

Q2FY26 Result Update | Retail

Equity Research Desk

Cautious Outlook

31 October 2025

Bata continues to underperform

Revenue declined by 4% YoY to Rs 8013mn mainly impacted by GST transition which led to channel and consumer buying deferral. ASP was flat, and main reason for drop in revenues was volume.

Q2FY26 **Gross margins** dropped by 150bps YoY at 55.4%, on account of additional incentive given to clear off inventory. **Employee cost** lower by 2.1% YoY at Rs 1114mn and other expenses flat at Rs 1876mn YoY.

Drop in sales as well as gross margins led absolute EBIDTA decline by 17% to Rs 1449mn with margins at 18.1% v/s 20.8% YoY.

As explained in earnings call Other expenses were lower as royalty for a licensed brand is excluded under IND-AS. An intangible asset is created which will now have amortization and interest impact under Ind-AS. Two more quarters would be taken to normalize other expenses.

For the similar reason depreciation rose by 16.4% YoY to Rs 1050mn, impacting PBT which de-grew YoY by 61% to Rs 273mn and adjusted PAT was down too by 62.3% to Rs 197mn (also aided by VRS expenses of Rs 83mn).

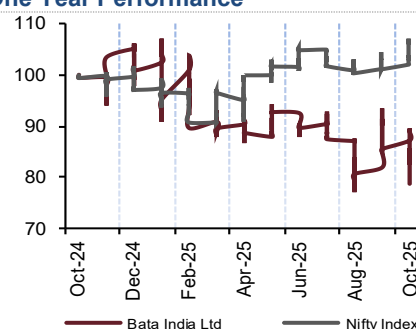
Rating	TP (Rs)	Up/Dn (%)
NEUTRAL	985	-8

Market data

Current price	Rs	1,072
Market Cap (Rs.Bn)	(Rs Bn)	138
Market Cap (US\$ Mn)	(US\$ Mn)	1,562
Face Value	Rs	5
52 Weeks High/Low	Rs	1479 / 1025.1
Average Daily Volume	('000)	945
BSE Code		500043
Bloomberg		BATA.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Net sales	34,516	34,786	34,888	35,282	38,125
growth (%)	44.6	0.8	0.3	1.1	8.1
EBIDTA	7,938	7,859	7,374	7,328	8,582
Margins	23	23	21	21	23
PAT(adj)	3,230	2,931	2,274	1,810	2,529
growth (%)	213.6	(9.2)	(22.4)	(20.4)	39.7
EPS (Rs)	25.1	22.8	17.7	14.1	19.7
P/E (x)	42.6	47.0	60.5	76.0	54.4
P/B (x)	9.6	9.0	8.7	8.4	7.8
EV/EBITDA (x)	16.7	17.0	17.8	18.0	15.2

Source: Company

% Shareholding	Jun-25	Mar-25
Promoters	50.16	50.16
Public	49.84	49.84
Total	100.00	100.00

Source: BSE

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Conference Call & Presentation KTA's

GST Rate Change Impact of 4% on Sales:

The GST transition (from mid-August to late September) led to a 4% revenue decline due to channel and consumer buying deferrals, but underlying growth normalizes to flat when adjusting for this disruption. Inventory and working capital challenges for channel partners were temporary and now resolved.

Going forward, Consumer sentiment post-GST rate cut is improving, with signs of volume recovery, especially in entry-level price bands.

Volume and ASP Dynamics: (volume down + ASP flat)

The company reported flat ASPs for the quarter; volume decline was the main cause of softer sales. Premiumization is driven by both product features and higher price points (e.g. Hush Puppies and select Power offerings above ₹2,000-₹2,500).

Product Mix:

Product mix currently stands at 40% below ₹1,000, 40% between ₹1,000-₹2,500, and 20% above ₹2,500.

Margin Performance and Outlook:

Gross margins dropped 150 bps YoY, mainly due to additional incentives during GST transition and aggressive inventory clearance. A&P (Advertising & Promotion) investments doubled YoY (now at 3.5% of revenue), supporting long-term brand strength.

The management expects lower future markdowns as fresh inventory discipline continues, positioning margins to recover next quarter. They target higher sale of full-price products in the upcoming EOSS season.

Inventory Declutter and Pipeline Health:

Bata has reduced assortment complexity, focusing on bestsellers and new collections, leading to improved availability (+14%) and record-high freshness rates for products less than 6 months old (up by 7% YoY)

Inventory turns have reached 2.2x, and the management aims of 2.5x.

