

Relaxo Footwears

Estimate change	
TP change	
Rating change	

Bloomberg	RLXF IN
Equity Shares (m)	249
M.Cap.(INRb)/(USDb)	120.2 / 1.4
52-Week Range (INR)	888 / 375
1, 6, 12 Rel. Per (%)	14/-18/-44
12M Avg Val (INR M)	115

Financials & Valuations (INR b)

INRb	FY25	FY26E	FY27E
Net Sales	27.9	28.2	30.1
Gross Profit	16.4	16.5	17.8
EBITDA	3.8	4.2	4.7
Adj. PAT	1.7	2.0	2.4
Gross Margin (%)	58.8	58.8	59.0
EBITDA Margin (%)	13.7	15.0	15.5
Adj. EPS (INR)	6.8	8.2	9.5
EPS Gr. (%)	-15.0	20.4	15.0
BV/Sh. (INR)	84.3	90.5	97.6
Ratios			
Net D:E	0.0	-0.1	-0.2
RoE (%)	8.3	9.4	10.1
RoCE (%)	8.1	9.2	9.8
RoIC (%)	8.5	10.4	12.3
Valuations			
P/E (x)	70.7	58.7	51.1
EV/EBITDA (x)	31.2	27.8	24.7
EV/Sales (X)	4.3	4.2	3.8
Div. Yield (%)	0.6	0.4	0.5

Shareholding Pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	71.3	71.3	71.3
DII	10.0	10.5	9.6
FII	2.9	3.1	3.4
Others	15.9	15.1	15.8

FII includes depository receipts

CMP: INR483

TP: INR410 (-15%)

Sell

Subdued demand trends continued

- Relaxo Footwears' (RLXF) 1QFY26 results reflect persistent volume pressure amid restructuring of distribution, muted demand and heightened competition. However, margins remained resilient, with EBITDA margin expanding ~200bp to 15.2% on the back of robust cost controls.
- Management remains cautious on near-term revenue recovery but expects profitability to improve through the streamlining of backend process and operational efficiencies.
- We cut our FY26-28 revenue estimates by ~5% each, though EBITDA margin assumptions are raised by 60-80bp, driven by cost controls, resulting in broadly unchanged EBITDA estimates over FY26-28E.
- Overall, we build in a CAGR of 5%/11%/17% in revenue/EBITDA/PAT over FY25-28E, but note downside risks from prolonged demand weakness.
- The recent ~10% run-up in RLXF's stock price over the past month appears to fully price in the near-term margin optimization. At ~56x 1-year forward P/E, valuations remain rich for modest growth.
- We maintain Sell rating with a revised TP of INR410 (based on 40x Sep'27E P/E) and await signs of demand recovery before we turn more constructive.**

Volume decline continues; better cost controls drive beat on profitability

- Revenue declined ~12% YoY to INR6.5b (16% miss), due to continued impact from the restructuring of its distribution model, subdued demand trends, and rising competitive intensity.
- Volume fell ~14% to 43m pairs.
- ASP was, however, up ~1% YoY at INR151.
- Gross profit declined 13% YoY to INR4b (14% miss) as gross margin declined ~20bp YoY to 61.8% (~185bp beat).
- Employee/other expenses declined 4%/22% YoY, with overheads as a % of sales declining to 47% (vs. 49% YoY).
- EBITDA at INR1b was flat YoY (3% beat) due to better cost controls and higher gross margins.
- EBITDA margin improved 200bp YoY to 15.2% (~280bp ahead), driven by better gross margin and robust cost controls preventing operating deleverage.
- Depreciation/finance costs grew 1%/7%. Other income more than doubled to INR113m (significantly ahead of our est. of INR71m).
- PBT at INR659m grew 9% YoY (13% beat), largely due to higher other income and slightly higher EBITDA.
- Reported PAT at INR489m was up 10% YoY (13% beat), with margins at 7.5% (up 155bp YoY).

