

Estimate change



TP change



Rating change



CMP: INR1,649

TP: INR1,540 (-7%)

Neutral

Muted demand; inventory optimizing

- Bata reported 2% YoY growth in revenue (9% miss), led by a 3% increase in ASP and decline in volumes as the low ASP mass segment is yet seeing challenging demand environment. Despite the softening RM costs due to increased market discounts, the GM declined 190bp YoY. Subsequently, EBITDA/PAT declined 2%/10% YoY.
- Despite the steady network rollout and product revamp in the youth segment, Bata has continued to observe a decline in volumes, particularly in the value segment (<INR1,000 ASP category). We have cut our PAT estimates by 7% to factor in revenue/PAT CAGR of 10%/23% over FY23-25. We reiterate our Neutral stance on the stock with a TP of INR1,540.



Bloomberg	BATA IN
Equity Shares (m)	129
M.Cap.(INRb)/(USDb)	212 / 2.6
52-Week Range (INR)	1989 / 1381
1, 6, 12 Rel. Per (%)	-3/0/-24
12M Avg Val (INR M)	567

Revenue up 2%; GP/EBITDA down 2% YoY

- Revenue was up only 2% YoY to INR9.6b (9% miss), led by a 3% increase in ASP.
- The company added 47 stores in 1QFY24 to reach 2,100 stores in around 700 cities.
- GP declined 2% YoY to INR5.2b (12% miss). Margins declined 190bp YoY to 54.7%.
- Controlled operational cost cushioned EBITDA showing 2% YoY decline to INR2.4b (10% miss) with 90bp YoY margins contraction to 25%.
- PAT declined 10% YoY to INR1.1b (19% miss), led by a miss in revenue.

Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	34.5	37.0	41.5
EBITDA	7.9	8.9	10.3
Adj. PAT	3.2	3.8	4.9
EBITDA Margin (%)	23.0	24.1	24.7
Adj. EPS (INR)	25.1	29.3	38.0
EPS Gr. (%)	213.3	16.5	29.8
BV/Sh. (INR)	111.9	141.2	179.2
Ratios			
Net D:E	0.4	0.1	-0.1
RoE (%)	19.9	23.1	23.7
RoCE (%)	14.4	15.9	17.2
RoIC (%)	20.0	21.0	26.0
Valuations			
P/E (x)	65.5	56.2	43.3
EV/EBITDA (x)	27.6	24.1	20.5
EV/Sales (X)	6.3	5.8	5.1
Div. Yield (%)	0.8	0.0	0.0
FCF Yield (%)	2.5	3.1	3.4

Key takeaways from the management interaction

- Inventory optimization and early EOSS led to a decline in gross margins. The stores are now stocked with new merchandise being sold at full price, which could potentially result in normalizing margins.
- Revenue has been adversely impacted by the weakness in the mass segment, primarily attributed to elevated inflation rates, a reduced number of wedding days, a high GST rate, and no price hike taken in the last eight months.
- India contributes 1/3rd of the global Bata production, but still a large part of the products is sourced from China. The company is consciously diversifying out of China, and hence, India is a preferred sourcing hub.
- The company is targeting to start an apparel athleisure category in the price range of INR800-1100. It is still in the pilot phase, but once the product gains acceptance, the company plans to widen its coverage.

Valuation and view

- BATA leverages its robust balance sheet, marked by a net cash position, healthy FCF generation, and impressive returns profile, alongside a substantial growth potential within the industry, to drive its growth initiatives.

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	50.2	50.2	50.2
DII	30.3	30.6	30.1
FII	6.6	5.9	6.8
Others	12.9	13.4	12.9

FII Includes depository receipts

- Over the last couple of years, following the change in management, a renewed focus on growth has been evident, characterized by a brand refresh, introduction of new product lines (such as the newly launched sneaker segment), and enhancements to the backend supply chain infrastructure.
- Despite the steady network rollout and product revamp in the youth segment, Bata continues to face challenges in terms of volume, attributed to reduced product receptiveness and challenging market conditions, particularly in the lower-end segment.
- BATA's footprint addition guidance continues to remain robust. We model a revenue/PAT CAGR of 10%/23% over FY23-25 and ascribe a P/E of 40x on FY25E (25% discount to current footwear valuation) to arrive at our TP of INR1,540. We reiterate our Neutral stance on the stock.

