

13 May 2025

## Volume showing signs of strain

Relaxo Footwears' (RLXF IN) Q4 performance was a miss on revenue, EBITDA and PAT by 13.9%, 13.4% and 14.1%, respectively (versus our estimates). This underperformance was led by a 10.0% YoY drop in volume against our estimate of 1.3% YoY de-growth. The performance was hit by lower volume, led by subdued demand in the mid-range footwear segment and restructuring of the distribution model. RLXF is calibrating a strategy to expand its consumer reach via its "Relaxo Parivaar" app, improving its online presence while following "Brand as a Seller" model on e-commerce channels and launching exclusive products to support growth.

We believe the revamp in strategy will take a few quarters to yield results amid muted demand and increased competitive intensity. So, we pare down our earnings estimates by 10.5% for FY26E and by 10.9% for FY27E and introduce FY28E estimates. On revised earnings, we arrive at a lower TP of INR 489 (INR 549 earlier), based on 50x FY27E P/E (unchanged). We believe there is limited downside risk to profitability and return ratios, given RLXF's efforts to drive secondary sales. So, we upgrade RLXF to **Accumulate** from Reduce.

**Volume continues to dip; ASP up:** Q4 revenue fell 7.0% YoY to INR 6,952 mn, led by a 10.0% YoY dip in volume, partly offset by improved average selling price (ASP) by 3.4% YoY. In FY25, brand-wise revenue contribution was as follows – *Hawai* at 40%, *Flite* at 37% and *Sparx* at 23%. In terms of volume mix, *Hawai* accounted for 45%, *Flite* 39%, and *Sparx* 16%. To drive growth, RLXF is streamlining its distributor network through distribution management system (DMS) and retailer network via "Relaxo Parivaar" app (reach across network; impact to be visible in the near term). At present RLXF is facing some resistance as regards the app from distributors. RLXF opened eight EBOs in Q4 to 418. Expect a revenue CAGR of 11.2%, led by volume CAGR of 8.0% and price CAGR of 3% in FY25-28E.

**Expect EBITDA CAGR of 17.0% in FY25-28E:** EBITDA was INR 1,121mn, down 6.9% YoY. EBITDAM was flat on the back of lower other expenses (down 21.4% YoY) and employee cost (down by 11.1% YoY). RLXF reduced its expenses while being hit by a 535bps YoY drop in gross margin. We expect margin to reach 14.5% in FY26E, 15.2% in FY27E and 16.0% in FY28E, led by improvement in demand in the long term, operating leverage from average realization and efforts to drive secondary sales.

**Upgrade to Accumulate with a lower TP of INR 489:** Expect a revenue CAGR of 11.2%, an EBITDA CAGR of 17.0% and an earnings CAGR of 20.8% in FY25-28E. RLXF continues to sustain a robust balance sheet. ROCE is likely to improve to 14.1% by FY28E, led by margin improvement. We believe there is limited downside risk to profitability and return ratios, given RLXF's efforts to drive secondary sales. So, we upgrade RLXF to Accumulate from Reduce. But we lower our TP to INR 489 from INR 549, on 50x (unchanged) FY27E P/E. as we pare down our earnings estimates (given that revival some quarters away). Key trigger for the stock is a revival in demand.

### Key Financials

YE March	FY24	FY25	FY26E	FY27E	FY28E
Revenue (INR mn)	29,141	27,896	30,753	34,191	38,386
YoY (%)	4.7	(4.3)	10.2	11.2	12.3
EBITDA (INR mn)	4,066	3,820	4,474	5,195	6,125
EBITDA margin (%)	14.0	13.7	14.5	15.2	16.0
Adj PAT (INR mn)	2,005	1,703	1,968	2,434	3,003
YoY (%)	29.8	(15.0)	15.5	23.7	23.4
Fully DEPS (INR)	8.1	6.8	7.9	9.8	12.1
RoE (%)	10.4	8.3	9.5	11.9	14.2
RoCE (%)	13.4	10.9	12.5	15.7	19.0
P/E (x)	52.2	61.5	53.2	43.0	34.9
EV/EBITDA (x)	25.5	27.2	23.2	20.0	16.9

