

Relaxo Footwears

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	RLXF IN
Equity Shares (m)	249
M.Cap.(INRb)/(USD\$b)	214.1 / 2.6
52-Week Range (INR)	974 / 748
1, 6, 12 Rel. Per (%)	-5/-19/-18
12M Avg Val (INR M)	102

Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Net Sales	27.8	29.9	34.4
Gross Profit	14.5	17.2	19.8
EBITDA	3.4	4.2	5.3
Adj. PAT	1.5	2.1	2.8
Gross Margin (%)	52.1	57.4	57.4
EBITDA Margin (%)	12.1	14.1	15.5
Adj. EPS (INR)	6.2	8.6	11.4
EPS Gr. (%)	-33.6	38.4	33.0
BV/Sh. (INR)	74.5	81.0	89.5

Ratios

Net D:E	-0.1	-0.1	-0.2
RoE (%)	8.5	11.0	13.4
RoCE (%)	8.4	10.5	12.6
RoIC (%)	9.5	12.1	15.5

Valuations

P/E (x)	138.7	100.2	75.3
EV/EBITDA (x)	63.5	50.4	39.5
EV/Sales (X)	7.7	7.1	6.1
Div. Yield (%)	0.3	0.2	0.3
FCF Yield (%)	1.0	1.3	1.2

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	71.3	71.3	71.0
DII	8.9	8.5	7.6
FII	3.4	3.2	3.0
Others	16.5	17.5	18.4

FII Includes depository receipts

CMP: INR861 **TP: INR850 (-1%)** **Neutral**

Soft revenue; RM cool off pushes PAT growth

- Relaxo Footwears (Relaxo) posted a soft 5% YoY revenue growth, but improvement in GM and controlled cost translated into 21%/28% YoY growth in EBITDA/PAT (in line). Price cuts taken in the last couple of quarters have improved its competitive edge, driving a steep 15% volume growth YoY.
- Relaxo's volume growth, led by price reduction, softening RM prices, and renewed focus on sports footwear should bolster the growth outlook. We have cut our estimates on the current weak macro environment and slow recovery, building revenue/PAT CAGR of 15%/34% over FY24-26. The stock is trading at 56x FY26E P/E and appears expensive in a soft earnings environment. **We reiterate our Neutral stance on the stock.**

Revenue/PAT up 5%/28% YoY (5% miss/ in line)

- Revenue grew 5% YoY to INR 7.1b (5% miss). This growth is attributed to higher sales volumes during the period.
- GP grew 13% YoY to INR4.1b, driven by the benefits from the cooling off of RM prices. Gross margins were up 400bp YoY to 57%.
- EBITDA grew 21% YoY to INR872m (in line), led by GM improvement and controlled opex. Margins improved 160bp YoY to 12.2%.
- PAT grew 28% YoY to INR386m (in line). Margins improved 100bp YoY to 5.4%.
- 9MFY24 revenue/EBITDA/PAT grew 7%/31%/53% YoY.

Management commentary

- The market continues to remain challenging.
- The volume growth in open-footwear has significantly contributed to positive momentum, led by a decline in ASPs.
- Softening of raw material prices on a YoY basis has contributed to better margins, which was partly offset by increased expenses.

Valuation and view

- A gradual recovery in rural areas, gross margin improvement, and introduction of Sparx shoes at aggressive price points will help Relaxo gain market share in closed footwear. These can act as positive catalysts for volume growth.
- The company has reduced its ASP, which should now sustain its market share gains from unorganized players.
- Overtime, a) recovery in the open footwear category, b) product mix-led ASP improvement, and c) increasing mix of closed footwear – particularly in the S&A wear – are expected to drive a positive outlook.
- We have cut estimates for FY25/26 building a gradual recovery, unlike steep growth earlier. We factor in a revenue/PAT CAGR of 15%/34% over FY24-26E.
- We ascribe a P/E of 55x on FY26E EPS to arrive at our TP of INR850 and **reiterate our Neutral rating on the stock.**

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Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Consolidated - Quarterly Earning

(INR m)

