

02 June 2024

India | Equity Research | Q4FY24 results review

Bata India

Consumer Staples & Discretionary

Persisting challenges

Bata India (Bata) continues to underperform peers with revenue growth of 2% (vs. 7% for Metro) in Q4FY24 impacted by a slowdown in discretionary and EoSS. Retail expansion continues to be modest at 9% YoY (vs. 13% YoY for Metro). Continued outperformance of premium brands – Red Label, Comfit, Power, HP and Floatz – is encouraging. Launch of 'Nine West,' (at 40 stores) a global brand, is positive but will have its own set of ramping-up challenges. Margins delivery was decent, albeit still lower (for FY24) vs. pre-covid levels despite improved sales mix, discount and inventory management. Retail expansion through franchise and SIS route (capital light) is positive, but yet to yield results (with doubling of franchise and SIS stores). We believe, while Bata's focus on premiumisation, improving brand perception and expanding distribution are steps in the right direction, there will be challenges along the way. Further implementations of ERP in the system is a key positive. Maintain **HOLD**.

Unexciting revenue print

Q4FY24 revenue was up 2% YoY at INR 8bn (in-line with our estimates), impacted by EoSS and indicating lower footfall. Retail expansion stood at 9% YoY to 1,862 stores and 4% YoY for COCO stores (60% of total), implying negative high-single-digit SSSG. This was primarily led by underperformance in value price point segment, while premium continues to outperform. In Q4, Bata ventured into 20 new towns (to 1,538 towns vs. 1,372 in Mar'23) driven by higher thrust towards franchise and SIS expansion in tier-3-5 cities.

Focus on capital-light retail expansion and premiumisation

In Q4, it added 24 new stores (lower than its run-rate of 40 store per quarter), leading to a total of 2,228 stores (60% is COCO vs. 70% in Mar'22). It further renovated 67 stores in Q4 and 184 stores in FY24 (~14% of total COCO stores). Sneaker studios were introduced in 698 stores (53% of total COCO stores) in Q4FY24.

Decent margin performance

Gross margin expanded 160bps YoY (+405bps QoQ) to 60% led by better sales mix (outperformance in premium price points). EBITDA margin contracted 54bps YoY to 22.5% on higher ad spends (10% YoY to INR 210mn – 3% of revenue) and IT cost (107% YoY to INR 137mn), benefits of rental concessions during covid in the base quarter and negative operating leverage. EBITDA remained flat while adjusted PBT declined 9% YoY, respectively.

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	34,516	34,784	39,180	44,997
EBITDA	7,909	7,835	9,357	11,167
EBITDA Margin (%)	22.9	22.5	23.9	24.8
Net Profit	3,191	2,190	3,912	5,050
EPS (INR)	24.8	17.0	30.4	39.3
EPS % Chg YoY	2.2	(0.1)	0.3	0.3
P/E (x)	55.0	58.3	44.9	34.8
EV/EBITDA (x)	34.0	36.5	28.0	21.9
RoCE (%)	22.9	23.2	25.2	25.7
RoE (%)	19.6	14.8	23.3	24.8

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Market Data

Market Cap (INR)	175bn
Market Cap (USD)	2,104mn
Bloomberg Code	BATA IN
Reuters Code	BATA.BO
52-week Range (INR)	1,771 / 1,294
Free Float (%)	50.0
ADTV-3M (mn) (USD)	8.0

Price Performance (%)	3m	6m	12m
Absolute	(3.1)	(15.6)	(13.8)
Relative to Sensex	(5.1)	(26.0)	(31.9)

Earnings Revisions (%)	FY25E	FY26E
Revenue	(3.2)	(3.5)
EBITDA	(4.9)	(5.6)
EPS	(5.8)	(5.8)

Previous Reports

07-02-2024: [Q3FY24 results review](#)

10-11-2023: [Q2FY24 results review](#)

Other highlights

Management highlighted: (1) It continues to focus on casual and fashion footwear; sneaker studios were introduced in 698 stores. (2) Premiumisation continues (Red Label, Comfit, Power contribution up by 4%). (3) Capacity and capability enhancement in IHM for Floatz; added 11 Floatz kiosks, targets to reach 30 kiosk by Dec'24; (4) Ramping up of omni-channel capabilities (now covers 1,700-plus Bata stores; ~76% of total store network). (5) Nine West (launched in Q4FY24) is now present in 40 stores; management is targeting to reach 70 stores by Dec'24. (6) First Power EBO store launched; the company plans to open 10 stores in Dec-24.

