

BATA Q4FY24 Results were in below expectations on topline @ 2.5% YoY growth. Gross margins improved however was re-deployed leading to flattish EBIDTA growth and de-growth at PAT levels.

- **Revenue** at Rs 7976.74mn was up by 2.5% on a YoY basis.
- **EBIDTA margins** stood at 22.5% as against 23% YoY and 20.1% QoQ.
 - Raw Mat to Revenue stood at 40% v/s 41.6% YoY and was 44% in Q3FY24.
 - Gross margins at 60%, was the number which stood out as a positive highlight amidst the overall figures which the management could maintain via premium brands like Red Label, Comfit Power, better ASP in Hush Puppies and Nine West.
 - Other Expenses stood at 24.3% as against 22% YoY and 24.5% QoQ
- EBIDTA in absolute terms was flat on a YoY basis at Rs 1794mn
- Adjusted PAT de-grew by 8% YoY to Rs 603mn.

Outlook:

- **Demand:** March-24 was better than Jan-24 but too early to call out demand revival.
- Premium segment outgrowing Mass, however lower end price point products dragging growth
- Distribution business remains muted, E-com and franchise recording better growth.
- 18month long ERP project successfully live and implemented with 0 disruptions, entire cost was charged in current year
- Aim to achieve 20% freshness by category and store.
- Ad-Spends @ 250bps of Sales intend to take it up to 300bps

Financial Summary

Y/E Mar (Rs mn)	FY 22	FY 23	FY 24	FY 25E	FY 26E
Net sales	23,877	34,516	34,786	37,420	40,278
growth (%)	39.8	44.6	0.8	7.6	7.6
EBIDTA	4,185	7,938	7,859	8,584	9,337
Margins	18	23	23	23	23
PAT(adj)	1,030	3,230	2,931	3,052	3,401
growth (%)	(221.6)	213.6	(9.2)	4.1	11.5
EPS (Rs)	8.0	25.1	22.8	23.7	26.5
P/E (x)	169.8	54.2	59.7	57.3	51.4
P/B (x)	9.6	12.2	11.5	10.3	9.1
EV/EBITDA (x)	39.5	21.4	21.7	19.7	17.9

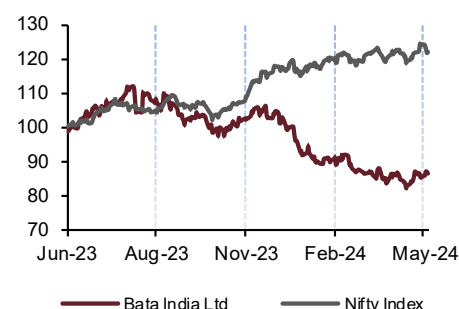
Source: Company

Rating	TP (Rs)	Up/Dn (%)
BOOK PROFIT	1,193	-12

Market data

Current price	Rs	1,361
Market Cap (Rs.Bn)	(Rs Bn)	175
Market Cap (US\$ Mn)	(US\$ Mn)	2,106
Face Value	Rs	5
52 Weeks High/Low	Rs	71.45 / 1293.65
Average Daily Volume	('000)	3,016
BSE Code		500043
Bloomberg		BATA.IN
Source: Bloomberg		

One Year Performance



Source: Bloomberg

% Shareholding	Mar-24	Dec-23
Promoters	50.16	50.16
Public	49.84	49.84
Total	100	100

Source: BSE

Kunal Bhatia
(022) 67141442
kunal.bhatia@dalal-broacha.com

Margins outlook: EBIDTA margins impacted despite better gross margins as higher marketing, IT, freight on account of BIS and no price increase in the distribution channel since last 5 quarters impacted other expenses. Going forward marketing expenses will continue to remain elevated limiting margin expansion.

