

Demand Revival Underway; Maintain HOLD

Changes in Estimates post Q3FY26

FY27E/FY28E: Revenue: -2%/-2%; EBITDA: -7%/-6%; PAT: -14%/-10%

Recommendation Rationale

- **Early Recovery; Premium Push Gaining Pace:** Bata India reported ~3% YoY revenue growth in Q3FY26, supported by an improvement in demand following GST-related adjustments. Management indicated early signs of recovery, with healthy traction across channels. Premium labels such as Hush Puppies and Power delivered strong performance during the quarter, while fresh sales contribution continued to improve sequentially. The recovery was aided by the ongoing rollout of zero-merchandising initiatives, now implemented across 400+ stores, enhancing in-store experience and improving revenue productivity per square foot. Marketing investments also remained elevated, registering double-digit growth for the second consecutive quarter, contributing to strengthening brand momentum.
- **Margins Improvement:** EBITDA margin expanded by 73 bps YoY to 22.4% in Q3FY26, despite a marginal 19 bps contraction in gross margins. Structural initiatives drove improvement at the operating level, focused on store decluttering, enhancing inventory freshness, and tightening cost control, which supported operating leverage. Gross inventory levels were reduced by ~11% during the quarter, reflecting continued balance sheet discipline.
- **Expansion Momentum Intact:** The company added 27 franchise stores during the quarter, continuing its asset-light expansion strategy. Management reiterated confidence in crossing the 2,000-store milestone by Q4FY26, in line with earlier guidance. Growth momentum is also being supported through continued expansion under the KRO network.
- **Demand Outlook:** The management remains optimistic about demand recovery in Q4FY26, supported by its marketing investments, robust brand equity, extensive retail network, and a continued emphasis on cost optimisation and operational efficiency.

Sector Outlook: Cautious

Company Outlook & Guidance: While early signs of demand recovery are visible, the sustainability of the turnaround remains to be established. Accordingly, we adopt a wait-and-watch approach and **maintain our HOLD rating on the stock.**

Current Valuation: 38x Dec'27E EPS (Earlier Valuation: 38x Sep'27E EPS)

Current TP: Rs 920/share (Earlier TP: Rs 1,000/share)

Recommendation: With a 8% upside from the CMP, we **maintain our HOLD rating on the stock.**

Financial Performance

Bata India reported revenue of Rs 945 Cr, up ~3% YoY. EBITDA stood at Rs 212 Cr, up 6.3% YoY, and EBITDA margins improved by 73 bps to 22.4%. PAT came in at Rs 66 Cr, up 12.5% YoY.

Financials Summary (Consolidated)

(Rs Cr)	Q3FY26	QoQ (%)	YoY (%)
Net Sales	945	17.9	2.8
EBITDA	212	46.3	6.3
EBITDA Margin (%)	22.4	436 bps	73 bps
Net Profit	66	375.2	12.5
EPS (Rs)	5	375.2	12.5

Source: Company, Axis Securities Research

(CMP as of 13th February, 2026)

CMP (Rs)	855
Upside /Downside (%)	8%
High/Low (Rs)	1376/836
Market cap (Cr)	10,982
Avg. daily vol. (6m)Shrs.'000	222
No. of shares (Cr)	12.8

Shareholding (%)

	Jun-25	Sep-25	Dec-25
Promoter	50.2	50.2	50.2
FIIs	6.9	6.9	6.2
MFs / UTI	16.9	17.4	17.3
FI/ Banks	0.0	0.0	0.0
Others	26.1	25.6	26.3

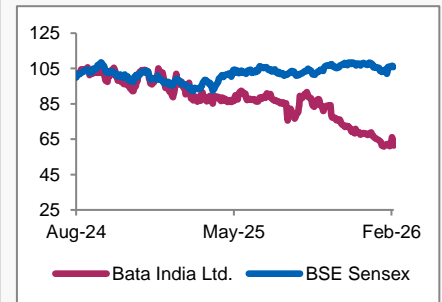
Financial & Valuations

Y/E Mar (Rs) Cr	FY25	FY26E	FY27E
Net Sales	3,489	3,701	4,003
EBITDA	737	720	786
Net Profit	331	215	276
EPS (Rs)	25.7	16.7	21.5
PER (x)	52.9	51.2	39.8
EV/EBITDA (x)	14.4	14.3	12.7
RoE (%)	7.0	6.5	6.0

Change in Estimates (%)

Y/E Mar	FY27E	FY28E
Sales	-2%	-2%
EBITDA	-7%	-6%
PAT	-14%	-10%

Relative Performance



Source: Ace Equity, Axis Securities

Results Gallery

- [Q2FY26](#)
- [Q1FY26](#)
- [Q4FY25](#)
- [Q3FY25](#)

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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, its ERP project has gone live, and management anticipates benefits in terms of speed, agility, and operational accuracy. While early signs of demand recovery are visible, the sustainability of the turnaround remains to be established. Accordingly, we adopt a wait-and-watch approach and **maintain our HOLD rating** on the stock.

