

Soft Quarter, Steady Recovery Expected; Maintain HOLD
Est. Vs. Actual for Q2FY26: Revenue – **MISS**; EBITDA – **MISS**; PAT – **MISS**
Changes in Estimates Post Q2FY26
FY26E/FY27E: **Revenue:** -3%/-3%; **EBITDA:** -9%/-9%; **PAT:** -11%/-13%

Recommendation Rationale

- Soft Quarter:** Relaxo reported a sharp 7.5% YoY revenue decline, due to demand softness in the mass market segment and delayed purchases ahead of the implementation of GST 2.0. Meanwhile, general trade remained subdued during the quarter, as distributors and channel partners focused on clearing legacy inventory ahead of the transition. Management expects this softness to be temporary, with normalisation anticipated over the next few quarters as the channel replenishes stocks. Realisations declined by 3% YoY to Rs 151 per pair, while EBITDA margins expanded by 1 bps to 12.9%, supported by operational efficiencies, tight cost control, and backend process optimisation.
- Demand Outlook:** Relaxo expects demand to strengthen over the next 2–3 quarters as its sales transformation and distribution expansion take hold. With GST-adjusted inventory now reaching the market, the company is targeting volume-led growth, a recovery in market share, and a steady improvement in profitability.

Sector Outlook: Cautious
Company Outlook & Guidance: We continue to adopt a wait-and-watch approach and maintain our **HOLD** rating on the stock.

Current Valuation: 52x Sep'27E EPS (Earlier Valuation: 55x Mar'27E EPS)

Current TP: Rs 450/share (Earlier TP: Rs 520)

Recommendation: With a 5% upside from the CMP, we **maintain our HOLD rating on the stock.**
Financial Performance: The company's revenue declined 7.5% YoY, with volumes contracting 5% to 4.1 Cr pairs, while ASP declined by 3% to Rs 151 per pair. EBITDA declined by 7.4% YoY to Rs 81 Cr, while margins gained by 1 bps to 12.9% due to a reduction in other expenses and staff costs. PAT de-grew by 1.6% YoY to Rs 36 Cr in Q2FY26.

Outlook: The company delivered soft numbers in Q2FY26, and we remain cautious in the short to medium term due to, 1) The lack of signs of demand recovery in mass segment, 2) Rising competition from unorganised players, and 3) The implementation of DMS, focus on secondary sales and the implementation of GST 2.0 reforms, which will take time to bear fruits. We seek sustained signs of recovery; therefore, we maintain our **HOLD** rating on the stock.

Valuation & Recommendation: We **maintain our HOLD** rating with a revised TP of Rs 450/share.

Key Financials (Standalone)

(Rs Cr)	Q2FY26	QoQ (%)	YoY (%)	Axis Est.	Variance (%)
Net Sales	629	-4.0	-7.5	685	-8.2
EBITDA	81	-18.4	-7.4	95	-14.5
EBITDA Margin (%)	12.9	-228 bps	1 bps	13.9	-96 bps
Net Profit	36	-26.1	-1.6	45	-18.8
EPS (Rs)	1.5	-26.1	-4.7	1.8	-18.8

Source: Company, Axis Research

 (CMP as of 14th November, 2025)

CMP (Rs)	427
Upside /Downside (%)	5%
High/Low (Rs)	694/375
Market cap (Cr)	10,625
Avg. daily vol. (6m) '000 Shrs.	484
No. of shares (Cr)	25

Shareholding (%)

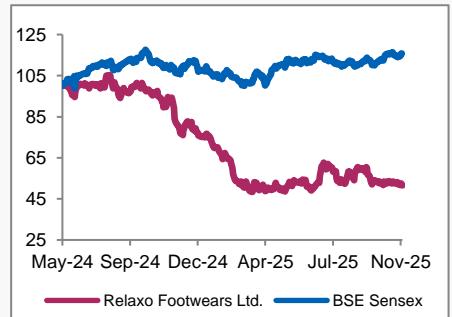
	Mar-25	Jun-25	Sep-25
Promoter	71.3	71.3	71.3
FII	3.1	2.9	3.0
MFs / UTI	10.5	9.9	9.8
FIs/Banks	0.0	0.0	0.0
Others	15.1	16.0	15.9

Financial & Valuations

Y/E Mar (Rs Cr)	FY25A	FY26E	FY27E
Net Sales	2,790	2,869	3,103
EBITDA	382	378	415
Net Profit	170	179	203
EPS (Rs)	6.9	7.2	8.2
PER (x)	62.2	59.1	52.3
EV/EBITDA (x)	26.9	26.9	24.2
RoE (%)	8.1	8.2	8.8

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	-3%	-3%
EBITDA	-9%	-9%
PAT	-11%	-13%

Relative Performance


Source: Ace Equity, Axis Securities

Results Gallery
[Q1FY26](#)
[Q4FY25](#)
[Q3FY25](#)
[Q2FY25](#)
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Key Risks to Our Estimates and TP

