SMIFS LIMITED
LEGACY | TRUST | GROWTH

Lehar Footwears Ltd

Targeting Rs10bn Revenue by FY30; Sports Expansion and Formalization to Drive Growth

We recently interacted with the management of Lehar Footwears Ltd. Management remains optimistic on the long-term growth opportunity and reiterated its aspiration of achieving ~Rs10bn revenue by FY30. Existing manufacturing capacities can support revenues of nearly Rs8bn, comprising ~Rs6bn from footwear and ~Rs2bn from PM Vishwakarma toolkit business. The next phase of growth is expected to be driven by capacity expansion in sports footwear, increasing OEM tie-ups and continued gains from industry formalization. Demand trends remain healthy, supported by replacement-led consumption and improving preference for branded products. Management believes the Indian footwear industry is witnessing gradual formalization aided by GST implementation, BIS regulations and tighter checks on imports, which should benefit organized players. With presence across 27 states and a network of 520+ distributors, Lehar continues to deepen penetration across Tier-2 and Tier-3 markets while also strengthening its presence in modern trade and e-commerce channels. Company is scaling up its sports footwear capabilities through the newly commissioned Kundli facility. Current capacity stands at ~100k pairs per month and is expected to be expanded in phases to nearly 500k pairs per month over the next few years. Apart from its own brands, management is also pursuing OEM opportunities with large domestic and international brands, which could provide additional scale and improve asset utilization. The PM Vishwakarma toolkit business continues to provide strong cash flows with limited capital intensity. Management indicated that the toolkit segment generates superior returns and has played an important role in funding growth investments while helping reduce debt. Long-term borrowings have largely been repaid, and future capex is expected to be funded predominantly through internal accruals.

KTAs from Management Meet:

Revenue aspiration of Rs10bn backed by existing infrastructure and capacity expansion: Management reiterated its long-term aspiration of achieving ~Rs10bn revenue by FY30. The company indicated that the current manufacturing infrastructure itself can support revenues of nearly Rs8bn, comprising ~Rs6bn from the footwear business and ~Rs2bn from the toolkit segment. Incremental growth is expected to be driven by capacity expansion in sports footwear, deeper market penetration, rising contribution from modern trade and e-commerce channels, and scaling up OEM relationships with leading domestic and international brands.

Sports footwear emerging as the next growth engine: Management believes sports and closed footwear represent the largest growth opportunity over the medium term. To capitalize on this trend, the company has commissioned a dedicated facility at Kundli with an initial capacity of ~100k pairs per month, which is planned to be expanded in phases to ~500k pairs per month. The company is also evaluating additional facilities, including in Bihar, to cater to increasing demand and improve logistics efficiencies. Management expects the sports footwear category to outpace traditional open footwear segments, supported by rising consumer preference for athleisure and active lifestyle products.

OEM opportunities gaining traction: Apart from strengthening its own brands, the company is actively pursuing OEM opportunities and indicated that discussions are ongoing with multiple domestic and international brands. Management believes OEM manufacturing offers an opportunity to improve asset utilization and generate scale without incurring significant incremental selling and branding expenses. Over the medium term, OEM partnerships could emerge as an important growth lever alongside branded sales.

Toolkit business supporting cash generation: The toolkit business continues to act as an important source of cash generation for the company. Management highlighted that the segment requires negligible capital investment and generates superior return ratios, enabling the company to fund growth investments in the footwear business. The business is supported by government schemes, with revenues dependent on tender allocations. Management indicated that the opportunity size remains ~Rs2bn and expects the scheme to continue until FY29.