Consolidated - Quarterly Earnings

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	(INR m)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		1QE		Est Var (%)
Revenue	9,430	8,298	9,002	7,786	9,581	9,025	9,737	8,630	34,516	36,973	10,517	-8.9
YoY Change (%)	253.1	35.1	7.0	17.0	1.6	8.8	8.2	10.8	44.6	7.1	11.5	
Gross Profit	5,339	4,562	4,931	4,547	5,246	5,054	5,501	5,051	19,379	20,853	5,932	-11.6
Gross margin%	56.6	55.0	54.8	58.4	54.7	56.0	56.5	58.5	56.1	56.4	56.4	
Total Expenditure	6,983	6,688	6,941	5,966	7,186	7,062	7,322	6,492	26,579	28,063	7,846	-8.4
EBITDA	2,447	1,609	2,061	1,820	2,395	1,963	2,415	2,138	7,936	8,911	2,671	-10.3
EBITDA margin	25.9	19.4	22.9	23.4	25.0	21.8	24.8	24.8	23.0	24.1	25.4	
Change YoY (%)	-876.5	35.0	22.2	12.2	-2.1	22.0	17.2	17.5	89.6	12.3	9.2	
Depreciation	693	736	754	765	811	821	831	862	2,948	3,325	790	2.7
Interest	249	272	286	272	281	261	268	260	1,078	1,070	255	10.4
Other Income	93	119	75	99	133	125	125	118	386	501	125	5.9
PBT before EO expense	1,597	720	1,096	882	1,436	1,006	1,441	1,134	4,296	5,017	1,752	-18.1
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	1,597	720	1,096	882	1,436	1,006	1,441	1,134	4,296	5,017	1,752	-18.1
Tax	404	172	265	226	367	251	360	276	1,067	1,254	438	-16.3
Rate (%)	25.3	23.9	24.2	25.6	25.5	25.0	25.0	24.3	24.8	25.0	25.0	
MI & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0			0	
Reported PAT	1,194	548	831	656	1,069	755	1,081	858	3,229	3,762	1,314	-18.7
Adj PAT	1,194	548	831	656	1,069	755	1,081	858	3,229	3,762	1,314	-18.7
YoY Change (%)	-272	47	15	4	-10	38	30	31	213	17	10	
Margins (%)	13%	7%	9%	8%	11%	8%	11%	10%	9%	10%	12%	

E: MOFSL Estimates

Exhibit 1: Valuation based on FY25E

Mar'25	(INR/share)
EPS (INR)	38
Target P/E (x)	40x
Target Price (INR/share)	1,540
CMP	1,649
Upside (%)	-7%

Source: MOFSL, Company

**Key takeaways from the management interaction****Key highlights**

- Inventory optimization and early EOSS led to a decline in gross margins. The stores are now stocked with new merchandise being sold at full price, which could potentially result in normalizing margins.
- Revenue has been adversely impacted by the weakness in the mass segment, primarily attributed to elevated inflation rates, a reduced number of wedding days, a high GST rate, and no price hike taken in the last eight months.
- India contributes 1/3rd of the global Bata production, but still a large part of the products is sourced from China. The company is consciously diversifying out of China, and hence, India is a preferred sourcing hub.
- The company is targeting to start an apparel athleisure category in the price range of INR800-1100. It is still in the pilot phase, but once the product gains acceptance, the company plans to widen its coverage

Management interaction in details**Current environment**

- The management is observing signs of inflation stabilization, which is expected to contribute to an upturn in demand in the forthcoming period.
- Early EOSS led to a reduction in the inventory and now the company is able to sell the goods at full price.
- The company has placed its field force in the retail channel network and implemented key account management for the top 2,000 MBOs in order to increase throughput.

