

Relaxo Footwears

Estimate change	
TP change	
Rating change	

Bloomberg	RLXF IN
Equity Shares (m)	249
M.Cap.(INRb)/(USDb)	97.4 / 1.1
52-Week Range (INR)	599 / 354
1, 6, 12 Rel. Per (%)	0/-21/-37
12M Avg Val (INR M)	144

Financials & Valuations (INR b)

INRb	FY26E	FY27E	FY28E
Net Sales	26.4	28.0	29.7
Gross Profit	15.5	16.5	17.5
EBITDA	3.4	4.1	4.6
Adj. PAT	1.6	2.0	2.3
Gross Margin (%)	58.7	58.7	58.8
EBITDA Margin (%)	13.0	14.5	15.6
Adj. EPS (INR)	6.5	8.1	9.4
EPS Gr. (%)	-5.6	24.6	16.9
BV/Sh. (INR)	89.2	95.2	102.3
Ratios			
Net D:E	-0.1	-0.2	-0.2
RoE (%)	7.4	8.7	9.5
RoCE (%)	7.4	8.5	9.2
RoIC (%)	7.6	9.4	11.1
Valuations			
P/E (x)	60.8	48.8	41.7
EV/EBITDA (x)	27.7	23.1	20.0
EV/Sales (X)	3.6	3.4	3.1
Div. Yield (%)	0.4	0.5	0.6

Shareholding Pattern (%)

As On	Dec-25	Sep-25	Dec-24
Promoter	71.3	71.3	71.3
DII	9.9	9.9	10.5
FII	3.0	3.0	3.3
Others	15.9	15.8	14.9

FII includes depository receipts

CMP: INR391

TP: INR330 (-16%)

Sell

Revenue stabilizes, but demand remains weak

- Relaxo Footwears' (RLXF) 3QFY26 performance was impacted by GST-related transition effects; however, revenue was flat YoY, arresting a five-quarter streak of decline.
- Demand remained subdued amid cautious consumer behavior and persistent competitive pressure from unorganized players.
- To protect volumes and support distributors, the company stepped up sales promotions, resulting in near-term margin pressure. EBITDA margin declined 125bp YoY to 11.2%.
- We cut our FY27 EBITDA/PAT estimates by 5% each and keep FY28 estimates unchanged. Over FY25-28, we now estimate a CAGR of 2%/7%/11% in revenue/EBITDA/PAT. We see downside risks from prolonged demand weakness.
- Despite recent stock correction, valuations remain stretched at ~50x FY27E EPS. **Reiterate Sell with a revised TP of INR330, based on 35x FY28E EPS.**

3Q revenue muted due to GST transition

- Revenue was flat YoY at INR6.7b (in line), owing to the channel inventory transition after the GST implementation.
- Volume** were also flat YoY at 40m pairs, while ASP fell 1% YoY to INR164.
- Gross profit stood at INR3.8b (in line). Gross margins expanded 45bp YoY to 57.5% (~40bp beat).
- Employee costs increased sharply by 9% (14% ahead of est), while other costs were largely flat.
- EBITDA at INR759m fell ~10% YoY (13% miss). EBITDA margin contracted ~125bp YoY to 11.2% (~190bp miss), due to incremental trade promotions.
- Other income grew 60% YoY to INR110m (7% below our est).
- Impact of labor codes was INR57.2m.
- As a result, PBT at INR416m declined ~7% YoY. Adj PAT at INR323m fell 2% YoY.
- Reported PAT at INR265m declined ~20% YoY (18% miss).

9MFY26 performance remains weak

- Revenue declined 7% YoY to INR19.5b, owing to subdued demand, heightened competition and GST-related operational disruptions.
- Volume fell ~7% YoY to 124m pairs, while ASP was stable YoY at INR157.
- Gross profit stood at INR11.7b. Gross margin was flat YoY at 60.1%.
- Employee costs were flat, while other costs declined 10% YoY.
- EBITDA at INR2.5b declined ~7% YoY. EBITDA margin contracted ~10bp YoY to 12.8% due to incremental trade promotions.
- Other income grew 83% YoY to INR345m, aiding the profitability.
- As a result, PBT at INR1.5b declined by ~3% YoY.
- Reported PAT at INR1.1b declined by a modest ~2% YoY, with margins expanding ~30bp YoY to 5.7%.