Valuation and risk

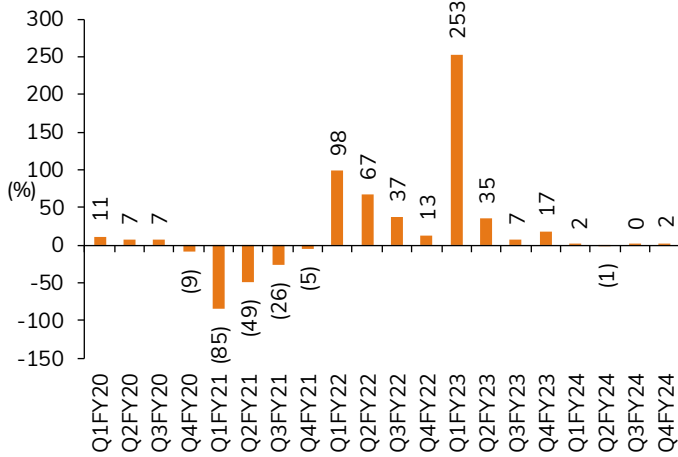
We cut our earnings estimates for ~6% FY25-26E, modelling revenue / EBITDA / PAT CAGR of 14 / 19 / 30 (%) over FY24-26E, respectively. Maintain **HOLD** with a DCF-based revised target price of INR 1,350 (vs INR 1,400). At our target price, the stock may trade at 34x Mar'26E P/E multiple. Upside risk: Faster-than-anticipated recovery in discretionary demand. Downside risk: Increase in competitive intensity.

Exhibit 1: Q4FY24 result review (standalone – reported)

INR mn	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY24	FY23	YoY (%)
Net Revenues	7,977	7,786	2	9,035	(12)	34,784	34,516	1
COGS	(3,190)	(3,238)	(2)	(3,979)	(20)	(14,945)	(15,136)	(1)
Gross profit	4,787	4,548	5	5,056	(5)	19,840	19,379	2
Staff cost	(1,051)	(1,039)	1	(1,025)	3	(4,183)	(4,187)	(0)
Other opex	(1,942)	(1,716)	13	(2,213)	(12)	(7,822)	(7,284)	7
EBITDA	1,794	1,792	0	1,818	(1)	7,835	7,909	(1)
Other income	220	126	75	108	104	615	374	65
Finance cost	(309)	(272)	14	(293)	5	(1,168)	(1,079)	8
D&A	(902)	(765)	18	(859)	5	(3,386)	(2,947)	15
PBT	803	882	(9)	773	4	3,895	4,256	(8)
Tax	(200)	(226)	(12)	(200)	(0)	(887)	(1,065)	(6)
Recurring PAT	603	656	(8)	573	5	3,008	3,191	(6)
EPS	4.7	5.1	(8)	4.5	5	23.4	24.8	(6)
Costs as a % of sales								
COGS	40.0	41.6	-161 bps	44.0	-406 bps	43.0	43.9	-89 bps
Gross margin (%)	60.0	58.4	160 bps	56.0	405 bps	57.0	56.1	88 bps
Staff cost	13.2	13.3	-17 bps	11.3	183 bps	12.0	12.1	-11 bps
Other opex	24.3	22.0	230 bps	24.5	-16 bps	22.5	21.1	138 bps
EBITDA margin (%)	22.5	23.0	-54 bps	20.1	237 bps	22.5	22.9	-39 bps
Income tax rate (%)	24.9	25.7	-76 bps	25.9	-98 bps	22.8	25.0	-226 bps

