

Estimate change	↓
TP change	↓
Rating change	↔

CMP: INR1,442 TP: INR1,480 (+3%) Neutral

Softness in operating profitability drags PAT down

- BATA's EBITDA/PAT declined 11%/30% YoY (miss) as revenue remained flat. A gross margin improvement of 130bp YoY was offset by higher operating expenses. Store additions continued as the company added 54 new stores, with a total store count of 2,204 (including Shop-in-Shops).
- Continued softness, particularly within the value segment (<INR1,000 ASP category), remains a drag. However, steady network rollout and product revamps (including apparels and sneakers) could support growth going forward. We are factoring in a revenue/PAT CAGR of 5%/11% over FY23-25E. **We reiterate our Neutral rating on the stock with a TP of INR1,480.**

Bloomberg	BATA IN
Equity Shares (m)	129
M.Cap.(INRb)/(USD\$b)	185.4 / 2.2
52-Week Range (INR)	1771 / 1381
1, 6, 12 Rel. Per (%)	-12/-30/-29
12M Avg Val (INR M)	508

Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	34.5	35.0	38.2
EBITDA	7.9	8.0	9.1
Adj. PAT	3.2	2.7	4.0
EBITDA Margin (%)	23.0	22.8	23.9
Adj. EPS (INR)	25.1	23.1	30.8
EPS Gr. (%)	213.3	-7.8	33.1
BV/Sh. (INR)	111.9	132.7	163.5

Ratios

Net D:E	0.4	0.2	0.0
RoE (%)	19.9	18.9	20.8
RoCE (%)	14.4	13.6	15.1
RoIC (%)	20.0	17.1	20.9

Valuations

P/E (x)	57.4	62.3	46.8
EV/EBITDA (x)	24.3	23.9	20.4
EV/Sales (X)	5.6	5.4	4.9
Div. Yield (%)	0.9	0.0	0.0
FCF Yield (%)	2.9	2.8	3.5

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	50.2	50.2	50.2
DII	29.7	30.0	31.6
FII	7.9	7.5	4.9
Others	12.3	12.9	13.4

FII Includes depository receipts

Soft revenue growth and higher opex drag operating profits (a big miss)

- BATA's consolidated revenue for the quarter remained flat YoY at INR9b (5% miss), dragged by continued headwinds within discretionary spending.
- Gross profits, however, grew modestly at 3% YoY to INR5.1b, with margin expanding ~130bp YoY to 56.1% (vs. 58.2% estimated). This could possibly be due to the softening of RM prices and an improved product mix.
- Employee costs remained flat on a YoY basis at INR1b, while other expenses grew 20% YoY to INR2.2b. This led to an EBITDA decline of 11% YoY to INR1.8b (a big miss). EBITDA margin contracted 270bp YoY and stood at 20.2% (vs. 26.8% estimated).
- The Depreciation/Finance costs grew 14%/3% YoY. BATA's other income rose 47% YoY during the quarter.
- PAT declined 30% YoY to INR580m (a big miss), mainly due to the weak operating performance.

Key takeaways from the management interaction

- Marketing costs are likely to reach 300bp of sales; management expects the investments within marketing to translate into improved demand.
- Outperformance of the premium category was offset by continued softness in the value segment (ASP <INR1,000) for 3QFY24.
- Same-store-sales remained flat YoY as higher pricing (mid-single digit growth) led by improved product mix and channel mix was offset by volume decline.
- The omni business, which remained restricted to CO-CO, has now been expanded to franchisee outlets as well (80% franchise stores).

Valuation and view

- BATA leverages its robust balance sheet, marked by a net cash position, healthy FCF generation, and impressive returns profile, alongside substantial growth potential within the industry, to drive its growth initiatives.
- Over the last couple of years, following the change in management, a renewed focus on growth has been evident. This has been 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.

