September 30, 2026

Relaxo Footwears Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action	Financial Sector Regulator#
Long-term- Fund Based - Cash Credit	140.00	140.00	[ICRA]AA(Stable); reaffirmed	RBI
Short-term Non-fund Based	120.00	120.00	[ICRA]A1+; reaffirmed	RBI
Total	**260.00**	**260.00**		

**Instrument details are provided in Annexure-I*

 # SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI

Rationale

The ratings reaffirmation continues to factor in Relaxo Footwears Limited's (RFL) steady operational and financial performance in FY2026 and Q1 FY2027. The ratings derive strength from RFL's long and established track record as one of the largest players in the Indian footwear industry, its strong business profile characterised by its wide distribution reach and a diversified product portfolio. The company has also strengthened its market presence over the years by expanding from a single-product manufacturer to offering higher value sandals as well as casual and sports shoes. RFL's financial profile remains comfortable, reflected by its large scale of operations and accruals, no external debt and strong liquidity (cash and cash equivalent of more than Rs. 400 crore as of June 30, 2026 and undrawn working capital limits of more than Rs. 130 crore). RFL reported revenues of Rs. 2,702 crore in FY2026, (down 3% YoY) amid subdued demand in the mass segment although it rebounded in Q1 FY2027 (8% growth YoY), supported by increased realisations as the entity undertook price hikes to pass on the increased raw material and other labour related cost. The earnings are expected to improve over the medium term amid anticipation of a gradual improvement in demand, conversion of unorganised to organised trade, and continuous innovation and marketing spend.

The ratings continue to be constrained by the inherent competition due to the fragmented nature of the Indian footwear industry and wide presence of the unorganised sector, which partly constrains its pricing power. The ratings also consider vulnerability of RFL's profitability to fluctuation in raw material prices and exchange rates. Nevertheless, given its strong balance sheet, RFL is relatively well positioned to mitigate these challenges.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company will continue to record healthy earnings, benefitting from its strong brand. The company's debt metrics are expected to remain strong over the medium term, aided by healthy accruals and absence of material debt-funded capex plans.

Key rating drivers and their description

Credit strengths

Long track record in Indian footwear industry – RFL was incorporated in 1984 and its promoters have been involved in the footwear business for more than four decades. Over this period, the company has successfully expanded into new product categories, geographies and customer segments and has become one of the largest footwear manufacturers in the country. It has nine plants spread across three cities with an aggregate manufacturing capacity of close to 27 crore pairs per annum. The company's market position gains strength from a diversified product portfolio across multiple price points and varied usages.

Strong business profile, aided by a wide distribution reach and pan-India presence – The company has a pan-India network of distributors (600+ active distributors) and retail stores supplying Relaxo products through more than 70,000 points of sales (POS), resulting in high geographical and customer diversification. RFL also sells its products through various e-commerce platforms like Amazon, Tata Cliq, Flipkart etc. to reach a wider customer base.

Diversified product portfolio and good brand recall – RFL started as a manufacturer of rubber-based hawai slippers. It gradually expanded the product portfolio to include ethylene vinyl acetate (EVA) slippers, polyurethane (PU) slippers, casual shoes, sports shoes and sandals. Its market position has also improved over the years, aided by significant advertising, branding initiatives and celebrity endorsements.

Strong financial profile – RFL reported revenues of Rs. 2,702 crore in FY2026 (down 3% YoY) amid subdued demand in the mass segment although it rebounded in Q1 FY2027 (8% growth YoY). The same was supported by higher realisations as the entity undertook price hikes to pass on the increased cost related to raw materials and labour. The earnings are expected to rise over the medium term amid anticipation of a gradual improvement in demand, conversion of unorganised to organised trade, and continuous innovation and marketing spend. The company's liquidity position is strong with cash and cash equivalent of more than Rs. 400 crore as on June 30, 2026, nil term debt and significant buffer in fund-based limits. The same is likely to help the company withstand any material slowdown in demand over the medium term.

Credit challenges

Stiff competition in footwear industry – The footwear industry is inherently competitive owing to the strong presence of the unorganised sector. The industry does not have a capital-intensive manufacturing process and hence the entry barriers for new players remain low. Also, presence of many small-to-medium-sized players constrains the pricing power to an extent.

Vulnerability of earnings to volatility in raw material prices and forex rates – The margins of the company are affected by raw material price fluctuations. Any adverse movement in the prices of raw materials may negatively impact the company's margins, considering its limited ability to pass on the price hike to the customers owing to intense competition. In addition to the price of commodities, fluctuation in the exchange rate impacts the cost of materials.

Environmental and Social Risks

Environmental considerations: The exposure of footwear entities to environmental risks emanates from the tightening regulatory requirements related to waste treatment and additional costs needed to be incurred for treating and managing effluents. Lapses in adhering to the statutory pollution limits could invite fines and penalties, which could impact its profitability. Thus, the company's ability to remain compliant with the necessary regulatory stipulations remains a key consideration.

Social considerations: The exposure of footwear entities to social risks is generally not material. However, being a manpower-intensive segment, entities are exposed to the risk of disruption due to inability to properly manage human capital in terms of their safety and overall well-being. The adverse impact of environmental pollution in nearby localities could trigger local criticism. The company's track record of carrying out its operations responsibly over the years provides ratings comfort. The risk profile of entities is also influenced by other social factors such as changing consumer preferences, responsible sourcing, product and supply chain sustainability, given its high reliance on external suppliers.

Liquidity position: Strong

RFL's liquidity position remains **strong,** characterised by cash and cash equivalents of more than Rs. 400 crore and cushion of around Rs 140 crore in working capital limits as on June 30, 2026. Further, ICRA estimates the company to generate surplus free cash flows in FY2027, after accounting for working capital as well as capex requirements (~Rs. 200 crore in FY2027). The company does not have repayment obligations.