Key highlights from the management commentary

- RLXF witnessed a challenging 1QFY26, due to muted consumer demand in the mass and mid-market segments and intensifying regional competition in general trade from smaller players.
- Despite these headwinds, the company consciously avoided deep discounting to protect its profitability.
- RLXF continues to benefit from the streamlining of backend process, robust cost controls, and operational efficiency.
- Management reaffirmed its strategic focus on sustainable and profitable growth, noting that **near-term revenue recovery may take some time**.
- However, it believes that ongoing productivity measures are laying the foundation for improved financial performance over the medium term.

Valuation and view

- RLXF's operating performance remained subdued due to weak demand in the mass and mid-market segments and intensifying regional competition, particularly in general trade.
- Additionally, ongoing distribution restructuring continued to weigh on volume visibility. However, the company's steady focus on backend efficiencies and cost optimization should support operating margins going forward.
- While the company is focused on improving its product mix (higher share of closed footwear) to boost growth in the near term, the volume revival in open footwear is equally crucial for growth and profitability.
- We cut our FY26-28 revenue estimates by ~5% each, though EBITDA margin assumptions are raised by 60-80bp, driven by cost controls, resulting in broadly unchanged EBITDA estimates over FY26-28.
- Overall, we build in a CAGR of 5%/11%/17% in revenue/EBITDA/PAT over FY25-28E, but note downside risks from prolonged demand weakness.
- The recent ~10% run-up in RLXF's stock price over the past month appears to fully price in the near-term margin optimization. At ~56x 1-year forward P/E, valuations remain rich for modest growth. **We maintain Sell rating with a revised TP of INR410**, based on 40x Sep'27E P/E.
- We await signs of demand recovery before we turn more constructive.

Consolidated - Quarterly Earnings Summary

Y/E March									(INR m)			
	FY25				FY26E				FY25	FY26	FY26E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		1QE	Var (%)	
Gross Sales	7,482	6,794	6,669	6,952	6,545	7,151	7,078	7,389	27,896	28,163	7,803	-16
YoY Change (%)	1.3	-5.0	-6.4	-7.0	-12.5	5.3	6.1	6.3	-4.3	1.0	4.3	
Total RM Cost	2,847	2,648	2,861	3,134	2,498	2,789	3,029	3,301	11,489	11,617	3,121	-20
Gross Profit	4,635	4,146	3,808	3,818	4,047	4,362	4,049	4,088	16,407	16,546	4,682	-14
Margins (%)	62.0	61.0	57.1	54.9	61.8	61.0	57.2	55.3	58.8	58.8	60.0	184 bps
Total Expenditure	6,493	5,917	5,835	5,831	5,550	6,168	6,094	6,140	24,076	23,953	6,835	-19
EBITDA	989	877	834	1,121	995	983	984	1,249	3,820	4,210	968	3
Margins (%)	13.2	12.9	12.5	16.1	15.2	13.8	13.9	16.9	13.7	15.0	12.4	280 bps
Depreciation	391	398	402	394	397	404	413	414	1,584	1,628	406	-2
Interest	49	50	54	54	52	52	52	50	207	206	52	1
Other Income	54	66	68	81	113	91	91	69	270	364	71	60
PBT before EO expense	603	496	446	754	659	618	610	854	2,299	2,741	581	13
PBT	603	496	446	754	659	618	610	854	2,299	2,741	581	13
Tax	160	128	116	192	170	156	154	211	596	691	146	16
Rate (%)	26.5	25.9	26.0	25.4	25.8	25.2	25.2	24.7	25.9	25.2	25.2	
Reported PAT	444	367	330	562	489	462	456	642	1,703	2,050	435	12
YoY Change (%)	-21.2	-16.9	-14.4	-8.4	10.2	25.8	38.3	14.3	-15.0	20.4	-2.0	
Margins (%)	5.9	5.4	4.9	8.1	7.5	6.5	6.4	8.7	6.1	7.3	5.6	190 bps

E: MOFSL Estimates

Exhibit 1: Valuation based on Sep'27E

(INR)	INR/share
EPS	10.2
Target P/E ratio (x)	40
Equity value (INR/share)	410
CMP (INR/share)	483
Upside/downside (%)	-15.1%