- While the company continues to explore growth opportunities through product improvement and introduction, revenue growth has been challenging with a weak demand recovery within the value category and an improving share of the sneaker segment.
- We model a revenue/PAT CAGR of 5%/11% over FY23-25 and ascribe a P/E of 35x on FY26E to arrive at our TP of INR1,480. **Reiterate Neutral.**

Consolidated - Quarterly Earning

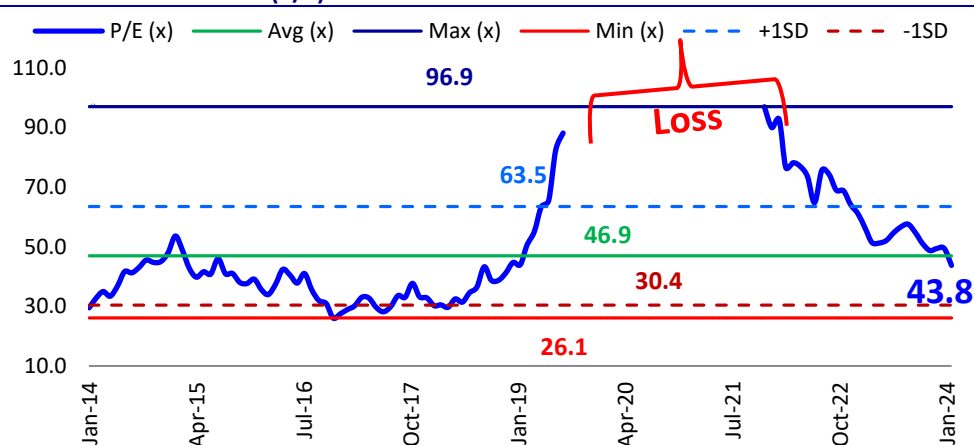
(INR m)

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		3QE	Var (%)	
Revenue	9,430	8,298	9,002	7,786	9,581	8,191	9,035	8,210	34,516	35,018	9,496	-4.9
YoY Change (%)	253.1	35.1	7.0	17.0	1.6	-1.3	0.4	5.5	44.6	1.5	5.5	
Gross Profit	5,339	4,562	4,931	4,547	5,246	4,755	5,065	4,824	19,379	19,890	5,531	-8.4
Gross margin%	56.6	55.0	54.8	58.4	54.7	58.1	56.1	58.8	56.1	56.8	58.2	
Total Expenditure	6,983	6,688	6,941	5,966	7,186	6,375	7,210	6,262	26,579	27,034	6,951	3.7
EBITDA	2,447	1,609	2,061	1,820	2,395	1,817	1,824	1,948	7,936	7,984	2,545	-28.3
EBITDA margin	25.9	19.4	22.9	23.4	25.0	22.2	20.2	23.7	23.0	22.8	26.8	
Change YoY (%)	-876.5	35.0	22.2	12.2	-2.1	12.9	-11.5	7.0	89.6	0.6	23.5	
Depreciation	693	736	754	765	811	817	860	885	2,948	3,373	824	4.4
Interest	249	272	286	272	281	284	295	282	1,078	1,143	286	3.1
Other Income	93	119	75	99	133	155	111	103	386	501	119	-7.4
PBT before EO expense	1,597	720	1,096	882	1,436	870	780	883	4,296	3,969	1,555	-49.8
Extra-Ord expense	0	0	0	0	0	409	0	0	0	409	0	
PBT	1,597	720	1,096	882	1,436	461	780	883	4,296	3,560	1,555	-49.8
Tax	404	172	265	226	367	121	201	202	1,067	890	389	-48.4
Rate (%)	25.3	23.9	24.2	25.6	25.5	26.3	25.7	22.8	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	340	580	682	3,229	2,670	1,166	-50.3
Adj PAT	1,194	548	831	656	1,069	641	580	682	3,229	2,972	1,166	-50.3
YoY Change (%)	-272	47	15	4	-10	17	-30	4	213	-8	40	
Margins (%)	13%	7%	9%	8%	11%	8%	6%	8%	9%	8%	12%	

