



Recovery Would be Gradual; Maintain HOLD

Est. Vs. Actual for Q3FY25: Revenue – **MISS**; EBITDA – **BEAT**; PAT – **MISS**
Changes in Estimates post Q3FY25

FY25E/FY26E: Revenue: 1%/0%; EBITDA: 6%/3%; PAT: 14%/6%

Recommendation Rationale

- **Topline remains muted:** The company reported subdued revenue growth of 1.7% YoY (vs. expected 5%), as a prolonged EOSS and strong double-digit growth in Hush Puppies were offset by a weak demand environment. However, management highlighted that growth was volume-driven across channels, marking a shift after several quarters, aided by category simplification and affordability initiatives. Inventory optimisation remains a key focus, with a 12.1% YoY reduction in Q3FY25. With zero-waste merchandising at its core, store expansion is gaining momentum, now spanning three towns. Additionally, the "ladies closed" category was streamlined from 11 to three price points, improving consumer decision-making and driving a strong uptick in sales volume.
- **Margins Improvement:** EBITDA margins improved by 152 bps YoY to 21.7% (beat), driven by a 13 bps expansion in gross margins and effective cost-control measures, with other expenses declining by 3.6% YoY. This margin expansion reflects the company's continued focus on operational efficiencies and disciplined expense management.
- **Premium continues to perform:** Floatz achieved a notable 1.29x YoY growth in revenue and 1.25x growth in volume, establishing itself as a Rs 100 Cr+ brand. Meanwhile, the Power brand recorded a 1.09x YoY growth, reinforcing its position as a key contributor to both the athleisure segment and overall revenue growth. Management remains optimistic about a demand recovery, driven by a strategic focus on volume-led revenue growth through affordable and fresh product offerings. Additionally, a disciplined approach to cost control, with an emphasis on efficiency and productivity, will remain central to sustaining profitability.

Sector Outlook: Cautiously optimistic

Company Outlook & Guidance: Due to near-term challenges and limited upside potential, we maintain our **HOLD** rating on the stock.

Current Valuation: 40x Dec'26 EPS (Earlier valuation: 42x Sep'26 EPS)

Current TP: Rs 1,320/share (Earlier TP: Rs 1,290/share).

Recommendation: With a 2% downside from the CMP, we maintain our **HOLD** rating on the stock.

Financial Performance

Bata India reported revenue of Rs 919 Cr, registering a modest 1.7% YoY growth. EBITDA stood at Rs 200 Cr, marking a ~9.4% YoY increase, with EBITDA margins improving by 152 bps to 21.7% (beat), driven by a 13bps gross margin expansion and cost optimization initiatives. PAT came in at Rs 59 Cr, up ~1.2% YoY. Additionally, the company incurred a one-time exceptional expenditure of Rs 11 Cr towards VRS.

Financials Summary (Consolidated)

(Rs Cr)	Q3FY25	QoQ (%)	YoY (%)	Axis Est.	Variance (%)
Net Sales	919	9.8	1.7	949	(3.1)
EBITDA	200	14.3	9.4	191	4.2
EBITDA Margin (%)	21.7	86 bps	152 bps	20.2	153 bps
Net Profit	59	12.9	1.2	62	(5.7)
EPS (Rs)	5	12.9	1.2	5	(5.7)

Source: Company, Axis Research

(CMP as of 12th February 2025)

CMP (Rs)	1353
Upside /Downside (%)	-2%
High/Low (Rs)	1632/1228
Market cap (Cr)	17,399
Avg. daily vol. (6m)Shrs.'000	287
No. of shares (Cr)	12

Shareholding (%)

	Jun-24	Sep-24	Dec-24
Promoter	50.2	50.2	50.2
FII	7.6	8.8	7.5
MFs / UTI	14.1	14.2	15.9
FI/ Banks	0.0	0.0	0.0
Others	28.2	26.9	26.4