Source: MOFSL, Company

Exhibit 2: Quarterly performance (INR m)

INRm	1QFY25	4QFY25	1QFY26	YoY%	QoQ%	1QFY26E	v/s Est (%)
Total Revenue	7,482	6,952	6,545	-12.5	-5.8	7,803	-16.1
Raw Material cost	2,847	3,134	2,498	-12.3	-20.3	3,121	-20.0
Gross Profit	4,635	3,818	4,047	-12.7	6.0	4,682	-13.6
Gross margin (%)	62.0	54.9	61.8	-11	692	60.0	184
Employee Costs	1,096	888	1,055	-3.7	18.8	1,139	-7.4
SGA Expenses	2,551	1,810	1,998	-21.7	10.4	2,575	-22.4
Total Opex	6,493	5,831	5,550	-14.5	-4.8	6,835	-18.8
EBITDA	989	1,121	995	0.6	-11.2	968	2.8
EBITDA margin (%)	13.2	16.1	15.2	198	-92	12.4	280
Depreciation and amortization	391	394	397	1.4	0.7	406	-2.2
EBIT	598	727	598	0.0	-17.7	562	6.4
EBIT margin (%)	8.0	10.5	9.1	115	-132	7.2	193
Finance Costs	49	54	52	6.5	-3.7	52	1.1
Other income	54	81	113	108.5	39.9	71	60.0
Profit before Tax	603	754	659	9.2	-12.5	581	13.4
Tax	160	192	170	6.6	-11.2	146	16.1
Tax rate (%)	26.5	25.4	25.8			25.2	
Profit after Tax	444	562	489	10.2	-13.0	435	12.5
PAT margin (%)	5.9	8.1	7.5	154	-61	5.6	190

Source: MOFSL, Company

Exhibit 3: Revisions to our estimates

	FY26E	FY27E	FY28E
Revenue (INR m)			
Old	29,601	31,554	33,637
Actual/New	28,163	30,094	32,095
<i>Change (%)</i>	-4.9	-4.6	-4.6
EBITDA (INR m)			
Old	4,188	4,702	5,079
Actual/New	4,210	4,665	5,183
<i>Change (%)</i>	0.5	-0.8	2.1
EBITDA margin (%)			
Old	14.2%	14.9%	15.1%
Actual/New	15.0%	15.5%	16.2%
<i>Change (bp)</i>	80	60	105
Net Profit (INR m)			
Old	1,976	2,324	2,567
Actual/New	2,050	2,357	2,708
<i>Change (%)</i>	3.7	1.4	5.5
EPS (INR)			
Old	7.9	9.3	10.3
Actual/New	8.2	9.5	10.9
<i>Change (%)</i>	3.7	1.4	5.5

