

Gradual Recovery to Continue; Maintain Buy

Est. Vs. Actual for Q4FY24: Revenue – **MISS**; EBITDA – **BEAT**; PAT – **MISS**

Changes in Estimates post Q4FY24

FY25E/FY26E: Revenue: -7%/-9%; EBITDA: -6%/-5%; PAT: -10%/-7%

Recommendation Rationale

- **Subdued Performance:** The company's revenue de-grew by ~2% YoY to Rs 747 Cr, owing to the decline in overall volumes, down 4% YoY. However, this was partly offset by improved realisation by 3% YoY. Moreover, the company reported a beat on EBITDA which grew by 2% YoY to Rs 120 Cr while margins stood at 16.1%, up 68 bps YoY. This was led by sharp improvement in gross margins which were up 812bps YoY to 60.3% on account of lower RM and improved realisation.
- **Initiating a direct connect program:** To establish a direct connection with consumers and regulate discounts, the company has initiated the sale of products on online marketplaces, functioning as the "Brand As Seller," and through its official websites. Furthermore, the company has also taken major digital initiatives, where the retailers can directly connect with the company through the "Relaxo Parivaar" app. Currently, 50,000 outlets are connected through this app. Moreover, the company has come up with a Distributor Management System to help the distributors for secondary sales to retailers.
- **Well-placed for growth:** We believe the worst is behind the company as – 1) Demand environment is likely to pick up in the coming quarters with good monsoons, especially in rural, 2) softening/stable raw material prices will aid gross margin expansion, 3) The company is regaining its the lost market share from unorganised players as more sales are in open footwear, 4) BIS implementation will give better footing to organised players, and 5) It is focusing more on premiumisation by increasing the share of a fast-growing sports and athleisure category.

Sector Outlook: Positive

Company Outlook & Guidance: We maintain our BUY rating on the stock as we roll over our estimates to Mar-26.

Current Valuation: 60x Mar'26 EPS (Earlier Valuation: 60xDec-25 EPS)

Current TP: Rs 950/share (Earlier TP: No change)

Recommendation With a 12% upside potential from the CMP, we maintain our BUY rating on the stock.

Valuation & Recommendation: We maintain our BUY rating on the stock as we roll over our estimates to Mar-26 and maintain our TP of Rs 950/share.

Key Financials (Standalone)

(Rs Cr)	Q4FY24	QoQ (%)	YoY (%)	Axis Est.	Variance (%)
Net Sales	747	4.8	-2.3	758	-1.5
EBITDA	120	38.1	2.0	117	2.9
EBITDA Margin (%)	16.1	388 bps	68 bps	15.4	69 bps
Net Profit	61	59.2	-3.0	59	4.3
EPS (Rs)	2.6	59.2	-3.0	2.5	4.3

Source: Company, Axis Research

(CMP as of 10th May 2024)

CMP (Rs)	851
Upside /Downside (%)	12%
High/Low (Rs)	974/762
Market cap (Cr)	21190
Avg. daily vol. (6m) '000 Shrs.	99.9
No. of shares (Cr)	25

Shareholding (%)

	Sep-23	Dec-23	Mar-24
Promoter	71.3	71.3	71.3
FII	3.2	3.4	3.3
MFs / UTI	8.5	8.8	9.3
FIIs/Banks	0.0	0.0	0.0
Others	17.0	16.5	16.1

Financial & Valuations

Y/E Mar (Rs Cr)	FY24E	FY25E	FY26E
Net Sales	2,914	3,389	4,018
EBITDA	407	516	657
Net Profit	200	286	391
EPS (Rs)	8.1	11.5	15.7
PER (x)	105.4	73.9	54.1
EV/EBITDA (x)	51.2	40.1	31.2
RoE (%)	10.2	13.2	15.8

Change in Estimates (%)

