



BATA Q3FY25 Results were below expectations on topline @ 2% YoY growth. Gross margins remained stable and 3.6% drop in other expenses led to 9.5% EBIDTA improvement on a YoY basis. Reported PAT decline 1.5% mainly due to exceptional item i.e. VRS of Rs 108mn.

- **Revenue** at Rs 9185mn down 2% (*mainly volume-led*) on a YoY basis, QoQ the revenue was improved by 9.7% mainly on account of seasonality.

EBIDTA margins stood at 21.7% as against 20.1% YoY and 20.9% QoQ.

- Raw Mat to Revenue stood at 43.9% v/s 44% YoY and was 43.4% in Q2FY25.
- Employee cost increased by 0.7% on a YoY basis to Rs 1032.3mn however witnessed 9.2% drop on a QoQ basis
- Other Expenses as % to Revenue stood at 23.2% as against 24.5% YoY and 22.1% QoQ.

- **EBIDTA** in absolute terms increased by 9.5% YoY to Rs 1991mn on account of drop in other expenses.
- Reported PAT increased by 1.5% to Rs 582mn. **Adjusted PAT** grew by 16% YoY to Rs 663mn on account exceptional item related to VRS of Rs 108mn.

Outlook:

- **Demand:** Volume for 9M was positive, initiatives taken such as “Zero-Based Merchandising” and reducing price point should aid growth
- “**Zero based Merchandising**” when implemented at 100 stores equals to 25% of Revenue should help improve store productivity.

Financial Summary

Y/E Mar (Rs mn)	FY 23	FY 24	FY 25E	FY 26E	FY 27E
Net sales	34,516	34,786	35,260	38,043	41,439
growth (%)	44.6	0.8	1.4	7.9	8.9
EBIDTA	7,938	7,859	7,382	8,370	9,507
Margins	23	23	21	22	23
PAT(adj)	3,230	2,931	2,282	2,835	3,579
growth (%)	213.6	(9.2)	(22.2)	24.2	26.3
EPS (Rs)	25.1	22.8	17.8	22.1	27.8
P/E (x)	53.9	59.4	76.3	61.4	48.6
P/B (x)	12.1	11.4	10.3	9.4	8.4
EV/EBITDA (x)	21.3	21.6	22.7	19.9	17.3

Source: Company

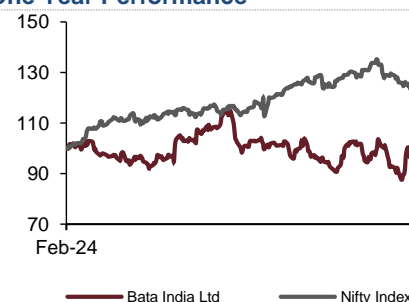
Rating	TP (Rs)	Up/Dn (%)
NEUTRAL	1,390	3

Market data

Current price	Rs	1,354
Market Cap (Rs.Bn)	(Rs Bn)	174
Market Cap (US\$ Mn)	(US\$ Mn)	2,004
Face Value	Rs	5
52 Weeks High/Low	Rs	1633 / 1228
Average Daily Volume	('000)	335
BSE Code		500043
Bloomberg		BATA.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Dec-24	Sep-24
Promoters	50.16	50.16
Public	49.84	49.84
Total	100	100

Source: BSE

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Conference Call & Presentation KTA's

Bata Q3FY25 Conference Call KTA's with Presentation Highlights	
BARNDS:	
1. Floatz	Growth +29% YoY Vol +25% YoY
	ASP +4% YoY
	100cr+ brand
	Launched Kids collection with Marvel and Disney
	Floatz is the fastest growing brand for the company Floatz EBO's @ 15-20 and trading density and profitability is crucial
2. Power	Vol +9% YoY Apparel turnover growth +126%
	EBO's 7 plan 10 by end FY25 launched Easy Slide and Stamina series
	Management still not fully satisfied with performance, have to work on productivity
3. Hush Puppies	Vir Das is brand ambassador for Hush Puppies
	Jim Sarbh fronts Hush Puppies Party ready collection
Other KTA's	
Coverage	Towns: 1554 v/s 1518 YoY Weighted Distribution 46.7% v/s 45.3% YoY Key Retail Outlets 1279 v/s 1218 YoY
	14500 MBO's and 380+ distributors reached
Zero Based Merchandising	8 store Expanded to 17, presence in 3 towns, TARGET is to reach 100 COCO soon
	Lines reduced to 0.4x, Sales Per sqft increased to 1.07x, ROIC 1.6x
	Footfall +8%, Pariage +3.6%, NPS +300bps, inventory reduction to ~62x With implementation in 17 stores complexity of execution understood, hence reaching top 100 stores will take a bit longer
Value Proposition through Price Point Reduction	Collapsing to 3 price points v/s 11 in case of closed ladies shoes, line reduced by 25%
	Piloted in 9 stores ,where turnover increased by 17% and gross margins by 18% , pairs sold 1.5x
	The price point reduction is keeping in mind the location and the customer profile of the customer
Key Initiatives	Lines per store reduced by 33% YoY, clutter by 11% YoY
	Top Article availability increased by 21% YoY and overall availability by 11%
	E-commerce grew by 9% YoY
New Initiatives	Quick Commerce launched via Zepto
	collaborations with new-age icons like Kartik Aaryan, Jim Sarbh and Vir Das

