

# Relaxo Footwears

## HOLD

Impressive Q4 earnings, double digit growth guidance encouraging

### Summary

Relaxo Footwears Ltd.'s (Relaxo) Q4FY26 result was above our estimates on key parameters. While the external operating environment remained dynamic due to inflationary pressures and geopolitical uncertainties, consumer demand showed positive volume momentum exiting the fiscal year. In response to input cost inflation and higher labor wages, the company successfully implemented calibrated price increases while sustaining its focus on back-end optimization and operational efficiencies. These initiatives, along with a robust recovery in the general trade channel and continuous growth in e-commerce and retail, positively impacted the topline with an 8.1% year-on-year revenue growth. Consequently, profit margins witnessed healthy expansion, with EBITDA and PAT margins improving to 16.5% and 9.0% respectively. Moving forward, the company remains focused on driving product premiumization and expanding its retail footprint by planning to open 100 new exclusive brand outlets to ensure sustainable, long-term performance. We maintain HOLD with a revised TP of Rs386 (earlier Rs423), assigning 40x PER on FY28E.

### Key Highlights and Investment Rationale

- Execution of premiumization and retail footprint expansion will be closely watched:** While organized footwear manufacturers face a dynamic demand environment amidst inflationary and geopolitical uncertainties. We will closely watch the volume traction of its newly introduced premium categories, such as sports shoes and athleisure lines priced up to Rs 2,500, alongside the rollout of its planned 100 new EBOs to gauge the sustainability of this growth momentum in the near term.
- Volume recovery and calibrated pricing drive earnings growth:** Looking forward, the company is constructively optimistic about FY27, targeting an operating margin expansion of over 100 basis points compared to FY26 by sustaining premium segments and managing input cost pressures effectively. HOLD with a TP of Rs386.

TP **Rs386**

CMP **Rs344**

Potential upside/downside 12.3%

Previous Rating **HOLD**

### Price Performance (%)

	-1m	-3m	-12m
Absolute	15.1	3.8	(21.4)
Rel to Sensex	17.9	10.6	(13.2)

### V/s Consensus

EPS (Rs)	FY27E	FY28E
IDBI Capital	7.9	9.7
Consensus	8.0	9.5
% difference	(0.8)	2.4

### Key Stock Data

Bloomberg / Reuters	RLXF IN /RLXO.BO
Sector	Footwear
Shares o/s (mn)	249
Market cap. (Rs mn)	85,548
3-m daily avg Trd value(Rs mn)	8.5
52-week high / low	Rs531 / 237
Sensex / Nifty	74,776 / 23,548

### Shareholding Pattern (%)

Promoters	71.3
FII	3.0
DII	9.6
Public	16.1

### Financial snapshot

Year	(Rs mn)				
	FY24	FY25	FY26	FY27E	FY28E
Revenue	29,141	27,896	27,022	29,509	32,837
Change (yoy, %)	5	(4)	(3)	9	11
EBITDA	4,066	3,820	3,740	4,159	4,817
Change (yoy, %)	21.1	(6.0)	(2.1)	11.2	15.8
EBITDA Margin(%)	14.0	13.7	13.8	14.1	14.7
Adj.PAT	2,058	1,703	1,793	1,958	2,403
EPS (Rs)	8.3	6.8	7.2	7.9	9.7
Change (yoy, %)	33.2	(17.2)	5.2	9.2	22.7
PE(x)	41.6	50.3	47.8	43.7	35.6
Dividend Yield (%)	1.0	0.9	1.0	1.0	1.3
EV/EBITDA (x)	20.7	21.6	22.3	20.0	17.2
RoE (%)	10.7	8.3	8.3	8.7	10.2
RoCE (%)	13.0	10.5	9.7	10.2	12.0

Source: IDBI Capital Research

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### Concall Highlights:

