Bata India | REDUCE

Miss on all grounds

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- **Revenue** at INR 8 bn (7% miss to JMFe) missed our already weak estimates and declined 4% YoY due to deferment of purchases by channel partners and customers since the announcement of GST rate rationalization. Further, disruption in one of the largest warehouses in July 2025 also had temporary business impact. However, the quarter has ended on a positive note with signs of recovery in festive season.
- **EBITDA declined 17%** YoY to INR 1.5 bn (26% below JMFe) as EBITDA margins contracted **~280 bps YoY to 18.1**% (JMFe: 22.9%) led by ~120 bps YoY contraction in **gross margins** to 55.4% (~160 bps below JMFe) due to higher markdown (pre festive inventory clearance) and ~30 bps/120 bps higher employee /other expenses (higher marketing investments).
- **APAT declined 58% YoY to INR 220 mn** (59% below JMFe; before adjusting INR 83 mn for VRS) as interest and depreciation cost increased 6%/16% YoY, partially offset by an increase in other income by 24% YoY.
- Inventory efficiencies both in terms of quantity and quality continued to show strong progress. Zero based merchandising project was scaled to 200 stores
- **Management highlighted that** with the roll out of GST 2.0 and pre-festive buying enthusiasm, the demand has started to revive. Overall Q2 did have muted demand, adversely impacted by the GST 2.0 transition, it is seeing positive signs of recovery this festive season post 22nd Sept.
- **Key highlighted of Q2** –
  - Premium products has shown robust growth in brands like Hush Puppies and Power.
  - Victoria Ballerina campaign touched the right chords and attracted female customers, helping the company to gain additional 1% in the Sales mix.
  - It achieved highest weekly pairage contribution from Power Easy Slide collection.
  - It passed on the GST benefits to its customers much prior to the official announcements, to unclog the demand pipeline.
  - It added 30 Franchise Stores in the quarter as it continues to expand in smaller towns /semiurban markets.

We will come out with a detailed note post the concall scheduled on 30th October, 2025 at 16:30 hours IST. Dial in detail: +91-22-6280-1222/+91-22-7115-8123.

Exhibit 1. Quarterly performance (INR mn)

	Quarter ended			Chng (%)	Chng (%)	JMF Est.	Chng (%)	Reported		Chng (%)
	Q2FY25	Q1FY26	Q2FY26	YoY	QoQ	Q2FY26E	vs. JMF Est.	H1FY25	H1FY26	YoY
Net operating revenues	**8,371**	**9,418**	**8,013**	**(4)**	**(15)**	**8,600**	**(7)**	**17,818**	**17,432**	**(2)**
Material cost	(3,631)	(4,383)	(3,574)	(2)	(18)	(3,698)	(3)	(7,902)	(7,958)	1
Gross Profit	**4,740**	**5,035**	**4,439**	**(6)**	**(12)**	**4,902**	**(9)**	**9,916**	**9,474**	**(4)**
Employee cost	(1,138)	(1,163)	(1,114)	(2)	(4)	(1,185)	(6)	(2,342)	(2,276)	(3)
Other expenses	(1,856)	(1,886)	(1,876)	1	(1)	(1,750)	7	(3,980)	(3,762)	(5)
Total expenditure	(6,625)	(7,433)	(6,564)	(1)	(12)	(6,633)	(1)	(14,223)	(13,997)	(2)
EBITDA	**1,746**	**1,986**	**1,449**	**(17)**	**(27)**	**1,967**	**(26)**	**3,594**	**3,435**	**(4)**
Other income	172	169	212	24	26	190	12	337	381	13
Interest	(318)	(349)	(338)	6	(3)	(360)	(6)	(626)	(687)	10
Depreciation	(902)	(1,061)	(1,050)	16	(1)	(1,080)	(3)	(1,773)	(2,111)	19
Pretax profits	**698**	**745**	**274**	**(61)**	**(63)**	**717**	(62)	**1,532**	**1,019**	**(34)**
Tax	(178)	(180)	(53)	(70)	(70)	(186)		(407)	(234)	(43)
Adj. PAT	**520**	**565**	**220**	**(58)**	**(61)**	**531**	(59)	**1,125**	**785**	**(30)**
Extraordinary items	-	48	83			-		(1,139)	130	
Net profit (reported)	**520**	**517**	**138**	**(74)**	**(73)**	**531**	**(74)**	**2,263**	**655**	**(71)**
Recurring EPS	**4.0**	**4.4**	**1.7**	(58)	**(61)**	**4.1**	(59)	**8.8**	**6.1**	**(30)**
% of operating revenues										
Gross margin	**56.6**	**53.5**	**55.4**	**-123 bps**	**193 bps**	**57.0**	**-161 bps**	**55.7**	**54.3**	**-131 bps**
EBITDA margin	**20.9**	**21.1**	**18.1**	**-278 bps**	**-300 bps**	**22.9**	-479 bps	**20.2**	**19.7**	**-47 bps**
Material cost	43.4	46.5	44.6	122 bps	-194 bps	43.0	160 bps	44.3	45.7	130 bps
Employee cost	13.6	12.3	13.9	30 bps	155 bps	13.8	11 bps	13.1	13.1	-9 bps
Other expenses	22.2	20.0	23.4	124 bps	338 bps	20.3	306 bps	22.3	21.6	-76 bps
Income tax rate (% of PBT)	25.5	24.2	19.5	-599 bps	-467 bps	25.9	-638 bps	26.6	22.9	-365 bps

Source: Company, JM Financial

APPENDIX I

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New Rating System: Definition of ratings	
Rating	**Meaning**
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	**Meaning**
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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