Store Experience Transformation:

Zero-Based Merchandising (ZBM) and decluttering, especially in metros (e.g. Mumbai and Gurgaon), have enhanced customer experience, increased revenue per square foot, and improved consumer scores. The company intends to rapidly scale this model across cities to maximize structural benefits

Marketing Focus and Product Innovation:

Significant investments in story-led marketing campaigns (e.g. Victoria Ballerina, Power Easy Slide, Hush Puppies Office Sneakers) yielded strong category traction, particularly in women's footwear.

The Easy Slide model achieved weekly sales of 4,000 pairs, targeting 10,000, with more launches planned

Franchise Network and SIS Expansion:

The franchise footprint grew sharply from under 100 stores four years ago to nearly 700, with plans to cluster and multiply stores per partner (currently 50% partners have 2+ stores) , especially in growing urban areas. The Shop-in-Shop (SIS) model has been restructured for renewed expansion, supporting multiple brand portfolios.

Other KTA's

- Largest distributor in North India faced disruption (July), affecting nearly 40% of inventory. This has since stabilized with a new 3PL partner.
- East is 20% of Bata's revenue and Durga Pooja and early Navratri did aid sales.
- KRO (Key Retail Outlet) expansion and multi-brand outlet transitions continue amidst GST-related changes, supporting recovery in lower price segments that were previously under pressure.
- Hushpuppies highest paid pair around Rs 20K

Bata Q2FY26 Conference Call KTA's with Presentation Highlights	
BARND'S:	
1. Floatz	Growth +32% YoY Vol +29% YoY ASP: Floatz v/s Bata 1.17x
	Average Weekly Sales 34K
2. Power Move+	
	Checkout rate @ 6.6% with Avg sales @ 2K a week Distribution will grow from 800 doors in Q1 FY'26 to 1,140 doors in Q3 FY'26 no. of line to increased by 4 from 7 currently
3. Power	Easy Slide: Checkout Rate: 4.5% to 5% QoQ Avg weekly sales @ 4K Doors planned 800+
	Stamina:Checkout Rate: 4% 1K a week Sept 25 v/s 1.5k a week June 25 Doors 480 planned
4. Hush Puppies	150 stores
	HP Office Sneakers +30% YoY
Other KTA's	
Coverage	Towns: 1635 v/s 1590 QoQ v/s 1560 YoY Key Retail Outlets 1478 v/s 1065 YoY
	14800 MBO's and 320+ distributors reached
Zero Based Mechandising	June-25 @ 199, Sept -25 @ 300 Aim Dec -25 @ 400 and Dec-26 @800
	Delta v/s Control store: NPS +400bps, UPT G 5.8%, turnover 6.7%
Inventory	clutter reduced to 0.7x YoY
	Overall availability increased by 14%
	Inventory down 12.7% YoY to 7215mn Stock turns 2.18x aim 2.5x
Other KTA's	marketing investments 3.5% v/s 1.5% YoY
	Victoria Ballerina showing promising results with run rate of 34k quarterly

Source: Company

Other Details

Q2FY25	Q3FY25	Q4FY25	Q4FY25	Q1FY26	Q2FY26
600	606	624	624	644	661
1355	1347	1338	1338	1334	1339
1955	1953	1962	1962	1978	2000
117	117	119	119	117	150

