

BATA Q3FY24 Results were in below expectations. Topline flat YoY and margins too dropped 280 bps on a YoY basis.

- **Revenue** at Rs 9,034.72mn was flat on a YoY basis and recorded 9% growth over Q3FY20.
- **Revenue CAGR** over Q3FY20 stands at 2.2%
- Bata added 54 net new stores in Q3FY24 including Franchise & COCO
- **EBIDTA margins** stood at 20.1% as against 22.9% YoY and 22.2% QoQ.
 - Raw Mat to Revenue stood at 44% v/s 45.2% YoY and was 42% in Q2FY24, basically on account of product mix.
 - Other Expenses stood at 24.5% as against 20.5% YoY and 22.9% QoQ led by significant investments on Brand and technology during the quarter
- EBIDTA in absolute terms stood at Rs 1817.56mn drop of 12% on a YoY basis.
- Adjusted PAT de-grew by 31% YoY to Rs 573.1 mn.

Outlook:

- Double digit growth for FY24 looks difficult
- **Demand Scenario:** Mass market remains muted, Premium category outgrew portfolio growth. Digital channel remains the fastest growing channel.
- **Gross Margins** currently healthy on account of product and channel mix, however if management decides to take price correction in mass segment over longterm it might get impacted.
- **Spends:** IT spends will come down in Q4, however Ad-spends expected to remain high at 3% of Revenue (was ~4% in Q3FY24).

Financial Summary

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY25E
Net sales	23,877	34,516	35,138	37,513	40,577
growth (%)	39.8	44.6	1.8	6.8	8.2
EBIDTA	4,185	7,938	7,731	8,424	9,373
Margins	18	23	22	22	23
PAT(adj)	1,030	3,230	2,798	2,972	3,422
growth (%)	(221.6)	213.6	(13.4)	6.2	15.1
EPS (Rs)	8.0	25.1	21.8	23.1	26.6
P/E (x)	179.8	57.3	66.2	62.3	54.1
P/B (x)	10.2	12.9	12.2	11.0	9.8
EV/EBITDA (x)	41.9	22.7	23.2	21.2	18.8

Source: Company

Rating	TP (Rs)	Up/Dn (%)
Book Profits	1,197	-17

Market data

Current price	Rs	1,442
Market Cap (Rs.Bn)	(Rs Bn)	185
Market Cap (US\$ Mn)	(US\$ Mn)	2,232
Face Value	Rs	5
52 Weeks High/Low	Rs	71.45 / 1380.85
Average Daily Volume	('000)	404
BSE Code		500043
Bloomberg		BATA.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

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

Source: BSE

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Conference Call Key Takeaways

- **Growth in Premium Brands YoY:** Red Label +387% YoY, Hush Puppies +7% YoY, Comfit +22% YoY, Floatz +65% YoY
- Volume decline mid-single digit and pricing up mid-single digit
- Rs 1000+ products contribute 30% in Q3FY24 and 34% YTD
- **Brand contributions:** RedLabel+ Comfit + Floatz @ 15% | Hush Puppies @ 20% (price point of Rs +2000)
- **Channel Mix:** Q3FY24 Retail COCO @ 71% , Distribution @ 12%, Online @ 10% and Franchise @ 7%
- **Gross Margins:** No price increase taken since last 6 quarters, ASP is up due to A) product mix, B) channel mix (MBO not growing fast as well as mass market too growing slow).
- **Marketing:** Marketing costs +43% YoY to Rs 347mn | Digital influencer led marketing done, spends were significant but throughput of the same was muted
- Freshness at store (i.e. anything new to the store in terms of offerings) @ 34% highest ever, 6 quarter back was in mid-30's
- **Technology Spends:IT cost in Q3FY24 +127% YoY to Rs 207mn**
 - High Performance Project now live, ERP project to commercialize in the coming quarter
 - Should led to better availability, conversions, financial planning and control obsolescence and thus improve margins
- **BIS:** Bata successfully transitioned to BIS, entire vendor base is now BIS compliant
- **Monetizing of Land :** Board has approved monetizing freehold industrial land admeasuring approximately 11.54 acres situated in Faridabad, subject to necessary process/formalities.
- Bangalore plant shut and VRS procedure over
- **Apparels:** launched at 60 stores, expected to achieve SSS @ 3% before expanding it further.
- **Nine West** is on track for launch in stores Q4FY24 onwards @ 50 stores, price point higher than Hush Puppies, plan to bring in both footwear as well as accessories.

