

Relaxo Footwears

HOLD

A mixed show on operational parameters

Summary

Relaxo Footwears Ltd's (Relaxo) Q4FY24 result was a mixed bag as net sales was lower than our estimates, while margins were beat. The company managed to perform well on ASP front in Q4FY24, primarily on account of hike in price taken to pass on increased raw material prices. However, that took a hit on the sales volume. Net sales was down by 2.3%YoY to Rs7,472mn, while EBITDA improved by 2% YoY to Rs1,204mn. The company reported net profit of Rs614mn, marginally down by 3% over Q4FY23. The company has guided double digit top-line growth over FY25-26E with the EBITDA margin in the range of 15-16%. We have broadly maintained our estimates for FY25E/FY26E. We like Relaxo given its scale of operations, wide distribution reach and strong brand recall. Maintain HOLD with a revised TP of Rs920 (earlier Rs933), assigning 65x PER on FY26E.

Key Highlights and Investment Rationale

- Increase in ASP weighed on sales volume:** Relaxo's sales volume was at ~50mn pair, down by 3% YoY, while NSR improved by 2.3% YoY to Rs149/pair. Relaxo has launched a new retail app and touched 50,000 retail outlets and Dealer management system to increase efficiency in the supply chain of the company. The management has guided double digit volume growth, majorly led by higher volume. We anticipate ASP to be volatile, in-line with raw material price movement in future.
- On a sustainable growth path, HOLD with a TP of Rs920:** After many quarters, Relaxo's growth is driven by ASP rather than volume in Q4FY24. We believe the company will do well on net sales as a combination of ASP/Volume growth, while operating margin would be in the range of mid-teens. Relaxo's focus on strengthening distribution network bodes well for long term growth. HOLD with a TP of Rs920.

TP **Rs920**

CMP **Rs851**

Potential upside/downside **8%**

Previous Rating **HOLD**

Price Performance (%)

	-1m	-3m	-12m
Absolute	2.4	1.2	(4.3)
Rel to Sensex	4.6	(1.1)	(21.4)

V/s Consensus

EPS (Rs)	FY25E	FY26E
IDBI Capital	11.0	14.2
Consensus	14.3	18.8
% difference	(23.1)	(24.5)

Key Stock Data

Bloomberg / Reuters	RLXF IN /RLXO.BO
Sector	Footwear
Shares o/s (mn)	249
Market cap. (Rs mn)	211,909
3-m daily avg Trd value(Rs mn)	7.5
52-week high / low	Rs974 / 763
Sensex / Nifty	72,664 / 22,055

Shareholding Pattern (%)

Promoters	71.3
FII	3.3
DII	9.3
Public	16.1

Financial snapshot

Year	FY22	FY23	FY24	FY25E	FY26E
Revenue	26,533	27,828	29,141	34,216	39,472
Change (yoy, %)	12	5	5	17	15
EBITDA	4,158	3,358	4,066	5,157	6,186
Change (yoy, %)	(16.1)	(19.2)	21.1	26.8	20.0
EBITDA Margin(%)	15.7	12.1	14.0	15.1	15.7
Adj.PAT	2,328	1,545	2,058	2,742	3,524
EPS (Rs)	9.4	6.2	8.3	11.0	14.2
Change (yoy, %)	(20.3)	(33.7)	33.2	33	28
PE(x)	91.0	137.1	102.9	77	60
Dividend Yield (%)	0.3	0.4	0.4	1	1
EV/EBITDA (x)	50.6	62.3	51.7	40.5	33.5
RoE (%)	14.0	8.5	10.7	13	16
RoCE (%)	16.9	11.2	13	17	20

Source: IDBI Capital Research

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Concall highlights:

Industry:

- The company expects the industry headwinds to continue due to new entrants in the market led to additional capacity and over-supply in the industry.
- According to the management the raw material prices to be stable in FY25.

Operating Performance:

- During the quarter, the company number of pair sold increased by 6% QoQ and decreased by 3% YoY to 50 mn. Also, ASP remained flat QoQ but increased by 2.7% YoY to Rs149 per pair led by price hike taken to pass on raw material prices.
- During the year, Relaxo sold 195mn pairs(14% YoY).However, ASP decreased by 8%YoY to Rs148 per pair.
- In FY24, the contribution from Relaxo/ Flite and Sparx stood at 25%/37% and 38% to the total revenue. Also, the contribution in Volume from Relaxo/ Flite and Sparx stood at 48%/38% and 14% respectively.
- In FY24, the regional wise revenue for the company from North/East/West and South stood at 45%/25%/19% and 11% respectively.
- In FY24, closed footwear contributed 20% and open footwear 80% to the top line. Also, the company wants to target 25:75 mix for Closed and open footwear in FY25.
- The capacity utilization for the year stood at 65%.