Digital Sales Contribution % Wise	
Bata. Com	9%
B2C	28%
B2B	63%
Total	100%

Omni Contribution 4% of Retail

Source: Company

Quarterly Snapshot

Particulars (Rs Mns)					
Standalone	Q2FY26	Q2FY25	Growth YoY	Q1FY26	Growth QoQ
Net Sales	8013.34	8371.44	(4.3)	9418.43	(14.9)
Other Income	212.49	176.3	20.5	168.63	26.0
TOTAL INCOME	8225.83	8547.74	(3.8)	9587.06	(14.2)
RAW MATERIALS	-3574.5	-3604.4	(0.8)	-4383.5	(18.5)
Employee Cost	-1113.7	-1137.2	(2.1)	-1162.8	(4.2)
Other Expenses	-1876	-1885	(0.5)	-1886.3	(0.5)
EBIDTA	1661.73	1921.11	(13.5)	2154.47	(22.9)
EBIDTA (Excl O. Incom	1449.24	1744.81	(16.9)	1985.84	(27.0)
Less: Depreciation	-1049.7	-902.07	16.4	-1060.9	(1.0)
PBIT	612	1019.04	(39.9)	1093.62	(44.0)
Less: Interest Cost	-338.28	-317.92	6.4	-348.67	(3.0)
PBT (Before Exception	273.72	701.12	(61.0)	744.95	(63.3)
Exceptional	-82.69			-47.78	
PBT (Post Exceptional)	191.03	701.12	(72.8)	697.17	(72.6)
Tax	-53.44	-177.5	(69.9)	-180.17	(70.3)
PAT (Reported)	137.59	523.62	(73.7)	517	(73.4)
PAT (Adjusted)	197.1	523.62	(62.3)	552.4	(64.3)
Equity	642.64	642.64	-	642.64	-
FV	5	5		5	
EPS (on adjusted PAT)	1.5	4.1	(62.3)	4.3	(64.3)
OPM	18.1%	20.8%		21.1%	
NPM (Reported PAT)	1.7%	6.1%		5.4%	
Tax Rate	-28.0%	-25.3%		-25.8%	
% of Total Operating Income					
RAW MATERIALS	-44.61%	-43.06%		-46.54%	
Employee Cost	-13.9%	-13.6%		-12.3%	
Other Expenses	-23.4%	-22.5%		-20.0%	
EXPENDITURE	-81.9%	-79.2%		-78.9%	

Source: Company

Outlook and Valuations

Despite management's efforts to drive transformation and invest in franchise expansion and marketing, Bata's Q2FY26 results reflect substantial operational and financial vulnerability. While there are signs of improved inventory management, these internal efficiency gains have not translated into top-line growth or sustainable profitability.

At CMP of Rs 1071 Bata trades at 76x FY26e EPS of Rs 14 and 54x FY27e EPS of Rs 19.7. We continue to have a **NEUTRAL** view on the stock with a target price of Rs 985 (50x FY27e EPS of Rs 19.7).

Financials

P&L (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Net Operating Income	34,515.7	34,786.1	34,887.9	35,281.7	38,124.8
Raw Materials	(15,136.3)	(14,922.3)	(15,244.2)	(15,864.5)	(16,660.5)
Employee Cost	(4,186.9)	(4,199.6)	(4,623.7)	(4,552.0)	(4,870.6)
Other Expenses	(7,254.6)	(7,805.2)	(7,645.9)	(7,537.4)	(8,011.5)
Total Expenses	(26,577.8)	(26,927.1)	(27,513.8)	(27,953.9)	(29,542.7)
Operating Profit	7,937.9	7,859.0	7,374.1	7,327.8	8,582.1
Depreciation	(2,947.8)	(3,390.8)	(3,713.0)	(4,212.6)	(4,439.1)
PBIT	4,990.0	4,468.2	3,661.1	3,115.2	4,142.9
Other income	386.8	617.2	655.8	679.4	675.6
Interest	(1,078.5)	(1,170.1)	(1,284.8)	(1,381.0)	(1,447.0)
Extraordinary Items					
Profit before tax	4,298.4	3,915.3	3,032.1	2,413.5	3,371.5
Provision for tax	(1,068.3)	(881.2)	(957.2)	(570.8)	(842.9)
Reported PAT	3,230.0	3,034.1	3,306.5	1,842.7	2,528.6
Extraordinary Items	-	(409.0)	1,231.7	(130.5)	-
Minority Interest	0.0	0.0	0.0	0.0	0.0
Adjusted PAT	3,230.0	2,931.3	2,274.1	1,810.1	2,528.6

