



Stepping into the Footwear Industry...

A photograph of three men standing around a large, illuminated table in a dark room. The table displays a technical drawing or blueprint. The man on the left is gesturing with his hand, the man in the middle is looking at the drawing, and the man on the right is looking towards the camera. The scene is dimly lit, with the primary light source being the table's illumination. The text "Form or Function?" is overlaid in white on the lower part of the image.

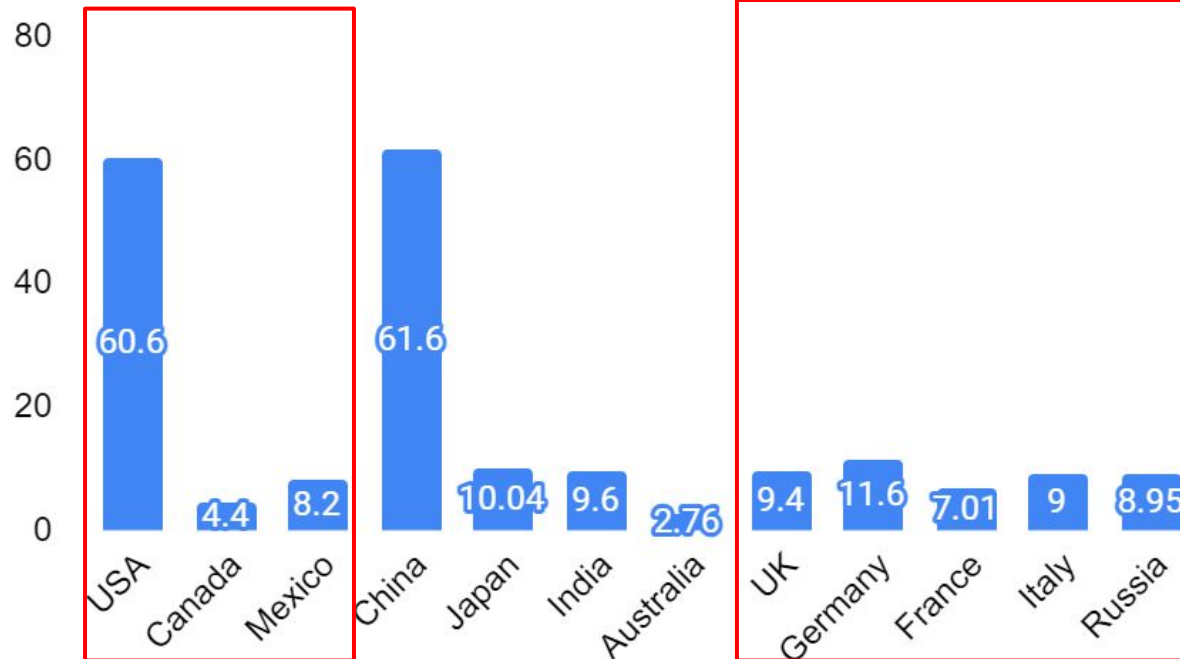
Form or Function?

Manufacturing Process



Market Size of Global Footwear Retail Industry (CY 2020)

Footwear Retail Market Size (USD Bn)



Source: Technopak Analysis

Indian Footwear Industry

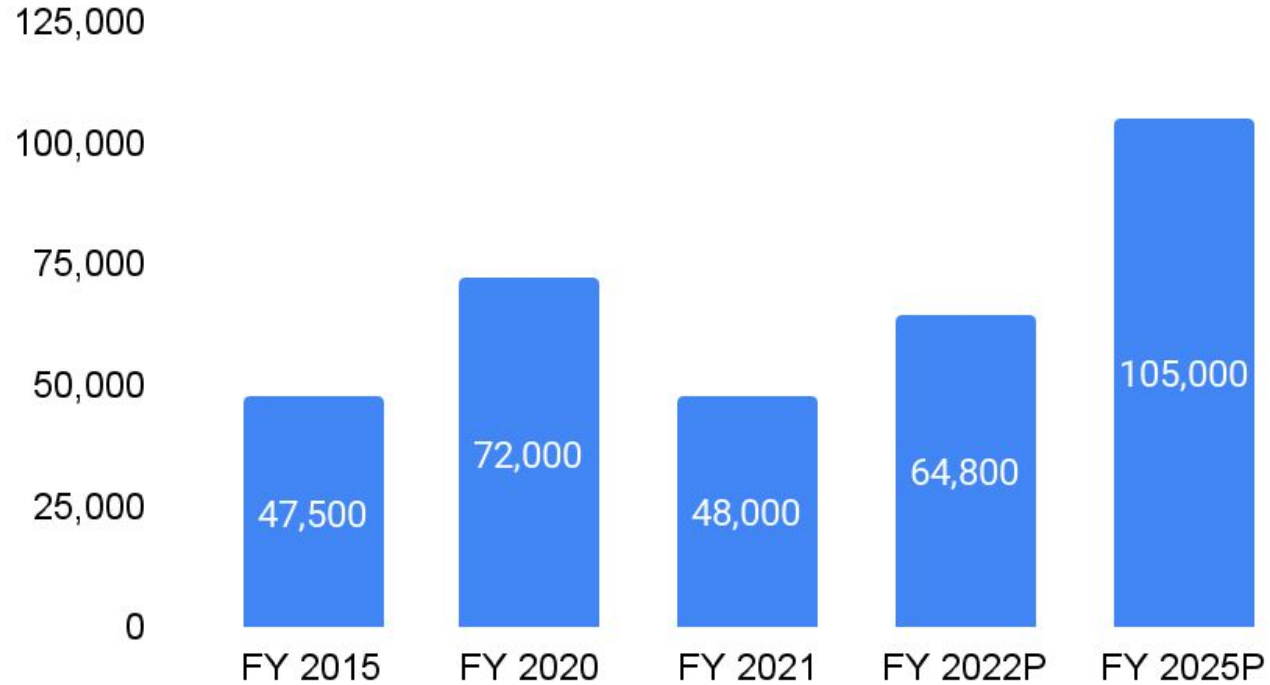
India is the second largest producer of footwear in the world

India's retail market was valued at ~₹59.70 lakh crores in FY20

Footwear constitutes ~1-1.5% of the total Indian retail market

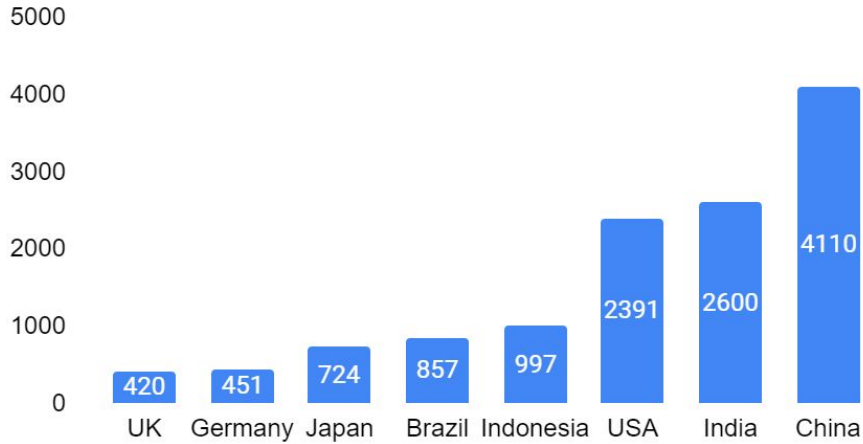
70% of the footwear industry in the country is unorganised in nature

Footwear Retail Market in India (Value in ₹ Crore)



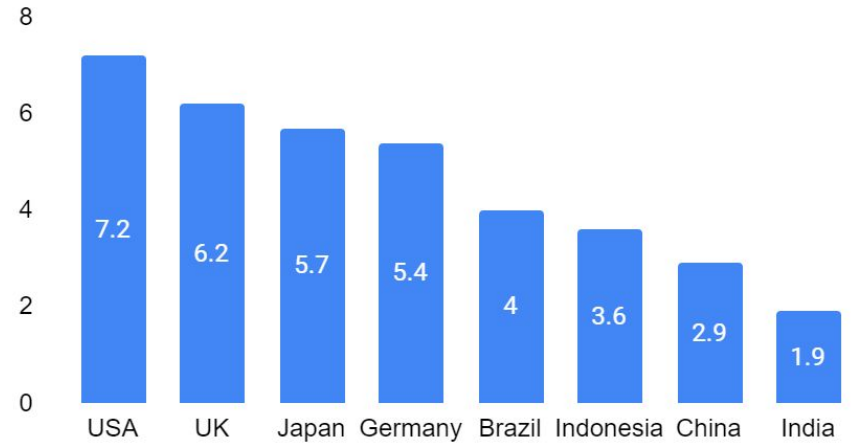
Source: Technopak Analysis

Annual Footwear Consumption (Number of pairs in millions) (FY 2020)



