

Retail Equity Research

Bata India Ltd.

FMCG

BSE CODE: 500043

NSE CODE: BATAINDIA

Bloomberg CODE: BATA:IN

SENSEX: 80,803

Accumulate

12 Months Investment Period Rating as per Small Cap

 CMP Rs. 1,419 TARGET Rs. 1,689 RETURN 19% 
 (Closing: 20-08-24)

KEY CHANGES:
TARGET 
RATING 
EARNINGS 

Premiumisation focus will improve margins.

Bata India Ltd. (BIL) is the largest retailer and leading manufacturer of footwear in India, with 1,916 retail store presence in 1,548 towns.

- We maintain our rating as Accumulate with a target price of Rs.1,689, considering the expected gradual improvement in demand.
- Volumes declined in Q1FY25 resulting in a revenue de-growth of 1.4% YoY driven by factors like heat wave and elections. However premium segments continued to perform well.
- EBITDA margin declined by 540 bps YoY due to higher ad and IT spend in which the major ERP spending has been completed this quarter which will normalise margins going forward.
- BIL adopts asset-light expansion, adding 33 franchisees in Q1FY25, totaling 566 and has a strong focus on E-commerce, store renovation with a thrust on portfolio newness.
- BIL has a strong focus on premium brands (40% mix) like Hush Puppies, Power, Nine West etc. will give better margins. BIL has launched its second Power EBO (exclusive brand outlets) in NCR and plans to expand to 15 stores by Dec'24.
- Given its strong brand recall & reach, we believe, BIL can revive its revenue growth trajectory. Expect revenue/PAT to grow at 9%/21% CAGR over FY24-26E. We value BIL at 52x on Sept 2026 EPS.

Premium categories help to achieve marginal revenue growth.

Revenue dropped by 1.4% YoY to Rs. 945 cr dragged by factors like heat wave and elections. However premium segments continued to perform well. Capacity utilization was the best in 6 quarters. With a strong focus on network expansion, the distribution reach has now reached 1,548 towns. With asset light focus, BIL added 33 franchise stores in Q1FY25, and the total number of franchise stores reached 566 (vs. 448 YoY). Half of the franchise additions are coming from existing partners, which underscores the success of franchise channel. Bata's strong focus on store expansion & distribution reach, along with marketing investments, will drive future volumes. The company has launched its second Power EBO (exclusive brand outlets) in NCR and plans to expand to 15 stores by Dec'24. The Power apparel segment is currently present in 70 stores. The management aims to reach 100 stores by December 2024. The company is planning 2 large product launches with distinct user benefits in Q2FY25. Considerable effort and investments have gone into sneakerization, casualization and fashion which would drive future volumes.

Operating margin impacted by higher spend on IT and marketing.

EBITDA margin contracted by 540bps YoY to 19.6% on account of higher expenditure on marketing and IT. Other expenses rose by ~18% YoY due to this. The major ERP spending has been completed this quarter which will normalise margins going forward. BIL's efforts on premiumization and cost optimization will support gradual margin improvement. The company's ERP module implementation will help in the improvement of inventory management, decision-making, and margins.

Valuation & Outlook

The enhanced investments in premiumization, technology, marketing, cost optimization, along with strong store additions are likely to bear fruits in the long run. We believe BIL has the capability to revive its revenue growth trajectory given its strong brand recall & distribution reach, and strong balance sheet. We maintain our Accumulate rating with a revised target price of Rs. 1,689, valuing BIL at 52x on Sept 2026 EPS.

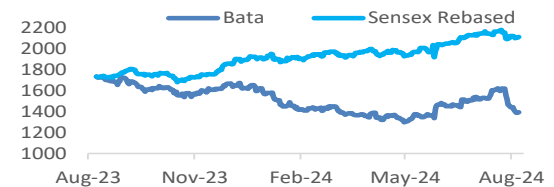
Company Data

Market Cap (Rs.cr)	18,238
Enterprise Value (Rs.cr)	18,960
Outstanding Shares (cr)	12.9
Free Float	50%
Dividend Yield	0.9%
52 week high (Rs.)	1,748
52 week low (Rs.)	1,269
6m average volume (cr)	0.05
Beta	0.9
Face value (Rs.)	5

Shareholding (%)	Q3FY24	Q4FY24	Q1FY25
Promoters	50.2	50.2	50.2
FII's	7.9	8.2	7.6
MFs/Institutions	29.7	28.3	27.5
Public	11.1	12.2	13.9
Others	1.2	1.1	0.8
Total	100.0	100.0	100.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	1.4%	-2.7%	-19.7%
Absolute Sensex	7.3%	9.6%	21.8%
Relative Return*	-5.9%	-12.3%	-41.5%

