


**Subdued Performance; Maintain HOLD**
**Est. Vs. Actual for Q3FY24:** Revenue – **MISS**; EBITDA – **MISS**; PAT – **MISS**
**Changes in Estimates post Q3FY24**
**FY25E/FY26E – Revenue:** -3%/-3%; **EBITDA:** -8%/-6%; **PAT:** -13%/-10%

**Recommendation Rationale**

**Subdued Performance:** BATA's result was below our/street estimates across all the parameters. The company's revenue grew by a marginal 0.4% YoY (v/s our estimates of 10% YoY) on account of muted performance in the mass-end portfolio. However, the premium portfolio continued to remain strong. EBITDA margins declined by 272bps YoY to 20.2% on account of higher ad-spends and costs associated with the ERP implementation. Reported PAT stood at Rs 58 Cr, down 30% YoY mainly due to the higher depreciation.

**Premiumisation and store opening will drive growth:** The premium brands' outperformance continued led by Red Labe, Hush Puppies, Comfit, and Floatz. It added 54 stores in Q3, thereby reaching to a total count of ~2,204 stores. Furthermore, the Sneaker studio was implemented in 655 stores. As per the management guidelines, it will continue its expansion in both COCO and franchise stores in the ratio of 20% and 80%. Bata wants existing partners to open new stores and increase the proportion of franchise stores which tend to mature faster and benefit both the partner and the company.

**Sector Outlook:** Cautiously optimistic

**Company Outlook & Guidance:** We have cut our FY25/26 estimates by 13%/10% to factor in near-term demand challenges and roll our estimates to Dec'25. However, due to limited upside potential, we maintain HOLD on the stock.

**Current Valuation:** 43x Dec-25 EPS (Earlier valuation: 43x Sep-25 EPS)

**Current TP:** Rs 1,520/share (Earlier TP: Rs 1,650/share).

**Recommendation:** With a 5% upside potential from the CMP, we maintain HOLD

**Financial Performance:** BATA's result was below our/street estimates across all parameters. The company's revenue grew by a marginal 0.4% YoY (versus our estimate of 10% YoY) due to muted performance in the mass end of the portfolio. However, the premium portfolio continued to remain strong. Gross margin was up by 127bps to 56.1%, improved on account of a better channel mix, prudent discounts, and efficient inventory management. EBITDA margin stood at 20.2% (down by 272 bps YoY) due to higher ad-spends and costs associated with ERP implementation. Reported PAT at Rs 58 Cr was down by 30% YoY mainly due to higher depreciation.

**Store expansion:** The company's total reach stands at 2204 outlets (up 9% YoY) across 1518 towns. As of Dec'23, the sneaker studio stands at 655 stores. The Management further reiterated that renovation of the stores, which started 18 months back, is likely to continue in a significant way for another two quarters, where the store expansion of COCO and Franchise would be in the ratio of 20:80. In Q3, Bata renovated 36 stores, including Hush Puppies stores.

**Outlook:** We remain positive on the long-term outlook of the company as its investment in back-end processes will drive overall efficiency, and its efforts on premiumization and casualisation strategy through fast-growing sneakers and franchise-led expansion in Tier 3-5 towns will bear fruits in the longer run. The company's focus on prudent expansion of the Retail Network and marketing investment is further aiding the positive outlook. However, the company is facing short-term challenges such as: a) A large part of the mass portfolio is still under pressure, and 2) The management's continued investments in strengthening systems and processes technology adoption (HPM, ERP) will impact the margins in the short term. Hence, we have maintained our 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 8%/10%/14% CAGR over FY23-26E and maintain a HOLD rating on the stock with a revised TP of Rs 1520/share. **We value the company at 43x Dec-25 EPS**

**Key Financials (Consolidated)**

(Rs Cr)	Q3FY24	QoQ (%)	YoY (%)	Axis Est.	Variance (%)
Net Sales	903	10.3	0.4	990	(8.8)
EBITDA	182	0.4	(11.6)	249	(26.9)
EBITDA Margin (%)	20.2	-198 bps	-272 bps	25.2	-500 bps
Net Profit	58	(22.6)	(30.5)	108	(46.1)
EPS (Rs)	4	70.6	(30.5)	8	(46.1)

Source: Company, Axis Research

(CMP as of 6<sup>th</sup> Feb'24)

CMP (Rs)	1442
Upside /Downside (%)	5%
High/Low (Rs)	1770/1380
Market cap (Cr)	18,527
Avg. daily vol. (6m)Shrs.'000	309.9
No. of shares (Cr)	12

