

**Rationale:**

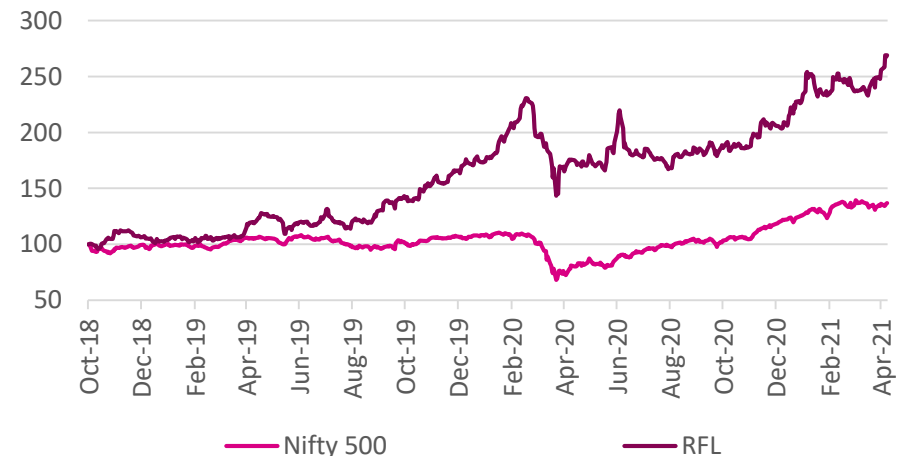
- ❑ Relaxo Footwear Ltd. was incorporated in September 1984 and its promoters have been involved in the footwear business for over three decades. Over this period, the company has successfully expanded in new product categories, geographies and customer segments. The company's products include rubber/EVA slippers, canvas shoes, sports shoes, sandals, and school shoes with the negligible presence of leather footwear.
- ❑ Company has established one of the largest distribution network in the footwear Industry. Its distribution network comprises 50,000+ retailers, ~700 distributors & ~400 EBOs. The largest portion of sales of the company comes from North India which accounts for more than 50% of the revenues.
- ❑ As most people are working from home, sales of sandals, flip flops saw a significant surge in demand. Relaxo being a dominant player in the aforesaid categories, through its strong portfolio of brands ('Flite', 'Bahamas', 'Hawaii') saw a swift recovery in volumes and captured market share from un-organized players.
- ❑ Despite the pandemic, margins surprised positively yet again during the quarter ended in December. Revenue grew by 12%, while EBITDA growth stood at 46.4% which is due to excellent volume growth particularly from rural India. Relaxo's product portfolio is highly skewed towards rural India with lower value products garnering nearly 75% revenues for the company.
- ❑ RFL has a strong financial risk profile, characterized by robust internal accruals, limited debt, and healthy debt protection indicators. The company's liquidity position remains comfortable with cash and equivalents of ₹495million as of December 31, 2020.
- ❑ RFL is expected to benefit from the healthy demand from its diversified product portfolio catering to different casual footwear requirements. The company is also likely to benefit from the gradual shift in the industry towards organized players due to the impact of Goods and Services Tax (GST) and Covid-19. Moreover, Company has maintained healthy operating cash flows, asset turns (~3x) and consistency in EBITDA Margins over the years making it a capital-efficient business
- ❑ We initiate our coverage on the company with a **BUY** rating and a target price of **₹1,193 per share**.

**Research Team**

|   |                       |
|---|-----------------------|
| 52 Week Low / High                            | 578 / 975             |
| Avg. Daily Volume (3M) ('000)                 | 240,040               |
| No. of Shares O/S (Mn.) / Mkt. Cap (₹Mn.)     | 248 / 234,811         |
| Shareholding (Promoters/Institutional/Others) | 70.9% / 10.7% / 18.4% |

| (In ₹ mn) | FY-20  | FY-21E | FY-22E | FY-23E |
|-----------|--------|--------|--------|--------|
| Revenue   | 24,105 | 25,522 | 28,107 | 33,718 |
| PAT       | 2,263  | 2,398  | 3,088  | 3,915  |
| EPS (₹)   | 9.1    | 9.8    | 12.4   | 15.9   |
| P/E       | 103.8  | 96.4   | 76.3   | 59.4   |
| P/B       | 18.6   | 15.9   | 13.5   | 11.2   |
| ROE       | 17.8%  | 19.1%  | 20.3%  | 22.1%  |