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

Change in Estimates

	Old		New		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	2,960	3,186	2,869	3,103	-3%	-3%
EBITDA	414	457	378	415	-9%	-9%
PAT	202	233	179	203	-11%	-13%
EPS	8	9	7	8	-10%	-9%

Source: Company, Axis Securities

Results Review

Rs Cr	Q2FY25	Q1FY26	Axis Sec Est	Q2FY26	YoY (%)	QoQ (%)	Axis Sec Var
Net Sales	679	654	685	629	(7.5)	(4.0)	(8.2)
Gross Profit	415	405	394	384	(7.5)	(5.2)	(2.5)
Gross Margins %	61.0	61.8	57.5	61.0	-1 bps	-83 bps	355 bps
Staff Cost	106.2	105.5	97.7	100.1	(5.8)	(5.2)	2.4
Other Operating Expenses	220.7	199.8	200.8	202.3	(8.3)	1.3	0.7
EBITDA	88	99	95	81	(7.4)	(18.4)	(14.5)
EBITDA margins (%)	12.9	15.2	13.9	12.9	1 bps	-228 bps	-96 bps
Depreciation	40	40	40	39	(1.0)	(0.7)	(1.2)
Interest	5	5	5	5	4.6	-	(0.5)
Other Income	7	11	10	12	84.6	8.3	27.3
PBT	50	66	60	49	(1.5)	(25.9)	(17.9)
Tax (incl deferred)	13	17	15	13	(1.2)	(25.4)	(15.4)
PAT	37	49	45	36	(1.6)	(26.1)	(18.8)
PAT margins (%)	5.4	7.5	6.5	5.8	35 bps	-172 bps	-75 bps
EPS	1.5	2.0	1.8	1.5	(4.7)	(26.1)	(18.8)

Source: Company, Axis Securities

Financials (Standalone)

Profit & Loss

(Rs Cr)

As of 31 st March, 2025	FY25A	FY26E	FY27E	FY28E
Net sales	2,790	2,869	3,103	3,356
Growth, %	-4.3	2.8	8.2	8.2
Raw material expenses	-1,149	-1,189	-1,284	-1,387
Employee expenses	-401	-417	-450	-490
Other Operating Expenses	-858	-885	-953	-1,027
EBITDA (Core)	382	378	415	451
Growth, %	(6.0)	(0.9)	9.8	8.6
Margin, %	13.7	13.2	13.4	13.4
Depreciation	-158	-149	-160	-167
EBIT	224	229	255	284
Growth, %	(13.7)	2.6	11.1	11.3
Margin, %	8.0	8.0	8.2	8.5
Other Income	27	34	40	49
Non-recurring Items	0	0	0	0
Pre-tax profit	230	242	273	309
Tax provided	-60	-63	-71	-80
Profit after tax	170	179	203	229
Growth, %	(15.0)	5.3	12.9	13.1
Net Profit (adjusted)	170	179	203	229
Unadj. shares (Cr)	25	25	25	25
Wtdavg shares (Cr)	25	25	25	25

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

As of 31 st March, 2025	FY25A	FY26E	FY27E	FY28E
Cash & bank	42	164	284	432
Debtors	312	321	347	375
Inventory	558	573	620	671
Loans & advances	0	0	0	0
Other current assets	53	53	53	53
Total current assets	1,235	1,382	1,574	1,801
Investments	74	74	74	74
Gross fixed assets	2,090	2,190	2,290	2,390
Less: Depreciation	-746	-895	-1,055	-1,223
Add: Capital WIP	54	54	54	54
Net fixed assets	1,398	1,349	1,289	1,222
Non-current assets	35	35	35	35
Total assets	2,762	2,861	2,993	3,153
Current liabilities	451	456	473	491
Provisions	21	21	21	21
Total current liabilities	472	478	494	512
Non-current liabilities	192	192	192	192
Total liabilities	664	670	687	704
Paid-up capital	25	25	25	25
Reserves & surplus	2,073	2,166	2,281	2,423
Shareholders' equity	2,098	2,191	2,306	2,448
Total equity & liabilities	2,762	2,861	2,993	3,153

