Q2FY25 Result Update | Retail

DALAL & BROACHA STOCK BROKING PYT. LTD.

Equity Research Desk

8 November 2024

Cautious optimism

BATA Q2FY25 Results were below expectations on topline @ 2% YoY growth. Gross margins declined and higher employee cost lead EBIDTA decline by 3.8% YoY and IND-AS related adjustments in Depreciation and Interest led PAT decline by 19%.

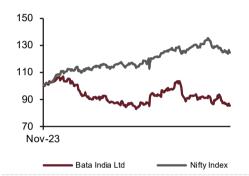
- **Revenue** at Rs 8371.44mn down 2.2% on a YoY basis, QoQ the revenue was down 11.4% mainly on account of seasonality.
- EBIDTA margins stood at 20.9% as against 22.2% YoY and 19.6% QoQ.
 - Raw Mat to Revenue stood at 43.4% v/s 42% YoY and was 45.2% in Q1FY25.
 - Employee cost increased by 7.5% on a YoY basis to Rs 1137.2mn however witnessed 5.5% drop on a QoQ basis
 - Other Expenses as % to Revenue stood at 22.1% as against 22.9% YoY and 22.5% QoQ.
- EBIDTA in absolute terms fell by 3.8% YoY to Rs 1750mn on account of the above cost increases
- Adjusted PAT de-grew by 19.2% YoY to Rs 524mn on account of lower EBIDTA as well as depreciation and interest cost up by 10.6% and 12% respectively (mainly due to IND AS).

Outlook:

- Demand: Momentum slightly better v/s Q1 and Spetember was better than July.
- 1000+ category has experienced double digit growth
- Tier 3-4, smaller metros doing better and premium segment outgrowing Mass
- Store Rationalization 30% in smaller malls and 20% on high street should help improve margins

Rating	TP (Rs)	Up/Dn (%)
NEUTRAL	1,380	3
Market data		
Current price	Rs	1,336
Market Cap (Rs.Bn)	(Rs Bn)	172
Market Cap (US\$ Mn)	(US\$ Mn)	2,036
Face Value	Rs	5
52 Weeks High/Low	Rs	1724.35 / 1269
Average Daily Volume	('000)	270
BSE Code		500043
Bloomberg Source: Bloomberg	***************************************	BATA.IN

One Year Performance



Source: Bloomberg

% Shareholding	Jun-24	Jun-24
Promoters	50.16	50.16
Public	49.84	49.84
Total	100	100

Source: BSE

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Y/E Mar (Rs					
mn)	FY 23	FY 24	FY 25E	FY 26E	FY27E
Net sales	34,516	34,786	35,766	38,591	41,763
growth (%)	44.6	0.8	2.8	7.9	8.2
EBIDTA	7,938	7,859	7,406	8,383	9,394
Margins	23	23	21	22	22
PAT(adj)	3,230	2,931	2,332	2,888	3,549
growth (%)	213.6	(9.2)	(20.5)	23.9	22.9
EPS (Rs)	25.1	22.8	18.1	22.5	27.6
P/E (x)	53.1	58.5	73.6	59.4	48.4
P/B (x)	11.9	11.2	10.1	9.2	8.2
EV/EBITDA (x)	20.9	21.3	22.3	19.5	17.3

Source: Company

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Conference Call & Presentation KTA's

Bata Confere	nce Call KTA's with Presentation Highlights					
BARNDS:						
Floatz	Growth +64% YoY Vol +70% YoY Stores ~1500					
	Average volume per week @ 27K v/s 24K QoQ					
	contributed 3% to Ecommerce					
	Presence ~ 1500 doors & 14 Kiosks Plan to take it to 26					
	kiosks & add an EBO					
Power	Revenue contribution Mid-double digit					
	Growth +6% YoY Vol +9% YoY					
	EBO's 4 plan 10 by end FY25					
	Power Apparel present @ 70 stores, plan to take it to 100					
Comfit	Growth +23% YoY					
Sneaker Studio	stood @ 756 stores v/s 739 QoQ					
Hush Puppies	Revenue contribution Mid-double digit					
	Revenue growth +4% ASP growth 2%					
	Stores: 136 HP stores (116 COCO 20 franchise)					
	<u>License Contract renewed for 10 years</u>					
Franchise	Stores Added 34 in Q2FY25					
	Towns: 1560 v/s 1398 YoY Weighted Distribution 46.7%					
Coverage	v/s 44.7% YoY Key Retail Outlets 1140 v/s 984 YoY					
	13500 MBO's and 400+ distributors reached					
New Initiatives						
	Quick Commerce added					
	Zero Base Merchandising piloted @ 8 stores leading to					
	20% Sales increase and 60% drop in lines extending to					
	250 stores by March 2025					
	Sourcing partner consolidation by 39% Target 45% and					
Supply Chain	another by 20% in next year					
	Total supply praters were ~100 bought down to 60					
	Aim to improve quality and service and make larger					
	printed improve quanty and service and make larger					