Product wise

- Floatz achieved its all-time highest quarterly sales, exhibiting a 2x YoY growth. This achievement significantly enhances Bata's value proposition and has successfully penetrated into 80-85% of Bata network.
- Northstar/Hush Puppies/Comfit grew 1.15x/100%/100% YoY.
- Sneakers could be contributing 20% of sales, Comfit at 8%, and Hush Puppies at 20%.
- The average human consumes 7-10x as much clothing vs. Footwear. They introduced the line with typical garment prices between INR 800 and INR 1300.

Store addition

- The company's footprint has now expanded to encompass 2100 points of sale (including shop-in-shop setups), reaching out to over 700 cities and beyond
- The company's target to achieve 500 franchised stores remains intact.

- Expect the ratio between COCO:FOFO stores to be maintained at 80:20
- Sneaker Studios implemented in 565 stores.
- Company will continue store innovation capex for the next few quarters
- FOFO store economics- Franchise owner generates 30-35% margin and the fixed/operational cost is borne by the franchise owner. Also, inventory risk and capex is borne by the partner.

Macro opportunity

- While India contributes a significant one-third of Bata's global output, the majority of items are still supplied by China. India has been chosen as a sourcing base as part of a strategic move by the company to intentionally diversify its sourcing away from China.
- With established supply chain connections in place, individuals can now approach procurement from India with greater confidence.

Others

- The Company can go live with the new technology by 4QFY24.
- The company plans to establish a warehouse in the South India.

Exhibit 2: Quarterly performance

Consol P&L (INR m)	1QFY23	4QFY23	1QFY24E	YoY%	QoQ%	1QFY24E	v/s Est (%)
Total Revenue	9,430	7,786	9,581	2	23	10,517	-9
Raw Material cost	4,091	3,239	4,336	6	34	4,586	-5
Gross Profit	5,339	4,547	5,246	-2	15	5,932	-12
Gross margin (%)	56.6	58.4	54.7	-186.5	-364.9	56.4	-165.0
Employee Costs	1,048	1,039	1,048	0	1	1,157	-9
SGA Expenses	1,844	1,688	1,803	-2	7	2,103	-14
EBITDA	2,447	1,820	2,395	-2	32	2,671	-10
EBITDA margin (%)	25.9	23.4	25.0	-94.9	162.5	25.4	-40.2
Depreciation and amortization	693	765	811	17	6	790	3
EBIT	1,753	1,055	1,584	-10	50	1,882	-16
EBIT margin (%)	18.6	13.5	16.5	-206.0	298.7	17.9	-135.7
Finance Costs	249	272	281	13	3	255	10
Other income	93	99	133	43	34	125	6
Exceptional item	0	0	0			0	NM
Profit before Tax	1,597	882	1,436	-10	63	1,752	-18
Tax	404	226	367	-9	62	438	-16
Tax rate (%)	25.3	25.6	25.5	1.1	-8.7	25.0	NM
Profit after Tax	1,194	656	1,069	-10	63	1,314	-19
Adj Profit after Tax	1,194	656	1,069	-10	63	1,314	-19