Note: Pricing as on 12 May 2025; Source: Company, Elara Securities Estimate

Rating: [Accumulate](#)

Target Price: [INR 489](#)

Upside: [16%](#)

CMP: [INR 421](#)

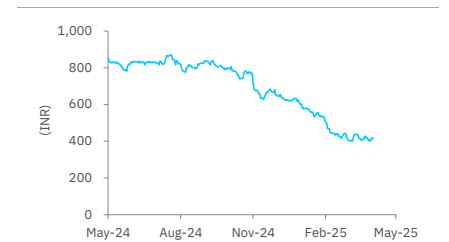
As on 12 May 2025

#### Key data

Bloomberg	RLXF IN
Reuters Code	RLXO.NS
Shares outstanding (mn)	249
Market cap (INR bn/USD mn)	105/1,225
EV (INR bn/USD mn)	104/1,214
ADTV 3M (INR mn/USD mn)	72/1
52 week high/low	888/375
Free float (%)	29

Note: as on 12 May 2025; Source: Bloomberg

#### Price chart



Source: Bloomberg

	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25
Shareholding (%)				
Promoter	71.3	71.3	71.3	71.3
% Pledge	0.0	0.0	0.0	0.0
FII	3.4	3.4	3.3	3.0
DII	9.5	10.0	10.5	10.5
Others	15.8	15.3	14.9	15.2

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	8.2	4.4	13.0
Relaxo Footwears	(16.6)	(39.8)	(50.6)
NSE Mid-cap	4.2	(2.8)	6.7
NSE Small-cap	4.2	(8.8)	3.8

Source: Bloomberg

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## Financials (YE March)

Income Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Total Revenue	29,141	27,896	30,753	34,191	38,386
Gross Profit	16,944	16,407	18,391	20,515	23,181
EBITDA	4,066	3,820	4,474	5,195	6,125
EBIT	2,591	2,236	2,578	3,218	3,998
Interest expense	187	207	227	250	275
Other income	289	270	295	303	313
PBT	2,693	2,299	2,645	3,272	4,036
Tax	688	595	677	838	1,033
Reported PAT	2,005	1,703	1,968	2,434	3,003
Adjusted PAT	2,005	1,703	1,968	2,434	3,003
Balance Sheet (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Shareholders' Equity	20,011	20,981	20,245	20,764	21,395
Trade Payables	2,547	1,969	2,171	2,529	2,945
Provisions & Other Current Liabilities	2,462	2,539	2,638	2,862	3,128
Total Borrowings	185	-	-	-	-
Other long term liabilities	1,934	2,136	2,251	2,400	2,549
<b>Total liabilities &amp; equity</b>	<b>27,139</b>	<b>27,625</b>	<b>27,305</b>	<b>28,555</b>	<b>30,016</b>
Net Fixed Assets	10,063	9,598	9,051	7,874	7,247
Intangible assets	227	137	137	137	137
Business Investments / other NC assets	4,385	5,545	5,941	6,281	6,620
Cash, Bank Balances & treasury investments	404	224	395	1,357	1,753
Inventories	5,988	5,576	6,235	7,026	7,888
Sundry Debtors	3,577	3,121	3,440	3,747	4,207
Other Current Assets	2,495	3,426	2,107	2,135	2,164
<b>Total Assets</b>	<b>27,139</b>	<b>27,625</b>	<b>27,305</b>	<b>28,555</b>	<b>30,016</b>
Cash Flow Statement	FY24	FY25	FY26E	FY27E	FY28E
<b>Cashflow from Operations</b>	<b>3,020</b>	<b>4,636</b>	<b>3,778</b>	<b>4,616</b>	<b>5,419</b>
Capital expenditure	(2,494)	(1,149)	(1,350)	(800)	(1,500)
Acquisitions / divestitures	-	-	-	-	-
Other Business cashflow	1,508	(1,471)	1,244	(36)	(27)
<b>Free Cash Flow</b>	<b>2,033</b>	<b>2,016</b>	<b>3,672</b>	<b>3,781</b>	<b>3,892</b>
Cashflow from Financing	(1,732)	(2,196)	(3,501)	(2,819)	(3,496)
Net Change in Cash / treasury investments	301	(180)	171	962	397
Key assumptions & Ratios	FY24	FY25	FY26E	FY27E	FY28E
Dividend per share	2.5	2.1	2.5	3.0	3.7
Book value per share	80.4	84.3	81.3	83.4	86.0
RoCE (Pre-tax)	13.4	10.9	12.5	15.7	19.0
ROIC (Pre-tax)	13.6	11.0	12.7	16.4	20.5
ROE%	10.4	8.3	9.5	11.9	14.2
Asset Turnover	3.0	2.8	3.3	4.0	5.1
Net Debt to Equity (x)	0.0	0.0	0.0	(0.1)	(0.1)
Net Debt to EBITDA (x)	(0.1)	(0.1)	(0.1)	(0.3)	(0.3)
Interest cover (x) (EBITDA/ int exp)	21.8	18.5	19.7	20.8	22.3
Total Working capital days (WC/rev)	95.5	100.3	91.7	99.7	100.0
Valuation	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	52.2	61.5	53.2	43.0	34.9
P/Sales (x)	3.6	3.8	3.4	3.1	2.7
EV/ EBITDA (x)	25.5	27.2	23.2	20.0	16.9
EV/ OCF (x)	34.4	22.4	27.5	22.5	19.1
FCF Yield	0.0	0.0	0.0	0.0	0.0
Price to BV (x)	5.2	5.0	5.2	5.0	4.9
Dividend yield (%)	0.6	0.5	0.6	0.7	0.9