Capex:

- In FY24, the company has done the capex of Rs2.4 bn. The company has purchased a 30 acres land in Rajasthan worth Rs1.2 bn towards further capacity addition.

Others:

- In FY24, the exports contributed 4.5% of the total sales to the countries in Africa, Gulf, Central America and Oceania. The company is getting good traction for its products in these parts for the world and management is quite confident to increase its exports contribution to the top-line in FY25.

- The company is planning to add 40-50 EBO outlets in FY25. Currently, the company has 400 EBO outlets.
- Relaxo has launched a new retail app and touched 50,000 retail outlets and Dealer management system to increase efficiency in the supply chain.

Guidance:

- The company has guided double digit top-line growth over FY25-26 with the EBITDA margin in the range of 15-16%.

Exhibit 1: Q4FY24 Result Analysis

Particulars (Rs mn)	Q4FY24	Q3FY24	QoQ (%)	Q4FY23	YoY (%)
Total revenues	7,472	7,127	4.8	7,649	(2.3)
Total expenditure	6,269	6,255	0.2	6,470	(3.1)
EBIDTA	1,204	872	38.1	1,180	2.0
EBIDTA margin(%)	16.1	12.2	388bps	15.4	68bps
Depreciation	385	375	2.6	328	17.4
Interest cost	47	48	(3.5)	41	12.8
Other income	51	60	(15.5)	43	17.1
PBT	823	508	61.9	854	(3.7)
Tax	209	123	70.5	221	(5.5)
Adj. net profit	614	386	59.2	633	(3.0)
Adj. EPS (INR)	2.5	1.5	59.2	2.5	(3.0)

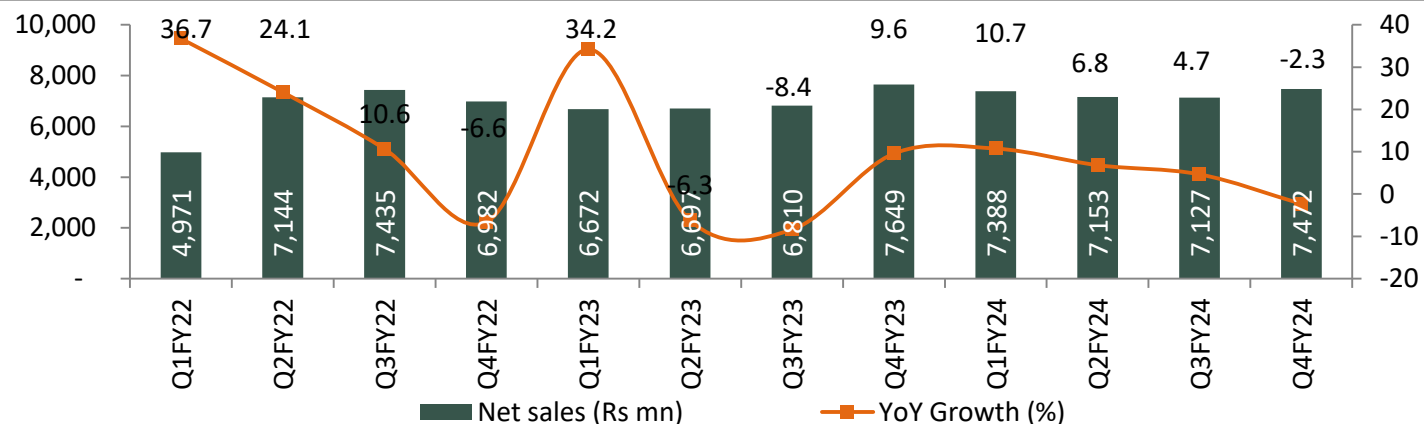
Source: Company; IDBI Capital Research

Exhibit 2: Actual vs. estimates

Particulars (Rs mn)	Q4FY24A	Q4FY24E	Variance (%)
Net Sales	7,472	8,075	-7%
EBITDA	1,204	1,042	16%
EBITDA Margin (%)	16.1	12.9	321bps
Net Profit	614	506	21%
EPS, Rs	2.5	2.0	21%