Conference Call Key Takeaways

- **Premium Brands:** Red Label, Hush Puppies, Comfit, Floatz contribution increased by 4%, now contribute ~40% of Sales.
- **Floatz** grew by 96% YoY, average volume per week @ 16000+ pairs
- **Sneaker studio** implemented at 698 stores.
- **Freshness @ 38.8%** implemented at Top 500 stores and will implement the same at the bottom 800 stores as well
- **Channel Contribution:** COCO = ~70%, Distribution mid-teens, E-Com = low double digits and Franchise = high double digit
- **Mark-downs** stood at mid-teens
- **LTL** of COCO remain muted
- **Apparel:** Q4 was the best-ever quarter in-terms of contribution intend to scale this up.
- **Contribution:** Men=40%, Women = 30%, Children = low double digit and non-footwear= high double digit.
- Sub Rs 1000 and 500 Rs products contribute ~10%
- **BIS:** Bata successfully transitioned to BIS, entire vendor base is now BIS compliant

E-COMMERCE

- Bata has the widest omni network in India, covering 1700+ Bata stores (COCO & Franchisee), net addition 400+
- Volume growth in Omni @ 39%
- Digital Sales contribution Bata.com: 11%, B2C:47%, B2B: 42%

STORES & Distribution

- 24 new franchise store added (total @ 533 stores), target is to open 40 each quarter
- Franchise level volume growth @ 25% led by 1st mover advantage in Tier 3-5 towns
- 1329 COCO stores v/s 1326 COCO stores QoQ
- Store renovations stood at 67, in Q4FY24 highest till date
- **Power brand** present in 70 stores will expand it to 100 stores by Dec 2024 | 1st Power EBO opened in North, 2nd expected in May, 10 stores by Dec-2024. || ASP of Power in EBO is 1.5x
- **Nine West** brand present in 40 stores plan to expand it to 70 stores by Dec 2024
- **Floatz** opened 11 kiosk, plan to reach 30 by Dec 2024
Towns Covered 1538 v/s 1372 YoY and 1518 QoQ (mapped directly)
- 45.8% distributors reached v/s 45.4% in Dec-23 and 43.5% Mar-23.
- KRO (key retail outlets) currently stand at 1218 stores similar to last quarter.

Quarterly Snapshot

Particulars (Rs Mns) Standalone	Q4FY24	Q4FY23	Growth YoY	Q3FY24	Growth QoQ
Net Sales	7976.74	7785.85	2.5	9034.72	(11.7)
Other Income	220.12	126.07	74.6	107.92	104.0
TOTAL INCOME	8196.86	7911.92	3.6	9142.64	(10.3)
Cost of Materials Consumed	-592.93	-646.77	(8.3)	-499.06	18.8
Purchase of Stock in Trade	-3169.9	-3205.67	(1.1)	-3054.95	3.8
Changes in Inventories	573.17	614.17	(6.7)	-424.89	(234.9)
Employee Cost	-1051.36	-1039.35	1.2	-1025.05	2.6
Other Expenses	-1941.94	-1715.75	13.2	-2213.21	(12.3)
EBIDTA	2013.9	1918.55	5.0	1925.48	4.6
EBIDTA (Excl O. Income)	1793.78	1792.48	0.1	1817.56	(1.3)
Less: Depreciation	-901.93	-764.67	18.0	-858.83	5.0
PBIT	1111.97	1153.88	(3.6)	1066.65	4.2
Less: Interest Cost	-309.2	-272.05	13.7	-293.44	5.4
PBT (Before Exceptional)	802.77	881.83	(9.0)	773.21	3.8
Exceptional					
PBT (Post Exceptional)	802.77	881.83	(9.0)	773.21	3.8
Tax	-199.92	-226.26	(11.6)	-200.12	(0.1)
PAT (Reported)	602.85	655.57	(8.0)	573.09	5.2
PAT (Adjusted)	602.9	655.57	(8.0)	573.1	5.2
Equity	642.64	642.64	-	642.64	-
FV	5	5		5	
EPS (on adjusted PAT)	4.7	5.1	(8.0)	4.5	5.2
OPM	22.5%	23.0%		20.1%	
NPM (Reported PAT)	7.4%	8.3%		6.3%	
Tax Rate	-24.9%	-25.7%		-25.9%	
% of Total Operating Income					
RAW MATERIALS	-40.0%	-41.6%		-44.0%	
Employee Cost	-13.2%	-13.3%		-11.3%	
Other Expenses	-24.3%	-22.0%		-24.5%	
EXPENDITURE	-77.5%	-77.0%		-79.9%	

Source: Dalal & Broacha Research, Company

Outlook and Valuations

Bata delivered 2.5% growth on a YoY basis for Q4FY24 as the mass segment continue to drag sales.

