

Relaxo Footwears

Estimate change



TP change



Rating change



Bloomberg	RLXF IN
Equity Shares (m)	249
M.Cap.(INRb)/(USDb)	183.9 / 2.2
52-Week Range (INR)	950 / 732
1, 6, 12 Rel. Per (%)	-4/-23/-43
12M Avg Val (INR M)	78

Financials & Valuations (INR b)

INRb	FY24	FY25E	FY26E
Net Sales	29.1	30.5	33.6
Gross Profit	16.9	18.6	20.6
EBITDA	4.1	4.3	5.2
Adj. PAT	2.0	2.1	2.6
Gross Margin (%)	58.1	61.2	61.5
EBITDA Margin (%)	14.0	14.2	15.5
Adj. EPS (INR)	8.1	8.3	10.4
EPS Gr. (%)	29.8	3.0	25.8
BV/Sh. (INR)	80.4	86.6	94.5

Ratios

Net D:E	0.0	-0.1	-0.1
RoE (%)	10.4	9.9	11.5
RoCE (%)	10.0	9.4	10.9
RoIC (%)	10.6	10.3	12.8

Valuations

P/E (x)	91.8	89.0	70.8
EV/EBITDA (x)	45.3	42.1	34.8
EV/Sales (X)	6.3	6.0	5.4
Div. Yield (%)	0.4	0.3	0.4

Shareholding Pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	71.3	71.3	71.3
DII	10.0	9.6	8.5
FII	3.4	3.4	3.2
Others	15.3	15.8	17.0

FII includes depository receipts

CMP: INR739

TP: INR680 (-8%)

Neutral

Revenue decline offset by cost controls

- Relaxo Footwears' (RLXF) revenue declined 5% YoY as the 6% YoY ASP increase was offset by a 10% YoY volume decline on subdued demand and higher competition from lower-priced unorganized players.
- However, RLXF's EBITDA (-4% YoY) and PAT (-17% YoY) were broadly in line, driven by 310bp YoY gross margin expansion and cost control measures.
- RLXF decided against diluting pricing and margins during 2Q, which may impact the market share in the near term. However, the management believes this strategy would reap dividends in the longer term.
- We lower our FY25/26 revenue estimates by 2%/5%, EBITDA estimates by 9-10%, and PAT estimates by 11-12% on weaker volume recovery. We build in a CAGR of 8%/15%/17% in revenue/EBITDA/PAT over FY24-27E.
- We ascribe a P/E of 55x on Dec'26E EPS to arrive at our TP of INR680 and **reiterate our Neutral rating on the stock.**

Weaker revenue; in line EBITDA/PAT driven by cost control

- Revenue declined 5% YoY to INR 6.8b (8% miss) on account of subdued overall demand and an increase in competition from lower-priced, unorganized players.
- Volume declined 10% YoY to 4.3m pairs, while ASP was up 6% YoY to INR156/pair.
- Gross profit was flat YoY at INR4.1b (7% miss) as gross margin expanded 310bp YoY (in line) on account of price hikes implemented in open footwear in the last few quarters, along with RLXF's decision to not dilute pricing and margins.
- Employee expenses grew 11% YoY, while other expenses declined 3% YoY (13% below).
- EBITDA at INR877m declined 4% YoY (inline) as cost controls offset the impact from revenue decline.
- EBITDA margin expanded 10bp YoY to 12.9% (100bp ahead).
- PAT declined 17% YoY to INR367m (in line) due to weak EBITDA and other income. PAT margin contracted 80bp YoY to 5.4% (55bp ahead).
- 1HFY25 revenue/EBITDA/PAT declined 2%/6%/19% YoY.
- However, OCF grew 6% YoY to INR1.1b due to a reduction in WC and lower taxes. Capex remained flat YoY at INR655m, which resulted in an FCF generation of INR455m (+19% YoY).
- RLXF paid a dividend of INR747m. This led to a decrease in the net cash position by ~INR300m in 1HFY25 to ~INR1.5b.
- For 2HFY25, the implied growth rate of 11%/19%/26% in revenue/EBITDA/PAT is contingent on recovery in consumer sentiments.