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Gross Sales	6,672	6,697	6,810	7,649	7,388	7,153	7,127	8,218	27,827	29,887	7,464	-5
YoY Change (%)	34.2	-6.3	-8.4	9.6	10.7	6.8	4.7	7.4	4.9	7.4	9.6	
Total RM Cost	3,063	3,422	3,199	3,660	3,151	3,013	3,065	3,503	13,343	12,731.7	3,142	-2
Gross Profit	3,609	3,275	3,611	3,990	4,237	4,140	4,062	4,715	14,484	17,155	4,322	-6
Margins (%)	54.1	48.9	53.0	52.2	57.4	57.9	57.0	57.4	52.1	57.4	57.9	-90
Total Expenditure	5,810	6,102	6,088	6,470	6,313	6,238	6,255	6,881	24,470	25,688	6,561	-5
EBITDA	861	594	722	1,180	1,076	915	872	1,337	3,358	4,199	903	-3
Margins (%)	12.9	8.9	10.6	15.4	14.6	12.8	12.2	16.3	12.1	14.1	12.1	13
Depreciation	298	305	320	328	346	369	375	375	1,251	1,465	377	0
Interest	69	41	41	41	45	47	48	40	192	180	47	2
Other Income	42	57	44	43	73	105	60	59	186	297	40	50
PBT before EO expense	536	304	406	854	758	604	508	981	2,100	2,851	519	-2
PBT	536	304	406	854	758	604	508	981	2,100	2,851	519	-2
Tax	149	80	105	221	195	162	123	234	555	713	130	-6
Rate (%)	27.8	26.3	25.8	25.9	25.7	26.8	24.1	23.8	26.4	25.0	25.0	
Reported PAT	387	224	301	633	563	442	386	747	1,545	2,138	389	-1
Adj PAT	387	224	301	633	563	442	386	747	1,545	2,138	389	-1
YoY Change (%)	24.9	-67.3	-57.1	0.6	45.6	97.0	28.3	18.0	-33.6	38.4	29.4	
Margins (%)	5.8	3.3	4.4	8.3	7.6	6.2	5.4	9.1	5.6	7.2	5.2	20

E: MOFSL Estimates

Exhibit 1: Valuation based on FY26E

Particulars	INR/share
EPS	15.4
Target P/E ratio (x)	55
Equity value/share (INR)	850
Upside/(downside) (%)	861
CMP (INR)	-1%

Source: MOFSL, Company

Exhibit 2: Quarterly performance (INR m)

INRm	3QFY23	2QFY24	3QFY24	YoY%	QoQ%	3QFY24E	v/s Est (%)
Net sales	6,810	7,153	7,127	4.7	-0.4	7,464	-4.5
Raw Material cost	3,199	3,013	3,065	-4.2	1.7	3,142	-2.5
Gross Profit	3,611	4,140	4,062	12.5	-1.9	4,322	-6.0
Gross margin (%)	53.0	57.9	57.0	397	-88	57.9	-90
Employee Costs	862	958	960	11.4	0.3	970	-1.0
SGA Expenses	2,027	2,267	2,230	10.0	-1.6	2,448	-8.9
Total Opex	6,088	6,238	6,255	2.8	0.3	6,561	-4.7
EBITDA	722	915	872	20.7	-4.8	903	-3.5
EBITDA margin (%)	10.6	12.8	12.2	163	-56	12.1	13
Depreciation and amortization	320	369	375	17.3	1.5	377	-0.5
EBIT	403	546	497	23.4	-9.0	526	-5.6
EBIT margin (%)	5.9	7.6	7.0	106	-66	7.1	-8
Finance Costs	41	47	48	17.2	1.9	47	1.9
Other income	44	105	60	35.5	-43.2	40	49.8
Profit before Tax	406	604	508	25.4	-15.8	519	-2.1
Tax	105	162	123	17.0	-24.3	130	-5.5
Tax rate (%)	25.8	0.3	24.1			25.0	
Profit after Tax	301	442	386	28.3	-12.7	389	-0.9
Adj Profit after Tax	301	442	386	28.3	-12.7	389	-0.9
PAT margin (%)	4.4	6.2	5.4	100	-77	5.2	20