Key highlights from the management commentary

- Management highlighted a stabilization in revenue after multiple quarters of sequential decline, led by sales transformation initiatives and strong performance in organised retail, e-commerce, and large-format stores, alongside improving momentum in general trade.
- Operating conditions remained subdued with cautious consumer demand; incremental trade promotions and a one-time labour code cost weighed on margins during the quarter.
- Going ahead, management has reiterated its focus on backend process strengthening, supply-chain and operational efficiencies, deeper distributor/retailer engagement, and a calibrated approach to balancing growth and margins amid a competitive environment.

Valuation and view

- RLXF's operating performance remained subdued due to weak demand in the mass and mid-market segments and transient impact of GST implementation, particularly in general trade.
- However, over the medium term, GST rationalization should improve RLXF's competitiveness vs. the unorganized players. Further, the company's steady focus on backend efficiencies and cost optimization should support operating margin improvement 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 FY27 EBITDA/PAT estimates by ~5% each and keep FY28 estimates unchanged. We now model a CAGR of 2%/7%/11% in revenue/EBITDA/PAT over FY25-28E. We note downside risks from prolonged demand weakness.
- Despite recent stock correction, valuations remain stretched at ~50x FY27E EPS. **Reiterate Sell with a revised TP of INR330, based on 35x FY28E EPS.**

Consolidated - Quarterly earnings summary

Y/E March	(INR m)											
	FY25				FY26E				FY25	FY26	FY26E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		3QE	Var (%)	
Gross Sales	7,482	6,794	6,669	6,952	6,545	6,285	6,680	6,930	27,896	26,441	6,532	2
YoY Change (%)	1.3	-5.0	-6.4	-7.0	-12.5	-7.5	0.2	-0.3	-4.3	-5.2	-2.1	
Total RM Cost	2,847	2,648	2,861	3,134	2,498	2,450	2,837	3,149	11,489	10,933	2,799	1
Gross Profit	4,635	4,146	3,808	3,818	4,047	3,835	3,844	3,781	16,407	15,508	3,733	3
Margins (%)	62.0	61.0	57.1	54.9	61.8	61.0	57.5	54.6	58.8	58.7	57.2	1 bps
Total Expenditure	6,493	5,917	5,835	5,831	5,550	5,474	5,929	6,050	24,076	23,003	5,673	5
EBITDA	989	877	834	1,121	995	812	751	880	3,820	3,437	859	-13
Margins (%)	13.2	12.9	12.5	16.1	15.2	12.9	11.2	12.7	13.7	13.0	13.2	-14 bps
Depreciation	391	398	402	394	397	394	391	389	1,584	1,571	401	-3
Interest	49	50	54	54	52	52	53	51	207	207	52	2
Other Income	54	66	68	81	113	123	110	126	270	472	118	-7
PBT before EO expense	603	496	446	754	659	488	416	566	2,299	2,131	523	-20
Exceptional	-	-	-	-	-	-	57	-	-	57		
PBT	603	496	446	754	659	488	359	566	2,299	2,074	523	-31
Tax	160	128	116	192	170	127	94	132	596	523	132	-29
Rate (%)	26.5	25.9	26.0	25.4	25.8	26.0	26.1	23.3	25.9	25.2	25.2	3.6
Reported PAT	444	367	330	562	489	362	265	434	1,703	1,551	391	-32
YoY Change (%)	-21.2	-16.9	-14.4	-8.4	10.2	-1.6	-2.3	-22.7	-15.0	-8.9	18.6	
Margins (%)	5.9	5.4	4.9	8.1	7.5	5.8	4.8	6.3	6.1	6.1	6.0	-19 bps

