



Recovery would be Gradual; Maintain HOLD

Est. Vs. Actual for Q2FY25: Revenue – **MISS**; EBITDA – **MISS**; PAT – **MISS**

Changes in Estimates post Q2FY25

FY25E/FY26E: Revenue: -2%/-2%; EBITDA: -6%/-6%; PAT: -8%/-7%

Recommendation Rationale

- Lacklustre performance:** Revenue stood at Rs 837 Cr, growing by 2.2% YoY (vs. our estimates of 3% YoY), as the mass portfolio continued to remain under stress while premium grew faster. Gross margins declined by 143bps YoY to 56.6% (miss), impacted by a rising share from franchise stores and e-commerce, which generally carry lower gross margins than direct retail. Additionally, inventory clearance at a discount further impacted the margins. EBITDA margins stood at 20.9% (miss), down 132bps, impacted by the subdued gross margin performance.
- Premium continues to do well:** Floatz revenue/volume grew 60%/70% YoY, Power grew by 6% YoY, and Comfit grew by 23% YoY. Additionally, Sneaker Studios were expanded to 756 stores. Despite current market challenges, Bata's brand-building initiatives, alongside store upgradation and inventory management, are expected to deliver results gradually. The management remains optimistic about demand recovery in H2FY25, backed by the festive season and strong market positioning.

Sector Outlook: Cautiously optimistic

Company Outlook & Guidance: We have cut our FY25/26 estimates by 6% each to factor in near-term demand challenges and roll our estimates to Mar'26. However, due to limited upside potential, we **maintain our HOLD rating on the stock.**

Current Valuation: 42x Sep'26 EPS (Earlier valuation: 42x Mar'26 EPS)

Current TP: Rs 1,290/share (Earlier TP: Rs 1,470/share).

Recommendation: With a 3% downside from the CMP, we **maintain our HOLD rating on the stock.**

Financial Performance: Bata India's revenue stood at Rs 837 Cr, growing by 2.2% YoY (vs. our estimates of 3% YoY). The company's gross margins declined by 143bps to 56.6% (miss), whereas its EBITDA stood at Rs 175 Cr, down by ~4% YoY, and EBITDA margins came in at 20.9% (miss), declining by 132bps. The company's PAT stood at Rs 52 Cr, up ~53%.

Store expansion: In Q2FY25, 34 new stores were added, bringing the total retail network to 1,955 (COCO & Franchise) stores. Further, 48 stores were renovated in H1FY25, elevating the customer experience with style and technology propositions.

Key Financials (Consolidated)

(Rs Cr)	Q2FY25	QoQ (%)	YoY (%)	Axis Est.	Variance (%)
Net Sales	837	(11.4)	2.2	844	(0.8)
EBITDA	175	(5.6)	(3.9)	179	(2.3)
EBITDA Margin (%)	20.9	128 bps	-132 bps	21.2	-32 bps
Net Profit	52	(70.1)	52.9	55	(6.2)
EPS (Rs)	4	(70.1)	52.9	4	(6.2)

Source: Company, Axis Research

(CMP as of 08th November 2024)

CMP (Rs)	1334
Upside /Downside (%)	-3%
High/Low (Rs)	1724/1269
Market cap (Cr)	17,157
Avg. daily vol. (6m)Shrs.'000	432
No. of shares (Cr)	12

Shareholding (%)

	Mar-24	Jun-24	Sep-24
Promoter	50.2	50.2	50.2
FIIs	8.2	7.6	8.8
MFs / UTI	15.4	14.1	14.2
FI/ Banks	0	0	0
Others	26.2	28.2	26.9

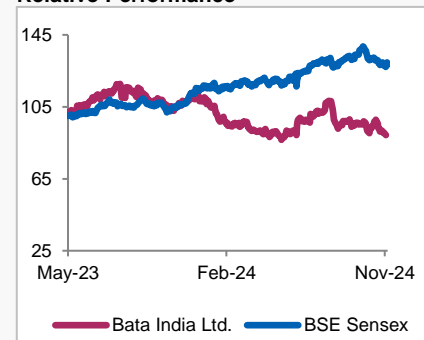
Financial & Valuations

Y/E Mar (Rs) Cr	FY25E	FY26E	FY27E
Net Sales	3,584	4,027	4,482
EBITDA	773	918	1,061
Net Profit	258	349	439
EPS (Rs)	20.1	27.1	34.1
PER (x)	66.5	49.2	39.1
EV/EBITDA (x)	21.3	17.6	14.8
RoE (%)	15.6	19.1	21.4

