

**HOLD****SUHANI ADILABADKAR RESEARCH REPORT**30<sup>th</sup> March 30, 2024**BATA INDIA LTD****Standalone****Q3FY24****CMP**

Rs 1,364.25

**TARGET**

Rs 1,490

**QUARTERLY OUTLOOK & RECOMMENDATION**

Bata India Ltd, European footwear giant and India's most trusted Indian footwear brand reported lackluster December Quarter 2023.

Revenue was stagnant and came in at Rs 9,034 million in Q3FY24 compared to Rs 9,002 million same period previous year. Earnings before depreciation, interest, tax and amortization (EBDITA) margin was reported at 21.3% in Q3FY24 compared to 23.7% in the same period previous year. Operating margins fell due to higher advertisement spends and ERP implementation cost in December Quarter 2023.

Net Profit came in at Rs 573 million in Q3FY24 compared to Rs 831 million in corresponding quarter previous year, a fall of 31% YoY. Bata reported mid-single digit YoY volume growth in Q3FY24 on a base of -5% YoY volume growth in December Quarter 2022.

Bata India has maintained its superior product quality and credibility over the past 85 years. The company is gearing itself up to battle strong competitors like Metro Brands in premium segment and Relaxo and Campus in economy and mass segment. Economy segment which constitutes 34% of sales and 50% of product portfolio is a major growth damper for Bata India. Economy segment (below Rs 1,000) has been impacted by goods & service tax (GST) hike. GST has been increased from 5% to 12% on footwear below Rs 1,000 from January 2022. Sneakers and premium footwear category with Red Label, Floatz and Hush Puppies is growing strongly for Bata India.

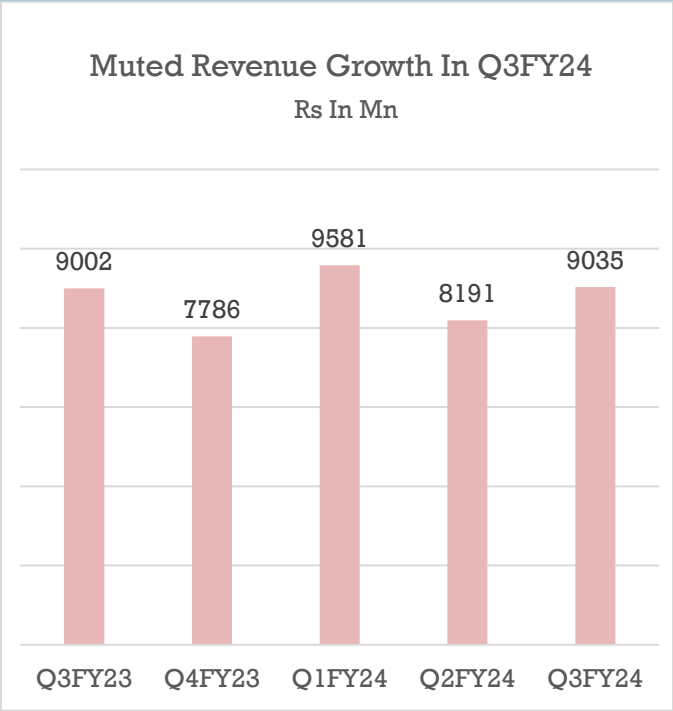
The largest footwear company in India is also feeling the heat in the school shoe segment. Sporty school shoes have replaced traditional buckle shoes which was Bata's forte. Relaxo and Campus Activewear is giving tough competition to Bata in school shoe segment.

Bata India is expanding aggressively through its franchise stores in tier 2-4 cities now touching 509 number in December 2023. The company has 1326 company owned company operated (COCO) stores with a total network of 1835 stores as on December 31<sup>st</sup> 2023. We recommend HOLD with a target price of Rs. 1490 with PE multiple of 71.03 x FY24E & 61.69 x FY25E.

INDUSTRY	FOOTWEAR		
SCRIP CODE	500043/INE176A01028		
FACE VALUE	Rs. 5.00		
MARKET CAP	Rs. 175344.32 Million		
52 WEEK HIGH/LOW	Rs.1,770.10/Rs.1,348.60		
SHAREHOLDING PATTERN (%)			
PROMOTER		50.16	
PUBLIC		49.84	
OTHERS		-	
TOTAL		100.00	
In Mn	Q3 FY24	Q3 FY23	CHN%
REVENUE	9034.72	9002.10	0%
PAT	573.09	831.11	-31%
EBDITA	1925.48	2135.88	-10%
EPS	4.46	6.47	-31%
In Mn	FY23A	FY24E	FY25E
REVENUE	34515.68	35390.37	38929.41
PAT	3191.17	2468.55	2842.49
EBDITA	8282.23	8347.65	8769.15
EPS	7.85	19.21	22.12
PE	54.95	71.03	61.69