Rating: Not Rated	**Return: NA**
Current Price: 242	**Target Price: NA**

|Earlier recommendation

Previous Rating:	Not Rated
Previous Target Price:	NA

Source: SMIFS Research

|Market data

Bloomberg:	LEHAR: IN
52-week H/L (Rs):	310/160
Mcap (Rs bn/USD bn):	4.27/0.04
Shares outstanding (mn):	17.7
Free float:	27.1%
Daily vol. (3M Avg.):	29.1k
Face Value (Rs):	10

|Shareholding pattern (%)

	Jun-26	Mar-26	Dec-25	Sep-25
Promoter	72.9	72.9	72.9	72.9
FIIs	0.3	0.3	0.0	0.0
DIIs	0.0	0.0	0.0	0.0
Public/others	26.8	26.8	27.1	27.1

|Pro. Pledging

Pledging	0.0	0.0	0.0	0.0

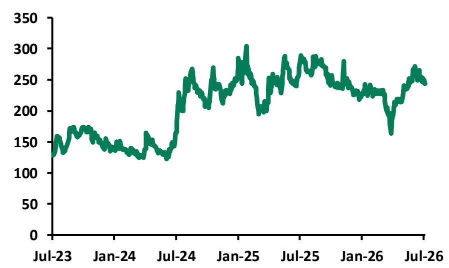
Source: BSE

|Price performance (%) *

	1M	3M	12M	36M
NIFTY 50	0.9	-0.6	-4.4	23.1
NIFTY 500	1.6	3.0	-0.8	38.8
LEHAR	-5.8	11.9	-14.9	59.1

*As on 15th Jul, 2026; Source: AceEquity, SMIFS Research

|3 Year Price Performance Chart



Source: BSE

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Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj PAT	YoY (%)	Adj EPS	RoE (%)	RoCE (%)	Adj P/E (x)	EV/EBITDA (x)
FY21	1,471	NA	83	5.6	10	NA	0.7	1.6	4.0	27.6	7.1
FY22	1,375	-6.6	95	6.9	25	156.6	1.8	3.8	4.7	20.4	10.9
FY23	2,025	47.3	143	7.0	51	104.7	3.3	6.5	6.5	20.6	11.5
FY24	1,943	-4.1	183	9.4	66	27.8	3.7	7.0	6.8	37.5	16.7
FY25	2,772	42.7	261	9.4	109	65.7	6.1	10.2	9.3	34.4	16.4
FY26	4,311	55.5	390	9.0	208	91.7	11.8	17.0	13.4	21.0	12.5

Source: Company, SMIFS Research

Fig 1: Capacity-wise Revenue Potential

Metric	Guidance
Footwear	Rs6bn
Toolkit business	Rs2bn
FY30 aspiration	Rs10bn

Fig 2: Capacity-wise breakup

Segment	Current	Target
Open Footwear	2.6 crore pairs	NA
Closed Footwear	12 lakh pairs	60 lakh pairs
Sports shoe	1 lakh/month	5 lakh/month

Fig 3: Growth Drivers

Growth Driver
Sports footwear capacity expansion
OEM partnerships
Distribution expansion
Formalization of industry
E-commerce and modern trade penetration

Formalization expected to benefit organized players: Management expects industry dynamics to turn increasingly favourable for organized players. Implementation of BIS norms, tighter import regulations and GST-led formalization are expected to create barriers for smaller unorganized manufacturers and low-cost imports. In addition, improving replacement demand after a relatively muted period over the last two years is supporting volume recovery. The company believes organized players with established manufacturing capabilities and distribution networks are likely to gain market share over the medium term.

Distribution expansion remains a key focus: Lehar has built a distribution network comprising over 520 distributors across 27 states, with strong presence in North and East India. Management continues to focus on expanding its reach in Tier-2 and Tier-3 cities, where branded footwear penetration remains low. In addition, the company is increasing its focus on modern retail channels and e-commerce platforms to improve visibility and strengthen consumer engagement. Orders from large retail chains such as D-Mart provide incremental growth opportunities

Healthy balance sheet and improving returns: Management indicated that long-term debt has largely been repaid, and future growth investments are expected to be funded primarily through internal accruals. The strong cash generation from the toolkit business has enabled the company to maintain a healthy balance sheet while undertaking capacity expansion. Management remains focused on balancing growth with return ratios and maintaining financial discipline.