*over or under performance to benchmark index



Standalone (cr)	FY24A	FY25E	FY26E
Sales	3,478	3,743	4,080
Growth (%)	0.8	7.6	9.0
EBITDA	783	847	988
EBITDA Margin (%)	22.5	22.6	24.2
Adj. PAT	300	308	394
Growth (%)	-6.0	2.8	27.7
Adj. EPS	23.3	24.0	30.6
Growth (%)	-6.0	2.8	27.7
P/E	60.8	59.2	46.3
P/B	12.2	9.7	8.2
EV/EBITDA	24.5	22.4	19.0
ROE (%)	20.3	18.0	18.9
D/E	0.9	0.8	0.7

Vincent K A
 Research Analyst

Quarterly Financials (Standalone)

Profit & Loss

(Rs cr)	Q1FY25	Q1FY24	YoY Growth	Q4FY24	QoQ Growth
Sales	945	958	-1.4%	798	18.4%
EBITDA	185	240	-22.7%	179	3.2%
EBITDA margins	19.6%	25.0%	-540bps	22.5%	-290bps
Depreciation	87	81	7.5%	90	-3.4%
EBIT	98	158	-38.1%	89	9.9%
Interest	31	28	9.4%	31	-0.5%
Other Income	16	13	21.8%	22	-26.6%
Exceptional Items	134	0	NA	0	NA
PBT	217	144	51.4%	80	NA
Tax	43	37	17.3%	20	NA
Reported PAT	174	107	63.1%	60	NA
Adjustments	-134	0	NA	0	NA
Adj PAT	40	107	-62.2%	60	NA
No. of Shares	12.85	12.85	0.0%	12.85	NA
EPS (Rs)	3.1	8.3	-62.2%	4.7	NA

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	3,828	4,161	3,743	4,080	-2.2%	-2.0%
EBITDA	919	1,028	847	988	-7.8%	-3.9%
Margins	24.0%	24.7%	22.6%	24.2%	-170bps	-0bps
Adj. PAT	373	437	308	394	-17.3%	-9.9%
EPS	29	34	24.0	30.6	-17.3%	-9.9%



PROFIT & LOSS

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue	1,707	2,388	3,452	3,478	3,743	4,080
% change	-44.1	39.9	44.6	0.8	7.6	9.0
EBITDA	161	416	791	783	847	988
% change	-80.5	157.9	90.3	-1.0	8.3	16.6
Depreciation	265	242	295	339	361	427
EBIT	-104	174	496	444	486	561
Interest	104	93	108	117	123	126
Other Income	94	56	37	62	75	94
PBT	-118	137	426	348	572	529
% change	-123.8	NA	211.1	-18.3	64.5	-7.6
Tax	-27.4	35.9	106.5	88.7	129.8	134.8
Tax Rate	23.3%	26.3%	25.0%	25.5%	22.7%	25.5%
Reported PAT	-90.2	100.9	319.1	259.0	442.3	393.8
Adj*	-5	0	0	-41	134	0
Adj PAT	-85.6	100.9	319.1	299.9	308.3	393.8
% change	-125.7	NA	216.3	-6.0	2.8	27.7
No. of shares (cr)	12.9	12.9	12.9	12.9	12.9	12.9
Adj EPS (Rs.)	-7	8	25	23	24	31
% change	-125.7	NA	216.3	-6.0	2.8	27.7
DPS (Rs.)	5	4	55	4	4	4
CEPS (Rs.)	13.9	26.7	47.8	49.7	52.1	63.9

CASH FLOW

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24	FY25E	FY26E
Net inc. + Depn.	-27	160	381	329	510	463
Non-cash adj.	267	255	325	334	412	484
Changes in W.C	218	-204	-78	-199	-54	-60
C.F. Operation	458	212	629	459	868	887
Capital exp.	-36	-48	-94	-98	-472	-468
Change in inv.	-92	94	501	94	0	0
Other invest.CF	78	46	32	39	-13	-18
C.F - Investment	-50	93	438	33	-485	-486
Issue of equity	0	0	0	0	0	0
Issue/repay debt	-315	-289	-206	-229	135	67
Dividends paid	-51	-51	-699	-173	-51	-51
Other finance.CF	-2	-1	-106	-114	-123	-126
C.F - Finance	-369	-341	-1,011	-517	-39	-110
Chg. in cash	39	-37	57	-25	344	291
Closing cash	54	18	75	49	393	683