Y/E Mar	FY25E	FY26E
Sales	-7%	-9%
EBITDA	-6%	-5%
PAT	-10%	-7%

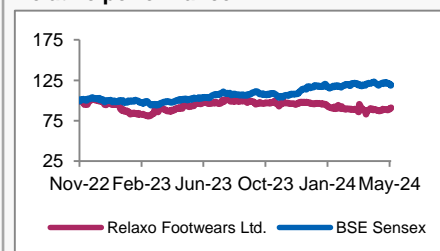
ESG disclosure Score**

Environmental Disclosure	17.12
Social Disclosure Score	16.05
Governance Disclosure Score	66.07
Total ESG Disclosure Score	33.13
Sector average	41.61

Source: Bloomberg, Scale: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2022 disclosures

Relative performance



Source: Ace Equity, Axis Securities

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Financial Performance

The company's revenue de-grew 2% YoY due to a decline in overall volume (down 4% to 5 Cr pairs). However, this was partly offset by improved average realisation which was up 3% YoY. Its EBITDA grew by 2% YoY to Rs 120 Cr while margins stood at 16.1%, up 68bps YoY. This was led by sharp improvement in gross margins, up 812bps YoY to 60.3% on account of lower RM and improved realisation. PAT de-grew by 3% YoY to Rs 61 Cr in Q4FY24.

Outlook

The company delivered a subdued performance in Q4FY24. However, the management's outlook for FY25 gives us confidence that the worst is behind us and the company is on the right track now. This will be led by the following attributes – 1) Expecting a double-digit growth in the coming years, 2) The demand environment is likely to recover in FY25 with good monsoons, especially in rural, 3) Raw material prices are now stable, which will aid in gross margins expansion, 4) The company is regaining its lost market share from unorganised players, 5) BIS Implementation will give better footing to organised players, and 6) It is focusing more on premiumisation by increasing the share of a fast-growing sports and athleisure category.

Other Key Concall Highlights

- **Capex:** The company has incurred a total capex of Rs 248 Cr, including a land purchase of 30 acres in Bhiwadi, Rajasthan, worth Rs 7Cr.
- **Closed/Open Footwear:** Volume has grown in open footwear; however, value-wise both are the same. Meanwhile, the management believes that going ahead, closed footwear (Sparx) will grow faster than the open category. Currently, brand-wise, volume is 14% from Sparx, 38% from Flite and 48% from Relaxo/Bahamas.
- **Focussing on distribution expansion:** The management has guided that they are focussing on reaching 1,00,000 outlets in FY25. Currently, they have 70,000+ retailers/multi-brand outlets. In EBOs, it further added 50-60 more outlets. At present, it has 405 Exclusive Brand Outlets (EBOs).

Key Risks to our Estimates and TP

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

Change in Estimates

	Old		New		% change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	3,639	4,397	3,389	4,018	-7%	-9%
EBITDA	552	691	516	657	-6%	-5%
PAT	317	421	286	391	-10%	-7%
EPS	12.8	16.9	11.5	15.7	-10%	-7%

Source: Company, Axis Securities

Results Review

Rs Cr	Q4FY23	Q3FY24	Axis Sec Est	Q4FY24	YoY (%)	QoQ %	Axis Sec Var
Net Sales	765	713	758	747	(2.3)	4.8	(1.5)
Gross Profit	399	406	422	450	12.9	10.9	6.8
Gross Margins %	52.2	57.0	55.6	60.3	812 bps	328 bps	467 bps
Staff Cost	85.4	96.0	89.6	99.9	17.0	4.0	11.5
Other Operating expenses	195.6	223.0	215.2	230.1	17.6	3.2	6.9
EBITDA	118	87	117	120	2.0	38.1	2.9
EBITDA margins (%)	15.4	12.2	15.4	16.1	68 bps	388 bps	69 bps
Depreciation	33	38	38	38	17.4	2.6	1.5
Interest	4	5	5	5	12.8	(3.5)	(4.5)
Other Income	4	6	5	5	17.1	(15.5)	11.6
PBT	85	51	79	82	(3.7)	61.9	4.5
Tax (incl deferred)	22	12	20	21	(5.5)	70.5	5.4
PAT	63	39	59	61	(3.0)	59.2	4.3
PAT margins (%)	8.3	5.4	7.8	8.2	-6 bps	280 bps	45 bps
EPS	2.6	1.6	2.5	2.6	(3.0)	59.2	4.3