**Shareholding (%)**

	Jun-23	Sep-23	Dec-23
Promoter	50.2	50.2	50.2
FIIs	6.6	7.5	7.9
MFs / UTI	19.6	19.9	19.1
FI/ Banks	0.0	0.0	0.0
Others	23.6	22.4	22.9

**Financial & Valuations**

Y/E Mar (Rs) Cr)	FY24E	FY25E	FY26E
Net Sales	3,549	3,950	4,396
EBITDA	786	910	1,055
Net Profit	309	385	478
EPS (Rs)	24.0	30.0	37.2
PER (x)	60.1	48.1	38.8
EV/EBITDA (x)	22.6	19.1	16.1
RoE (%)	19.4	21.6	23.6

**Change in Estimates (%)**

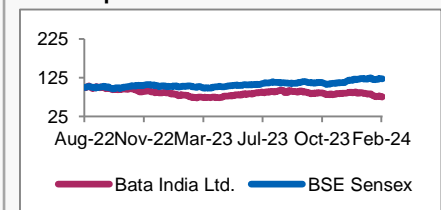
Y/E Mar	FY25E	FY26E
Sales	-3%	-3%
EBITDA	-8%	-6%
PAT	-13%	-10%

**ESG disclosure Score\*\***

Environmental Disclosure core	4.68
Social Disclosure Score	24.03
Governance Disclosure Score	78.6
<b>Total ESG Disclosure Score</b>	<b>35.82</b>
<b>Sector Average</b>	<b>41.61</b>

Source: Bloomberg, Scale: 0.1-100

\*\*Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2022 disclosures

**Relative performance**


Source: Ace Equity, Axis Securities

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**Other Key highlights:**

- **Hush Puppies Brand-** Bata has renewed its focus on Hush Puppies and has guided aggressive renovation in the coming quarters. The company launched its first Hush Puppies Kiosk in Q3FY24.
- **Apparel Category –** Bata's apparel category is also performing well with active 60 stores at present. The management further highlighted that Power Apparel is receiving encouraging responses in its piloting stage and gradually expanding to another store network; however, it's still in the nascent stage, and probably by the middle of next quarter, it will be in a better place to give us a clear picture on the business front.

**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	4,075	4,536	3,950	4,396	-3%	-3%
EBITDA	991	1,127	910	1,055	-8%	-6%
PAT	445	531	385	478	-13%	-10%
EPS	34.6	41.3	30.0	37.2	-13%	-10%

Source: Company, Axis Securities

**Results Review**

	Q3FY23	Q2FY24	Axis Est.	Q3FY24	% Change (Y-o-Y)	% Change (Q-o-Q)	Axis Est. Var (%)
Net Sales	900	819	990	903	0.4	10.3	(8.8)
Gross Profit	493	476	574	507	2.7	6.5	(11.8)
Gross Margin (%)	54.8	58.1	58.0	56.1	127 bps	-199 bps	-194 bps
Employee Expenses	103	106	113	103	(0.1)	(2.9)	(9.2)
Other Expenses	184	188	212	221	20.2	17.7	4.5
EBITDA	206	182	249	182	(11.6)	0.4	(26.9)
EBITDA Margin (%)	22.9	22.2	25.2	20.2	-272 bps	-198 bps	-500 bps
Oth. Inc	8	15	8	11	45.5	(28.7)	38.6
Interest	29	28	29	29	3.1	3.6	2.6
Depreciation	75	82	83	86	14.1	5.2	3.2
EO items	-	41	-	-			
PBT	110	87	145	78	(29.0)	(10.3)	(46.3)
Tax	27	12	38	20	(24.5)	65.6	(46.9)
PAT	83	75	108	58	(30.5)	(22.6)	(46.1)
EPS	6	3	8	4	(30.5)	70.6	(46.1)

Source: Company, Axis Securities

## Financials (Consolidated)

### Profit & Loss

(Rs Cr)

