

Topline flat; Growth Levers Remain Intact
Est. Vs. Actual for Q1FY26: Revenue – **MISS**; EBITDA – **BEAT**; PAT – **BEAT**
Changes in Estimates post Q1FY26
FY26E/FY27E: Revenue: -3%/-5%; EBITDA: -8%/-11%; PAT: -12%/-15%

Recommendation Rationale

- **Topline flat:** Bata India reported muted topline performance with revenue down 0.3% YoY (vs. +2% expected), as weak demand, erratic weather, and geopolitical uncertainties weighed on volumes and ASP growth. However, the company is focusing on growth levers through sharper price-point strategies (Rs 399–999), driving higher checkouts, portfolio premiumization with Floatz (30%+ growth), Power's mid-tier and premium ranges, and Hush Puppies' expansion (~150 EBOs, Office Sneakers launch, refreshed formats). Inventory optimisation (-16% YoY) and zero-waste merchandising remain priorities, while store expansion and the "Bata Ladies" portfolio are gaining traction.
- **Margins pressure:** Bata India's gross margin contracted 130 bps YoY in Q1 due to accelerated clearance of legacy inventory, though efficiency improved to 0.5x, positioning margins for recovery ahead. Notably, EBITDA margin expanded 153 bps YoY to 21.1%, aided by lower staff costs and tight control on overheads.
- **Premium momentum intact:** Premium segment momentum stayed strong, with Floatz delivering 1.3x turnover growth at 1.2x store ASP, supported by successful brand campaigns. Hush Puppies continued to scale its premium play with ~150 EBOs, a 60:40 COCO-franchise expansion plan, and 20 new franchise stores added in semi-urban markets during the quarter.

Sector Outlook: Cautious
Company Outlook & Guidance: Due to near-term challenges and weak demand, we **maintain** our **HOLD** rating on the stock.

Current Valuation: 38x Mar'27 EPS (Earlier valuation: 40x Mar'27 EPS)

Current TP: Rs 1,020/share (Earlier TP: Rs 1,250/share).

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

Financial Performance

Bata India reported revenue of Rs 942Cr, registering a 0.3% YoY decline. EBITDA stood at Rs 199 Cr, up 7.5% YoY, and EBITDA margins improved by 153 bps to 21.1%, led by cost optimisation initiatives. PAT came in at Rs 52 Cr, up by ~30% YoY.

Financials Summary (Consolidated)

(Rs Cr)	Q1FY26	QoQ (%)	YoY (%)	Axis Est.	Variance (%)
Net Sales	942	19.5	(0.3)	964	(2.2)
EBITDA	199	11.5	7.5	194	2.6
EBITDA Margin (%)	21.1	-152 bps	153 bps	20.1	100 bps
Net Profit	52	13.3	(70.1)	48	7.4
EPS (Rs)	4	13.3	(70.1)	4	7.4

Source: Company, Axis Research

(CMP as of 14th August, 2025)

CMP (Rs)	1050
Upside /Downside (%)	-3%
High/Low (Rs)	1476/1025
Market cap (Cr)	13,505
Avg. daily vol. (6m)Shrs.'000	163
No. of shares (Cr)	12

Shareholding (%)

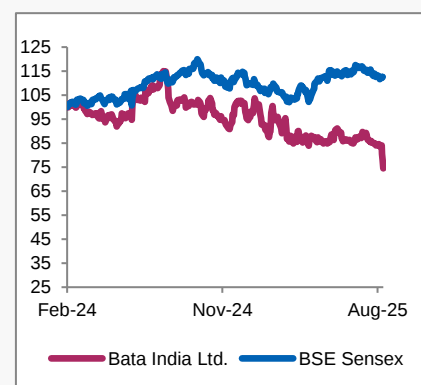
	Dec-24	Mar-25	Jun-25
Promoter	50.2	50.2	50.2
FII's	7.5	6.9	6.9
MFs / UTI	15.9	16.4	16.9
FI/ Banks	0.0	0.0	0.0
Others	26.4	26.5	26.1

