



3R MATRIX

	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)		✓	
Right Valuation (RV)		✓	

+ Positive = Neutral - Negative

What has changed in 3R MATRIX

	Old		New
RS	✓	↔	✓
RQ		↔	
RV		↔	

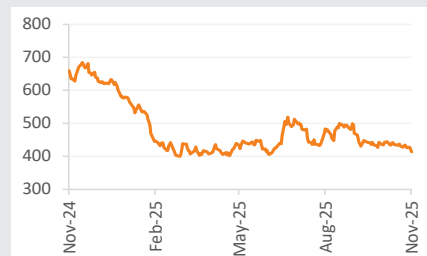
Company details

Market cap:	Rs. 10,294 cr
52-week high/low:	Rs. 694/375
NSE volume: (No of shares)	4.5 lakh
BSE code:	530517
NSE code:	RELAXO
Free float: (No of shares)	7.2 cr

Shareholding (%)

Promoters	71.3
FII	3.3
DII	9.9
Others	15.6

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-4.8	-14.4	-4.8	-37.3
Relative to Sensex	-5.8	-18.7	-8.6	-47.1

Source: Mirae Asset Sharekhan Research, Bloomberg

Relaxo Footwears Ltd

Weak Q2; recovery to take time

Consumer Discretionary	Sharekhan code: RELAXO		
Reco/View: Hold	↔	CMP: Rs. 414	Price Target: Rs. 455 ↓

Summary

- Relaxo Footwears' (Relaxo's) Q2FY26 numbers lagged estimates on all fronts, with revenue declining 7.5% y-o-y on 4.7% y-o-y volume decline, while EBITDA margin stood flat y-o-y at 12.9% and PAT fell by 1.6% y-o-y.
- Management indicated that the GST transition impact is likely to continue till December 2025, with distributors focusing on clearing old inventory leading to a 3-4% decline or flattish growth in Q3. A recovery is likely Q4 and FY27 to be better than FY26.
- Focus stays on volume-led growth to regain its market share while maintaining sustainable profitability.
- Stock continues to trade at a premium valuation of 56x/46x/41x its FY26E/FY27E/FY28E earnings, respectively, which does not provide favourable risk-reward. Hence, we maintain a Hold rating with a revised PT of Rs. 455.

Relaxo's Q2FY26 numbers were weak, missing estimates on all fronts. Revenue declined by 7.5% y-o-y to Rs. 629 crore, missing our expectation of Rs. 675 crore, owing to softness in demand in mass market segments, higher competitive intensity from unorganized players and delayed purchases due to GST 2.0 implementation. Volume/realisation declined by 4.7%/3.2% y-o-y, respectively. Gross and EBITDA margins stood flat y-o-y at 61% and 12.9%, respectively, aided by the company's consistent efforts to enhance operational efficiencies, disciplined cost management and streamlined backend processes. EBITDA margin lagged our expectation of 13.5%. EBITDA fell by 7.4% y-o-y to Rs. 81 crore. Higher other income (up 85% y-o-y) led to 1.6% y-o-y decline in the adjusted PAT to Rs. 36 crore, slightly missing our expectation of Rs. 40 crore. In H1FY26, revenue fell 10.1% y-o-y to Rs. 1,283 crore, EBITDA margin rose 101 bps y-o-y to 14.1% and PAT grew by 4.9% y-o-y to Rs. 85 crore.

Key negatives

- Volumes fell 4.7% y-o-y.

