

Subdued Revenue; Operating Margins Strengthened

Est. Vs. Actual for Q1FY26: Revenue – **MISS**; EBITDA – **BEAT**; PAT – **BEAT**

Changes in Estimates post Q1FY26

FY26E/FY27E: Revenue: 0%/1%; EBITDA: 1%/3%; PAT: 6%/9%

Recommendation Rationale

- **Demand weakness, but margins stay resilient:** Relaxo reported a sharp 13% YoY revenue decline, driven by a 14% drop in volumes amid muted consumer sentiment in the mass and mid-market segments. Competitive intensity remained elevated in general trade, with regional players gaining share post the GST rate hike from 5% to 12%. Despite the challenging demand environment, realisations improved 1% YoY to Rs 151 per pair. EBITDA margins expanded by 198 bps to 15.2%, supported by operational efficiencies, tight cost control, and backend process optimisation.
- **Short-term strain to improve gradually:** We remain cautious in the short to medium term due to 1) A sluggish demand environment, 2) Rising competition from unorganised players, and 3) Implementation of DMS and focus on secondary sales will take time to bear fruit. Although the long-term outlook appears favourable with initiatives such as cost optimisation, BIS implementation supporting organised players, implementation of DMS, removing non-performing distributors, and a premiumisation strategy focused on high-growth sports and athleisure categories, we believe the benefits from these positive factors will likely materialise but with a delay.

Sector Outlook: Cautious

Company Outlook & Guidance: Though we have increased our FY26/FY27E estimates, we continue to maintain our **HOLD** rating on the stock.

Current Valuation: 55x Mar'26 EPS (Earlier Valuation: 52x Mar'26 EPS)

Current TP: Rs 520/share (Earlier TP: Rs 450)

Recommendation: With an 8% upside from the CMP, we **maintain our HOLD rating on the stock.**

Financial Performance: The company's revenue declined ~13% YoY, with volumes contracting 14% to 4 Cr pairs, while ASP improved 1% to Rs 151 per pair. EBITDA improved by 0.6% YoY to Rs 99 Cr, with margins gained by 198 bps to 15.2% due to a reduction in other expenses and staff costs. PAT improved by 10.2% YoY to Rs 49 Cr in Q1FY26.

Outlook: The company delivered a mixed bag of numbers in Q1FY26, and we remain cautious in the short to medium term due to, 1) The lack of signs of demand recovery, 2) Rising competition from unorganised players, and 3) The implementation of DMS and focus on secondary sales, which will take time to bear fruits. We seek sustained signs of recovery; therefore, we maintain our **HOLD** rating on the stock.

Valuation & Recommendation: We **maintain our HOLD** rating with a revised TP of Rs 520/share.

Key Financials (Standalone)

(Rs Cr)	Q1FY26	QoQ (%)	YoY (%)	Axis Est.	Variance (%)
Net Sales	654	-5.8	-12.5	738	-11.4
EBITDA	99	-11.2	0.6	95	4.7
EBITDA Margin (%)	15.2	-92 bps	198 bps	12.9	233 bps
Net Profit	49	-13.0	10.2	43	13.0
EPS (Rs)	2.0	-13.0	6.7	1.8	9.4

Source: Company, Axis Research

(CMP as of 30th July, 2025)

CMP (Rs)	482
Upside /Downside (%)	8%
High/Low (Rs)	887/375
Market cap (Cr)	12,022
Avg. daily vol. (6m) '000 Shrs.	343
No. of shares (Cr)	25

Shareholding (%)

	Dec-24	Mar-25	Jun-25
Promoter	71.3	71.3	71.3
FII	3.3	3.1	2.9
MFs / UTI	10.5	10.5	9.9
FIIs/Banks	0.0	0.0	0.0
Others	14.9	15.1	16.0

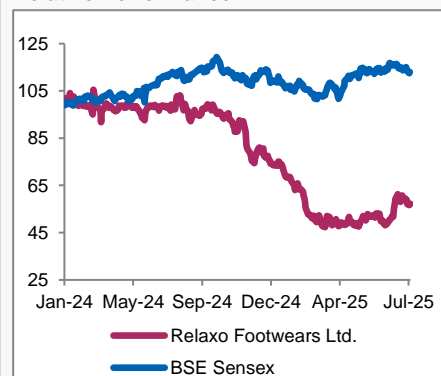
Financial & Valuations

Y/E Mar (Rs Cr)	FY25A	FY26E	FY27E
Net Sales	2,790	2,960	3,186
EBITDA	382	414	457
Net Profit	170	202	233
EPS (Rs)	6.9	8.1	9.4
PER (x)	61.3	51.6	44.7
EV/EBITDA (x)	26.5	24.1	21.5
RoE (%)	8.1	9.1	9.8

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	0%	1%
EBITDA	1%	3%
PAT	6%	9%

Relative Performance



Source: Ace Equity, Axis Securities

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Key Risks to Our Estimates and TP

- Increase in competitive intensity, prolonged demand recovery, and RM inflation.