Bata has grown at a compound annual growth rate (CAGR) of 3.5% since FY19, which is below the performance of its industry peers.

Looking ahead, achieving double-digit growth by FY25 appears challenging. Despite its strong balance sheet and long-standing, trusted brand, realizing a premium valuation in the retail footwear sector will depend on Bata's ability to consistently outperform industry benchmarks. However, increased market competition has led to recent underperformance, resulting in a downward re-rating of stock.

At CMP of Rs 1361 Bata trades at 57x FY25e EPS of Rs 23.7 and 51x FY26e EPS of Rs 26.5.

We had recommended **“Book Profits”** since Q1FY24 results and the stock has corrected 17% from those levels. We continue to maintain the same Recommendation **“Book Profits”** with a **target price of 1,193 (valuing Bata at 45x FY26e EPS of Rs 26.5)**.

Financials

P&L (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	Cash Flow St. (Rs. mn)	FY22	FY23	FY24	FY25E	FY26E
Net Operating Income	23,877.2	34,515.7	34,786.1	37,419.6	40,278.3	Net Profit	1,029.9	3,230.0	2,625.1	3,051.6	3,401.4
						Add: Dep. & Amort.	2,419.6	2,947.8	3,390.8	3,746.2	4,067.6
						Cash profits	3,449.6	6,177.9	6,015.9	6,797.7	7,469.0
Raw Materials	(10,868.1)	(15,136.3)	(14,922.3)	(16,090.4)	(17,319.7)	(Inc)/Dec in					
Employee Cost	(3,786.8)	(4,186.9)	(4,199.6)	(4,535.6)	(4,898.5)	-Sundry debtors	76.5	(108.4)	24.2	(121.4)	(70.5)
Other Expenses	(5,037.3)	(7,254.6)	(7,805.2)	(8,209.7)	(8,723.2)	-Inventories	(2,626.3)	(336.5)	(250.0)	(956.5)	(783.2)
Total Expenses	(19,692.3)	(26,577.8)	(26,927.1)	(28,835.8)	(30,941.3)	-Loans/advances	8.5	-	-	-	-
Operating Profit	4,184.9	7,937.9	7,859.0	8,583.8	9,337.0	-Current Assets	(228.9)	346.0	(486.1)	(292.5)	(321.8)
Depreciation	(2,419.6)	(2,947.8)	(3,390.8)	(3,746.2)	(4,067.6)	-Sundry creditors	164.2	(468.0)	(1,096.7)	1,411.5	336.8
PBIT	1,765.3	4,990.0	4,468.2	4,837.7	5,269.4	-Others	577.7	170.5	(159.8)	168.2	186.1
Other income	559.9	386.8	617.2	535.7	668.6	Change in working capital	(2,028.2)	(396.4)	(1,968.3)	209.4	(652.6)
Interest	(928.2)	(1,078.5)	(1,170.1)	(1,293.7)	(1,402.8)	CF from Oper. activities	1,421.4	5,781.5	4,047.6	7,007.1	6,816.4
Extraordinary Items	-	-	(409.0)	-	-	CF from Inv. activities	(3,199.2)	(4,598.2)	(4,559.0)	(5,135.2)	(5,245.9)
Profit before tax	1,397.0	4,298.4	3,915.3	4,079.6	4,535.2	CF from Fin. activities	497.4	(5,559.1)	(721.0)	154.1	(15.4)
Provision for tax	(367.1)	(1,068.3)	(881.2)	(1,028.1)	(1,133.8)	Cash generated/(utilised)	(1,280.4)	(4,375.8)	(1,232.4)	2,026.0	1,555.1