Management Commentary

- GST transition impact is likely to continue till December 2025, with distributors focusing on clearing old inventory. However, a recovery is eyed from Q4 as GST rationalisation improves competitiveness versus unorganized players.
- Q3 likely to record 3-4% decline to flattish growth. Growth is likely to return in Q4. FY27 to be better than FY26. With improved competitiveness and stronger market positioning, Relaxo expects to outperform the industry when conditions improve.
- Open footwear contributes 80%, while closed footwear forms the remaining 20%. Brand-wise, Sparx accounts for around 40% of revenue, Bahamas + Relaxo together contribute ~25%, and Flite contributes ~38%.
- The company carries 30-35 days of inventory, while channel partners carry 45 days inventory and are liquidating the older, higher duty inventory. Management expects improved secondary sales and smoother demand conversion once the channel transitions fully to new MRP inventory.
- Key priorities include expanding the distributor network, strengthening last-mile connectivity, and driving higher secondary sales. The newly introduced Relaxo Parivar app is enabling better channel engagement.

Revision in earnings estimates – We have reduced our earnings estimates for FY26 and FY27 to factor in weak performance in H1FY26. We introduce FY28 estimates through this note.

Our Call

View – Maintain Hold with a revised PT of Rs. 455: Relaxo's Q2FY26 was weak as softness in demand in mass market segments, higher competitive intensity and delayed purchases due to GST 2.0 implementation hit performance. However, long-term growth prospects are intact, driven by strong portfolio of value-for-money footwear products, enhanced capacity of 10 lakh pairs per day and distribution expansion (especially in South Indian markets). Also, gradual improvement in volumes and correction in key input prices would help improve margin profile in the coming years. Stock trades at a premium valuation of 56x/46x/41x its FY26E/FY27E/FY28E earnings, respectively, which does not provide a favourable risk-reward. Considering the premium valuation, we retain Hold on the stock with a revised price target of Rs. 455 (rolling over to September-27 earnings).

Key Risks

Any improvement in demand, which is higher than our expectation or a spike in key input prices would act as key risks to our earnings estimates in the near term.

Valuation (Standalone)

	Rs cr				
Particulars	FY24	FY25	FY26E	FY27E	FY28E
Revenues	2,914	2,790	2,698	2,914	3,151
EBITDA margin (%)	14.0	13.7	14.2	15.0	15.5
Adjusted PAT	200	170	184	222	252
Adjusted diluted EPS (Rs.)	8.1	6.9	7.4	8.9	10.1
P/E (x)	51.2	60.3	55.9	46.3	40.8
P/B (x)	5.1	4.9	4.6	4.3	4.0
EV/EBITDA (x)	25.7	26.8	26.3	23.0	20.3
RoNW (%)	10.4	8.3	8.5	9.6	10.2
RoCE (%)	17.2	13.1	13.6	15.1	15.3

Source: Company; Mirae Asset Sharekhan estimates

Results (Standalone)

Particulars	Rs cr				
	Q2FY26	Q2FY25	y-o-y (%)	Q1FY26	q-o-q (%)
Net Revenue	628.5	679.4	-7.5	654.5	-4.0
Raw-material cost	245.0	264.8	-7.5	249.8	-1.9
Staff cost	100.1	106.2	-5.8	105.5	-5.2
Other expenses	202.3	220.7	-8.3	199.8	1.3
Total expenses	547.4	591.7	-7.5	555.0	-1.4
EBITDA	81.2	87.7	-7.4	99.5	-18.4
Other Income	12.3	6.6	84.6	11.3	8.3
Interest expenses	5.2	5.0	4.6	5.2	0.0
Depreciation & Amortization	39.4	39.8	-1.0	39.7	-0.7
Profit before Tax	48.9	49.6	-1.5	65.9	-25.9
Tax	12.7	12.8	-1.2	17.0	-25.4
Adjusted PAT	36.2	36.7	-1.6	48.9	-26.1
Exceptional/ one off (net of taxes)	0.0	0.0	-	0.0	-
Reported PAT	36.2	36.7	-1.6	48.9	-26.1
Adjusted EPS (Rs.)	1.5	1.5	-1.9	2.0	-26.1
			bps		bps
GPM (%)	61.0	61.0	-1	61.8	-83
EBITDA Margin (%)	12.9	12.9	1	15.2	-228
NPM (%)	5.8	5.4	35	7.5	-172
Tax rate (%)	26.0	25.9	7	25.8	17