Source: MOFSL, Company

Story in charts

Exhibit 4: Revenue fell 13% YoY due to subdued demand

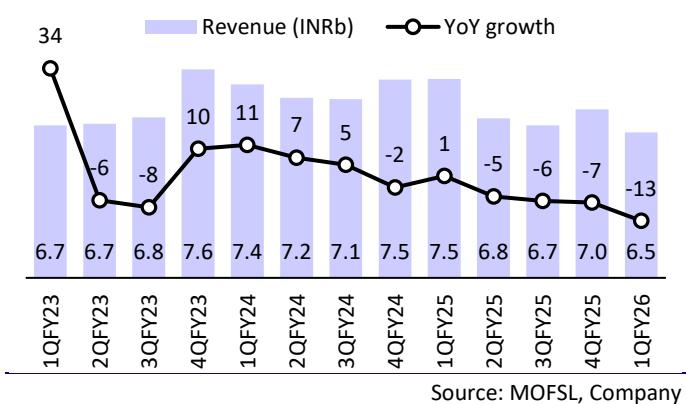


Exhibit 5: GM declined ~20bp YoY to 61.8%

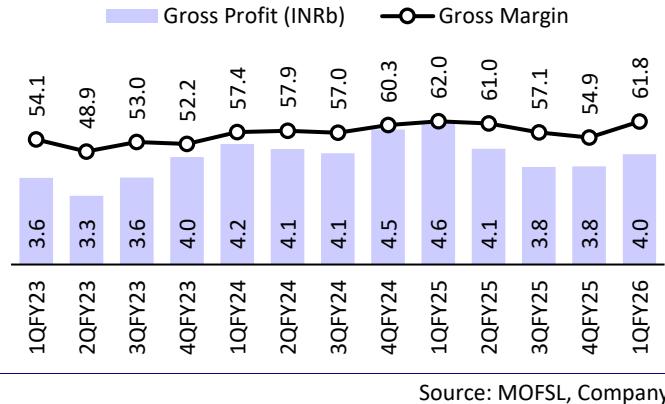


Exhibit 6: EBITDA flat YoY; margins expanded ~200bp

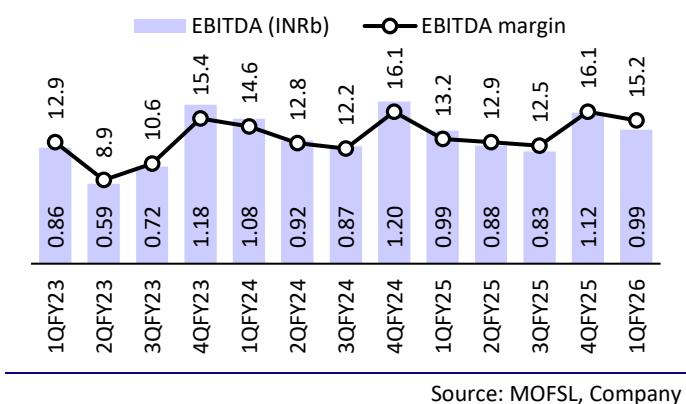


Exhibit 7: PAT up 10% YoY; margins expanded 155bp YoY