E: MOFSL Estimates

Other Highlights:

- BATA continued with its footprint addition initiative and added 54 stores through the Franchise and SIS networks. It further renovated 36 stores in 3Q.
- The company's execution of its portfolio casualization strategy is on track, with Sneaker Studio being implemented in 655 stores.
- The latest segment, "Nine-West", is on track for launch in stores from 4QFY24 onwards.
- The company's open footwear-focused segment, "Floatz", continued to do well with 65% growth, backed by the addition of Floatz banner in seven new stores.
- The premiumization strategy continues with healthy performance seen within the Red Label, Floatz, Comfit, and Hush Puppies segments.

Exhibit 1: Valuation chart (P/E)

Source: MOFSL, Company

Exhibit 2: Valuation based on FY26E

Mar'25	(INR/share)
EPS (INR)	42
Target P/E (x)	35
Target Price (INR/share)	1480
CMP	1,442
Upside (%)	3%

Source: MOFSL, Company



Key takeaways from the management interaction

Key highlights

- Marketing costs are likely to reach 300bp of sales; management expects the investments within marketing to translate into improved demand.
- Outperformance of the premium category was offset by continued softness in the value segment (ASP <INR1,000) for 3QFY24.
- Same-store-sales remained flat YoY as higher pricing (mid-single digit growth) led by improved product mix and channel mix was offset by volume decline.
- The omni business, which remained restricted to CO-CO, has now been expanded to franchisee outlets as well (80% franchise stores).

Management interaction in details

Financial and operating performance

- Premiumisation playing out:
 - Premium brand category has seen outperformance while value categories have continued to drag.
 - The share of value category (<INR1,000) stood at 30% v/s 34% earlier; however, this is now seeing improvement and the company will look to capture the demand revival in the coming period.
- Growth was mainly driven by improved pricing (mid-single digit growth) led by improved product mix and channel mix, offset by volume decline.
- Marketing Spends:
 - Investment in marketing campaign received muted response on consumer perspective. However, these campaigns have seen improved signs of brand matrix.

- BATA expects this to translate into higher outputs in coming period.
- The company is further making investments in marquee properties to improve the visibility of the brand.
- Advertising spending is expected to reach 300bp of the sales range.
- The implementation of EVA plant in Batanagar is expected to improve cost efficiency in coming period.
- The company has kept a tight control on costs and continues to invest in marketing.
- IT-related expenses witnessed a growth in YoY terms mainly due to recognition of ERP cost in opex.

Outsourcing

- Continued outsourcing of non-core area with south warehouse (300 headcount) has now been translated, which is expected to improve efficiency.
- The company has completed the VRS for Southcan (Bangalore) Factory which had a headcount of ~140-150.

Brands

- Floatz: The segment has a presence across 10 stores and will continue to expand offerings
- Hush Puppies:
 - The company has piloted new concept stores under the brand which is giving encouraging result.
 - It will look to undertake renovation of other stores and will also look to expand franchise model under kiosk for the segment.

E-Commerce and Digital

- The segment has seen improved performance with share reaching double digit from e-commerce platform
- The company has implemented order fulfilment through BATA stores and warehouses
- The omni business, which remained restricted to CO-CO, has now been expanded to franchisee outlets as well (80% franchise stores). The company expects this to improve the share of the segment in coming period.