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STORES	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Franchise	476	509	533	566	600
COCO	1305	1326	1329	1350	1355
Total	1781	1835	1862	1916	1955

Store Split	Geography Wise
North	26%
South	38%
East	17%
West	19%
Total	100%

Digital Sales Contribution % Wise					
Bata. Com	6%				
B2C	27%				
B2B	67%				
Total	100%				

Omni Contribution 5% of Retail, 280K pairs sold in Q2FY25

Bata Conference Call Financial KTA's					

	Less than Rs 1000/- price point now 30% of Revenue				
	which was ~40% Pre Covid GST and infaltion post covid				
Revenue	were also the main reason for price point elevation				
Gross Margins	comfortable @ current margins				
	Impacted a) higher Franchise contribution now @ 11% of				
	Retail b) reduction process in inventory				
Inventory	QoQ drop 7% improvement in stock availability by ~70%				
	Aged Inventory @ down by 20% v/s Q3FY24				
	Injected molded EVA plant running at full capacity, plans				
Сарех	to add more				
	In-house v/s Outsource currently at 25:75				

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Quarterly Snapshot

Particulars (Rs Mns)	025/25	005/04	Growth	015/05	Growth
St andalone	Q2FY25	Q2FY24	YoY	Q1FY25	QoQ
Net Sales Other Income	8371.44 170.98		2.2 10.7	9446.34 161.6	(11.4) 5.8
TOTAL INCOME	8542.42	8345.63	2.4	9607.94	(11.1)
TOTAL INCOME	0342.42	0343.03	2.7	3007.34	(11.17
Cost of Materials	-715.11	-557.12	28.4	-549.09	30.2
Purch of Stock in Trade	-2895.4	-3433.7	(15.7)	-2965.8	(2.4)
Changes in Inventories	-25.27	550.42	(104.6)	-753.72	(96.6)
Employee Cost	-1137.2	-1058.3	7.5	-1203.6	(5.5)
Other Expenses	-1848.3	-1872.7	(1.3)	-2122.4	(12.9)
EBIDTA	1921.11	1974.29	(2.7)	2013.35	(4.6)
EBIDTA (Excl O. Incom	_	1819.84	(2.7) (3.8)		(5.5)
EBIDTA (EXCI O. IIICOIII	1730.13	1019.04	(3.6)	1031.73	(3.3)
Less: Depreciation	-902.07	-815.78	10.6	-871.34	3.5
PBIT	1019.04	1158.51	(12.0)	1142.01	(10.8)
Less: Interest Cost	-317.92	-283.92	12.0	-307.74	3.3
PBT (Before Exception	701.12	874.59	(19.8)	834.27	(16.0)
Exceptional		-409		1339.52	
PBT (Post Exceptional)	701.12	465.59	50.6	2173.79	(67.7)
Tax	-177.5	-120.7	47.1	-430.1	(58.7)
PAT (Reported)	523.62	344.89	51.8	1743.69	(70.0)
PAT (Adjust ed)	523.62	647.86	(19.2)	624.0	(16.1)
Equity	642.64		,	642.64	-
FV	5	5		5	
EPS (on adjusted PAT)	4.1	5.0	(19.1)	4.9	(16.0)
OPM	20.9%	22.2%		19.6%	
NPM (Reported PAT)	6.1%			18.1%	
Tax Rate	-25.3%			-19.8%	
				,-	
% of Total Operating Ir					
RAW MATERIALS	-43.4%	-42.0%		-45.2%	
Employee Cost	-13.6%			-12.7%	
Other Expenses	-22.1%			-22.5%	
EXPENDITURE	-79.1%	-77.8%		-80.4%	

Source: Dalal & Broacha Research, Company

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Outlook and Valuations

Bata has demonstrated a modest compound annual growth rate (CAGR) of 3% in revenue from Q2 FY20 to Q2 FY25, alongside a slightly higher CAGR of 3.3% from FY20 to FY24.