Change in Estimates

	Old		New		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	2,952	3,162	2,960	3,186	0%	1%
EBITDA	411	446	414	457	1%	3%
PAT	190	214	202	233	6%	9%
EPS	8	9	8	9	2%	4%

Source: Company, Axis Securities

Results Review

Rs Cr	Q1FY25	Q4FY25	Axis Sec Est	Q1FY26	YoY (%)	QoQ (%)	Axis Sec Var
Net Sales	748	695	738	654	(12.5)	(5.8)	(11.4)
Gross Profit	464	382	425	405	(12.7)	6.0	(4.8)
Gross Margins %	62.0	54.9	57.6	61.8	-11 bps	692 bps	424 bps
Staff Cost	109.6	88.8	100.8	105.5	(3.7)	18.8	4.7
Other Operating expenses	255.1	181.0	229.6	199.8	(21.7)	10.4	(13.0)
EBITDA	99	112	95	99	0.6	(11.2)	4.7
EBITDA margins (%)	13.2	16.1	12.9	15.2	198 bps	-92 bps	233 bps
Depreciation	39	39	40	40	1.4	0.7	0.2
Interest	5	5	5	5	6.5	(3.7)	(4.2)
Other Income	5	8	8	11	108.5	39.9	43.8
PBT	60	75	58	66	9.2	(12.5)	13.9
Tax (incl deferred)	16	19	15	17	6.6	(11.1)	16.7
PAT	44	56	43	49	10.2	(13.0)	13.0
PAT margins (%)	5.9	8.1	5.9	7.5	154 bps	-62 bps	161 bps
EPS	1.8	2.3	1.8	2.0	6.7	(13.0)	9.4

Source: Company, Axis Securities

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E Mar'25 (Rs Cr)	FY24	FY25A	FY26E	FY27E
Net sales	2,914	2,790	2,960	3,186
Growth, %	4.7	-4.3	6.1	7.6
Raw material expenses	-1,220	-1,149	-1,212	-1,297
Employee expenses	-389	-401	-417	-450
Other Operating expenses	-899	-858	-917	-982
EBITDA (Core)	407	382	414	457
Growth, %	21.1	(6.0)	8.4	10.4
Margin, %	14.0	13.7	14.0	14.4
Depreciation	-147	-158	-154	-161
EBIT	259	224	260	297
Growth, %	23.0	(13.7)	16.4	14.0
Margin, %	8.9	8.0	8.8	9.3
Other Income	29	27	34	40
Non-recurring Items	0	0	0	0
Pre-tax profit	269	230	273	315
Tax provided	-69	-60	-71	-82
Profit after tax	200	170	202	233
Growth, %	29.8	(15.0)	18.7	15.4
Net Profit (adjusted)	200	170	202	233
Unadj. shares (Cr)	25	25	25	25
Wtdavg shares (Cr)	25	25	25	25

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

As of 31 st March, 2025 (Rs Cr)	FY24	FY25E	FY26E	FY27E
Cash & bank	98	244	372	525
Debtors	358	342	363	391
Inventory	599	573	608	655
Loans & advances	1	1	1	1
Other current assets	109	109	109	109
Total current assets	1,246	1,352	1,536	1,763
Investments	25	25	25	25
Gross fixed assets	2,012	2,162	2,262	2,362
Less: Depreciation	-641	-800	-954	-1,114
Add: Capital WIP	33	33	33	33
Net fixed assets	1,404	1,396	1,342	1,281
Non-current assets	18	18	18	18
Total assets	2,714	2,811	2,941	3,107
Current liabilities	519	509	523	543
Provisions	19	19	19	19
Total current liabilities	539	528	543	562
Non-current liabilities	174	174	174	174
Total liabilities	713	702	717	737
Paid-up capital	25	25	25	25
Reserves & surplus	1,976	2,084	2,200	2,346
Shareholders' equity	2,001	2,109	2,224	2,371
Total equity & liabilities	2,714	2,811	2,941	3,107

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

As of 31 st March, 2025 (Rs Cr)	FY24	FY25E	FY26E	FY27E
Pre-tax profit	269	230	273	315
Depreciation	147	158	154	161
Change in working capital	-56	30	-41	-54
Total tax paid	-87	-60	-71	-82
Cash flow from operating activities	273	359	315	340
Capital expenditure	-313	-150	-100	-100
Change in marketable securities	118	0	0	0
Cash flow from investing activities	-195	-150	-100	-100
Free cash flow	78	209	215	240
Equity raised/(repaid)	138	0	0	0
Dividend (incl. tax)	-62	-62	-87	-87
Cash flow from financing activities	76	-62	-87	-87
Net change in cash	154	147	128	153

