

BATA Q1FY25 Results were below expectations on topline @ -1.4% YoY de-growth. Gross margins stable however rise employee cost and other expenses lead 23% drop in EBIDTA impacting PAT by 42%

- **Revenue** at Rs 9446mn down 1.4% on a YoY basis.
- **EBIDTA margins** stood at 19.6% as against 25.1% YoY and 22.5% QoQ.
 - Raw Mat to Revenue stood at 45.2% v/s 45.3% YoY and was 40% in Q4FY24.
 - Gross margins at 54.8%, was the number which stood out as a positive highlight amidst the overall figures which the management could maintain via premium brands.
 - Other Expenses as % to Revenue stood at 22.5% as against 18.7% YoY and 24.3% QoQ, included one time expenses towards investment in technology of Rs 147mn
 - IT cost increased by 142bps, will reduce as large part of ERP was charged
 - Marketing Cost +123bps
 - Employee expenses too were up by 15% to Rs 1204mn.
- EBIDTA in absolute terms fell by 23% YoY to Rs 1852mn on account of the above cost increases
- Adjusted PAT de-grew by 42% YoY to Rs 624mn on account of lower EBIDTA as well as depreciation and interest cost up by 7.6% and 9.4% respectively.
- Reported Pat of Rs 1744mn includes, One time gain on Sale of Property Rs 1340mn
- For Q1FY25 cumulative impact if ERP+IT+Payroll was ~300bps points which should reduce going forward.

Outlook:

- **Demand:** Momentum slowed due to heatwave, elections and weddings expect to see some revival.
- Premium segment outgrowing Mass, however the delta is narrowing.

Financial Summary

Y/E Mar (Rs mn)	FY 23	FY 24	FY 25E	FY 26E	FY 27E
Net sales	34,516	34,786	36,001	38,840	42,006
growth (%)	44.6	0.8	3.5	7.9	8.2
EBIDTA	7,938	7,859	7,994	8,784	9,649
Margins	23	23	22	23	23
PAT(adj)	3,230	2,931	2,772	3,207	3,779
growth (%)	213.6	(9.2)	(5.4)	15.7	17.8
EPS (Rs)	25.1	22.8	21.6	25.0	29.4
P/E (x)	57.9	63.7	67.4	58.3	49.5
P/B (x)	13.0	12.2	10.7	9.6	8.5
EV/EBITDA (x)	22.9	23.3	22.5	20.3	18.3

Source: Company

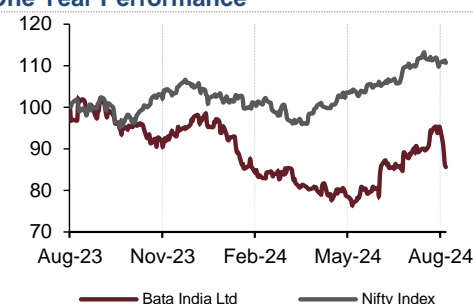
Rating	TP (Rs)	Up/Dn (%)
BOOK PROFIT	1,281	-12

Market data

Current price	Rs	1,456
Market Cap (Rs.Bn)	(Rs Bn)	187
Market Cap (US\$ Mn)	(US\$ Mn)	2,229
Face Value	Rs	5
52 Weeks High/Low	Rs	1771.45 / 1269
Average Daily Volume	('000)	1,726
BSE Code		500043
Bloomberg		BATA.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

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

Source: BSE

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- **Margin Outlook:** Employee Cost should grow in line with Sales growth had some one-off's, renovation rate should reduce to 20-25 stores significant investments in the ERP system have already been completed.