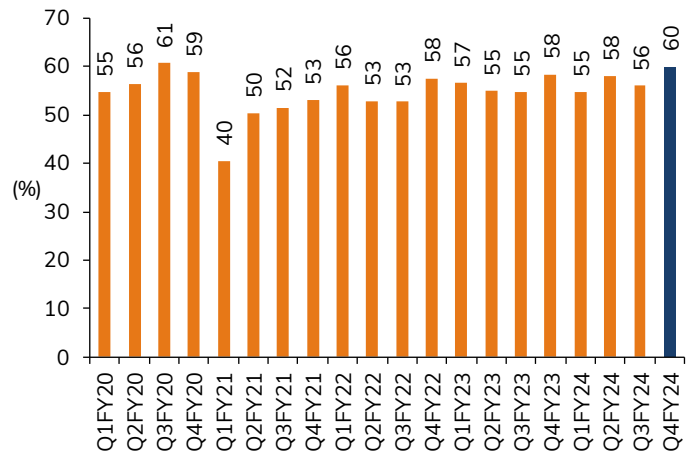
Source: Company data, I-Sec research

Exhibit 2: Revenue growth



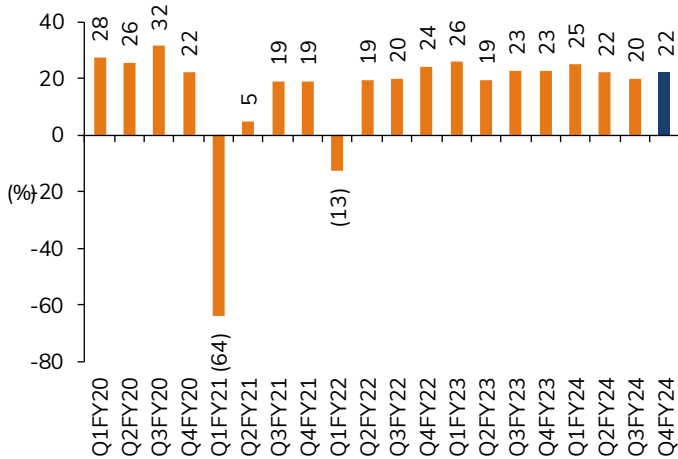
Source: Company data, I-Sec research

Exhibit 3: Gross margin



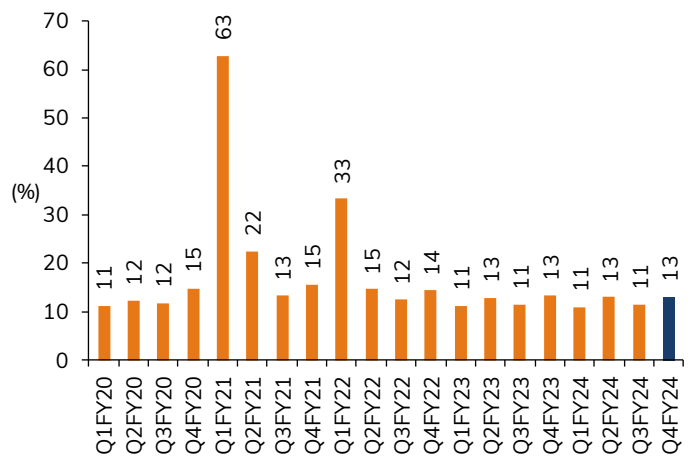
Source: Company data, I-Sec research

Exhibit 4: EBITDA margin (reported)



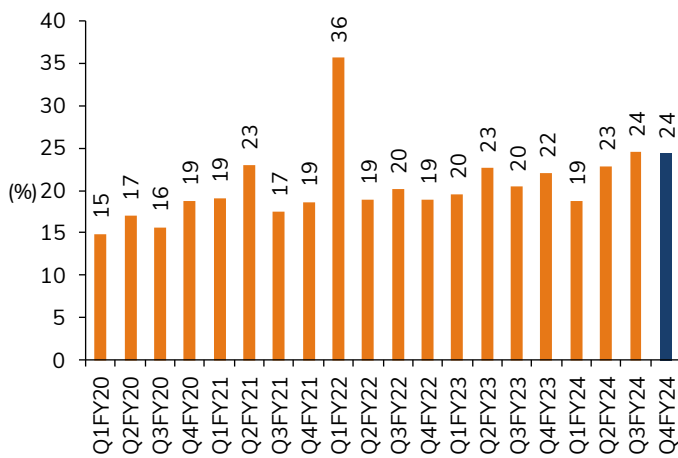
Source: Company data, I-Sec research

Exhibit 5: Staff cost / sales



Source: Company data, I-Sec research

Exhibit 6: Other expenses / sales (reported)



Source: Company data, I-Sec research

Exhibit 7: Shareholding pattern

%	Sep'23	Dec'23	Mar'24
Promoters	50.2	50.2	50.2
Institutional investors	37.5	37.6	36.6
MFs and others	19.9	19.1	15.4
FIs/Banks	0.0	0.0	0.0
Insurance	10.0	10.6	12.9
FIIIs	7.6	7.9	8.3
Others	12.3	12.1	13.2

Source: Bloomberg

Exhibit 8: Price chart



Source: Bloomberg

Financial Summary

Exhibit 9: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	34,516	34,784	39,180	44,997
Operating Expenses	26,607	26,949	29,823	33,830
EBITDA	7,909	7,835	9,357	11,167
EBITDA Margin (%)	22.9	22.5	23.9	24.8
Depreciation & Amortization	2,947	3,386	3,710	4,183
EBIT	4,961	4,449	5,647	6,984
Interest expenditure	1,079	1,168	1,216	1,302
Other Non-operating Income	374	615	796	1,067
Recurring PBT	4,256	3,895	5,227	6,749
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	1,065	887	1,316	1,699
PAT	3,191	3,008	3,912	5,050
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	(409)	-	-
Net Income (Reported)	3,191	2,599	3,912	5,050
Net Income (Adjusted)	3,191	2,190	3,912	5,050