Management commentary

- **Demand environment:** The management noted that Oct'24 was not a great festive start, but remains optimistic for a better Nov-Dec'24 due to the higher number of weddings.
- **Unorganized competition:** The industry witnessed an increase in competition from lower-priced unorganized players in 2QFY25, which led to down trading by consumers in a high inflationary environment. Margin pressure was also high from organized trade channels. RLXF decided against diluting pricing and margins to unsustainable levels. This strategy may impact its market share in the near term; however, the management believes this strategy would reap dividends in the longer term.
- **Strategy to withstand competition:** RLXF targets to add new distributors across India, launch new products, and optimize costs to increase the market share. To drive premiumization, RLXF has collaborated with global brands such as 'Disney' and 'Marvel'.
- **Guidance:** Expect flattish volumes for FY25, wherein management expects 8-10% revenue growth for the Sparx brand.

Valuation and view

- A gradual recovery in rural demand sentiments is crucial for RLXF's volume growth. Further, growth in the Sparx portfolio should help the company gain market share in closed footwear.
- Recovery in the open footwear category, product mix-led ASP improvement, and an increase in the mix of closed footwear – particularly in the S&A wear, remain the key growth drivers for RLXF.
- We lower our FY25/26 revenue estimates by 2%/5%, EBITDA estimates by 9-10%, and PAT estimates by 11-12%. We build in a CAGR of 8%/15%/17% in revenue/EBITDA/PAT over FY24-27E.
- We ascribe a P/E of 55x on Dec'26E EPS to arrive at our TP of INR680 and **reiterate our Neutral rating on the stock.**

Consolidated - Quarterly Earning Model

(INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	Var. (%)
Gross Sales	7,388	7,153	7,127	7,472	7,482	6,794	7,899	8,277	29,141	30,452	7,341	-7
YoY Change (%)	10.7	6.8	4.7	-2.3	1.3	-5.0	10.8	10.8	4.7	4.5	2.6	
Total RM Cost	3,151	3,013	3,065	2,968	2,847	2,648	3,041	3,279	12,197.0	11,815	2,863	-8
Gross Profit	4,237	4,140	4,062	4,504	4,635	4,146	4,858	4,998	16,944	18,637	4,478	-7
Margins (%)	57.4	57.9	57.0	60.3	62.0	61.0	61.5	60.4	58.1	61.2	61.0	2
Total Expenditure	6,313	6,238	6,255	6,269	6,493	5,917	6,635	7,083	25,075	26,128	6,467	-9
EBITDA	1,076	915	872	1,204	989	877	1,264	1,195	4,066	4,324	874	0
Margins (%)	14.6	12.8	12.2	16.1	13.2	12.9	16.0	14.4	14.0	14.2	11.9	100
Depreciation	346	369	375	385	391	398	409	417	1,475	1,615	403	-1
Interest	45	47	48	47	49	50	47	41	187	186	50	-1
Other Income	73	105	60	51	54	66	63	69	289	253	54	22
PBT before EO expense	758	604	508	823	603	496	871	806	2,693	2,776	475	4
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	758	604	508	823	603	496	871	806	2,693	2,776	475	4
Tax	195	162	123	209	160	128	220	203	688	711	120	7
Rate (%)	25.7	26.8	24.1	25.4	26.5	25.9	25.2	25.2	25.6	25.6	25.2	
Reported PAT	563	442	386	614	444	367	652	603	2,005	2,066	355	3
Adj PAT	563	442	386	614	444	367	652	603	2,005	2,066	355	3
YoY Change (%)	45.6	97.0	28.3	-3.0	-21.2	-16.9	69.0	-1.8	29.8	3.0	-19.6	
Margins (%)	7.6	6.2	5.4	8.2	5.9	5.4	8.2	7.3	6.9	6.8	4.8	57

