

**Bata continues to underperform**

Revenue was flat at Rs 9.42 bn on a low base of Rs.9.45 bn (LY Q1FY25 had recorded -1% YoY).

The management mentioned that fluctuating weather patterns and geopolitical uncertainties impacted demand.

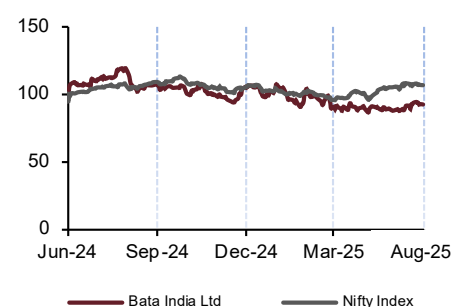
Q1FY26 had the lowest **Gross margins** since Q1FY23 at 53.5% down by 140bps YoY, **employee cost** lower by 3.4% YoY at Rs 1.16 bn and other expenses down by 11% YoY to Rs 1.9bn led absolute EBITDA rise by 7.2% YoY to Rs 1.99bn with margins at 21.1% v/s 19.6% YoY.

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 22% YoY to Rs 1.06bn, impacting PBT which de-grew YoY by 11% to Rs 745mn and adjusted PAT was down too by 17% (also aided by higher tax rate at 25.8% v/s 19.85 YoY)

Rating	TP (Rs)	Up/Dn (%)
NEUTRAL	1,100	5
Market data		
Current price	Rs	1,051
Market Cap (Rs.Bn)	(Rs Bn)	135
Face Value	Rs	5
52 Weeks High/Low	Rs	1477 / 1025
Average Daily Volume	('000)	289
BSE Code		500043
Bloomberg		BATA.IN

Source: Bloomberg

One Year Performance

Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY 23	FY 24	FY 25E	FY 26E	FY 27E
Net sales	34,516	34,786	34,888	36,716	39,646
<i>growth (%)</i>	<i>44.6</i>	<i>0.8</i>	<i>0.3</i>	<i>5.2</i>	<i>8.0</i>
EBIDTA	7,938	7,859	7,374	8,202	9,114
Margins	23	23	21	22	23
PAT(adj)	3,230	2,931	2,274	2,311	2,795
<i>growth (%)</i>	<i>213.6</i>	<i>(9.2)</i>	<i>(22.4)</i>	<i>1.6</i>	<i>20.9</i>
EPS (Rs)	25.1	22.8	17.7	18.0	21.7
P/E (x)	41.8	46.1	59.4	58.4	48.3
P/B (x)	9.4	8.8	8.6	8.6	7.9
EV/EBITDA (x)	16.3	16.7	17.5	15.7	14.0

Source: Company

% Shareholding	Jun-25	Mar-24
Promoters	50.16	50.16
Public	49.84	49.84
Total	100	100

