

Demand Environment Remains Subdued; Maintain HOLD

Est. Vs. Actual for Q4FY25: Revenue – **MISS**; EBITDA – **MISS**; PAT – **MISS**

Changes in Estimates post Q4FY25

FY26E/FY27E: Revenue: -5%/-6%; EBITDA: -7%/-10%; PAT: -11%/-14%

Recommendation Rationale

- **Disappointing performance:** The company reported a weak performance as demand continued to remain muted. Relaxo's revenue declined 7% YoY to Rs 695 Cr, falling short of expectations due to a 10% YoY drop in volumes (9% YoY decline in FY25). However, average realisation per pair improved by 3% YoY to Rs 153. Gross margins were impacted by inventory correction, while EBITDA margins remained steady at 16.1%, supported by a ~21% YoY reduction in other expenses, primarily due to lower ad-spends amid subdued demand. For FY25, ad-spends were maintained at 3% of sales.
- **Short-term strain to persist:** 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 and 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 with a delay.

Sector Outlook: Cautious

Company Outlook & Guidance: We maintain our HOLD rating on the stock as the short and medium-term outlook remains weak.

Current Valuation: 52x Mar'26 EPS (Earlier Valuation: 57x Dec'26 EPS)

Current TP: Rs 450/share (Earlier TP: Rs 550)

Recommendation: With a 7% upside from the CMP, we maintain our HOLD rating on the stock.

Financial Performance: The company's revenue declined 7% YoY, with volumes contracting 10% to 4.5 Cr pairs, while ASP improved 3% to Rs 153 per pair. EBITDA declined 7% YoY to Rs 112 Cr, with margins remaining flat at 16.1% due to a reduction in other expenses. PAT dropped 8% YoY to Rs 56 Cr in Q4FY25.

Outlook: The company delivered a subdued performance in Q4FY25, 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 450/share.

Key Financials (Standalone)

(Rs Cr)	Q4FY25	QoQ (%)	YoY (%)	Axis Est.	Variance (%)
Net Sales	695	4.2	-7.0	750	-7.4
EBITDA	112	34.4	-6.9	117	-4.5
EBITDA Margin (%)	16.1	361 bps	1 bps	15.6	48 bps
Net Profit	56	70.3	-8.4	57	-1.9
EPS (Rs)	2.3	64.8	-11.4	2.4	-5.1

Source: Company, Axis Research

(CMP as of 12th May 2025)

CMP (Rs)	420
Upside /Downside (%)	7%
High/Low (Rs)	887/375
Market cap (Cr)	10469
Avg. daily vol. (6m) '000 Shrs.	142
No. of shares (Cr)	24

Shareholding (%)

	Sep-24	Dec-24	Mar-25
Promoter	71.3	71.3	71.3
FII	3.4	3.3	3.1
MFs / UTI	10.0	10.5	10.5
FI/Banks	0.0	0.0	0.0
Others	15.4	14.9	15.1

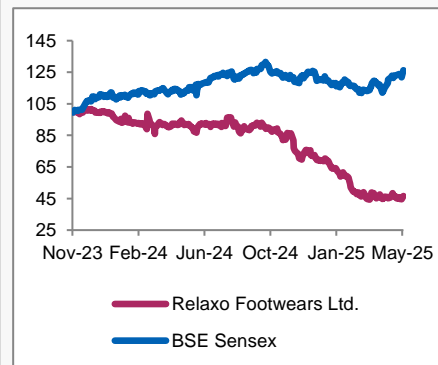
Financial & Valuations

Y/E Mar (Rs Cr)	FY25A	FY26E	FY27E
Net Sales	2,790	2,952	3,162
EBITDA	382	411	446
Net Profit	170	190	214
EPS (Rs)	6.9	7.6	8.6
PER (x)	61.3	55.1	48.7
EV/EBITDA (x)	26.5	24.3	22.1
RoE (%)	8.1	8.6	9.2

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	-5%	-6%
EBITDA	-7%	-10%
PAT	-11%	-14%

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, RM inflation

Change in Estimates

	Old		New		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	3,103	3,356	2,952	3,162	-5%	-6%
EBITDA	444	495	411	446	-7%	-10%
PAT	214	250	190	214	-11%	-14%
EPS	8.6	10.1	8	9	-11%	-14%