Source: MOFSL, Company

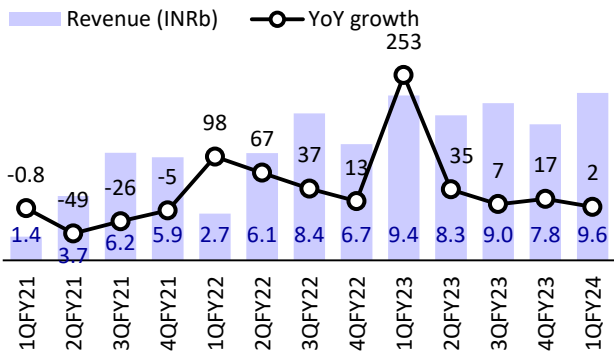
Exhibit 3: Revisions to our estimates

	FY24E	FY25E
Revenue (INR m)		
Old	38,778	43,567
Actual/New	36,973	41,539
Change (%)	-4.7	-4.7
EBITDA (INR m)		
Old	9,287	10,761
Actual/New	8,911	10,260
Change (%)	-4.1	-4.7
EBITDA margin (%)		
Old	24.0	24.7
Actual/New	24.1	24.7
Change (bp)	15	0
Net Profit (INR m)		
Old	4,052	5,259
Actual/New	3,762	4,883
Change (%)	-7.1	-7.1
EPS (INR)		
Old	32	41
Actual/New	29	38
Change (%)	-7.1	-7.1

