

Q2FY24 Results were below expectations. Topline De-grew by 1.3% YoY.

- **Revenue** at Rs 8191.2mn de-grew by 1.3% YoY and 13.5% over Q2FY20.
- **Revenue CAGR over Q2FY20 stands at 3.2%**
- Bata added 50 stores in Q2FY24 with Franchise & SIS network consisting over 39%
- **EBIDTA margins** stood at 22.2% as against 19.4% YoY and 25.1% QoQ.
 - Raw Mat to Revenue stood at 42% v/s 45% YoY and was 45.3% on a QoQ basis, basically on account of product mix.
 - Other Expenses stood at 22.9% as against 22.7% YoY and 18.7% QoQ.
- EBIDTA in absolute terms stood at Rs 1819.8mn up by 13.1%.
- Exceptional expenses in Q2FY24 stood at Rs 409mn on account of VRS
- Adjusted PAT grew by 26.8% YoY to Rs 647.9mn.

Outlook:

- Double digit growth for FY24 looks difficult
- Premium portfolio witnessing good growth, however Mass segment declining.
- Mass segment has still not seen a secular recovery. Bata's conscious effort of lowering discounts and credit period is also one of the reason
- SSG: Aim to deliver high single digit growth ½.
- premiumizatio ½ via pairs SSG: via pairs

Financial Summary

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Net sales	17,085	23,877	34,516	35,682	39,268
growth (%)	(44.1)	39.8	44.6	3.4	10.0
EBIDTA	1,622	4,185	7,938	8,480	9,411
Margins	9	18	23	24	24
PAT(adj)	(847)	1,030	3,230	3,540	3,824
growth (%)	(125.7)	(221.6)	213.6	9.6	8.0
EPS (Rs)	(6.6)	8.0	25.1	27.5	29.8
P/E (x)	(232.6)	195.9	62.5	57.0	52.8
P/B (x)	11.2	11.1	14.0	12.8	11.0
EV/EBITDA (x)	114.7	45.9	24.8	23.1	20.6

Source: Company

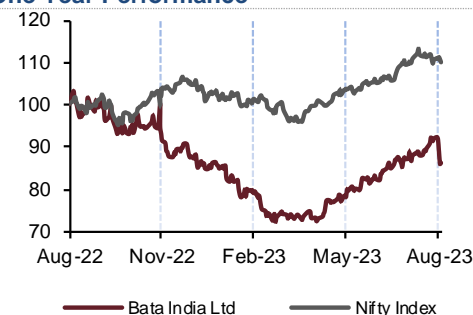
Rating	TP (Rs)	Up/Dn (%)
BOOK PROFIT	1,350	-14

Market data

Current price	Rs	1,572
Market Cap (Rs.Bn)	(Rs Bn)	202
Market Cap (US\$ Mn)	(US\$ Mn)	2,426
Face Value	Rs	5
52 Weeks High/Low	Rs	11.45 / 1380.85
Average Daily Volume	('000)	456
BSE Code		541233
Bloomberg		BATA.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Sep-23	Jun-23
Promoters	50.16	50.16
Public	49.84	49.84
Total	100	100

Source: BSE

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Conference Call Highlights KTA's

- **Demand headwinds:** Discretionary demand remains muted, Foresee some benefit of postponement will come-in. MBO sales too remain muted. Ladies & Plastic value added and Sports value added good pick-up.
- **Growth in Premium Brands YoY:** North Star 1.17x, Hush Puppies 1.05x, Comfit 1.17x, Floatz 1.70x
- Hush Puppies sales @ 1.05x YoY on account of higher base effect
- Hush Puppies: One Hush puppies Pop-up store opened (around 100-200sqft) | total ~120 normal stores currently | renovation of these stores will start and experience will improve. | 30% of Hush Puppies is now ladies collection.
- **POWER:** Step-Up-and-Go collection did well, ran out of stock, ASP of this collection is 2x of Power Brand and 4x of Bata.
- **Apparel:** Launched at 62 store on Pilot basis @ price point of Rs 800-1300. In-store display spacing needs to be worked on.
- **Franchise model:** last 4 quarter SSG would be double digit | opening target to reach 500 stores preponed
- **Export opportunity:** 1/3rd of Bata Global production is in India but majorly utilized in India. Export opportunity is work-in-progress as of now. Plan to sell 1 lac pairs in the current year. Exporting to 12 countries
- Comprehensive licensing and manufacturing agreement signed for globally renowned fashion brand Nine West for bringing on-trend fashion GLOBAL designs to Indian consumers.
- HPM - Merchandising project implemented. ERP project on track.
- Launched Casual Style campaign, Bata Celebration campaign, Monsoon campaign, School campaign to strengthen our consumer connect.
- ASP Retail Network = Rs 1000, T3 and below @ Rs 800
- Product Refresh: 20% of portfolio refreshed every season