Other highlights

- Merchandising project has gone live with pilot model running, the company expects commercialisation in coming months.
- Apparel segment has been launched within 60 active stores and the company is monitoring the demand within these stores to see if it generates delta and contributes to SSSG. The segment is expected to see expansion post mid-Sep'24.
- Nine-west would be implemented in 50 Bata Stores during current quarter. Will look to open EBO stores at a later stage.
- Store expansion and renovation:
 - The company will continue to invest in COCO model while franchise stores have now crossed 500 stores.
 - It has maintained its target to renovate 30-40 stores on quarterly basis.
 - Average age of stores, which is ~7.5 years, is now expected to come down to 6.0-6.5 years in the coming period

- Key retail outlet (KRO) has peaked last quarter. It will continue to grow faster. The KRO's share in distribution is in early double digits, which is expected to grow further.
- BATA is looking to implement better inventory management, better availability of inventory in stores and better financial planning for right mix of the product and control on obsolesce (shifting of inventory to place where there is demand).
- Share of IND (distribution channel) stood at 12%, which is slightly lower than the stable range of 15%, e-com share stood at 10% (steady rate), share of franchise was at 7.0-7.5%, while the rest was CO-CO.
- The company stated that BIS compliant is expected to be smooth and does not see any impact of transition apart from some minor inventory levels.

Exhibit 3: Quarterly performance

Consol P&L (INR m)	3QFY23	2QFY24	3QFY24	YoY%	QoQ%	3QFY24E	v/s Est (%)
Total Revenue	9,002	8,191	9,035	0	10	9,496	-5
Raw Material cost	4,071	3,436	3,970	-2	16	3,965	0
Gross Profit	4,931	4,755	5,065	3	7	5,531	-8
Gross margin (%)	54.8	58.1	56.1	128.7	-199.0	58.2	-218.8
Employee Costs	1,029	1,058	1,027	0	-3	1,064	-3
SGA Expenses	1,841	1,880	2,213	20	18	1,923	15
EBITDA	2,061	1,816	1,824	-11	0	2,545	-28
EBITDA margin (%)	22.9	22.2	20.2	-270.0	-198.2	26.8	-660.6
Depreciation and amortization	754	817	860	14	5	824	4
EBIT	1,307	999	964	-26	-3	1,721	-44
EBIT margin (%)	14.5	12.2	10.7	-384.5	-152.6	18.1	-745.0
Finance Costs	286	284	295	3	4	286	3
Other income	75	155	111	47	-29	119	-7
Exceptional item	0	409	0			0	NM
Profit before Tax	1,096	461	780	-29	69	1,555	-50
Tax	265	121	201	-24	66	389	-48
Tax rate (%)	24.2	26.3	25.7	6.3	-57.1	25.0	NM
Profit after Tax	831	340	580	-30	71	1,166	-50
Adj Profit after Tax	831	641	580	-30	-10	1,166	-50

Source: MOFSL, Company

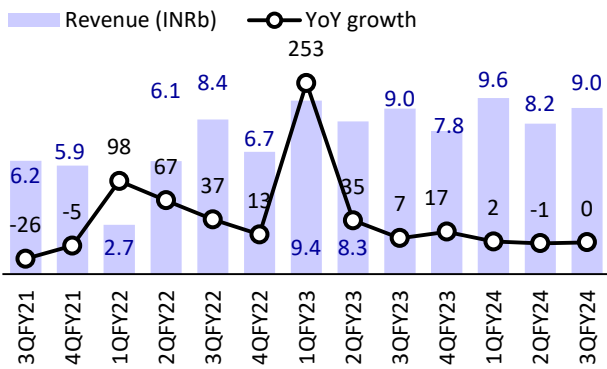
Exhibit 4: Revisions to our estimates

	FY24E	FY25E
Revenue (INR m)		
Old	35,373	38,628
Actual/New	35,018	38,240
Change (%)	-1.0	-1.0
EBITDA (INR m)		
Old	8,666	9,811
Actual/New	7,984	9,139
Change (%)	-7.9	-6.9
EBITDA margin (%)		
Old	24.5	25.4
Actual/New	22.8	23.9
Change (bp)	-170	-150
Net Profit (INR m)		
Old	3,560	4,537
Actual/New	2,977	3,961
Change (%)	-16.4	-12.7
EPS (INR)		
Old	28	35
Actual/New	23	31
Change (%)	-16.4	-12.7