Rating sensitivities

Positive factors – Improvement in profitability and scale of operations, while maintaining the current comfortable leverage and strong liquidity position could lead to a long-term rating upgrade. Specific credit metrics for ratings upgrade include core return on capital employed remaining above 20% on a sustained basis.

Negative factors – A material drop in the company's market position, leading to a sustained decline in earnings or substantial capex plans, resulting in a deterioration in the liquidity position or debt protection indicators could result in a ratings downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Footwear
Parent/Group support	None
Consolidation/Standalone	Standalone

About the company

RFL was founded by Mr. Mool Chand Dua. The company was incorporated in September 1984 as Relaxo Footwears Private Limited and was converted into a public limited company in March 1993. It started as a marketing company for the Relaxo Group and subsequently started manufacturing hawai slippers in 1995. At present, the company manufactures hawai rubber slippers, EVA and PU-based slippers and sports shoes and sandals. It is one of the largest players in the non-leather footwear market in the country with a pan-India distribution network and sells its footwear under Relaxo, Bahamas, Flite and Sparx brands. The company can manufacture close to 27 crore pairs of shoes per annum.

Key financial indicators (audited)

RFL	FY2025	FY2026	Q1 FY2027*
Operating income	2,789.6	2,702.2	705.1
PAT	160.3	174.5	54.9
OPBDIT/OI	13.8%	13.9%	15.3%
PAT/OI	5.7%	6.5%	7.8%
Total outside liabilities/Tangible net worth (times)	0.3	0.3	Not available
Total debt/OPBDIT (times)	0.6	0.6	Not available
Interest coverage (times)	16.3	15.6	18.3

*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore; *Limited audit*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current ratings (FY2027)			Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
Instrument	**Type**	**Amount rated (Rs. crore)**	**Sep 30,2026**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Fund-based-Cash credit	Long Term	140.00	[ICRA]AA (Stable)	Nov 28,2025	[ICRA]AA (Stable)	Dec 18, 2024	[ICRA]AA (Stable)	Dec 07, 2023	[ICRA]AA (Stable)
Non-fund based	Short Term	120.00	[ICRA]A1+	Nov 28,2025	[ICRA]A1+	Dec 18, 2024	[ICRA]A1+	Dec 07, 2023	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Cash Credit	Simple
Non-Fund-Based limits	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook	Financial Sector Regulator#
NA	**Cash Credit**	-	-	-	140.0	[ICRA]AA (Stable)	RBI
NA	**Non-Fund-Based Limits**	-	-	-	120.0	[ICRA]A1+	RBI

Source: Company

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Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis - Not Applicable

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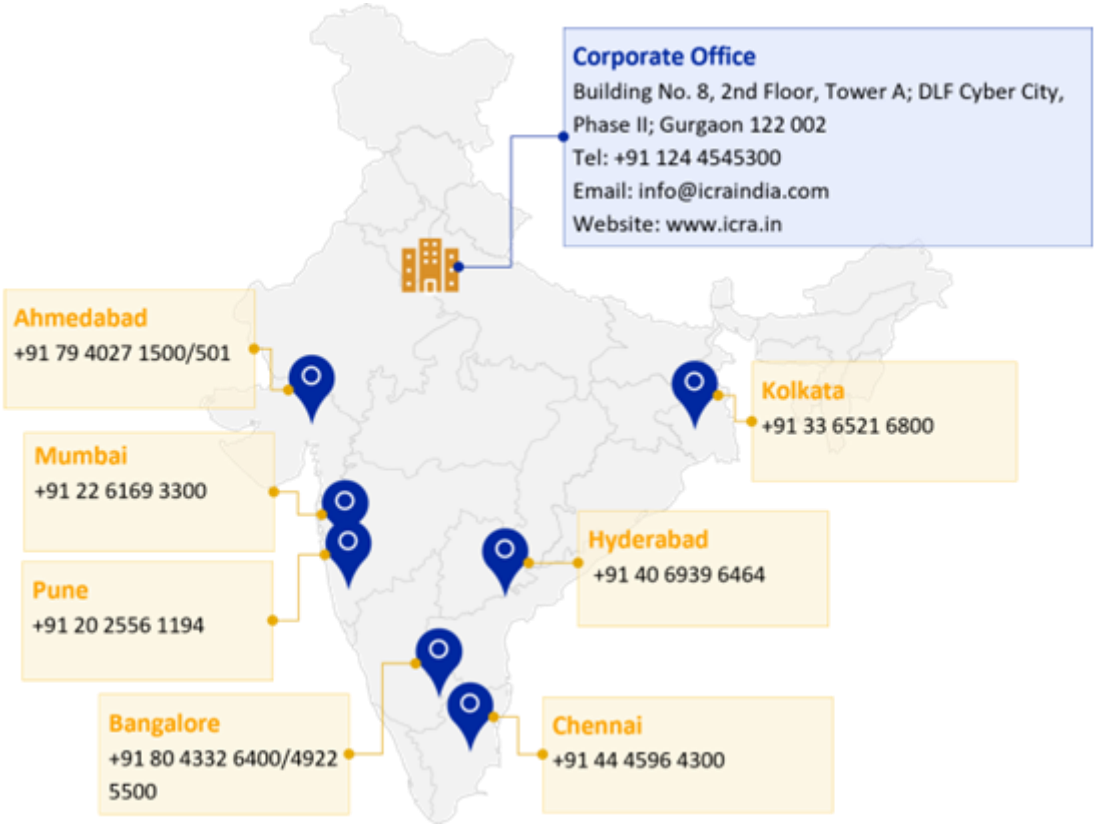
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