

Relaxo Footwears

India | Footwear | Result Update | Rating Upgrade



Weakness in volume continues

31 January 2025

Relaxo Footwears' (RLXF IN) Q3 performance was a miss on revenue/EBITDA/PAT by 12.6%/16.0%/21.8% respectively. This underperformance was led by a volume drop of 14.9% YoY against our estimate of 2% YoY growth. Subdued demand scenario, changes to distribution network systems and negative operating leverage hit overall performance. RLXF is calibrating a strategy to expand its distribution reach through its "Relaxo Parivaar" app, which may gain stability in the medium term. It is improving its online presence while following "Brand as a Seller" model and launching exclusive products that can support growth. Taking into consideration 9MFY25 performance, the relatively muted demand scenario and increased competitive intensity, we pare down our earnings estimates by 13% for FY25E, 11% for FY26E and 9% for FY27E. On revised earnings, we arrive at a lower TP of INR 549 from INR 600, on 50x FY27E P/E (unchanged). Given the sharp correction of ~30% in the past three months and limited upside, we upgrade RLXF to **Reduce** from Sell.

Volume decline continues while ASP saw an uptick: Q3 revenue fell 6.4% YoY to reach INR 6,669 mn led by volume contraction of 14.9% YoY, partly offset by improvement in average selling price (ASP) by 9.9% YoY. ASP rose led by price hikes in Q4 and improvement in sales traction in the e-commerce channel wherein RLXF is following 'Brand as seller model' generating better pricing. RLXF has resorted to a strategy of retaining its prices, the impact of which is visible in volume drop in the past three quarters. To drive growth, RLXF is working on streamlining its network of distributors and retailers through "Relaxo Parivaar" app, which has reached across its network (related impact will be visible in the next 6-9 months). This calibrated strategy could support gradual improvement in volumes and increase its distributor network. RLXF opened seven EBOs in Q3 to reach 410. We expect a revenue CAGR of 6.6% led by volume CAGR of 2.0% and price CAGR of 4.5% in FY24-27E.

Margin to reach 15.9% by FY27E: EBITDA declined 4.3% YoY to INR 834mn, and margin expanded 27bps YoY to 12.5%. Margin expansion was led by slightly higher gross margin (+10 bps YoY) from increase in average realization. We expect margin to reach 13.8% in FY25E, 14.9% in FY26E and 15.9% in FY27E, primarily led by improvement in demand scenario in the long term and operating leverage from average realisation.

Upgrade to Reduce with a lower TP of INR 549: We expect a revenue CAGR of 6.6%, an EBITDA CAGR of 11.2% and an earnings CAGR of 10.9% in FY24-27E. RLXF continues to sustain robust balance sheet. ROCE is likely to improve to 13.0% by FY27E, led by margin improvement. We lower our TP to INR 549 from INR 600, based on 50x (unchanged) FY27E P/E. Given the sharp correction of ~30% in the past three months and limited upside, we upgrade RLXF to **Reduce** from Sell. Key trigger for RLXF is a revival in demand.

Key financials

YE March	FY23	FY24	FY25E	FY26E	FY27E
Revenue (INR mn)	27,828	29,141	29,017	31,989	35,255
YoY (%)	4.9	4.7	(0.4)	10.2	10.2
EBITDA (INR mn)	3,358	4,066	3,994	4,782	5,593
EBITDA margin (%)	12.1	14.0	13.8	14.9	15.9
Adj PAT (INR mn)	1,545	2,005	1,795	2,198	2,732
YoY (%)	(33.6)	29.8	(10.4)	22.4	24.3
Fully DEPS (INR)	6.2	8.1	7.2	8.8	11.0
RoE (%)	8.5	10.4	9.0	10.9	13.2
RoCE (%)	8.5	10.0	8.8	10.6	13.0
P/E (x)	88.6	68.3	76.2	62.3	50.1
EV/EBITDA (x)	40.7	33.6	34.2	28.5	24.1

Note: Pricing as on 31 January 2025; Source: Company, Elara Securities Estimate

Rating: **Reduce**

Target Price: **INR 549**

Downside: **0.2%**

CMP: **INR 549**

As on 31 January 2025

Key data

Bloomberg	RLXF IN
Reuters Code	RLXO.NS
Shares outstanding (mn)	249
Market cap (INR bn/USD mn)	137/1579
Enterprise Value (INR bn/USD mn)	137/1586
Avg daily volume 3M (INR mn/USD mn)	63/1
52 week high/low	950/525
Free float (%)	29

Note: as on 31 January 2025; Source: Bloomberg

Price chart



Source: Bloomberg

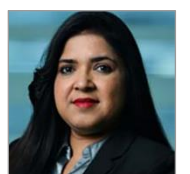
Shareholding (%)	Q4	Q1	Q2	Q3
	FY24	FY25	FY25	FY25
Promoter	71.3	71.3	71.3	71.3
% Pledged	-	-	-	-
FII	3.3	3.4	3.4	3.3
DII	9.3	9.5	10.0	10.5
Others	16.1	15.8	15.3	14.9