Reported PAT	1,029.9	3,230.0	3,034.1	3,051.6	3,401.4	Cash at start of the year	10,968.2	9,687.7	5,312.0	4,079.6	6,105.6
Extraordinary Items	-	-	(409.0)	-	-	Cash at end of the year	9,687.7	5,312.0	4,079.6	6,105.6	7,660.7
Minority Interest	0.0	0.0	0.0	0.0	0.0						
Adjusted PAT	1,029.9	3,230.0	2,931.3	3,051.6	3,401.4						
Balance Sheet	FY22	FY23	FY24	FY25E	FY26E	Ratios	FY22	FY23	FY24	FY25E	FY26E
Equity capital	642.6	642.6	642.6	642.6	642.6	OPM	17.5	23.0	22.6	22.9	23.2
Reserves	17,503.9	13,739.5	14,626.3	16,392.7	18,508.9	NPM	4.2	9.3	8.3	8.0	8.3
Net worth	18,146.5	14,382.1	15,268.9	17,035.3	19,151.5	Tax rate	(26.3)	(24.9)	(22.5)	(25.2)	(25.0)
Def. Tax Liab.+Minority li	-	-	-	-	-	Growth Ratios (%)					
Longterm Debt	-	-	-	-	-	Net Sales	39.8	44.6	0.8	7.6	7.6
Short Term Debt	-	-	-	-	-	Operating Profit	158.0	89.7	(1.0)	9.2	8.8
Total debt	-	-	-	-	-	PAT	(221.6)	213.6	(9.2)	4.1	11.5
Lease Liability	8,912.9	10,110.1	10,876.1	12,025.5	13,039.4						
CAPITAL EMPLOYED	27,059.4	24,492.1	26,145.0	29,060.7	32,190.9						
Total fixed assets	3,104.2	3,395.9	3,585.3	3,754.9	3,857.4	Per Share (Rs.)					
Right to Use of Assets	9206.6	10560.3	11539.0	12758.4	13834.2	Net Earnings (EPS) (FV5)	8.0	25.1	22.8	23.7	26.5
Goodwill	-	-	-	-	-	Cash Earnings (CPS)	26.8	48.1	46.8	52.9	58.1
Investments	-	5.0	5.0	5.0	5.0	Dividend	4.0	54.5	13.5	10.0	10.0
Inventories	8,709.1	9,045.6	9,295.5	10,252.0	11,035.2	Book Value	141.2	111.9	118.8	132.5	149.0
Sundry debtors	717.2	825.5	801.3	922.7	993.2	Free Cash Flow	13.2	45.4	36.9	57.3	56.7
Cash & bank	9,687.7	5,312.0	4,079.6	6,105.6	7,660.7	Valuation Ratios					
Loans & advances	-	-	-	-	-	P/E(x)	169.8	54.2	59.67	57.3	51.4
Other current assets	2,785.0	2,439.0	2,925.1	3,217.6	3,539.4	P/B(x)	9.6	12.2	11.5	10.3	9.1
Sundry creditors	(4,561.5)	(4,093.5)	(2,996.8)	(4,408.3)	(4,745.1)	EVEBITDA(x)	39.5	21.4	21.7	19.7	17.9
O. Current Liabilities	(1,491.2)	(1,695.9)	(1,472.2)	(1,619.4)	(1,781.4)	Div. Yield(%)	0.3	4.0	1.0	0.7	0.7
Provisions	(2,139.3)	(2,435.1)	(2,883.5)	(3,194.5)	(3,474.4)	FCF Yield(%)	1.0	3.3	2.7	4.2	4.2
Working capital	13,707.0	9,397.7	9,749.0	11,275.7	13,227.6	Return Ratios (%)					
Deferred Tax Assets	1,041.6	1,133.3	1,266.7	1,266.7	1,266.7	ROE	5.7	22.5	19.2	17.9	17.8
Miscellaneous exp.	-	-	-	-	-	ROCE (Excluding Cash & Bank)	10.2	26.0	20.2	21.1	21.5
CAPITAL DEPLOYED	27,059.4	24,492.1	26,145.0	29,060.7	32,190.9						

Source: Dalal & Broacha Research, Company

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B (CINU67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing

businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.

Tel: 91-22- 2282 2992, 2287 6173 | E-mail: equity.research@dalal-broacha.com