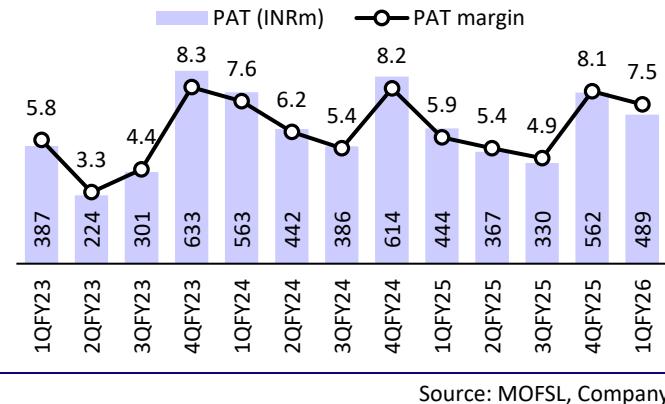


Exhibit 8: Total store count at 406 stores; 12 stores closed

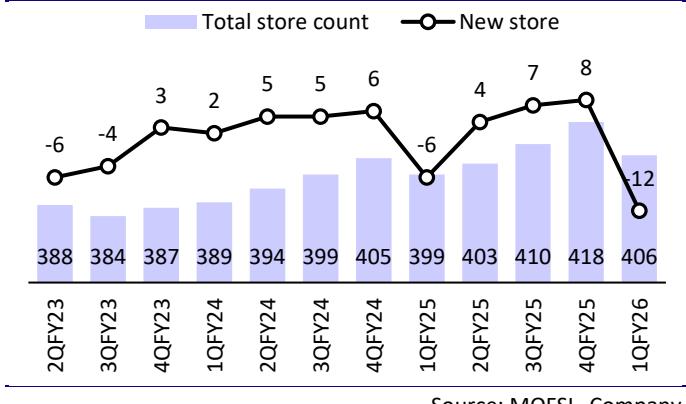


Exhibit 9: ASP increased 1%, while volume declined 14% YoY

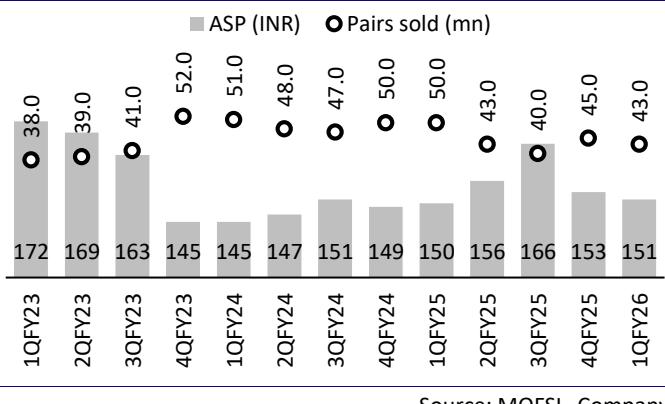
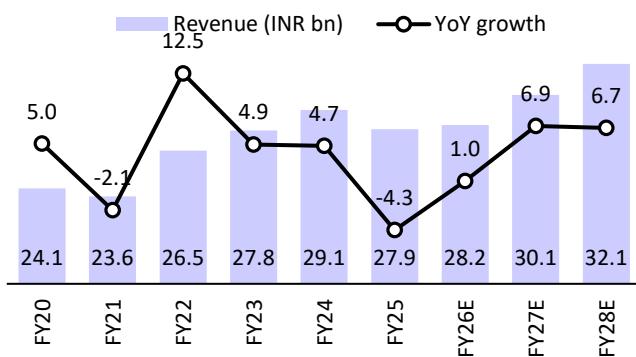
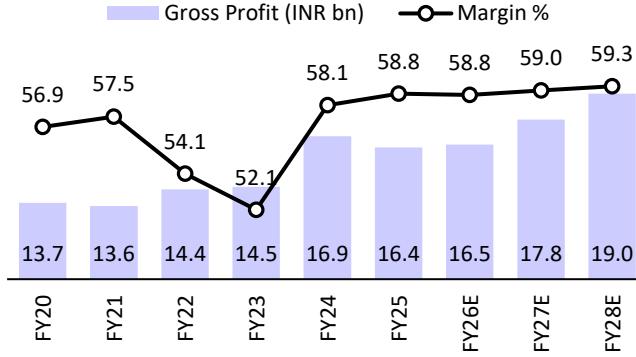