Source: MOFSL, Company

Exhibit 3: Revisions to our estimates

	FY24E	FY25E
Revenue (INR m)		
Old	30,465	35,736
Actual/New	29,887	34,447
<i>Change (%)</i>	-1.9	-3.6
GP (INR m)		
Old	17,518	20,548
Actual/New	17,155	19,773
<i>Change (%)</i>	-2.1	-3.8
GM (%)		
Old	57.5%	57.5%
Actual/New	57.4%	57.4%
<i>Change (bp)</i>	-10	-10
EBITDA (INR m)		
Old	4,311	6,218
Actual/New	4,199	5,339
<i>Change (%)</i>	-2.6	-14.1
EBITDA margin (%)		
Old	14.2%	17.4%
Actual/New	14.1%	15.5%
<i>Change (bp)</i>	-10	-190
Net Profit (INR m)		
Old	2,138	3,420
Actual/New	2,138	2,844
<i>Change (%)</i>	0.0	-16.8
EPS (INR)		
Old	8.6	13.7
Actual/New	8.6	11.4
<i>Change (%)</i>	0.0	-16.8

Source: MOFSL, Company

Story in charts

Exhibit 4: Pricing cut led to revenue growth

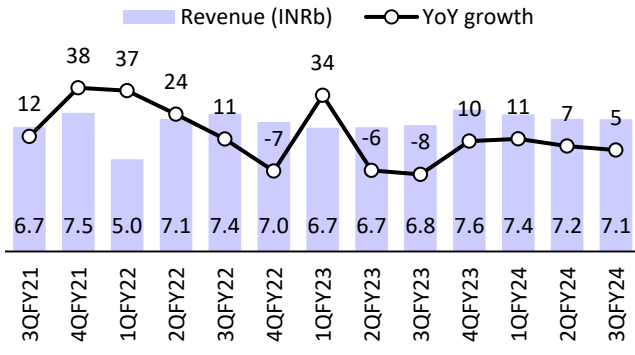


Exhibit 5: RM moderation led to GM expansion

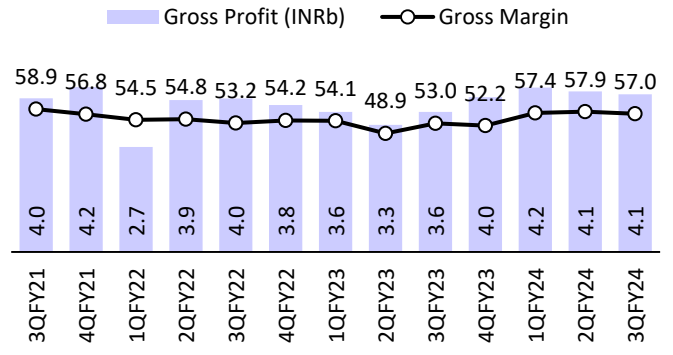


Exhibit 6: Recovery in COGS aided EBITDA margin

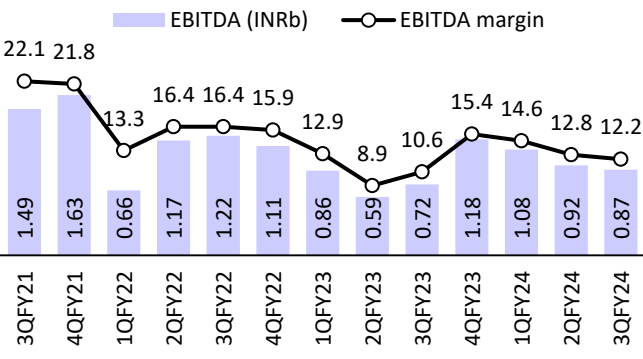


Exhibit 7: PAT grew 28% YoY in 3QFY24

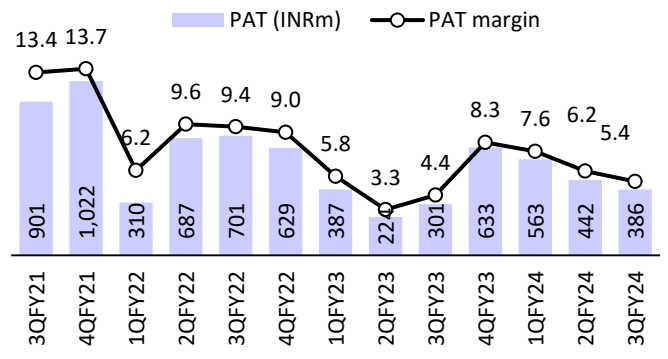


Exhibit 8: Expect revenue CAGR of 15% over FY24-26

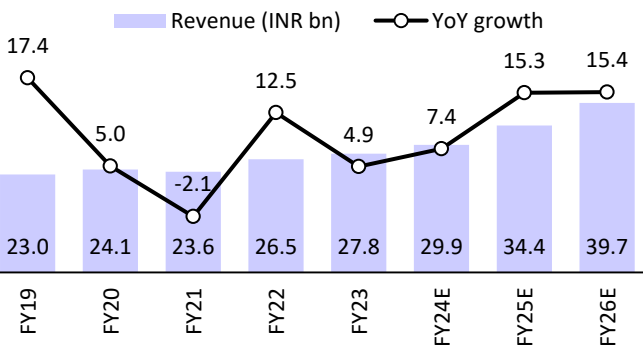


Exhibit 9: Expect GP CAGR of 15% over FY24-26

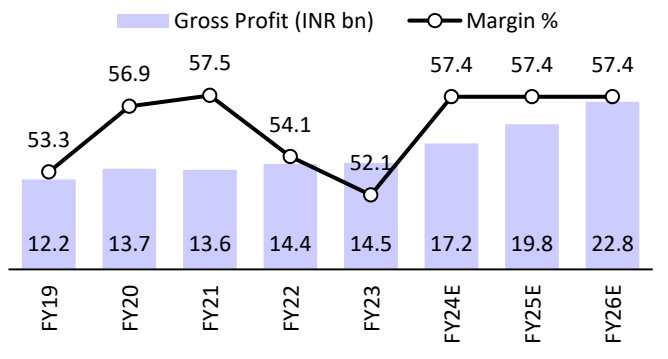


Exhibit 10: Expect EBITDA CAGR of 28% over FY24-26

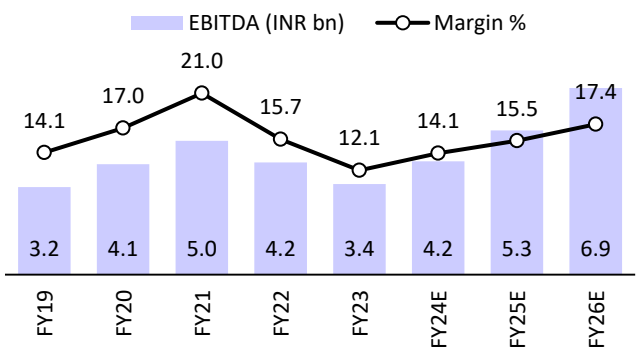
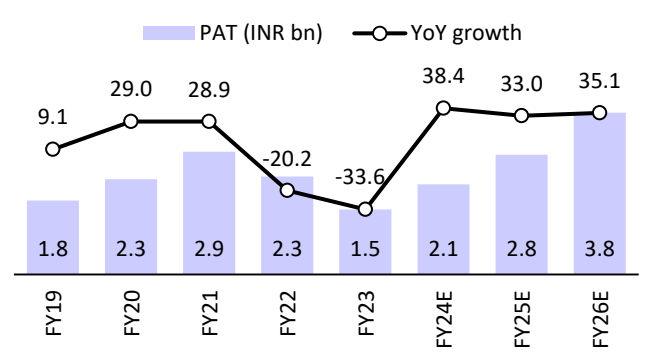