Source: Company; Mirae Asset Sharekhan Research

Operational performance

Particulars	Rs cr				
	Q2FY26	Q2FY25	y-o-y (%)	Q1FY26	q-o-q (%)
No of pairs sold (in crore)	4.1	4.3	-4.7	4.3	-4.7
Average Realization per pair (in Rs.)	151	156	-3.2	151	0.0

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Long-term growth prospects intact

India ranks as the second-largest footwear producer globally after China, with annual production of over 2.1 billion pairs. The domestic consumption stands at ~2.1 billion pairs annually, with per capita footwear consumption of 1.9 pairs, significantly lower than the global average of 3.2 pairs, indicating substantial growth potential. The Indian footwear industry is experiencing significant transformation driven by evolving consumer preferences and emerging fashion trends. Rising disposable incomes among India's expanding middle class have fuelled a noticeable premiumization trend, with premium and branded footwear growing at ~12% annually. The Indian footwear market is expected to post a CAGR of ~10% over CY24-CY33E as compared to global market growth of 4.3% over the same period.

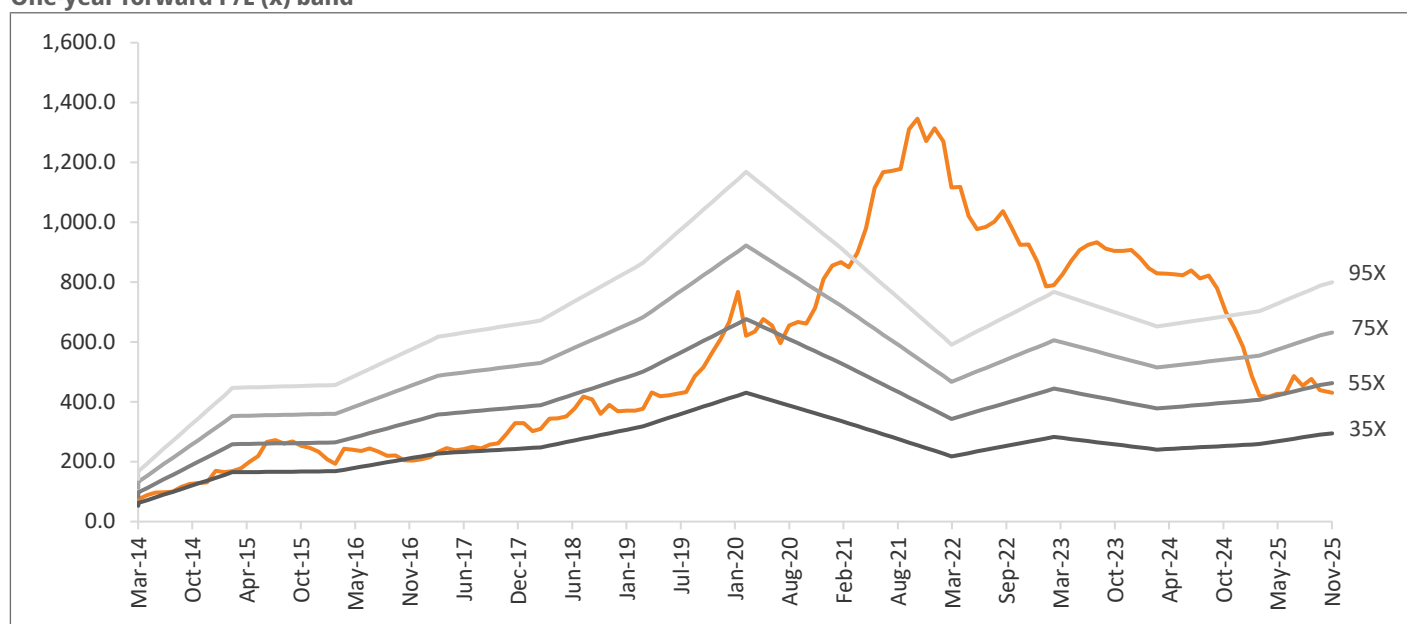
■ Company Outlook – Near term outlook bleak; Long term prospects intact

Relaxo's Q2FY26 was weak, missing estimates on all fronts. The management anticipates topline recovery to still take one more quarter as most distributors have high cost inventory which is expected to be liquidated by Dec-Jan. FY27 to be better than FY26. Lower per capita footwear consumption in India, Relaxo's under-penetration in the South Indian market, focus on exclusive branded outlets (EBOs), premiumisation and sustained product additions remain long-term growth drivers.