Margin profile remains healthy with focus on improving returns: Management indicated that the footwear business currently generates EBITDA margins of ~12-13%, while the toolkit segment operates at margins of ~7-8%. Despite relatively lower margins, the toolkit business generates superior return on capital due to its asset-light nature. As sports footwear capacities ramp up and operating leverage improves, management expects profitability and return ratios to strengthen over the medium term.

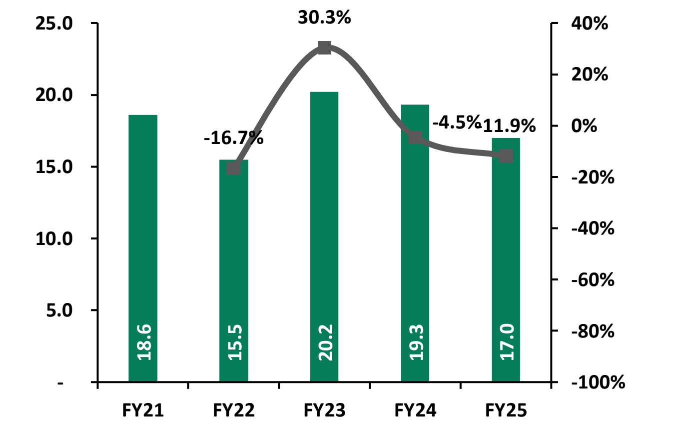
Brand building and marketing initiatives gaining momentum: The company continues to increase investments in brand building and consumer awareness. Management indicated that it is in the process of appointing a new sports personality as brand ambassador to strengthen positioning in the sports footwear category. Marketing initiatives, coupled with distribution expansion and product launches, are expected to improve brand visibility and support long-term growth.

Key Monitorable:

- Ramp-up of the Kundli sports footwear facility and capacity utilization levels.
- Scale-up of OEM relationships and contribution from contract manufacturing.
- Sustainability of PM Vishwakarma toolkit revenues and tender inflows.
- Market share gains arising from BIS-led industry formalization.
- Expansion in modern trade, e-commerce and Tier-2/3 markets.
- Progress towards the Rs10bn revenue aspiration by FY30.