Source: Technopak Analysis

Annual Footwear Consumption (Number of pairs) per Capita (FY 2020)

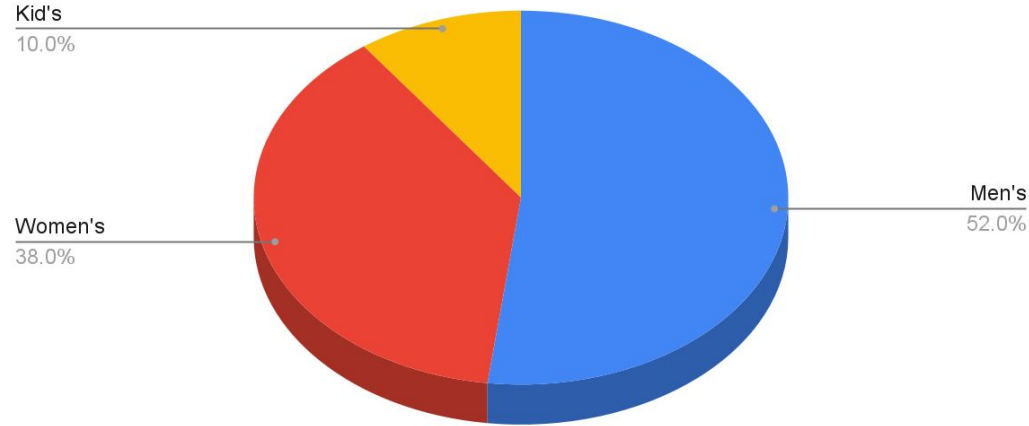


Source: Technopak Analysis

BIS (Bureau Of Indian Standards)

- It prescribes what kind of raw material like leather, PVC, and rubber is to be used in manufacturing footwear along with the norms on making soles, heels, and other parts of the footwear
- It has been enforced upon 24 footwear categories
- Aligned with global standards
- Aim to curb sub standard imports from China and keep a check on domestic production
- Test facilities have been created in 2 BIS labs, 2 Footwear Design and Development Institute (FDDI) Labs & Central Leather Research Institute and 11 private labs for testing footwear.
- 80% cut on testing charges for footwear products under the QCO's (Quality Control Orders) for the certified start-ups and micro industrial units.
- Same standards for branded and non branded products
- Closure of small units?
- Deadline: 1st January, 2024 for MSME's and 1st July, 2024 for Micro enterprises
- Not applicable for those who are not export houses and to those who have revenues < Rs.50 crores

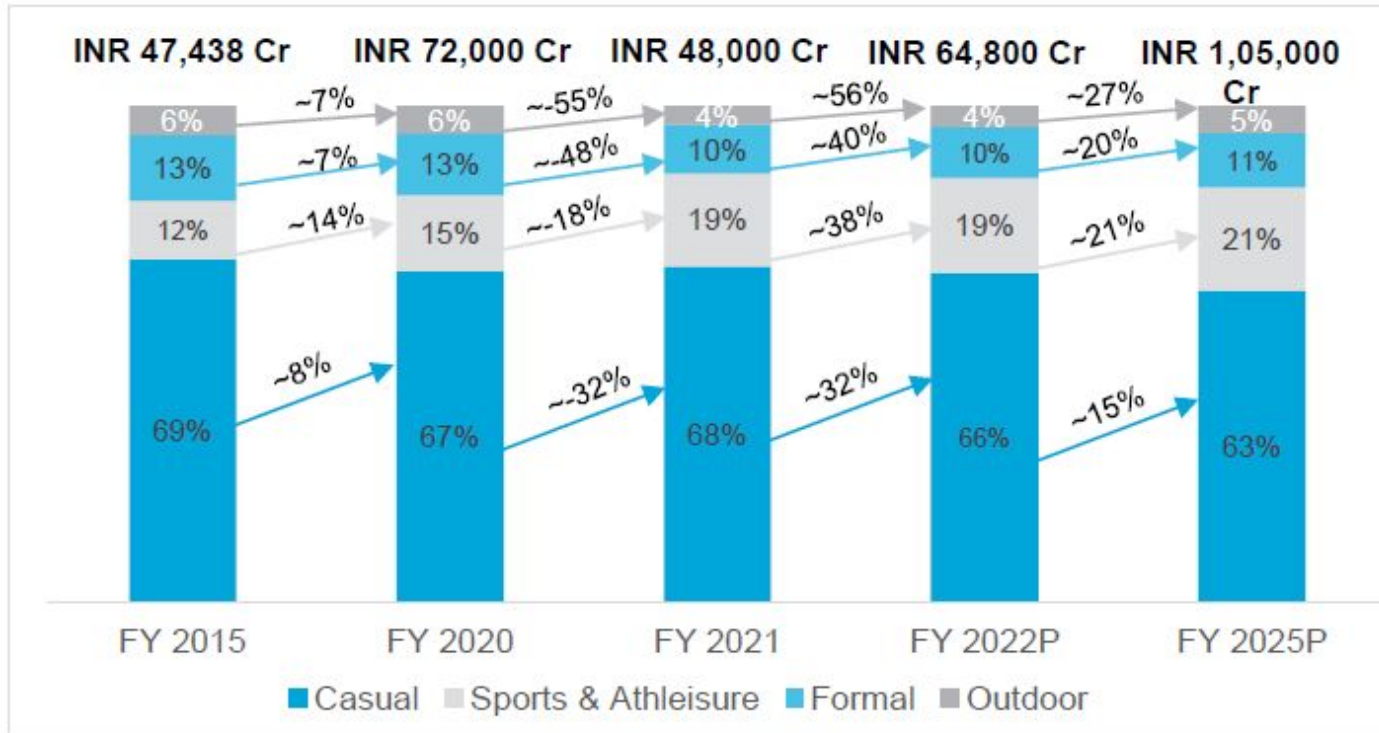
Industry wise Revenue Categorisation in India



Penetration of organised retail is higher in the men's segment

Women's category is growing faster as there are multiple occasions which ultimately drive volumes