SNEAKER Proposition (a pillar of growth)

- Sneakers studios implemented in 612 stores. The pace of Sneaker studio will now reduce.
- Started 18-20 months back within which the contribution has gone up 500bps
- Sneaker is largely driven under North-Star-Bbrand, now Power-Brands potential needs to be tested

Floatz:

- Floatz grew by 70% backed by Floatz banner @ 10 stores
- In-house manufacturing started.
- Currently at ~15000 pairs a week sold.

E-COMMERCE

- 1.26 Mn+ Customer Visits on Bata.in
- Digital Sales contribution Bata.in: 7%, B2C:27%, B2B: 66%
- 300 franchise also now offer home-delivery
- Penetrated in Tata Cliq and Nykaa
- Transitioned from Bata.in to Bata.com
- Omni now contribute 4-5% of Revenue.

STORES & Distribution

- 54 stores renovated in Q2FY24
- Stores total 2150 v/s 2100 YoY
- Store Q2FY24: break-up 61% COCO || 22% Franchise || 17% SIS
- Store Q2FY23: Break-up 66% COCO || 18% Franchise || 16% SIS
- Franchise Q2FY24 Store additions +29 (+35% growth on a YoY basis and ~1.7x since Q2FY22) || Towns 412+ || Vision 500 stores
- Towns Covered 1398 v/s 1108 YoY and 13 QoQ (mapped directly)
- 44.7% distributors reached v/s 44% in Jun-23 and 39% June-22.
- Franchise store expansion is 40% from existing partners intend to scale it to 60%
- 80% store expansion under franchise route.

Quarterly Financials

Particulars (Rs Mns) Consolidated	Q2FY24	Q2FY23	Growth		Growth		Growth
			YoY	Q1FY24	QoQ	Q2FY20	Over Q2FY20
Net Sales	8191.18	8297.55	(1.3)	9581.49	(14.5)	7219.61	13.5%
Other Income	154.45	79.71	93.8	132.24	16.8	177.46	-13.0%
TOTAL INCOME	8345.63	8377.26	(0.4)	9713.73	(14.1)	7397.07	12.8%
Cost of Materials Consumed	-557.12	-747.23	(25.4)	-652.41	(14.6)	-731.15	-23.8%
Purchase of Stock in Trade	-3433.68	-4048.92	(15.2)	-3321.12	3.4	-3302.91	4.0%
Changes in Inventories	550.42	1060.8	(48.1)	-362.11	(252.0)	886.15	-37.9%
Employee Cost	-1058.31	-1070.45	(1.1)	-1047.84	1.0	-890.14	18.9%
Other Expenses	-1872.65	-1882.68	(0.5)	-1794.54	4.4	-1230.69	52.2%
EBIDTA	1974.29	1688.78	16.9	2535.71	(22.1)	2031.01	-2.8%
EBIDTA (Excl O. Income)	1819.84	1609.07	13.1	2403.47	(24.3)	1853.55	-1.8%
Less: Depreciation	-815.78	-735.7	10.9	-809.6	0.8	-748.72	9.0%
PBIT	1158.51	953.08	21.6	1726.11	(32.9)	1282.29	-9.7%
Less: Interest Cost	-283.92	-271.67	4.5	-281.36	0.9	-307.7	-7.7%
PBT (Before Exceptional)	874.59	681.41	28.4	1444.75	(39.5)	974.59	-10.3%
Exceptional	-409						
PBT (Post Exceptional)	465.59	681.41	(31.7)	1444.75	(67.8)	974.59	-52.2%
Tax	-120.7	-170.31	(29.1)	-366.33	(67.1)	-260.85	-53.7%
PAT (Reported)	344.89	511.1	(32.5)	1078.42	(68.0)	713.74	-51.7%
PAT (Adjusted)	647.9	511.1	26.8	1078.42	(39.9)	713.74	-9.2%
Equity	642.64	642.64	-	642.64	-	642.64	
FV	5	5		5		5	
EPS (on adjusted PAT)	5.0	4.0	26.8	8.4	(39.9)	5.6	
OPM	22.2%	19.4%		25.1%		25.7%	
NPM (Reported PAT)	4.1%	6.1%		11.1%		9.6%	
Tax Rate	-25.9%	-25.0%		-25.4%		-26.8%	
% of Total Operating Income							
RAW MATERIALS	-42.0%	-45.0%		-45.3%		-43.6%	
Employee Cost	-12.9%	-12.9%		-10.9%		-12.3%	
Other Expenses	-22.9%	-22.7%		-18.7%		-17.0%	
EXPENDITURE	-77.8%	-80.6%		-74.9%		-74.3%	