Bata Conference Call Financial KTA's	
Revenue	Volume growth in 9M was positive across channel , franchise and MBO, EOSS also aided volumes
Gross Margins	sourcing tightened, % of discounted products reduced aided ~17bps of GM Also higher sales via Franchise leads to a slightly lower GM
Inventory	Aged Inventory down by 30% v/s Q3FY24 Stock Turns @ 1.87x and forecast accuracy improved to 1.31x
Other KTA's	driving affordability and reducing complexity across categories, aided VOLUME despite muted demand Zero based Merchandising being implemented at 100 stores equals to 25% of Revenue

Source: Company

Other Details

STORES	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Franchise	509	533	566	600	606
COCO	1326	1329	1350	1355	1347
Total	1835	1862	1916	1955	1953
<i>Hush Puppies</i>	110	112	115	117	117

Digital Sales Contribution % Wise	
Bata. Com	6%
B2C	30%
B2B	64%
Total	100%

Omni Contribution 4.5% of Retail, 208K pairs sold in Q3FY25

Source: Company

Quarterly Snapshot

Particulars (Rs Mns)			Growth		Growth	
	Standalone	Q3FY25	Q3FY24	YoY	Q2FY25	QoQ
Net Sales		9184.78	9034.72	1.7	8371.44	9.7
Other Income		97.2	107.92	(9.9)	170.98	(43.2)
TOTAL INCOME		9281.98	9142.64	1.5	8542.42	8.7
Cost of Materials		-733.23	-499.06	46.9	-715.11	2.5
Purch of Stock in Trade		-2426.8	-3055	(20.6)	-2895.4	(16.2)
Changes in Inventories		-868.86	-424.89	104.5	-25.27	3,338.3
Employee Cost		-1032.3	-1025.1	0.7	-1137.2	(9.2)
Other Expenses		-2133	-2213.2	(3.6)	-1848.3	15.4
EBIDTA		2087.7	1925.48	8.4	1921.11	8.7
EBIDTA (Excl O. Incom		1990.5	1817.56	9.5	1750.13	13.7
Less: Depreciation		-901.45	-858.83	5.0	-902.07	(0.1)
PBIT		1186.25	1066.65	11.2	1019.04	16.4
Less: Interest Cost		-311.14	-293.44	6.0	-317.92	(2.1)
PBT (Before Exception		875.11	773.21	13.2	701.12	24.8
Exceptional		-107.84				
PBT (Post Exceptional)		767.27	773.21	(0.8)	701.12	9.4
Tax		-185.6	-200.12	(7.3)	-177.5	4.6
PAT (Reported)		581.67	573.09	1.5	523.62	11.1
PAT (Adjusted)		663.424	573.09	15.8	523.62	26.7
Equity		642.64	642.64	-	642.64	-
FV		5	5		5	
EPS (on adjusted PAT)		5.2	4.5	15.8	4.1	26.5
OPM		21.7%	20.1%		20.9%	
NPM (Reported PAT)		6.3%	6.3%		6.1%	
Tax Rate		-24.2%	-25.9%		-25.3%	
% of Total Operating Income						
RAW MATERIALS		-43.87%	-44.04%		-43.4%	
Employee Cost		-11.2%	-11.3%		-13.6%	
Other Expenses		-23.2%	-24.5%		-22.1%	
EXPENDITURE		-78.3%	-79.9%		-79.1%	

Source: Company

Outlook and Valuations

Bata has demonstrated a modest compound annual growth rate (CAGR) of 2.1% in revenue from Q3 FY20 to Q3 FY25, alongside a slightly higher CAGR of 3.3% from FY20 to FY24.

While management is focused on strategic initiatives including portfolio enhancements, affordability, and simplification of choices to attract new customers the company's growth has lagged industry peers.

Despite weak market demand, Bata has achieved volume growth, partly attributed to extended end-of-season sales. Brand collaborations with contemporary icons have proven effective, particularly during the festive season.

Looking ahead, Bata India anticipates demand recovery and is focusing on volume-driven revenue growth by providing affordable and innovative products. Initiatives like "Zero Based Merchandising" in the top 100 stores, a "Value Proposition through Price Point Reduction," and an emphasis on growth brands like Floatz and Power are expected to stimulate growth, although this may take some time. While the company is implementing strategies to cater to a wider range of consumers, achieving double-digit growth in FY25 may be challenging.

Additionally, until these strategies translate into tangible results, the stock's upside potential may be limited, with performance likely confined to a specific trading range. Investors will need to see concrete evidence of the strategies' success for a potential upward reevaluation of the stock.

We have revised our numbers post Q3FY25 conference call. At CMP of Rs1,354 Bata trades at 61x FY26e EPS of Rs 22.1 and 48.6x FY27e EPS of Rs 27.8.

We are hopeful of some pick-up in momentum from a low base maintain **"NEUTRAL"** stance with a target price of 1,390 (valuing Bata at 50x FY27 EPS of Rs 27.8).

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