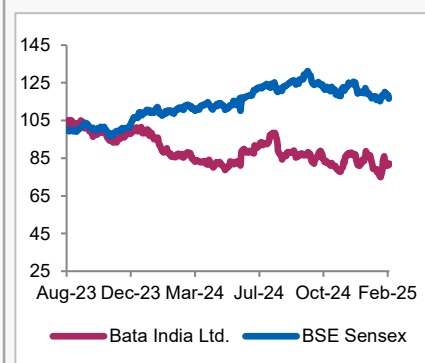
Financial & Valuations

Y/E Mar (Rs) Cr)	FY25E	FY26E	FY27E
Net Sales	3,619	4,028	4,483
EBITDA	823	944	1,069
Net Profit	295	368	444
EPS (Rs)	23.0	28.7	34.6
PER (x)	58.9	47.2	39.1
EV/EBITDA (x)	20.3	17.3	14.9
RoE (%)	17.6	19.8	21.4

Change in Estimates (%)

Y/E Mar	FY25E	FY26E
Sales	1%	0%
EBITDA	6%	3%
PAT	14%	6%

Relative Performance



Source: Ace Equity, Axis Securities

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Financial Performance (Cont'd)

Store Guidance: In Q3FY25, store additions remained muted, with the total store count at 1,953. However, gross additions continued steadily as the company strategically shut unprofitable stores to optimise growth and enhance operational efficiency. Expansion is expected to accelerate, with a target of 30-40 new stores per quarter, including franchise outlets.

Outlook

We remain positive on the long-term outlook of the company, as its investments in backend processes are expected to drive overall efficiency. Its premiumisation and casualisation strategies, particularly through the fast-growing sneakers segment and franchise-led expansion in Tier 3-5 towns, should yield positive results over time. The company's disciplined approach to retail network expansion and marketing investments further supports this positive trajectory. Additionally, the company's ERP project has gone live, and management anticipates benefits in terms of speed, agility, and operational accuracy. However, near-term challenges persist, with a significant portion of the mass portfolio still under pressure. **Given these factors, we retain a cautious stance and maintain our HOLD rating on the stock.**

Valuation & Recommendation:

We expect Bata's Sales/EBITDA/PAT to grow at 9%/11%/19% CAGR over FY24-27E. We maintain a HOLD rating on the stock with a revised TP of Rs 1,320/share, implying a downside of 2% from the CMP. **We value the company at 40xDec-26EPS.**

Other Key Highlights:

Digital Channel Powering Profitable Growth:

The digital channel continues to drive profitable growth, with e-commerce expanding by 9% YoY. Initiatives such as a standard inventory pilot in the South and quick commerce entry via Zepto are strengthening the ecosystem. Digital sales now contribute 6%, while omnichannel efforts, accounting for ~4.5% of retail turnover, have enhanced market reach. During the quarter, 2.08 Lc pairs were shipped.

Key Risks to Our Estimates and TP

- Increase in competitive intensity
- Weakening of demand environment.

Change in Estimates

	Old		New		% change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	3,584	4,027	3,619	4,028	1%	0%
EBITDA	773	918	823	944	6%	3%
PAT	258	349	295	368	14%	6%
EPS	20.1	27.1	23.0	28.7	14%	6%

Source: Company, Axis Securities

Results Review

	Q3FY24	Q2FY25	Axis Est.	Q3FY25	% Change (YoY)	% Change (QoQ)	Axis Est. Var (%)
Net Sales	903	837	949	919	1.7	9.8	(3.1)
Gross Profit	507	474	541	516	1.9	8.9	(4.5)
Gross Margin (%)	56.1	56.6	57.0	56.2	13 bps	-43 bps	-81 bps
Employee Expenses	103	114	106	103	0.7	(9.1)	(2.3)
Other Expenses	221	186	243	213	(3.6)	14.9	(12.4)
EBITDA	182	175	191	200	9.4	14.3	4.2
EBITDA Margin (%)	20.2	20.9	20.2	21.7	152 bps	86 bps	153 bps
Oth. Inc	11	17	18	10	(10.7)	(42.6)	(45.3)
Interest	29	32	33	31	5.6	(2.1)	(6.8)
Depreciation	86	90	92	90	4.9	(0.0)	(2.0)
EO items	-	-	-	11			
PBT	78	70	84	77	(0.9)	10.8	(8.1)
Tax	20	18	22	19	(7.2)	4.6	(14.9)
PAT	58	52	62	59	1.2	12.9	(5.7)
EPS	4	4	5	5	1.2	12.9	(5.7)