Valuation & Outlook

Bata De-grew by 1.3% YoY for Q2FY24 and 13.5% over Q2FY20 i.e. a CAGR (3.2%) lowest amongst 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 the stock has got re-rated downwards.

CMP of Rs 1,570 Bata trades at 57x FY24e EPS of Rs 27.5 and 53x FY25e EPS of Rs 30. We have revised our Revenue and PAT number for FY24 by (- 3%/+4%) and FY25 by (-5%/-6%) respectively.

We had recommended **“Book Profits” post Q1FY24 results and the stock has corrected 5% from those levels.** We continue to maintain the same Recommendation **“Book Profits”** with a target **price of 1,350** (valuing Bata at 45x FY25).

Financials

P&L (Rs mn)	FY22	FY23	FY24E	FY25E	Cash Flow St. (Rs. mn)	FY22	FY23	FY24E	FY25E
Net Operating Income	23,877.2	34,515.7	35,682.4	39,267.8	Net Profit	1,029.9	3,230.0	3,131.0	3,824.0
					Add: Dep. & Amort.	2,419.6	2,947.8	3,269.4	3,618.5
					Cash profits	3,449.6	6,177.9	6,400.4	7,442.5
Raw Materials	(10,868.1)	(15,136.3)	(15,536.9)	(17,081.5)	(Inc)/Dec in				
Employee Cost	(3,786.8)	(4,186.9)	(4,270.7)	(4,569.6)	-Sundry debtors	76.5	(108.4)	(54.3)	(88.4)
Other Expenses	(5,037.3)	(7,254.6)	(7,394.5)	(8,205.3)	-Inventories	(2,626.3)	(336.5)	(730.4)	(982.3)
Total Expenses	(19,692.3)	(26,577.8)	(27,202.0)	(29,856.4)	-Loans/advances	8.5	-	-	-
					-Current Assets	(228.9)	346.0	(243.9)	(268.3)
Operating Profit	4,184.9	7,937.9	8,480.3	9,411.4	-Sundry creditors	164.2	(468.0)	163.2	423.2
Depreciation	(2,419.6)	(2,947.8)	(3,269.4)	(3,618.5)	-Others	577.7	170.5	181.0	199.6
PBIT	1,765.3	4,990.0	5,210.9	5,792.9	Change in working capital	(2,028.2)	(396.4)	(684.5)	(716.2)
Other income	559.9	386.8	578.4	643.7	CF from Oper. activities	1,421.4	5,781.5	5,715.9	6,726.3
Interest	(928.2)	(1,078.5)	(1,194.5)	(1,324.2)	CF from Inv. activities	(3,199.2)	(4,598.2)	(4,570.9)	(4,960.0)
Extraordinary Items					CF from Fin. activities	497.4	(5,559.1)	(394.7)	215.4
Profit before tax	1,397.0	4,298.4	4,594.8	5,112.3	Cash generated/(utilised)	(1,280.4)	(4,375.8)	750.3	1,981.7
Provision for tax	(367.1)	(1,068.3)	(1,054.8)	(1,288.3)	Cash at start of the year	10,968.2	9,687.7	5,312.0	6,062.3