E: MOFSL Estimates

Exhibit 1: Valuation based on FY28E

(INR)	INR/share
EPS	9.4
Target P/E ratio (x)	35
Equity value (INR/share)	330
CMP (INR/share)	393
Upside/downside (%)	-16%

Source: MOFSL, Company

Exhibit 2: Quarterly performance (INR m)

INRm	3QFY25	2QFY26	3QFY26	YoY%	QoQ%	3QFY26E	v/s Est (%)
Total Revenue	6,669	6,285	6,680	0.2	6.3	6,532	2.3
Raw Material cost	2,861	2,450	2,837	-0.9	15.8	2,799	1.3
Gross Profit	3,808	3,835	3,844	0.9	0.2	3,733	3.0
Gross margin (%)	57.1	61.0	57.5	44	-348	57.2	39
Employee Costs	960	1,001	1,045	8.9	4.5	914	14.3
SGA Expenses	2,014	2,023	2,048	1.7	1.2	1,960	4.5
Total Opex	5,835	5,474	5,929	1.6	8.3	5,673	4.5
EBITDA	834	812	751	-9.9	-7.5	859	-12.6
EBITDA margin (%)	12.5	12.9	11.2	-126	-167	13.2	-191
Depreciation and amortization	402	394	391	-2.6	-0.6	401	-2.5
EBIT	432	418	360	-16.7	-13.9	457	-21.4
EBIT margin (%)	6.5	6.7	5.4	-109	-127	7.0	-162
Finance Costs	54	52	53	-1.7	1.5	52	1.5
Other income	68	123	110	61.2	-10.6	118	-7.1
Exceptional item	0	0	57			0	
Profit before Tax	446	488	359	-19.5	-26.5	523	-31.4
Tax	116	127	94	-19.1	-26.1	132	-28.9
Tax rate (%)	26.0	26.0	26.1			25.2	
Profit after Tax	330	362	265	-19.6	-26.6	391	-32.2
Adj Profit after Tax	330	362	323	-2.3	-10.8	391	-17.6
PAT margin (%)	4.9	5.8	4.8	-12	-92	6.0	-116

Source: MOFSL, Company

Exhibit 3: Revisions to our estimates

	FY26E	FY27E	FY28E
Revenue (INR m)			
Old	26,441	28,038	29,661
Actual/New	26,441	28,038	29,733
Change (%)	0.0	0.0	0.2
EBITDA (INR m)			
Old	3,900	4,262	4,598
Actual/New	3,437	4,066	4,638
Change (%)	-11.9	-4.6	0.9
EBITDA margin (%)			
Old	14.8%	15.2%	15.5%
Actual/New	13.0%	14.5%	15.6%
Change (bp)	-175	-70	10
Net Profit (INR m)			
Old	1,901	2,108	2,288
Actual/New	1,608	2,004	2,343
Change (%)	-15.4	-5.0	2.4
EPS (INR)			
Old	7.6	8.5	9.2
Actual/New	6.2	8.1	9.4
Change (%)	-18.4	-5.0	2.4