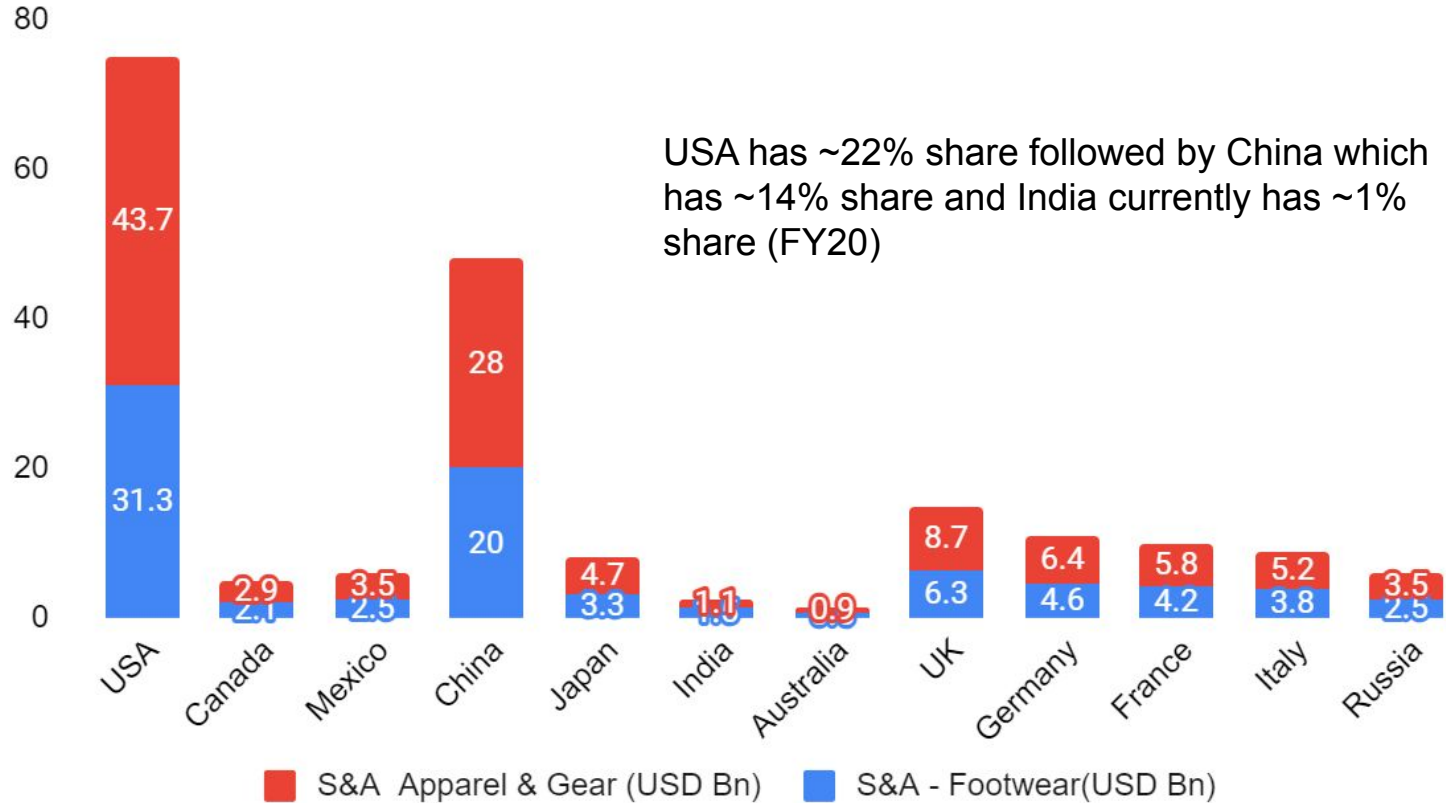
Category wise Segmentation in India



Source: Technopak Analysis

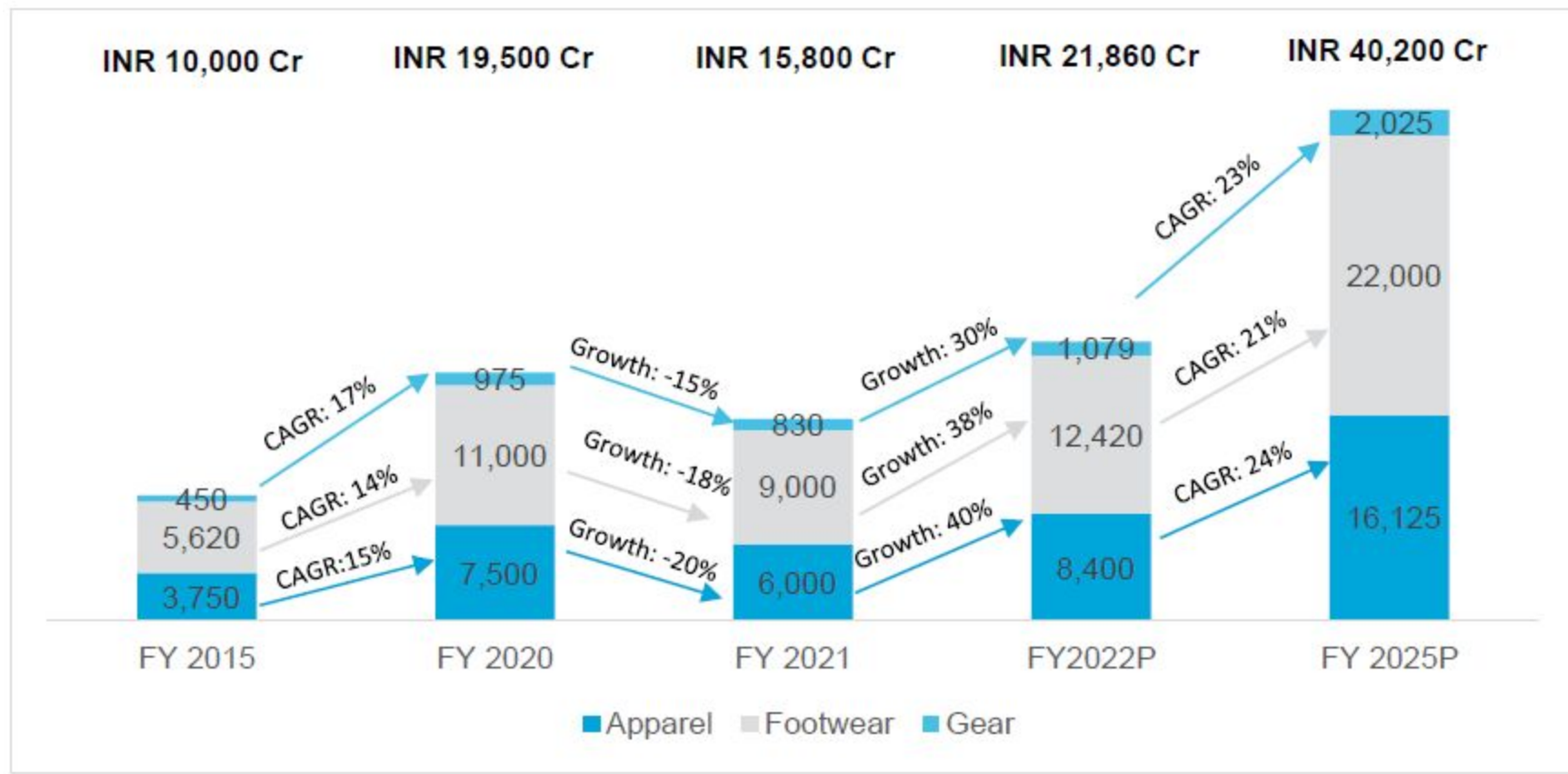
Sports & Athleisure is growing at a very fast pace in comparison to the other categories

Global Sportswear & Athleisure Retail Market - FY 2020



Source: Technopak Analysis

Exhibit 28: Sports and Athleisure Retail Market in India (in ₹ crore)



Source: Technopak Analysis

Key Asian Players in Sports and Athleisure

Brands	Country of Origin	Establishment Year	Footwear	Apparel	Sports Gear	Price Range (\$)	No. of EBOs	Revenue - 2020 (\$ Bns)	Presence
Anta Sports	China	1991	✓	✓	✓	85-249	12,260	5.50	Worldwide
Li Ning	China	1990	✓	✓		53-150	-	2.23	Worldwide
Asics / Onitsuka	Japan	1949	✓	✓	✓	50-270	-	2.99	Worldwide
Fila	Korea	1911	✓	✓	✓	65-138	8,200	2.69	Worldwide
Campus	India	2005	✓			5-48	50+	0.09	India
Liberty Force 10	India	1990	✓			7-48	396	0.06	India
HRX	India	2013	✓	✓	✓	8-68	-	0.07	India

Note: Revenue for all International brands is for FY 2020 (Jan 2020 to Dec 2020) while the Revenue from Indian brands is for FY 2021 (April 2020 to March 2021)

Source: Technopak Analysis

Key Players: Footwear SKU Offer across Usage Types

Brands	Total Footwear SKUs	Casual	Sports & Athleisure	Formal	Outdoor	School Uniform
Adidas	7,673	-	92.00%	-	8.00%	-
Asics	1,486	21.00%	60.00%	-	19.00%	-
Bata	5,176	69.00%	10.00%	17.00%	2.00%	2.00%
Campus	6,388	-	100.00%	-	-	-
Decathlon	292	-	80.00%	-	20.00%	-
Fila	1,000	-	100.00%	-	-	-
HRX	470	34.00%	62.00%	-	4.00%	-
Metro Shoes	1,419	63.00%	-	20.00%	17.00%	-
Mirza International	1,364	15.00%	50.00%	30.00%	4.00%	1.00%
Nike	2,570	15.00%	76.00%	-	9.00%	-
Puma	7,234	28.00%	64.00%	-	8.00%	-
Reebok	1,644	6.00%	78.00%	-	16.00%	-
Relaxo	5,175	72.00%	18.00%	5.00%	-	5.00%
Skechers	1,117	10.00%	47.00%	4.00%	39.00%	0.00%

Note:

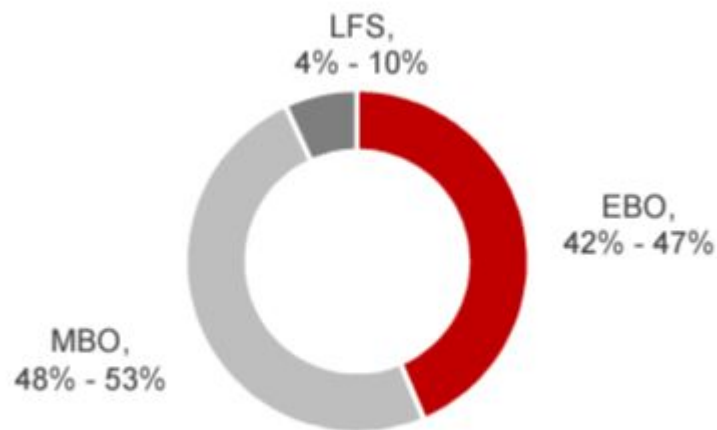
SKU Listing as of Sept 2021 from company website

Considered Myntra for HRX, Amazon for Fila

Source: Technopak Analysis

Channel wise Mix in India

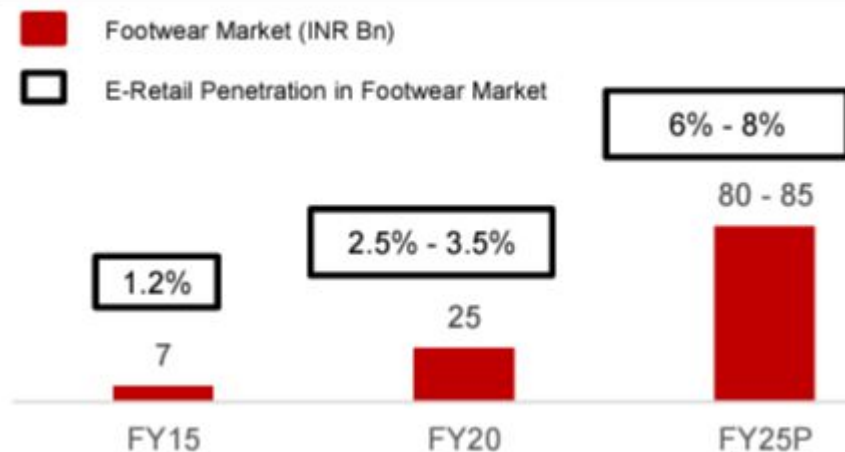
Share of various Retail Formats (FY21)



Note : Broad split of traditional offline formats for organized footwear industry

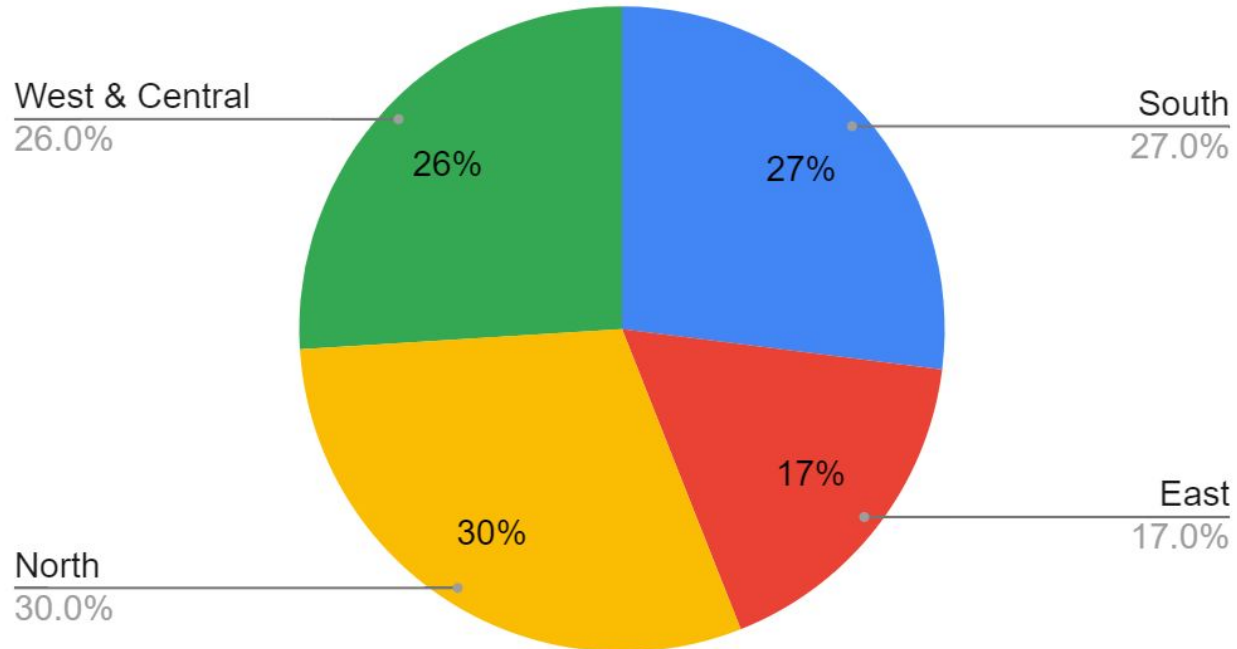
Source : CRISIL Research

E-Retail Market in India



Industry Wise Geographical Breakup in India

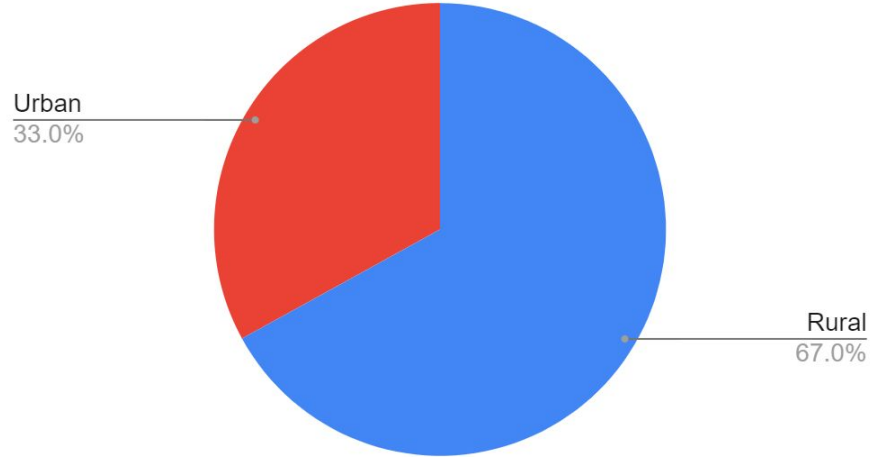
FY 2020 (INR 72,000 Cr)



Source: Technopak Analysis

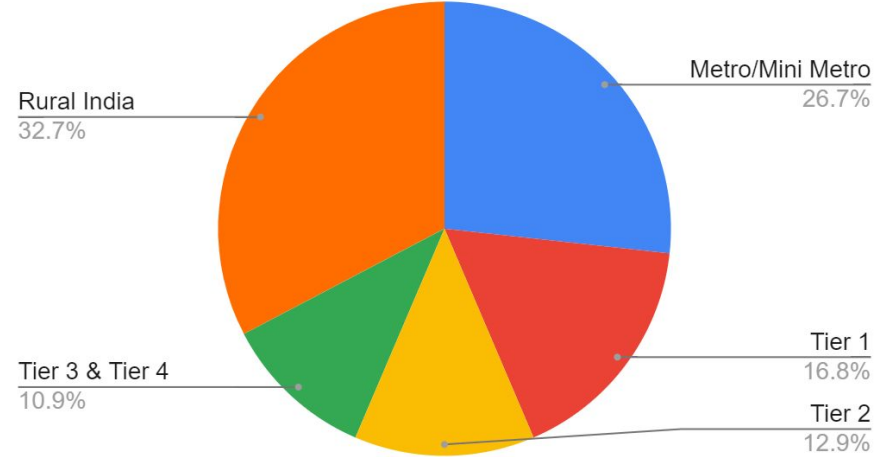
Urban v/s Rural in India

Total Footwear Market (FY 2020) : INR 72,000 Cr



Source: Technopak Analysis

FY 2020 (INR 72,000 Cr)



Source: Technopak Analysis



Note: The categorization is done as follows:

- *Mass segment is priced below ₹ 500 a pair*
- *Economy segment is priced between ₹ 501 to ₹ 1,000 per pair*
- *Mid-segment is priced between ₹ 1,001 to ₹ 3,000 per pair*
- *Premium segment is priced at ₹ 3,001 per pair and above*

There will be certain overlaps for certain SKUs for each brand, and the current classification is based on ASP and majority price range. Please note the above image is for illustration purposes only.