BALANCE SHEET

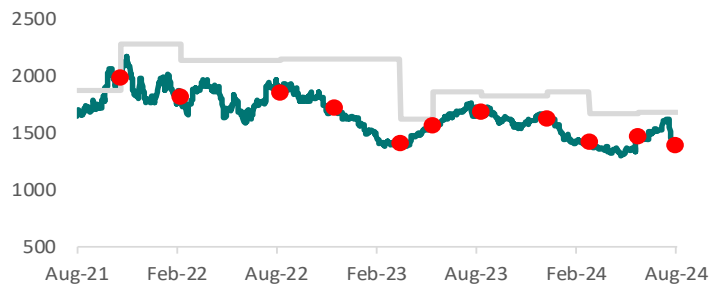
Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24	FY25E	FY26E
Cash	1,094	965	523	403	746	1,037
Accounts Receivable	79	72	83	80	92	101
Inventories	608	871	904	929	1,026	1,114
Other Cur. Assets	258	278	244	287	287	313
Investments	5	5	5	5	5	5
Gross Fixed Assets	1,921	2,260	2,722	3,164	3,630	4,093
Net Fixed Assets	1,111	1,207	1,375	1,478	1,583	1,618
CWIP	34	5	4	4	10	15
Intangible Assets	7	17	14	27	27	27
Def. Tax (Net)	138	105	114	127	130	130
Other Assets	0	0	0	0	0	0
Total Assets	3,334	3,525	3,265	3,340	3,907	4,360
Current Liabilities	514	588	578	450	491	533
Provisions	28	29	9	14	15	17
Debt Funds	1,032	1,094	1,245	1,355	1,490	1,558
Other Liabilities	0	0	0	0	0	0
Equity Capital	64	64	64	64	64	64
Reserves & Surplus	1,696	1,750	1,370	1,456	1,846	2,189
Shareholder's Fund	1,760	1,814	1,434	1,520	1,911	2,253
Total Liabilities	3,334	3,525	3,265	3,340	3,907	4,360
BVPS (Rs.)	137	141	112	118	149	175

RATIOS

Y.E March	FY21A	FY22A	FY23A	FY24	FY25E	FY26E
Profitab. & Return						
EBITDA margin (%)	9.4	17.4	22.9	22.5	22.6	24.2
EBIT margin (%)	-6.1	7.3	14.4	12.8	13.0	13.7
Net profit mgn.(%)	-5.0	4.2	9.2	8.6	8.2	9.7
ROE (%)	-4.7	5.6	19.6	20.3	18.0	18.9
ROCE (%)	0.4	6.8	11.9	11.2	11.0	11.2
W.C & Liquidity						
Receivables (days)	15.0	11.5	8.2	8.5	8.4	8.6
Inventory (days)	323.0	248.4	214.0	223.9	219.1	220.9
Payables (days)	236.5	184.9	140.5	125.6	105.5	105.7
Current ratio (x)	3.8	3.5	3.0	3.7	4.3	4.7
Quick ratio (x)	0.3	0.2	0.3	0.3	1.0	1.5
Turnover & Leverage						
Gross asset T.O (x)	2.6	3.5	4.5	4.0	4.0	4.1
Total asset T.O (x)	0.5	0.7	1.0	1.1	1.0	1.0
Int. coverage ratio (x)	-1.0	1.9	4.6	3.8	4.0	4.5
Adj. debt/equity (x)	0.6	0.6	0.9	0.9	0.8	0.7
Valuation						
EV/Sales (x)	10.6	7.7	5.5	5.5	5.1	4.6
EV/EBITDA (x)	112.8	44.2	24.0	24.5	22.4	19.0
P/E (x)	-213.0	180.8	57.2	60.8	59.2	46.3
P/BV (x)	10.4	10.1	12.8	12.2	9.7	8.2



Recommendation Summary (Last 3 years)



Source: Bloomberg, Geojit Research

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note; **Reduce:** Reduce your exposure to the stock due to limited upside; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock. To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review

DISCLAIMER & DISCLOSURES

Certification: I, Vincent K A, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

For General disclosures and disclaimer: Please Visit : <https://www.geojit.com/research-disclosures#fundamental-research>

CRISIL has provided research support in preparation of this research report and the investment rational contained herein along with financial forecast. The target price and recommendation provided in the report are strictly Geojit's views and are NOT PROVIDED by CRISIL. Further, CRISIL expresses no opinion on valuation and the associated recommendations. CRISIL has no financial liability whatsoever, to the subscribers / users of this report.

Regulatory Disclosures:

Group companies of Geojit Financial Services Limited are Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Investment Limited (financial Services Company), Geojit Techloan Private Ltd (P2P Lending) Geojit IFSC Ltd (a company incorporated under IFSC Regulations, Qurum Business Group Geojit Securities LLC (a joint venture in Oman engaged in Financial Services), Barjeel Geojit Financial Services LLC (a joint venture in UAE engaged in Financial Services), Aloula Geojit Capital Company (a joint venture in Saudi Arabia (Under Liquidation)) and BBK Geojit Business Consultancy and Information KSC (C) (a joint venture in Kuwait-engaged in Financial services). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports / research analysis etc. that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership:

Geojit confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein, at the time of publication of the research report

It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein. at the end of the month immediately preceding the date of publication of the research report.

Further, the Analyst confirms that:(i) He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company, at the time of publication of the research report (ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered, at the end of the month immediately preceding the date of publication of the research report

2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, Vincent K A, Research Analyst (s) of Geojit have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

6. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

7. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Financial Services Ltd. Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customercare@geojit.com. **Compliance officer:** Ms. Indu K. Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi - 682024; Phone: +91 484-2901367; Email: compliance@geojit.com. For grievances: **Grievance Officer:** Mr Nitin K; Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi - 682024; Phone: +91 484-2901363; Email: grievances@geojit.com. Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP00003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226.

