

**BATA Q1FY24 Results were in below expectations. Topline growth at just 2% YoY**

- **Revenue** at Rs 9582mn grew by 1.6% YoY and 8.6% over Q4FY20.
- **ASP** grew by 3% but lower volume led to lower topline growth.
- **Revenue CAGR over Q1FY20 stands at 2%**
- Bata added 47 stores in Q1FY24 to reach 2100stores and is now present across 700+ cities.
- **EBIDTA margins** stood at 25.1% as against 25.9% YoY and 23% QoQ.
  - Raw Mat to Revenue stood at 45.3% v/s 43.4% YoY and was 41.6% on a QoQ basis, basically on account of product mix.
  - Other Expenses stood at 18.7% as against 19.6% YoY and 22% QoQ.
- EBIDTA in absolute terms stood was down by 1.8% at Rs 2403.5mn and +34% QoQ
- In addition to lower EBIDTA growth higher growth in Depreciation (+16.8% YoY) and Interest cost (+13% YoY) led PAT decline of 9.6% YoY to Rs 1078mn.

#### Outlook:

- Distribution business got majorly impacted on account mass category. Have not taken price increase in the last 8-9 months, as consumer of that segment have seen major impact of inflation.
- Bata has gained share in higher category articles in brands like Hush Puppies, Comfit, Floatz & North Star
- 80% expansion will still be via Franchise route  
EOSS preponed by 2 weeks, in-line with industry. Inventory down by 4.5% from March-23.
- Management is optimistic on the demand resurgence going ahead and continue to expand in Tier 3-5 towns, digital channels and make investments in elevating customer experience & brand marketing

#### Financial Summary

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Net sales	17,085	23,877	34,516	36,800	41,532
<i>growth (%)</i>	<i>(44.1)</i>	<i>39.8</i>	<i>44.6</i>	<i>6.6</i>	<i>12.9</i>
EBIDTA	1,622	4,185	7,938	8,551	9,864
Margins	9	18	23	23	24
PAT(adj)	(847)	1,030	3,230	3,407	4,084
<i>growth (%)</i>	<i>(125.7)</i>	<i>(221.6)</i>	<i>213.6</i>	<i>5.5</i>	<i>19.9</i>
EPS (Rs)	(6.6)	8.0	25.1	26.5	31.8
P/E (x)	(232.6)	205.8	65.6	62.2	51.9
P/B (x)	11.2	11.7	14.7	13.2	11.2
EV/EBITDA (x)	114.7	48.3	26.0	24.1	20.7

Source: Company

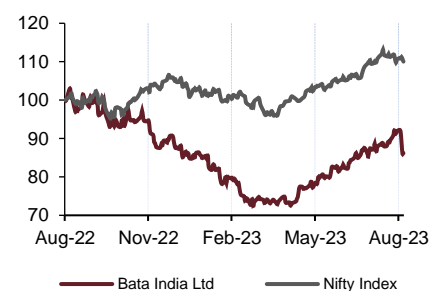
Rating	TP (Rs)	Up/Dn (%)
<b>BOOK PROFIT</b>	<b>1,440</b>	<b>-13</b>

#### Market data

<b>Current price</b>	Rs	1,650
Market Cap (Rs.Bn)	(Rs Bn)	212
Market Cap (US\$ Mn)	(US\$ Mn)	2,563
Face Value	Rs	5
52 Weeks High/Low	Rs	1989 / 1380.85
Average Daily Volume	('000)	1,341
BSE Code		<b>500043</b>
Bloomberg		BATA.IN

Source: Bloomberg

#### One Year Performance



Source: Bloomberg

% Shareholding	Jun-23	Mar-23
Promoters	50.16	50.16
Public	49.84	49.84
<b>Total</b>	<b>100</b>	<b>100</b>