Source: Company, Estimates. Note: Prices are as on 9-Apr-21

**Price Performance (Apr'20=100)**

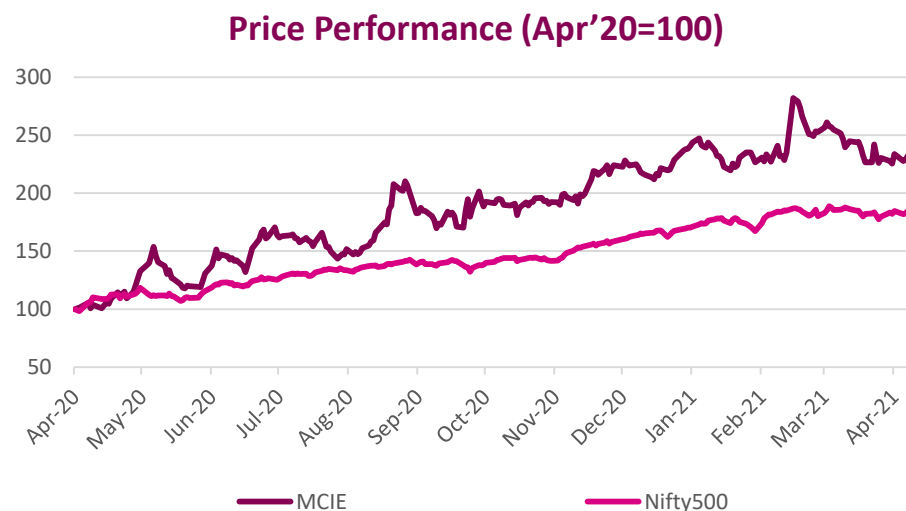
## Rationale:

- Mahindra CIE Automotive Limited ('Mahindra CIE' or 'MCIE') is a multi-locational and multi-technology automotive components company with manufacturing facilities and engineering capabilities in India and in Germany, Spain, Lithuania, and Italy in the Europe as well as a plant in Mexico. It has an established presence in each of these locations and supplies to automotive Original Equipment Manufacturers (OEMs) and their Tier 1 suppliers
- MCIE is part of the CIE Automotive Group of Spain and is the CIE Automotive Group's vehicle for its forgings business globally and for all other technologies/processes in India and South East Asia. In the year 2020, CIE reinforced their faith in MCIE by increasing their shareholding in MCIE from 56.25% to 60.18% via open market transactions.
- MCIE has 31 manufacturing facilities including 8 manufacturing facilities in Europe and 1 in Mexico. The manufacturing locations are generally located close to major automotive manufacturing hubs in order to facilitate supplies to customers. In certain instances, MCIE also provides services such as value analysis and value engineering to add value to the customers' products. MCIE's unique combination of specialization in high value-added products, which is usually delivered directly to OEMs and presence across multiple production technologies, differentiates it from other component suppliers.
- Over the last three years since acquiring MACA, CIE has embarked on restructuring and consolidating all operations under MACA. With phase-1 of consolidation largely done, MACA is now focused on growth in phase-2. In the India business, it is targeting both organic and inorganic growth. In the European business, it plans to invest selectively for growth. MACA is CIE's vehicle to expand in South East Asia and forging technology worldwide.
- Management maintained guidance of further improvement in profitability to global CIE levels driven by superior product mix and process improvement. Introduction of new technologies and inorganic opportunity remain an upside.
- We firmly believe that the strong cost control initiatives in subdued demand environment will help MCIE to tide over the crisis. We value MCIE at ₹201 (i.e. 8x CY22E EV/EBITDA) and initiate coverage on the stock with a **BUY** rating and a target price of ₹201 per share.