Source: Company, Axis Securities

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E Mar, Rs Cr	FY23	FY24A	FY25E	FY26E
Net sales	2,783	2,914	3,389	4,018
Growth, %	4.9	4.7	16.3	18.6
Other operating income	0	0	0	0
Total income	2,783	2,914	3,389	4,018
Raw material expenses	-1,334	-1,220	-1,403	-1,627
Employee expenses	-343	-389	-467	-551
Other Operating expenses	-769	-899	-1,003	-1,182
EBITDA (Core)	336	407	516	657
Growth, %	(19.2)	21.1	27.0	27.3
Margin, %	12.1	14.0	15.2	16.4
Depreciation	-125	-147	-151	-158
EBIT	211	259	365	499
Growth, %	(30.3)	23.0	41.1	36.6
Margin, %	7.6	8.9	10.8	12.4
Other Income	19	29	38	45
Non-recurring Items	0	0	0	0
Pre-tax profit	210	269	384	525
Tax provided	-56	-69	-98	-134
Profit after tax	154	200	286	391
Growth, %	(33.6)	29.8	42.7	36.7
Net Profit (adjusted)	154	200	286	391
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	FY23	FY24E	FY25E	FY26E
Cash & bank	74	108	209	440
Debtors	270	283	329	390
Inventory	564	590	687	814
Loans & advances	1	1	1	1
Other current assets	84	84	84	84
Total current assets	1,194	1,267	1,510	1,929
Investments	25	25	25	25
Gross fixed assets	1,692	1,892	2,042	2,142
Less: Depreciation	-542	-689	-840	-999
Add: Capital WIP	89	89	89	89
Net fixed assets	1,239	1,292	1,291	1,232
Non-current assets	37	37	37	37
Total assets	2,495	2,620	2,862	3,224
Current liabilities	471	483	526	583
Provisions	19	19	19	19
Total current liabilities	490	502	545	602
Non-current liabilities	150	150	150	150
Total liabilities	640	652	695	752
Paid-up capital	25	25	25	25
Reserves & surplus	1,830	1,944	2,143	2,447
Shareholders' equity	1,855	1,969	2,168	2,472
Total equity & liabilities	2,495	2,620	2,862	3,224

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

As of 31st Mar, Rs Cr	FY23	FY24E	FY25E	FY26E
Pre-tax profit	210	269	384	525
Depreciation	125	147	151	158
Chg in working capital	99	-27	-99	-131
Total tax paid	-54	-69	-98	-134
Cash flow from operating activities	380	321	338	418
Capital expenditure	-228	-200	-150	-100
Chg in marketable securities	-31	0	0	0
Cash flow from investing activities	-259	-200	-150	-100
Free cash flow	121	121	188	318
Equity raised/(repaid)	76	0	0	0
Dividend (incl. tax)	-62	-87	-87	-87
Cash flow from financing activities	14	-87	-87	-87
Net chg in cash	135	34	101	231