Source: MOFSL, Company

Story in charts

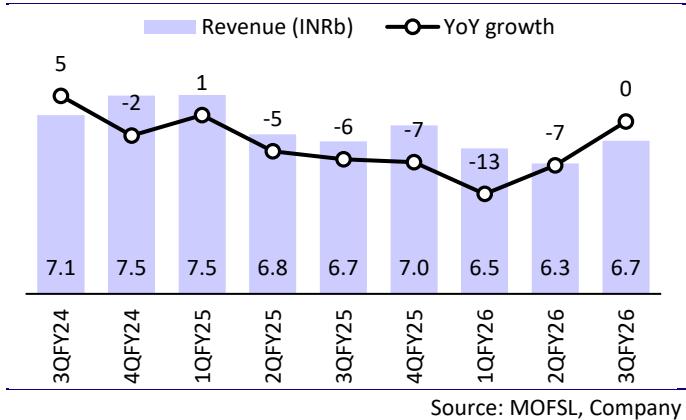
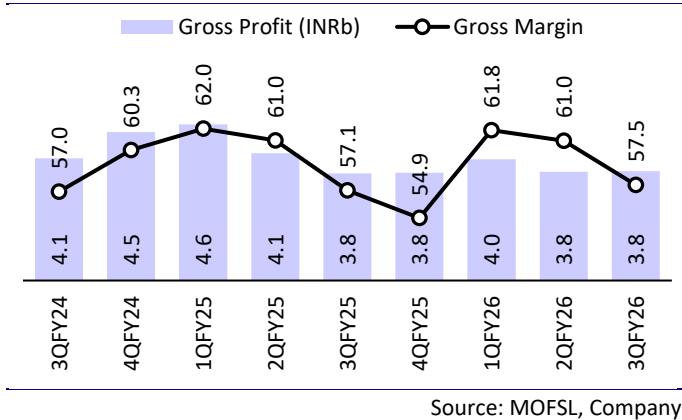
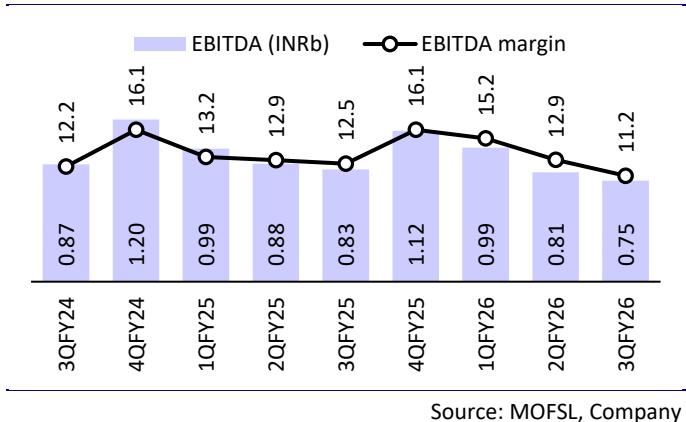
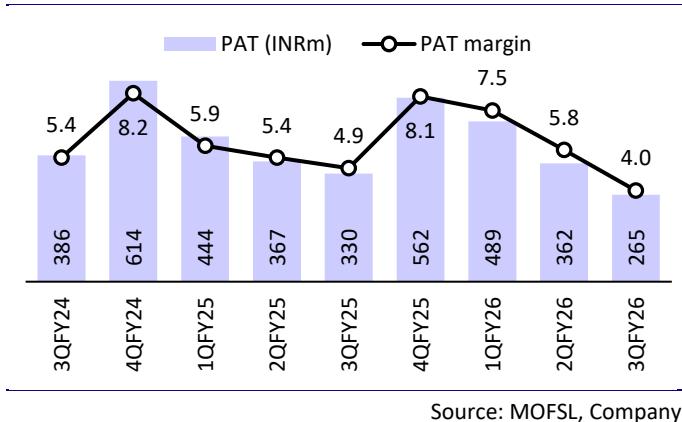