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(2.9)	(5.8)	8.2
Relaxo Footwears	(28.8)	(36.8)	(36.1)
NSE Mid-cap	(4.3)	(8.9)	10.6
NSE Small-cap	(9.1)	(11.6)	5.5

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Financials (YE March)

Income Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	27,828	29,141	29,017	31,989	35,255
EBITDA	3,358	4,066	3,994	4,782	5,593
Add:- Non operating Income	186	289	240	295	303
OPBIDTA	3,544	4,355	4,234	5,077	5,897
Less :- Depreciation & Amortization	1,251	1,475	1,616	1,897	1,977
EBIT	2,293	2,880	2,619	3,180	3,920
Less:- Interest Expenses	192	187	206	226	249
PBT	2,100	2,693	2,413	2,954	3,671
Less :- Taxes	555	688	618	756	940
Adjusted PAT	1,545	2,005	1,795	2,198	2,732
Add/Less: - Extra-ordinaries	-	-	-	-	1
Reported PAT	1,545	2,005	1,795	2,198	2,733
Balance Sheet (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	249	249	249	249	249
Reserves	18,302	19,762	19,703	20,163	20,749
Deferred Tax (Net)	215	237	237	237	237
Other LT Liabilities	1,476	1,696	1,845	1,993	2,142
Total Liabilities	20,241	21,945	22,034	22,642	23,377
Gross Block	14,168	16,467	17,467	18,967	19,767
Less:- Accumulated Depreciation	4,929	6,404	8,019	9,916	11,893
Net Block	9,239	10,063	9,447	9,051	7,874
Add:- Capital work in progress	878	325	325	325	325
Other LT Assets	2,895	4,287	4,631	4,970	5,309
Net Working Capital	7,127	6,866	7,301	7,852	7,975
Cash and cash equivalent	103	404	329	445	1,893
Total Assets	20,241	21,945	22,034	22,642	23,377
Cash Flow Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Cash profit adjusted for non cash items	2,900	3,502	3,376	4,026	4,653
Add/Less : Working Capital Changes	1,101	(1,151)	129	(586)	(159)
Operating Cash Flow	4,001	2,351	3,505	3,440	4,495
Less:- Capex	(1,852)	(2,494)	(1,000)	(1,500)	(800)
Free Cash Flow	2,149	(143)	2,505	1,940	3,695
Investing Cash Flow	(2,585)	(986)	(1,518)	(1,544)	(836)
Financing Cash Flow	(1,385)	(1,064)	(2,061)	(1,780)	(2,210)
Net change in Cash	32	301	(74)	115	1,449
Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Income Statement Ratios (%)					
Revenue Growth	4.9	4.7	(0.4)	10.2	10.2
EBITDA Growth	(19.2)	21.1	(1.8)	19.7	17.0
PAT Growth	(33.6)	29.8	(10.4)	22.4	24.3
EBITDA Margin	12.1	14.0	13.8	14.9	15.9
Net Margin	5.6	6.9	6.2	6.9	7.7
Return & Liquidity Ratios					
Net Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0
ROE (%)	8.5	10.4	9.0	10.9	13.2
ROCE (%)	8.5	10.0	8.8	10.6	13.0
Per Share data & Valuation Ratios					
Diluted EPS (INR/Share)	6.2	8.1	7.2	8.8	11.0
EPS Growth (%)	(33.6)	29.8	(10.4)	22.4	24.3
DPS (INR/Share)	1.6	2.5	2.2	2.7	3.4
P/E Ratio (x)	88.6	68.3	76.2	62.3	50.1
EV/EBITDA (x)	40.7	33.6	34.2	28.5	24.1
EV/Sales (x)	4.9	4.7	4.7	4.3	3.8
BVPS (INR)	75	80	80	82	84
Price/Book (x)	7.4	6.8	6.9	6.7	6.5
Dividend Yield (%)	0.3	0.5	0.4	0.5	0.6

Expect revenue CAGR of 6.6% in FY24-27E

Expect EBITDA CAGR of 11.2% in FY24-27E

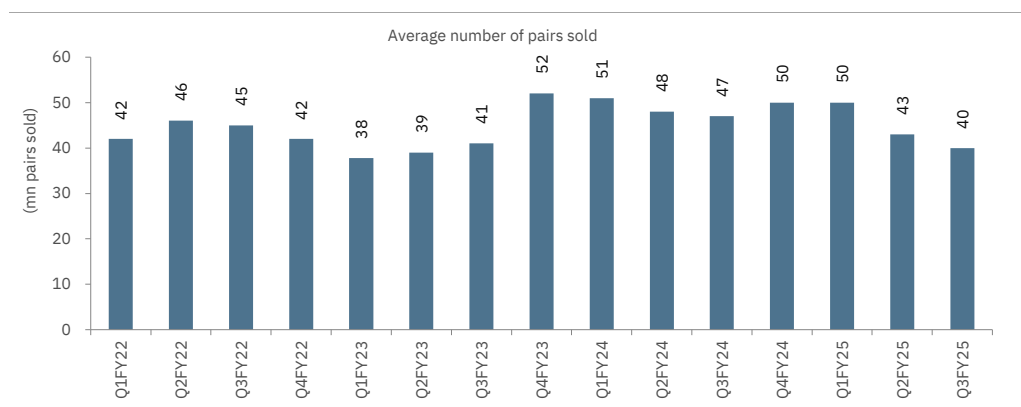
Note: Pricing as on 31 January 2025; Source: Company, Elara Securities Estimate