Source: MOFSL, Company

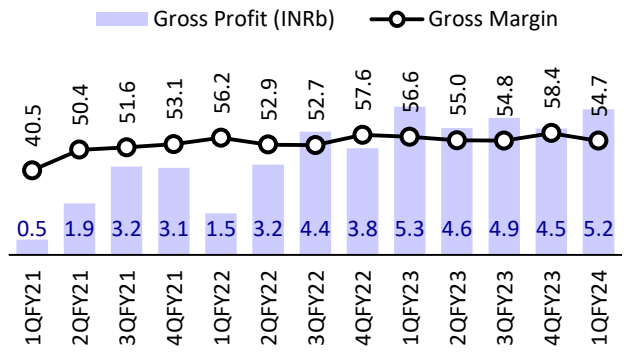
Story in charts

Exhibit 4: Revenue up 2% YoY, led by 3% ASP increase



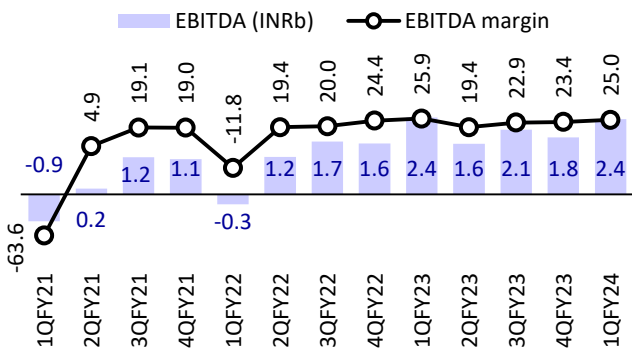
Source: MOFSL, Company

Exhibit 5: GM contracted due to EOSS, inventory optimization



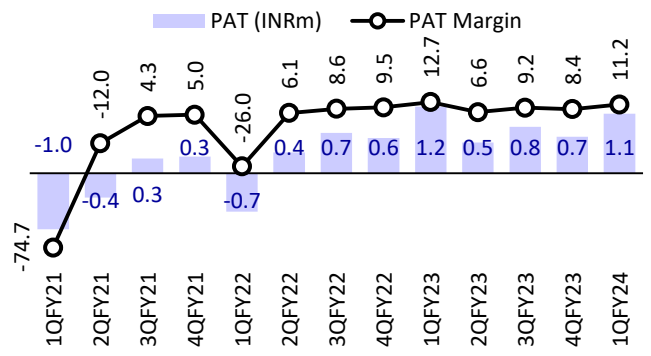
Source: MOFSL, Company

Exhibit 6: EBITDA declined 2% YoY, led by GP decline



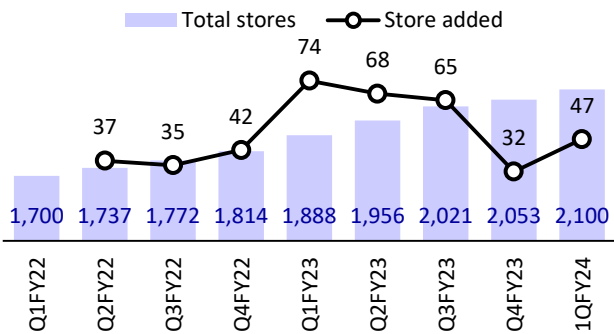
Source: MOFSL, Company

Exhibit 7: PAT declined 10% YoY and missed estimates



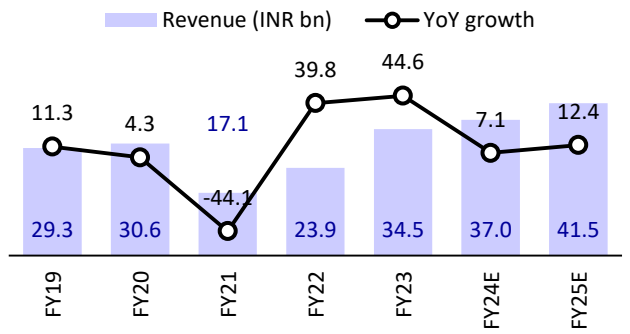
Source: MOFSL, Company

Exhibit 8: New store adds grew 11% YoY in 1QFY24



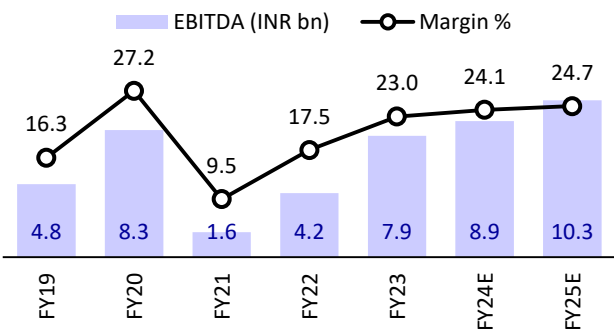
Source: MOFSL, Company

Exhibit 9: Expect 10% revenue CAGR over FY23-25



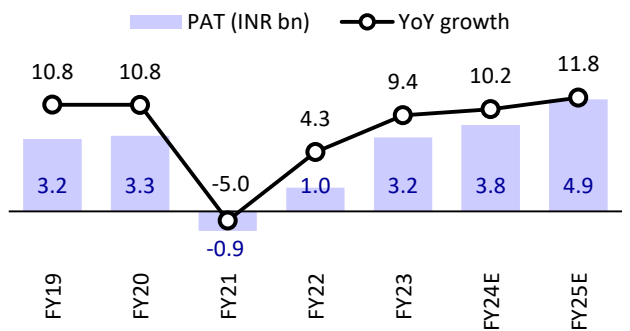
Source: MOFSL, Company

Exhibit 10: Expect 14% GP CAGR over FY23-25



Source: MOFSL, Company

Exhibit 11: Expect 23% EBITDA CAGR over FY23-25E



Source: MOFSL, Company

Financials and valuations

Consolidated - Income Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total Income from Operations	26,342	29,311	30,561	17,085	23,877	34,516	36,973	41,539
Change (%)	6.5	11.3	4.3	-44.1	39.8	44.6	7.1	12.4
Raw Materials	12,024	12,871	12,966	8,375	10,868	15,137	16,120	17,862
Gross Profit	14,318	16,440	17,595	8,710	13,009	19,379	20,853	23,677
Margin (%)	54.4	56.1	57.6	51.0	54.5	56.1	56.4	57.0
Employees Cost	2,956	3,311	3,764	3,398	3,787	4,187	4,326	4,902
Other Expenses	7,848	8,357	5,510	3,690	5,037	7,256	7,616	8,516
Total Expenditure	22,828	24,539	22,240	15,463	19,692	26,579	28,063	31,279
% of Sales	86.7	83.7	72.8	90.5	82.5	77.0	75.9	75.3
EBITDA	3,514	4,772	8,321	1,622	4,185	7,936	8,911	10,260
Margin (%)	13.3	16.3	27.2	9.5	17.5	23.0	24.1	24.7
Depreciation	605	640	2,958	2,648	2,420	2,948	3,325	3,329
EBIT	2,909	4,132	5,363	-1,026	1,765	4,989	5,586	6,932
Int. and Finance Charges	42	35	1,177	1,035	928	1,078	1,070	1,073
Other Income	503	685	687	941	560	386	501	652
PBT bef. EO Exp.	3,370	4,782	4,872	-1,120	1,397	4,296	5,017	6,510
EO Items	0	-199	0	46	0	0	0	0
PBT after EO Exp.	3,370	4,981	4,872	-1,166	1,397	4,296	5,017	6,510
Total Tax	1,165	1,691	1,583	-273	367	1,067	1,254	1,628
Tax Rate (%)	34.6	33.9	32.5	23.4	26.3	24.8	25.0	25.0
Minority Interest	0	0	0	0	0	0	0	0
Reported PAT	2,205	3,290	3,290	-893	1,030	3,229	3,762	4,883
Adjusted PAT	2,205	3,159	3,290	-858	1,030	3,229	3,762	4,883
Change (%)	27.0	43.2	4.1	-126.1	-220.1	213.5	16.5	29.8
Margin (%)	8.4	10.8	10.8	-5.0	4.3	9.4	10.2	11.8