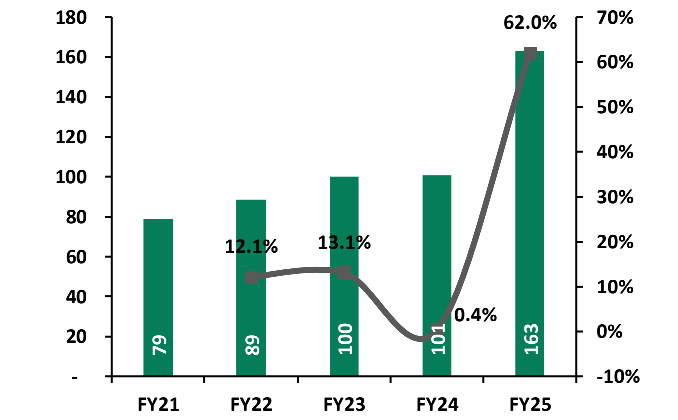
Story In Charts

Fig 4: Volumes declined at a CAGR of 2% over FY21-25



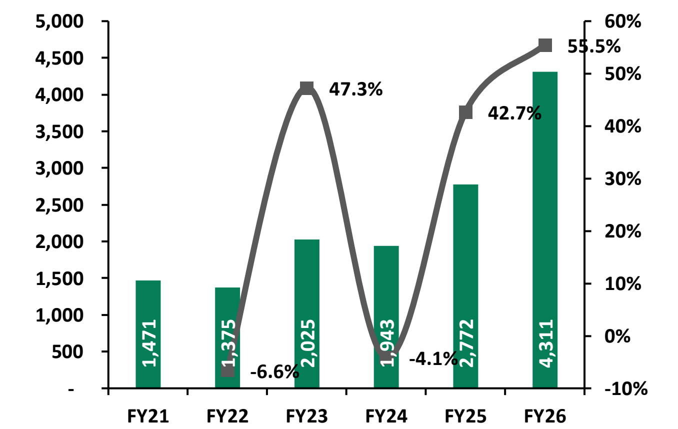
Source: Company, SMIFS Research

Fig 5: ASP grew at a CAGR of 20% over FY21-25



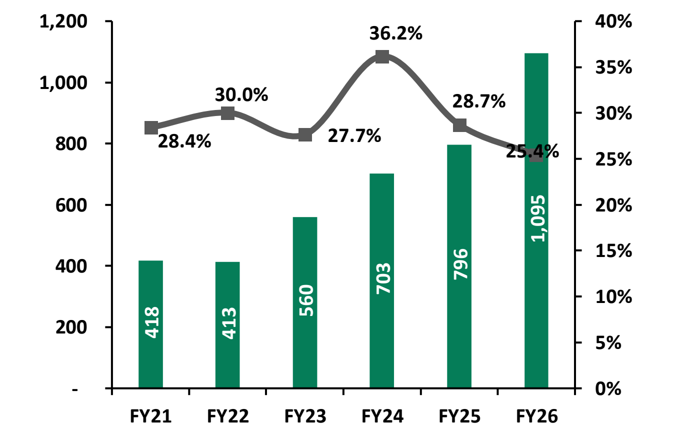
Source: Company, SMIFS Research

Fig 6: Revenues grew at a CAGR of ~24% over FY21-26



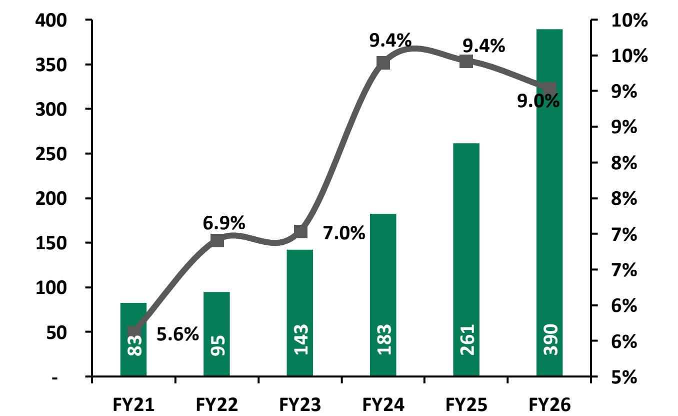
Source: Company, SMIFS Research

Fig 7: Gross margin declined to 25.4% in FY26



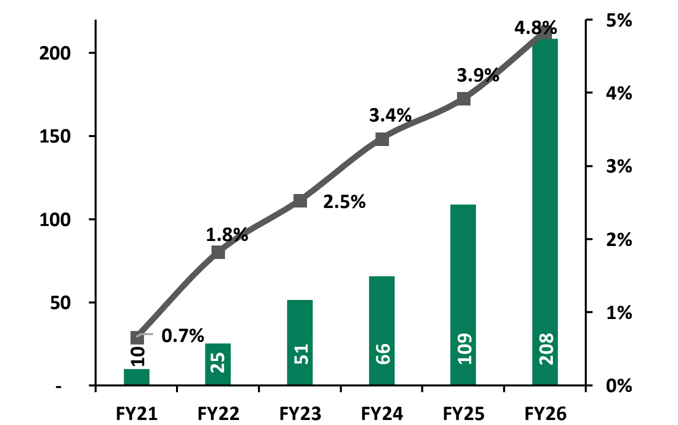
Source: Company, SMIFS Research

Fig 8: EBITDA margin moderated to 9% in FY26



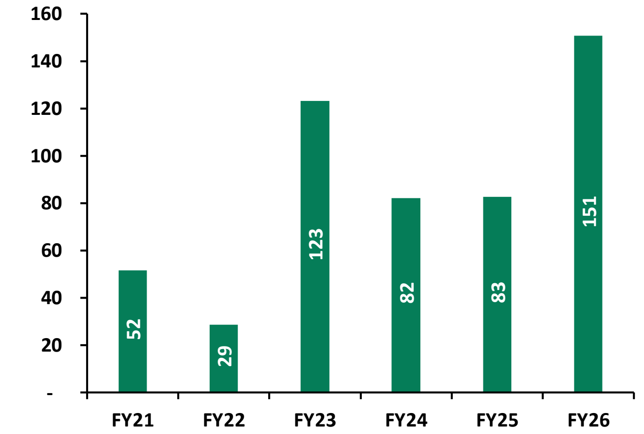
Source: Company, SMIFS Research

Fig 9: Adj. PAT margin expanded to 4.8% in FY26



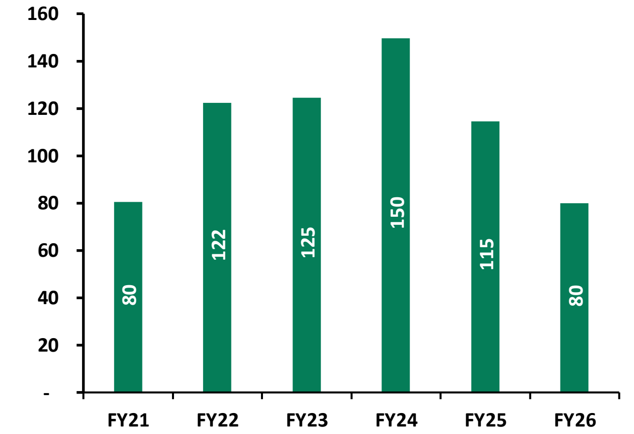
Source: Company, SMIFS Research

Fig 10: CapEx in FY26 stood at Rs151 Mn



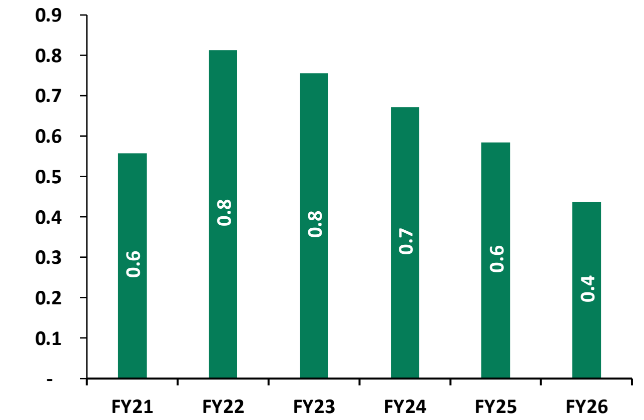
Source: Company, SMIFS Research

Fig 11: Net working capital improved to 80 days in FY26



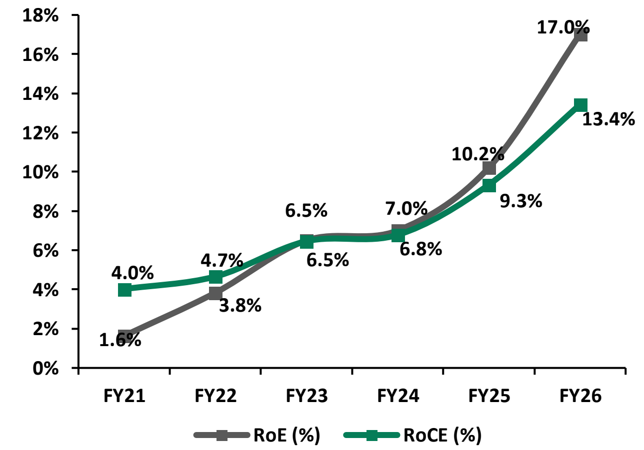
Source: Company, SMIFS Research

Fig 12: D/E ratio improved to 0.4 in FY26



Source: Company, SMIFS Research

Fig 13: RoE/RoCE improved to ~17%/~13% in FY26



Source: Company, SMIFS Research

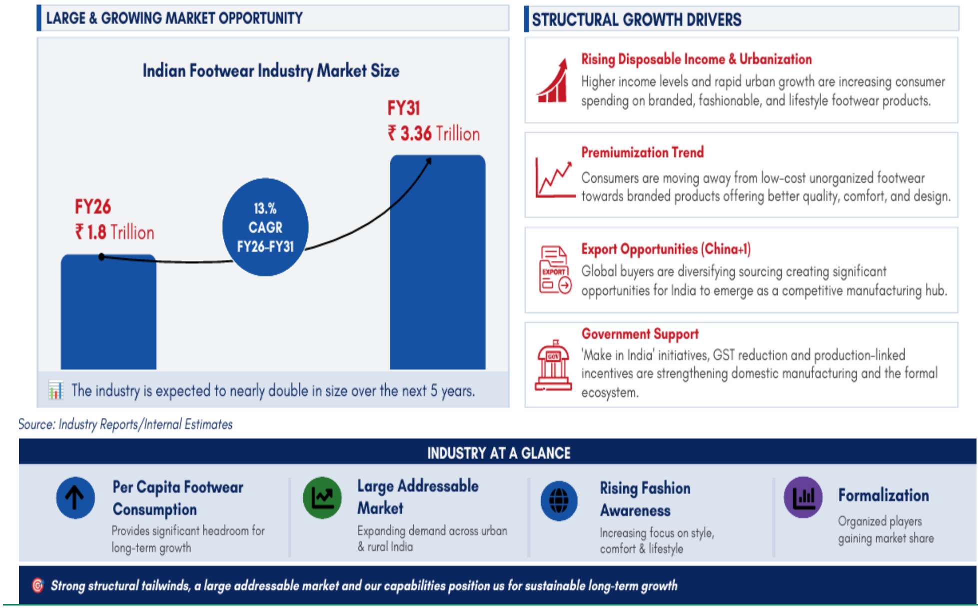
Company Overview:

Lehar Footwears Ltd. is one of the leading footwear manufacturers in North India with a strong presence in the affordable and mid-priced segments. Established in 1994 and headquartered in Alwar, Rajasthan, the company manufactures and markets a wide range of products including EVA slippers, PU and PVC footwear, sports shoes, sandals and school shoes under brands such as Lehar, Day Walker and EVA Flite. Over the years, the company has built a strong franchise in Tier-2 and Tier-3 markets, particularly across North and East India, supported by an extensive distribution network and a value-for-money positioning.

The company currently operates manufacturing facilities in Rajasthan and Haryana, with aggregate open footwear capacity of ~26mn pairs annually and closed footwear capacity of ~1.2mn pairs, which is being expanded in phases to ~6mn pairs annually. The recently commissioned sports footwear facility at Kundli marks the company's strategic entry into the fast-growing sports and athleisure segment, which management views as a key growth driver over the medium term. The company is also evaluating additional capacity expansion opportunities, including a proposed facility in Bihar, to cater to rising demand and improve logistics efficiency.

Lehar follows an integrated manufacturing model with in-house capabilities across moulding, injection, compression and assembly processes, enabling better quality control, faster product development and cost competitiveness. The company manufactures products under its own brands while also pursuing OEM opportunities with leading domestic and international brands. Management believes contract manufacturing can provide incremental scale and improve capacity utilization without requiring significant investments in branding and distribution.

Fig 14: Indian Footwear Industry Positioned for Strong Structural Growth



Source: Company, SMIFS Research

Apart from footwear, the company has a toolkit business catering to various government-sponsored schemes, including the PM Vishwakarma Yojana. This segment supplies toolkits to beneficiaries under government programs and operates with negligible capital requirements, generating strong cash flows and superior return ratios. The toolkit business has emerged as an important source of funding for the company's expansion initiatives and provides earnings diversification.

Fig 15: Product Portfolio

Source: Company, SMIFS Research

Lehar has established a strong distribution network comprising more than 520 distributors across 27 states, with a dominant presence in Rajasthan, Uttar Pradesh, Bihar and the North-East region. The company primarily caters to Tier-2 and Tier-3 cities, where branded footwear penetration remains relatively low. In addition to traditional wholesale channels, the company is increasing its focus on modern retail and e-commerce platforms to enhance brand visibility and expand its reach. Recent tie-ups with organized retailers such as D-Mart further strengthen its market presence.