Y/E Mar	FY23	FY24E	FY25E	FY26E
<b>Net sales</b>	<b>3,452</b>	<b>3,549</b>	<b>3,950</b>	<b>4,396</b>
Growth, %	44.6	2.8	11.3	11.3
Total income	3,452	3,549	3,950	4,396
Raw material expenses	(1,514)	(1,544)	(1,714)	(1,902)
Employee expenses	(419)	(440)	(479)	(518)
Other Operating expenses	(725)	(779)	(847)	(921)
<b>EBITDA (Core)</b>	<b>794</b>	<b>786</b>	<b>910</b>	<b>1,055</b>
Growth, %	89.7	(1.0)	15.8	15.9
Margin, %	23.0	22.2	23.0	24.0
Depreciation	(295)	(324)	(343)	(363)
<b>EBIT</b>	<b>499</b>	<b>462</b>	<b>567</b>	<b>692</b>
Growth, %	183	(7)	23	22
Margin, %	14	13	14	16
Interest paid	(108)	(110)	(118)	(126)
Other Income	39	62	68	75
Non-recurring Items	-	-	-	-
<b>Pre-tax profit</b>	<b>430</b>	<b>414</b>	<b>517</b>	<b>641</b>
Tax provided	(107)	(106)	(132)	(163)
<b>Profit after tax</b>	<b>323</b>	<b>309</b>	<b>385</b>	<b>478</b>
Growth, %	213.6	(4.5)	24.8	24.0
<b>Net Profit (adjusted)</b>	<b>323</b>	<b>309</b>	<b>385</b>	<b>478</b>
Unadj. shares (Cr)	13	13	13	13

Source: Company, Axis Securities

### Balance Sheet

(Rs Cr)

As of 31st Mar	FY23	FY24E	FY25E	FY26E
Cash & bank	531	863	1,202	1,599
Marketable securities at cost	38	38	38	38
Debtors	83	85	94	105
Inventory	905	930	1,035	1,152
Other current assets	57	57	57	57
Total current assets	1,614	1,973	2,427	2,952
Investments	122	122	122	122
Gross fixed assets	2,085	2,215	2,345	2,475
Less: Depreciation	(693)	(1,017)	(1,361)	(1,724)
Add: Capital WIP	4	4	4	4
Net fixed assets	1,396	1,202	988	755
Non-current assets	4	4	4	4
<b>Total assets</b>	<b>3,272</b>	<b>3,437</b>	<b>3,678</b>	<b>3,969</b>
Current liabilities	822	834	882	934
Provisions	-	-	-	-
Total current liabilities	822	834	882	934
Non-current liabilities	1,011	1,011	1,011	1,011
Total liabilities	1,833	1,845	1,892	1,945
Paid-up capital	64	64	64	64
Reserves & surplus	1,374	1,528	1,721	1,960
Shareholders' equity	1,438	1,592	1,785	2,024
<b>Total equity &amp; liabilities</b>	<b>3,271</b>	<b>3,437</b>	<b>3,677</b>	<b>3,969</b>

Source: Company, Axis Securities

**Cash Flow**

(Rs Cr)

Y/E Mar	FY23	FY24E	FY25E	FY26E
Pre-tax profit	430	414	517	641
Depreciation	295	324	343	363
Chg in working capital	123	(16)	(67)	(75)
Total tax paid	(116)	(106)	(132)	(163)
Other operating activities	-	-	-	-
<b>Cash flow from operating activities</b>	<b>731</b>	<b>616</b>	<b>662</b>	<b>766</b>
Capital expenditure	(459)	(130)	(130)	(130)
Other investing activities	-	-	-	-
<b>Cash flow from investing activities</b>	<b>(470)</b>	<b>(130)</b>	<b>(130)</b>	<b>(130)</b>
Free cash flow	261	486	532	636
Dividend (incl. tax)	-	-	-	-
Other financing activities	-	-	-	-
<b>Cash flow from financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net chg in cash	261	486	532	636
Opening cash balance	969	531	863	1,202
Closing cash balance	531	863	1,202	1,599