Source: Company, Axis Securities

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Net sales	3,479	3,619	4,028	4,483
Growth, %	0.8	4.0	11.3	11.3
Total income	3,479	3,619	4,028	4,483
Raw material expenses	(1,492)	(1,537)	(1,706)	(1,894)
Employee expenses	(420)	(441)	(489)	(548)
Other Operating expenses	(781)	(818)	(888)	(972)
EBITDA (Core)	786	823	944	1,069
Growth, %	(1.0)	4.7	14.7	13.2
Margin, %	22.6	22.7	23.4	23.8
Depreciation	(339)	(363)	(384)	(404)
EBIT	447	460	560	665
Growth, %	(10)	3	22	19
Margin, %	13	13	14	15
Interest paid	(117)	(125)	(134)	(143)
Other Income	62	62	68	75
Non-recurring Items	(41)	-	-	-
Pre-tax profit	351	396	495	597
Tax provided	(88)	(101)	(126)	(152)
Profit after tax	263	295	368	444
Growth, %	(6.1)	(2.7)	24.8	20.6
Net Profit (adjusted)	263	295	368	444
Unadj. shares (Cr)	13	13	13	13

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

As of 31st Mar	FY24	FY25E	FY26E	FY27E
Cash & bank	408	760	1,115	1,518
Marketable securities at cost	37	37	37	37
Debtors	80	83	93	103
Inventory	930	967	1,076	1,198
Other current assets	77	77	77	77
Total current assets	1,531	1,924	2,397	2,933
Investments	133	133	133	133
Gross fixed assets	2,269	2,399	2,529	2,659
Less: Depreciation	(760)	(1,123)	(1,507)	(1,911)
Add: Capital WIP	4	4	4	4
Net fixed assets	1,512	1,279	1,025	751
Non-current assets	27	27	27	27
Total assets	3,345	3,505	3,724	3,986
Current liabilities	735	747	783	822
Provisions	-	-	-	-
Total current liabilities	735	747	783	822
Non-current liabilities	1,083	1,083	1,083	1,083
Total liabilities	1,818	1,830	1,865	1,905
Paid-up capital	64	64	64	64
Reserves & surplus	1,463	1,610	1,794	2,017
Shareholders' equity	1,527	1,674	1,859	2,081
Total equity & liabilities	3,345	3,505	3,724	3,986

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Pre-tax profit	351	396	495	597
Depreciation	339	363	384	404
Chg in working capital	(71)	(29)	(83)	(93)
Total tax paid	(101)	(101)	(126)	(152)
Other operating activities	-	-	-	-
Cash flow from operating activities	517	630	669	756
Capital expenditure	(456)	(130)	(130)	(130)
Other investing activities	-	-	-	-
Cash flow from investing activities	(466)	(130)	(130)	(130)
Free cash flow	51	500	539	626
Dividend (incl. tax)	-	-	-	-
Other financing activities	-	-	-	-
Cash flow from financing activities	-	-	-	-
Net chg in cash	51	500	539	626
Opening cash balance	531	408	760	1,115
Closing cash balance	408	760	1,115	1,518