Brands at a glance

Metro Brands Ltd	Bata India Ltd*	Relaxo Footwear Ltd	Khadim India Ltd	Liberty Shoes Ltd	Paragon Group	Mirza International Ltd.
Owned Brands						
<ul style="list-style-type: none"> • Metro Shoes • Mochi • Walkway • Gen X • Princess • Signatures • Davinchi • J Fontini • Biofoot • Activ • Haute Diva • Pro 	<ul style="list-style-type: none"> • Bata • Mocassino • Ambassador • Bata Comfit • Marie Claire • Bubblegummers • Power • North Start • Naturalizer • Sundrops • Weinbrenners • Scholl(f) • Hush Puppies(f) 	<ul style="list-style-type: none"> • Bahamas • FLITE • Sparx • Schoolmate • Elena and Casualz 	<ul style="list-style-type: none"> • Khadim's • British Walkers • Lazard • Turk • Cleo • Sharon • Softouch • Adrianna • Bonito 	<ul style="list-style-type: none"> • Coolers • Force 10 • Healers • Senorita • Fortune • Gliders • Windsor • Adventures of Lucy & Luke • Perfect • A-Ha • Leap 7X 	<ul style="list-style-type: none"> • Paragon Max • Vertex • Stimulus • Solea • Paralite • Arcade • Casual • Dolly • Dolly flat • Flat Lite • P-Toes • Escoute • Fender • Rubber based • School shoes • Slickers • Solea Plus • Sonar • Vertex Plus • Walkie • Meriva 	<ul style="list-style-type: none"> • Redtape • Redtape Athleisure • Bond Street • Mode • Oaktrak • Yezdi

Metro Brands Ltd	Bata India Ltd*	Relaxo Footwear Ltd	Khadim India Ltd	Liberty Shoes Ltd	Paragon Group	Mirza International Ltd.
Other thirdparty brands						
<ul style="list-style-type: none"> • Crocs • Clarks • Buckaroo • Fitflop • iD • Sparks • Skechers • Language • Florsheim • Kittens • Mardi Gras 	<ul style="list-style-type: none"> • Scholl • Hush Puppies 					

* Bata India Ltd contains brands that are inherited from their global parent such as Hush Puppies

Source: Companies' websites, CRISIL Research

Relaxo Footwears

- Set up in 1976 by Ramesh Kumar Dua and Mukund Lal Dua
- One of the top non leather footwear exporters in India
- ~8% market share of the organised sector
- Wholesale led model with 93% of the revenues coming in from this channel
- They began retail operations via the franchisee model (FOFO) in 04-05 because
 - ◆ They launched premium brands that year and distributors would not have the financial muscle to push those products
 - ◆ They wanted immediate feedback on their new product launches to gain a better understanding on which products should be continued
 - ◆ Create overall brand awareness & showcase the full breadth of the product mix
- They have several brands like **Relaxo**, **Flite**, **Sparx**, Schoolmate, Bahamas etc.

Bata India

- Largest retailer of footwear in India
- ~10% market share of the organised sector
- Wide product range
- 90% of revenues are from the retail channel
- 40%-50% of revenues are from the formal wear segment
- A portfolio of around 15 brands:
 - ◆ Some are owned by the company whereas others are licensing agreements
 - ◆ Bata contributes to ~50% of revenues
 - ◆ Hush Puppies (licensing agreement with Wolverine) contributes to 12%-13% of revenues
 - ◆ Power contributes to ~15% of revenues

Metro Brands

- Started in 1947, in Colaba, Mumbai. The promoter is Mr.Rafique Malik and the MD is his daughter, Mrs.Farah Malik Bhanji.
- Aspirational brand
- Retail led business model
- Asset light model
- Vast brand portfolio
 - ◆ Metro: ~55-60% of revenues
 - ◆ Mochi: ~25-30% of revenues
 - ◆ Crocs: ~15% (non exclusive agreement)
 - ◆ In house brands contribute ~70% of revenues

Campus Activewear

- In 1983, Mr. Hari Krishna Agarwal established a footwear company under the name Action Footwear. Campus was eventually launched in 2005 as a 'Sports & Athleisure' brand. They attracted investors such as TPG & QRG in 2017 and also forayed into the retail channel in that year.
- It addresses 85% of the market. Its target audience is 14-35 years of age which represents a little less than half of the 'Sports & Athleisure' market in India
- ~17% market share in the 'Sports & Athleisure' market in India
- Wide range of products

Paragon

- Launched in 1975 with a production capacity of 1,500 pairs per day in Kerala
- Mr. Joseph Zachariah is the MD, Mr. Mani Thomas is a director
- 7 cousins manage different departments, completely family owned (15 promoters)
- >95% of revenue from wholesale channel
- Key Markets: Maharashtra (40%), West Bengal, Orissa, Andhra Pradesh, Telangana
- Wide product portfolio across PU, Hawaii and other EVA based footwear
- They are mainly into open footwear. Trying to venture into closed footwear through 'Ekeen' to compete with 'Sparx' & 'Walkaroo'

VKC & Walkaroo

- The Group was established in 1984 by venturing into a Hawai Sheet manufacturing unit. In 1994, the group ventured the first unit in Kerala to manufacture footwear from virgin PVC.
- Family run business with Mr. VKC Mammed Koya as the head & promoter
- Mostly into open footwear, largely into PU based footwear
- Walkaroo has been launched in 2012 by V. Noushad. Noushad was instrumental in helping VKC launch PVC & PU based footwear which helped them gain the first mover advantage in South India. As far as Walkaroo is concerned, their aim was to provide fashionable footwear to the villages in India and compete with 'Sparx'.
- They have 12 manufacturing units and 6,000 employees. They have a country wide presence of 500 dealers & 1 lakh retail outlets.

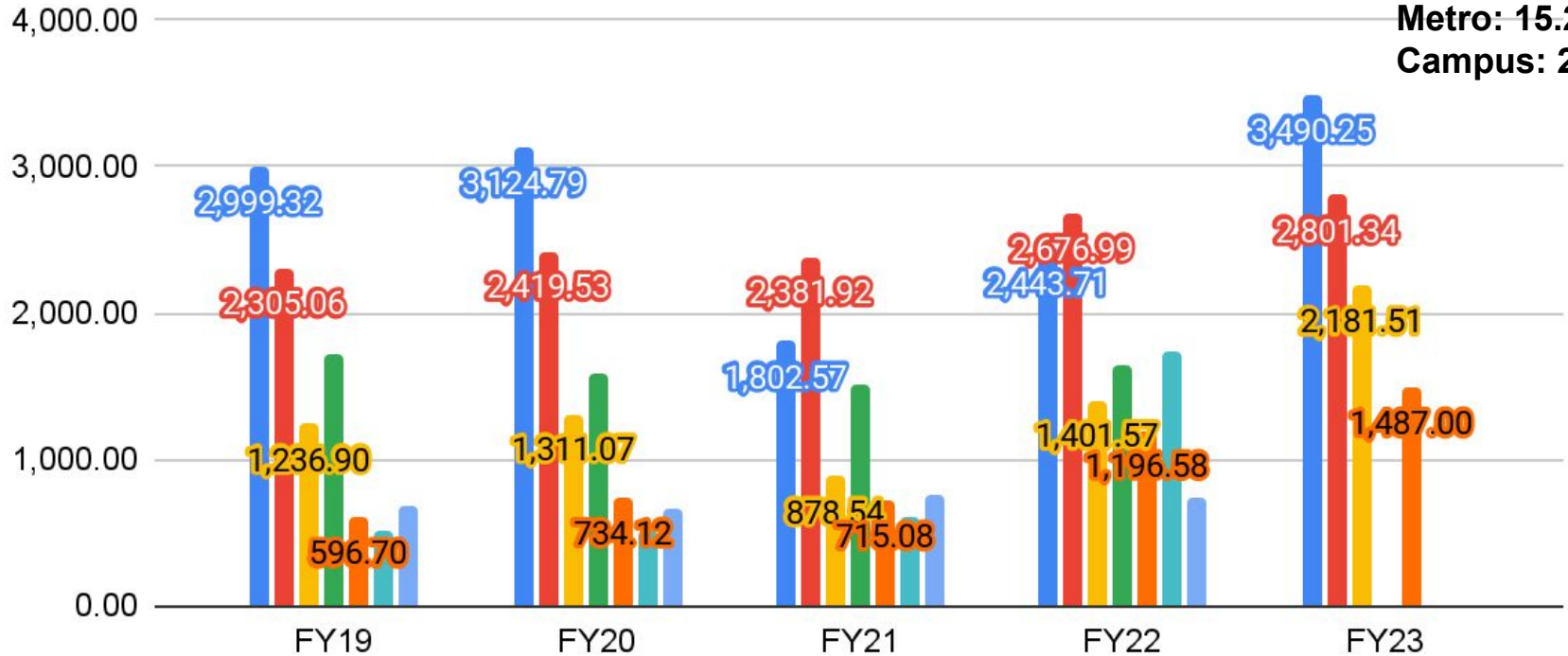
	Relaxo	Bata	Metro	Campus	Paragon	Walkaroo
Mfg. capacity (pairs p.a.)	27.4 crs	2.1 crs	N.A.	~2.9 crs	9-11 crs	13-15 crs
Volumes Sold (pairs p.a.)	~ 17.08 crs	~4.85 cr		~2.35 crs	-	-
Mfg. facilities	8	4	0	5	4	12
Geographical Presence	North & East	Pan India	West & South	North	South & West	South
Retail Outlets	389	2,050	766	225	~70	
Retailers / MBO's	6,50,000	~30,000	-	~20,000	-	1,50,000
Distributors	~650	~350	~250	~425	500+	750
Exports	Yes	Negligible	No	Negligible	Yes	-
Employees	6,736	9,413	2,544	782	>10,000	6,000