The company has consistently focused on maintaining a healthy balance sheet and has largely repaid its long-term debt through internal accruals. Management has articulated a long-term aspiration of achieving ~Rs10bn revenue by FY30, supported by capacity expansion, increasing contribution from sports footwear, growth in OEM manufacturing, wider distribution and benefits from industry formalization. With existing infrastructure capable of supporting nearly Rs8bn of revenues, Lehar remains well positioned to capitalize on rising demand for affordable branded footwear and the ongoing shift from the unorganized to the organized market.

Fig 16: Setting Up the Next Phase of Growth

Source: Company, SMIFS Research

Financial Statements (Consolidated)

Income Statement						
YE March (Rs mn)	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**
Revenues	**1,471**	**1,375**	**2,025**	**1,943**	**2,772**	**4,311**
Raw Materials	1,053	962	1,465	1,240	1,976	3,216
% of sales	*71.6%*	*70.0%*	*72.3%*	*63.8%*	*71.3%*	*74.6%*
Personnel	74	81	95	112	121	205
% of sales	*5.0%*	*5.9%*	*4.7%*	*5.8%*	*4.4%*	*4.8%*
Other Expenses	261	237	322	408	414	500
% of sales	*17.8%*	*17.3%*	*15.9%*	*21.0%*	*14.9%*	*11.6%*
EBITDA	**83**	**95**	**143**	**183**	**261**	**390**
Depreciation and Amortisation expense	37	33	35	41	49	59
Other Income	7	13	8	6	3	2
EBIT	**53**	**76**	**116**	**148**	**215**	**333**
Finance Costs	39	39	50	58	70	52
Core PBT	**6**	**23**	**58**	**83**	**142**	**278**
Exceptional Items (net)	-	-	-	-	-	-
PBT	**14**	**37**	**65**	**89**	**144**	**280**
Tax Expense	4	12	14	23	36	72
Effective tax rate (%)	*29.1%*	*31.5%*	*21.4%*	*26.3%*	*24.8%*	*25.6%*
PAT	**10**	**25**	**51**	**66**	**109**	**208**
Adjusted PAT	**10**	**25**	**51**	**66**	**109**	**208**

Source: Company, SMIFS Research

Key Ratios						
YE March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**
Growth Ratios (%)						
Revenue		(6.6)	47.3	(4.1)	42.7	55.5
EBITDA		14.9	50.0	28.1	43.2	49.1
Adjusted PAT		156.6	104.7	27.8	65.7	91.7
Margin Ratios (%)						
Gross Profit	28.4	30.0	27.7	36.2	28.7	25.4
EBITDA	5.6	6.9	7.0	9.4	9.4	9.0
EBIT	3.6	5.5	5.7	7.6	7.8	7.7
Core PBT	0.4	1.7	2.8	4.3	5.1	6.4
Adjusted PAT	0.7	1.8	2.5	3.4	3.9	4.8
Return Ratios (%)						
ROE	1.6	3.8	6.5	7.0	10.2	17.0
ROCE	4.0	4.7	6.5	6.8	9.3	13.4
Turnover Ratios (days)						
Adj OCF/Adj PAT (%)	1,347	(842)	(140)	(61)	122	96
Inventory	86	105	92	114	85	61
Debtors	85	98	104	119	94	72
Creditors	90	81	71	83	64	53
Cash conversion cycle	80	122	125	150	115	80
Solvency Ratios (x)						
Debt-equity	0.6	0.8	0.8	0.7	0.6	0.4
Net debt-equity	0.5	0.7	0.7	0.6	0.5	0.4
Gross Debt/EBITDA	4.0	6.1	4.6	3.7	2.5	1.5
Interest coverage ratio	1.4	1.9	2.3	2.5	3.1	6.3
Current Ratio	2.0	3.4	2.4	3.3	2.4	2.4
Per share Ratios (Rs)						
Basic EPS (Reported)	0.7	1.8	3.3	3.7	6.1	11.8
Adjusted EPS	0.7	1.8	3.3	3.7	6.1	11.8
CEPS	3.4	4.2	5.5	6.0	8.9	15.1
BV	43.7	51.9	55.4	56.8	63.6	74.9
Dividend						
Adj DPS	-	-	0.3	0.5	0.5	0.5
Dividend Yield (%)	0.0	0.0	0.4	0.4	0.2	0.2
Dividend Payout (%)	0.0	0.0	7.6	13.5	8.1	4.2
Valuation (x)*						
Adj P/E	27.6	20.4	20.6	37.5	34.4	21.0
P/BV	0.5	0.7	1.2	2.4	3.3	3.3
EV/EBITDA	7.1	10.9	11.5	16.7	16.4	12.5
EV/Sales	0.4	0.8	0.8	1.6	1.6	1.1
Adj Mcap / Core PBT	40.0	19.7	17.2	28.6	25.7	15.5
Adj Mcap / Adj OCF	1.9	-2.2	-13.8	-59.3	27.5	21.5