E: MOFSL Estimates

Exhibit 1: Valuation based on Dec'26E

Particulars	INR/share
EPS	12
Target P/E ratio (x)	55
Equity value/share (INR)	680
CMP (INR)	739
Upside/downside (%)	-8%

Source: MOFSL, Company

Exhibit 2: Quarterly performance (INR m)

INRm	2QFY24	1QFY25	2QFY25	YoY%	QoQ%	2QFY25E	v/s Est (%)
Net sales	7,153	7,482	6,794	-5.0	-9.2	7,341	-7.5
Total Revenue	7,153	7,482	6,794	-5.0	-9.2	7,341	-7.5
Raw Material cost	3,013	2,847	2,648	-12.1	-7.0	2,863	-7.5
Gross Profit	4,140	4,635	4,146	0.1	-10.6	4,478	-7.4
Gross margin (%)	57.9	62.0	61.0	314	-93	61.0	2
Employee Costs	958	1,096	1,062	10.9	-3.1	1,072	-0.9
SGA Expenses	2,267	2,551	2,207	-2.7	-13.5	2,533	-12.9
Total Opex	6,238	6,493	5,917	-5.1	-8.9	6,467	-8.5
EBITDA	915	989	877	-4.2	-11.4	874	0.3
EBITDA margin (%)	12.8	13.2	12.9	11	-32	11.9	100
Depreciation and amortization	369	391	398	7.6	1.6	403	-1.3
EBIT	546	598	479	-12.2	-19.9	471	1.8
EBIT margin (%)	7.6	8.0	7.1	-58	-94	6.4	64
Finance Costs	47	49	50	5.1	1.8	50	-1.0
Other income	105	54	66	-37.0	22.3	54	22.3
Profit before Tax	604	603	496	-17.9	-17.8	475	4.4
Tax	162	160	128	-20.7	-19.5	120	7.3
Tax rate (%)	0.3	26.5	25.9			25.2	
Profit after Tax	442	444	367	-16.9	-17.2	355	3.4
Adj Profit after Tax	442	444	367	-16.9	-17.2	355	3.4
PAT margin (%)	6.2	5.9	5.4	-77	-52	4.8	57

Source: MOFSL, Company

Exhibit 3: Revisions to our estimates

	FY25E	FY26E	FY27E
Revenue (INR m)			
Old	31,216	35,387	
Actual/New	30,452	33,572	37,013
Change (%)	-2.4	-5.1	
EBITDA (INR m)			
Old	4,748	5,754	
Actual/New	4,324	5,204	6,200
Change (%)	-8.9	-9.6	
EBITDA margin (%)			
Old	15.2%	16.3%	
Actual/New	14.2%	15.5%	16.8%
Change (bp)	-101	-76	
Net Profit (INR m)			
Old	2,339	2,933	
Actual/New	2,066	2,599	3,234
Change (%)	-11.7	-11.4	
EPS (INR)			
Old	9.4	11.8	
Actual/New	8.3	10.4	13.0
Change (%)	-11.7	-11.4	