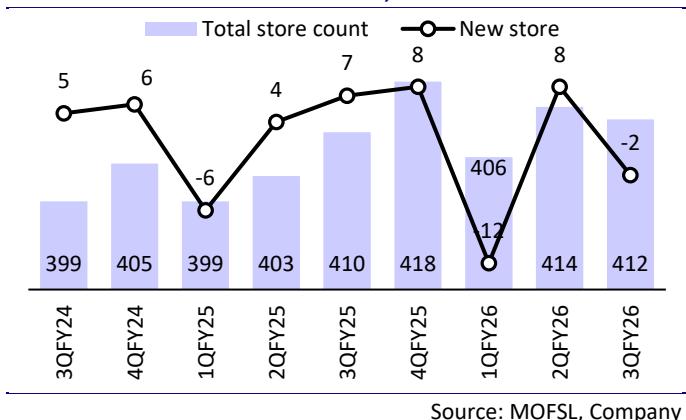
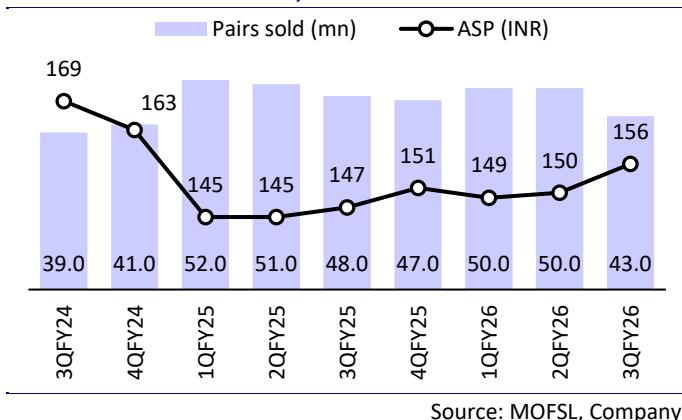
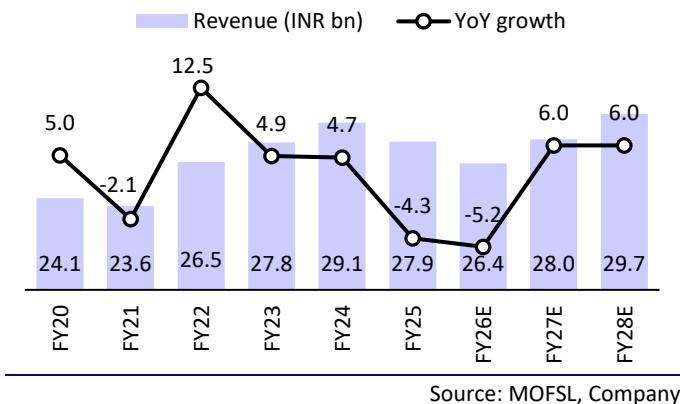
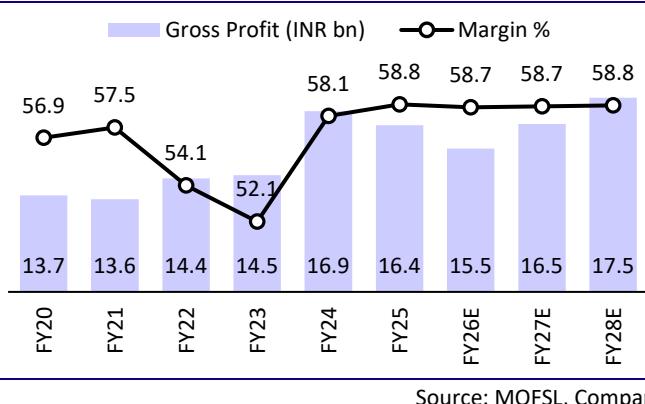
Exhibit 4: Revenues stabilizing