Key Players : Footwear SKU Offer across Usage Types

Brands	Total Footwear SKU's	ASP in Rs	Casual	Sports & Athleisure	Formal	Outdoor	School Uniform
Adidas	7,673	1800 - 2400	0%	92%	0%	8%	0%
Asics	1,486	1900 - 2300	21%	60%	0%	19%	0%
Bata	5,176	900	69%	10%	17%	2%	2%
Campus	6,388	600 - 700	0%	100%	0%	0%	0%
Decathlon	292	800 - 1100	0%	80%	0%	20%	0%
Fila	1,000	2800 - 3200	0%	100%	0%	0%	0%
Khadim	1,281	1000 - 1300	38%	12%	30%	17%	3%
Liberty Shoes	1,516	500 - 700	52%	19%	18%	9%	2%
Metro Shoes	1,419	1200 - 1400	63%	17%	20%	0%	0%
Mirza International	1,364	3300 - 3600	15%	50%	30%	4%	1%
Nike	2,570	2900 - 3200	15%	76%	0%	9%	0%
Puma	7,234	2800 - 3400	28%	64%	0%	8%	0%
Reebok	1,644	3000 - 3300	6%	78%	0%	16%	0%
Relaxo	5,175	150 - 250	72%	18%	5%	0%	5%
Skechers	1,117	3600 - 4000	10%	47%	4%	39%	0%
Under Armour	160	4000 - 4500	15%	80%	0%	5%	0%

Revenues (Rs in Crs.)

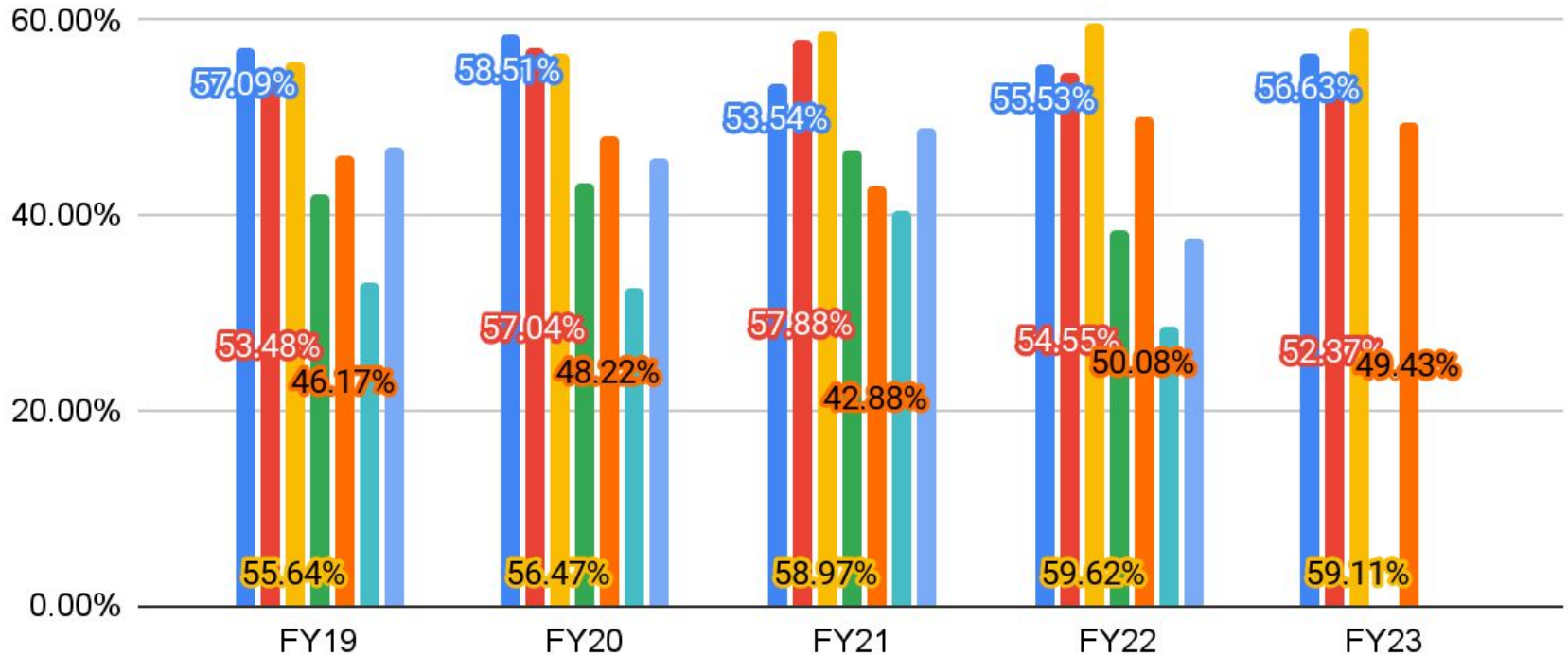
5 Year CAGR:
Bata: 3.86%
Relaxo: 5%
Metro: 15.24%
Campus: 25.64%



Revenues (Rs. in Crs.)

■ Bata ■ Relaxo ■ Metro ■ Paragon ■ Campus ■ Walkaroo ■ Aqualite

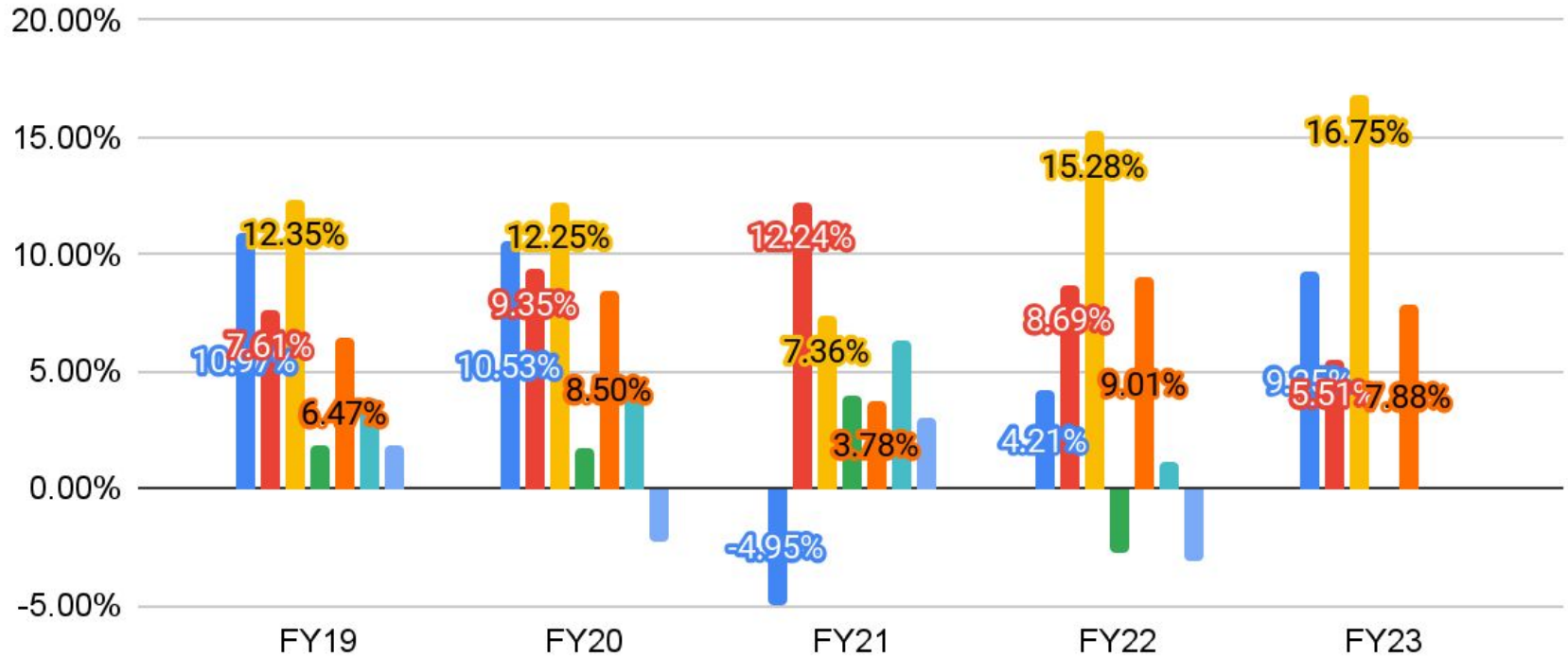
Gross Margins (%)



