Relaxo Footwears

Operator: Ladies and gentlemen, good day and welcome to the Relaxo Footwears Limited Q4 FY26 financial results hosted by IIFL Capital Services Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sameer Gupta from IIFL Capital Services Limited. Thank you and over to you, sir.

Sameer Gupta – IIFL Capital Services Limited: Thanks, Gitesh. Good evening everyone. At IIFL Capital, it's our pleasure to host the management of Relaxo Footwears Limited. From the management, we have Mr. Ramesh Kumar Dua, Chairman and MD; Mr. Gaurav Dua, Co-CEO and Whole-time Director; Mr. Ritesh Dua, Co-CEO; and Mr. Sushil Batra, Executive Director. We also have Mr. Ankit Jain, Company Secretary and Compliance Officer. Without taking more time, let me hand it over to Mr. Ankit Jain for the opening remarks. Over to you, Mr. Ankit.

Ankit Jain – Relaxo Footwears Limited: Thank you, Sameer, for the introduction. I am Ankit Jain, Company Secretary and Compliance Officer of the company. Good evening everyone and thank you for joining us on our Q4 and FY26 earnings call. We appreciate your continued interest in our company and we are pleased to walk you through our operational and financial performance for the quarter and financial year ended March 31, 2026.

The earnings release and investor presentation are already available on the stock exchange website and our website for your reference. Before we move into the Q&A session, I would like to highlight some of the key performance metrics for Q4 and FY26.

Revenue from operations stood at 751 crore in Q4 FY26 as against 695 crore in Q4 FY25, representing an 8.1% year-on-year growth. The revenue growth was driven by strong volume growth and a recovery in the general trade channel alongside continued growth in retail, e-commerce, and large format retail channels.

EBITDA for the quarter stood at 124 crore, registering a growth of 10.6% year-on-year. EBITDA margin was at 16.5% in Q4 FY26 as compared to 16.1% in Q4 FY25. The growth was supported by a continued focus on operational efficiencies, backend optimization initiatives, and prudent cost management measures undertaken by the company despite the dynamic industry environment.

Profit after tax for Q4 FY26 stood at 68 crore compared to 56 crore in Q4 FY25, registering a growth of 20.4% year-on-year. PAT margin expanded by 92 basis points year-on-year to 9%, reflecting the company's sustained focus on profitable growth.

For FY26, revenue from operations stood at 2,702 crore as compared to 2,790 crore in FY25. EBITDA for FY26 stood at 374 crore, while EBITDA margin stood at 13.8% in FY26. Profit after tax for FY26 stood at 179 crore as compared to 170 crore in FY25, with an increase of 5.3% year-on-year growth. PAT margin in FY26 stood at 6.6% as compared to 6.1% in FY25.

Going forward, while the momentum exiting FY26 is encouraging, we must tread with caution due to the uncertain external environment amidst the ongoing geopolitical situation causing inflationary

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pressure, which could affect consumer sentiment. While the company has recently taken some calibrated price increases to offset input cost inflation, the full impact on demand and consumption patterns is still evolving and requires close monitoring.

To conclude, while we are cautious about the near-term environment, we remain constructively optimistic about Financial Year 2027 performance and we are committed to delivering sustainable performance. Thank you. You may please open the floor for questions now. Over to you, Sameer.

Operator: Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and one on their touchtone phone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we'll wait for a moment while the question queue assembles.

The first question is from the line of Archana Gude from IDBI Capital. Please go ahead. Sorry to interrupt, ma'am, your voice is not audible. Archana ma'am, can you hear me? Sorry, the line has been disconnected. I'll take the next participant. The next question is from the line of Avinash Karunmanji from MOSL. Please go ahead. I'm sorry, the line got disconnected. The next question is from the line of Sameer Gupta. Please go ahead.

Sameer Gupta – IIFL Capital Services Limited: Hi and thanks for taking my question. Firstly, sir, how should one read this result? There has been a GST rate reduction wherein there was destocking in the previous quarters and there would have been some upstocking this quarter. Also, the distributor count, if I see your presentation, has gone up from 550 last quarter to 630 this quarter. If you adjust for these impacts, or put it this way, if you can give any indication on growth at the retail level, it would be helpful for us to understand the exact quantum of growth occurring.

Gaurav Dua – Relaxo Footwears Limited: Hi Sameer, this is Gaurav Dua. You have correctly noted that there was significant optimism in the market in Q4. As you mentioned, the GST reduced from 12% to 5% and distributors were carrying stocks. Now, that stock has more or less been liquidated through the pipeline and we are seeing a good recovery in Q4.