Source: BSE

**Kunal Bhatia**  
(022) 67141442  
[kunal.bhatia@dalal-broacha.com](mailto:kunal.bhatia@dalal-broacha.com)

**Harsh Shah**  
+91 22 67141496  
[harsh.shah@dalal-broacha.com](mailto:harsh.shah@dalal-broacha.com)

## Conference Call Key Takeaways

- **Demand** remained subdued in the footwear sector, which prolonged deceleration started in March 2023. Occasion wear such as weddings were low. SSG has declined
- **Growth in Premium Brands:** North Star 1.15x, Hush Puppies 1.02x, Comfit 1.05x, Floatz 2.06x
- Hush Puppies sales was impacted due to lower wedding dates
- **Revenue Contribution:** Sneaker ~20%, Comfit ~8% and Hush Puppies ~20%
  - School Category continued to grow
- **Apparel:** Launched at 60 store on Pilot basis @ price point of Rs 800-1300. In-store display spacing needs to be worked on.
- Largest Tech ERP going live in Q2FY24
- EOSS in-line with industry trends had to pre-poned
- Franchise opening target to reach 500 stores preponed
- **Franchise model:** Capex related to store and inventory by the partner, employee cost too borne by the partner. Approximate margins 30-35%. Bata records net of margins in revenue. Training, supervision and software is provided by BATA.
- Export opportunity: 1/3<sup>rd</sup> of Bata Global production is in India but majorly utilized in India. Export opportunity is work-in-progress as of now.
- Efficiency on account of 3PL implementation at warehouse and change in systems have led to lower other expenses
- Across all business channels of EBOs, MBOs and E-Commerce, margins remained healthy despite slowness in discretionary demand & early onset of EOSS.
- Competitive Edge Categories(CEC) exceeding channel growth
- Shoe insurance program started at 50 stores will be implemented in 500 stores
- Launched: “ Buy Now Pay Later” , Shoe Care Program, Lanlord Connect Application, Power Step & Go

### SNEAKER Proposition (a pillar of growth)

- Sneakers studios implemented in 565 stores
- 18 months growth continues
- Stores with higher Sneakers have shown better SSG

### Floatz:

- 1st Floatz banner opened with a kiosk in Delhi. 10 more to be opened in next 3-4 months
- Floatz achieved highest ever quarterly turnover with 206% TALY

### E-COMMERCE

- 4.2 Mn+ Customer Visits on Bata.in
- Digital Sales contribution Bata.in: 7%, B2C:30%, B2B: 63%
- Bata.in grew 1.2x
- 56 Franchise stores enabled for In-Store business

**STORES & Distribution**

- Stores total 2100 v/s 2053 QoQ and 1888 YoY
- Store Q1FY24: break-up 62% COCO || 21% Franchise || 17% SIS
- Store Q1FY23: Break-up 68% COCO || 17% Franchise || 15% SIS
- Franchise Q1FY24 Store additions +29 (+39% growth on a YoY basis and ~1.5x since March-22) || Towns 388+ || Vision 500 stores
- Towns Covered 1396 v/s 1079 YoY and 1372 QoQ (mapped directly)
- 44% distributors reached v/s 43.5% in Mar-23 and 39% June-22 .
- Distribution channel continued to scale up to 1390+ towns
- 2nd Warehouse enabled to fulfil DTC and marketplace orders. Optimized warehousing costs through relocation of warehouses