E-COMMERCE

- 4.1mn pairs shipped YTD via Market places and Bata.com
- 0.8mn pairs shipped under omni channel via 1600+ Bata stores
- Digital Sales contribution Bata.com: 6%, B2C:34%, B2B: 60%
- 80% franchise also now offer home-delivery

STORES & Distribution

- 509 franchise stores v/s 392 YoY and 1326 COCO stores v/s 1288 YoY
- 30-40 stores expected to be Renovated every quarter, average age per store @ 7 years want to bring it down to 6.5 years
- Only Floatz brand 10 stores opened
- Hush Puupies new concept pilot store started, started Hush Puppies franchise under kiosks model Towns Covered 1518 v/s 1152 YoY and 1398 QoQ (mapped directly)
- 45.3% distributors reached v/s 44.7% in Sep-23 and 43% Dec-22.
- KRO (key retail outlets) continue to grow at fastest rate. Currently stand at 1218 stores v/s 984 last quarter.

Quarterly Snapshot

Particulars (Rs Mns)	Standalone	Q3FY24	Q3FY23	Growth YoY	Q2FY24	Growth QoQ	Q3FY20	Growth Over Q3FY20
Net Sales		9034.72	9002.1	0.4	8191.18	10.3	8296.44	8.9%
Other Income		107.92	75.05	43.8	154.45	(30.1)	170.61	-36.7%
TOTAL INCOME		9142.64	9077.15	0.7	8345.63	9.6	8467.05	8.0%
Cost of Materials Consumed		-499.06	-400.41	24.6	-557.12	(10.4)	-493.31	1.2%
Purchase of Stock in Trade		-3054.95	-2022.43	51.1	-3433.68	(11.0)	-1735.15	76.1%
Changes in Inventories		-424.89	-1648.43	(74.2)	550.42	(177.2)	-1035.63	-59.0%
Employee Cost		-1025.05	-1028.92	(0.4)	-1058.31	(3.1)	-974.66	5.2%
Other Expenses		-2213.21	-1841.08	20.2	-1872.65	18.2	-1301.51	70.0%
EBIDTA		1925.48	2135.88	(9.9)	1974.29	(2.5)	2796.52	-31.1%
EBIDTA (Excl O. Income)		1817.56	2060.83	(11.8)	1819.84	(0.1)	2625.91	-30.8%
Less: Depreciation		-858.83	-753.79	13.9	-815.78	5.3	-764.51	12.3%
PBIT		1066.65	1382.09	(22.8)	1158.51	(7.9)	2032.01	-47.5%
Less: Interest Cost		-293.44	-285.76	2.7	-283.92	3.4	-285	3.0%
PBT (Before Exceptional)		773.21	1096.33	(29.5)	874.59	(11.6)	1747.01	-55.7%
Exceptional					-409			
PBT (Post Exceptional)		773.21	1096.33	(29.5)	465.59	66.1	1747.01	-55.7%
Tax		-200.12	-265.22	(24.5)	-120.7	65.8	-574.98	-65.2%
PAT (Reported)		573.09	831.11	(31.0)	344.89	66.2	1172.03	-51.1%
PAT (Adjusted)		573.1	831.11	(31.0)	647.9	(11.5)	1172.03	-51.1%
Equity		642.64	642.64	-	642.64	-	642.64	
FV		5	5		5		5	
EPS (on adjusted PAT)		4.5	6.5	(31.0)	5.0	(11.5)	9.1	
OPM		20.1%	22.9%		22.2%		31.7%	
NPM (Reported PAT)		6.3%	9.2%		4.1%		13.8%	
TaxRate		-25.9%	-24.2%		-25.9%		-32.9%	
% of Total Operating Income								
RAW MATERIALS		-44.0%	-45.2%		-42.0%		-39.3%	
Employee Cost		-11.3%	-11.4%		-12.9%		-11.7%	
Other Expenses		-24.5%	-20.5%		-22.9%		-15.7%	
EXPENDITURE		-79.9%	-77.1%		-77.8%		-68.3%	

Dalal & Broacha Research, Company

Outlook and Valuations

Bata delivered flattish results on a YoY basis for Q3FY24 and 9% over Q3FY20 i.e. a CAGR (2.2%) lowest amongst the peers in the footwear listed space. Despite festive and lower base last year the numbers were disappointing.

