



Catwalk Worldwide Private Limited

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Message from Chairman & MD

A Merchant's views on delayed expansion plans by retailers owing to liquidity pressures. He also comments on the importance of inventory management and the measures adopted by his company towards the same.

According to me, the current crisis is a temporary phase and the economy will soon rebound. Times such as these are best to take a step backwards and re-visit, re-assess and re-strategise the present business models. One must strategise and review in detail, the expansion plans and their performance and return on investment. Signing new long term real estate deals at today's prices would be the right move. As the economy moves into growth gear, one will be prepared to tap the growth and reap the benefits, however subject to a perfect business model in place.

Being a part of the fashion industry and the involvement of large amount of stock keeping units, inventory management is top priority for us. Currently we are adopting techniques such as Economic Order Quantity having moved away from Minimum Order Quantity and safety stock, to ensure that we do not overstock or under-stock. We have been successful in reducing our inventory over a period of time, as evident in our Q1 FY09 results. We will slowly move toward an ideal inventory level for our business.



About the Company

Catwalk Worldwide Pvt Ltd (Catwalk), a leading footwear retailer and manufacturer, was founded in 1990. It is a privately owned company and is involved in the design, development, production and customisation of footwear for women. Catwalk conducts its operations under the direct business model and retails its products under the *Catwalk* and *Valencia* (value brand) brands.

The company set up its first Catwalk store in Mumbai at Kemps Corner, a popular fashion area. Apart from boutique stores, the company also operates in the shop-in-shop format. Catwalk launched its maiden shop-in-shop outlet in Pune in 2001 in association with Pyramid, and in Mumbai in 2002 at the Cross Road mall.

In 2003, the company formed partnerships with Shoppers Stop and Pantaloons for retailing its products. During FY05, Catwalk spread its presence across the country by opening stores in Delhi, Kolkata and Gurgaon.

The company retails its footwear under collections named as *Pret*, *Teen*, *Chic*, *Formal*, *Comfort* and *Bridal*. The company's target audience is in the age group of 18 to 40. It targets consumers within the income group of 5-20 lakhs and above.

Business Model

Catwalk's business model can be described as high volume-high margin. Its stand alone format enjoyed an annual footfall of 0.13 mn at its stores in FY09 of which almost 0.1 mn consumers made purchases. It operates in the specialty stores and departmental stores format as shop-in-shops where it generated an annual sale of 0.34 mn pairs during the above period across all partners.

Network

Catwalk has a pan India presence with 53% of its total store area being located in western India alone. In 2008 the company strengthened its presence in the north-eastern part of the country by opening one store each in Guwahati and Siliguri. Catwalk also expanded its presence in Kolkata by opening 5 new stores between Dec 2007 and Dec 2008 taking the total city store count to 9. In addition, during the above period, the company added 3 stores in Gurgaon taking the total store count in the city to 5.

Furthering its expansion plans in northern India in 2008, Catwalk set up its first stores in Amritsar and Chandigarh. The company also strengthened its position by adding stores in Delhi, Indore, Ludhiana and Noida, during this period.

Catwalk has consolidated its pan India presence by opening up stores in southern India. It has set up one store each in Mangaluru and Secunderabad.

The company ramped up its presence in western India by opening more stores in the region. It added one store each in Ahmedabad, Vadodara and Pune and three stores in Mumbai during 2008.

As a result of the above expansions, the total store count of Catwalk rose from 95 stores as on Dec 2007 to 125 in Dec 2008. The combined floor space of Catwalk stores rose from 20,781 sq ft during Dec 2007 to 22,365 sq ft in Dec 2008.

Revenue Growth

Catwalk reported a total income of Rs 412 mn during FY09, a growth of 30.5% over FY08. The western region was the highest revenue generator with a 53% share

in FY09 followed by the southern region with 22%. The northern region registered 18% share in the total revenue pie during the above period as against 13% in the previous fiscal. Similarly, revenue generated by the eastern region reported a rise, growing from 4% in FY08 to 7% in FY09.

Loyalty Program

Catwalk has introduced a loyalty program for its customers named *Advantage Catwalk*. The company generates more than 50% of its revenue from its loyalty program.

Facilities

The Company has an in house production facility, which it acquired in 2006. This facility currently supports close to 20% of its total annual purchases. Catwalk is looking towards increasing its production capacity in order to enhance control on the quality and type of products manufactured.

In order to consolidate its operations, rationalise costs and ensure greater control over, logistics and inventory, the company has centralised its distribution system.

At present it has two warehouses catering to all its stores across India covering an area of 40,000 sq ft, one each in Mumbai and Bhiwandi.

IT Infrastructure

In order to reduce costs, develop its business and

control and track its business operations, Catwalk has set up an IT department. Catwalk has developed its own ERP system, *Retails Unlimited (RU)* for its IT operation.

Expansion Plans

Catwalk’s future plans include setting up 18 standalone stores covering an area of approximately 24,000 sq ft by 2012 with an estimated investment of Rs 40.3 mn. It also plans to open 137 shop-in-shop outlets covering an area of 21,750 sq ft and an investment of Rs 10 mn.

The company intends to resort to internal accruals and bank funding to fund its financial requirements.

The towns and cities that Catwalk is scouting for further expansion plans include Bengaluru, Chandigarh, Kolkata, Mangaluru, Ludhiana, Cyberabad near Hyderabad, and other Tier II cities.

Catwalk anticipates its revenue to grow at a CAGR of 46% over the next three years. In order to achieve the growth, the company intends to hire national and international consultants; recruit talent from across the country and form strategic alliances and JVs for its manufacturing and logistics domain; among other initiatives. Catwalk believes that despite its strong presence and growth prospects there are many untapped markets that it needs to explore.

Store/Brand Name	Segment	Format	Stores	Total Area (Sq Ft)	Cities	Employees
Catwalk	Footwear	Specialty Stores; Departmental Stores; MBO's/Branded	125	24,485	26	366



View of a Catwalk store