BATA India Ltd

Q2FY27 Result Update | Retail

Cautious Outlook

DALAL & BROACHA STOCK BROKING PVT. LTD.

Equity Research Desk

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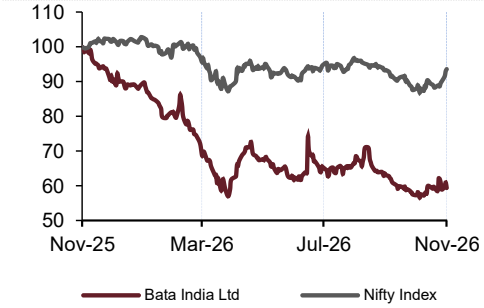
- **Growth without operating leverage**. Revenue +7.5% YoY to Rs 8,618 mn (fourth straight growth quarter, festive shifted to Q3), but costs grew faster: EBITDA ex-other income -0.8%, PBT before exceptionals -10.4% YoY. Reported +30.4% PAT is a base effect (LY Rs 83 mn VRS). Adjusted PAT stood at Rs 181.2mn down by 8.7% YoY.
- **The entire margin slip is below the gross line**: employee +9.2% to Rs 1,217 mn (wage revisions); other expenses +13.3% to Rs 2,125 mn, including a Rs 30 mn non-cash forex loss on license rights and a Rs 39 mn one-time asset write-off. Gross margin held (+8 bps).
- **Cash engine intact**; the pile funded the payout. H1 operating cash flow Rs 2,681 mn (+1.0%); capex Rs 401 mn ex-lease/ROU. The Rs 25/share interim dividend (Rs 3,213 mn) cut cash, bank and investments to Rs 2,521 mn from Rs 5,326 mn in March, structurally lowering other income.
- **The Q3 festive quarter** is the real test. Growth quality is good (LFL and ASP, double-digit franchise/I&D, freshness 92%, stock turns 2.6). Watch festive volumes restoring operating leverage, opex discipline, and receivables +24.5% since March.
- **One Offs:** Non-cash forex loss on license fees Rs 30 mn (currency devaluation); one-time asset write-off Rs 39 mn; other income lower by Rs 46 mn on the Rs 3,213 mn (Rs 25/share) special dividend paid in the quarter.

Rating	TP (Rs)	Up/Dn (%)
NEUTRAL	**647**	**2**

Market data		
Current price	**Rs**	**633**
Market Cap (Rs.Bn)	(Rs Bn)	81
Market Cap (US$ Mn)	(US$ Mn)	859
Face Value	Rs	5
52 Weeks High/Low	Rs	1081/600
Average Daily Volume	('000)	199
BSE Code		500043
Bloomberg		BATA.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Sep-26	Jun-26
Promoters	50.16	50.16
Public	17.91	16.24
Others	31.93	33.60
Total	**100.00**	**100.00**

Source: BSE

Financial Summary

Y/E Mar (Rs mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Net sales	34,516	34,786	34,888	35,155	37,322	39,765
growth (%)	*44.6*	*0.8*	*0.3*	*0.8*	*6.2*	*6.5*
EBIDTA	7,938	7,859	7,355	7,065	7,322	8,114
Margins	23	23	21	20	20	20
PAT(adj)	3,230	2,931	2,274	1,727	1,869	2,372
growth (%)	*213.6*	*(9.2)*	*(22.4)*	*(24.0)*	*8.2*	*27.0*
EPS (Rs)	25.1	22.8	17.7	13.4	14.5	18.5
P/E (x)	29.0	27.8	35.8	47.1	43.5	34.3
P/B (x)	6.5	5.3	5.2	5.1	4.9	4.6
EV/EBITDA (x)	11.1	9.8	10.2	10.8	10.5	9.4

Source: Company

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Presentation KTA's

Growth drivers (management commentary)

- Fourth consecutive quarter of growth momentum; premiumisation and SSSG (same-store sales growth) drove growth.
- **Retail:** Robust LFL (like-for-like) and ASP growth; highest full-price sales and lower markdowns.
- **Franchise and I&D channels**: Double-digit growth. [Q1->Q2: I&D was high single digit in Q1FY27]
- **Headwinds:** Higher input costs and wage revisions.