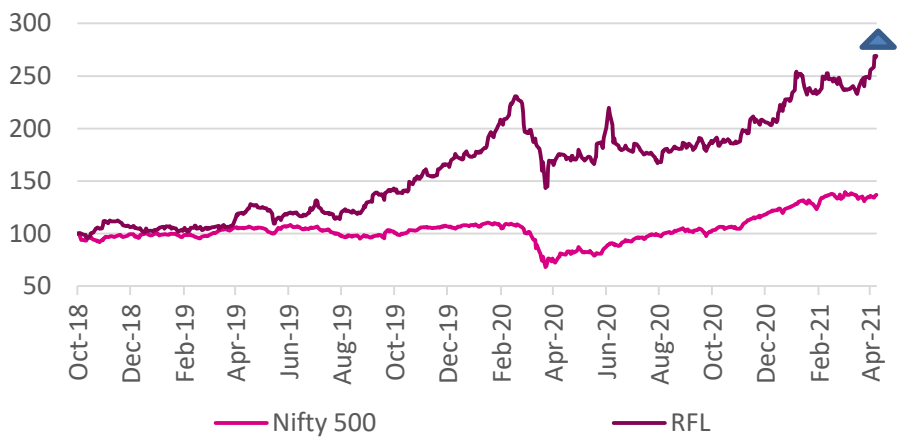
|   |                       |
|---|-----------------------|
| 52 Week Low / High                            | 71 / 235              |
| Avg. Daily Volume (3M) ('000)                 | 481                   |
| No. of Shares O/S (Mn.) / Mkt. Cap (₹Mn.)     | 379/ 62,020           |
| Shareholding (Promoters/Institutional/Others) | 71.6% / 18.3% / 10.1% |

| (In ₹ mn) | CY-19  | CY-20  | CY-21E | CY-22E |
|-----------|--------|--------|--------|--------|
| Revenue   | 79,544 | 60,501 | 74,203 | 82,420 |
| PAT       | 9,561  | 5,016  | 9,095  | 10,927 |
| EPS (₹)   | 3,538  | 1,066  | 3,724  | 5,009  |
| P/E       | 9.3    | 2.8    | 9.8    | 13.2   |
| P/B       | 17.6   | 58.4   | 16.7   | 12.9   |
| ROE       | 1.3    | 1.3    | 1.2    | 1.1    |

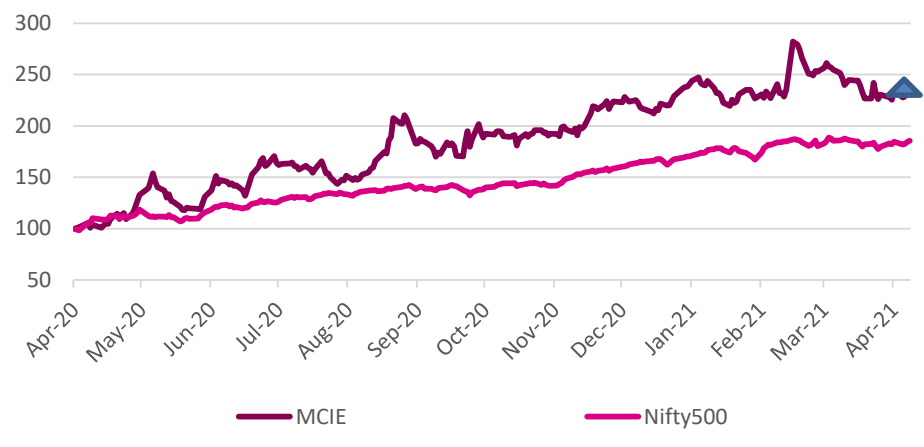
Source: Company, Estimates. Note: Prices are as on 9-Apr-21



### RFL rating history & price chart



### MAHINDCIE rating history & price chart



## Analyst Certification

- ❑ The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

## Ratings Methodology

- ❑ Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps (>₹300 Billion ) and Mid/Small Caps (<₹300 Billion ) or SEBI definition vide its circular SEBI/HO/IMD/DF3/CIR/P/2017/114 dated 6th October 2017, whichever is higher and as described in the Ratings Table below:

| Ratings Guide (12 months)  | Buy | Hold    | Sell      |
|----------------------------|-----|---------|-----------|
| Large Caps (>₹300Bn.)      | 15% | 5%-10%  | Below 5%  |
| Mid/Small Caps (<₹300 Bn.) | 20% | 10%-15% | Below 10% |

## **Research Disclaimer and Disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014**

Anand Rathi Share and Stock Brokers Ltd. (hereinafter refer as ARSSBL) (Research Entity, SEBI Regn No. INH000000834, Date of Regn. 29/06/2015) is a subsidiary of the Anand Rathi Financial Services Ltd. ARSSBL is a corporate trading and clearing member of Bombay Stock Exchange Ltd, National Stock Exchange of India Ltd. (NSEIL), Multi Stock Exchange of India Ltd (MCX-SX), and also depository participant with National Securities Depository Ltd (NSDL) and Central Depository Services Ltd. ARSSBL is engaged into the business of Stock Broking, Depository Participant, Mutual Fund distributor.