Exhibit 10: Expect revenue CAGR of 5% over FY25-28E



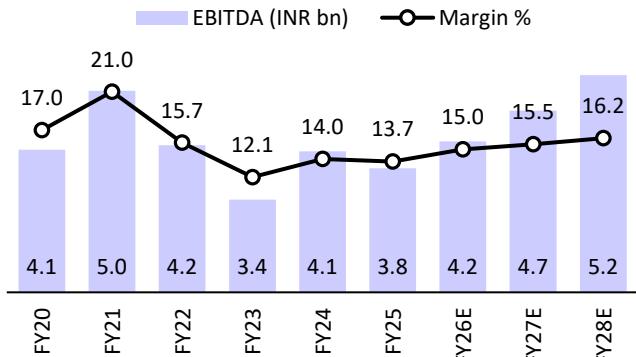
Source: MOFSL, Company

Exhibit 11: Expect ~45bp improvement in gross margin



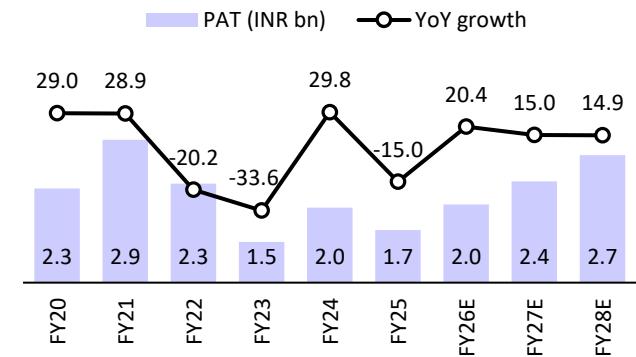
Source: MOFSL, Company

Exhibit 12: Expect EBITDA CAGR of 11% over FY25-28E



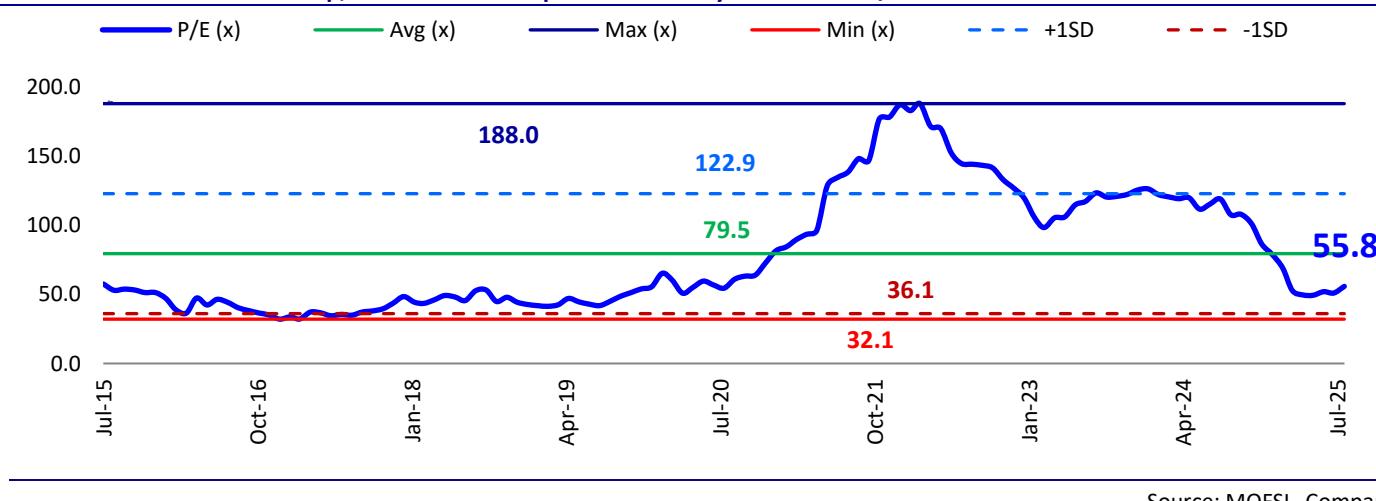
Source: MOFSL, Company

Exhibit 13: Expect PAT CAGR of 17% on a low base



Source: MOFSL, Company

Exhibit 14: Post recent run-up, RLXF trades at expensive ~56x 1-year forward P/E



Source: MOFSL, Company

Financials and valuations

Consolidated - Income Statement								(INRm)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Income from Operations	23,592	26,533	27,827	29,141	27,896	28,163	30,094	32,095
Change (%)	-2.1	12.5	4.9	4.7	-4.3	1.0	6.9	6.7
RM Cost	10,032	12,167	13,343	12,197	11,489	11,617	12,338	13,079
Gross Profit	13,559	14,366	14,484	16,944	16,407	16,546	17,755	19,016
Margin (%)	57%	54%	52%	58%	59%	59%	59%	59%
Employees Cost	3,014	3,347	3,433	3,891	4,006	4,112	4,364	4,606
Other Expenses	5,590	6,861	7,694	8,987	8,581	8,224	8,727	9,227
Total Expenditure	18,636	22,375	24,470	25,075	24,076	23,953	25,429	26,912
% of Sales	79.0	84.3	87.9	86.0	86.3	85.1	84.5	83.9
EBITDA	4,956	4,158	3,358	4,066	3,820	4,210	4,665	5,183
Margin (%)	21.0	15.7	12.1	14.0	13.7	15.0	15.5	16.2
Depreciation	1,100	1,135	1,251	1,475	1,584	1,628	1,709	1,794
EBIT	3,855	3,022	2,107	2,591	2,236	2,583	2,956	3,389
Margin (%)	16.3	11.4	7.6	8.9	8.0	9.2	9.8	10.6
Int. and Finance Charges	171	153	192	187	207	206	187	169
Other Income	228	237	186	289	270	364	382	401
PBT bef. EO Exp.	3,912	3,106	2,100	2,693	2,299	2,741	3,151	3,621
Total Tax	996	779	555	688	596	691	794	912
Tax Rate (%)	25.5	25.1	26.4	25.6	25.9	25.2	25.2	25.2
Reported PAT	2,916	2,327	1,545	2,005	1,703	2,050	2,357	2,708
Adjusted PAT	2,916	2,327	1,545	2,005	1,703	2,050	2,357	2,708
Change (%)	28.9	-20.2	-33.6	29.8	-15.0	20.4	15.0	14.9
Margin (%)	12.4	8.8	5.6	6.9	6.1	7.3	7.8	8.4