Retail Footprint

- 2,043 directly-operated + franchise stores across 880 cities; 15.8 mn customers transacted a year; top store densities: Maharashtra 222, Karnataka 276, Tamil Nadu 202, West Bengal 135, Kerala 128, Telangana 122.
- **Zero Base Merchandising**: 850 stores (~80% contribution); improved consumer experience and revenue per sq. ft. [Q1->Q2: 775 stores in Q1FY27 - 75 added in the quarter]

Digital

- E-commerce (marketplaces + Bata.com) grew 5.4% YoY; Bata.com grew 26% YoY. [Q1->Q2: eCom +13%, Bata.com +25% in Q1FY27]
- **Digital mix:** Digital is 13.3% of turnover; split: B2B 57.6%, B2C 32.3%, Bata.in 10.1%.
- **App**: Bata mobile app 450k+ downloads (~14% of Bata.com business).
- **Omni / fulfilment**: 55% of home-delivery orders delivered within 48 hrs; ~1,800 pin codes serviceable for the 3-hour delivery model; Myntra MNow live through 300+ stores. [Q1->Q2: 35% same-day pin codes (7.5K) and 9% next-day (2K); 1,050+ stores fulfilling online orders (count not restated)]

Distribution - I&D channel

- Double-digit YoY growth; secondary sales growth in the mid-twenties; FSR count ~200. [Q1->Q2: high single-digit I&D growth, double-digit secondary, FSR ~180 in Q1FY27]
- **Towns coverage:** 1,690 towns. [Q1->Q2: 1,678 in Q1FY27]
- **KRO count:** 3,895, up 2.6x from 1,478 in Sep 2025; target now 5,000+ by Q3FY27.
- 17,000+ MBOs; Men's Open and Men's Closed continue to drive growth.

Inventory

- Net stock 7% lower YoY (26% below the Q2FY24 base index); freshness 92%.
- **Stock turns:** 2.6 (company cites ~21% YoY improvement); improved demand planning.
- **Availability and clutter**: Overall availability +18%; store clutter reduced (0.71x index). [Q1->Q2: +12% availability, 0.68x clutter index in Q1FY27]
- **Full-price sales:** 86% vs 77% LY. [Q1->Q2: 88% in Q1FY27]

Marketing

- **Q2 campaigns**: Ladies: "Make Yourself Comfortable"; Bata x Spider-Man movie tie-in (artist collabs, social contest, kids' zones); Kerala Onam "Comfort is the Occasion" (Anishma Anil Kumar): 1.5 mn+ print circulation, 20 OOH sites in 6 cities.

- **Beyond the store**: Lenny Pearce kids' concert sponsorship (India's first), hand-painted cat shutter murals, Bata Technology Showcase for the 2027 launch (Grazia cover). 3 mn+ cross-channel reach, 799k organic + paid views.

Cash flow and dividend (H1FY27, results filing)

- Operating cash flow Rs 2,680.6 mn vs Rs 2,654.5 mn LY. Capex (purchase of PPE and intangibles, excluding lease/right-of-use payments) Rs 400.8 mn; free cash flow after capex Rs 2,279.8 mn.
- **Dividend:** Rs 3,213 mn (Rs 25/share) distributed in the quarter; other income reduced accordingly.

Conference Call KTA's

Outlook – Volume Recovery Remains the Key Trigger

- Four consecutive quarters of revenue growth indicate an operational recovery; however, growth remains largely ASP-led (+5–6%), with only marginal volume growth. A sustained volume recovery and operating leverage are still awaited.
- Management acknowledged that Bata missed the sneakerisation trend, impacting its relevance among younger consumers. It attributed this largely to internal product agility rather than consumer rejection of the brand.
- A global product refresh, particularly in sneakers and contemporary styles across Bata and Hush Puppies, is expected largely in H2FY27. Successful execution will be critical to reigniting volume growth.

