secondly, we have now started selling through BAS, Business As Seller. Earlier, we were given directly to the Flipkart and the Amazon. Now we are not going through them because they were also under cutting the prices. Regarding portfolio, we have really designed our portfolio according to consumer need for e-commerce.

**Prerna Jhunhunwala:** Any example that you could help us understand how consumers are liking or accepting whatever you are selling now. I mean any initial feedback, anything that you can share?

**Gaurav Kumar Dua:** It's just like we have to really understand the consumer and design product accordingly. So now the fashion is moving towards more sneakers. So, we have really developed our portfolio line to address that category. So, we're getting good response.

- Prerna Jhunjunwala:** Okay. Okay. And what about the opening price point because there is a lot of competition, as you mentioned earlier. So, our opening price points were around INR 700 to INR 800. Do we face any major competition that side? Or are we gaining some market share over there? How are we growing our market share in the closed footwear category? And how are we improving there in the opening price point segment?
- Gaurav Kumaar Dua:** So major sales is from INR 1,000 to INR 2,000 in e-commerce platform. And yes, you are right, there are a lot of local players who have entered in this price point. But we are following our own ways of selling. So we have designed our portfolio accordingly. Gaining the market share, it is very difficult to get the data of what is the total size of the market, and which consumer is buying from what competitors. So it's very difficult to share the data.
- Prerna Jhunjunwala:** Okay. And are we confident of maintaining our margins or improving our margins in FY '26?
- Gaurav Kumaar Dua:** Yes, yes. We are very optimistic that we will improve our margin here.
- Prerna Jhunjunwala:** So around 100 bps is something that should we look forward to?
- Sushil Batra:** Yes, yes, it's workable, definitely, it will be a little high, but that is surely workable, 1% plus.
- Prerna Jhunjunwala:** And this will come from improved mix? Or what will be the reason for margin improvement in your opinion?
- Sushil Batra:** We are working on both sides. Definitely, one on the high-value item product mix. And majorly, we are working on the cost side. So, we are driving a lot of efficiencies in the system, back end and at plant level, we are working on that. So that all will bring at least good margin improvement in the coming times.
- Prerna Jhunjunwala:** And any further improvement possible in the working capital from your end? Anything possible over there in terms of inventory reduction or debtor reduction, something?
- Sushil Batra:** Yes. That opportunity is there, definitely, but not in a big way because the volume will increase. That's what we are expecting. So overall, from the inventory holding or working capital overall days, it will come down. It will come down.
- Prerna Jhunjunwala:** And anything on the retail strategy, how many EBOs you would like to open this year? And where do we see you in various brands, if at all, this Sparx store or anything that you do planning on the retail side? We would like to get some clarity over there?
- Ramesh Kumar Dua:** This year, we are adding 50 more retail outlets, and we are also modernizing retail outlets and a few Sparx exclusive outlets also.
- Prerna Jhunjunwala:** Okay. And, sir, you also started with the quick commerce deliveries, right. So any color on that, where the revenue share will be for that segment? And how is it doing?
- Gaurav Kumaar Dua:** We are really tied up with all the quick commerce platforms. So it's too early to comment upon that, but we are seeing good sales contribution from that channel. But it's too early to say anything on this.

- Prerna Jhunjhunwala:** Okay. Maybe we can check with this 6 months later.
- Gaurav Kumaar Dua:** Yes, yes.
- Moderator:** Next follow-up question is from the line of Devanshu Bansal from Emkay Global.
- Devanshu Bansal:** Sir, we sort of indicated that we may sort of explore the export side of the business, right? So I just wanted to check one, U.K., obviously, maybe the product is more on a premium side, while in India, currently, we are at the entry level. So one, I wanted to understand that bit. And second, how big can this opportunity become, right? So if any initial outlook that you can provide us from that perspective?
- Ritesh Dua:** In the export side, we have been exporting largely to African continent and the Far East, Southeast Asia. These have been our major markets, and some part of Central America as well. So, seeing the product profile we are having, we have been putting the same product line towards these markets, seeing the market potential, and the price points that we are working in.
- So seeing the latest development of the deals that are happening, yes, we are open to this. Just a few questions back, I replied that. We are open for both the options like our own branded or the private label.
- Devanshu Bansal:** But do you think there is a market for other products or we have to change the product strategy for U.K.?
- Ritesh Dua:** We have market for all kind of products in U.K. We have seen that the traction is for EVA footwear, we have a good opportunity. And then we have even in flip flops, we have a good opportunity. Besides that, we are exploring opportunity for Sparx, like sports shoe, but whatever opportunity we will have, we will surely grab it.
- Devanshu Bansal:** Understood. And is there a component of capex towards this opportunity within that INR 100 crores that we have sort of talked about. So are we specifically dedicating some of that towards this opportunity? Or how should we see that?
- Ritesh Dua:** See, we already have good capacities, as you know, that we have a surplus capacity with us. So we'll be able to utilize that capacity well. And in fact, we will get advantage of utilizing that capacity in a better way and we'll get a benefit on fixed cost.
- Devanshu Bansal:** So any indications that you can provide, sir, what is the thought process behind investing another INR 100 crores where in one segment that is specifically going since our utilizations are relatively lower as of now?
- Ramesh Kumaar Dua:** One thing is certain, new articles have to be introduced. So cost of new moulds. That is around INR 30 crores every year, it has to go there. And then opening of new 50 retail outlets, their capital will go. Then we are also making various capital investment in energy saving devices, like putting solar energy and then fuel-efficient boilers where we have saved the costs which will help us in the long run. So these are the investments. And then some of the expenditure is in project department, some office expenditure.