Source: Company, Axis Securities

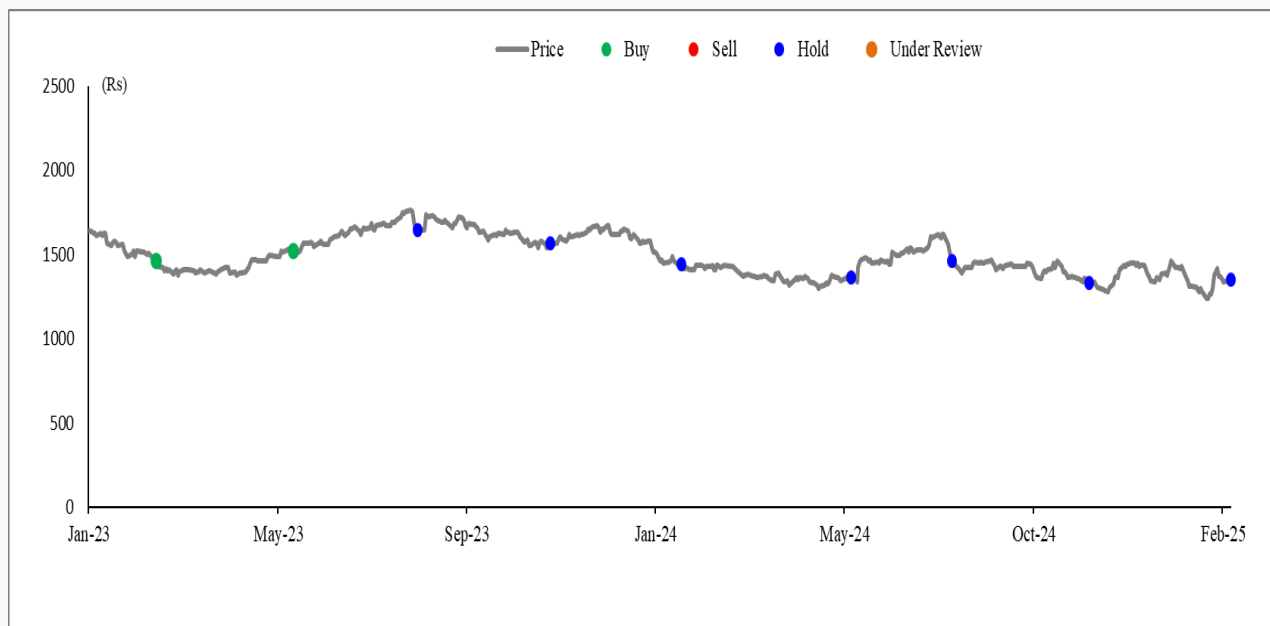
Ratio Analysis

(%)

	FY24	FY25E	FY26E	FY27E
Per Share data				
EPS (INR)	20.4	23.0	28.7	34.6
Growth, %	(6.1)	(2.7)	24.8	20.6
Book NAV/share (INR)	118.8	130.3	144.6	161.9
FDEPS (INR)	23.6	23.0	28.7	34.6
CEPS (INR)	53.2	51.2	58.5	66.0
CFPS (INR)	37.5	44.2	46.7	53.0
Return ratios				
Return on assets (%)	11.5	12.3	13.9	15.2
Return on equity (%)	19.9	17.6	19.8	21.4
Return on capital employed (%)	15.0	15.7	17.6	19.2
Turnover ratios				
Asset turnover (x)	4.3	4.6	6.6	10.4
Sales/Total assets (x)	1.1	1.1	1.1	1.2
Sales/Net FA (x)	2.4	2.6	3.5	5.0
Working capital/Sales (x)	0.1	0.1	0.1	0.1
Receivable days	8.4	8.4	8.4	8.4
Inventory days	97.5	97.5	97.5	97.5
Payable days	40.6	40.7	41.1	41.3
Working capital days	36.8	38.3	42.0	45.3
Liquidity ratios				
Current ratio (x)	2.1	2.6	3.1	3.6
Quick ratio (x)	0.8	1.3	1.7	2.1
Interest cover (x)	3.8	3.7	4.2	4.6
Valuation				
PER (x)	57.3	58.9	47.2	39.1
PEG (x) - y-o-y growth	(9.4)	(21.7)	1.9	1.9
Price/Book (x)	11.4	10.4	9.4	8.4
EV/Net sales (x)	4.9	4.6	4.1	3.6
EV/EBITDA (x)	21.7	20.3	17.3	14.9
EV/EBIT (x)	38.1	36.3	29.2	24.0

Source: Company, Axis Securities

Bata India Price Chart and Recommendation History



Date	Reco	TP	Research
16-Feb-23	BUY	1,650	Result Update
22-May-23	BUY	1,750	Result Update
14-Aug-23	HOLD	1,780	Result Update
10-Nov-23	HOLD	1,650	Result Update
07-Feb-24	HOLD	1,520	Result Update
03-Jun-24	HOLD	1,470	Result Update
08-Aug-24	HOLD	1,380	Result Update
11-Nov-24	HOLD	1,290	Result Update
13-Feb-25	HOLD	1,320	Result Update

Source: Axis Securities Research

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