Change in Estimates (%)

Y/E Mar	FY25E	FY26E
Sales	-2%	-2%
EBITDA	-6%	-6%
PAT	-8%	-7%

Relative Performance



Source: Ace Equity, Axis Securities

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Outlook

- We remain positive on the long-term outlook of the company, as its investment in backend processes will drive overall efficiency. Its efforts on premiumization and casualisation strategies, through fast-growing sneakers and franchise-led expansion in Tier 3-5 towns, are expected to bear fruits in the longer run. The company's focus on prudent expansion of the retail network and marketing investment is further supporting the positive outlook. Furthermore, the company's ERP project has gone live, and they are now looking forward to the benefits associated with it in terms of speed, agility, and accuracy of business. However, the company is facing short-term challenges, such as a large part of the mass portfolio still being under pressure. **Hence, we retain a wait-and-watch approach on the company and maintain our HOLD rating on the stock.**

Valuation & Recommendation

- We expect Bata's Sales/EBITDA/PAT to grow at 9%/11%/18% CAGR over FY24-27E. We maintain a HOLD rating on the stock with a revised TP of Rs 1,290/share, implying a downside of 3% from the CMP. **We value the company at 42xSep-26EPS.**

Other Key highlights:

- Hush Puppies:** The company has a total of 136 Hush Puppies stores (116 COCO and 20 Franchise). Further, the company has renewed the contract with Hush Puppies for the next 10 years.
- Power Brand:** The power brand is also growing faster, with slightly higher single-digit growth (6% YoY), backed by volume growth (1.09x). The company has opened 4 EBOs under the power brand and is further guided to reach 10 stores by Dec'24.
- Power Apparel:** Bata's Power Apparel category is gaining momentum, currently active in 70 stores and showing impressive YoY growth of 1.9x. With strong demand driving results, the brand is now targeting an ambitious expansion to 100 stores by December 2024.
- Floatz Kiosk:** Floatz continues to achieve quarterly sales QoQ through innovations and collaborations. Currently, 14 kiosk stores have been opened, and the management has guided to reach 26 kiosks by Dec'24. The management also highlighted that Floatz is creating significant strength in the e-commerce channel.
- Digital Channel Powering Profitable Growth:** The company has registered a 16% growth in e-commerce business compared to last year. Robust growth was observed across all marketplaces, with the Nine West brand launch on Myntra. Quick-commerce has also been added to this.

Key Risks to Our Estimates and TP

- Increase in competitive intensity;
- Weakening of demand environment.

Change in Estimates

	Old		New		% change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	3,655	4,106	3,584	4,027	-2%	-2%
EBITDA	823	975	773	918	-6%	-6%
PAT	281	376	258	349	-8%	-7%
EPS	21.9	29.2	20.1	27.1	-8%	-7%

Source: Company, Axis Securities

Results Review

	Q2FY24	Q1FY25	Axis Est.	Q2FY25	% Change (YoY)	% Change (QoQ)	Axis Est. Var (%)
Net Sales	819	945	844	837	2.2	(11.4)	(0.8)
Gross Profit	476	518	485	474	(0.3)	(8.5)	(2.3)
Gross Margin (%)	58.1	54.9	57.5	56.6	-143 bps	177 bps	-88 bps
Employee Expenses	106	121	109	114	7.5	(5.8)	4.4
Other Expenses	188	212	197	186	(1.3)	(12.6)	(6.0)
EBITDA	182	185	179	175	(3.9)	(5.6)	(2.3)
EBITDA Margin (%)	22.2	19.6	21.2	20.9	-132 bps	128 bps	-32 bps
Oth. Inc	15	16	16	17	10.9	5.9	5.6
Interest	28	31	31	32	11.8	3.2	2.2
Depreciation	82	87	89	90	10.4	3.4	1.4
EO items	41	(134)	-	-			
PBT	46	217	75	70	51.3	(67.9)	(6.8)
Tax	12	43	19	18	46.9	(58.7)	(8.6)
PAT	34	174	55	52	52.9	(70.1)	(6.2)
EPS	3	13	4	4	52.9	(70.1)	(6.2)