- Devanshu Bansal:** And last question, sir. From a distribution perspective, what is our target in terms of addition of distributors and retail outlets for the current year?
- Gaurav Kumar Dua:** See our target, last time, we mentioned that we have reached 70,000 outlets. So we are going to really increase it by 5% to 10 % in that front, because around 50,000 to 60,000 outlets are buying regularly from us. So we have to first take it to 70 and then increase our base.
- Devanshu Bansal:** Okay. So it's more mining of existing outlets? Can we term that way rather than addition of...
- Gaurav Kumar Dua:** Correct.
- Ramesh Kumar Dua :** Also, no addition of new distributors, around 100, we are targeting, adding new distributors in the distribution networks.
- Devanshu Bansal:** So, if you're not adding outlet, so it will be like a division of these 50,000, 60,000 into more distributors for better servicing of those outlets. Is this the way to look at it?
- Gaurav Kumar Dua:** Yes, yes, because we have 4 brands with us. Some brands are weak and some are strong. So we have equal representation of all our brands.
- Devanshu Bansal:** Okay. Last follow-up on this. So, are we also targeting brand-specific distributor or that's not the case as of now?
- Gaurav Kumar Dua:** No, not yet, we will see how things will go.
- Moderator:** Next question is from the line of Siddhant Gupta from RV Investments.
- Siddhant Gupta:** Just a small question. When can we expect some improvements in our sales volume? And what could be drivers behind it?
- Ramesh Kumar Dua:** So we are setting our distribution model and we are focusing on that. That improvement will help when we are focusing on secondary sales and then opening of new retail shops around 50, we are doing level, focus on our modern trade. All these things will help. You can see uptick H2 onwards because still distribution is 75% of our contribution in sales. Here, it's taking time to revamp all this distribution setup, which is from primary to secondary.
- So H2 onwards, you will see the uptick although we may get earlier also, but H2 onwards, a lot of things will settle down , I think, will improve.
- Moderator:** Next follow-up question is from the line of Prerna Jhunjhunwala from Elara Securities.
- Prerna Jhunjhunwala:** Sir, just one last question. I'm just trying to understand that because you're connect to Relaxo Parivaar app, can we distinguish how would be secondary sales through this app initiative and how much can be primary sales through distributor-led model. Just trying to understand the effectiveness of this initiative taken.
- Gaurav Kumar Dua:** So, it's been just 1 year we have implemented this app. And we are very happy to see that 50% of our sales are being captured there. So we can see the retailers whoever are scanning and they

are selling the product. So at least 50% is captured. So whatever we're selling to distributor, so 50% of that is being captured in this retail RPA app, Relaxo Parivaar App. This will improve month-on-month.

**Perna Jhunjunwala:** Okay. Okay. And what changes you are trying to do in the distributors system? Because I'm just trying to understand that how things can improve radically in terms of distributor acceptance or product acceptance? Or how are we trying to change the distribution system to improve our sales?

**Gaurav Kumar Dua:** So first thing is we have identified the distributor who are not growing, or the distributors who are giving a lot of discounts or doing the value-addition. So we are closing them down. Secondly, we are going to appoint those number of distributors, like our MD has said that 100 more distributors will be added. Secondly, RPA plus DMS implementation. So, a lot of things are going to happen here.

The mindset shift from primary sales to secondary sales is going to happen, which is taking a little time. So, a lot of from wholesale to retail mindset takes time. So a lot of small actions we are taking to improve our distributor sales growth.

**Perna Jhunjunwala:** Just trying to understand how are you monitoring the growth from them largely because sales growth will be a function of the volume and the mix improvement price hike is in your hand, but volume and mix improvement, anything that you are targeting towards mix improvement because we are at closed footwear at 20% for a long time now. So how do we really think...

**Ramesh Kumar Dua:** The company taking control of sales by deploying sale officers, the sale officer is going to retailer. That is going to help us, what we want to sell, where we want to sell, how much we want to sell. Our control will be more because our people are in the market selling to the retailer. That is the way forward. We have to take the responsibility by relying on sales team and less on the distributor.

**Gaurav Kumar Dua:** And plus, we are going to increase our ASP as well, what launches we are doing, our NPDs is focused upon that to improve our product mix as well. So multiple things are happening to.