Expect revenue CAGR of 11.2% in FY25-28E

Note: Pricing as on 12 May 2025; Source: Company, Elara Securities Estimate

## Exhibit 1: Quarterly financials

(INR mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ %	Q4FY25E	Act vs. est	FY25	FY24	YoY (%)
<b>Revenues</b>	<b>6,952</b>	<b>7,472</b>	<b>(7.0)</b>	<b>6,669</b>	<b>4.2</b>	<b>8,073</b>	<b>(13.9)</b>	<b>27,896</b>	<b>29,141</b>	<b>(4.3)</b>
Raw material cost	3,134	2,968	5.6	2,861	9.5	3,220	(2.7)	11,489	12,197	(5.8)
Gross margins (%)	54.9	60.3	-535 bps	57.1	-218 bps	60.1	-520 bps	58.8	58.1	67 bps
Staff costs	888	999	(11.1)	960	(7.5)	1,046	(15.1)	4,006	3,891	2.9
Other expenses	1,810	2,301	(21.4)	2,014	(10.2)	2,513	(28.0)	8,581	8,987	(4.5)
Total expenditure	5,831	6,269	(7.0)	5,835	(0.1)	6,778	(14.0)	24,076	25,075	(4.0)
<b>EBITDA</b>	<b>1,121</b>	<b>1,204</b>	<b>(6.9)</b>	<b>834</b>	<b>34.4</b>	<b>1,295</b>	<b>(13.4)</b>	<b>3,820</b>	<b>4,066</b>	<b>(6.0)</b>
<b>EBITDAM (%)</b>	<b>16.1</b>	<b>16.1</b>	<b>1 bps</b>	<b>12.5</b>	<b>361 bps</b>	<b>16.0</b>	<b>8 bps</b>	<b>13.7</b>	<b>14.0</b>	<b>-26 bps</b>
Depreciation	394	385	2.4	402	(2.1)	425	(7.4)	1,584	1,475	7.4
Interest	54	47	16.1	54	0.6	53	1.9	207	187	10.5
Other income	81	51	59.9	68	19.0	51	57.4	270	289	(6.6)
<b>PBT</b>	<b>754</b>	<b>823</b>	<b>(8.4)</b>	<b>446</b>	<b>68.9</b>	<b>868</b>	<b>(13.2)</b>	<b>2,299</b>	<b>2,693</b>	<b>(14.6)</b>
Tax	191	209	(8.4)	116	65.0	214	(10.4)	595	688	(13.5)
<b>Net profit</b>	<b>562</b>	<b>614</b>	<b>(8.4)</b>	<b>330</b>	<b>70.3</b>	<b>654</b>	<b>(14.1)</b>	<b>1,703</b>	<b>2,005</b>	<b>(15.0)</b>
EPS (INR)	2.3	2.47	(8.4)	1.33	70.3	2.63	(14.1)	6.8	8.1	(15.0)