Management Commentary – Key Takeaways

- **Growth ambition:** ***Reignite India 2030 targets doubling revenue by 2030, with mid-teens growth aspiration; management aims to more than double profits to fund growth***.
- **Margins:** Like-for-like gross margin improvement would have been 70–80 bps, but reported expansion was limited to 8–10 bps due to channel mix. Management expects margins to remain broadly range-bound amid commodity and currency volatility.
- **Distribution:** Franchisee and I&D channels delivered double-digit growth, with I&D growing mid-teens. Management plans double-digit store additions next year, led by franchisees.
  Inventory: Fresh sales at 84–85%, stock turns above 2.6x and aged inventory at ~5%, reflecting improved inventory discipline.
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Quarterly Snapshot

Particulars (Rs Mn Consl)	Q2FY27	Q2FY26	*Growth YoY*	Q1FY27	*Growth QoQ*
Net Sales	8,617.8	8,013.3	*7.5*	9,789.5	*(12.0)*
Other Income	180.6	214.3	*(15.7)*	180.3	*0.1*
TOTAL INCOME	**8,798.4**	**8,227.6**	***6.9***	**9,969.8**	***(11.7)***
RAW MATERIALS	(3,837.4)	(3,574.0)	***7.4***	(4,429.0)	*(13.4)*
Employee Cost	(1,216.6)	(1,113.7)	*9.2*	(1,136.1)	*7.1*
Other Expenses	(2,125.4)	(1,876.3)	*13.3*	(2,184.7)	*(2.7)*
EBIDTA	1,619.1	1,663.7	*(2.7)*	2,220.0	*(27.1)*
EBIDTA (Excl O. Income)	**1,438.5**	**1,449.4**	***(0.8)***	**2,039.7**	***(29.5)***
				1.0	
Less: Depreciation	(1,047.9)	(1,049.8)	*(0.2)*	(1,033.9)	*1.3*
PBIT	571.2	613.9	*(7.0)*	1,186.1	*(51.8)*
Less: Interest Cost	(324.2)	(338.3)	*(4.2)*	(327.1)	*(0.9)*
PBT (Ex of One Off's)					
PBT (Before Exceptional)	**247.0**	**275.6**	***(10.4)***	**859.0**	***(71.2)***
Exceptional		(82.7)			
PBT (Post Exceptional)	247.0	192.9	*28.0*	859.0	*(71.2)*
Tax	(65.8)	(54.0)	*21.8*	(219.1)	*(70.0)*
PAT (Reported)	181.2	139.0	*30.4*	639.8	*(71.7)*
PAT (Adjusted)	**181.2**	**198.5**	***(8.7)***	**639.8**	***(71.7)***
Equity	642.6	642.6	-	642.6	-
FV	5.0	5.0		5.0	
EPS (on adjusted PAT)	1.4	1.5	*(8.7)*	5.0	*(71.7)*
OPM	16.7%	18.1%		20.8%	
NPM (Reported PAT)	2.1%	1.7%		6.4%	
Tax Rate	-26.6%	-28.0%		-25.5%	
% of Total Operating Income					
RAW MATERIALS	-44.53%	-44.60%	0.1%	-45.24%	
Employee Cost	-14.1%	-13.9%		-11.6%	
Other Expenses	-24.7%	-23.4%		-22.3%	
EXPENDITURE	-83.3%	-81.9%		-79.2%	

Source: Company

Outlook and Valuations

Bata is showing early signs of an operational recovery, supported by four consecutive quarters of revenue growth, improving store availability, higher full-price sales and better inventory productivity. The franchisee and I&D channels are gaining traction, while the upcoming global product refresh, particularly in sneakers, offers an opportunity to rebuild relevance among younger consumers and drive volume-led growth. However, the recovery remains largely ASP-led, with volumes yet to demonstrate meaningful acceleration. Further, despite stable gross margins, operating leverage remains elusive as employee and other expenses continue to outpace revenue growth.