Even though Bata possesses the potential to secure a premium valuation within the retail footwear sector, supported by its solid balance sheet, this valuation is contingent upon the company's ability to sustain its exceptional performance metrics compared to industry benchmarks. With escalating competition in the market, Bata's recent performance has fallen significantly short of expectations. Consequently, there has been a downward re-rating of the company's stock.

At CMP of Rs 1441 Bata trades at 66x FY24e EPS of Rs 21.8 and 62.3x FY25e EPS of Rs 23.1 and 54x FY26e EPS of Rs 26.6.

We have rolled over our estimates to FY26e.

We had recommended **“Book Profits”** since Q1FY24 results and the stock has corrected 12% from those levels. We continue to maintain the same Recommendation **“Book Profits”** with a target price of 1,197 (valuing Bata at 45x FY26e EPS of Rs 26.6).

Financials

Bata India Ltd											
P&L (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E	Cash Flow St. (Rs. mn)	FY22	FY23	FY24E	FY25E	FY26E
Net Operating Income	23,877.2	34,515.7	35,138.0	37,513.3	40,577.2	Net Profit	1,029.9	3,230.0	2,491.7	2,972.4	3,422.0
						Add: Dep. & Amort.	2,419.6	2,947.8	3,344.0	3,701.2	4,022.0
						Cash profits	3,449.6	6,177.9	5,835.7	6,673.6	7,444.0
Raw Materials	(10,868.1)	(15,136.3)	(15,420.5)	(16,318.3)	(17,529.4)	(Inc)/Dec in					
Employee Cost	(3,786.8)	(4,186.9)	(4,156.0)	(4,571.6)	(4,937.3)	-Sundry debtors	76.5	(108.4)	(40.9)	(58.6)	(75.5)
Other Expenses	(5,037.3)	(7,254.6)	(7,830.3)	(8,199.7)	(8,737.9)	-Inventories	(2,626.3)	(336.5)	(581.3)	(650.8)	(839.4)
Total Expenses	(19,692.3)	(26,577.8)	(27,406.8)	(29,089.6)	(31,204.6)	-Loans/advances	8.5	-	-	-	-
Operating Profit	4,184.9	7,937.9	7,731.3	8,423.7	9,372.6	-Current Assets	(228.9)	346.0	(243.9)	(268.3)	(295.1)
Depreciation	(2,419.6)	(2,947.8)	(3,344.0)	(3,701.2)	(4,022.0)	-Sundry creditors	164.2	(468.0)	131.3	246.0	331.8
PBIT	1,765.3	4,990.0	4,387.3	4,722.6	5,350.6	-Others	577.7	170.5	181.0	199.6	220.3
Other income	559.9	386.8	504.4	527.8	597.6	Change in working capital	(2,028.2)	(396.4)	(553.8)	(532.0)	(658.0)
Interest	(928.2)	(1,078.5)	(1,151.5)	(1,276.6)	(1,385.5)	CF from Oper. activities	1,421.4	5,781.5	5,281.9	6,141.6	6,786.0
Extraordinary Items	-	-	(409.0)	-	-	CF from Inv. activities	(3,199.2)	(4,598.2)	(4,645.5)	(5,042.7)	(5,123.6)
Profit before tax	1,397.0	4,298.4	3,740.2	3,973.8	4,562.7	CF from Fin. activities	497.4	(5,559.1)	(394.7)	215.4	21.5
Provision for tax	(367.1)	(1,068.3)	(839.5)	(1,001.4)	(1,140.7)	Cash generated/(utilised)	(1,280.4)	(4,375.8)	241.7	1,314.3	1,683.9