## Quarterly Snapshot Valuation

Particulars ( Rs Mns)			Growth		Growth		Growth
	Q1FY24	Q1FY23	YoY	Q4FY23	QoQ	Q1FY20	Over Q1FY20
<b>Consolidated</b>							
Net Sales	9581.49	9430.18	1.6	7785.85	23.1	8821.43	8.6%
Other Income	132.24	92.68	42.7	126.07	4.9	169.29	-21.9%
<b>TOTAL INCOME</b>	<b>9713.73</b>	<b>9522.86</b>	<b>2.0</b>	<b>7911.92</b>	<b>22.8</b>	<b>8990.72</b>	<b>8.0%</b>
Cost of Materials Consumed	-652.41	-821.74	(20.6)	-646.77	0.9	-377.55	72.8%
Purchase of Stock in Trade	-3321.12	-3604.03	(7.8)	-3205.67	3.6	-2823.07	17.6%
Changes in Inventories	-362.11	334.39	(208.3)	614.17	(159.0)	-794.18	-54.4%
Employee Cost	-1047.84	-1048.22	(0.0)	-1039.35	0.8	-980.39	6.9%
Other Expenses	-1794.54	-1844.24	(2.7)	-1715.75	4.6	-1309	37.1%
EBIDTA	2535.71	2539.02	(0.1)	1918.55	32.2	2599	-2.4%
<b>EBIDTA ( Excl O. Income)</b>	<b>2403.47</b>	<b>2446.34</b>	<b>(1.8)</b>	<b>1792.48</b>	<b>34.1</b>	<b>2429.71</b>	<b>-1.1%</b>
Less: Depreciation	-809.6	-693.25	16.8	-764.67	5.9	-730.07	10.9%
PBIT	1726.11	1845.77	(6.5)	1153.88	49.6	1868.93	-7.6%
Less: Interest Cost	-281.36	-249.04	13.0	-272.05	3.4	-313.51	-10.3%
<b>PBT ( Before Exceptional)</b>	<b>1444.75</b>	<b>1596.73</b>	<b>(9.5)</b>	<b>881.83</b>	<b>63.8</b>	<b>1555.42</b>	<b>-7.1%</b>
Exceptional							
PBT ( Post Exceptional)	1444.75	1596.73	(9.5)	881.83	63.8	1555.42	-7.1%
Tax	-366.33	-403.34	(9.2)	-226.26	61.9	-548.12	-33.2%
PAT ( Reported)	1078.42	1193.39	(9.6)	655.57	64.5	1007.3	7.1%
<b>PAT ( Adjusted)</b>	<b>1078.42</b>	<b>1193.39</b>	<b>(9.6)</b>	<b>655.57</b>	<b>64.5</b>	<b>1007.3</b>	<b>7.1%</b>
Equity	642.64	642.64	-	642.64	-	642.64	
FV	5	5		5		5	
<b>EPS ( on adjusted PAT)</b>	<b>8.4</b>	<b>9.3</b>	<b>(9.6)</b>	<b>5.1</b>	<b>64.5</b>	<b>7.8</b>	
OPM	25.1%	25.9%		23.0%		22.4%	
NPM ( Reported PAT)	11.1%	12.5%		8.3%		5.9%	
TaxRate	-25.4%	-25.3%		-25.7%		-34.5%	
<b>% of Total Operating Income</b>							
<b>RAW MATERIALS</b>	<b>-45.3%</b>	<b>-43.4%</b>		<b>-41.6%</b>		<b>-41.2%</b>	
Employee Cost	-10.9%	-11.1%		-13.3%		-14.8%	
Other Expenses	-18.7%	-19.6%		-22.0%		-18.8%	
<b>EXPENDITURE</b>	<b>-74.9%</b>	<b>-74.1%</b>		<b>-77.0%</b>		<b>-77.6%</b>	

## Outlook and Valuations

Bata grew at 2% YoY for Q1FY24 and 9% over Q1FY20 i.e. a lowest CAGR (2%) amongst all the peers in the footwear listed space.

Bata has the potential to command a premium valuation in the retail footwear space with a clean balance sheet, provided it continues to generate industry leading numbers.

However as competitive intensity has been increasing, the delivery is much below expectations. Hence we believe the stock could get re-rated downwards.

At CMP of Rs 1649 Bata trades at 62x FY24e EPS of Rs 26.5 and 52x FY25e EPS of Rs 32.

We too have cut our Revenue and PAT number for FY24 by (4%/6%) and FY25 by (2%/5%) respectively and downgraded our target multiple to 45x from 50x. We change our recommendation from “Buy on Dips” to “**Book Profits**” with a target price of Rs 1,440 (13% down side)



### Disclaimer

**Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B** (CINU67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. [www.dalal-broacha.com](http://www.dalal-broacha.com)

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

#### **Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-**

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

#### **Disclosures in respect of Research Analyst:**

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing

businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.

Tel: 91-22- 2282 2992, 2287 6173 | E-mail: [equity.research@dalal-broacha.com](mailto:equity.research@dalal-broacha.com)