Consolidated - Balance Sheet

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	643	643	643	643	643	643	643	643
Total Reserves	14,145	16,823	18,323	16,938	17,504	13,739	17,501	22,384
Net Worth	14,787	17,465	18,966	17,581	18,147	14,382	18,144	23,027
Total Loans	0	0	12,491	10,323	10,942	12,464	12,497	12,525
Lease Liabilities			12,491	10,323	10,942	12,464	12,497	12,525
Deferred Tax Liabilities	0	0	0	0	0	0	0	0
Other Liabilities	1,059	1,025	25	21	20	5	5	5
Capital Employed	15,846	18,491	31,482	27,924	29,109	26,851	30,646	35,558
Gross Block	8,890	9,731	19,125	17,670	18,661	23,268	21,721	22,184
Less: Accum. Deprn.	5,926	6,566	5,431	6,475	6,402	9,350	8,174	9,116
Net Fixed Assets	2,945	3,146	13,675	11,195	12,259	13,918	13,547	13,068
Capital WIP	121	173	199	336	52	38	38	38
Total Investments	1,853	1,996	2,370	1,832	1,899	1,492	1,492	1,492
Curr. Assets, Loans&Adv.	15,476	18,375	19,996	18,578	20,000	16,135	20,776	26,880
Inventory	7,621	8,391	8,737	6,083	8,709	9,046	9,716	10,766
Account Receivables	886	653	612	794	717	826	810	910
Cash and Bank Balance	5,885	8,390	9,624	10,968	9,688	5,311	9,140	13,958
Loans and Advances	1,083	941	1,023	733	886	952	1,109	1,246
Curr. Liability & Prov.	5,602	6,296	5,867	5,400	6,143	5,865	6,339	7,054
Account Payables	4,792	5,156	5,032	4,397	4,562	4,093	4,417	4,894
Other Current Liabilities	707	983	752	917	1,491	1,696	1,849	2,077
Provisions	103	157	83	86	90	76	74	83
Net Current Assets	9,874	12,079	14,129	13,178	13,858	10,270	14,437	19,826
Deferred Tax assets	1,054	1,098	1,110	1,384	1,042	1,133	1,133	1,133
Appl. of Funds	15,846	18,491	31,482	27,924	29,109	26,851	30,646	35,558