Consolidated - Balance Sheet								(INRm)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	248	249	249	249	249	249	249	249
Total Reserves	15,476	17,352	18,302	19,762	20,732	22,269	24,037	26,068
Net Worth	15,724	17,601	18,551	20,011	20,981	22,518	24,286	26,317
Minority Interest	0	0	0	0	0	0	0	0
Total Loans	0	200	0	185	0	0	0	0
Lease Liabilities	1,442	1,540	1,641	1,864	2,125	1,925	1,747	1,643
Deferred Tax Liabilities	228	199	215	271	300	300	300	300
Capital Employed	17,394	19,540	20,406	22,331	23,406	24,743	26,333	28,260
Provision and others	163	188	194	192	211	197	211	225
Gross Block	10,524	11,673	14,017	15,621	16,511	17,839	18,553	19,293
Less: Accum. Deprn.	2,980	3,694	4,471	5,339	6,783	8,212	9,699	11,244
Net Fixed Assets	7,544	7,980	9,547	10,283	9,727	9,627	8,854	8,049
Capital WIP	1,180	1,490	890	333	539	765	981	1,198
Right to use asset	1,837	1,893	1,956	3,429	3,715	3,096	3,134	3,179
Total Investments	3,382	1,943	2,253	1,077	3,430	3,430	3,430	3,430
Current Investments	3,380	1,693	2,006	829	2,691	2,691	2,691	2,691
Loans and others	396	344	373	384	559	559	559	559
Curr. Assets, Loans&Adv.	7,419	10,177	9,930	11,635	9,655	11,503	13,889	16,645
Inventory	4,221	6,733	5,638	5,988	5,576	5,411	5,747	6,091
Account Receivables	1,815	2,508	2,703	3,577	3,121	3,150	3,366	3,590
Cash and Bank Balance	77	125	740	977	421	2,379	4,174	6,322
Loans and Advances	1,306	812	849	1,093	538	563	602	642
Curr. Liability & Prov.	4,202	4,098	4,349	4,616	4,008	4,040	4,304	4,576
Account Payables	2,228	2,217	2,529	2,547	1,969	2,069	2,197	2,329
Other Current Liabilities	1,702	1,589	1,568	1,668	1,578	1,690	1,806	1,926
Provisions	272	292	251	401	461	282	301	321
Net Current Assets	3,218	6,079	5,582	7,019	5,647	7,463	9,585	12,070
Misc Expenditure	0	0	0	0	0	0	0	0
Appl. of Funds	17,556	19,728	20,599	22,523	23,617	24,940	26,544	28,484