Reported PAT	1,029.9	3,230.0	2,900.7	2,972.4	3,422.0	Cash at start of the year	10,968.2	9,687.7	5,312.0	5,553.7	6,868.0
Extraordinary Items	-	-	(409.0)	-	-	Cash at end of the year	9,687.7	5,312.0	5,553.7	6,868.0	8,551.9
Minority Interest	0.0	0.0	0.0	0.0	0.0						
Adjusted PAT	1,029.9	3,230.0	2,797.7	2,972.4	3,422.0						
Balance Sheet	FY22	FY23	FY24E	FY25E	FY26E	Ratios	FY22	FY23	FY24E	FY25E	FY26E
Equity capital	642.6	642.6	642.6	642.6	642.6	OPM	17.5	23.0	22.0	22.5	23.1
Reserves	17,503.9	13,739.5	14,496.2	16,183.4	18,320.2	NPM	4.2	9.3	7.8	7.8	8.3
Net worth	18,146.5	14,382.1	15,138.8	16,826.0	18,962.8	Tax rate	(26.3)	(24.9)	(22.4)	(25.2)	(25.0)
Def. Tax Liab.+Minority I	-	-	-	-	-	Growth Ratios (%)					
Longterm Debt	-	-	-	-	-	Net Sales	39.8	44.6	1.8	6.8	8.2
Short Term Debt	-	-	-	-	-	Operating Profit	158.0	89.7	(2.6)	9.0	11.3
Total debt	-	-	-	-	-	PAT	(221.6)	213.6	(13.4)	6.2	15.1
Lease Liability	8,912.9	10,110.1	11,196.8	12,413.5	13,472.9	Per Share (Rs.)					
CAPITAL EMPLOYED	27,059.4	24,492.1	26,335.6	29,239.5	32,435.8	Net Earnings (EPS) (FV5)	8.0	25.1	21.8	23.1	26.6
Total fixed assets	3,104.2	3,395.9	3,562.2	3,632.9	3,627.8	Cash Earnings (CPS)	26.8	48.1	45.4	51.9	57.9
Right to Use of Assets	9206.6	10560.3	11695.4	12966.3	14072.9	Dividend	4.0	54.5	13.5	10.0	10.0
Goodwill	-	-	-	-	-	Book Value	141.2	111.9	117.8	130.9	147.5
Investments	-	5.0	5.0	5.0	5.0	Free Cash Flow	13.2	45.4	45.8	50.4	56.3
Inventories	8,709.1	9,045.6	9,626.9	10,277.6	11,117.0	Valuation Ratios					
Sundry debtors	717.2	825.5	866.4	925.0	1,000.5	P/E(x)	179.8	57.3	66.20	62.3	54.1
Cash & bank	9,687.7	5,312.0	5,553.7	6,868.0	8,551.9	P/B(x)	10.2	12.9	12.2	11.0	9.8
Loans & advances	-	-	-	-	-	EV/EBIDTA(x)	41.9	22.7	23.2	21.2	18.8
Other current assets	2,785.0	2,439.0	2,682.9	2,951.2	3,246.4	Div. Yield(%)	0.3	3.8	0.9	0.7	0.7
Sundry creditors	(4,561.5)	(4,093.5)	(4,224.8)	(4,470.8)	(4,802.6)	FCF Yield(%)	0.9	3.2	3.2	3.5	3.9
O. Current Liabilities	(1,491.2)	(1,695.9)	(1,865.4)	(2,052.0)	(2,257.2)	Return Ratios (%)					
Provisions	(2,139.3)	(2,435.1)	(2,700.1)	(2,997.1)	(3,259.3)	ROE	5.7	22.5	18.5	17.7	18.0
Working capital	13,707.0	9,397.7	9,939.6	11,502.0	13,596.7	ROCE (Excluding Cash & Bank)	10.2	26.0	21.1	21.1	22.4
Deferred Tax Assets	1,041.6	1,133.3	1,133.3	1,133.3	1,133.3						
Miscellaneous exp.	-	-	-	-	-						
CAPITAL DEPLOYED	27,059.4	24,492.1	26,335.6	29,239.5	32,435.8						

Source: Dalal & Broacha Research, Company

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