Source: Company, Axis Securities

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Net sales	3,479	3,584	4,027	4,482
Growth, %	0.8	3.0	12.4	11.3
Total income	3,479	3,584	4,027	4,482
Raw material expenses	(1,492)	(1,552)	(1,723)	(1,895)
Employee expenses	(420)	(441)	(489)	(543)
Other Operating expenses	(781)	(818)	(897)	(982)
EBITDA (Core)	786	773	918	1,061
Growth, %	(1.0)	(1.7)	18.8	15.6
Margin, %	22.6	21.6	22.8	23.7
Depreciation	(339)	(363)	(384)	(404)
EBIT	447	409	534	657
Growth, %	(10)	(8)	30	23
Margin, %	13	11	13	15
Interest paid	(117)	(125)	(134)	(143)
Other Income	62	62	68	75
Non-recurring Items	(41)	-	-	-
Pre-tax profit	351	346	468	589
Tax provided	(88)	(88)	(119)	(150)
Profit after tax	263	258	349	439
Growth, %	(6.1)	(15.0)	35.3	25.7
Net Profit (adjusted)	263	258	349	439
Unadj. shares (Cr)	13	13	13	13

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

As of 31st Mar	FY24	FY25E	FY26E	FY27E
Cash & bank	408	749	1,087	1,487
Marketable securities at cost	37	37	37	37
Debtors	80	83	93	103
Inventory	930	958	1,076	1,198
Other current assets	77	77	77	77
Total current assets	1,531	1,902	2,369	2,901
Investments	133	133	133	133
Gross fixed assets	2,269	2,399	2,529	2,659
Less: Depreciation	(760)	(1,123)	(1,507)	(1,911)
Add: Capital WIP	4	4	4	4
Net fixed assets	1,512	1,279	1,025	751
Non-current assets	27	27	27	27
Total assets	3,345	3,483	3,696	3,954
Current liabilities	735	744	782	822
Provisions	-	-	-	-
Total current liabilities	735	744	782	822
Non-current liabilities	1,083	1,083	1,083	1,083
Total liabilities	1,818	1,827	1,865	1,905
Paid-up capital	64	64	64	64
Reserves & surplus	1,463	1,592	1,766	1,985
Shareholders' equity	1,527	1,656	1,830	2,050
Total equity & liabilities	3,345	3,483	3,696	3,954

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E Mar	FY23	FY24	FY25E	FY26E
Pre-tax profit	351	346	468	589
Depreciation	339	363	384	404
Chg in working capital	(71)	(21)	(90)	(93)
Total tax paid	(101)	(88)	(119)	(150)
Other operating activities	-	-	-	-
Cash flow from operating activities	517	600	642	750
Capital expenditure	(456)	(130)	(130)	(130)
Other investing activities	-	-	-	-
Cash flow from investing activities	(466)	(130)	(130)	(130)
Free cash flow	51	470	512	620
Dividend (incl. tax)	-	-	-	-
Other financing activities	-	-	-	-
Cash flow from financing activities	-	-	-	-
Net chg in cash	51	470	512	620
Opening cash balance	531	408	749	1,087
Closing cash balance	408	749	1,087	1,487