Key Risks to Our Estimates and TP

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

Change in Estimates

	Old		New		% change	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenue	4,088	4,430	4,003	4,329	-2%	-2%
EBITDA	845	913	786	859	-7%	-6%
PAT	320	389	276	349	-14%	-10%
EPS	25	30.3	21	27	-14%	-10%

Source: Company, Axis Securities

Results Review

	Q3FY25	Q2FY26	Q3FY26	% Change (YoY)	% Change (QoQ)
Net Sales	919	801	945	2.8	17.9
Gross Profit	516	444	529	2.5	19.2
Gross Margin (%)	56.2	55.4	56.0	-19 bps	60 bps
Employee Expenses	103	111	111	7.7	0.0
Other Expenses	213	188	206	(3.6)	9.6
EBITDA	200	145	212	6.3	46.3
EBITDA Margin (%)	21.7	18.1	22.4	73 bps	436 bps
Oth. Inc	10	21	21	112.2	(2.3)
Interest	31	34	32	3.8	(4.6)
Depreciation	90	105	104	15.3	(0.9)
EO items	11	8	8		
PBT	77	19	89	14.8	360.0
Tax	19	5	23	22.1	320.8
PAT	59	14	66	12.5	375.2
EPS	5	1	5	12.5	375.2

Source: Company, Axis Securities

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E Mar	FY25	FY26E	FY27E	FY28E
Net sales	3,489	3,701	4,003	4,329
Growth, %	0.3	6.1	8.2	8.2
Total income	3,489	3,701	4,003	4,329
Raw material expenses	(1,524)	(1,662)	(1,795)	(1,938)
Employee expenses	(462)	(495)	(529)	(566)
Other Operating Expenses	(765)	(825)	(893)	(965)
EBITDA (Core)	737	720	786	859
Growth, %	(6.2)	(2.3)	9.1	9.3
Margin, %	21.1	19.5	19.6	19.8
Depreciation	(371)	(379)	(369)	(356)
EBIT	366	341	417	503
Growth, %	(18)	(7)	22	21
Margin, %	10	9	10	12
Interest paid	(128)	(134)	(142)	(147)
Other Income	66	79	93	110
Non-recurring Items	123	-	-	-
Pre-tax profit	426	286	368	465
Tax provided	(96)	(72)	(92)	(116)
Profit after tax	331	215	276	349
Growth, %	(31.6)	3.4	28.7	26.4
Net Profit (adjusted)	331	215	276	349
Unadj. shares (Cr)	13	13	13	13

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

As of 31 st Mar'25	FY25	FY26E	FY27E	FY28E
Cash & bank	634	956	1,283	1,630
Marketable securities at cost	69	69	69	69
Debtors	112	119	128	139
Inventory	815	864	935	1,011
Other current assets	92	92	92	92
Total current assets	1,722	2,099	2,507	2,940
Investments	108	108	108	108
Gross fixed assets	2,643	2,773	2,903	3,033
Less: Depreciation	(844)	(1,223)	(1,592)	(1,948)
Add: Capital WIP	14	14	14	14
Net fixed assets	1,814	1,565	1,326	1,100
Non-current assets	14	14	14	14
Total assets	3,823	3,951	4,120	4,327
Current liabilities	938	959	989	1,022
Provisions	-	-	-	-
Total current liabilities	938	959	989	1,022
Non-current liabilities	1,310	1,310	1,310	1,310
Total liabilities	2,248	2,269	2,299	2,332
Paid-up capital	64	64	64	64
Reserves & surplus	1,511	1,618	1,756	1,931
Shareholders' equity	1,575	1,682	1,820	1,995
Total equity & liabilities	3,823	3,951	4,120	4,327

Source: Company, Axis Securities

Cash Flow
(Rs Cr)

Y/E Mar	FY25	FY26E	FY27E	FY28E
Pre-tax profit	426	286	368	465
Depreciation	371	379	369	356
Chg in working capital	302	(35)	(50)	(54)
Total tax paid	(111)	(72)	(92)	(116)
Other operating activities	-	-	-	-
Cash flow from operating activities	989	559	595	651
Capital expenditure	(673)	(130)	(130)	(130)
Other investing activities	-	-	-	-
Cash flow from investing activities	(680)	(130)	(130)	(130)
Free cash flow	309	429	465	521
Dividend (incl. tax)	-	-	-	-
Other financing activities	-	-	-	-
Cash flow from financing activities	200	-	-	-
Net chg in cash	509	429	465	521
Opening cash balance	408	634	956	1,283
Closing cash balance	634	956	1,283	1,630

