November 08, 2013

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF RELAXO FOOTWEARS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	235.06 (enhanced from 176.74)	CARE A (Single A)	Revised from CARE A- (Single A Minus)
Short-term Bank Facilities	60 (enhanced from 50)	CARE A1 (A One)	Revised from CARE A2+ (A Two Plus)
Total Facilities	**295.06**		

Rating Rationale

The revision in the ratings of Relaxo Footwears Limited (RFL) factors in the consistent growth in revenue and improvement in the overall business profile of the company. Along with strengthening of the distribution and supply chain network, the ratings revision also factors in the successful commencing of the PU footwear plant.

The ratings continue to derive strength from RFL's long track record of operations, strong and resourceful promoters, established brand name in the footwear industry, strong distribution network and continuous improvement in the financial profile. These strengths are, however, partially offset by the susceptibility of margins to the volatility in the raw material prices, exchange rate fluctuation risk, project execution and stabilization risk and intensely competitive business scenario.

Going forward, RFL's ability to sustain its profitability margins and maintain the capital structure along with successful execution of the expansion project within the envisaged time and cost would be the key rating sensitivities.

Background

RFL is the flagship company of the Delhi-based Relaxo group. The group was founded by the late Mr Moolchand Dua in 1977 and was mainly involved in the trading of footwear through Relaxo Rubber Private Limited. The group ventured into manufacturing of footwear through Relaxo Footwear Private Limited in 1984, which was subsequently converted into a public limited company in 1993 as RFL. The company is engaged in the manufacturing of wide range of footwear and over the years it has become one of the largest footwear manufacturers in the country. The company has eight manufacturing units, six located in Bahadurgarh (Haryana) and one each at Bhiwadi (Rajasthan) and Haridwar (Uttaranchal). The total installed capacity for footwear stood at 4.54 lakh pairs per day as on March 31, 2013.

During FY13 (refers to the period April 01 to March 31), RFL has registered a PAT of Rs.44.8 crore (Rs.39.9 crore in FY12) on a total income of Rs.1,010.9 crore (Rs.865.7 crore in FY12) Based on the provisional results, the company has reported a PAT of Rs.21.6 crore on a total income of Rs.314.1 crore in Q1FY14.

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

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