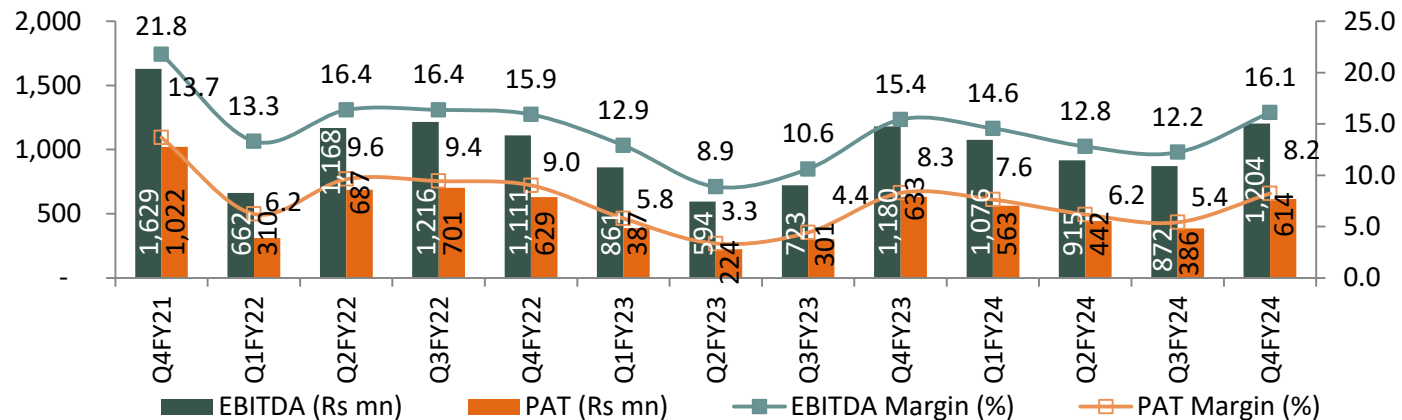
Source: Company; IDBI Capital Research

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	FY21	FY22	FY23	FY24	FY25E	FY26E
Net sales	23,592	26,533	27,828	29,141	34,216	39,472
<i>Change (yoy, %)</i>	<i>(2.1)</i>	<i>12</i>	<i>5</i>	<i>5</i>	<i>17</i>	<i>15</i>
Operating expenses	(18,637)	(22,375)	(24,470)	(25,075)	(29,059)	(33,286)
EBITDA	4,955	4,158	3,358	4,066	5,157	6,186
<i>Change (yoy, %)</i>	<i>21.2</i>	<i>(16)</i>	<i>(19)</i>	<i>21</i>	<i>27</i>	<i>20</i>
<i>Margin (%)</i>	<i>21.0</i>	<i>15.7</i>	<i>12.1</i>	<i>14.0</i>	<i>15.1</i>	<i>15.7</i>
Depreciation	(1,100)	(1,135)	(1,251)	(1,475)	(1,503)	(1,583)
EBIT	3,855	3,022	2,107	2,591	3,654	4,603
Interest paid	(171)	(153)	(192)	(187)	(327)	(316)
Other income	228	237	186	289	338	422
Pre-tax profit	3,912	3,106	2,100	2,693	3,665	4,709
Tax	(996)	(778)	(555)	(635)	(922)	(1,185)
<i>Effective tax rate (%)</i>	<i>25.5</i>	<i>25.0</i>	<i>26.4</i>	<i>23.6</i>	<i>25.2</i>	<i>25.2</i>
Minority Interest	-	-	-	-	-	-
Net profit	2,916	2,328	1,545	2,058	2,742	3,524
Exceptional items	-	-	-	-	-	-
Adjusted net profit	2,916	2,328	1,545	2,058	2,742	3,524
<i>Change (yoy, %)</i>	<i>28.9</i>	<i>(20)</i>	<i>(34)</i>	<i>33</i>	<i>33</i>	<i>28</i>
EPS	11.7	9.4	6.2	8.3	11.0	14.2
Dividend per share	2.5	2.5	3.0	3.5	4.5	5.5
<i>Dividend Payout (%)</i>	<i>25.6</i>	<i>32.1</i>	<i>58.0</i>	<i>51</i>	<i>49</i>	<i>47</i>