Source: BSE

Kunal Bhatia
(022) 67141442
kunal.bhatia@dalal-broacha.com

Conference Call & Presentation KTA's

Bata Q1FY26 Conference Call KTA's with Presentation Highlights	
BARND'S:	
1. Floatz	<p>Growth +33% YoY Vol +29% YoY ASP: Floatz v/s Bata 1.17x</p> <p>Doors: Dual Density 400 Donald 238 Marble 238</p> <p>Checkout Rates: Dual Density @ 7% Donald @ 4% Marble 8%</p> <p><i>Floatz is the fastest growing brand for the company ,Rs 2bn sales reached</i></p> <p>average consumer profile for Floats is 8-10 years</p>
2. Power Move+	<p>Power Move+ value proposition, focusing on Tier 2 & 3 cities at PP 1699 -1999</p> <p>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</p>
3. Power	<p>Easy Slide: Checkout Rate: 3.9 to 4.5% QoQ no. of lines 15 to be increased to 24 by Q3'26 Doors 700 to 1140 Q3'26</p> <p>Stamina:Checkout Rate: 4% 1.5k a week Doors 250 no. of lines 6</p>
4. Hush Puppies	142 stores with 117 COCO 36 concept stores
Other KTA's	
Coverage	Towns: 1590v/s 1579QoQ v/s 1548 YoY Key Retail Outlets 1480 v/s 1161 YoY 15000 MBO's and 350+ distributors reached
Zero Based Mechandising	<p>Expanded to 194 from 146 stores QoQ <i>aims to add 50 ever quarter</i></p> <p>Lines reduced to 0.67x Inventory Reduction to 0.78x Avalibility +450bps</p> <p>Delta v/s Control stores : Volume +9.2%, turnover +6%, conversion +3.7%</p> <p><i>target in terms of reach was higher number of stores, was expected to cover ~300 by June</i></p>
Value Proposition through Price Point Reduction	<p>operating Price point @ 800 stores between Rs 399-499 check out rate has increased from 3.5% to 8% with Avg Sales @ 15K a week</p> <p>operating Price point @ 900 stores between Rs 799-999 check out rate has increased from 3% to 6.4% with Avg Sales @ 12K a week</p>
Key Initiatives	<p>Lines per store reduced by 25% YoY, clutter by 23% YoY</p> <p>Top Article availability increased by 7% YoY and overall availability by 7% aged inventory decreased by 48%</p> <p>Overall Inventory -16.5% QoQ to Rs 6741mn, building up for Festive now Stock turns 2.1 aim to get to 3.5</p>
Other KTA's	Sneakers contribute ~20% of store topline with ASP of 1.2x of store average

Bata Conference Call Financial KTA's	
Revenue	<i>Volume growth and ASP FLAT</i>
Gross Margins	<p><i>clearance of aged and discontinued inventory in the last couple of quarters was a partial reason for gross margin decline</i></p> <p>Also higher sales via Franchise leads to a slightly lower GM</p>
Inventory	Overall Inventory -16.5% QoQ to Rs 6741mn, building up for Festive now Stock turns 2.1 aim to get to 2.5
Other KTA's	<p>COCO store expansion has been flatish, will improve when enviornment improves,store closures have been very high improving margins by 40-50 basis points which are comprimised by break-even time taken by newer stores to the extent of 30-40bps. The pipeline of store closures has reduced YoY.</p> <p><i>Store additions guidance slightly lower to 130, with 80:20 ratio between Franchise and COCO</i></p>

Source: Company

Other Details

STORES	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q4FY25	Q1FY26
Franchise	566	600	606	624	624	644
COCO	1350	1355	1347	1338	1338	1334
Total	1916	1955	1953	1962	1962	1978
<i>Hush Puppies</i>	<i>115</i>	<i>117</i>	<i>117</i>	<i>119</i>	<i>119</i>	<i>117</i>

Digital Sales Contribution % Wise	
Bata. Com	9%
B2C	35%
B2B	56%
Total	100%

Omni Contribution 4% of Retail

Source: Company

Quarterly Snapshot

Particulars (Rs Mns)			Growth		
Standalone	Q1FY26	Q1FY25	YoY	Q4FY25	Growth QoQ
Net Sales	9418.43	9446.34	(0.3)	7877.7	19.6
Other Income	168.63	161.6	4.4	221.14	(23.7)
TOTAL INCOME	9587.06	9607.94	(0.2)	8098.84	18.4
Cost of Materials	-629.82	-549.09	14.7	-571.55	10.2
Purch of Stock in Trade	-2939.2	-2965.8	(0.9)	-3222.4	(8.8)
Changes in Inventories	-814.49	-753.72	8.1	476.66	(270.9)
Employee Cost	-1162.8	-1203.6	(3.4)	-1243.1	(6.5)
Other Expenses	-1886.3	-2122.4	(11.1)	-1558.6	21.0
EBIDTA	2154.47	2013.35	7.0	1979.77	8.8
EBIDTA (Excl O. Income)	1985.84	1851.75	7.2	1758.63	12.9
Less: Depreciation	-1060.9	-871.34	21.7	-1037	2.3
PBIT	1093.62	1142.01	(4.2)	942.82	16.0
Less: Interest Cost	-348.67	-307.74	13.3	-347.59	0.3
PBT (Before Exception)	744.95	834.27	(10.7)	595.23	25.2
Exceptional	-47.78	1339.52			
PBT (Post Exceptional)	697.17	2173.79	(67.9)	595.23	17.1
Tax	-180.17	-430.1	(58.1)	-159.72	12.8
PAT (Reported)	517	1743.69	(70.4)	435.51	18.7
PAT (Adjusted)	517	624.034	(17.2)	435.51	18.7
Equity	642.64	642.64	-	642.64	-
FV	5	5		5	
EPS (on adjusted PAT)	4.0	4.9	(17.2)	3.4	18.7
OPM	21.1%	19.6%		22.3%	
NPM (Reported PAT)	5.4%	18.1%		5.4%	
Tax Rate	-25.8%	-19.8%		-26.8%	
% of Total Operating Income					
RAW MATERIALS	-46.54%	-45.19%		-42.1%	
Employee Cost	-12.3%	-12.7%		-15.8%	
Other Expenses	-20.0%	-22.5%		-19.8%	
EXPENDITURE	-78.9%	-80.4%		-77.7%	