Sameer Gupta – IIFL Capital Services Limited: So, you have reported 8% growth, but this would also include distributors taking stock and filling their inventory whereas last quarter was zero. Is it fair to say that the actual normal growth rate is somewhere around 4%?

Gaurav Dua – Relaxo Footwears Limited: Actually, we started seeing the full impact from December onwards. You can definitely say that we were able to grow 5-6% over two quarters.

Sameer Gupta – IIFL Capital Services Limited: Got it, sir. Second, and I think Ankit mentioned this in his opening remarks, regarding the raw material impact. First of all, could you quantify the input cost inflation you are facing in your cost basket? I understand the labor cost. Secondly, what quantum of price hikes have you passed on?

Management: Input cost pressure is on both sides. One is raw material, which is impacting everyone, and then in a few northern states, labor costs have also been increased by the government. We are working on that. Raw fuel prices are settling down and coming down as well.

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We are evaluating the overall impact of how much it will affect us, but it is definitely a substantial impact that we are forecasting. However, we have passed this on majorly through price increases. Things should be more or less at par with the cost increase, and we will see how it works.

Sameer Gupta – IIFL Capital Services Limited: If you could quantify the inflation, if your cost was 100 in the previous quarter and Q3, where is it trending today? Is it 110 or 105?

Management: Sameer, we have taken two to three price increases in the market and it was a gradual increase. Some were because of raw material and one was because of the labor costs, which increased in Haryana. Roughly, the increase is around 15–18%. In some categories it is less and in others it is more. We calibrated what could be passed on to the market and took the call.

Sameer Gupta – IIFL Capital Services Limited: So on a blended level, you have taken a 15–18% price increase at the consumer level?

Management: Correct, you are right.

Sameer Gupta – IIFL Capital Services Limited: And your cost increase would be roughly similar?

Management: We expect the price increase on the cost of goods manufactured to be around 12–15%, including all states and materials. That is what we are expecting.

Sameer Gupta – IIFL Capital Services Limited: So you have taken a higher price increase versus the cost inflation?

Management: No, it is a price increase on the finished goods at a blended rate. Regarding the cost of goods we are manufacturing, there is a price increase on both sides. On the labor side, there is almost a 25–30% price increase on labor in one state, while in others it is around 10–15%. It is a mix of these things. That is one part of the cost increase. Then material costs went up significantly; for example, one material that was at 120 went up to 240 or 250. Now things are settling and coming down. We have to review everything overall. Regarding the price increase as of today, because we had inventory, that material effect was not as significant in the first month, April. Labor costs have definitely started to increase. It is a mix of many factors. We can say there will be an overall increase of around 15–20% on the cost side as of today.

Sameer Gupta – IIFL Capital Services Limited: Okay, got it. So there is a 15–20% increase on the cost side and you have passed it on to the consumer entirely, so your margin is protected in a way.

Management: Yes, exactly to some extent, and we are trying to achieve that.

Sameer Gupta – IIFL Capital Services Limited: Got it, sir. I'll come back in the queue for follow-ups. Thanks a lot.

Operator: Thank you. The next question is from the line of Archana Gude from IDBI Capital. Please go ahead.

Archana Gude – IDBI Capital: Hi sir, thank you once again and apologies for the network issues. I have three questions. Firstly, can you give us some understanding of what has really changed following GST 2.0 in terms of competitive intensity and the demand front?

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Management: As we mentioned before, the GST moved from 12% to 5%. This made branded players like us more competitive in the market because the taxes came down, which helped organized players. Secondly, there was a good demand recovery in Q4 at the consumer level. Because of these two factors, we could see the growth level returning.

Archana Gude – IDBI Capital: And has the demand continued in the first two months of Q1, or do we see some subdued demand?

Management: It is too early to say, but April and May were definitely better. May is still ongoing, so let us see how June goes.

Archana Gude – IDBI Capital: Okay. Earlier we spoke about product premiumization by moving into sneakers and high-value Flight portfolios. How is that progressing? What has been the response, and are there any new products on the cards that can aid margin expansion?

Management: We are definitely widening our premium playbook through sneakers and other lifestyle-led products. Our main objective is to ensure we do not lose relevance in the mass category while we premiumize. We are adjusting our product mix accordingly.

Archana Gude – IDBI Capital: Is there anything specific planned for FY27, or is it still in progress?