While the Reignite India 2030 ambition of doubling revenue and more than doubling profitability is encouraging, execution remains the key monitorable, particularly around product innovation, volume recovery and cost discipline. At 43.5x FY27E EPS of ₹14.5 and 34x FY28E EPS of ₹18.5, valuations already factor in a meaningful recovery. We believe the stock's re-rating will require stronger evidence of sustainable volume-led growth and operating leverage. Accordingly, we maintain a **NEUTRAL view with a target price of ₹647, valuing the business at 35x FY28E EPS of ₹18.5.**

Financials

P&L (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Net Operating Income	34,786.1	34,887.9	35,155.0	37,322.4	39,765.5
Raw Materials	(14,922.3)	(15,080.3)	(15,717.1)	(16,608.5)	(17,576.3)
Employee Cost	(4,199.6)	(4,623.7)	(4,522.2)	(4,748.3)	(5,033.2)
Other Expenses	(7,805.2)	(7,828.9)	(7,850.2)	(8,643.6)	(9,041.8)
Total Expenses	(26,927.1)	(27,532.9)	(28,089.5)	(30,000.4)	(31,651.4)
Operating Profit	**7,859.0**	**7,355.0**	**7,065.4**	**7,322.0**	**8,114.1**
Depreciation	(3,390.8)	(3,713.0)	(4,200.7)	(4,259.6)	(4,366.1)
PBIT	4,468.2	3,641.9	2,864.7	3,062.4	3,748.0
Other income	617.2	674.8	784.5	745.1	742.4
Interest	(1,170.1)	(1,284.8)	(1,346.1)	(1,316.1)	(1,327.3)
Extraordinary Items					
Profit before tax	3,915.3	3,032.0	2,303.1	2,491.4	3,163.1
Provision for tax	(881.2)	(957.2)	(478.4)	(622.8)	(790.8)
Reported PAT	**3,034.1**	**3,306.5**	**1,824.8**	**1,868.5**	**2,372.4**
Extraordinary Items	(409.0)	1,231.7	(490.3)	-	-
Minority Interest	0.0	0.0	0.0	0.0	0.0
Adjusted PAT	**2,931.3**	**2,274.0**	**1,727.4**	**1,868.5**	**2,372.4**

Balance Sheet	FY24	FY25	FY26	FY27E	FY28E
Equity capital	642.6	642.6	642.6	642.6	642.6
Reserves	14,626.3	15,106.0	15,313.4	15,896.6	16,983.7
Net worth	**15,268.9**	**15,748.6**	**15,956.0**	**16,539.2**	**17,626.3**
Def. Tax Liab.+Minority I	-	-	-	-	-
Longterm Debt	-	-	-	-	-
Short Term Debt	-	-	-	-	-
Total debt	-	-	-	-	-
Lease Liability	10,876.1	13,099.3	12,134.9	12,107.0	12,210.1
CAPITAL EMPLOYED	**26,145.0**	**28,847.9**	**28,090.9**	**28,646.3**	**29,836.4**
Total fixed assets	**3,585.3**	**6,131.9**	**5,220.4**	**4,909.5**	**4,692.8**
Right to Use of Assets	11539.0	12109.3	11328.4	11302.4	11398.6
Goodwill	-	-	-	-	-
Investments	5.0	10.0	360.9	186.1	186.1
Inventories	9,295.5	8,146.7	7,075.9	9,202.8	9,478.4
Sundry debtors	801.3	1,117.6	1,840.6	1,942.8	2,070.0
Cash & bank	4,079.6	6,243.0	4,964.9	4,121.9	5,327.3
Loans & advances	-	-	-	-	-
Other current assets	2,925.1	3,047.9	5,401.3	5,671.3	5,954.9
Sundry creditors	(2,996.8)	(3,494.6)	(3,306.2)	(3,640.2)	(3,852.4)
O. Current Liablities	(1,472.2)	(2,177.3)	(2,434.8)	(2,678.3)	(2,946.1)
Provisions	(2,883.5)	(3,708.7)	(3,952.6)	(4,006.2)	(4,107.3)
Working capital	**9,749.0**	**9,174.8**	**9,589.0**	**10,614.1**	**11,924.7**
Deferred Tax Assets	1,266.7	1,421.9	1,592.3	1,634.3	1,634.3
Miscellaneous exp.	-	-	-	-	-
CAPITAL DEPLOYED	**26,145.0**	**28,847.9**	**28,090.9**	**28,646.3**	**29,836.4**