Gross Margins (%)

- Bata
- Relaxo
- Metro
- Paragon
- Campus
- Walkaroo
- Aqualite

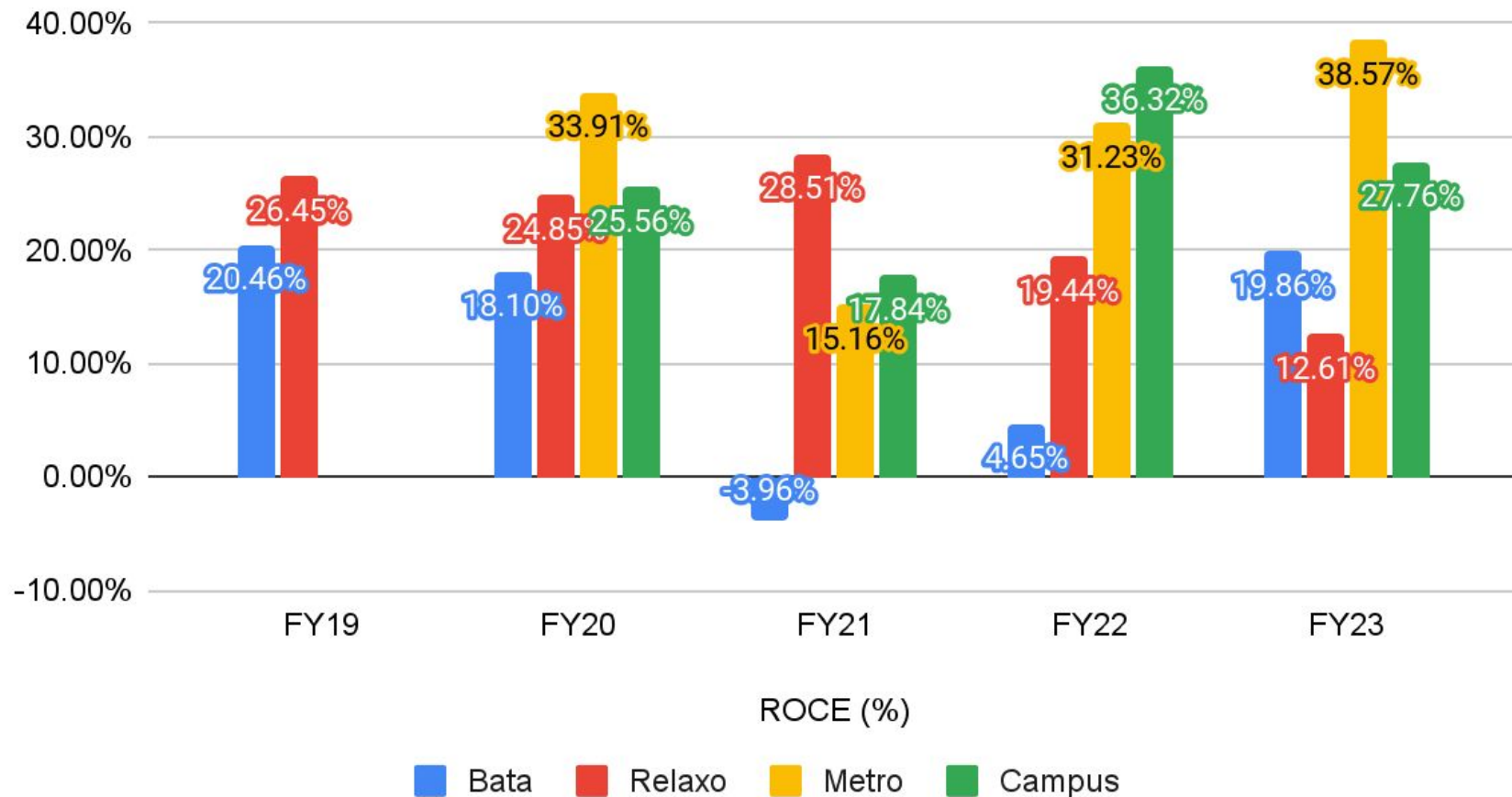
PAT Margins (%)



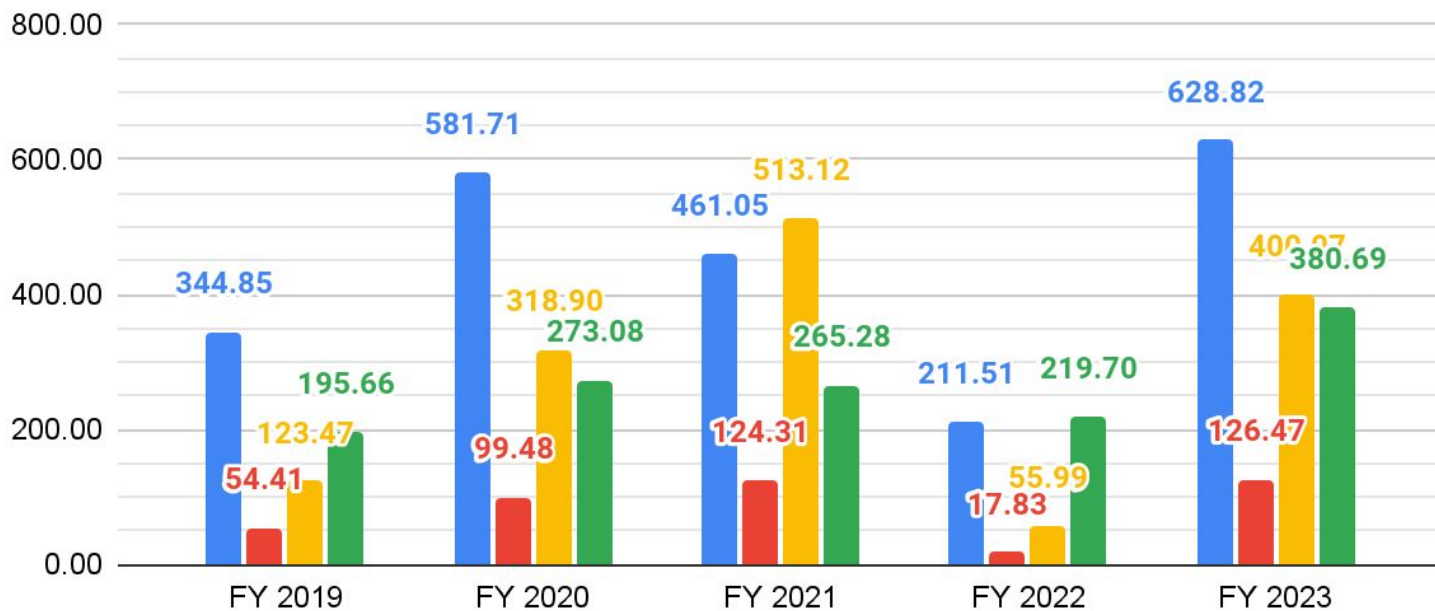
PAT Margins (%)

■ Bata ■ Relaxo ■ Metro ■ Paragon ■ Campus ■ Walkaroo ■ Aqualite

ROCE (%)