Source Company data, I-Sec research

Exhibit 10: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	15,183	14,124	19,008	23,676
of which cash & cash eqv.	746	491	4,265	7,269
Total Current Liabilities & Provisions	4,811	3,585	5,324	6,114
Net Current Assets	10,373	10,539	13,685	17,562
Investments	-	-	-	-
Net Fixed Assets	3,216	3,265	3,110	3,050
ROU Assets	10,560	11,519	12,005	12,603
Capital Work-in-Progress	180	306	306	306
Total Intangible Assets	-	-	-	-
Long Term Loans & Advances	810	956	1,076	1,236
Deferred Tax assets	-	-	-	-
Total Assets	25,713	27,486	31,198	35,923
Liabilities				
Borrowings	-	-	-	-
Deferred Tax Liability	(1,133)	(1,267)	(1,267)	(1,267)
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Equity Share Capital	643	643	643	643
Reserves & Surplus	13,739	14,557	17,698	21,720
Total Net Worth	14,382	15,200	18,340	22,362
Minority Interest	-	-	-	-
Total Liabilities	25,713	27,486	31,198	35,923

Source Company data, I-Sec research

Exhibit 11: Quarterly trend

(INR mn, year ending March)

	Jun-23	Sep-23	Dec-23	Mar-24
Net Sales	9,581	8,191	9,035	7,977
% growth (YOY)	1.6	(1.3)	0.4	2.5
EBITDA	2,403	1,820	1,818	1,794
Margin %	25.1	22.2	20.1	22.5
Other Income	132	154	108	220
Extraordinaries	-	(409)	-	-
Adjusted Net Profit	1,078	754	573	603

Source Company data, I-Sec research

Exhibit 12: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	4,256	3,486	5,227	6,749
Working Capital Changes	(777)	(1,988)	393	(1,184)
Capital Commitments	(940)	(978)	(1,408)	(1,765)
Free Cashflow	2,460	486	3,680	2,878
Other investing cashflow	5,325	1,308	311	468
Cashflow from Investing Activities	4,385	330	(1,097)	(1,296)
Issue of Share Capital	-	-	-	-
Interest Cost	-	(15)	(17)	(18)
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	(6,989)	(1,731)	(771)	(1,028)
Others	(94)	-	2,147	2,358
Cash flow from Financing Activities	(7,083)	(1,746)	(217)	(342)
Chg. in Cash & Bank balance	702	47	3,774	3,004
Closing cash & balance	880	793	4,265	7,269

Source Company data, I-Sec research

Exhibit 13: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	24.8	23.4	30.4	39.3
Adjusted EPS (Diluted)	24.8	17.0	30.4	39.3
Cash EPS	47.8	43.4	59.3	71.8
Dividend per share (DPS)	13.5	5.0	6.0	8.0
Book Value per share (BV)	111.9	118.3	142.7	174.0
Dividend Payout (%)	54.4	21.4	19.7	20.4
Growth (%)				
Net Sales	44.6	0.8	12.6	14.8
EBITDA	0.9	0.0	0.2	0.2
EPS (INR)	2.2	(0.1)	0.3	0.3
Valuation Ratios (x)				
P/E	55.0	58.3	44.9	34.8
P/CEPS	28.6	31.5	23.0	19.0
P/BV	12.2	11.5	9.6	7.8
EV / EBITDA	34.0	36.5	28.0	21.9
P / Sales	5.1	5.0	4.5	3.9
Dividend Yield (%)	1.0	0.4	0.4	0.6
Operating Ratios				
Gross Profit Margins (%)	56.1	57.0	57.0	57.2
EBITDA Margins (%)	22.9	22.5	23.9	24.8
Effective Tax Rate (%)	25.0	22.8	25.2	25.2
Net Profit Margins (%)	9.2	8.6	10.0	11.2
Net Debt / Equity (x)	(0.4)	(0.3)	(0.4)	(0.5)
Net Debt / EBITDA (x)	(0.7)	(0.5)	(0.8)	(1.0)
Fixed Asset Turnover (x)	4.9	4.3	4.1	4.1
Working Capital Days	140	118	95	95
Inventory Turnover Days	113	98	101	102
Receivables Days	10	8	9	9
Payables Days	51	31	46	46
Profitability Ratios				
RoCE (%)	22.9	23.2	25.2	25.7
RoE (%)	19.6	14.8	23.3	24.8
RoIC (%)	24.6	26.4	28.8	29.6

Source Company data, I-Sec research

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