Conference Call Key Takeaways

- **Sales Mix:** Rs 2000 and above ~25% || Rs 1000 and above ~60% || less than Rs 500 ~15% || Casual+Sneakers ~ 50-55% of revenue which should gradually move to 60-65%.
- **Gross Margins:** EOSS shifted to end of June v/s early June last year which aided GM to some extent.
- **SSG:** COCO stores @-ve low single digit target to get to mid-single digit.
- **Margins @ COCO v/s FOCO:** EBIDTA better at FOCO up to Rs 20mn, once a COCO store crosses the threshold of Rs 20mn the margins become more accretive.
- **ROCE COCO v/s Franchise:** FOCO is better as Bata follows an outright model wherein the inventory and working capital is loaded on to the franchise.
- **Inventory:** At best levels since last 6 quarters with stock availability improved
- **In-house v/s Out-Sourced manufacturing:** @ 25:75 v/s 35:65 2 years back
- **BIS:** implemented for 90% of products since July, beneficial to the entire industry as the outsourcing partners too have done technology upgrades which will reduce imports.
- **Freshness:** at store level is ~ 30%. This contributes ~14-15% of Sales.
- **Floatz** now contributed ~4.5% , grew by 85% YoY, average volume per week @ 24k v/s 16k pairs (QoQ)
- **Power:** grew by 10% YoY, Rs 2000-3000 price point huge potential.
- **Comfit:** grew by 3% YoY
- **Sneaker studio** implemented at 739 stores v/s 698 stores QoQ
- **Evalite:** driving growth in mass segment, price point of +/- Rs 500 doing extremely well.
- **Employee cost:** 30% Incentive variable structure at stores

E-COMMERCE

- Bata has the widest omni network in India, covering 1700+ Bata stores (COCO & Franchisee), net addition 400+
- Omni contributed 5% of Retail with 286K pairs shipped this quarter
- Digital Sales contribution Bata.com: 8%, B2C:35%, B2B: 57%

STORES & Distribution

- 33 new franchise store added (total @ 566 stores), close to target of 40 each quarter
- Franchise expanded in newer micro-markets
- ~50% of franchise opened via existing partners
- 1350 COCO stores v/s 1329 COCO stores QoQ
- Store renovations stood at 37, in Q1FY25
- **Power brand** 2ndst Power EBO opened 15 stores by Dec-2024. (store size~1000sqft)|| ASP of Power in EBO is 1.5x| Power Apparels present in 70 stores plan to reach 100 stores by Dec-24, sales improved sequentially

- **Nine West** brand present in 42 stores plan to expand it to 70 stores by Dec 2024, will drive premiumization.
- **Floatz** now has 16 kiosk v/s 11 kiosk in Q4FY24, plan to reach 30 by Dec 2024 (size ~ 100–150sqft)
Towns Covered 1548 v/s 1538 Mar–24 and 1396 in June–23 (mapped directly)
- 46.4% distributors reached v/s 45.8% in March-24 and 44% Jun-23.

Quarterly Snapshot

Particulars (Rs Mns)			Growth		Growth
	Q1FY25	Q1FY24	YoY	Q4FY24	QoQ
Standalone					
Net Sales	9446.34	9581.49	(1.4)	7976.74	18.4
Other Income	161.6	132.24	22.2	220.12	(26.6)
TOTAL INCOME	9607.94	9713.73	(1.1)	8196.86	17.2
Cost of Materials Consumed	-549.09	-652.41	(15.8)	-592.93	(7.4)
Purchase of Stock in Trade	-2965.8	-3321.1	(10.7)	-3169.9	(6.4)
Changes in Inventories	-753.72	-362.11	108.1	573.17	(231.5)
Employee Cost	-1203.6	-1047.8	14.9	-1051.4	14.5
Other Expenses	-2122.4	-1794.5	18.3	-1941.9	9.3
EBIDTA	2013.35	2535.71	(20.6)	2013.9	(0.0)
EBIDTA (Excl O. Income)	1851.75	2403.47	(23.0)	1793.78	3.2
Less: Depreciation	-871.34	-809.6	7.6	-901.93	(3.4)
PBIT	1142.01	1726.11	(33.8)	1111.97	2.7
Less: Interest Cost	-307.74	-281.36	9.4	-309.2	(0.5)
PBT (Before Exceptional)	834.27	1444.75	(42.3)	802.77	3.9
Exceptional	1339.52				
PBT (Post Exceptional)	2173.79	1444.75	50.5	802.77	170.8
Tax	-430.1	-366.33	17.4	-199.92	115.1
PAT (Reported)	1743.69	1078.42	61.7	602.85	189.2
PAT (Adjusted)	624.0	1078.42	(42.1)	602.9	3.5
Equity	642.64	642.64	-	642.64	-
FV	5	5		5	
EPS (on adjusted PAT)	4.9	8.4	(42.1)	4.7	3.5
OPM	19.6%	25.1%		22.5%	
NPM (Reported PAT)	18.1%	11.1%		7.4%	
Tax Rate	-19.8%	-25.4%		-24.9%	
% of Total Operating Income					
RAW MATERIALS	-45.2%	-45.3%		-40.0%	
Employee Cost	-12.7%	-10.9%		-13.2%	
Other Expenses	-22.5%	-18.7%		-24.3%	
EXPENDITURE	-80.4%	-74.9%		-77.5%	