Source: Company, Axis Securities

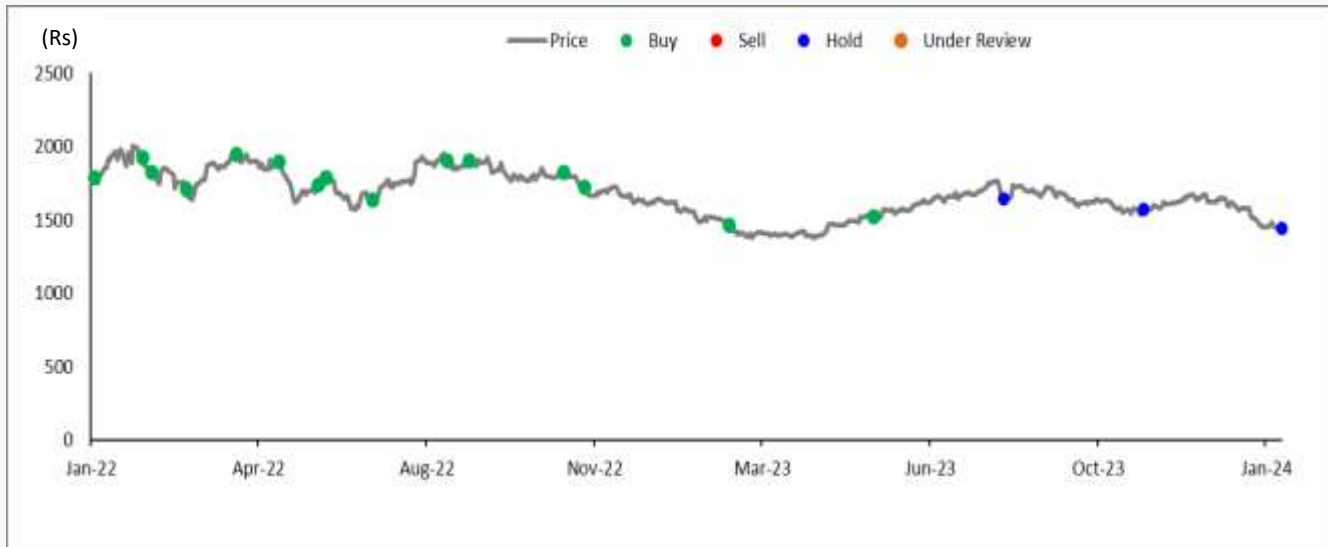
**Ratio Analysis**

(%)

	FY23	FY24E	FY25E	FY26E
<b>Per Share data</b>				
EPS (INR)	25.1	24.0	30.0	37.2
Growth, %		(4.5)	24.8	24.0
Book NAV/share (INR)	111.9	123.9	138.9	157.5
FDEPS (INR)	25.1	24.0	30.0	37.2
CEPS (INR)	48.1	49.2	56.7	65.4
CFPS (INR)	52.5	43.1	46.2	53.8
<b>Return ratios</b>				
Return on assets (%)	12.7	12.5	14.1	15.8
Return on equity (%)	22.5	19.4	21.6	23.6
Return on capital employed (%)	16.7	16.6	18.6	20.7
<b>Turnover ratios</b>				
Asset turnover (x)	4.9	5.5	8.1	13.2
Sales/Total assets (x)	1.0	1.1	1.1	1.1
Sales/Net FA (x)	2.6	2.7	3.6	5.0
Working capital/Sales (x)	0.1	0.1	0.1	0.1
Receivable days	8.7	8.7	8.7	8.7
Inventory days	95.7	95.7	95.7	95.7
Payable days	56.2	55.6	56.2	57.0
Working capital days	23.5	24.5	28.2	31.6
<b>Liquidity ratios</b>				
Current ratio (x)	2.0	2.4	2.8	3.2
Quick ratio (x)	0.9	1.3	1.6	1.9
Interest cover (x)	4.6	4.2	4.8	5.5
<b>Valuation</b>				
PER (x)	57.4	60.1	48.1	38.8
PEG (x) - y-o-y growth	0.3	(13.4)	1.9	1.6
Price/Book (x)	12.9	11.6	10.4	9.2
EV/Net sales (x)	5.2	5.0	4.4	3.9
EV/EBITDA (x)	22.8	22.6	19.1	16.1
EV/EBIT (x)	36.2	38.4	30.7	24.6

Source: Company, Axis Securities

## Bata India Price Chart and Recommendation History



Date	Reco	TP	Research
03-Jan-22	BUY	2,300	Top Picks
03-Feb-22	BUY	2,300	Top Picks
09-Feb-22	BUY	2,200	Result Update
03-Mar-22	BUY	2,200	Top Picks
04-Apr-22	BUY	2,200	Top Picks
02-May-22	BUY	2,200	Top Picks
30-May-22	BUY	2,200	Result Update
01-Jun-22	BUY	2,200	Top Picks
01-Jul-22	BUY	2,200	Top Picks
19-Aug-22	BUY	2,200	Result Update
01-Sep-22	BUY	2,200	Top Picks
01-Oct-22	BUY	2,200	Top Picks
01-Nov-22	BUY	2,200	Top Picks
15-Nov-22	BUY	1,950	Result Update
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

Source: Axis Securities

**About the analyst****Analyst:** Preeyam Tolia**Contact Details:** [preeyam.tolia@axissecurities.in](mailto:preeyam.tolia@axissecurities.in)**Sector:** FMCG & Retail**Analyst Bio:** Preeyam Tolia is B.com and CFA Level 1 and part of the Axis Securities Research Team.**About the analyst****Analyst:** Suhanee Shome**Contact Details:** [suhanee.shome@axissecurities.in](mailto:suhanee.shome@axissecurities.in)**Sector:** FMCG & Retail**Analyst Bio:** Suhanee Shome is MBA and part of the Axis Securities Research Team**Disclosures:**

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