Source: Company, Axis Securities

Results Review

Rs Cr	Q4FY24	Q3FY25	Axis Sec Est	Q4FY25	YoY (%)	QoQ %	Axis Sec Var
Net Sales	747	667	750	695	(7.0)	4.2	(7.4)
Gross Profit	450	381	451	382	(15.2)	0.3	(15.3)
Gross Margins %	60.3	57.1	60.1	54.9	-535 bps	-218 bps	-513 bps
Staff Cost	99.9	96.0	100.9	88.8	(11.1)	(7.5)	(12.0)
Other Operating expenses	230.1	201.4	232.4	181.0	(21.4)	(10.2)	(22.1)
EBITDA	120	83	117	112	(6.9)	34.4	(4.5)
EBITDA margins (%)	16.1	12.5	15.6	16.1	1 bps	361 bps	48 bps
Depreciation	38	40	41	39	2.4	(2.1)	(3.0)
Interest	5	5	5	5	16.1	0.6	(0.4)
Other Income	5	7	5	8	59.9	19.0	52.3
PBT	82	45	77	75	(8.4)	68.9	(1.7)
Tax (incl deferred)	21	12	19	19	(8.4)	65.0	(0.9)
PAT	61	33	57	56	(8.4)	70.3	(1.9)
PAT margins (%)	8.2	4.9	7.6	8.1	-13 bps	314 bps	45 bps
EPS	2.6	1.4	2.4	2.3	(11.4)	64.8	(5.1)

Source: Company, Axis Securities

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E Mar, Rs Cr	FY24	FY25A	FY26E	FY27E
Net sales	2,914	2,790	2,952	3,162
Growth, %	4.7	-4.3	5.8	7.1
Raw material expenses	-1,220	-1,149	-1,195	-1,267
Employee expenses	-389	-401	-429	-467
Other Operating expenses	-899	-858	-917	-982
EBITDA (Core)	407	382	411	446
Growth, %	21.1	(6.0)	7.6	8.7
Margin, %	14.0	13.7	13.9	14.1
Depreciation	-147	-158	-166	-173
EBIT	259	224	245	273
Growth, %	23.0	(13.7)	9.6	11.5
Margin, %	8.9	8.0	8.3	8.6
Other Income	29	27	32	39
Non-recurring Items	0	0	0	0
Pre-tax profit	269	230	256	289
Tax provided	-69	-60	-66	-75
Profit after tax	200	170	190	214
Growth, %	29.8	(15.0)	11.3	13.2
Net Profit (adjusted)	200	170	190	214
Unadj. shares (Cr)	25	25	25	25
Wtdavg shares (Cr)	25	25	25	25

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

As of 31st Mar, Rs Cr	FY24	FY25E	FY26E	FY27E
Cash & bank	98	244	374	524
Debtors	358	342	362	388
Inventory	599	573	607	650
Loans & advances	1	1	1	1
Other current assets	109	109	109	109
Total current assets	1,246	1,352	1,535	1,754
Investments	25	25	25	25
Gross fixed assets	2,012	2,162	2,262	2,362
Less: Depreciation	-641	-800	-966	-1,139
Add: Capital WIP	33	33	33	33
Net fixed assets	1,404	1,396	1,330	1,257
Non-current assets	18	18	18	18
Total assets	2,714	2,811	2,928	3,074
Current liabilities	519	509	523	541
Provisions	19	19	19	19
Total current liabilities	539	528	542	560
Non-current liabilities	174	174	174	174
Total liabilities	713	702	716	734
Paid-up capital	25	25	25	25
Reserves & surplus	1,976	2,084	2,187	2,314
Shareholders' equity	2,001	2,109	2,212	2,339
Total equity & liabilities	2,714	2,811	2,928	3,074

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

As of 31st Mar, Rs Cr	FY24	FY25E	FY26E	FY27E
Pre-tax profit	269	230	256	289
Depreciation	147	158	166	173
Chg in working capital	-56	30	-39	-51
Total tax paid	-87	-60	-66	-75
Cash flow from operating activities	273	359	316	337
Capital expenditure	-313	-150	-100	-100
Chg in marketable securities	118	0	0	0
Cash flow from investing activities	-195	-150	-100	-100
Free cash flow	78	209	216	237
Equity raised/(repaid)	138	0	0	0
Dividend (incl. tax)	-62	-62	-87	-87
Cash flow from financing activities	76	-62	-87	-87
Net chg in cash	154	147	129	150