Source: MOFSL, Company

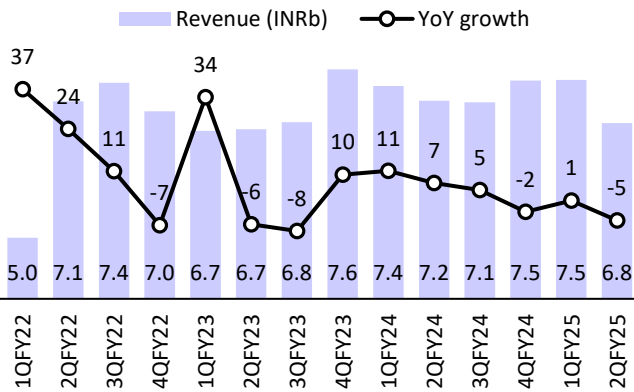


Con-call highlights

- **Demand environment:** The management noted that Oct'24 was not a great festive start, but remains optimistic for a better Nov-Dec'24 due to the higher number of weddings.
- **Geography-wise demand:** Management indicated that demand has been most impacted in East India, while demand in West and South was largely stable.
- **Unorganized competition:** The industry witnessed increased competition from lower-priced unorganized players in 2QFY25, which led to down trading by consumers in a high inflationary environment. Margin pressure was also high from organized trade channels. RLXF decided against diluting pricing and margins to unsustainable levels. This strategy may impact its market share in the near term; however, management believes this strategy would reap dividends in the longer term.
- **Strategy to withstand competition:** RLXF targets to add new distributors across India, launch new products, and optimize costs to increase the market share. To drive premiumization, RLXF has collaborated with global brands such as 'Disney' and 'Marvel'. It has launched a new collection featuring 'Disney' and 'Marvel' themes.
- **Guidance:** Expect flattish volumes for FY25, wherein management expects 8-10% revenue growth in the Sparx category.
- **Higher inventory:** The higher inventory is majorly on account of the subdued demand in both GT and retail channels.
- **Sparx:** Management indicated that growth momentum was maintained for Sparx, and it performed better than the other two brands. However, the overall brand mix for RLXF was broadly similar to FY24.
- **ASP:** RLXF increased the ASP in Jan'24 and no price hikes were implemented in 2QFY25. The improvement in ASP could be partly attributed to better performance by Sparx.
- **Reduced advertisement expenses:** The lower SG&A in 2Q was attributed to a rationalization in advertisement expenses, given the subdued demand environment. RLXF typically spends ~4% of sales on advertisements, but management has guided for advertisement spends to be lower, at ~3% of sales, in FY25. However, it expects advertisement spends to normalize again in FY26.
- **Capex:** RLXF incurred a capex of ~INR500m in 1HFY25 and expects to incur a similar capex in 2H. Management indicated that the annual maintenance capex is INR1b and there will be no capacity addition in FY25.