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)								
EPS (diluted from FY17)	17.2	24.6	25.6	-6.7	8.0	25.1	29.3	38.0
Cash EPS (diluted from FY17)	21.9	29.6	48.6	13.9	26.8	48.1	55.1	63.9
BV/Share (diluted from FY17)	115.0	135.9	147.6	136.8	141.2	111.9	141.2	179.2
DPS	4.0	6.3	4.0	4.0	54.5	12.5	0.0	0.0
Payout (%)	23.3	24.4	15.6	-57.6	680.1	49.8	0.0	0.0
Valuation (x)								
P/E	95.9	66.9	64.3	-246.5	205.3	65.5	56.2	43.3
Cash P/E	75.3	55.7	33.8	118.1	61.3	34.2	29.8	25.7
P/BV	14.3	12.1	11.1	12.0	11.7	14.7	11.7	9.2
EV/Sales	7.8	6.9	7.0	12.3	8.9	6.3	5.8	5.1
EV/EBITDA	58.5	42.5	25.8	130.0	50.8	27.6	24.1	20.5
Dividend Yield (%)	0.2	0.4	0.2	0.2	3.3	0.8	0.0	0.0
FCF per share	6.2	20.4	38.4	33.1	12.7	41.9	50.3	56.1
Return Ratios (%)								
RoE	15.7	19.6	18.1	-4.7	5.8	19.9	23.1	23.7
RoCE	15.9	19.7	16.7	-0.2	6.0	14.4	15.9	17.2
RoIC	25.1	34.3	26.6	-4.6	8.1	20.0	21.0	26.0
Working Capital Ratios								
Fixed Asset Turnover (x)	3.0	3.0	1.6	1.0	1.3	1.5	1.7	1.9
Asset Turnover (x)	1.7	1.6	1.0	0.6	0.8	1.3	1.2	1.2
Inventory (Days)	231	238	246	265	292	218	220	220
Debtor (Days)	12	8	7	17	11	9	8	8
Creditor (Days)	145	146	142	192	153	99	100	100
Leverage Ratio (x)								
Current Ratio	2.8	2.9	3.4	3.4	3.3	2.8	3.3	3.8
Interest Cover Ratio	69.3	118.1	4.6	-1.0	1.9	4.6	5.2	6.5
Net Debt/Equity	-0.5	-0.6	0.0	-0.1	0.0	0.4	0.1	-0.1
	98	100	112					

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	3,400	4,783	4,851	-1,167	1,397	4,298	5,017	6,510
Depreciation	604	640	2,958	2,627	2,420	2,948	3,325	3,329
Interest & Finance Charges	42	35	1,177	1,035	928	1,079	1,070	1,073
Direct Taxes Paid	-1,152	-1,409	-1,869	468	-68	-974	-1,254	-1,628
(Inc)/Dec in WC	-991	122	-719	2,066	-1,982	-776	-338	-572
CF from Operations	1,903	4,171	6,398	5,030	2,694	6,575	7,820	8,712
Others	-347	-727	-600	-420	-579	-287	-501	-652
CF from Operating incl EO	1,557	3,444	5,798	4,611	2,115	6,288	7,319	8,060
(Inc)/Dec in FA	-754	-822	-857	-357	-477	-897	-850	-850
Free Cash Flow	803	2,622	4,941	4,254	1,638	5,391	6,469	7,210
(Pur)/Sale of Investments	-748	-2,461	-1,669	-920	940	4,963	0	0
Others	428	512	653	750	466	319	501	652
CF from Investments	-1,074	-2,770	-1,873	-527	928	4,385	-349	-198
Issue of Shares	0	0	0	0	0	0	0	0
Inc/(Dec) in Debt	0	0	0	-515	-514	-6,989	0	0
Interest Paid	-15	-14	-13	-11	-9	0	-1,070	-1,073
Dividend Paid	-541	-618	-969	0	0	0	0	0
Others	0	0	-3,379	-3,165	-2,886	-3,117	-1,967	-1,972
CF from Fin. Activity	-556	-631	-4,361	-3,691	-3,410	-10,106	-3,037	-3,044
Inc/Dec of Cash	-73	42	-435	393	-367	567	3,932	4,818
Opening Balance	631	559	586	150	543	176	743	4,676
Closing Balance	559	600	150	543	176	743	4,676	9,494
Other Bank Balance	5,326	7,790	9,473	10,425	9,512	4,568	4,464	4,464
Net Closing Balance	5,885	8,390	9,624	10,968	9,688	5,311	9,140	13,958

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Explanation of Investment Rating	
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BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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