Source: Company, Elara Securities Estimate

## Analyst call highlights

### Current demand and outlook

- ▶ Overall revenue for FY25 declined due to soft volumes in the mid-segment and muted customer sentiment since the past 1-2 years.
- ▶ Volume pressure persists in the *Hawaii* and middle segment categories.
- ▶ Outlook: Sales are not expected to improve significantly and profitability may remain stable.
- ▶ Closed footwear demand is shifting towards e-commerce. Sneakers are priced within INR 1,200-INR 2,500.
- ▶ e-commerce contributed 10% to overall revenue, in-line with FY24 trend.
- ▶ *Disney* and *Marvel* collections were launched only in retail outlets (contribution still insignificant).
- ▶ RLXF is exploring export opportunities in Africa, South East Asia, and Central America.
- ▶ India-Pakistan tensions caused a 1-2 day disruption in some stores in North India (now normalized).

### Distributor network and store expansion

- ▶ Total distributors were at ~650. RLXF plans to add 100 new distributors (5-10% growth).
- ▶ DMS was implemented across distributors pan-India, but distributors are showing resistance due to transparency and retail-level direct sell-through.
- ▶ Distributors with heavy discounting are being phased out.
- ▶ Restructuring strategy underway: RLXF is moving from distributor-led to retailer-led sales model.
- ▶ The focus is on improving distributor quality and credit discipline.
- ▶ Retail strategy: RLXF is expected to add 50 more retail outlets and modernize existing stores. It plans to open exclusive stores for *Sparx*.
- ▶ *Sparx* is present through 25,000 outlets.

### Profitability to improve

- ▶ Gross margins improved in FY25 due to:
  - ▶ Price hike in January 2024,

- ▶ Better product mix, and
- ▶ Favorable material cost trends.
- ▶ Gross margin in Q4 declined due to inventory depletion.
- ▶ EBITDA margin is expected to improve by +100bps, going forward.
- ▶ Drivers for margin expansion are a higher share of premium products, cost optimization and correction in crude price.
- ▶ Raw material price did not change significantly during the period.
- ▶ ASP increased due to higher sales of premium products and lower-priced *hawai* category mix.
- ▶ ROCE is expected to improve by 2-3% as EBITDA margins strengthen.

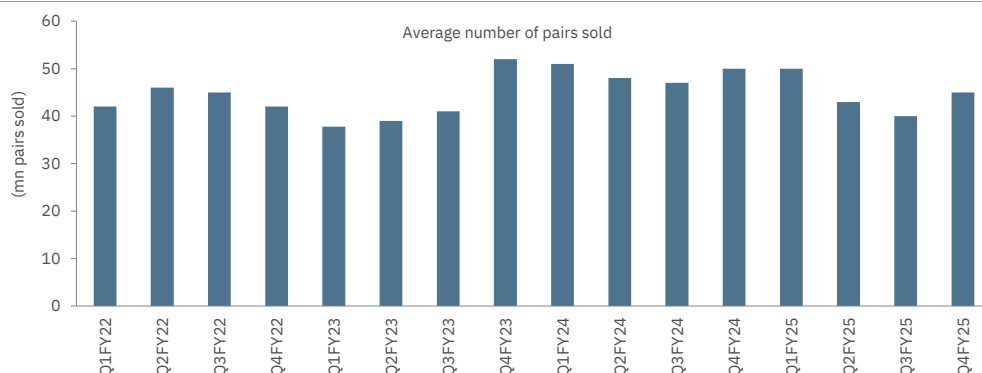
## Relaxo Parivar app (RPA)