Financial & Valuations

Y/E Mar (Rs) Cr)	FY25	FY26E	FY27E
Net Sales	3,489	3,810	4,160
EBITDA	737	806	899
Net Profit	331	279	342
EPS (Rs)	25.7	21.7	26.6
PER (x)	65.1	48.4	39.4
EV/EBITDA (x)	17.8	15.9	13.8
RoE (%)	13.2	16.3	18.2

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	-3%	-5%
EBITDA	-8%	-11%
PAT	-12%	-15%

Relative Performance


Source: Ace Equity, Axis Securities

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Outlook & Recommendation

We remain positive on the long-term outlook of the company, as its investments in backend processes are expected to drive overall efficiency. Its premiumisation and casualisation strategies, along with simplifying the product portfolio across categories and franchise-led expansion in Tier 3–5 towns, should yield positive results over time. The company's disciplined approach to retail network expansion and marketing investments further supports this positive trajectory. Additionally, the company's ERP project has gone live, and management anticipates benefits in terms of speed, agility, and operational accuracy. **However, near-term challenges persist, with weak demand mainly due to a significant portion of the mass portfolio still under pressure. Given these factors, we retain a cautious stance and maintain our HOLD rating on the stock.**

Other Concall Highlights

- **Bata Ladies** continues to be a key volume and value driver for the company, with encouraging traction at newly introduced entry-level price points. Products priced at Rs399–499, scaled across ~800 doors, delivered a sharp improvement in checkouts from 3.5% to 8%, translating into ~15,000 pairs per week. Similar success was seen in the Rs799–999 range, where checkouts improved to 6.4%. These initiatives are now being expanded across the stores, supported by targeted consumer communication.
- On the **Power portfolio**, entry at Rs 1,699–1,999 has shown early success with checkouts at 6.6%, and the range is being broadened with additional product lines. At the premium end, Power's Easy Slide collection (Rs 2,500–4,000+) has witnessed strong consumer response, with 4.5% checkouts, while Power Stamina running shoes (Rs 4,000+) achieved ~4% checkouts, reinforcing Bata's push into higher ASP categories.
- **Floatz**, the casual portfolio, remains a strong growth engine, posting 30%+ growth and commanding 1.2x the average store ASP. The brand's recent influencer-led campaign, "Comfort Never Looked So Good", received strong traction, further strengthening its positioning.
- **Hush Puppies** continues to drive premiumization, with ~150 exclusive brand outlets (COCO + franchise), and expansion planned at a 60:40 COCO-franchise split. The launch of Office Sneakers under the "Ease Please" campaign has been a meaningful portfolio addition, supported by refreshed store formats with premium visual merchandising, improving consumer experience.
- **Zero Base Merchandising (ZBM)**: Bata India expanded ZBM to 194 stores by June 2025, adding 50 stores in Q1, with plans to maintain or accelerate this pace. ZBM stores have delivered stronger performance with a 33% reduction in SKUs, 22% lower inventory, and improved availability, driving better ROIC. These stores are outperforming control stores on same-store growth, unit per transaction, and consumer metrics (NPS and Google ratings), while enabling more efficient operations. Management expects continued scale-up, reinforcing both customer experience and profitability.
- **Demand Outlook**- The company remains focused on balancing near-term headwinds with sustained investments in long-term growth levers. Management expects consumption to recover in the latter part of the year, supported by strong brand positioning, an extensive distribution network, and continued emphasis on cost efficiencies.

Key Risks to Our Estimates and TP

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

Change in Estimates

	Old		New		% change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	3,920	4,363	3,810	4,160	-3%	-5%
EBITDA	876	1,013	806	899	-8%	-11%
PAT	318	403	279	342	-12%	-15%
EPS	25	31	22	27	-13%	-14%