- Relaxo Footwears reported revenue from operations of Rs 7,511 Mn for Q4 FY26, representing an 8.0% year-on-year growth compared to Rs 6,952 Mn recorded in the corresponding quarter of the previous fiscal year.
- The company achieved an EBITDA of Rs 1,240 Mn in Q4 FY26, highlighting a 10.6% year-on-year growth, driven primarily by strong volume recovery across general trade, retail, e-commerce, and large-format retail channels.
- Relaxo reported a net profit after tax of Rs 680 Mn for Q4 FY26, translating to a substantial 20.4% year-on-year growth compared to the Rs 560 Mn net profit reported in Q4 FY25.
- The net profit after tax margin for Q4 FY26 expanded by 92 basis points year-on-year to reach 9.0%, reflecting management's sustained focus on cost efficiencies and profitable growth strategies.
- For the full financial year FY26, the company reported total revenue from operations of Rs 27,020 Mn, which reflects a marginal decline against the Rs 27,900 Mn recorded during FY25.
- Full-year FY26 EBITDA stood at Rs 3,740 Mn with an EBITDA margin of 13.8%, supported by back-end optimization initiatives and prudent cost management measures despite a dynamic industrial environment.
- Full-year FY26 net profit after tax reached Rs 1,790 Mn, up 5.3% from Rs 1,700 Mn in FY25, while the full-year profit margin improved slightly to 6.6% from 6.1%.
- Management expressed clear near-term caution regarding ongoing geopolitical situations and inflationary pressures currently affecting consumer sentiments, but remains constructively optimistic about delivering a sustainable financial performance for the upcoming financial year FY27.
- The recent GST rate reduction from 12% to 5% has significantly enhanced the general market competitiveness of organized branded players like Relaxo, contributing directly to a strong recovery in distributor restocking activities.
- Management guided a long-term volume growth target of 4% to 5% over the next two years, supported by demand recovery and the expansion of direct retail and e-commerce channels.

- For the upcoming full financial year FY27, management intends to improve its operating EBITDA margin by more than 100 basis points over the full-year FY26 margin of 13.8% through product premiumization strategies.
- Relaxo implemented calibrated price increases of 15% to 18% at the consumer level to offset raw material cost inflation and a 25% to 30% surge in labor wages in Haryana.
- Raw material prices have begun softening from historical highs, but management states that price hikes will remain intact to protect gross margins against irreversible fixed cost increases like labor wages.
- The company plans to incur a capital expenditure of Rs 1,800 Mn to Rs 2,000 Mn in FY27, compared to Rs 1,300 Mn spent in FY26, primarily for molds and machinery.
- Management clarified that the upcoming FY27 capital expenditure budget does not include any major capacity expansions, focusing instead on internal operational upgrades, molds, and a new administrative corporate office.
- Relaxo plans to open 100 new exclusive brand outlets during the year with a projected investment of Rs 300 Mn to Rs 350 Mn, allocating Rs 3 Mn to Rs 3.5 Mn per store.
- Currently operating over 420 exclusive brand outlets, the company is introducing a new retail store format and redesigned layouts to drive higher customer footfalls and optimize profitable returns per individual outlet.
- The current product portfolio revenue mix is comprised of 70% men, 25% ladies, and 5% kids, with management actively expanding product lines in the ladies and kids segments to alter this ratio.
- Relaxo is aggressively strengthening its premium product portfolio by introducing various new footwear articles, including sports shoes and a specialized athleisure range, with maximum retail price points extending up to Rs 2,500.
- To successfully expand its domestic geographic footprint, the company is targeting multi-brand outlets across 70,000 unique locations, entering new markets in Western India, and identifying specific expansion opportunities across the Southern region.

**Exhibit 1: Q4FY26 Result Analysis**

Particulars (Rs mn)	Q4FY26	Q3FY26	QoQ (%)	Q4FY25	YoY (%)
<b>Total revenues</b>	<b>7,511</b>	<b>6,680</b>	<b>12.4</b>	<b>6,952</b>	<b>8.0</b>
Total expenditure	6,271	5,986	4.8	5,831	7.5
<b>EBIDTA</b>	<b>1,240</b>	<b>694</b>	<b>78.7</b>	<b>1,121</b>	<b>10.6</b>
<b>EBIDTA margin(%)</b>	<b>16.5</b>	<b>10.4</b>	<b>612bps</b>	<b>16.1</b>	<b>39bps</b>
Depreciation	391	391	(0.2)	394	(0.8)
Interest cost	58	53	9.8	54	7.4
Other income	117	110	6.4	81	44.1
PBT	908	359	152.7	754	20.5
Tax	231	94	146.4	191	20.7
<b>Adj. net profit</b>	<b>677</b>	<b>265</b>	<b>155.0</b>	<b>562</b>	<b>20.4</b>
Adj. EPS (INR)	2.7	1.1	155.0	2.3	20.4