This growth trajectory has not kept pace with its industry peers, indicating a need for strategic reassessment.

The management's focus on a premiumisation strategy has shown initial success, with premium products contributing significantly to overall revenue. However, it is still in the early stages of implementation and has not yet resulted in the desired return to double-digit growth, which is crucial for a potential re-rating of the stock.

Looking forward, achieving double-digit growth by FY25 presents considerable challenges.

We hope that the efforts put forth by management towards market penetration through franchise expansion, along with improvements in operational cost efficiency, will enhance both topline and bottomline performance.

We have revised our numbers post Q2FY25 conference call. At CMP of Rs1,336 Bata trades at 59x FY26e EPS of Rs 22.5 and 48x FY27e EPS of Rs 27.6.

We had recommended "Book Profits" since Q1FY24 results and the stock has corrected 20% from those levels. We hopeful of some pick-up in momentum from a low base and hence change our recommendation to "NEUTRAL" with a target price of 1,380 (valuing Bata at 50x FY27 EPS of Rs 27.6)

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Financials

					Ba	ata India Ltd					
P&L (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E	Cash Flow St. (Rs. mn)	FY23	FY24	FY25E	FY26E	FY27
Net Operating Income	34,515.7	34,786.1	35,765.7	38,590.9	41,762.6	Net Profit	3,230.0	2,625.1	3,333.5	2,888.2	3,548.
						Add: Dep. & Amort.	2,947.8	3,390.8	3,599.6	3,824.7	3,982.
						Cash profits	6,177.9	6,015.9	6,933.1	6,712.9	7,531.
Raw Materials	(15,136.3)	(14,922.3)	(15,736.9)	(16,748.5)	(17,957.9)						
Employee Cost	(4,186.9)	(4,199.6)	(4,661.6)	(5,034.5)	(5,437.3)	(Inc)/Dec in					
Other Expenses	(7,254.6)	(7,805.2)	(7,961.1)	(8,424.7)	(8,973.3)	-Sundry debtors	(108.4)	24.2	(80.6)	(69.7)	(78.
Total Expenses	(26,577.8)	(26,927.1)	(28,359.5)	(30,207.7)	(32,368.5)	-Inventories	(336.5)	(250.0)	(503.3)	(774.0)	(868.
						-Loans/advances	-	-	-	-	-
Operating Profit	7,937.9	7,859.0	7,406.1	8,383.2	9,394.1	-Current Assets	346.0	(486.1)	(292.5)	(321.8)	(353.
Depreciation	(2,947.8)	(3,390.8)	(3,599.6)	(3,824.7)	(3,982.8)	-Sundry creditors	(468.0)	(1,096.7)	1,228.4	363.4	331
PBIT	4,990.0	4,468.2	3,806.5	4,558.5	5,411.3	-Others	170.5	(159.8)	56.8	173.0	191
Other income	386.8	617.2	636.4	685.7	748.6						
Interest	(1,078.5)	(1,170.1)	(1,325.9)	(1,393.3)	(1,428.5)	Change in working capital	(396.4)	(1,968.3)	408.8	(629.1)	(778
Extraordinary Items						CF from Oper. activities	5,781.5	4,047.7	7,341.9	6,083.9	6,752.
Profit before tax	4,298.4	3,915.3	3,117.0	3,851.0	4,731.4	CF from Inv. activities	(4,598.2)	(4,559.0)	(4,838.6)	(4,458.6)	(4,222
Provision for tax	(1,068.3)	(881.2)	(1,123.0)	(962.7)	(1,182.8)						