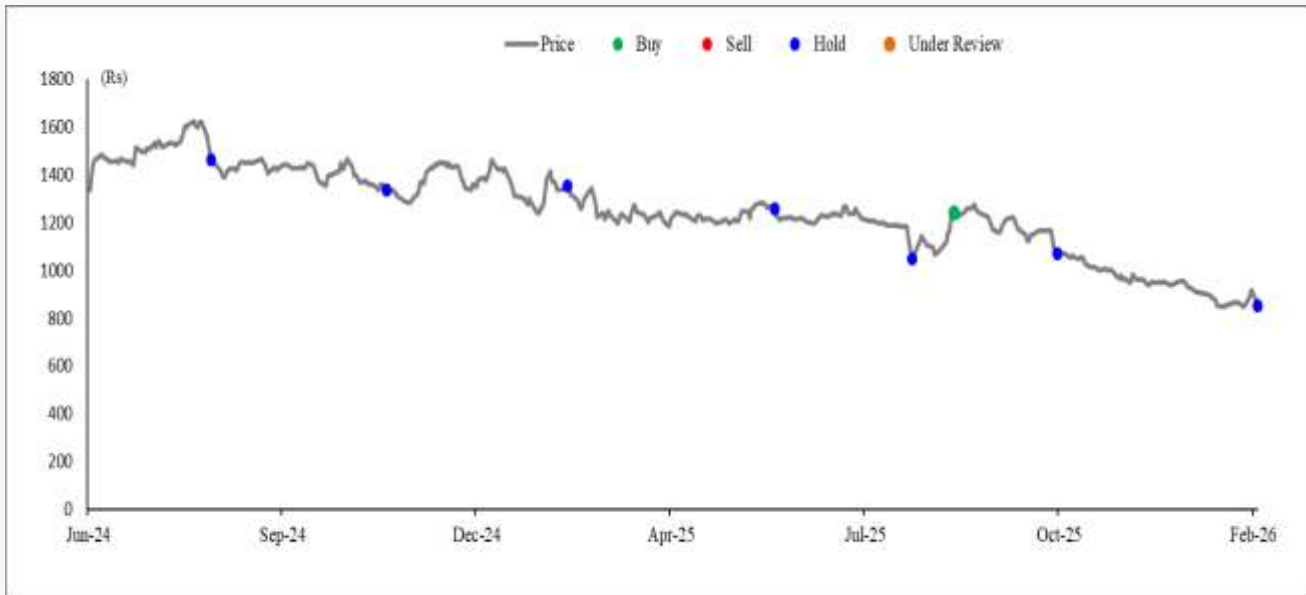
Source: Company, Axis Securities

Ratio Analysis
(%)

	FY25	FY26E	FY27E	FY28E
Per Share data				
EPS (INR)	25.7	16.7	21.5	27.2
Growth, %	(31.6)	3.4	28.7	26.4
Book NAV/share (INR)	122.5	130.9	141.6	155.2
FDEPS (INR)	16.1	16.7	21.5	27.2
CEPS (INR)	35.4	46.2	50.2	54.9
CFPS (INR)	68.3	37.3	39.1	42.1
Return ratios				
Return on assets (%)	12.8	8.9	10.3	11.7
Return on equity (%)	13.2	12.8	15.2	17.5
Return on capital employed (%)	16.7	11.8	13.6	15.4
Turnover ratios				
Asset turnover (x)	3.7	4.3	6.1	9.2
Sales/Total assets (x)	1.0	1.0	1.0	1.0
Sales/Net FA (x)	2.1	2.2	2.8	3.6
Working capital/Sales (x)	0.0	0.0	0.0	0.1
Receivable days	11.7	11.7	11.7	11.7
Inventory days	85.2	85.2	85.2	85.2
Payable days	46.4	45.4	45.5	45.6
Working capital days	8.4	11.4	15.0	18.5
Liquidity ratios				
Current ratio (x)	1.8	2.2	2.5	2.9
Quick ratio (x)	1.0	1.3	1.6	1.9
Interest cover (x)	2.8	2.6	2.9	3.4
Valuation				
PER (x)	52.9	51.2	39.8	31.5
PEG (x) YoY growth	(1.7)	14.9	1.4	1.2
Price/Book (x)	7.0	6.5	6.0	5.5
EV/Net sales (x)	3.0	2.8	2.5	2.2
EV/EBITDA (x)	14.4	14.3	12.7	11.2
EV/EBIT (x)	29.0	30.2	23.9	19.2

Source: Company, Axis Securities

Bata India Price Chart and Recommendation History



Date	Reco	TP	Research
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
08-Sep-25	BUY	1,380	Company Update
31-Oct-25	HOLD	1,000	Result Update
16-Feb-26	HOLD	920	Result Update

Source: Axis Securities Research

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