Source: Company

Outlook and Valuations

While Bata India continues to push multiple strategic initiatives, the reality remains that revenue growth has been stubbornly flat, with volumes and ASP showing no meaningful pickup. Persistent weakness in the lower price-point segment, slow demand in the broader consumption environment, and competitive pressure from online and D2C players are weighing on performance. Margins have also come under pressure due to gross margin contraction and the time lag before cost efficiency measures fully translate into profitability. Despite progress in store upgrades, portfolio refresh, and inventory management, these efforts have yet to deliver visible top-line traction, raising the risk that near-term growth could remain muted until market conditions improve and initiatives gain stronger commercial momentum.

At CMP of Rs 1051 Bata trades at 58x FY26e EPS of Rs 18 and 48x FY27e EPS of Rs 22. We continue to have a **NEUTRAL** view on the stock with a target price of Rs 1,100 (50x FY27e EPS of Rs 22).

Financials

P&L (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Net Operating Income	34,515.7	34,786.1	34,887.9	36,716.2	39,646.1
Raw Materials	(15,136.3)	(14,922.3)	(15,244.2)	(16,045.0)	(17,246.1)
Employee Cost	(4,186.9)	(4,199.6)	(4,623.7)	(4,764.9)	(5,098.4)
Other Expenses	(7,254.6)	(7,805.2)	(7,645.9)	(7,704.4)	(8,187.6)
Total Expenses	(26,577.8)	(26,927.1)	(27,513.8)	(28,514.3)	(30,532.1)
Operating Profit	7,937.9	7,859.0	7,374.1	8,201.9	9,114.0
Depreciation	(2,947.8)	(3,390.8)	(3,713.0)	(4,342.5)	(4,562.4)
PBIT	4,990.0	4,468.2	3,661.1	3,859.4	4,551.6
Other income	386.8	617.2	655.8	679.4	697.2
Interest	(1,078.5)	(1,170.1)	(1,284.8)	(1,457.1)	(1,521.8)
Extraordinary Items					
Profit before tax	4,298.4	3,915.3	3,032.1	3,081.7	3,727.0
Provision for tax	(1,068.3)	(881.2)	(957.2)	(770.4)	(931.7)
Reported PAT	3,230.0	3,034.1	3,306.5	2,311.2	2,795.2
Extraordinary Items	-	(409.0)	1,231.7	-	-
Minority Interest	0.0	0.0	0.0	0.0	0.0
Adjusted PAT	3,230.0	2,931.3	2,274.1	2,311.2	2,795.2