Source: MOFSL, Company

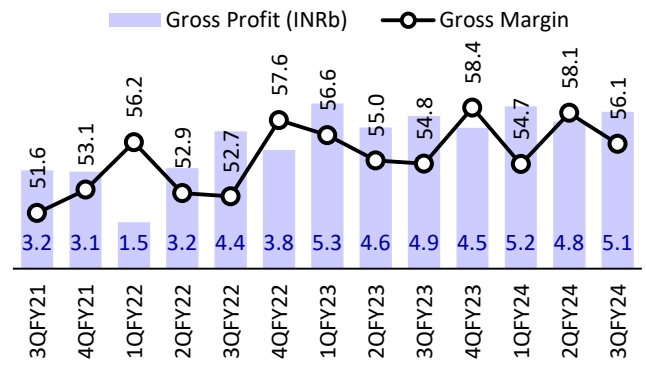
Story in charts

Exhibit 5: Revenue remained flat YoY



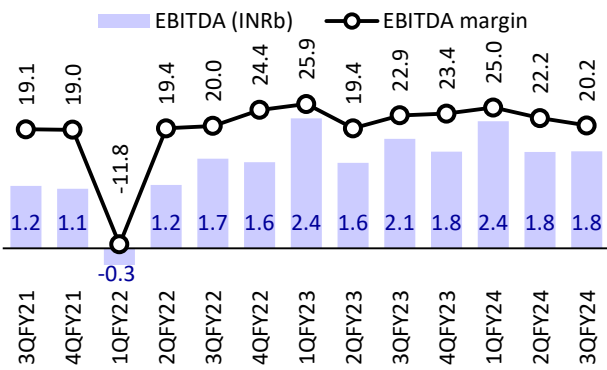
Source: MOFSL, Company

Exhibit 6: GM improved YoY due to mix and RM pricing benefits



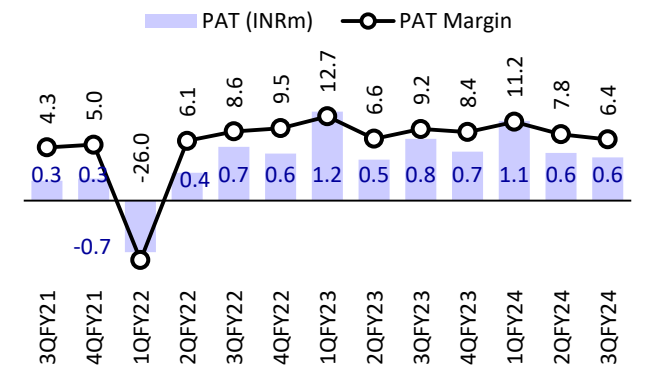
Source: MOFSL, Company

Exhibit 7: EBITDA was down 11% YoY due to high opex



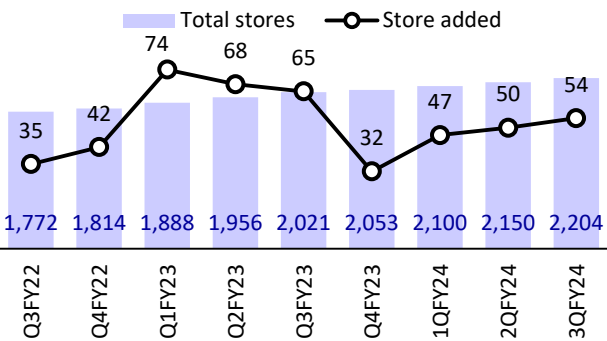
Source: MOFSL, Company

Exhibit 8: Adj. PAT was down 30% YoY



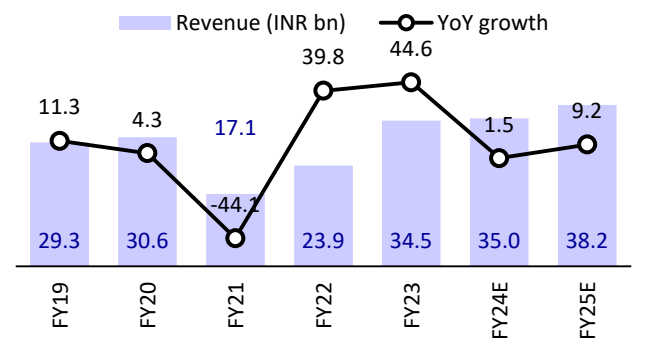
Source: MOFSL, Company

Exhibit 9: Added 54 new stores in 3QFY24



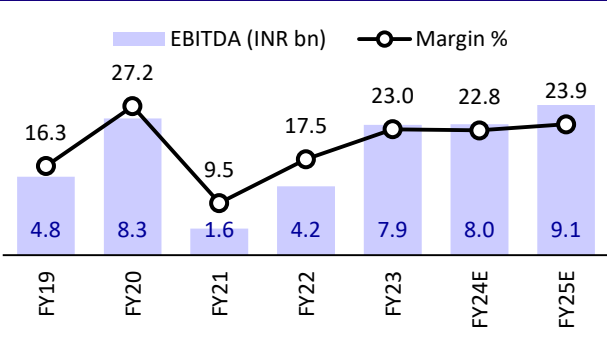
Source: MOFSL, Company

Exhibit 10: Expect 5% revenue CAGR over FY23-25



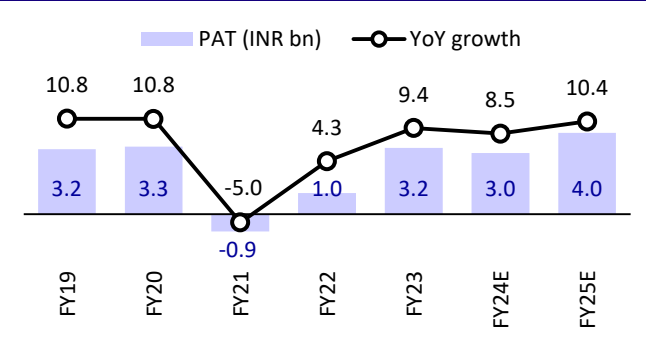
Source: MOFSL, Company

Exhibit 11: Expect 7% EBITDA CAGR over FY23-25



Source: MOFSL, Company

Exhibit 12: Expect 11% PAT CAGR over FY23-25



Source: MOFSL, Company

Financials and valuations

Consolidated - Income Statement								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Income from Operations	29,311	30,561	17,085	23,877	34,516	35,018	38,240	42,159
Change (%)	11.3	4.3	-44.1	39.8	44.6	1.5	9.2	10.3
Raw Materials	12,871	12,966	8,375	10,868	15,137	15,128	16,405	18,044