Source: Company, Axis Securities

Results Review

	Q1FY25	Q4FY25	Axis Est.	Q1FY26	% Change (YoY)	% Change (QoQ)	Axis Est. Var (%)
Net Sales	945	788	964	942	(0.3)	19.5	(2.2)
Gross Profit	518	456	525	504	(2.8)	10.5	(4.1)
Gross Margin (%)	54.9	57.8	54.5	53.5	-137 bps	-435 bps	-101 bps
Employee Expenses	121	124	140	116	(3.8)	(6.5)	(17.0)
Other Expenses	212	153	191	189	(11.2)	23.1	(1.3)
EBITDA	185	178	194	199	7.5	11.5	2.6
EBITDA Margin (%)	19.6	22.6	20.1	21.1	153 bps	-152 bps	100 bps
Oth. Inc	16	22	17	17	4.6	(23.8)	(0.4)
Interest	31	35	36	35	13.2	0.3	(4.5)
Depreciation	87	104	109	106	21.7	2.3	(2.6)
EO items	(134)	-	-	5			
PBT	217	62	65	70	(67.7)	12.7	7.1
Tax	43	16	17	18	(58.0)	11.1	6.2
PAT	174	46	48	52	(70.1)	13.3	7.4
EPS	13	4	4	4	(70.1)	13.3	7.4

Source: Company, Axis Securities

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E
Net sales	3,479	3,489	3,810	4,160
Growth, %	0.8	0.3	9.2	9.2
Total income	3,479	3,489	3,810	4,160
Raw material expenses	(1,492)	(1,524)	(1,677)	(1,828)
Employee expenses	(420)	(462)	(499)	(539)
Other Operating Expenses	(781)	(765)	(827)	(895)
EBITDA (Core)	786	737	806	899
Growth, %	(1.0)	(6.2)	9.4	11.4
Margin, %	22.6	21.1	21.2	21.6
Depreciation	(339)	(371)	(379)	(397)
EBIT	447	366	427	501
Growth, %	(10)	(18)	17	17
Margin, %	13	10	11	12
Interest paid	(117)	(128)	(134)	(139)
Other Income	62	66	79	94
Non-recurring Items	(41)	123	-	-
Pre-tax profit	351	426	372	457
Tax provided	(88)	(96)	(93)	(114)
Profit after tax	263	331	279	342
Growth, %	(6.1)	(31.6)	34.6	22.6
Net Profit (adjusted)	263	331	279	342
Unadj. shares (Cr)	13	13	13	13

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

As of 31 st Mar'25	FY24	FY25	FY26E	FY27E
Cash & bank	408	634	970	1,351
Marketable securities at cost	37	69	69	69
Debtors	80	112	122	133
Inventory	930	815	890	971
Other current assets	96	92	92	92
Total current assets	1,551	1,722	2,143	2,616
Investments	133	108	108	108
Gross fixed assets	2,269	2,643	2,773	2,903
Less: Depreciation	(760)	(844)	(1,223)	(1,620)
Add: Capital WIP	4	14	14	14
Net fixed assets	1,512	1,814	1,565	1,297
Non-current assets	12	14	14	14
Total assets	3,350	3,823	3,995	4,201
Current liabilities	735	938	970	1,005
Provisions	-	-	-	-
Total current liabilities	735	938	970	1,005
Non-current liabilities	1,088	1,310	1,310	1,310
Total liabilities	1,823	2,248	2,280	2,315
Paid-up capital	64	64	64	64
Reserves & surplus	1,463	1,511	1,650	1,822
Shareholders' equity	1,527	1,575	1,715	1,886
Total equity & liabilities	3,350	3,823	3,995	4,201

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E
Pre-tax profit	351	426	372	457
Depreciation	339	371	379	397
Chg in working capital	(76)	302	(53)	(58)
Total tax paid	(101)	(111)	(93)	(114)
Other operating activities	-	-	-	-
Cash flow from operating activities	512	989	605	682
Capital expenditure	(456)	(673)	(130)	(130)
Other investing activities	-	-	-	-
Cash flow from investing activities	(466)	(680)	(130)	(130)
Free cash flow	46	309	475	552
Dividend (incl. tax)	-	-	-	-
Other financing activities	-	-	-	-
Cash flow from financing activities	5	200	-	-
Net chg in cash	51	509	475	552
Opening cash balance	531	408	634	970
Closing cash balance	408	634	970	1,351