Source: Company, SMIFS Research

Balance Sheet						
YE March (Rs mn)	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**
Sources of funds						
Capital	137	137	157	177	177	177
Reserves & Surplus	461	574	711	828	948	1,148
Shareholders' Funds	**597**	**710**	**868**	**1,004**	**1,124**	**1,324**
Total Loan Funds	334	578	655	675	656	579
Other Liabilities	64	88	85	85	76	88
Total Liabilities	**995**	**1,376**	**1,607**	**1,764**	**1,857**	**1,991**
Application of funds						
Net Block	564	675	703	783	806	832
Capital WIP	-	1	41	-	-	25
Intangible Assets	1	0	0	2	2	3
Others	43	16	30	19	38	70
Total Non-current Assets	**607**	**693**	**774**	**804**	**846**	**930**
Inventories	345	448	575	634	652	787
Sundry Debtors	341	400	752	518	916	777
Current Investments	4	11	17	45	33	23
Cash & Bank Balances	13	46	49	33	63	45
Other Current Assets	84	67	56	150	86	169
Total Current Assets	**787**	**971**	**1,449**	**1,379**	**1,749**	**1,801**
Sundry Creditors	362	250	542	343	636	607
Other Current Liabilities	37	38	74	76	102	132
Total Current Liabilities	**399**	**288**	**616**	**419**	**738**	**739**
Net Current Assets	**388**	**683**	**833**	**960**	**1,011**	**1,062**
Total Assets	**995**	**1,376**	**1,607**	**1,764**	**1,857**	**1,991**

Source: Company, SMIFS Research

Cash Flow						
YE March (Rs mn)	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**
Operating profit before working capital adjustments	14	37	65	89	144	280
Net changes in working capital	85	(273)	(155)	(147)	(24)	(108)
Income tax paid	(1)	(4)	(12)	(18)	(30)	(29)
Cash flow from Operating Activities (a)	**171**	**(172)**	**(21)**	**18**	**203**	**253**
Adj. OCF	**132**	**(211)**	**(72)**	**(40)**	**133**	**200**
Capital Expenditure	(52)	(29)	(123)	(82)	(83)	(151)
Adj. FCF	80	(240)	(195)	(122)	50	50
Cash flows from investing activities	**(34)**	**(24)**	**(140)**	**(57)**	**(77)**	**(64)**
Debt	(98)	261	69	23	(29)	(114)
Dividend paid	-	-	-	(7)	(5)	(9)
Interest paid on Borrowings & Lease	(39)	(39)	(50)	(58)	(70)	(52)
Cash flows from financing activities	**(141)**	**222**	**147**	**32**	**(111)**	**(189)**
Net change in cash	**(5)**	**26**	**(14)**	**(7)**	**15**	**(0)**

Source: Company, SMIFS Research

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