Gross Profit	16,440	17,595	8,710	13,009	19,379	19,890	21,835	24,115
Margin (%)	56.1	57.6	51.0	54.5	56.1	56.8	57.1	57.2
Employees Cost	3,311	3,764	3,398	3,787	4,187	4,202	4,474	4,722
Other Expenses	8,357	5,510	3,690	5,037	7,256	7,704	8,221	8,432
Total Expenditure	24,539	22,240	15,463	19,692	26,579	27,034	29,100	31,198
% of Sales	83.7	72.8	90.5	82.5	77.0	77.2	76.1	74.0
EBITDA	4,772	8,321	1,622	4,185	7,936	7,984	9,139	10,961
Margin (%)	16.3	27.2	9.5	17.5	23.0	22.8	23.9	26.0
Depreciation	640	2,958	2,648	2,420	2,948	3,373	3,431	3,471
EBIT	4,132	5,363	-1,026	1,765	4,989	4,611	5,708	7,490
Int. and Finance Charges	35	1,177	1,035	928	1,078	1,143	1,078	1,079
Other Income	685	687	941	560	386	501	652	847
PBT bef. EO Exp.	4,782	4,872	-1,120	1,397	4,296	3,969	5,282	7,258
EO Items	-199	0	46	0	0	409	0	0
PBT after EO Exp.	4,981	4,872	-1,166	1,397	4,296	3,560	5,282	7,258
Total Tax	1,691	1,583	-273	367	1,067	890	1,320	1,815
Tax Rate (%)	33.9	32.5	23.4	26.3	24.8	25.0	25.0	25.0
Minority Interest	0	0	0	0	0	0	0	0
Reported PAT	3,290	3,290	-893	1,030	3,229	2,670	3,961	5,444
Adjusted PAT	3,159	3,290	-858	1,030	3,229	2,977	3,961	5,444
Change (%)	43.2	4.1	-126.1	-220.1	213.5	-7.8	33.1	37.4
Margin (%)	10.8	10.8	-5.0	4.3	9.4	8.5	10.4	12.9