Source: Company, Axis Securities

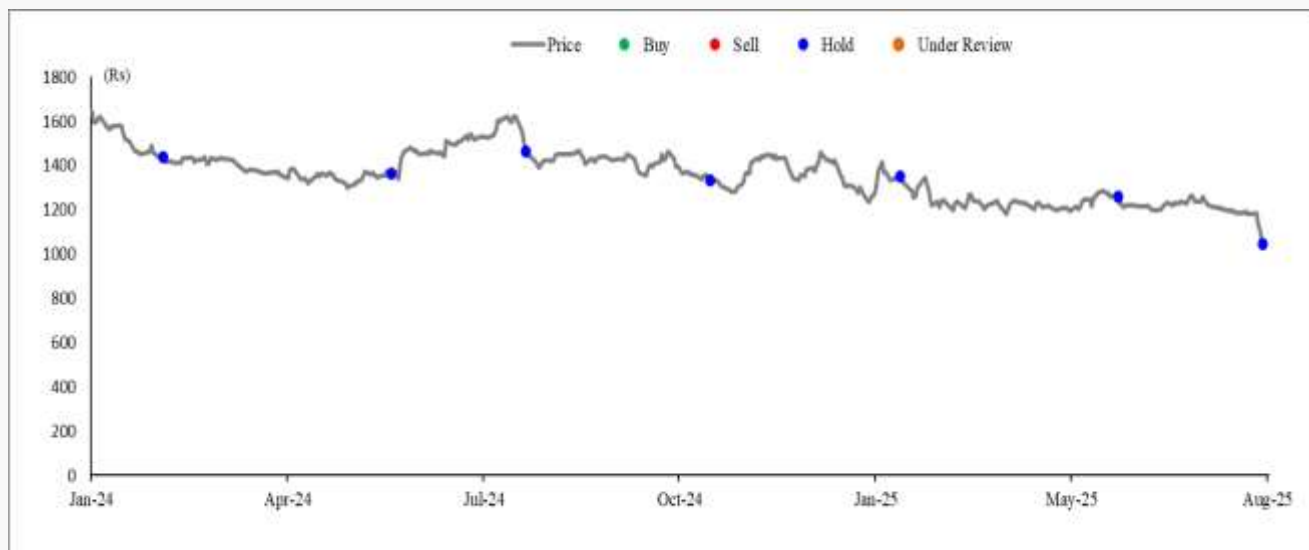
Ratio Analysis

(%)

	FY24	FY25	FY26E	FY27E
Per Share data				
EPS (INR)	20.4	25.7	21.7	26.6
Growth, %	(6.1)	(31.6)	34.6	22.6
Book NAV/share (INR)	118.8	122.5	133.4	146.7
FDEPS (INR)	23.6	16.1	21.7	26.6
CEPS (INR)	53.2	35.4	51.2	57.6
CFPS (INR)	36.0	68.3	41.0	45.7
Return ratios				
Return on assets (%)	11.5	12.8	10.6	11.7
Return on equity (%)	19.9	13.2	16.3	18.2
Return on capital employed (%)	15.0	16.7	14.0	15.5
Turnover ratios				
Asset turnover (x)	4.2	3.7	4.4	6.3
Sales/Total assets (x)	1.1	1.0	1.0	1.0
Sales/Net FA (x)	2.4	2.1	2.3	2.9
Working capital/Sales (x)	0.1	0.0	0.0	0.0
Receivable days	8.4	11.7	11.7	11.7
Inventory days	97.5	85.2	85.2	85.2
Payable days	40.6	46.4	46.4	46.6
Working capital days	38.9	8.4	12.7	16.8
Liquidity ratios				
Current ratio (x)	2.1	1.8	2.2	2.6
Quick ratio (x)	0.8	1.0	1.3	1.6
Interest cover (x)	3.8	2.8	3.2	3.6
Valuation				
PER (x)	44.5	65.1	48.4	39.4
PEG (x) - y-o-y growth	(7.3)	(2.1)	1.4	1.7
Price/Book (x)	8.8	8.6	7.9	7.2
EV/Net sales (x)	3.8	3.8	3.4	3.0
EV/EBITDA (x)	16.8	17.8	15.9	13.8
EV/EBIT (x)	29.5	35.9	30.0	24.8

Source: Company, Axis Securities

Bata India Price Chart and Recommendation History



Date	Reco	TP	Research
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
13-Feb-25	HOLD	1,320	Result Update
03-Jun-25	HOLD	1,250	Result Update
18-Aug-25	HOLD	1,020	Result Update

Source: Axis Securities Research

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BUY	More than 10%
HOLD	Between 10% and -10%
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UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.