Cash Flow St. (Rs. mn)	FY24	FY25	FY26	FY27E	FY28E
Net Profit	2,625.1	3,306.5	1,334.5	1,868.5	2,372.4
Add: Dep. & Amort.	3,390.8	3,713.0	4,200.7	4,259.6	4,366.1
Cash profits	**6,015.9**	**7,019.5**	**5,535.2**	**6,128.1**	**6,738.4**
(Inc)/Dec in					
-Sundry debtors	24.2	(316.3)	(722.9)	(102.2)	(127.2)
-Inventories	(250.0)	1,148.8	1,070.9	(2,126.9)	(275.6)
-Loans/advances	-	-	-	-	-
-Current Assets	(486.1)	(122.8)	(2,353.4)	(270.1)	(283.6)
-Sundry creditors	(1,096.7)	497.8	(188.4)	334.0	212.1
-Others	(159.8)	860.7	374.0	305.3	338.9
Change in working capital	(1,968.3)	2,068.2	(1,819.9)	(1,859.9)	(135.3)
CF from Oper. activities	**4,047.7**	**9,087.7**	**3,715.3**	**4,268.2**	**6,603.2**
CF from Inv. activities	**(4,559.0)**	**(6,835.0)**	**(2,859.1)**	**(3,747.9)**	**(4,245.6)**
CF from Fin. activities	**(721.0)**	**(89.3)**	**(2,134.3)**	**(1,363.3)**	**(1,152.2)**
Cash generated/(utilised)	**(1,232.4)**	**2,163.4**	**(1,278.2)**	**(843.0)**	**1,205.4**
Cash at start of the year	5,312.0	4,079.6	6,243.0	4,964.9	4,121.9
Cash at end of the year	4,079.6	6,243.0	4,964.9	4,121.9	5,327.3

Ratios	FY24	FY25	FY26	FY27E	FY28E
OPM	22.6	21.1	20.1	19.6	20.4
NPM	8.3	6.4	4.8	4.9	5.9
Tax rate	(22.5)	(31.6)	(20.8)	(25.0)	(25.0)
Growth Ratios (%)					
Net Sales	0.8	0.3	0.8	6.2	6.5
Operating Profit	(1.0)	(6.4)	(3.9)	3.6	10.8
PAT	(9.2)	(22.4)	(24.0)	8.2	27.0
Per Share (Rs.)					
Net Earnings (EPS) (FV 5)	22.8	17.7	13.4	14.5	18.5
Cash Earnings (CPS)	46.8	54.6	43.1	47.7	52.4
Dividend	13.5	22.0	9.0	10.0	10.0
Book Value	118.8	122.5	124.1	128.7	137.1
Free Cash Flow	39.6	45.9	43.4	37.5	54.6
Valuation Ratios					
P/E(x)	**27.75**	**35.8**	**47.1**	**43.5**	**34.3**
P/B(x)	5.3	5.2	5.1	4.9	4.6
EV/EBIDTA(x)	9.8	10.2	10.8	10.5	9.4
Div. Yield(%)	2.1	3.5	1.4	1.6	1.6
FCF Yield(%)	**6.2**	**7.3**	**6.9**	**5.9**	**8.6**
Return Ratios (%)					
ROE	19.2	14.4	10.8	11.3	13.5
ROCE (Excluding Cash & Bank)	20.2	16.1	12.4	12.5	15.3

Source: Dalal & Broacha Research, Company

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