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	14,975.4	16,485.4
Net worth	14,382.1	15,268.9	15,748.6	15,618.0	17,128.0
Def. Tax Liab.+Minority I	-	-	-	-	-
Longterm Debt	-	-	-	-	-
Short Term Debt	-	-	-	-	-
Total debt	-	-	-	-	-
Lease Liability	10,110.1	10,876.1	13,099.3	13,837.3	14,451.1
CAPITAL EMPLOYED	24,492.1	26,145.0	28,847.9	29,455.3	31,579.2
Total fixed assets	3,395.9	3,585.3	6,030.5	6,036.7	5,976.1
Right to Use of Assets	10560.3	11539.0	12109.3	12791.6	13359.0
Goodwill	-	-	-	-	-
Investments	5.0	5.0	10.0	10.0	10.0
Inventories	9,045.6	9,295.5	8,146.7	9,757.5	10,536.1
Sundry debtors	825.5	801.3	1,117.6	905.3	977.6
Cash & bank	5,312.0	4,079.6	6,344.5	5,915.8	7,126.2
Loans & advances	-	-	-	-	-
Other current assets	2,439.0	2,925.1	3,047.9	3,352.7	3,688.0
Sundry creditors	(4,093.5)	(2,996.8)	(3,494.6)	(4,395.9)	(4,724.9)
O. Current Liabilities	(1,695.9)	(1,472.2)	(2,177.3)	(2,395.0)	(2,634.5)
Provisions	(2,435.1)	(2,883.5)	(3,708.7)	(3,945.3)	(4,156.2)
Working capital	9,397.7	9,749.0	9,276.2	9,195.1	10,812.1
Deferred Tax Assets	1,133.3	1,266.7	1,421.9	1,421.9	1,421.9
Miscellaneous exp.	-	-	-	-	-
CAPITAL DEPLOYED	24,492.1	26,145.0	28,847.9	29,455.3	31,579.2

Cash Flow St. (Rs. mn)	FY23	FY24	FY25	FY26E	FY27E
Net Profit	3,230.0	2,625.1	3,306.5	2,311.2	2,795.2
Add: Dep. & Amort.	2,947.8	3,390.8	3,713.0	4,342.5	4,562.4
Cash profits	6,177.9	6,015.9	7,019.5	6,653.7	7,357.6
(Inc)/Dec in					
-Sundry debtors	(108.4)	24.2	(316.3)	212.3	(72.2)
-Inventories	(336.5)	(250.0)	1,148.8	(1,610.7)	(778.6)
-Loans/advances	-	-	-	-	-
-Current Assets	346.0	(486.1)	(122.8)	(304.8)	(335.3)
-Sundry creditors	(468.0)	(1,096.7)	497.8	901.3	329.1
-Others	170.5	(159.8)	860.7	262.1	290.5
Change in working capital	(396.4)	(1,968.3)	2,068.2	(539.9)	(566.6)
CF from Oper. activities	5,781.5	4,047.7	9,087.7	6,113.9	6,791.0
CF from Inv. activities	(4,598.2)	(4,559.0)	(6,733.5)	(5,031.0)	(5,069.2)
CF from Fin. activities	(5,559.1)	(721.0)	(89.4)	(1,511.6)	(511.4)
Cash generated/(utilised)	(4,375.8)	(1,232.4)	2,264.8	(428.7)	1,210.4
Cash at start of the year	9,687.7	5,312.0	4,079.6	6,344.5	5,915.8
Cash at end of the year	5,312.0	4,079.6	6,344.5	5,915.8	7,126.2
Ratios	FY23	FY24	FY25	FY26E	FY27E
OPM	23.0	22.6	21.1	22.3	23.0
NPM	9.3	8.3	6.4	6.2	6.9
Tax rate	(24.9)	(22.5)	(31.6)	(25.0)	(25.0)
Growth Ratios (%)					
Net Sales	44.6	0.8	0.3	5.2	8.0
Operating Profit	89.7	(1.0)	(6.2)	11.2	11.1
PAT	213.6	(9.2)	(22.4)	1.6	20.9
Per Share (Rs.)					
Net Earnings (EPS) (FV 5)	25.1	22.8	17.7	18.0	21.7
Cash Earnings (CPS)	48.1	46.8	54.6	51.8	57.2
Dividend	54.5	13.5	12.0	19.0	10.0
Book Value	111.9	118.8	122.5	121.5	133.3
Free Cash Flow	49.4	39.6	45.9	50.8	56.6
Valuation Ratios					
P/E(x)	41.8	46.08	59.4	58.4	48.3
P/B(x)	9.4	8.8	8.6	8.6	7.9
EV/EBIDTA(x)	16.3	16.7	17.5	15.7	14.0
Div. Yield(%)	5.2	1.3	1.1	1.8	1.0
FCF Yield(%)	4.7	3.8	4.4	4.8	5.4
Return Ratios (%)					
ROE	22.5	19.2	14.4	14.8	16.3
ROCE (Excluding Cash & Bank)	26.0	20.2	16.3	16.4	18.6

Source: Dalal & Broacha Research, Company

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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