Consolidated - Balance Sheet								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	643	643	643	643	643	643	643	643
Total Reserves	16,823	18,323	16,938	17,504	13,739	16,409	20,371	25,814
Net Worth	17,465	18,966	17,581	18,147	14,382	17,052	21,014	26,457
Total Loans	0	12,491	10,323	10,942	12,464	12,569	12,588	12,604
Lease Liabilities		12,491	10,323	10,942	12,464	12,569	12,588	12,604
Deferred Tax Liabilities	0	0	0	0	0	0	0	0
Other Liabilities	1,025	25	21	20	5	5	5	5
Capital Employed	18,491	31,482	27,924	29,109	26,851	29,626	33,607	39,066
Gross Block	9,731	19,125	17,670	18,661	23,268	22,671	23,172	23,852
Less: Accum. Deprn.	6,566	5,431	6,475	6,402	9,350	8,222	9,304	10,455
Net Fixed Assets	3,165	13,694	11,195	12,259	13,918	14,448	13,867	13,396
Capital WIP	173	199	336	52	38	38	38	38
Total Investments	1,996	2,370	1,832	1,899	1,492	1,492	1,492	1,492
Curr. Assets, Loans&Adv.	18,375	19,996	18,578	20,000	16,135	18,481	23,559	30,143
Inventory	8,391	8,737	6,083	8,709	9,046	9,118	9,888	10,876
Account Receivables	653	612	794	717	826	768	838	924
Cash and Bank Balance	8,390	9,624	10,968	9,688	5,311	7,545	11,686	17,078
Loans and Advances	941	1,023	733	886	952	1,051	1,147	1,265
Curr. Liability & Prov.	6,296	5,867	5,400	6,143	5,865	5,966	6,483	7,136
Account Payables	5,156	5,032	4,397	4,562	4,093	4,145	4,494	4,944
Other Current Liabilities	983	752	917	1,491	1,696	1,751	1,912	2,108
Provisions	157	83	86	90	76	70	76	84
Net Current Assets	12,079	14,129	13,178	13,858	10,270	12,515	17,076	23,007
Deferred Tax assets	1,098	1,110	1,384	1,042	1,133	1,133	1,133	1,133
Appl. of Funds	18,491	31,482	27,924	29,109	26,851	29,626	33,607	39,066