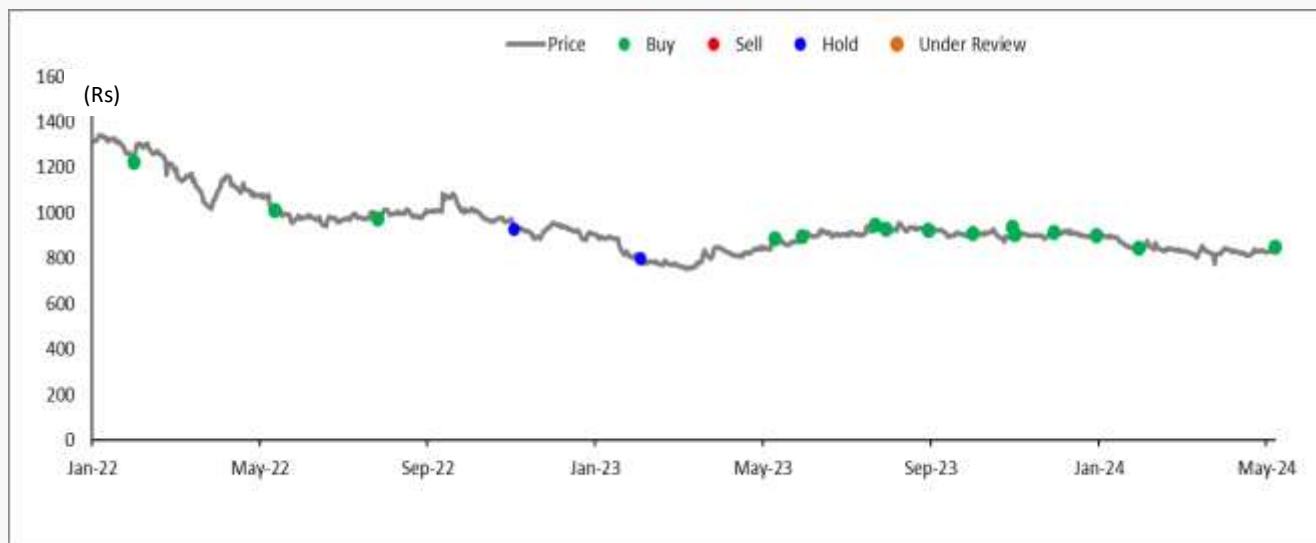
Source: Company, Axis Securities

Ratio Analysis
(%)

As of 31st Mar, Rs Cr	FY23	FY24E	FY25E	FY26E
Per Share data				
EPS (INR)	6.2	8.1	11.5	15.7
Growth, %	(33.6)	29.8	42.7	36.7
Book NAV/share (INR)	74.7	79.3	87.3	99.5
FDEPS (INR)	6.2	8.1	11.5	15.7
CEPS (INR)	11.3	14.0	17.6	22.1
CFPS (INR)	15.5	11.7	12.1	15.0
DPS (INR)	2.5	3.5	3.5	3.5
Return ratios				
Return on assets (%)	7.1	8.6	11.1	13.5
Return on equity (%)	8.3	10.2	13.2	15.8
Return on capital employed (%)	8.8	10.5	13.6	16.5
Turnover ratios				
Asset turnover (x)	1.8	1.8	2.0	2.3
Sales/Total assets (x)	1.1	1.1	1.2	1.3
Sales/Net FA (x)	2.3	2.3	2.6	3.2
Working capital/Sales (x)	0.2	0.2	0.2	0.2
Receivable days	35.5	35.5	35.5	35.5
Inventory days	73.9	73.9	73.9	73.9
Payable days	37.7	38.5	39.1	39.7
Working capital days	58.8	59.6	61.9	64.2
Liquidity ratios				
Current ratio (x)	2.5	2.6	2.9	3.3
Quick ratio (x)	1.3	1.4	1.6	1.9
Interest cover (x)	11.0	13.9	19.5	26.4
Dividend cover (x)				
Total debt/Equity (%)	-	-	-	-
Valuation				
PER (x)	136.8	105.4	73.9	54.1
PEG (x) - y-o-y growth	(4.1)	3.5	1.7	1.5
Price/Book (x)	11.4	10.7	9.8	8.6
EV/Net sales (x)	7.5	7.1	6.1	5.1
EV/EBITDA (x)	62.1	51.2	40.1	31.2
EV/EBIT (x)	99.0	80.4	56.7	41.1

Source: Company, Axis Securities

Relaxo Footwears Price Chart and Recommendation History



Date	Reco	TP	Research
31-Jan-22	BUY	1,350	Result Update
16-May-22	BUY	1,120	Result Update
28-Jul-22	BUY	1,120	Result Update
04-Nov-22	HOLD	950	Result Update
06-Feb-23	HOLD	850	Result Update
15-May-23	BUY	980	Result Update
01-Jun-23	BUY	990	Top Picks
01-Jul-23	BUY	990	Top Picks
25-Jul-23	BUY	1,050	Result Update
01-Aug-23	BUY	1,050	Top Picks
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

Source: Axis Securities

About the analyst



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