Exhibit 11: Expect PAT CAGR of 34% over FY24-26



Source: MOFSL, Company

Source: MOFSL, Company

Financials and valuations

Consolidated - Income Statement								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Income from Operations	22,966	24,105	23,592	26,533	27,827	29,887	34,447	39,738
Change (%)	17.4	5.0	-2.1	12.5	4.9	7.4	15.3	15.4
RM Cost	10,723	10,393	10,032	12,167	13,343	12,732	14,675	16,929
Gross Profit	12,243	13,712	13,559	14,366	14,484	17,155	19,773	22,810
Margin (%)	53%	57%	57%	54%	52%	57%	57%	57%
Employees Cost	2,587	2,940	3,014	3,347	3,433	3,915	4,340	4,769
Other Expenses	6,413	6,682	5,590	6,861	7,694	9,041	10,093	11,127
Total Expenditure	19,723	20,015	18,636	22,375	24,470	25,688	29,108	32,824
% of Sales	85.9	83.0	79.0	84.3	87.9	86.0	84.5	82.6
EBITDA	3,243	4,090	4,956	4,158	3,358	4,199	5,339	6,914
Margin (%)	14.1	17.0	21.0	15.7	12.1	14.1	15.5	17.4
Depreciation	624	1,094	1,100	1,135	1,251	1,465	1,584	1,758
EBIT	2,619	2,995	3,855	3,022	2,107	2,734	3,755	5,156
Margin (%)	11.4	12.4	16.3	11.4	7.6	9.1	10.9	13.0
Int. and Finance Charges	69	169	171	153	192	180	260	329
Other Income	130	91	228	237	186	297	297	297
PBT bef. EO Exp.	2,680	2,917	3,912	3,106	2,100	2,851	3,792	5,124
Total Tax	925	655	996	779	555	713	948	1,281
Tax Rate (%)	34.5	22.4	25.5	25.1	26.4	25.0	25.0	25.0
Reported PAT	1,754	2,263	2,916	2,327	1,545	2,138	2,844	3,843
Adjusted PAT	1,754	2,263	2,916	2,327	1,545	2,138	2,844	3,843
Change (%)	9.1	29.0	28.9	-20.2	-33.6	38.4	33.0	35.1
Margin (%)	7.6	9.4	12.4	8.8	5.6	7.2	8.3	9.7

Consolidated - Balance Sheet								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	124	248	248	249	249	249	249	249
Total Reserves	10,927	12,476	15,476	17,352	18,302	19,905	22,038	24,920
Net Worth	11,051	12,724	15,724	17,601	18,551	20,154	22,287	25,169
Total Loans	869	192	0	200	0	0	0	0
Lease Liabilities	0	1,474	1,442	1,540	1,641	2,365	2,995	3,551
Deferred Tax Liabilities	344	248	228	199	215	215	215	215
Capital Employed	12,264	14,637	17,394	19,540	20,406	22,734	25,497	28,935
Provision and others	90	109	163	188	194	209	241	278
Gross Block	9,627	10,235	10,524	11,673	14,064	14,517	16,193	18,064
Less: Accum. Deprn.	1,654	2,324	2,980	3,694	4,517	5,387	6,354	7,429
Net Fixed Assets	7,973	7,911	7,544	7,980	9,547	9,131	9,839	10,636
Capital WIP	114	456	1,180	1,490	890	385	-167	-720
Right to use asset	509	1,899	1,837	1,893	1,956	3,395	3,857	4,299
Total Investments	2	2	3,382	1,943	2,253	2,253	2,253	2,253
Current Investments	0	0	3,380	1,693	2,006	2,006	2,006	2,006
Loans and others	247	231	396	344	373	373	373	373
Curr. Assets, Loans&Adv.	7,270	7,912	7,419	10,177	9,930	11,819	14,669	18,239
Inventory	3,824	4,477	4,221	6,733	5,638	5,232	6,031	6,957
Account Receivables	2,226	1,721	1,815	2,508	2,703	2,825	3,256	3,756
Cash and Bank Balance	22	41	77	125	740	2,865	4,349	6,334
Loans and Advances	1,198	1,673	1,306	812	849	897	1,033	1,192
Curr. Liability & Prov.	3,760	3,665	4,202	4,098	4,349	4,412	5,086	5,867
Account Payables	1,718	1,838	2,228	2,217	2,529	2,320	2,674	3,085
Other Current Liabilities	1,535	1,531	1,702	1,589	1,568	1,793	2,067	2,384
Provisions	507	297	272	292	251	299	344	397
Net Current Assets	3,510	4,247	3,218	6,079	5,582	7,406	9,583	12,372
Appl. of Funds	12,354	14,746	17,556	19,728	20,599	22,943	25,737	29,213