**Perna Jhunjunwala:** Okay. Okay. And what is the price range of sneakers that we have launched?

**Gaurav Kumar Dua:** These are all above INR1,200 to INR 2,000-plus

**Perna Jhunjunwala:** INR1,200-plus. Okay, okay. And it ends at INR 2,000 or it goes above INR3,000 to INR4,000.

**Gaurav Kumar Dua:** INR 2,500 only.

**Perna Jhunjunwala:** INR2,500. Okay. understood.

**Moderator:** Next question is from the line of Rajiv B from Nuvama.

**Rajiv B:** Sir, with regards to this compliant distributors, which you mentioned, so what is your revenue per distributor of this lot currently on an average?

**Gaurav Kumaar Dua:** We can say we have more than 500 distributors. On average, we are doing more than INR 4 crores per distributor.

**Rajiv B:** Of the compliant lot, who have already transitioned to your...

**Gaurav Kumaar Dua:** Contributing to sales. Total number of distributors with the average sale of INR 4 crores.

**Rajiv B:** 650 was the number which is there in the presentation, if I'm not wrong.

**Gaurav Kumaar Dua:** Yes. which I'm talking about is the active month-on-month.

**Rajiv B:** Okay. No, I was asking there is pushback which is coming from a certain lot of distributors, right? And there are distributors who have already embarked on your journey and okay with their RPA app as well. The contribution of those distributors is larger in the sense per distributor revenue than average?

**Gaurav Kumaar Dua:** The exact number, we have to see, what we have noticed is around 10% of our distributors, we are facing more challenges in terms of changing their mindset or who were not growing or cutting a lot of discount in the market. So these are the corrections we have identified and we are going to replace them with the new distributors.

**Rajiv B:** Sure. Is it safe to assume that the average new distributor would be smaller in quantum in terms of revenue per distributor? Is the same the incremental which you're adding in future?

**Gaurav Kumaar Dua:** It depends upon the market, Newer market, they will be slower. But in the existing market, there will be a bigger distributor.

**Rajiv B:** Sure. And in Sparx, what is the, let's say, sandals versus shoes mix currently?

**Ramesh Kumar Dua:** 50% is shoes, 50% is sandals.

**Rajiv B:** Yes. So because if I remember a few years back, I think '22. '21, your shoes used to be 40%. But the ASP has not moved up despite, let's say, the contribution of shoes portion has gone higher. Any reason why?

**Ramesh Kumar Dua:** In this brand, there are 3 things. One sandal, second is shoe. And third is our fabricated slippers. So that is also a share because that has also grown this year, which is in the price range of INR 400 or something. So that is why you are noticing this thing average out when it happens.

**Rajiv B:** Sure. And what is the reach of Sparx currently in terms of touch points?

**Gaurav Kumaar Dua:** So we have more than 25,000 outlets Sparx is present.

**Rajiv B:** Okay. And there was a question on gross margin. So, I could not understand it clearly. So there is a drop in gross margin. And when I see the inventory has decreased for the second half close to, I think, INR 100-odd crores in the second half. So the channel inventory in general is healthy or you have pushed something to the channel by rolling out higher discounts and that will basically affect, let's say, future sales in the next couple of quarters at least?

- Ramesh Kumar Dua:** No, no, we are watching our secondary sales, which is more important. We can push primary, but rather we are more concerned. We just don't want to push primary sale. You have to watch the quality of the sales that is through secondary.
- Sushil Batra:** But in March, there was a pull definitely because people have to achieve their targets. So that's why this inventory has come down in the month of March. So due to that, margin seems lower side, but that is not the actual case. Overall, margins are intact and a little better at full level. But in March because the inventory was reduced in a big way, so that's why, it's looking different in this quarter 4.
- Moderator:** Next question is from the line of Ashish Shah from Business Match.
- Ashish Shah:** I have two questions, most likely long term in nature. So if one was to take a 3- to 4-year outlook ahead. Do you see meaningful volume growth ahead, if one was to look at it slightly long term rather than the next few quarters?
- Ramesh Kumar Dua:** We are doing premiumization. In that case, volume may not be there. But overall growth will happen. You have to see quality of sales, whether we focus more on premium or more on mass article. Since mass articles are under pressure because of the lower segment of the society are going through more pressure and premium articles are getting more accepted, and we'll be focusing there. So value sale maybe more proportion to the volume sale as you will see.
- Ashish Shah:** Okay. Sure. And sir, the second question is on ROCE. Even if growth was to meaningfully improve over the next 2, 3 years, do you see ROCE also moving meaningfully higher? And if yes, then what are some of the levers that you have for you to improve ROCE, your ROCE will remain in this band even if earnings was to improve?
- Sushil Batra:** So, ROCE will definitely improve when we are working on the cost side. So overall, EBIT will improve because EBITDA will improve and everything is going to be improved. So we are expecting that it will improve by at least 2% to 3% in coming time.
- Moderator:** As there are no further questions from the participants, I would now like to hand the conference over to the management for the closing comments.
- Sushil Batra:** So, this is all from our side, and we thank you all for joining the call. Looking forward to joining you again. Thank you very much.
- Moderator:** Thank you, sir. On behalf of Elara Securities India Private Limited, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.



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