Quarterly financials

YE March (INR mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ %	Q3FY25E	Act Vs Est
Revenues	6,669	7,127	(6.4)	6,794	(1.8)	7,633	(12.6)
Raw material	2,861	3,065	(6.7)	2,648	8.0	3,206	(10.8)
Gross Margins (%)	57.1	57.0	10 bps	61.0	(392) bps	58.0	(90) bps
Staff costs	960	960	(0.0)	1,062	(9.6)	1,145	(16.2)
Other expenses	2,014	2,230	(9.7)	2,207	(8.7)	2,290	(12.0)
Total expenditure	5,835	6,255	(6.7)	5,917	(1.4)	6,641	(12.1)
EBITDA	834	872	(4.3)	877	(4.9)	992	(16.0)
EBITDAM (%)	12.5	12.2	27 bps	12.9	(40) bps	13.0	(50) bps
Depreciation	402	375	7.2	398	1.1	420	(4.2)
Interest	54	48	11.4	50	8.0	53	0.7
Other income	68	60	13.5	66	2.4	48	42.5
PBT	446	508	(12.2)	496	(10.0)	567	(21.3)
Tax	116	123	(5.4)	128	(9.7)	145	(19.7)
Net profit	330	386	(14.4)	367	(10.1)	422	(21.8)
EPS (INR)	1.3	1.55	(14.4)	1.48	(10.1)	1.70	(21.8)

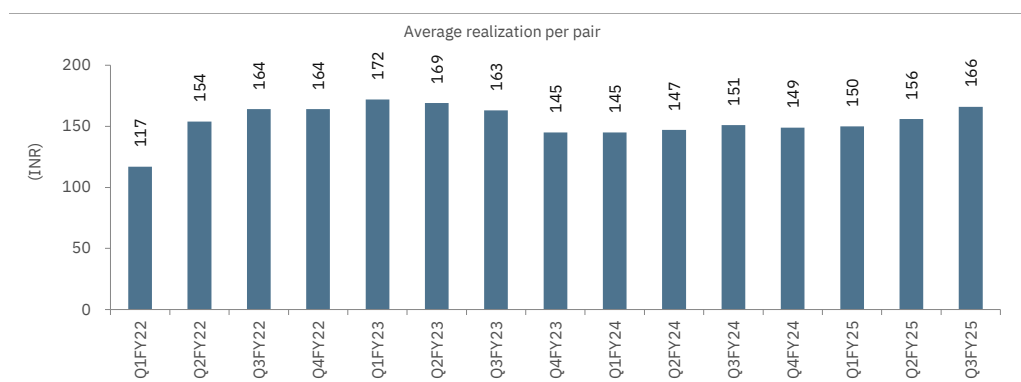
Source: Company, Elara Securities Estimate

Exhibit 1: Volume down 14.9% YoY



Source: Company, Elara Securities Research

Exhibit 2: Realization up 9.9% YoY



Source: Company, Elara Securities Research

Exhibit 3: Valuation summary

Particulars	(INR)
FY27E EPS	11.0
Target P/E (x) - Implied	50
Target price	549
CMP	550
Upside (%)	-0.2%

Note: Pricing as on 31 January 2025; Source: Elara Securities Estimate

Exhibit 4: Change in estimates

(INR mn)	New			Earlier			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Net sales	29,017	31,989	35,255	30,139	33,225	36,973	(3.7)	(3.7)	(4.6)
EBITDA	3,994	4,782	5,593	4,316	5,114	5,883	(7.5)	(6.5)	(4.9)
EBITDAM (%)	13.8	14.9	15.9	14.3	15.4	15.9	(56)	(44)	(5)
PAT	1,795	2,198	2,732	2,052	2,468	2,988	(12.5)	(11.0)	(8.6)
EPS (INR)	7.2	8.8	11.0	8.2	9.9	12.0	(12.5)	(11.0)	(8.6)
Target Price			549			600			(8.5)
Rating			Reduce			Sell			

Source: Elara Securities Estimate

Coverage History



	Date	Rating	Target Price	Closing Price
10	6-Feb-2023	Accumulate	INR 892	INR 776
11	12-May-2023	Accumulate	INR 974	INR 892
12	25-Jul-2023	Accumulate	INR 1005	INR 943
13	2-Jan-2024	Accumulate	INR 977	INR 839
14	29-Aug-2024	Accumulate	INR 920	INR 802
15	12-Nov-2024	Sell	INR 600	INR 699
16	31-Jan-2025	Reduce	INR 549	INR 549

Guide to Research Rating

BUY	Absolute Return >+20%
ACCUMULATE	Absolute Return +5% to +20%
REDUCE	Absolute Return -5% to +5%
SELL	Absolute Return < -5%

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