Reported PAT	1,029.9	3,230.0	3,540.0	3,824.0	Cash at end of the year	9,687.7	5,312.0	6,062.3	8,044.0
Extraordinary Items	-	-	-	-					
Minority Interest	0.0	0.0	0.0	0.0					
Adjusted PAT	1,029.9	3,230.0	3,540.0	3,824.0					
Balance Sheet	FY22	FY23	FY24E	FY25E	Ratios	FY22	FY23	FY24E	FY25E
Equity capital	642.6	642.6	642.6	642.6	OPM	17.5	23.0	23.8	24.0
Reserves	17,503.9	13,739.5	15,135.5	17,674.3	NPM	4.2	9.3	9.8	9.6
Net worth	18,146.5	14,382.1	15,778.1	18,316.9	Tax rate	(26.3)	(24.9)	(23.0)	(25.2)
Def. Tax Liab.+Minority I	-	-	-	-	Growth Ratios (%)				
Longterm Debt	-	-	-	-	Net Sales	39.8	44.6	3.4	10.0
Short Term Debt	-	-	-	-	Operating Profit	158.0	89.7	6.8	11.0
Total debt	-	-	-	-	PAT	(221.6)	213.6	9.6	8.0
Lease Liability	8,912.9	10,110.1	11,196.8	12,413.5					
CAPITAL EMPLOYED	27,059.4	24,492.1	26,974.9	30,730.4	Per Share (Rs.)				
					Net Earnings (EPS) (FV5)	8.0	25.1	27.5	29.8
Total fixed assets	3,104.2	3,395.9	3,562.2	3,632.9	Cash Earnings (CPS)	26.8	48.1	49.8	57.9
Right to Use of Assets	9206.6	10560.3	11695.4	12966.3	Dividend	4.0	54.5	13.5	10.0
Goodwill	-	-	-	-	Book Value	141.2	111.9	122.8	142.5
Investments	-	5.0	5.0	5.0	Free Cash Flow	13.2	45.4	49.5	55.3
Inventories	8,709.1	9,045.6	9,776.0	10,758.3	Valuation Ratios				
Sundry debtors	717.2	825.5	879.8	968.2	P/E(x)	195.9	62.5	57.00	52.8
Cash & bank	9,687.7	5,312.0	6,062.3	8,044.0	P/B(x)	11.1	14.0	12.8	11.0
Loans & advances	-	-	-	-	EV/EBIDTA(x)	45.9	24.8	23.1	20.6
Other current assets	2,785.0	2,439.0	2,682.9	2,951.2	Div. Yield(%)	0.3	3.5	0.9	0.6
Sundry creditors	(4,561.5)	(4,093.5)	(4,256.7)	(4,679.9)	FCF Yield(%)	0.8	2.9	3.2	3.5
O. Current Liabilities	(1,491.2)	(1,695.9)	(1,865.4)	(2,052.0)	Return Ratios (%)				
Provisions	(2,139.3)	(2,435.1)	(2,700.1)	(2,997.1)	ROE	5.7	22.5	22.4	20.9
Working capital	13,707.0	9,397.7	10,578.9	12,992.9	ROCE (Excluding Cash & Bank)	10.2	26.0	24.9	25.5
Deferred Tax Assets	1,041.6	1,133.3	1,133.3	1,133.3					
Miscellaneous exp.	-	-	-	-					
CAPITAL DEPLOYED	27,059.4	24,492.1	26,974.9	30,730.4					

Source: Dalal & Broacha Research, Company

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