Management: Premiumization is a continuous process. As we discussed before, we are coming up with an Athleisure range and more price points. For example, in Sparx, we had shoes ranging from 999 to 1,700. Now we are considering how we can offer more products at the 2,500 level. We are increasing both the price range and the number of premium products.

Archana Gude – IDBI Capital: Right. And lastly, do you have any guidance on capex for this year and next year?

Management: We spent around 130 crores last year. For next year, we have planned around 180 to 200 crores. That is the plan for the coming year.

Archana Gude – IDBI Capital: Will that be used basically for existing capacity and not for any new capacity addition?

Management: It will be a mix of both. We spend a significant amount on molds, which is not for increasing capacity. We are also building an administrative office, so some funds will go there. There will also be some spending on normal wear and tear and changes in machinery. There is no large-scale capacity expansion planned, but a good amount will be spent on the mold side.

Archana Gude – IDBI Capital: Sure, sir. Thank you so much. I will come back in the queue.

Operator: Thank you. A reminder to all participants that you may press star and one to ask a question. The next question is from the line of Avinash Karunmanji from MOSL. Please go ahead.

Avinash Karunmanji – MOSL: Hi sir, good evening. Congratulations on a good set of numbers. This is the first time in around eight quarters that we have seen an increase in volume. Is this only due to the GST cut, or are there other factors?

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Management: As I mentioned before, it is a combination of things. We are still an open-footwear dominant player, so due to seasonality, Q4 and Q1 are larger for us. The second factor was definitely GST, and thirdly, there was good demand in the market.

Avinash Karunmanji - MOSL: Okay. And if I heard correctly, you have taken price hikes in the range of 15% to 20%. Is that right?

Management: Correct, it is 15-18%.

Avinash Karunmanji - MOSL: We saw a similar situation in FY22 where we had to take a 20% plus price hike and that impacted our volumes significantly. Last time, we argued that Relaxo maintains six months of raw material inventory while unorganized players maintain a smaller quantum. How are we positioned for these cost pressures right now?

Management: This time we are being cautious in buying raw materials. We have not bought as we did two years ago. We are being very careful in our purchasing and in passing prices to the consumer. We are watching the trends in the market. This is happening across the entire footwear industry; all players have taken price increases, not just Relaxo.

Management: Last time, the raw material price hike was very steep, moving from 100 to 300 rupees. This time there is an increase, but not at that high level. Things are settling now; raw material prices seem to be coming down every day. We have to watch for another month because the global scenario is uncertain, but things appear to be settling globally as well. It will take time, but we do not see a repetition of what happened last time.

Avinash Karunmanji - MOSL: If things normalize, would you be rolling back these price hikes?

Management: No, I do not think there is any possibility that raw materials will settle to that extent. This price increase will remain.

Avinash Karunmanji - MOSL: I am not asking from a next-quarter perspective, but over the next two or three years, how should we look at gross margins?

Management: We will definitely try to improve the overall gross margin, but we have to be very cautious about passing costs to the consumer. We have to be competitive and watch the competition. Our intent is to improve the gross margin and the overall operating margin. It will be a journey toward improvement.

Avinash Karunmanji - MOSL: What would be the levers of that improvement?

Management: As we discussed, we are going to open 100 new outlets this year and we are changing our product mix. Plus, there will be additions in terms of distributors and retailers. We are taking a lot of action to grow both the market and our margins.

Avinash Karunmanji - MOSL: Okay sir, congratulations on the great numbers. I'll join the queue for more.

Operator: Thank you. The next question is from the line of Shraddha Kapadia from SMIFS. Please go ahead.

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Shraddha Kapadia – SMIFS: Hello, am I audible?

Management: Yes, ma'am.

Shraddha Kapadia – SMIFS: Congratulations on a good set of numbers. You mentioned an increased focus on the women's and kids' categories. Could you let us know the current contribution and the medium-term target the management has for these?

Management: For us, the men's contribution is 70%, ladies' is 25%, and kids' is 5%. Our focus will be on the ladies' and kids' segments to improve those percentages. Right now they are quite low, but they will definitely improve.

Shraddha Kapadia – SMIFS: Similarly, could you help with the current contribution from premium products?

Management: We were playing in the sports shoe category from 999 to 1,800. This time we have rearranged our portfolio and are going to launch more products starting from 999 up to 2,800 MRP. It is too early to say exactly what the numerical contribution will be from the premium portfolio.

Shraddha Kapadia – SMIFS: Okay. Thank you so much. I'll join back in the queue.

Operator: Thank you. The next participant is from the line of Sameer Gupta from IIFL. Please go ahead.