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)								
EPS	7.1	9.1	11.7	9.3	6.2	8.6	11.4	15.4
Cash EPS	9.6	13.5	16.2	13.9	11.2	14.5	17.8	22.5
BV/Share	44.6	51.3	63.3	70.7	74.5	81.0	89.5	101.1
DPS	0.9	1.3	2.5	2.5	2.5	2.1	2.9	3.9
Payout (%)	12.7	13.7	21.3	26.7	40.3	25.0	25.0	25.0
Valuation (x)								
P/E	121.7	94.5	73.3	92.1	138.7	100.2	75.3	55.8
Cash P/E	89.8	63.7	53.2	61.9	76.7	59.5	48.4	38.3
P/BV	19.3	16.8	13.6	12.2	11.6	10.6	9.6	8.5
EV/Sales	9.4	9.0	9.0	8.1	7.7	7.1	6.1	5.3
EV/EBITDA	66.3	52.8	42.8	51.5	63.5	50.4	39.5	30.3
Dividend Yield (%)	0.1	0.1	0.3	0.3	0.3	0.2	0.3	0.4
FCF per share	1.3	8.2	15.7	-3.3	8.7	11.4	10.3	14.1
Return Ratios (%)								
RoE	18.8	19.0	20.5	14.0	8.5	11.0	13.4	16.2
RoCE	16.8	17.8	19.0	13.2	8.4	10.5	12.6	15.0
RoIC	17.3	17.7	21.4	15.8	9.5	12.1	15.5	19.3
Working Capital Ratios								
Fixed Asset Turnover (x)	2.4	2.4	2.2	2.3	2.0	2.1	2.1	2.2
Asset Turnover (x)	2.0	2.0	2.2	1.9	1.8	1.8	1.8	1.7
Inventory (Days)	61	68	65	93	74	64	64	64
Debtor (Days)	35	26	28	35	35	35	35	35
Creditor (Days)	27	28	34	31	33	28	28	28
Working Capital (Days)	69	66	59	97	76	70	70	70
Leverage Ratio (x)								
Current Ratio	1.9	2.2	1.8	2.5	2.3	2.7	2.9	3.1
Interest Cover Ratio	38.0	17.8	22.6	19.7	10.9	15.1	14.4	15.7
Net Debt/Equity	0.1	0.1	-0.1	0.0	-0.1	-0.1	-0.2	-0.2

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	2,680	2,917	3,912	3,106	2,100	2,851	3,792	5,124
Depreciation	624	1,094	1,100	1,135	1,251	1,465	1,584	1,758
Interest & Finance Charges	69	169	171	153	192	180	260	329
Interest Income & Dividend	-18	-4	-7	-12	-56	-297	-297	-297
Direct Taxes Paid	-863	-831	-891	-839	-555	-713	-948	-1,281
(Inc)/Dec in WC	-1,319	-198	930	-2,816	1,101	300	-693	-804
CF from Operations	1,174	3,146	5,214	728	4,034	3,787	3,698	4,830
Others	61	43	-83	-168	-33	0	0	0
CF from Operating incl EO	1,235	3,189	5,131	560	4,001	3,787	3,698	4,830
(Inc)/Dec in FA	-914	-1,159	-1,219	-1,389	-1,843	-948	-1,123	-1,319
Free Cash Flow	321	2,030	3,912	-829	2,158	2,839	2,575	3,510
(Pur)/Sale of Investments	321	11	-3,306	1,519	-247	0	0	0
CF from Investments	-569	-1,157	-4,532	146	-2,585	-651	-826	-1,022
Issue of Shares	32	32	49	139	4	0	0	0
Inc/(Dec) in Debt	-416	-914	-192	200	-200	0	0	0
Payment of LL	0	-326	-248	-263	-374	-312	-449	-569
Interest Paid	-81	-174	-171	-153	-192	-180	-260	-329
Dividend Paid	-218	-643	0	-621	-622	-534	-711	-961
Others	0	0	0	0	0	16	32	37
CF from Fin. Activity	-682	-2,026	-562	-698	-1,385	-1,011	-1,389	-1,822
Inc/Dec of Cash	-17	7	38	8	32	2,125	1,484	1,985
Opening Balance	40	23	30	68	76	107	2,232	3,716
Closing Balance	23	30	68	76	107	2,232	3,716	5,701
Add: Bank Balance	0	11	9	49	633	633	633	633
Net Closing Balance	23	41	77	125	740	2,865	4,349	6,334

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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