Source: Company, Axis Securities

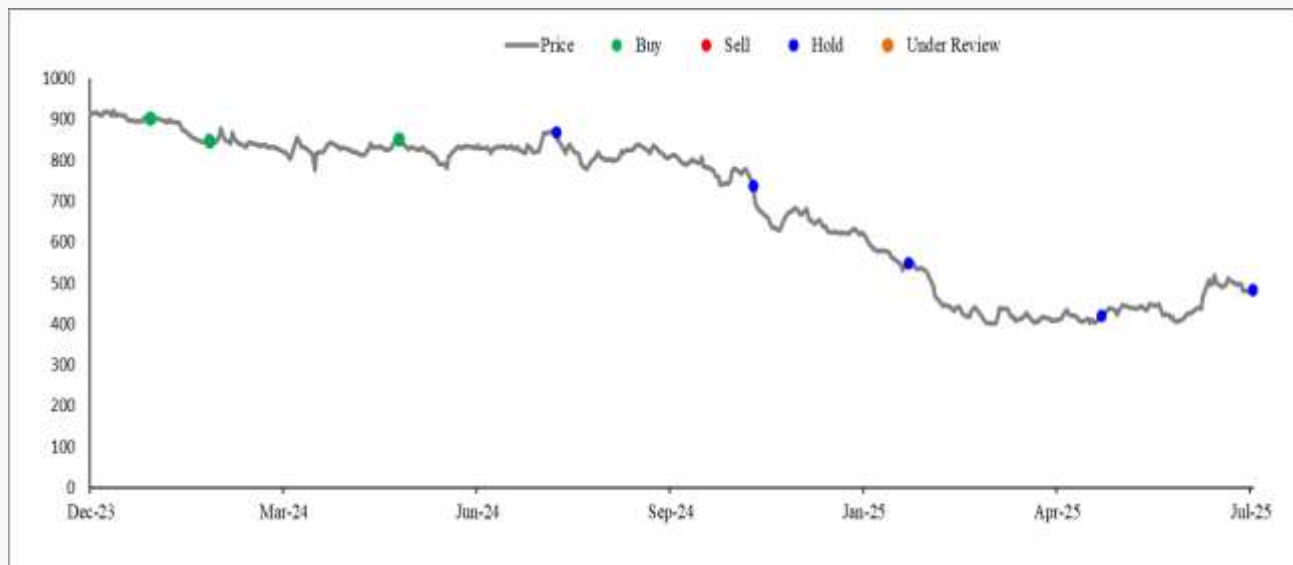
Ratio Analysis

(%)

As of 31 st March, 2025 (Rs Cr)	FY24	FY25E	FY26E	FY27E
Per Share data				
EPS (INR)	8.1	6.9	8.1	9.4
Growth, %	29.8	(15.0)	18.7	15.4
Book NAV/share (INR)	80.6	84.9	89.6	95.4
FDEPS (INR)	8.1	6.9	8.1	9.4
CEPS (INR)	14.0	13.2	14.3	15.9
CFPS (INR)	8.3	13.4	11.3	12.0
DPS (INR)	2.5	2.5	3.5	3.5
Return ratios				
Return on assets (%)	8.4	6.9	7.8	8.4
Return on equity (%)	10.0	8.1	9.1	9.8
Return on capital employed (%)	10.4	8.5	9.5	10.3
Turnover ratios				
Asset turnover (x)	1.7	1.5	1.7	1.8
Sales/Total assets (x)	1.1	1.0	1.0	1.1
Sales/Net FA (x)	2.2	2.0	2.2	2.4
Working capital/Sales (x)	0.2	0.2	0.2	0.2
Receivable days	44.8	44.8	44.8	44.8
Inventory days	75.0	75.0	75.0	75.0
Payable days	37.1	37.0	37.1	37.2
Working capital days	68.4	67.6	68.7	70.1
Liquidity ratios				
Current ratio (x)	2.4	2.7	2.9	3.2
Quick ratio (x)	1.2	1.5	1.8	2.0
Interest cover (x)	13.9	10.8	12.3	13.4
Dividend cover (x)				
Total debt/Equity (%)	0.9	0.9	0.8	0.8
Valuation				
PER (x)	52.0	61.3	51.6	44.7
PEG (x) - y-o-y growth	1.7	(4.1)	2.8	2.9
Price/Book (x)	5.2	4.9	4.7	4.4
EV/Net sales (x)	3.5	3.6	3.4	3.1
EV/EBITDA (x)	25.3	26.5	24.1	21.5
EV/EBIT (x)	39.6	45.3	38.4	33.2

Source: Company, Axis Securities

Relaxo Footwear Price Chart and Recommendation History



Date	Reco	TP	Research
01-Jan-24	BUY	1,020	Top Picks
02-Feb-24	BUY	950	Result Update
13-May-24	BUY	950	Result Update
01-Aug-24	HOLD	815	Result Update
12-Nov-24	HOLD	700	Result Update
01-Feb-25	HOLD	700	Result Update
13-May-25	HOLD	450	Result Update
31-Jul-25	HOLD	520	Result Update

Source: Axis Securities

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