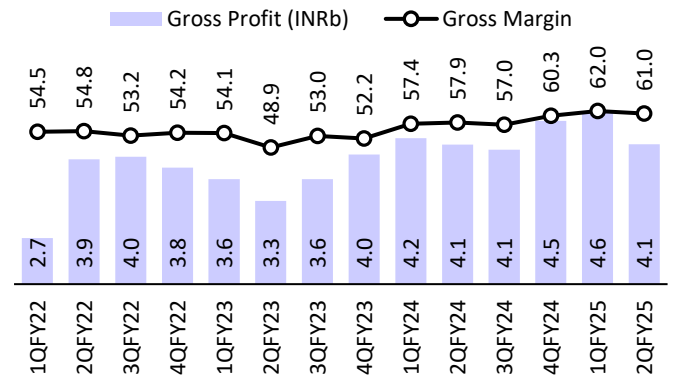
Story in charts

Exhibit 4: Revenue declined 5% YoY due to subdued demand



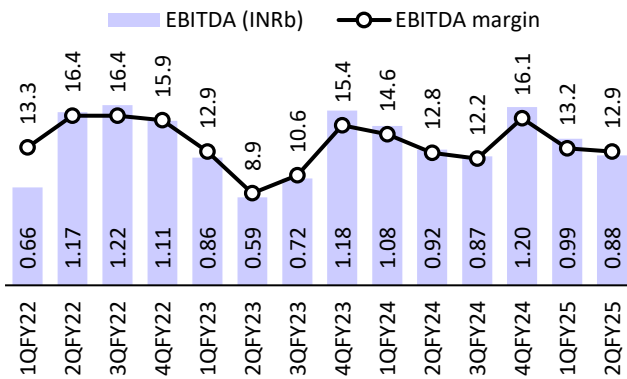
Source: MOFSL, Company

Exhibit 5: GM expansion led by price hike



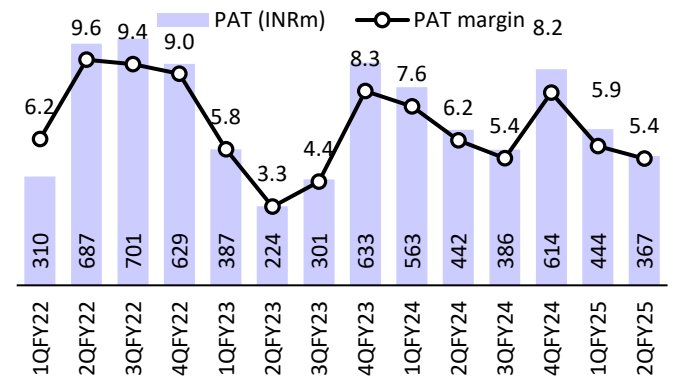
Source: MOFSL, Company

Exhibit 6: EBITDA declined 4% YoY; margin up 10bp



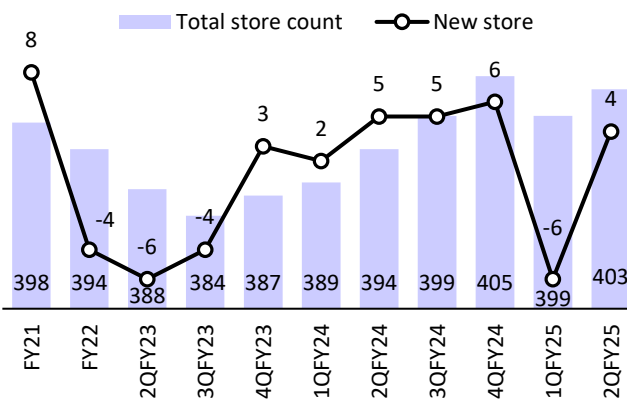
Source: MOFSL, Company

Exhibit 7: PAT declined 17% YoY; margins down 80bp YoY



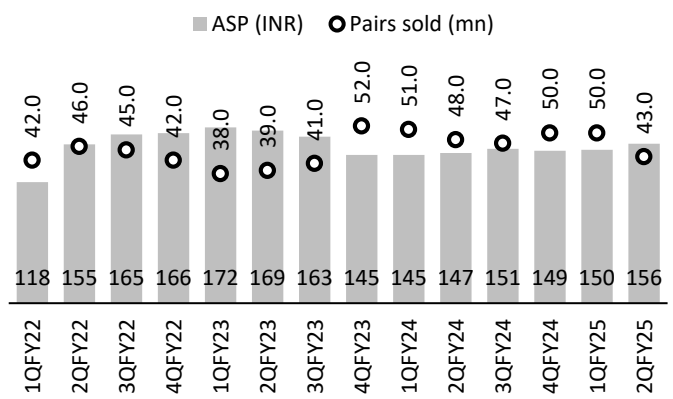
Source: MOFSL, Company

Exhibit 8: Total store count stood at 403 stores

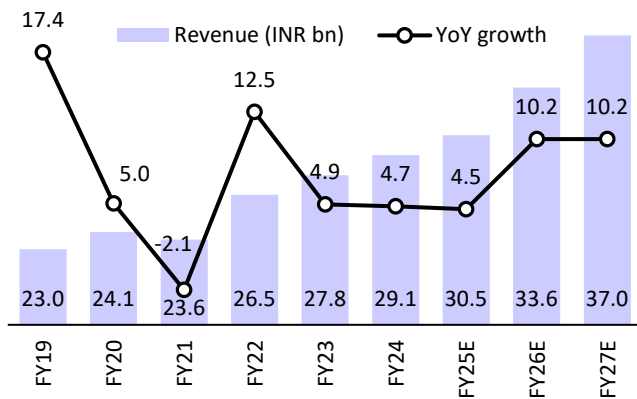


Source: MOFSL, Company

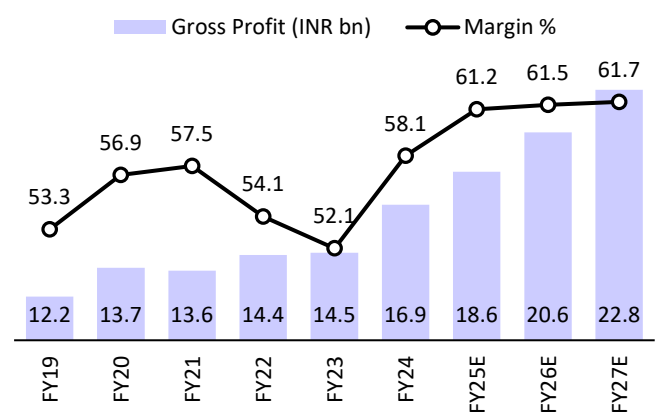
Exhibit 9: ASP increased 6% while volume declined 10% YoY