Balance Sheet

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Shareholders' funds	15,726	17,601	18,551	20,011	21,410	23,290
Share capital	248	249	249	249	249	249
Reserves & surplus	15,478	17,352	18,302	19,762	21,161	23,041
Total Debt	-	200	-	185	204	224
Other liabilities	1,641	549	602	631	705	810
Curr Liab & prov	4,391	5,475	5,796	6,312	6,499	6,685
Current liabilities	3,958	4,997	5,351	5,719	5,863	6,004
Provisions	433	478	445	593	636	681
Total liabilities	6,032	6,225	6,398	7,128	7,407	7,719
Total equity & liabilities	21,758	23,826	24,948	27,139	28,817	31,009
Net fixed assets	8,724	9,469	10,436	10,615	10,132	9,573
Investments	2	250	247	248	260	273
Other non-curr assets	2,233	2,237	2,329	3,812	3,858	3,901
Current assets	10,799	11,870	11,936	12,464	14,567	17,262
Inventories	4,221	6,733	5,638	5,988	6,287	6,665
Sundry Debtors	1,815	2,508	2,703	3,577	3,935	4,329
Cash and Bank	3,457	1,818	2,746	1,806	3,207	5,063
Loans and advances	1,306	812	849	1,093	1,137	1,205
Total assets	21,758	23,826	24,948	27,139	28,817	31,009

Cash Flow Statement

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Pre-tax profit	3,912	3,106	2,100	2,693	3,665	4,709
Depreciation	1,100	1,135	1,251	1,475	1,503	1,583
Tax paid	(1,016)	(807)	(539)	(612)	(830)	(1,067)
Chg in working capital	334	(2,120)	1,218	(708)	(471)	(585)
Other operating activities	-	-	-	-	-	-
Cash flow from operations (a)	4,330	1,314	4,030	2,848	3,867	4,640
Capital expenditure	(1,458)	(1,880)	(2,218)	(1,654)	(1,020)	(1,024)
Chg in investments	-	(248)	3	(1)	(12)	(13)
Other investing activities	-	-	-	-	-	-
Cash flow from investing (b)	(4,837)	(441)	(2,528)	(478)	(1,239)	(1,141)
Equity raised/(repaid)	2	(2)	-	-	-	-
Debt raised/(repaid)	(192)	200	(200)	185	19	20
Dividend (incl. tax)	(745)	(747)	(896)	(1,045)	(1,344)	(1,643)
Chg in minorities	-	-	-	-	-	-
Other financing activities	1,478	(277)	210	(1,273)	(108)	(124)
Cash flow from financing (c)	543	(825)	(886)	(2,133)	(1,434)	(1,746)
Net chg in cash (a+b+c)	36	48	616	237	1,194	1,753

Financial Ratios

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Book Value (Rs)	29.1	37	40	46	52	59
Adj EPS (Rs)	11.7	9.4	6.2	8.3	11.0	14.2
Adj EPS growth (%)	28.8	-20	-34	33	33	28
EBITDA margin (%)	21.0	15.7	12.1	14.0	15.1	15.7
Pre-tax margin (%)	16.6	11.7	7.5	9.2	10.7	11.9
Net Debt/Equity (x)	-0.2	-0.1	-0.1	-0.1	-0.1	-0.2
ROCE (%)	24.4	17	11	13	17	20
ROE (%)	20.5	14	9	11	13	16

DuPont Analysis

Asset turnover (x)	1.2	1.2	1.1	1.1	1.2	1.3
Leverage factor (x)	1.4	1.4	1.3	1.4	1.4	1.3
Net margin (%)	12.4	8.8	5.6	7.1	8.0	8.9

Working Capital & Liquidity ratio

Inventory days	65	93	74	75	67	62
Receivable days	28	35	35	45	42	40
Payable days	44	36	38	37	33	30

Valuations

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
PER (x)	72.5	91.0	137.1	102.9	77.2	60.1
Price/Book value (x)	29.3	23.3	21.1	18.4	16.4	14.3
EV/Net sales (x)	8.8	7.9	7.5	7.2	6.1	5.2
EV/EBITDA (x)	42.0	50.6	62.3	51.7	40.5	33.5
Dividend Yield (%)	0.3	0.3	0.4	0.4	0.5	0.6

Source: Company; IDBI Capital Research



Notes

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Key to Ratings Stocks:

BUY: 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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