Sameer Gupta – IIFL Capital Services Limited: Hi sir, just a follow-up. Regarding the 15% price hike, I wanted to understand the thought process. Our inventory is at 75 days on sales, which translates to around 150 days on COGS. Aren't we a little early in taking sharp price hikes? If I look at competitors like Bata, Red Tape, and Metro, we haven't seen major price hikes announced there yet. Do you foresee a volume impact in the near term or a moderation in growth momentum in the coming quarters? And what was the urgency in taking these hikes?

Management: There were two reasons. One was the raw material costs which shot up significantly in April. Second was the wages. In Haryana, there was an increase in wages of more than 30%. That is why we had to take the price increase. Regarding raw materials, we are seeing them soften now, but we do not expect the wage increase to come down. So, there will be cost pressure from that. The price hike cannot be reversed. Regarding other players, it depends on which states they operate from, so we cannot comment on the impact wages had on them, but the raw material impact is industry-wide.

Sameer Gupta – IIFL Capital Services Limited: When you say raw material will soften, if wage costs remain high, do you foresee taking price cuts or increasing trade discounts if raw materials come down significantly? Otherwise, you would see a margin expansion.

Management: We are closely monitoring the market to see how the uptake will be. It is too early to give any guidance on this.

Sameer Gupta – IIFL Capital Services Limited: Fair, sir. That's all from me.

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Operator: Thank you. The next question is from the line of Shraddha Kapadia from SMIFS. Please go ahead.

Shraddha Kapadia – SMIFS: Thank you for the opportunity again. Could you help us with any future guidance for modeling purposes regarding revenue and margins, considering the company has reported such good growth this quarter?

Management: We are confident we will sustain the performance we saw in Q4, but geopolitical situations are very uncertain. It is tough to make a solid statement, but we are confident we will maintain and intend to improve our margins. Growth will come and there is a price increase; we have to maintain volume as well. We are watching competitors, internal factors, and the geopolitical environment. Q4 was much better, so things are starting to improve and consumer sentiment is not that down. GST is helping us, and our treasury and balance sheet are favoring us. We are very confident for the future. The near future should be better.

Shraddha Kapadia – SMIFS: Are there any numbers you could help us quantify?

Management: Last year we maintained an operating margin of around 13.8% for the full year. Q4 was much better. We do not expect Q4 to be repeated exactly, but we intend to do better than last year's overall operating margin of 13.8%. We are aiming for an improvement of perhaps 1% plus.

Shraddha Kapadia – SMIFS: Since you mentioned that General Trade (GT) helped growth, were there any specific changes you witnessed there?

Management: In GT, we saw a recovery of demand in Q4 and we expect it to continue. We are closely monitoring how the consumer reacts after the price increase. We launched some products in different categories to ensure we didn't abandon earlier price points while moving into higher ones.

Shraddha Kapadia – SMIFS: So the newer products will be at higher price points?

Management: Correct.

Shraddha Kapadia – SMIFS: Understood.

Management: Moreover, we have planned an expansion in our own EBO model where we intend to open 100 stores. We are doing a new format and redesigning the shops to offer a good experience. We did one trial and received a good response, so we are very confident that this will bring good footfall and profitable returns. We are also working on e-commerce and have seen significant growth from that channel. These new initiatives will add a lot of growth.

Shraddha Kapadia – SMIFS: Regarding the EBOs, is there a target for Tier 1, Tier 2, or Tier 3 cities?

Management: We are going to open outlets across India. Previously we were primarily based in the North and East. We have identified gaps in the West and, going forward, we will enter the Southern market after understanding consumer preferences.

Shraddha Kapadia – SMIFS: Thank you, that was very helpful.

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Operator: Thank you. The next question is from the line of Yogesh Bhatia from Sequent Investments. Please go ahead.

Yogesh Bhatia – Sequent Investments: Hello sir, congratulations on the good set of numbers. Why were margins high in this quarter? Is it a specific inventory gain, or is it due to the price hike?

Management: There are a few reasons why the margin was higher in Q4. One is that a lot of backend work was done in the plants to reduce costs. Secondly, our volume grew significantly, so fixed costs remained the same while the contribution increased due to both volume and value. Additionally, we curtailed or reduced the discounts given in the market.

Yogesh Bhatia – Sequent Investments: So there was no inventory gain?

Management: We did take a small price increase in Q4, which is also a reason for the margin improvement.