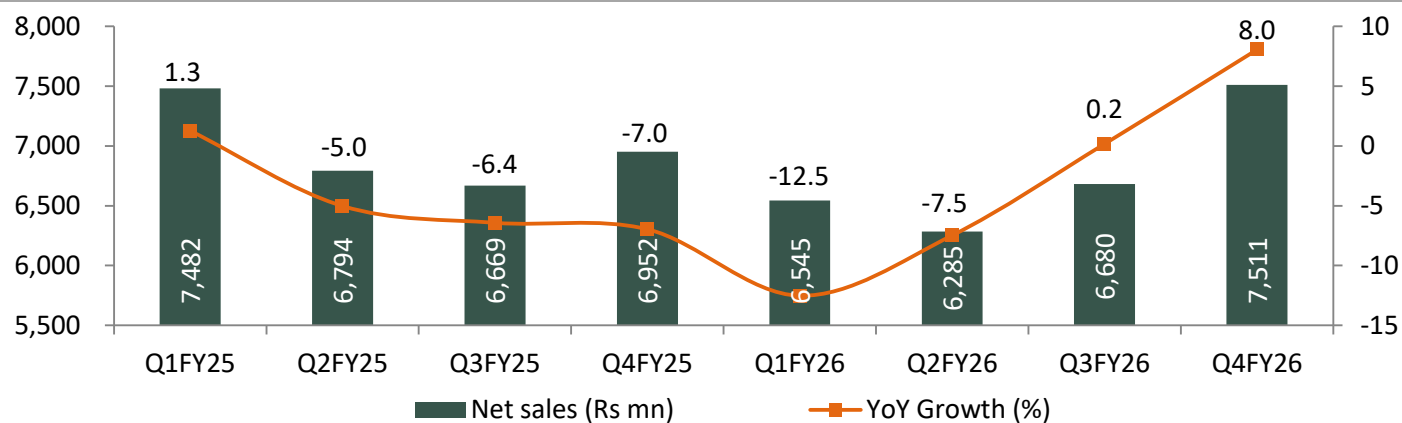
Source: Company; IDBI Capital Research

**Exhibit 2: Actual vs. estimates**

Particulars (Rs mn)	Q4FY26A	Q4FY26E	Variance (%)
<b>Net Sales</b>	<b>7,511</b>	<b>7,014</b>	<b>7%</b>
<b>EBITDA</b>	<b>1,240</b>	<b>915</b>	<b>35%</b>
<b>EBITDA Margin (%)</b>	<b>16.5</b>	<b>13.1</b>	<b>346bps</b>
<b>Net Profit</b>	<b>677</b>	<b>427</b>	<b>59%</b>
EPS, Rs	2.7	1.7	59%

