

Dated: 26/12/2005

## **CREW B.O.S. PRODUCTS LIMITED**

BSECODE: 532542  
EQUITY CAPITAL: 12.8 CR  
CMP: 175

NSE CODE: CREWBOS  
Industry: FASHION DESIGNING  
TARGET: 230

### **INTRODUCTION**

Crew B.O.S. is engaged in the business of manufacturing and trading of leather products. Their product lines include bags, belts, wallets, footwear and home furnishing and products. They have also started to focus the sales of their merchandise in the domestic market. Along with this they are in the process of setting up a retail store to sell their own brands in the domestic market. Crew B.O.S has also set up a wholly owned subsidiary in Hong Kong under the name and style of Crew B.O.S with object of transforming itself into a truly global player in fashion accessories and home decoration products. The company is currently the largest exporter of leather accessories in India. Its clientele includes companies like Gap, Next, Banana Republic, Old Navy, Armani Exchange and Esprit.

### **INDUSTRY STUCTURE**

The major markets for fashion accessories are USA, UK, Europe and Australia. .The organized market for designer apparel (the company's product segment) is estimated to be over 250 cr with a consumer base of three lac such households (consumers with an annual household income of Rs 10 lac) and growing at 40-45 per cent. The designer wear industry is expected to grow to Rs 1000 crore by 2015: four times the current industry size. To encash this huge opportunity, the company is looking at penetrating the domestic market under it's own brand name. Crew B.O.S. also intends to initiate a multi brand concept (different brands for youth, executives, women, etc.).

### **RETIAL PLANS**

India is still a virgin market in terms of branded fashion accessories with designer wear accounting for less than one per cent of the apparel market ( global level stands at 5 per cent of the apparel market).According to the KPMG report, IMAGES-KSA Technopak study and IMAGES group, a huge market exists for premium lifestyle fashion accessories evident from the fact that the fashion sector in India commands a lion's share in the country's organized retail pie with investments in this sector estimated at Rs. 2,000 to 2,500 crore over the next 2-3 years. Over 2.2 crore people form the super rich class, expected to grow to 3.5 crore in the next three years. Going by the statistics, it is explicit that the retail boom has caught on to India and is here to stay and that exclusive retail outlet and malls constitute the new way to shop. We believe, Crew B.O.S. with its expertise and reputation will make the most from it.

### **EXPORT THRUST**

Crew B.O.S. mainly exports its products to US and Europe. US accounts for 53 percent while Europe accounts for 43 percent of its exports. The management says," Outsourcing holds

tremendous potential for Crew B.O.S and imparts scalability to its business model. Every single customer account is one of the biggest, and most reputed globally in fashion and home decoration industry and offers immense potential for growth. Further, being an early entrant in fashion accessories business, its contacts with one of the most reputed retailers of fashion products globally has made its business model stretchable beyond all limits in medium term.

## **OPPORTUNITIES**

According to the management, "The true potential of India's capabilities in the leather sector has been grossly under-utilized so far. We are just at approximately 6% of the global leather & leather goods industry, despite having the advantage of raw material and trained manpower and requisite skill. The Company with its strong marketing network has seized the opportunity in such a way as to make the most of it. The two categories in which India has an advantage over many other countries are leather garments and leather accessories like bags, wallets, fashion / industrial gloves, saddles, harnesses etc. While India has a share of 6.5% that is about \$300 million in global import of leathers garments, leather accessories has a share of 6% at \$470 million". Crew B.O.S. has gained reputation and established itself globally as a supplier of quality Fashion Accessory Products. The Company has demonstrated global competitiveness and has achieved international standards for the quality of its products and its immense capabilities provide massive opportunities in the foreign market.

## **RISKS & CONCERNS**

The major raw material for fashion accessories is leather, fabrics, metal and wood. Leather is a natural product and its availability is seasonal thereby affecting the prices. Crew B.O.S. has vast experience in sourcing raw material requirements of finished leather from Indian tanneries as well as internationally which help to keep the raw material prices at lowest possible level. It's revenues are generated in foreign currency. Volatility in foreign exchange rates and strengthening of the Indian Rupee against the foreign currency can adversely impact revenues of the company. To mitigate this currency risk, the Company has regularly hedged and is keeping part of the proceeds in EEFC accounts for imports in foreign currency. Also the working capital facilities enjoyed by the Company are in foreign currency, thereby minimizing the risk of foreign exchange fluctuations.

## **FUTURE OUTLOOK**

Crew B.O.S. basically is a vertically integrated player and has a strong demand-supply chain. The company recently has acquired a leather-processing unit at Jalandhar. So it's resorted to backward integration also. The other distinct advantage, which the Company has, is the presence of strong tie-ups with the suppliers and vendors for supply of raw materials and consumables both locally and abroad. This is being further strengthened by the setting up of a finishing leather unit in Manesar". Further the management adds, "Another opportunity looming large on the Company's horizon is the shift of production bases out of parts of Europe i.e. Italy, Spain and Portugal, to south East Asia. India can and should target its due share of this lucrative trend. The Company is already making headway in this regard". Crew B.O.S. is now planning to export high quality leather to China and other countries, which we expect will be the next growth driver for the company.

## **CONCLUSION**

Crew B.O.S. reported FY05 revenues of Rs.81 crore, up 47 per cent from FY04, while net profit nearly doubled to Rs.8.20 crore, but what has interested us to look at the company is the fact that management has guided us for a topline of Rs.140 crore in FY06, up 73 per cent from the last year figures. We expect the company to deliver a PAT of about 17crs this fiscal. With an equity of

12.8 cr the EPS comes above 13rs. At the current levels of 175, Crew B.O.S. is quoting at a P.E of about 13.5 its expected FY-06 earnings. Though the present valuation is not cheap but with ambitious growth plans, huge export potentials and bright outlook, **WE ASSIGN A BUY ON THE COMPANY WITH A TARGET OF 230RS IN 8 MONTHS.**

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