Source: Company, Axis Securities

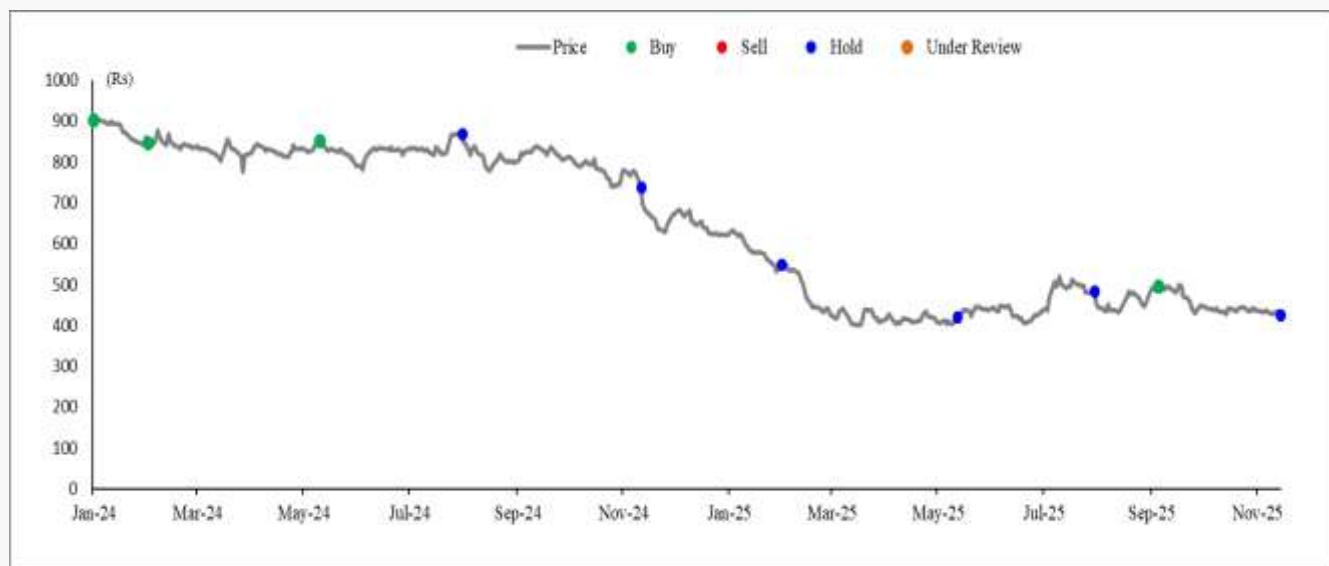
Cash Flow					(Rs Cr)
As of 31st March, 2025	FY25A	FY26E	FY27E	FY28E	
Pre-tax profit	230	242	273	309	
Depreciation	158	149	160	167	
Change in working capital	77	-19	-56	-61	
Total tax paid	-60	-63	-71	-80	
Cash flow from operating activities	405	309	306	335	
Capital expenditure	-152	-100	-100	-100	
Change in marketable securities	-186	0	0	0	
Cash flow from investing activities	-388	-100	-100	-100	
Free cash flow	18	209	206	235	
Equity raised/(repaid)	76	0	0	0	
Dividend (incl. tax)	-62	-87	-87	-87	
Cash flow from financing activities	14	-87	-87	-87	
Net change in cash	32	122	119	148	

Source: Company, Axis Securities

Ratio Analysis					(%)
As of 31st March, 2025 (Rs Cr)	FY25A	FY26E	FY27E	FY28E	
Per Share data					
EPS (Rs)	6.9	7.2	8.2	9.2	
Growth, %	(15.0)	5.3	12.9	13.1	
Book NAV/share (Rs)	84.5	88.2	92.8	98.6	
FDEPS (Rs)	6.9	7.2	8.2	9.2	
CEPS (Rs)	13.2	13.2	14.6	16.0	
CFPS (Rs)	16.7	11.1	10.7	11.5	
DPS (Rs)	2.5	3.5	3.5	3.5	
Return ratios					
Return on assets (%)	7.0	7.1	7.7	8.2	
Return on equity (%)	8.1	8.2	8.8	9.4	
Return on capital employed (%)	8.5	8.5	9.1	9.7	
Turnover ratios					
Asset turnover (x)	1.6	1.7	1.9	2.0	
Sales/Total assets (x)	1.0	1.0	1.1	1.1	
Sales/Net FA (x)	2.0	2.1	2.4	2.7	
Working capital/Sales (x)	0.2	0.2	0.2	0.2	
Receivable days	40.8	40.8	40.8	40.8	
Inventory days	73.0	73.0	73.0	73.0	
Payable days	29.9	29.7	29.7	29.8	
Working capital days	61.8	62.6	64.5	66.3	
Liquidity ratios					
Current ratio (x)	2.7	3.0	3.3	3.7	
Quick ratio (x)	1.5	1.8	2.0	2.3	
Interest cover (x)	10.8	10.9	11.5	12.2	
Dividend cover (x)					
Total debt/Equity (%)	-	-	-	-	
Valuation					
PER (x)	62.2	59.1	52.3	46.3	
PEG (x) YoY growth	(4.1)	11.1	4.1	3.5	
Price/Book (x)	5.1	4.8	4.6	4.3	
EV/Net sales (x)	3.7	3.5	3.2	3.0	
EV/EBITDA (x)	26.9	26.9	24.2	21.9	
EV/EBIT (x)	46.0	44.3	39.4	34.9	

Source: Company, Axis Securities

Relaxo Footwears Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
01-Jan-24	BUY	1,020	Top Picks
02-Feb-24	BUY	950	Result Update
13-May-24	BUY	950	Result Update
01-Aug-24	HOLD	815	Result Update
12-Nov-24	HOLD	700	Result Update
01-Feb-25	HOLD	700	Result Update
13-May-25	HOLD	450	Result Update
31-Jul-25	HOLD	520	Result Update
17-Nov-25	HOLD	450	Result Update

Source: Axis Securities

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HOLD	Between 10% and -10%
SELL	Less than -10%
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NO STANCE	We do not have any forward-looking estimates, valuations or recommendations for the stock.

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