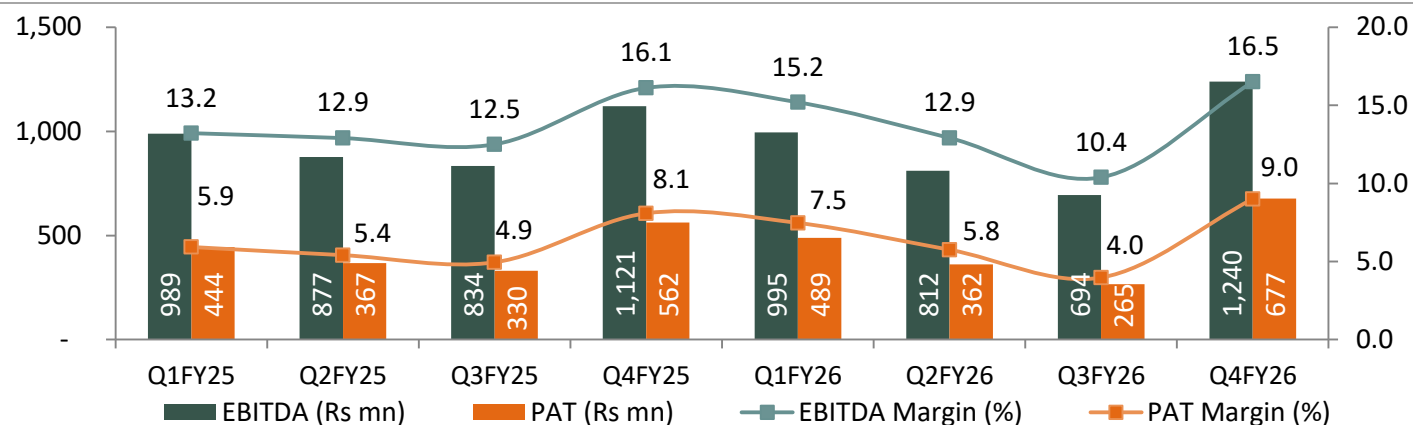
Source: Company; IDBI Capital Research

**Exhibit 3: Net sales trend**



Source: Company; IDBI Capital Research

**Exhibit 4: Margins analysis**



Source: Company; IDBI Capital Research

## Financial Summary

### Profit & Loss Account

(Rs mn)

Year-end: March	FY23	FY24	FY25	FY26	FY27E	FY28E
<b>Net sales</b>	<b>27,828</b>	<b>29,141</b>	<b>27,896</b>	<b>27,022</b>	<b>29,509</b>	<b>32,837</b>
<i>Change (yoy, %)</i>	4.9	5	(4)	(3)	9	11
Operating expenses	(24,470)	(25,075)	(24,076)	(23,282)	(25,350)	(28,021)
<b>EBITDA</b>	<b>3,358</b>	<b>4,066</b>	<b>3,820</b>	<b>3,740</b>	<b>4,159</b>	<b>4,817</b>
<i>Change (yoy, %)</i>	-19.2	21	(6)	(2)	11	16
<i>Margin (%)</i>	12.1	14.0	13.7	13.8	14.1	14.7
Depreciation	(1,251)	(1,475)	(1,584)	(1,572)	(1,784)	(1,904)
<b>EBIT</b>	<b>2,107</b>	<b>2,591</b>	<b>2,236</b>	<b>2,168</b>	<b>2,375</b>	<b>2,913</b>
Interest paid	(192)	(187)	(207)	(215)	(267)	(241)
Other income	186	289	270	462	508	539
<b>Pre-tax profit</b>	<b>2,100</b>	<b>2,693</b>	<b>2,299</b>	<b>2,415</b>	<b>2,616</b>	<b>3,211</b>
Tax	(555)	(635)	(595)	(622)	(658)	(808)
<i>Effective tax rate (%)</i>	26.4	23.6	25.9	25.8	25.2	25.2
Minority Interest	-	-	-	-	-	-
<b>Net profit</b>	<b>1,545</b>	<b>2,058</b>	<b>1,703</b>	<b>1,793</b>	<b>1,958</b>	<b>2,403</b>
Exceptional items	-	-	-	-	-	-
<b>Adjusted net profit</b>	<b>1,545</b>	<b>2,058</b>	<b>1,703</b>	<b>1,793</b>	<b>1,958</b>	<b>2,403</b>
<i>Change (yoy, %)</i>	(33.7)	33	(17)	5	9	23
EPS	6.2	8.3	6.8	7.2	7.9	9.7
Dividend per share	3.0	3.5	3.0	3.5	3.5	4.5
<i>Dividend Payout (%)</i>	58.0	50.8	52.6	58.3	53.4	55.9

**Balance Sheet**

(Rs mn)