Source: Company, Axis Securities

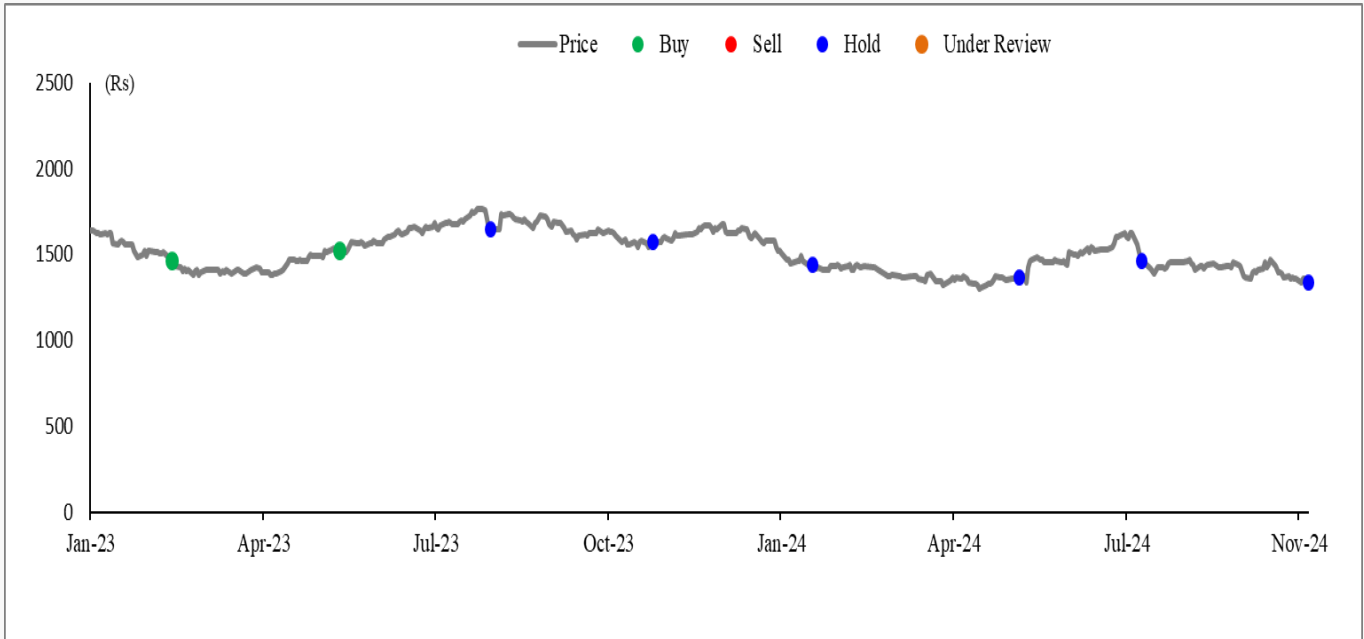
Ratio Analysis

(%)

	FY23	FY24	FY25E	FY26E
Per Share data				
EPS (INR)	20.4	20.1	27.1	34.1
Growth, %	(6.1)	(15.0)	35.3	25.7
Book NAV/share (INR)	118.8	128.8	142.4	159.5
FDEPS (INR)	23.6	20.1	27.1	34.1
CEPS (INR)	53.2	48.3	57.0	65.6
CFPS (INR)	37.5	41.9	44.7	52.5
Return ratios				
Return on assets (%)	11.5	11.2	13.4	15.2
Return on equity (%)	19.9	15.6	19.1	21.4
Return on capital employed (%)	15.0	14.3	17.1	19.2
Turnover ratios				
Asset turnover (x)	4.3	4.5	6.7	10.4
Sales/Total assets (x)	1.1	1.0	1.1	1.2
Sales/Net FA (x)	2.4	2.6	3.5	5.0
Working capital/Sales (x)	0.1	0.1	0.1	0.1
Receivable days	8.4	8.4	8.4	8.4
Inventory days	97.5	97.5	97.5	97.5
Payable days	40.6	40.1	40.7	41.2
Working capital days	36.8	37.9	42.0	45.3
Liquidity ratios				
Current ratio (x)	2.1	2.6	3.0	3.5
Quick ratio (x)	0.8	1.3	1.7	2.1
Interest cover (x)	3.8	3.3	4.0	4.6
Valuation				
PER (x)	56.5	66.5	49.2	39.1
PEG (x) - y-o-y growth	(9.3)	(4.4)	1.4	1.5
Price/Book (x)	11.2	10.4	9.4	8.4
EV/Net sales (x)	4.8	4.6	4.0	3.5
EV/EBITDA (x)	21.4	21.3	17.6	14.8
EV/EBIT (x)	37.6	40.2	30.2	23.9

Source: Company, Axis Securities

Bata India Price Chart and Recommendation History



Date	Reco	TP	Research
16-Feb-23	BUY	1,650	Result Update
22-May-23	BUY	1,750	Result Update
14-Aug-23	HOLD	1,780	Result Update
10-Nov-23	HOLD	1,650	Result Update
07-Feb-24	HOLD	1,520	Result Update
03-Jun-24	HOLD	1,470	Result Update
08-Aug-24	HOLD	1,380	Result Update
11-Nov-24	HOLD	1,290	Result Update

Source: Axis Securities

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