Reported PAT	3,230.0	3,034.1	3,333.5	2,888.2	3,548.5	CF from Fin. activities	(5,559.1)	(721.0)	142.7	(506.0)	(877
Extraordinary Items	-	(409.0)	1,339.5	-	-						
Minority Interest	0.0	0.0	0.0	0.0	0.0	Cash generated/(utilised)	(4,375.8)	(1,232.4)	2,645.9	1,119.3	1,652
Adjusted PAT	3,230.0	2,931.3	2,331.5	2,888.2	3,548.5	Cash at start of the year	9,687.7	5,312.0	4,079.6	6,725.5	7,844
						Cash at end of the year	5,312.0	4,079.6	6,725.5	7,844.8	9,497
						,		,	.,	,-	-,
							-	-	-	-	
Balance Sheet	FY23	FY24	FY25E	FY26E	FY27E	Ratios	FY23	FY24	FY25E	FY26E	FY27
Equity capital	642.6	642.6	642.6	642.6	642.6	OPM	23.0	22.6	20.7	21.7	22
Reserves	13,739.5	14,626.3	16,417.5	18,020.5	20,283.9	NPM	9.3	8.3	6.4	7.4	8
Net worth	14,382.1	15,268.9	17,060.1	18,663.1	20,926.5	Tax rate	(24.9)	(22.5)	(36.0)	(25.0)	(25.
Def. Tax Liab.+Minority Iı	-	-	-	-	-	Growth Ratios (%)					
Longterm Debt	-	-	-	-	-	Net Sales	44.6	0.8	2.8	7.9	8
Short Term Debt	-	-	-	-	-	Operating Profit	89.7	(1.0)	(5.8)	13.2	12
Total debt	-	-	-	-	-	PAT	213.6	(9.2)	(20.5)	23.9	22
Lease Liability	10,110.1	10,876.1	12,046.4	12,657.9	12,977.7						
CAPITAL EMPLOYED	24,492.1	26,145.0	29,106.5	31,321.0	33,904.1						
Total fixed assets	3,395.9	3,585.3	3,577.8	3,562.9	3,463.5	Per Share (Rs.)					
Right to Use of Assets	10560.3	11539.0	12780.6	13429.3	13768.6	Net Earnings (EPS) (FV 5)	25.1	22.8	18.1	22.5	2
Goodwill	-	-	-	-	-	Cash Earnings (CPS)	48.1	46.8	53.9	52.2	58
nvestments	5.0	5.0	10.0	10.0	10.0	Dividend	54.5	13.5	12.0	10.0	10
nventories	9,045.6	9,295.5	9,798.8	10,572.9	11,441.8	Book Value	111.9	118.8	132.7	145.2	162
Sundry debtors	825.5	801.3	881.9	951.6	1,029.8	Free Cash Flow	49.4	39.6	50.3	50.7	56
Cash & bank	5,312.0	4,079.6	6,725.5	7,844.8	9,497.4						
Loans & advances	-	-	-	-	-	Valuation Ratios					
Other current assets	2,439.0	2.925.1	3,217.6	3,539.4	3,893.3	P/E(x)	53.1	58.53	73.6	59.4	48
Sundry creditors	(4,093.5)	(2,996.8)	(4,225.2)	(4,588.6)	(4,920.0)	P/B(x)	11.9	11.2	10.1	9.2	8
D. Current Liablities	(1,695.9)	(1,472.2)	(1,545.8)	(1,700.4)	(1,870.4)	EV/EBIDTA(x)	20.9	21.3	22.3	19.5	17
Provisions	(2,435.1)	(2,883.5)	(3,427.8)	(3,614.0)	(3,723.0)	Div. Yield(%)	4.1	1.0	0.9	0.7	0
Working capital	9,397.7	9,749.0	11,425.0	13,005.6	15,348.9	FCF Yield(%)	3.7	3.0	3.8	3.8	4
Deferred Tax Assets	1,133.3	1,266.7	1,313.2	1,313.2	1,313.2	. Of Tiolog /g/	J.1	3.0	3.0	3.0	•
	1,100.0	1,200.7	1,010.2	1,010.2	1,010.2	Return Ratios (%)					
Miscellaneous exp.	24 402 4	26 145 0	20 106 5	24 224 0	22 004 4	• •	22 F	10.2	12.7	15 F	17
CAPITAL DEPLOYED	24,492.1	26,145.0	29,106.5	31,321.0	33,904.1	ROE ROCE (Excluding Cash &	22.5	19.2	13.7	15.5	17.
						Bank)	26.0	20.2	17.0	19.4	22

Source: Dalal & Broacha Research, Company

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