- ▶ RPA is a long-term engagement platform exclusively for retailers. Through this platform, retailers will receive instant gratification on the purchase of every pair of *Flite* and *Sparx* footwear, in the form of loyalty points (2-7% incentive).
- ▶ Relaxo Parivaar app (RPA) was rolled out across India – 50% of distributor sales was captured via the app in its first year.
- ▶ The app offers loyalty points (2-7%) to retailers but distributors' commission remains fixed.
- ▶ RPA issues include poor scanning discipline at the retail level (expected teething problem).
- ▶ RPA was designed as a long-term loyalty and data collection tool.

## Other operational highlights

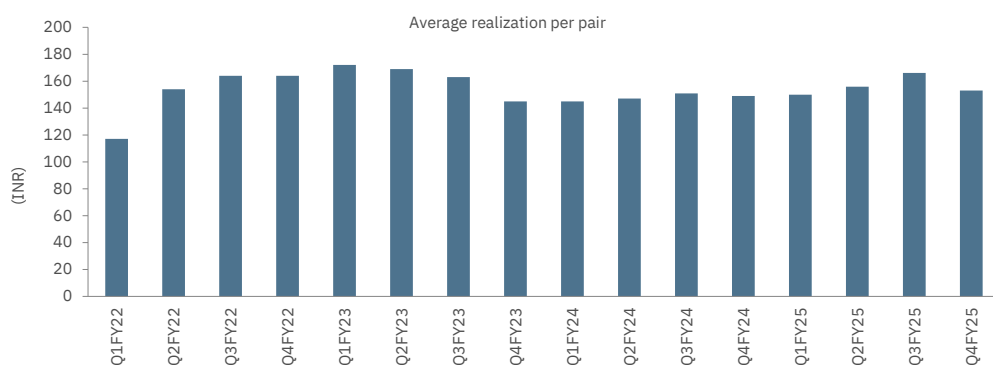
- ▶ FY26 capex guidance was at INR 1,000mn, which includes INR 300mn for new molds, and the remainder for new EBOs and energy-efficient equipment.
- ▶ Other expenses were reduced due to lower production.
- ▶ In FY25, advertisement spend formed ~3% of revenue.
- ▶ RLXF is in early discussions with UK leads under the new trade opportunity (potential to grow exists in EVA footwear and flip-flops in the UK).

## Exhibit 2: Volumes down 10.0% YoY



Source: Company, Elara Securities Research

## Exhibit 3: Realization up 2.7% YoY



Source: Company, Elara Securities Research

## Exhibit 4: Valuation

Particulars	(INR)
FY27E EPS	9.8
Target P/E multiple (x) - Implied	50
<b>Target price</b>	<b>489</b>
CMP	421
Upside (%)	16.2%