Balance Sheet	FY23	FY24	FY25	FY26E	FY27E
Equity capital	642.6	642.6	642.6	642.6	642.6
Reserves	13,739.5	14,626.3	15,106.0	15,661.6	16,905.0
Net worth	14,382.1	15,268.9	15,748.6	16,304.2	17,547.6
Def. Tax Liab.+Minority I	-	-	-	-	-
Longterm Debt	-	-	-	-	-
Short Term Debt	-	-	-	-	-
Total debt	-	-	-	-	-
Lease Liability	10,110.1	10,876.1	13,099.3	12,245.7	12,831.0
CAPITAL EMPLOYED	24,492.1	26,145.0	28,847.9	28,549.9	30,378.6
Total fixed assets	3,395.9	3,585.3	6,030.5	5,639.5	5,599.9
Right to Use of Assets	10560.3	11539.0	12109.3	11286.0	11825.4
Goodwill	-	-	-	-	-
Investments	5.0	5.0	10.0	245.2	245.2
Inventories	9,045.6	9,295.5	8,146.7	9,376.2	10,131.8
Sundry debtors	825.5	801.3	1,117.6	870.0	940.1
Cash & bank	5,312.0	4,079.6	6,344.5	5,645.9	6,966.3
Loans & advances	-	-	-	-	-
Other current assets	2,439.0	2,925.1	3,047.9	3,414.5	3,755.9
Sundry creditors	(4,093.5)	(2,996.8)	(3,494.6)	(3,805.0)	(4,564.5)
O. Current Liabilities	(1,695.9)	(1,472.2)	(2,177.3)	(1,821.2)	(2,003.3)
Provisions	(2,435.1)	(2,883.5)	(3,708.7)	(3,794.5)	(4,011.5)
Working capital	9,397.7	9,749.0	9,276.2	9,885.9	11,214.8
Deferred Tax Assets	1,133.3	1,266.7	1,421.9	1,493.3	1,493.3
Miscellaneous exp.	-	-	-	-	-
CAPITAL DEPLOYED	24,492.1	26,145.0	28,847.9	28,549.9	30,378.6

Cash Flow St. (Rs. mn)	FY23	FY24	FY25	FY26E	FY27E
Net Profit	3,230.0	2,625.1	3,306.5	1,712.3	2,528.6
Add: Dep. & Amort.	2,947.8	3,390.8	3,713.0	4,212.6	4,439.1
Cash profits	6,177.9	6,015.9	7,019.5	5,924.9	6,967.7
(Inc)/Dec in					
-Sundry debtors	(108.4)	24.2	(316.3)	247.7	(70.1)
-Inventories	(336.5)	(250.0)	1,148.8	(1,229.5)	(755.6)
-Loans/advances	-	-	-	-	-
-Current Assets	346.0	(486.1)	(122.8)	(366.6)	(341.4)
-Sundry creditors	(468.0)	(1,096.7)	497.8	310.4	759.6
-Others	170.5	(159.8)	860.7	(303.0)	234.4
Change in working capital	(396.4)	(1,968.3)	2,068.2	(1,341.0)	(173.1)
CF from Oper. activities	5,781.5	4,047.7	9,087.7	4,583.9	6,794.6
CF from Inv. activities	(4,598.2)	(4,559.0)	(6,733.5)	(3,233.5)	(4,939.0)
CF from Fin. activities	(5,559.1)	(721.0)	(89.4)	(2,049.0)	(535.2)
Cash generated/(utilised)	(4,375.8)	(1,232.4)	2,264.8	(698.6)	1,320.5
Cash at start of the year	9,687.7	5,312.0	4,079.6	6,344.5	5,645.9
Cash at end of the year	5,312.0	4,079.6	6,344.5	5,645.9	6,966.3
Ratios	FY23	FY24	FY25	FY26E	FY27E
OPM	23.0	22.6	21.1	20.8	22.5
NPM	9.3	8.3	6.4	5.0	6.5
Tax rate	(24.9)	(22.5)	(31.6)	(23.6)	(25.0)
Growth Ratios (%)					
Net Sales	44.6	0.8	0.3	1.1	8.1
Operating Profit	89.7	(1.0)	(6.2)	(0.6)	17.1
PAT	213.6	(9.2)	(22.4)	(20.4)	39.7
Per Share (Rs.)					
Net Earnings (EPS) (FV 5)	25.1	22.8	17.7	14.1	19.7
Cash Earnings (CPS)	48.1	46.8	54.6	46.1	54.2
Dividend	54.5	13.5	22.0	9.0	10.0
Book Value	111.9	118.8	122.5	126.9	136.5
Free Cash Flow	49.4	39.6	45.9	42.6	57.1
Valuation Ratios					
P/E(x)	42.6	46.96	60.5	76.0	54.4
P/B(x)	9.6	9.0	8.7	8.4	7.8
EV/EBIDTA(x)	16.7	17.0	17.8	18.0	15.2
Div. Yield(%)	5.1	1.3	2.1	0.8	0.9
FCF Yield(%)	4.6	3.7	4.3	4.0	5.3
Return Ratios (%)					
ROE	22.5	19.2	14.4	11.1	14.4
ROCE (Excluding Cash & Bank)	26.0	20.2	16.3	13.6	17.7

Source: Dalal & Broacha Research, Company

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