Source: Dalal & Broacha Research, Company

Outlook and Valuations

Bata delivered 1% CAGR growth over Q1FY20 Revenue in Q1FY25.

Bata has grown at a compound annual growth rate (CAGR) of 3% since FY20, 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.

We have revised our numbers post Q1FY25 conference call. At CMP of Rs 1454 Bata trades at 59x FY26e EPS of Rs 24.5 and 50x FY27e EPS of Rs 29.

We had recommended **“Book Profits”** since **Q1FY24** results and the stock has corrected 14% from those levels. We continue to maintain the same Recommendation **“Book Profits”** with a target price of 1,281 (valuing Bata at 50x June-26 EPS of Rs 25.6).

Financials

P&L (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E	Cash Flow St. (Rs. mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Operating Income	34,515.7	34,786.1	36,000.6	38,840.1	42,005.9	Net Profit	3,230.0	2,625.1	3,774.3	3,206.7	3,778.9
						Add: Dep. & Amort.	2,947.8	3,390.8	3,668.2	3,888.9	4,042.2
						Cash profits	6,177.9	6,015.9	7,442.5	7,095.6	7,821.1
Raw Materials	(15,136.3)	(14,922.3)	(15,480.3)	(16,701.2)	(18,062.5)	(Inc)/Dec in					
Employee Cost	(4,186.9)	(4,199.6)	(4,535.6)	(4,898.5)	(5,290.3)	-Sundry debtors	(108.4)	24.2	(86.4)	(70.0)	(78.1)
Other Expenses	(7,254.6)	(7,805.2)	(7,991.0)	(8,456.4)	(9,004.3)	-Inventories	(336.5)	(250.0)	(567.7)	(777.9)	(867.3)
Total Expenses	(26,577.8)	(26,927.1)	(28,006.9)	(30,056.1)	(32,357.1)	-Loans/advances	-	-	-	-	-
						-Current Assets	346.0	(486.1)	(292.5)	(321.8)	(353.9)
Operating Profit	7,937.9	7,859.0	7,993.7	8,784.0	9,648.7	-Sundry creditors	(468.0)	(1,096.7)	1,244.3	334.5	373.0
Depreciation	(2,947.8)	(3,390.8)	(3,668.2)	(3,888.9)	(4,042.2)	-Others	170.5	(159.8)	168.2	186.1	205.9
PBIT	4,990.0	4,468.2	4,325.5	4,895.1	5,606.5	Change in working capital	(396.4)	(1,968.3)	466.0	(649.1)	(720.5)
Other income	386.8	617.2	636.4	696.5	778.6	CF from Oper. activities	5,781.5	4,047.7	7,908.5	6,446.4	7,100.6
Interest	(1,078.5)	(1,170.1)	(1,255.6)	(1,316.1)	(1,346.6)	CF from Inv. activities	(4,598.2)	(4,559.0)	(4,572.7)	(4,460.6)	(4,234.1)
Extraordinary Items						CF from Fin. activities	(5,559.1)	(721.0)	(545.9)	(581.8)	(930.1)
Profit before tax	4,298.4	3,915.3	3,706.3	4,275.6	5,038.5	Cash generated/(utilised)	(4,375.8)	(1,232.4)	2,789.9	1,404.1	1,936.3
Provision for tax	(1,068.3)	(881.2)	(1,271.5)	(1,068.9)	(1,259.6)	Cash at start of the year	9,687.7	5,312.0	4,079.6	6,869.6	8,273.6