Year-end: March	FY23	FY24	FY25	FY26	FY27E	FY28E
<b>Shareholders' funds</b>	<b>18,551</b>	<b>20,011</b>	<b>20,981</b>	<b>22,064</b>	<b>22,976</b>	<b>24,035</b>
Share capital	249	249	249	249	249	249
Reserves & surplus	18,302	19,762	20,732	21,815	22,727	23,786
<b>Total Debt</b>	<b>-</b>	<b>185</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other liabilities	602	631	734	711	754	814
<b>Curr Liab &amp; prov</b>	<b>5,796</b>	<b>6,312</b>	<b>5,910</b>	<b>6,715</b>	<b>6,865</b>	<b>6,974</b>
Current liabilities	5,351	5,719	5,238	5,993	6,105	6,170
Provisions	445	593	673	722	760	804
<b>Total liabilities</b>	<b>6,398</b>	<b>7,128</b>	<b>6,644</b>	<b>7,426</b>	<b>7,619</b>	<b>7,788</b>
<b>Total equity &amp; liabilities</b>	<b>24,948</b>	<b>27,139</b>	<b>27,625</b>	<b>29,489</b>	<b>30,595</b>	<b>31,822</b>
Net fixed assets	10,436	10,615	10,266	10,719	10,744	10,391
Investments	247	248	739	2,474	2,647	2,859
Other non-curr assets	2,329	3,812	4,274	4,361	4,407	4,458
<b>Current assets</b>	<b>11,936</b>	<b>12,464</b>	<b>12,346</b>	<b>11,935</b>	<b>12,797</b>	<b>14,114</b>
Inventories	5,638	5,988	5,576	5,567	5,846	6,430
Sundry Debtors	2,703	3,577	3,121	2,989	3,258	3,584
Cash and Bank	2,746	1,806	3,112	2,126	2,378	2,692
Loans and advances	849	1,093	538	1,253	1,316	1,408
<b>Total assets</b>	<b>24,948</b>	<b>27,139</b>	<b>27,625</b>	<b>29,489</b>	<b>30,595</b>	<b>31,822</b>

**Cash Flow Statement**

(Rs mn)

Year-end: March	FY23	FY24	FY25	FY26	FY27E	FY28E
Pre-tax profit	2,100	2,693	2,299	2,415	2,616	3,211
Depreciation	1,251	1,475	1,584	1,572	1,784	1,904
Tax paid	(539)	(612)	(600)	(644)	(593)	(727)
Chg in working capital	1,218	(708)	468	946	(398)	(802)
Other operating activities	-	-	-	-	-	-
<b>Cash flow from operations (a)</b>	<b>4,030</b>	<b>2,848</b>	<b>3,752</b>	<b>4,288</b>	<b>3,410</b>	<b>3,585</b>
Capital expenditure	(2,218)	(1,654)	(1,235)	(2,025)	(1,808)	(1,551)
Chg in investments	3	(1)	(491)	(1,735)	(173)	(212)
Other investing activities	-	-	-	-	-	-
<b>Cash flow from investing (b)</b>	<b>(2,528)</b>	<b>(478)</b>	<b>(3,589)</b>	<b>(2,953)</b>	<b>(2,170)</b>	<b>(2,074)</b>
Equity raised/(repaid)	-	-	-	-	-	-
Debt raised/(repaid)	(200)	185	(185)	-	-	-
Dividend (incl. tax)	(896)	(1,045)	(896)	(1,045)	(1,045)	(1,344)
Chg in minorities	-	-	-	-	-	-
Other financing activities	210	(1,273)	362	(105)	(111)	(129)
<b>Cash flow from financing (c)</b>	<b>(886)</b>	<b>(2,133)</b>	<b>(719)</b>	<b>(1,150)</b>	<b>(1,156)</b>	<b>(1,473)</b>
<b>Net chg in cash (a+b+c)</b>	<b>616</b>	<b>237</b>	<b>(557)</b>	<b>185</b>	<b>84</b>	<b>38</b>

### Financial Ratios

Year-end: March	FY23	FY24	FY25	FY26	FY27E	FY28E
Book Value (Rs)	40.4	46	50	54	58	62
Adj EPS (Rs)	6.2	8.3	6.8	7.2	7.9	9.7
Adj EPS growth (%)	-33.7	33	-17	5	9	23
EBITDA margin (%)	12.1	14.0	13.7	13.8	14.1	14.7
Pre-tax margin (%)	7.5	9.2	8.2	8.9	8.9	9.8
Net Debt/Equity (x)	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
ROCE (%)	11.2	13	11	10	10	12
ROE (%)	8.5	11	8	8	9	10