Exhibit 5: GM improved ~45bp YoY

Exhibit 6: EBITDA declined ~10% YoY; margins flat at 11.2%

Exhibit 7: PAT declined 20% YoY; s

Exhibit 8: Total store count at 412; 2 stores closed

Exhibit 9: ASP declined 1%, volume stood flat YoY


Exhibit 10: Expect revenue CAGR of 2% over FY25-28E



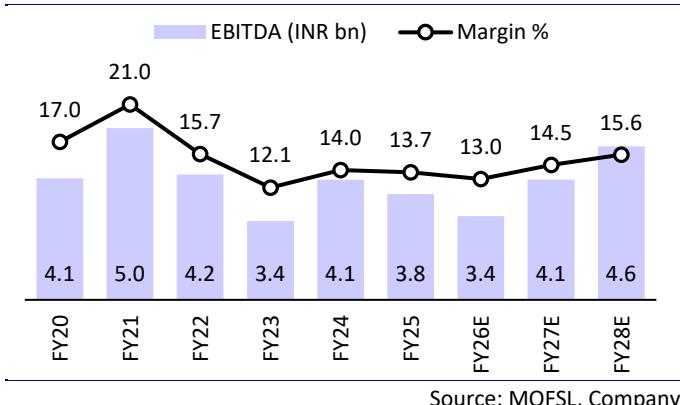
Source: MOFSL, Company

Exhibit 11: Expect stable gross margin over FY25-28E



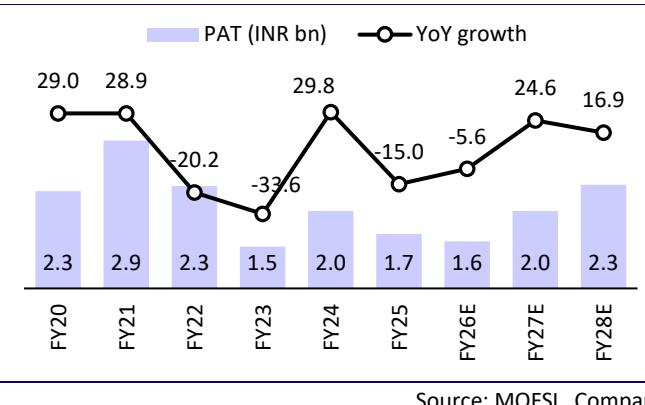
Source: MOFSL, Company

Exhibit 12: Expect EBITDA CAGR of 7% over FY25-28E



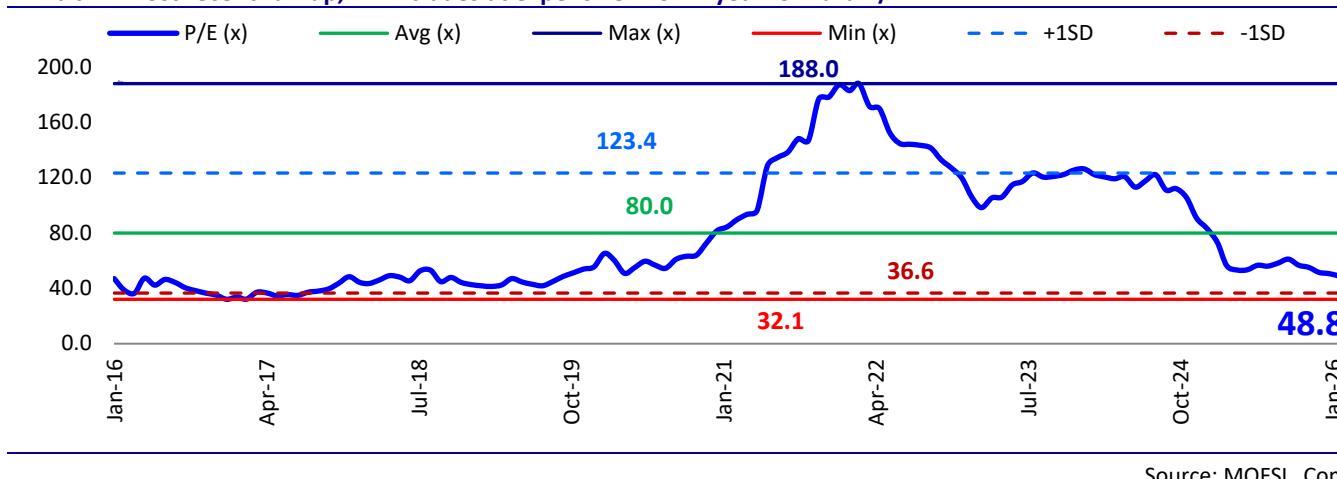
Source: MOFSL, Company

Exhibit 13: Expect PAT CAGR of 12% on a low base



Source: MOFSL, Company

Exhibit 14: Post recent run-up, RLXF trades at expensive ~43X 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	26,441	28,038	29,733
Change (%)	-2.1	12.5	4.9	4.7	-4.3	-5.2	6.0	6.0
RM Cost	10,032	12,167	13,343	12,197	11,489	10,933	11,580	12,265
Gross Profit	13,559	14,366	14,484	16,944	16,407	15,508	16,458	17,468
Margin (%)	57%	54%	52%	58%	59%	59%	59%	59%
Employees Cost	3,014	3,347	3,433	3,891	4,006	4,138	4,206	4,326
Other Expenses	5,590	6,861	7,694	8,987	8,581	7,932	8,187	8,504
Total Expenditure	18,636	22,375	24,470	25,075	24,076	23,003	23,973	25,094
% of Sales	79.0	84.3	87.9	86.0	86.3	87.0	85.5	84.4
EBITDA	4,956	4,158	3,358	4,066	3,820	3,437	4,066	4,638
Margin (%)	21.0	15.7	12.1	14.0	13.7	13.0	14.5	15.6
Depreciation	1,100	1,135	1,251	1,475	1,584	1,571	1,744	1,874
EBIT	3,855	3,022	2,107	2,591	2,236	1,866	2,322	2,764
Margin (%)	16.3	11.4	7.6	8.9	8.0	7.1	8.3	9.3
Int. and Finance Charges	171	153	192	187	207	207	209	215
Other Income	228	237	186	289	270	472	566	583
PBT bef. EO Exp.	3,912	3,106	2,100	2,693	2,299	2,131	2,679	3,133