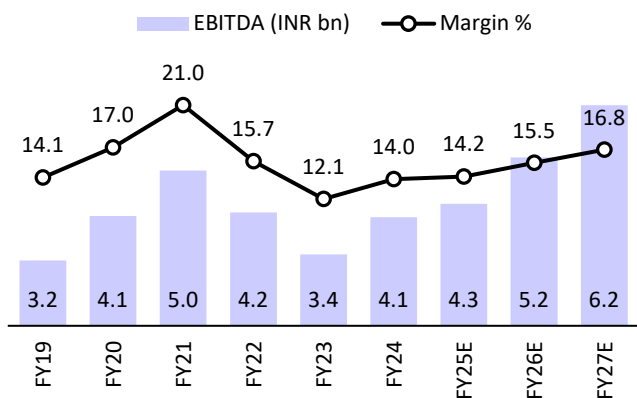
Source: MOFSL, Company

Exhibit 10: Expect revenue CAGR of 10% over FY24-27

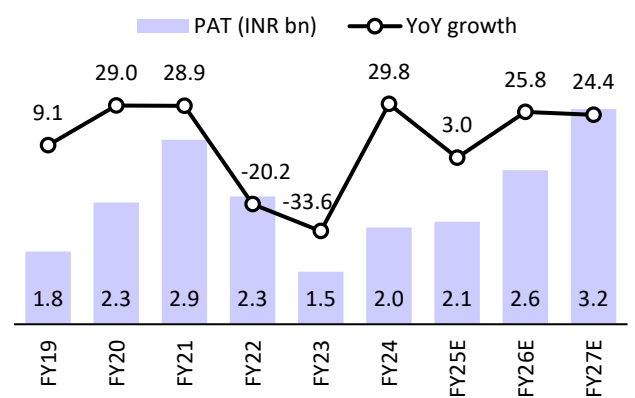
Source: MOFSL, Company

Exhibit 11: Expect gross profit CAGR of 11% over FY24-27

Source: MOFSL, Company

Exhibit 12: Expect EBITDA CAGR of 15% over FY24-27

Source: MOFSL, Company

Exhibit 13: Expect PAT CAGR of 17% over FY24-27

Source: MOFSL, Company

Financials and valuations

Consolidated - Income Statement								(INRm)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	24,105	23,592	26,533	27,827	29,141	30,452	33,572	37,013
Change (%)	5.0	-2.1	12.5	4.9	4.7	4.5	10.2	10.2
RM Cost	10,393	10,032	12,167	13,343	12,197	11,815	12,925	14,176
Gross Profit	13,712	13,559	14,366	14,484	16,944	18,637	20,647	22,837
Margin (%)	57%	57%	54%	52%	58%	61%	62%	62%
Employees Cost	2,940	3,014	3,347	3,433	3,891	4,355	4,700	5,071
Other Expenses	6,682	5,590	6,861	7,694	8,987	9,958	10,743	11,567
Total Expenditure	20,015	18,636	22,375	24,470	25,075	26,128	28,369	30,813
% of Sales	83.0	79.0	84.3	87.9	86.0	85.8	84.5	83.3
EBITDA	4,090	4,956	4,158	3,358	4,066	4,324	5,204	6,200
Margin (%)	17.0	21.0	15.7	12.1	14.0	14.2	15.5	16.8
Depreciation	1,094	1,100	1,135	1,251	1,475	1,615	1,784	1,972
EBIT	2,995	3,855	3,022	2,107	2,591	2,709	3,419	4,228
Margin (%)	12.4	16.3	11.4	7.6	8.9	8.9	10.2	11.4
Int. and Finance Charges	169	171	153	192	187	186	223	211
Other Income	91	228	237	186	289	253	279	307
PBT bef. EO Exp.	2,917	3,912	3,106	2,100	2,693	2,776	3,475	4,324
Total Tax	655	996	779	555	688	711	876	1,090
Tax Rate (%)	22.4	25.5	25.1	26.4	25.6	25.6	25.2	25.2
Reported PAT	2,263	2,916	2,327	1,545	2,005	2,066	2,599	3,234
Adjusted PAT	2,263	2,916	2,327	1,545	2,005	2,066	2,599	3,234
Change (%)	29.0	28.9	-20.2	-33.6	29.8	3.0	25.8	24.4
Margin (%)	9.4	12.4	8.8	5.6	6.9	6.8	7.7	8.7