### DuPont Analysis

Asset turnover (x)	1.1	1.1	1.0	0.9	1.0	1.1
Leverage factor (x)	1.3	1.4	1.3	1.3	1.3	1.3
Net margin (%)	5.6	7.1	6.1	6.6	6.6	7.3

### Working Capital & Liquidity ratio

Inventory days	74	75	73	75	72	71
Receivable days	35	45	41	40	40	40
Payable days	38	37	30	41	40	38

### Valuations

Year-end: March	FY23	FY24	FY25	FY26	FY27E	FY28E
PER (x)	55.4	41.6	50.3	47.8	43.7	35.6
Price/Book value (x)	8.5	7.4	6.9	6.3	5.9	5.5
EV/Net sales (x)	3.0	2.9	3.0	3.1	2.8	2.5
EV/EBITDA (x)	24.7	20.7	21.6	22.3	20.0	17.2
Dividend Yield (%)	0.9	1.0	0.9	1.0	1.0	1.3

Source: Company; IDBI Capital Research



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**Key to Ratings Stocks:****BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.**IDBI Capital Markets & Securities Ltd.****Equity Research Desk**

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1. These terms and conditions, and consent thereon are for the research services provided by the Research Analyst (RA) and RA cannot execute/carry out any trade (purchase/sell transaction) on behalf of, the client. Thus, the clients are advised not to permit RA to execute any trade on their behalf.
2. The fee charged by RA to the client will be subject to the maximum of amount prescribed by SEBI/ Research Analyst Administration and Supervisory Body (RAASB) from time to time (applicable only for Individual and HUF Clients).  
Note:
  - 2.1. The current fee limit is Rs 1,51,000/- per annum per family of client for all research services of the RA.
  - 2.2. The fee limit does not include statutory charges.
  - 2.3. The fee limits do not apply to a non-individual client / accredited investor.
3. RA may charge fees in advance if agreed by the client. Such advance shall not exceed the period stipulated by SEBI; presently it is one quarter. In case of pre-mature termination of the RA services by either the client or the RA, the client shall be entitled to seek refund of proportionate fees only for unexpired period.
4. Fees to RA may be paid by the client through any of the specified modes like cheque, online bank transfer, UPI, etc. Cash payment is not allowed. Optionally the client can make payments through Centralized Fee Collection Mechanism (CeFCOM) managed by BSE Limited (i.e. currently recognized RAASB).
5. The RA is required to abide by the applicable regulations/ circulars/ directions specified by SEBI and RAASB from time to time in relation to disclosure and mitigation of any actual or potential conflict of interest. The RA will endeavor to promptly inform the client of any conflict of interest that may affect the services being rendered to the client.
6. Any assured/guaranteed/ fixed returns schemes or any other schemes of similar nature are prohibited by law. No scheme of this nature shall be offered to the client by the RA.
7. The RA cannot guarantee returns, profits, accuracy, or risk-free investments from the use of the RA's research services. All opinions, projections, estimates of the RA are based on the analysis of available data under certain assumptions as of the date of preparation/publication of research report.
8. Any investment made based on recommendations in research reports are subject to market risks, and recommendations do not provide any assurance of returns. There is no recourse to claim any losses incurred on the investments made based on the recommendations in the research report. Any reliance placed on the research report provided by the RA shall be as per the client's own judgement and assessment of the conclusions contained in the research report.
9. The SEBI registration, Enlistment with RAASB, and NISM certification do not guarantee the performance of the RA or assure any returns to the client.
10. For any grievances,
  - Step 1: the client should first contact the RA using the details on its website or following contact details:  
(RA to provide details as per 'Grievance Redressal / Escalation Matrix')
  - Step 2: If the resolution is unsatisfactory, the client can also lodge grievances through SEBI's SCORES platform at [www.scores.sebi.gov.in](http://www.scores.sebi.gov.in)
  - Step 3: The client may also consider the Online Dispute Resolution (ODR) through the Smart ODR portal at <https://smartodr.in>
11. Clients are required to keep contact details, including email id and mobile number/s updated with the RA at all times.
12. The RA shall never ask for the client's login credentials and OTPs for the client's Trading Account Demat Account and Bank Account. Never share such information with anyone including RA.