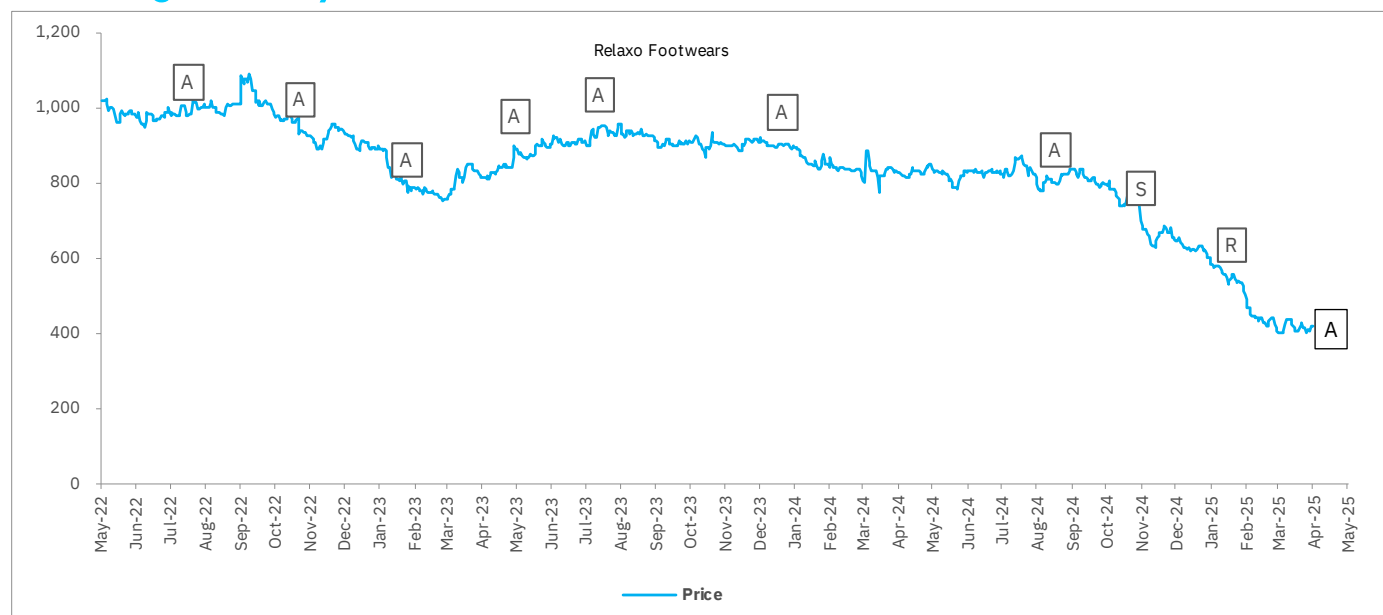
Source: Elara Securities Estimate

## Exhibit 5: Change in estimates

(INR mn)	New estimates		Old estimates		Change (%)		New
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY28E
Net sales	30,753	34,191	31,989	35,255	(3.9)	(3.0)	38,386
EBITDA	4,474	5,195	4,782	5,593	(6.4)	(7.1)	6,125
EBITDAM (%)	14.5	15.2	14.9	15.9	(40)	(67)	16.0
PAT	1,968	2,434	2,198	2,732	(10.5)	(10.9)	3,003
EPS (INR)	7.9	9.8	8.8	11.0	(10.5)	(10.9)	12.1
<b>Target price (INR)</b>	<b>489</b>		<b>549</b>		<b>(10.9)</b>		
<b>Rating</b>	<b>Accumulate</b>		<b>Reduce</b>				

Source: Elara Securities Estimate

## Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
30-Jul-2021	Accumulate	1,229	1,150
29-Jul-2022	Accumulate	1,129	983
04-Nov-2022	Accumulate	1,001	937
06-Feb-2023	Accumulate	892	776
12-May-2023	Accumulate	974	892
25-Jul-2023	Accumulate	1,005	943
02-Jan-2024	Accumulate	977	839
29-Aug-2024	Accumulate	920	802
12-Nov-2024	Sell	600	699
31-Jan-2025	Reduce	549	549
12-May-2025	Accumulate	489	421

## Guide to Research Rating

<b>BUY (B)</b>	Absolute Return >+20%
<b>ACCUMULATE (A)</b>	Absolute Return +5% to +20%
<b>REDUCE (R)</b>	Absolute Return -5% to +5%
<b>SELL (S)</b>	Absolute Return < -5%

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