■ Valuation – Maintain Hold with revised PT of Rs. 455

Relaxo's Q2FY26 was weak as softness in demand in mass market segments, higher competitive intensity and delayed purchases due to GST 2.0 implementation hit performance. However, long-term growth prospects are intact, driven by strong portfolio of value-for-money footwear products, enhanced capacity of 10 lakh pairs per day and distribution expansion (especially in South Indian markets). Also, gradual improvement in volumes and correction in key input prices would help improve margin profile in the coming years. Stock trades at a premium valuation of 56x/46x/41x its FY26E/FY27E/FY28E earnings, respectively, which does not provide a favourable risk-reward. Considering the premium valuation, we retain Hold on the stock with a revised price target of Rs. 455 (rolling over to September-27 earnings).

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

Peer Comparison

Particulars	P/E (x)			EV/EBIDTA (x)			RoCE (%)		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Bata	54.2	57.4	51.1	17.9	17.2	15.3	9.1	8.5	9.4
Relaxo Footwears	60.3	55.9	46.3	26.8	26.3	23.0	13.1	13.6	15.1

Source: Company; Mirae Asset Sharekhan Research

About company

Relaxo is a leading footwear company with annual turnover close to Rs. 3,000 crore. The company has nine manufacturing facilities across northern India with a capacity to produce ~10.5 lakh pairs per day. The company has a wide distribution network of over 70,000 retailers/Multi-Brand Outlets, ~550 distributors, and 414 EBOs. Relaxo produces a wide range of footwear under brands - Sparx, Bahamas, Flite, Schoolmate, Relaxo Hawaii, among others. Bahamas and Flite cater to the young and fashionable target consumers, while Sparx is marketed with durability as its unique selling proposition (USP), whereas Schoolmate is specifically for school shoes. The company also exports its products to ~37 countries and has an overseas office in Dubai.

Investment theme

Relaxo has identified 4-5 levers, which are expected to drive growth for the company including higher contribution from e-commerce channel, expansion in closed footwear, increased export contribution, adoption of the EBO model and steady growth momentum maintained in the open footwear category. Though Q2 performance was weak, the company eyes good traction coming in the next 2-3 quarters driven by its sales transformation journey and distribution expansion. The company aims to focus on innovation, efficiency, and building consumer trust to deliver profitable, sustainable growth. We expect revenue/PAT to clock 4%/14% CAGR over FY25-28E.

Key Risks

- ♦ **Slowdown in discretionary demand:** Any slowdown in demand would affect revenue growth.
- ♦ **Increased competition in highly penetrated categories:** Heightened competition would threaten revenue growth.
- ♦ **Increased input costs:** Any significant increase in rubber prices or that of crude oil derivatives would affect profitability.

Additional Data

Key management personnel

Name	Designation
Ramesh Kumar Dua	Chairman and Managing Director
Prince Jain	Chief Financial Officer
Ankit Jain	Company Secretary and Compliance Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	SBI Funds Management Ltd.	9.46
2	VLS Securities Ltd.	5.84
3	VL Finance SASU	3.03
4	Vanguard Group Inc.	1.15
5	Blackrock Inc.	0.52
6	ICICI Prudential AMC Ltd.	0.21
7	Dimensional Fund Advisors LP	0.11
8	Motilal Oswal AMC Ltd.	0.10
9	State Street Corp	0.07
10	Franklin Resources Inc.	0.07

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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