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)								
EPS	11.7	9.3	6.2	8.1	6.8	8.2	9.5	10.9
Cash EPS	16.2	13.9	11.2	14.0	13.2	14.8	16.3	18.1
BV/Share	63.3	70.7	74.5	80.4	84.3	90.5	97.6	105.7
DPS	2.5	2.5	2.5	3.0	3.0	2.1	2.4	2.7
Payout (%)	21.3	26.7	40.3	37.2	43.8	25.0	25.0	25.0
Valuation (x)								
P/E	41.2	51.7	77.9	60.0	70.7	58.7	51.1	44.4
Cash P/E	29.9	34.8	43.0	34.6	36.6	32.7	29.6	26.7
P/BV	7.6	6.8	6.5	6.0	5.7	5.3	5.0	4.6
EV/Sales	5.0	4.5	4.3	4.1	4.3	4.2	3.8	3.5
EV/EBITDA	23.9	28.9	35.5	29.7	31.2	27.8	24.7	21.8
Dividend Yield (%)	0.5	0.5	0.5	0.6	0.6	0.4	0.5	0.6
FCF per share	15.7	-3.3	8.7	-0.4	11.7	11.3	10.5	12.0
Return Ratios (%)								
RoE	20.5	14.0	8.5	10.4	8.3	9.4	10.1	10.7
RoCE	19.0	13.2	8.4	10.0	8.1	9.2	9.8	10.4
RoIC	21.4	15.8	9.5	10.6	8.5	10.4	12.3	14.5
Working Capital Ratios								
Fixed Asset Turnover (x)	2.2	2.3	2.0	1.9	1.7	1.6	1.6	1.7
Asset Turnover (x)	2.2	1.9	1.8	1.7	1.8	1.6	1.6	1.6
Inventory (Days)	65	93	74	75	73	70	70	69
Debtor (Days)	28	35	35	45	41	41	41	41
Creditor (Days)	34	31	33	32	26	27	27	26
Working Capital (Days)	59	97	76	88	88	84	84	84
Leverage Ratio (x)								
Current Ratio	1.8	2.5	2.3	2.5	2.4	2.8	3.2	3.6
Interest Cover Ratio	22.6	19.7	10.9	13.9	10.8	12.5	15.8	20.0
Net Debt/Equity	-0.1	0.0	-0.1	0.0	0.0	-0.1	-0.2	-0.3

Consolidated - Cash Flow Statement

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
(INRm)								
OP/(Loss) before Tax	3,912	3,106	2,100	2,693	2,299	2,741	3,151	3,621
Depreciation	1,100	1,135	1,251	1,475	1,584	1,628	1,709	1,794
Interest & Finance Charges	171	153	192	187	207	206	187	169
Interest Income & Dividend	-7	-12	-56	0	0	-364	-382	-401
Direct Taxes Paid	-891	-839	-555	-668	-576	-691	-794	-912
(Inc)/Dec in WC	930	-2,816	1,101	-1,151	764	142	-327	-337
CF from Operations	5,214	728	4,034	2,535	4,277	3,662	3,544	3,934
Others	-83	-168	-33	-184	-217	0	0	0
CF from Operating incl EO	5,131	560	4,001	2,351	4,060	3,662	3,544	3,934
(Inc)/Dec in FA	-1,219	-1,389	-1,843	-2,461	-1,146	-850	-930	-957
Free Cash Flow	3,912	-829	2,158	-110	2,914	2,812	2,614	2,978
(Pur)/Sale of Investments	-3,306	1,519	-247	1,269	-2,553	0	0	0
CF from Investments	-4,532	146	-2,585	-986	-2,620	-486	-548	-555
Issue of Shares	49	139	4	0	0	0	0	0
Inc/(Dec) in Debt	-192	200	-200	185	-185	0	0	0
Payment of LL	-248	-263	-511	-590	-661	-485	-439	-398
Interest Paid	-171	-153	-55	-37	-26	-206	-187	-169
Dividend Paid	0	-621	-622	-622	-747	-512	-589	-677
Others	0	0	0	0	0	-14	14	14
CF from Fin. Activity	-562	-698	-1,385	-1,064	-1,620	-1,217	-1,201	-1,231
Inc/Dec of Cash	38	8	32	301	-180	1,959	1,795	2,148
Opening Balance	30	68	76	107	408	228	2,187	3,982
Closing Balance	68	76	107	408	228	2,187	3,982	6,129
Add: Bank Balance	9	49	633	569	192	192	192	192
Net Closing Balance	77	125	740	977	421	2,379	4,174	6,322

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NOTES

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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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