Reported PAT	3,230.0	3,034.1	3,774.3	3,206.7	3,778.9	Cash at end of the year	5,312.0	4,079.6	6,869.6	8,273.6	10,209.9
Extraordinary Items	-	(409.0)	1,339.5	-	-						
Minority Interest	0.0	0.0	0.0	0.0	0.0						
Adjusted PAT	3,230.0	2,931.3	2,772.3	3,206.7	3,778.9						
Balance Sheet	FY23	FY24	FY25E	FY26E	FY27E	Ratios	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	642.6	642.6	642.6	642.6	642.6	OPM	23.0	22.6	22.2	22.6	23.0
Reserves	13,739.5	14,626.3	16,858.3	18,779.8	21,273.5	NPM	9.3	8.3	7.6	8.1	8.8
Net worth	14,382.1	15,268.9	17,500.9	19,422.4	21,916.1	Tax rate	(24.9)	(22.5)	(34.3)	(25.0)	(25.0)
Def. Tax Liab.+Minority I	-	-	-	-	-	Growth Ratios (%)					
Longterm Debt	-	-	-	-	-	Net Sales	44.6	0.8	3.5	7.9	8.2
Short Term Debt	-	-	-	-	-	Operating Profit	89.7	(1.0)	1.7	9.9	9.8
Total debt	-	-	-	-	-	PAT	213.6	(9.2)	(5.4)	15.7	17.8
Lease Liability	10,110.1	10,876.1	11,671.8	12,233.5	12,517.0						
CAPITAL EMPLOYED	24,492.1	26,145.0	29,172.7	31,655.9	34,433.1						
Total fixed assets	3,395.9	3,585.3	3,645.6	3,621.3	3,512.5	Per Share (Rs.)					
Right to Use of Assets	10560.3	11539.0	12383.2	12979.1	13279.9	Net Earnings (EPS) (FV 5)	25.1	22.8	21.6	25.0	29.4
Goodwill	-	-	-	-	-	Cash Earnings (CPS)	48.1	46.8	57.9	55.2	60.9
Investments	5.0	5.0	5.0	5.0	5.0	Dividend	54.5	13.5	12.0	10.0	10.0
Inventories	9,045.6	9,295.5	9,863.2	10,641.1	11,508.5	Book Value	111.9	118.8	136.2	151.1	170.5
Sundry debtors	825.5	801.3	887.7	957.7	1,035.8	Free Cash Flow	49.4	39.6	53.6	53.1	58.4
Cash & bank	5,312.0	4,079.6	6,869.6	8,273.6	10,209.9						
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)	57.9	63.75	67.4	58.3	49.5
Sundry creditors	(4,093.5)	(2,996.8)	(4,241.2)	(4,575.7)	(4,948.6)	P/B(x)	13.0	12.2	10.7	9.6	8.5
O. Current Liabilities	(1,695.9)	(1,472.2)	(1,619.4)	(1,781.4)	(1,959.5)	EV/EBIDTA(x)	22.9	23.3	22.5	20.3	18.3
Provisions	(2,435.1)	(2,883.5)	(3,105.2)	(3,271.0)	(3,370.3)	Div. Yield(%)	3.7	0.9	0.8	0.7	0.7
Working capital	9,397.7	9,749.0	11,872.2	13,783.7	16,369.0	FCF Yield(%)	3.4	2.7	3.7	3.7	4.0
Deferred Tax Assets	1,133.3	1,266.7	1,266.7	1,266.7	1,266.7						
Miscellaneous exp.	-	-	-	-	-	Return Ratios (%)					
CAPITAL DEPLOYED	24,492.1	26,145.0	29,172.7	31,655.9	34,433.1	ROE	22.5	19.2	15.8	16.5	17.2
						ROCE (Excluding Cash & Bank)	26.0	20.2	19.4	20.9	23.1

Source: Dalal & Broacha Research, Company

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