Total Tax	996	779	555	688	596	523	675	789
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	1,551	2,004	2,343
Adjusted PAT	2,916	2,327	1,545	2,005	1,703	1,608	2,004	2,343
Change (%)	28.9	-20.2	-33.6	29.8	-15.0	-5.6	24.6	16.9
Margin (%)	12.4	8.8	5.6	6.9	6.1	6.1	7.1	7.9

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	21,952	23,455	25,213
Net Worth	15,724	17,601	18,551	20,011	20,981	22,201	23,704	25,462
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	2,142	2,204	2,303
Deferred Tax Liabilities	228	199	215	271	300	300	300	300
Capital Employed	17,394	19,540	20,406	22,331	23,406	24,643	26,208	28,064
Provision and others	163	188	194	192	211	185	196	208
Gross Block	10,524	11,673	14,017	15,621	15,966	16,923	17,934	19,003
Less: Accum. Deprn.	2,980	3,694	4,471	5,339	6,239	7,278	8,379	9,546
Net Fixed Assets	7,544	7,980	9,547	10,283	9,727	9,645	9,555	9,457
Capital WIP	1,180	1,490	890	333	539	745	951	1,158
Right to use asset	1,837	1,893	1,956	3,429	3,715	3,683	3,591	3,483
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	10,563	12,344	14,451
Inventory	4,221	6,733	5,638	5,988	5,576	5,092	5,393	5,712
Account Receivables	1,815	2,508	2,703	3,577	3,121	2,958	3,136	3,326
Cash and Bank Balance	77	125	740	977	421	1,985	3,253	4,818
Loans and Advances	1,306	812	849	1,093	538	529	561	595
Curr. Liability & Prov.	4,202	4,098	4,349	4,616	4,008	3,798	4,025	4,265
Account Payables	2,228	2,217	2,529	2,547	1,969	1,947	2,062	2,184
Other Current Liabilities	1,702	1,589	1,568	1,668	1,578	1,586	1,682	1,784
Provisions	272	292	251	401	461	264	280	297
Net Current Assets	3,218	6,079	5,582	7,019	5,647	6,766	8,319	10,185
Misc Expenditure	0	0	0	0	0	0	0	0
Appl. of Funds	17,556	19,728	20,599	22,523	23,617	24,828	26,405	28,272