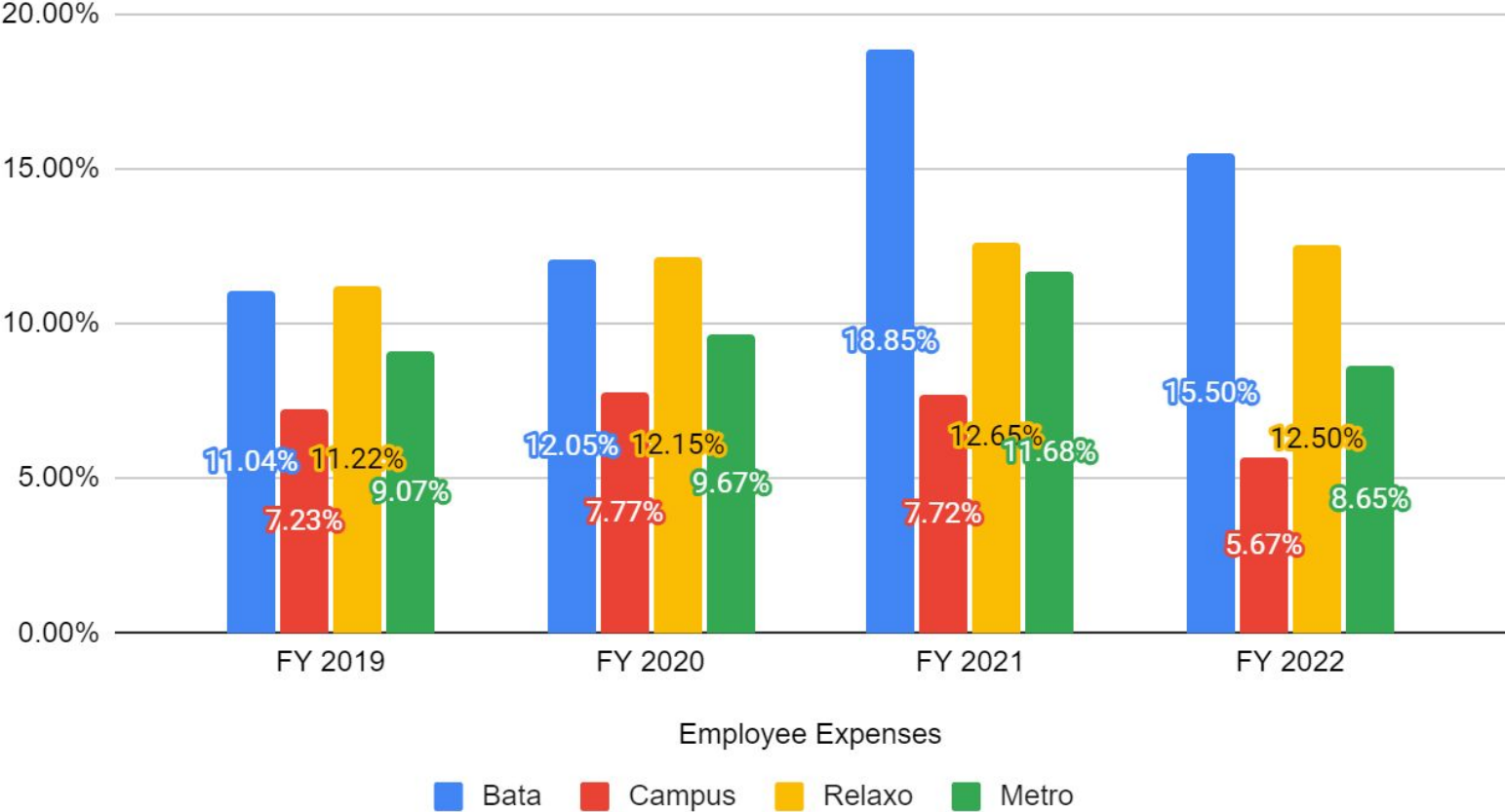
Cash Flow from Operations (Rs Crs)



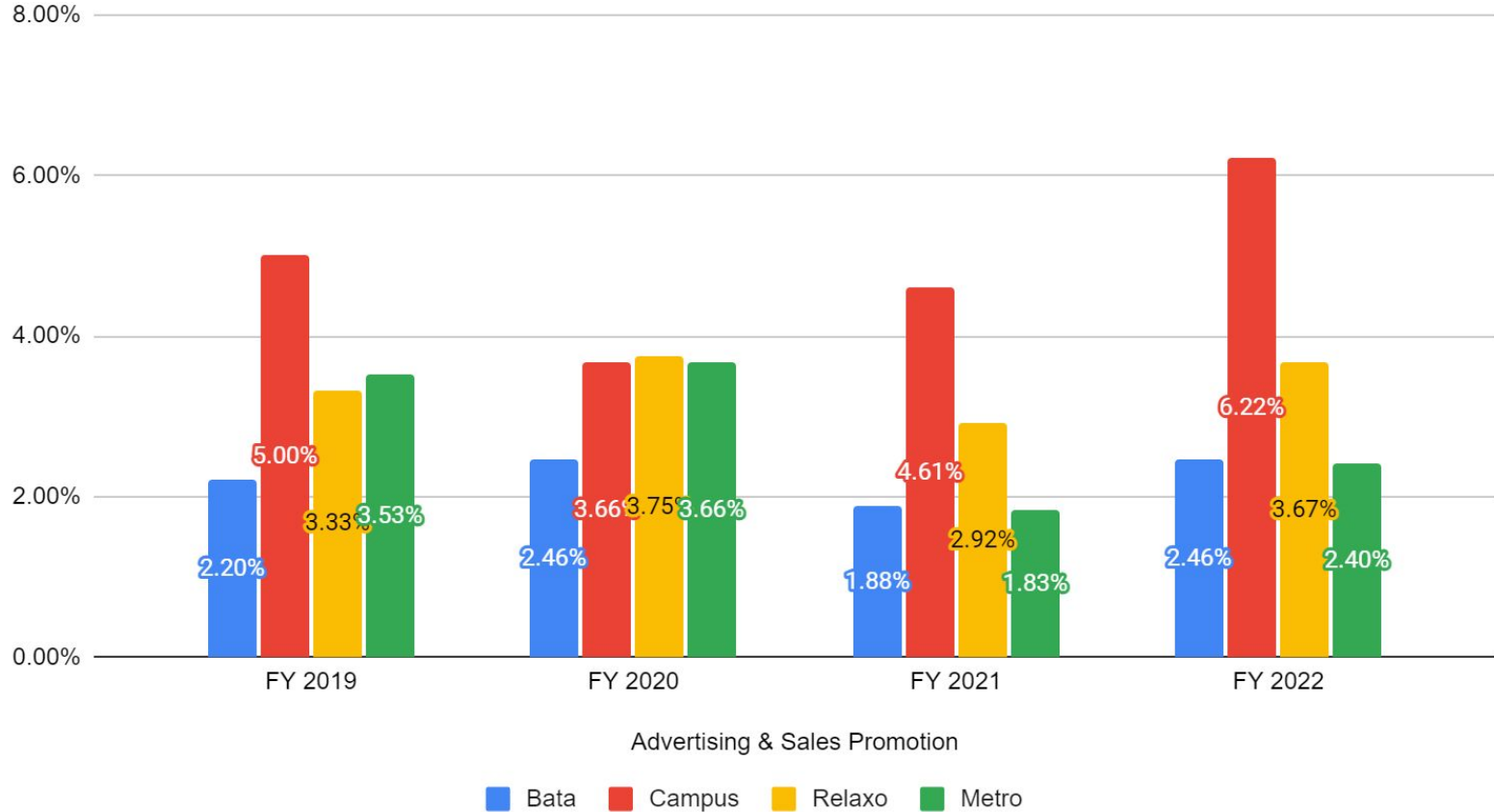
Cash Flow from Operations

■ Bata ■ Campus ■ Relaxo ■ Metro

Employee Expenses as a % of Sales



Advertising & Promotion Expenses as a % of Sales



Growth Levers v/s Key Risks

- + Increase in consumption
- + Increasing participation of women in the workforce
- + Premiumisation

- Fluctuation in raw material prices
- Labour intensive process
- Fragmented industry - High competition

Valuations

	Bata	Relaxo	Metro	Campus
P/E	~71x	~134x	~80x	~81x
EV/EBITDA	~27x	~61x	~38x	~37x
Market Cap/Sales	~6x	~8x	~13x	~6x
Market Cap (Rs. in Crs.)	Rs.21,969	Rs. 23,032	Rs.27,989	Rs.8,983

Sources

Industry Reports - Technopak & CRISIL

Company Prospectuses

Annual reports of companies listed on the exchange

Conference call transcripts of companies listed on the exchange

YouTube videos - <https://www.youtube.com/watch?v=opYvvBHEGks>

Articles from various publications

Sell Side Reports

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