The research analysts, strategists, or research associates principally responsible for the preparation of Anand Rathi Research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors, firm revenues.

**General Disclaimer:** - This Research Report (hereinafter called "Report") is meant solely for use by the recipient and is not for circulation. This Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through ARSSBL nor any solicitation or offering of any investment /trading opportunity on behalf of the issuer(s) of the respective security (ies) referred to herein. These information / opinions / views are not meant to serve as a professional investment guide for the readers.No action is solicited based upon the information provided herein. Recipients of this Report should rely on information/data arising out of their own investigations. Readers are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by ARSSBL to be reliable. ARSSBL or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of ARSSBL shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this Report. The price and value of the investments referred to in this Report and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. ARSSBL does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding taxation aspects of any potential investment.

Continued...

Contd...

Opinions expressed are our current opinions as of the date appearing on this Research only. We do not undertake to advise you as to any change of our views expressed in this Report. Research Report may differ between ARSSBL's RAs and/ or ARSSBL's associate companies on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold ARSSBL, its employees and associates responsible for any losses, damages of any type whatsoever.

ARSSBL and its associates or employees may; (a) from time to time, have long or short positions in, and buy or sell the investments in/ security of company (ies) mentioned herein or (b) be engaged in any other transaction involving such investments/ securities of company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) these and other activities of ARSSBL and its associates or employees may not be construed as potential conflict of interest with respect to any recommendation and related information and opinions. Without limiting any of the foregoing, in no event shall ARSSBL and its associates or employees or any third party involved in, or related to computing or compiling the information have any liability for any damages of any kind.

Details of Associates of ARSSBL and Brief History of Disciplinary action by regulatory authorities & its associates are available on our website i. e. [www.rathi.com](http://www.rathi.com)

**Disclaimers in respect of jurisdiction:** This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject ARSSBL to any registration or licensing requirement within such jurisdiction(s). No action has been or will be taken by ARSSBL in any jurisdiction (other than India), where any action for such purpose(s) is required. Accordingly, this Report shall not be possessed, circulated and/or distributed in any such country or jurisdiction unless such action is in compliance with all applicable laws and regulations of such country or jurisdiction. ARSSBL requires such recipient to inform himself about and to observe any restrictions at his own expense, without any liability to ARSSBL. Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in India.

**Copyright:** - This report is strictly confidential and is being furnished to you solely for your information. All material presented in this report, unless specifically indicated otherwise, is under copyright to ARSSBL. None of the material, its content, or any copy of such material or content, may be altered in any way, transmitted, copied or reproduced (in whole or in part) or redistributed in any form to any other party, without the prior express written permission of ARSSBL. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of ARSSBL or its affiliates, unless specifically mentioned otherwise.

Contd...

Contd.

**Statements on ownership and material conflicts of interest, compensation - ARSSBL and Associates**

| Sr. No. | Statement   | Answers to the Best of the knowledge and belief of the ARSSBL/ its Associates/ Research Analyst who is preparing this report |
|---------|---|--|
| 1       | ARSSBL/its Associates/ Research Analyst/ his Relative have any financial interest in the subject company? Nature of Interest (if applicable), is given against the company's name?.   | NO   |
| 2       | ARSSBL/its Associates/ Research Analyst/ his Relative have actual/beneficial ownership of one per cent or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?. | NO   |
| 3       | ARSSBL/its Associates/ Research Analyst/ his Relative have any other material conflict of interest at the time of publication of the research report or at the time of public appearance?.  | NO   |
| 4       | ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation from the subject company in the past twelve months.  | NO   |
| 5       | ARSSBL/its Associates/ Research Analyst/ his Relative have managed or co-managed public offering of securities for the subject company in the past twelve months.   | NO   |
| 6       | ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.   | NO   |
| 7       | ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months.   | NO   |
| 8       | ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation or other benefits from the subject company or third party in connection with the research report.  | NO   |
| 9       | ARSSBL/its Associates/ Research Analyst/ his Relative have served as an officer, director or employee of the subject company.   | NO   |
| 10      | ARSSBL/its Associates/ Research Analyst/ his Relative has been engaged in market making activity for the subject company.   | NO   |