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	6.5	8.1	9.4
Cash EPS	16.2	13.9	11.2	14.0	13.2	12.8	15.1	16.9
BV/Share	63.3	70.7	74.5	80.4	84.3	89.2	95.2	102.3
DPS	2.5	2.5	2.5	3.0	3.0	1.6	2.0	2.4
Payout (%)	21.3	26.7	40.3	37.2	43.8	25.0	25.0	25.0
Valuation (x)								
P/E	36.2	45.5	68.5	52.8	62.1	60.8	48.8	41.7
Cash P/E	26.3	30.6	37.8	30.4	32.2	30.8	26.1	23.2
P/BV	6.7	6.0	5.7	5.3	5.0	4.4	4.1	3.8
EV/Sales	4.4	4.0	3.8	3.6	3.8	3.6	3.4	3.1
EV/EBITDA	20.9	25.4	31.2	26.1	27.4	27.7	23.1	20.0
Dividend Yield (%)	0.6	0.6	0.6	0.7	0.7	0.4	0.5	0.6
FCF per share	15.7	-3.3	8.7	-0.4	11.7	8.8	7.6	9.1
Return Ratios (%)								
RoE	20.5	14.0	8.5	10.4	8.3	7.4	8.7	9.5
RoCE	19.0	13.2	8.4	10.0	8.1	7.3	8.5	9.2
RoIC	21.4	15.8	9.5	10.6	8.5	7.4	9.4	11.1
Working Capital Ratios								
Fixed Asset Turnover (x)	2.2	2.3	2.0	1.9	1.7	1.6	1.6	1.6
Asset Turnover (x)	2.2	1.9	1.8	1.7	1.8	1.6	1.6	1.5
Inventory (Days)	65	93	74	75	73	70	70	70
Debtor (Days)	28	35	35	45	41	41	41	41
Creditor (Days)	34	31	33	32	26	27	27	27
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	3.1	3.4
Interest Cover Ratio	22.6	19.7	10.9	13.9	10.8	9.0	11.1	12.9
Net Debt/Equity	-0.1	0.0	-0.1	0.0	0.0	-0.1	-0.2	-0.2

Consolidated - Cash Flow Statement

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	3,912	3,106	2,100	2,693	2,299	2,131	2,679	3,133
Depreciation	1,100	1,135	1,251	1,475	1,584	1,571	1,744	1,874
Interest & Finance Charges	171	153	192	187	207	207	209	215
Interest Income & Dividend	-7	-12	-56	0	0	-472	-566	-583
Direct Taxes Paid	-891	-839	-555	-668	-576	-523	-675	-789
(Inc)/Dec in WC	930	-2,816	1,101	-1,151	764	445	-285	-302
CF from Operations	5,214	728	4,034	2,535	4,277	3,360	3,106	3,547
Others	-83	-168	-33	-184	-217	0	0	0
CF from Operating incl EO	5,131	560	4,001	2,351	4,060	3,360	3,106	3,547
(Inc)/Dec in FA	-1,219	-1,389	-1,843	-2,461	-1,146	-1,163	-1,217	-1,275
Free Cash Flow	3,912	-829	2,158	-110	2,914	2,197	1,888	2,272
(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	-691	-651	-692
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	-483	-487	-502
Interest Paid	-171	-153	-55	-37	-26	-207	-209	-215
Dividend Paid	0	-621	-622	-622	-747	-388	-501	-586
Others	0	0	0	0	0	-26	11	12
CF from Fin. Activity	-562	-698	-1,385	-1,064	-1,620	-1,105	-1,186	-1,290
Inc/Dec of Cash	38	8	32	301	-180	1,564	1,268	1,565
Opening Balance	30	68	76	107	408	228	1,792	3,061
Closing Balance	68	76	107	408	228	1,792	3,061	4,626
Add: Bank Balance	9	49	633	569	192	192	192	192
Net Closing Balance	77	125	740	977	421	1,985	3,253	4,818

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NOTES

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