Yogesh Bhatia – Sequent Investments: Regarding the 100 new EBOs, what is the timeline for this expansion and how many EBOs do you currently operate?

Management: Currently, we have 400 plus EBOs. We are being very aggressive with the new design and format. We expect to open 30-40% of the 100 stores in the first half of the year. By December, most of them should be ready.

Yogesh Bhatia – Sequent Investments: Will the 100 stores be in addition to the 400, or are you redesigning the existing 400?

Management: We will add 100 new stores. The 400 will continue in the same format, though we may change some, but the 100 will be brand new.

Yogesh Bhatia – Sequent Investments: Regarding volume growth, the volume was around 17.8 crore pairs, and the Q4 year-on-year volume growth was not very significant. How do you see volumes performing over the next two years? Will the product mix change such that the price range stays at 155-160 rupees per pair?

Management: It is a journey. Increasing the ASP will take time, but we are focused on premiumization. We are changing our product mix, but it is a long-term phenomenon. We expect the ASP to increase every year. With EBO expansion and e-commerce growth, the ASP will definitely improve. While there may be pressure in GT, those two channels will see a lot of premiumization.

Yogesh Bhatia – Sequent Investments: What do you feel qualitatively about volumes for the next two years?

Management: We have to be cautious. Our intent is to grow our volume by 4-5% per year. We have already taken a price increase, so we will see how that impacts things, but we want to grow volume by at least 4-5% with profitability.

Yogesh Bhatia – Sequent Investments: If the EBO network is expanding by 25%, shouldn't volume expansion be higher than 4-5%?

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Management: I agree, but the EBO business is currently only about 10% of our total business. If we increase that by 25%, it involves high-value items, so volume will increase but not to that degree on a company-wide basis. Selling 17-18 crore pairs, as we did last year, is not easy, but we intend to grow.

Yogesh Bhatia – Sequent Investments: Can you provide a breakup of your network touchpoints?

Management: As mentioned in our investor report, we currently supply to 70,000 MBO outlets. We have 420 of our own EBO outlets. We are also available on e-commerce platforms and have started with quick commerce, being present on Blinkit and Zepto where we are getting a good response. Additionally, we export to 30 countries.

Operator: Thank you. The next question is from the line of Archana Gude from IDBI Capital. Please go ahead.

Archana Gude – IDBI Capital: Could you help me with the revenue contribution from Sparx, Flite, and Relaxo in FY26?

Management: In our three major brands, the contribution from Sparx is around 40%, Flite is 25%, and Relaxo is 35%.

Archana Gude – IDBI Capital: How has the Sparx journey been over the last few years? Is there any specific category supporting margin expansion more than top-line growth?

Management: There is good demand coming from sneakers and sports shoe categories, which we think has a great future. We are also focusing more on the ladies' and kids' categories, which currently contribute less but have good potential.

Archana Gude – IDBI Capital: What were the ad expenses in FY26 and what is the outlook for the coming year?

Management: Our expenditure is roughly 4-5% of sales, and it varies from brand to brand depending on the requirement. A significant portion is also spent on performance marketing on platforms like Amazon and Flipkart.

Archana Gude – IDBI Capital: Will you maintain that 4-5% ratio for FY27?

Management: Yes, we will try to maintain that. However, we are shifting our overall digital strategy. Customers are moving from television to digital, so our spend is shifting toward the mediums where the consumer is present.

Operator: Thank you. The next question is from the line of Sameer Gupta from IIFL. Please go ahead.

Sameer Gupta – IIFL Capital Services Limited: Does the 180 to 200 crore capex guidance include the capex for the 100 new EBOs?

Management: Yes, that is largely inclusive. In our case, the spend per store is not that great; we spend around 30 to 35 lakhs per store. For 100 stores, that is about 30-35 crore, which is part of the 200 crore.

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Sameer Gupta – IIFL Capital Services Limited: Given there will be retailing costs in the first few years, will this be margin dilutive? You have guided for a 100 basis point expansion; is that despite this retail expansion?

Management: Yes, definitely. We have done trials and seen good footfall and responses. We are able to sell high-value products and we have exclusive articles for EBOs in addition to our GT range. We have already expanded our margins in these stores, so we don't see much pressure on the overall margin and we expect the 1% expansion will be maintained at the company level.

Operator: Thank you. As there are no further questions, I now hand the conference over to the management for closing comments.

Management: Thank you, Sameer. This is all from our side. We thank all of you for joining the call and look forward to speaking with you again in the next call. Thank you.

Operator: Thank you very much. On behalf of IIFL Capital Services Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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