

Bata India

Disappoints on all counts; downgrade to REDUCE

Revenue grew 1.6% YoY (four-year CAGR: 2.1%; INR9.58bn vs HSIE: INR10.56bn). Revenue growth remains subdued despite (1) the early launch of the end-of-season sale (EOSS), (2) an 11% YoY increase in the number of retail points, and (3) Floatz (Sneaker brand) registering good traction. This implies that core product sales are declining. We expect SSSG to be meaningfully in the negative. GM/EBIDTAM contracted 186/95bps YoY to 54.7/25% (HSIE: 55.5/25%). We suspect the rising skew of distribution/online sales may have played a role, along with the early onset of EOS sales. While we remain watchful of how Bata treads the growth-margin equation across its volume drivers; we've cut our FY24/25 EBITDA estimates by 5-7% (to account for lower growth and margins) and downgrade Bata to a REDUCE rating with a DCF-based TP of INR1,500/sh, implying 25/Sep-25 EV/EBITDA/35x Sep-25 P/E.

- Q1FY24 highlights:** Revenue grew 1.6% YoY to INR9.58bn (four-year CAGR: 2.1%; HSIE: INR10.56bn). Revenue growth remains subdued despite (1) the early launch of EOSS, (2) an 11% YoY increase in the number of retail points, and (3) Floatz (Sneaker brand) registering good traction. This implies that core product sales are declining. We expect SSSG to be meaningfully in the negative. Bata added 29 franchisee stores (net) in Q1 (franchisee/total store count: 448/2100). Digital sales contribution from Bata.in/B2C/B2B stood at 7/30/63% in Q1. GM/EBIDTAM contracted 186/95bps YoY to 54.7/25% (HSIE: 55.5/25%). We suspect the rising skew of distribution/online sales may have played a role; along with the early onset of EOS sales. Reported EBITDA/APAT declined 2.1/10.5% YoY in Q1 to INR2.4/1.07bn (HSIE: INR2.69/1.33bn). Significant store refreshment done in last 18 months and is expected to continue for next 1-2 quarters. Planning to make Bata India the sourcing hub for the entire company. Merchandising software is in place and is expected to drive inventory optimisation for the company.
- Outlook:** Treading the growth-margin equation while pivoting to different growth channels (wholesale, franchise) and realigning assortment isn't a walk in the park. Execution so far has been weak as expected. We've cut our FY25/26 EBITDA estimates by 5-7% and downgraded Bata to a REDUCE rating with a revised DCF-based TP of INR1,500/sh, implying 35x Sep-25 P/E.

Quarterly financial summary

(Rs mn)	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Revenue	9,581	9,430	1.6	7,785	23.1	23,877	34,516	38,618	44,118	49,813
EBITDA	2,395	2,447	(2.1)	1,792	33.7	1,447	4,541	5,807	6,876	8,120
APAT	1,069	1,194	(10.5)	655	63.3	1,030	3,230	3,937	4,967	6,029
EPS (Rs)	8.3	9.3	(10.3)	5.09	63.3	8.0	25.1	30.6	38.6	46.9
P/E (x)						218.7	69.7	57.2	45.3	37.4
EV/EBITDA (x)						149.0	48.4	37.6	31.4	26.2
Core RoCE(%)						6.7	27.8	33.5	37.4	41.8

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(Rs mn)	FY24E			FY25E			FY26E		
	New	Old	Chg (%)	New	Old	Chg (%)	New	Old	Chg (%)
Revenue	38,618	40,209	(4.0)	44,118	45,804	(3.7)	49,813	51,654	(3.6)
Gross Profit	21,038	21,958	(4.2)	23,554	24,635	(4.4)	26,283	27,463	(4.3)
Gross Profit Margin (%)	54.5	54.6	(13 bps)	53.4	53.8	(40 bps)	52.8	53.2	(40 bps)
Pre-IND AS EBITDA	5,807	5,872	(1.1)	6,876	7,268	(5.4)	8,120	8,751	(7.2)
Pre-IND AS EBITDA margin (%)	15.0	14.6	43 bps	15.6	15.9	(28 bps)	16.3	16.9	(64 bps)

Source: Company, HSIE Research, Standalone Financials

REDUCE

CMP(as on 11 Aug 2023) INR 1,649

Target Price INR 1,500

NIFTY 19,428

KEY CHANGES	OLD	NEW
Rating	ADD	REDUCE
Price Target	INR 1,650	INR 1,550
EBITDA %	FY25E	FY26E
	-5.4	-7.2

KEY STOCK DATA

Bloomberg code	BATA IN
No. of Shares (mn)	129
MCap (INR bn) / (\$ mn)	212/2,593
6m avg traded value (INR mn)	506
52 Week high / low	INR 1,989/1,381

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	7.9	8.5	(13.8)
Relative (%)	2.3	0.8	(23.9)

SHAREHOLDING PATTERN (%)

	Mar-23	Jun-23
Promoters	50.16	50.16
FIs & Local MFs	21.09	19.57
FPIs	5.86	6.63
Public & Others	22.89	23.64
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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