Consolidated - Balance Sheet								(INRm)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	248	248	249	249	249	249	249	249
Total Reserves	12,476	15,476	17,352	18,302	19,762	21,311	23,261	25,687
Net Worth	12,724	15,724	17,601	18,551	20,011	21,560	23,510	25,936
Minority Interest	0	0	0	0	0	0	0	0
Total Loans	192	0	200	0	185	185	185	185
Lease Liabilities	1,474	1,442	1,540	1,641	1,864	2,559	2,401	2,293
Deferred Tax Liabilities	248	228	199	215	271	271	271	271
Capital Employed	14,637	17,394	19,540	20,406	22,331	24,575	26,367	28,685
Provision and others	109	163	188	194	192	213	235	259
Gross Block	10,235	10,524	11,673	14,017	15,621	17,445	19,485	21,768
Less: Accum. Deprn.	2,324	2,980	3,694	4,471	5,339	6,378	7,535	8,823
Net Fixed Assets	7,911	7,544	7,980	9,547	10,283	11,067	11,950	12,945
Capital WIP	456	1,180	1,490	890	333	351	361	371
Right to use asset	1,899	1,837	1,893	1,956	3,429	3,233	3,011	2,748
Total Investments	2	3,382	1,943	2,253	1,077	1,077	1,077	1,077
Current Investments	0	3,380	1,693	2,006	829	829	829	829
Loans and others	231	396	344	373	384	384	384	384
Curr. Assets, Loans&Adv.	7,912	7,419	10,177	9,930	11,635	13,275	14,868	16,971
Inventory	4,477	4,221	6,733	5,638	5,988	4,856	5,312	5,826
Account Receivables	1,721	1,815	2,508	2,703	3,577	3,738	4,121	4,544
Cash and Bank Balance	41	77	125	740	977	3,768	4,428	5,491
Loans and Advances	1,673	1,306	812	849	1,093	914	1,007	1,110
Curr. Liability & Prov.	3,665	4,202	4,098	4,349	4,616	4,599	5,049	5,551
Account Payables	1,838	2,228	2,217	2,529	2,547	2,467	2,699	2,960
Other Current Liabilities	1,531	1,702	1,589	1,568	1,668	1,827	2,014	2,221
Provisions	297	272	292	251	401	305	336	370
Net Current Assets	4,247	3,218	6,079	5,582	7,019	8,677	9,819	11,420
Misc Expenditure	0	0	0	0	0	0	0	0
Appl. of Funds	14,746	17,556	19,728	20,599	22,523	24,788	26,602	28,944