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)								
EPS (diluted from FY17)	24.6	25.6	-6.7	8.0	25.1	23.1	30.8	42.3
Cash EPS (diluted from FY17)	29.6	48.6	13.9	26.8	48.1	49.4	57.5	69.4
BV/Share (diluted from FY17)	135.9	147.6	136.8	141.2	111.9	132.7	163.5	205.8
DPS	6.3	4.0	4.0	54.5	12.5	0.0	0.0	0.0
Payout (%)	24.4	15.6	-57.6	680.1	49.8	0.0	0.0	0.0
Valuation (x)								
P/E	58.7	56.3	-216.1	180.0	57.4	62.3	46.8	34.1
Cash P/E	48.8	29.7	103.6	53.7	30.0	29.2	25.1	20.8
P/BV	10.6	9.8	10.5	10.2	12.9	10.9	8.8	7.0
EV/Sales	6.0	6.2	10.8	7.8	5.6	5.4	4.9	4.3
EV/EBITDA	37.1	22.6	113.9	44.6	24.3	23.9	20.4	16.5
Dividend Yield (%)	0.4	0.3	0.3	3.8	0.9	0.0	0.0	0.0
FCF per share	20.4	38.4	33.1	12.7	41.9	41.1	50.9	59.2
Return Ratios (%)								
RoE	19.6	18.1	-4.7	5.8	19.9	18.9	20.8	22.9
RoCE	19.7	16.7	-0.2	6.0	14.4	13.6	15.1	17.2
RoIC	34.3	26.6	-4.6	8.1	20.0	17.1	20.9	27.5
Working Capital Ratios								
Fixed Asset Turnover (x)	3.0	1.6	1.0	1.3	1.5	1.5	1.7	1.8
Asset Turnover (x)	1.6	1.0	0.6	0.8	1.3	1.2	1.1	1.1
Inventory (Days)	238	246	265	292	218	220	220	220
Debtor (Days)	8	7	17	11	9	8	8	8
Creditor (Days)	146	142	192	153	99	100	100	100
Leverage Ratio (x)								
Current Ratio	2.9	3.4	3.4	3.3	2.8	3.1	3.6	4.2
Interest Cover Ratio	118.1	4.6	-1.0	1.9	4.6	4.0	5.3	6.9
Net Debt/Equity	-0.6	0.0	-0.1	0.0	0.4	0.2	0.0	-0.2

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	4,783	4,851	-1,167	1,397	4,298	3,969	5,282	7,258
Depreciation	640	2,958	2,627	2,420	2,948	3,373	3,431	3,471
Interest & Finance Charges	35	1,177	1,035	928	1,079	1,143	1,078	1,079
Direct Taxes Paid	-1,409	-1,869	468	-68	-974	-890	-1,320	-1,815
(Inc)/Dec in WC	122	-719	2,066	-1,982	-776	-12	-420	-539
CF from Operations	4,171	6,398	5,030	2,694	6,575	7,584	8,051	9,455
Others	-727	-600	-420	-579	-287	-501	-652	-847
CF from Operating incl EO	3,444	5,798	4,611	2,115	6,288	7,082	7,399	8,608
(Inc)/Dec in FA	-822	-857	-357	-477	-897	-1,800	-850	-1,000
Free Cash Flow	2,622	4,941	4,254	1,638	5,391	5,282	6,549	7,608
(Pur)/Sale of Investments	-2,461	-1,669	-920	940	4,963	0	0	0
Others	512	653	750	466	319	501	652	847
CF from Investments	-2,770	-1,873	-527	928	4,385	-1,299	-198	-153
Issue of Shares	0	0	0	0	0	0	0	0
Inc/(Dec) in Debt	0	0	-515	-514	-6,989	0	0	0
Interest Paid	-14	-13	-11	-9	0	-1,143	-1,078	-1,079
Dividend Paid	-618	-969	0	0	0	0	0	0
Others	0	-3,379	-3,165	-2,886	-3,117	-2,408	-1,981	-1,984
CF from Fin. Activity	-631	-4,361	-3,691	-3,410	-10,106	-3,550	-3,060	-3,063
Inc/Dec of Cash	42	-435	393	-367	567	2,233	4,141	5,392
Opening Balance	559	586	150	543	176	743	2,977	7,118
Closing Balance	600	150	543	176	743	2,977	7,118	12,510
Other Bank Balance	7,790	9,473	10,425	9,512	4,568	4,568	4,568	4,568
Net Closing Balance	8,390	9,624	10,968	9,688	5,311	7,545	11,686	17,078

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UNDER REVIEW	Rating may undergo a change
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