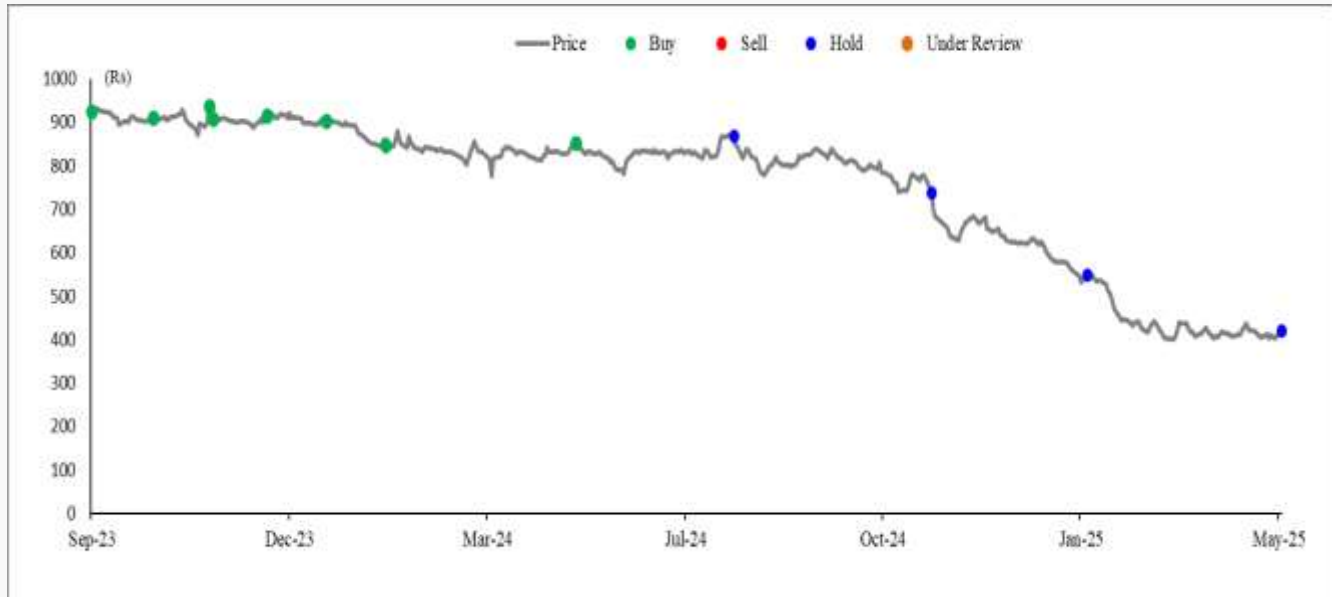
Source: Company, Axis Securities

Ratio Analysis
(%)

As of 31st Mar, Rs Cr	FY24	FY25E	FY26E	FY27E
Per Share data				
EPS (INR)	8.1	6.9	7.6	8.6
Growth, %	29.8	(15.0)	11.3	13.2
Book NAV/share (INR)	80.6	84.9	89.0	94.2
FDEPS (INR)	8.1	6.9	7.6	8.6
CEPS (INR)	14.0	13.2	14.3	15.6
CFPS (INR)	8.3	13.4	11.4	12.0
DPS (INR)	2.5	2.5	3.5	3.5
Return ratios				
Return on assets (%)	8.4	6.9	7.4	7.9
Return on equity (%)	10.0	8.1	8.6	9.2
Return on capital employed (%)	10.4	8.5	9.0	9.6
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	37.1
Working capital days	68.4	67.6	68.7	70.0
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	11.3	12.0
Dividend cover (x)				
Total debt/Equity (%)	0.9	0.9	0.8	0.8
Valuation				
PER (x)	52.0	61.3	55.1	48.7
PEG (x) - y-o-y growth	1.7	(4.1)	4.9	3.7
Price/Book (x)	5.2	4.9	4.7	4.5
EV/Net sales (x)	3.5	3.6	3.4	3.1
EV/EBITDA (x)	25.3	26.5	24.3	22.1
EV/EBIT (x)	39.6	45.3	40.8	36.0

Source: Company, Axis Securities

Relaxo Footwear Price Chart and Recommendation History



Date	Reco	TP	Research
01-Sep-23	BUY	1,050	Top Picks
03-Oct-23	BUY	1,050	Top Picks
01-Nov-23	BUY	1,050	Top Picks
06-Nov-23	BUY	1,020	Result Update
01-Dec-23	BUY	1,020	Top Picks
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

Source: Axis Securities

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