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)								
EPS	9.1	11.7	9.3	6.2	8.1	8.3	10.4	13.0
Cash EPS	13.5	16.2	13.9	11.2	14.0	14.8	17.6	20.9
BV/Share	51.3	63.3	70.7	74.5	80.4	86.6	94.5	104.2
DPS	1.3	2.5	2.5	2.5	3.0	2.1	2.6	3.2
Payout (%)	13.7	21.3	26.7	40.3	37.2	25.0	25.0	25.0
Valuation (x)								
P/E	81.1	62.9	79.1	119.1	91.8	89.0	70.8	56.9
Cash P/E	54.6	45.7	53.1	65.8	52.9	50.0	42.0	35.3
P/BV	14.4	11.7	10.5	9.9	9.2	8.5	7.8	7.1
EV/Sales	7.7	7.7	6.9	6.6	6.3	6.0	5.4	4.9
EV/EBITDA	45.4	36.7	44.2	54.5	45.3	42.1	34.8	29.0
Dividend Yield (%)	0.2	0.3	0.3	0.3	0.4	0.3	0.4	0.4
FCF per share	8.2	15.7	-3.3	8.7	-0.4	14.5	7.2	9.2
Return Ratios (%)								
RoE	19.0	20.5	14.0	8.5	10.4	9.9	11.5	13.1
RoCE	17.8	19.0	13.2	8.4	10.0	9.4	10.9	12.3
RoIC	17.7	21.4	15.8	9.5	10.6	10.3	12.8	15.0
Working Capital Ratios								
Fixed Asset Turnover (x)	2.4	2.2	2.3	2.0	1.9	1.7	1.7	1.7
Asset Turnover (x)	2.0	2.2	1.9	1.8	1.7	1.5	1.5	1.5
Inventory (Days)	68	65	93	74	75	58	58	57
Debtor (Days)	26	28	35	35	45	45	45	45
Creditor (Days)	28	34	31	33	32	30	29	29
Working Capital (Days)	66	59	97	76	88	73	73	73
Leverage Ratio (x)								
Current Ratio	2.2	1.8	2.5	2.3	2.5	2.9	2.9	3.1
Interest Cover Ratio	17.8	22.6	19.7	10.9	13.9	14.5	15.3	20.1
Net Debt/Equity	0.1	-0.1	0.0	-0.1	0.0	-0.1	-0.1	-0.1

Consolidated - Cash Flow Statement

(INRm)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	2,917	3,912	3,106	2,100	2,693	2,776	3,475	4,324
Depreciation	1,094	1,100	1,135	1,251	1,475	1,615	1,784	1,972
Interest & Finance Charges	169	171	153	192	187	186	223	211
Interest Income & Dividend	-4	-7	-12	-56	0	-253	-279	-307
Direct Taxes Paid	-831	-891	-839	-555	-668	-711	-876	-1,090
(Inc)/Dec in WC	-198	930	-2,816	1,101	-1,151	1,133	-483	-538
CF from Operations	3,146	5,214	728	4,034	2,535	4,747	3,845	4,572
Others	43	-83	-168	-33	-184	0	0	0
CF from Operating incl EO	3,189	5,131	560	4,001	2,351	4,747	3,845	4,572
(Inc)/Dec in FA	-1,159	-1,219	-1,389	-1,843	-2,461	-1,136	-2,050	-2,293
Free Cash Flow	2,030	3,912	-829	2,158	-110	3,611	1,795	2,280
(Pur)/Sale of Investments	11	-3,306	1,519	-247	1,269	0	0	0
CF from Investments	-1,157	-4,532	146	-2,585	-986	-883	-1,771	-1,986
Issue of Shares	32	49	139	4	0	0	0	0
Inc/(Dec) in Debt	-914	-192	200	-200	185	0	0	0
Payment of LL	-326	-248	-263	-511	-590	-392	-563	-528
Interest Paid	-174	-171	-153	-55	-37	-186	-223	-211
Dividend Paid	-643	0	-621	-622	-622	-516	-650	-809
Others	0	0	0	0	0	21	22	24
CF from Fin. Activity	-2,026	-562	-698	-1,385	-1,064	-1,073	-1,414	-1,523
Inc/Dec of Cash	7	38	8	32	301	2,791	660	1,063
Opening Balance	23	30	68	76	107	408	3,199	3,859
Closing Balance	30	68	76	107	408	3,199	3,859	4,922
Add: Bank Balance	11	9	49	633	569	569	569	569
Net Closing Balance	41	77	125	740	977	3,768	4,428	5,491

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