**Bata India V/S S&P BSE SENSEX**

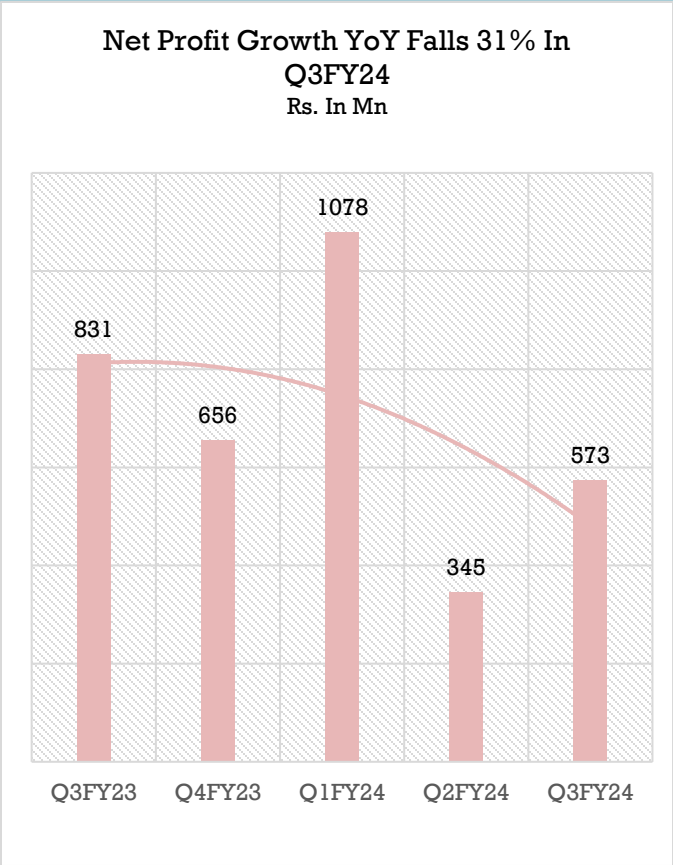
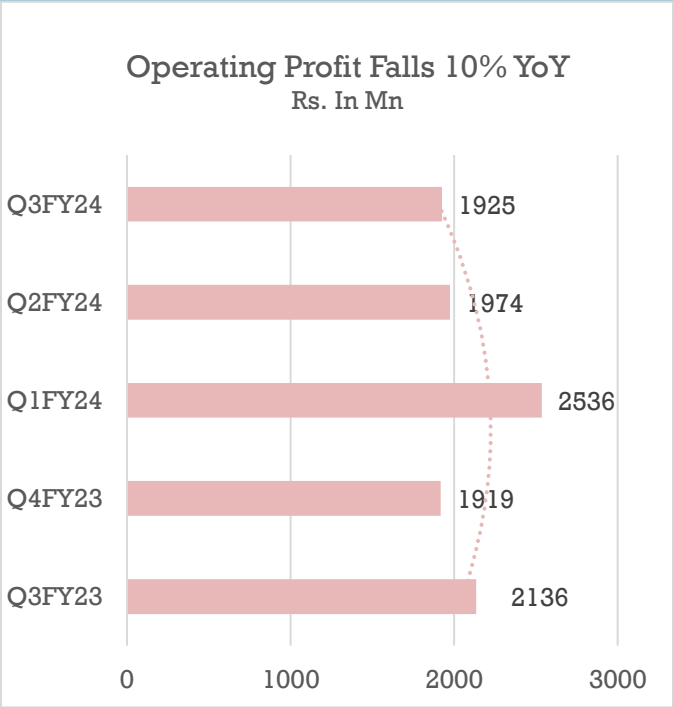
**Lackluster revenue and volume growth in Q3FY24, Bata still learning the ropes in apparel space**



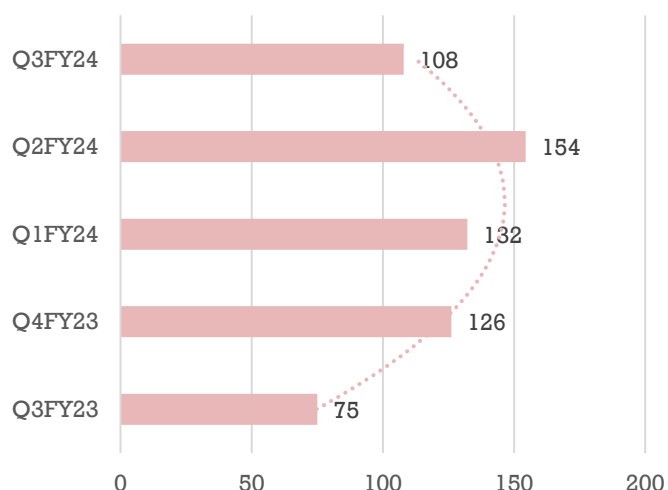
Bata’s premium category with Red Label and Floatz brands grew strongly in Q3FY24. The premium segment has been performing well for Bata offsetting mass segment lackluster growth. But the company has not taken any price increase for the past six quarters. Along with lower volume growth, no expansion in average selling price has impacted topline growth.

Bata India management is optimistic that growth will return to economy segment supported by its strong EBO and franchise network.

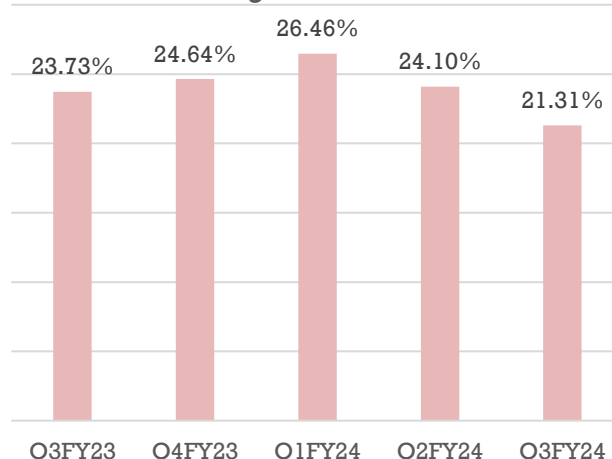
Bata India has forayed into apparel space and has launched its new business segment in 60 pilot stores. The management aims delta of more than 3% in apparel business. Bata India aims to achieve this in Q4FY24, before taking any decision on further expansion of apparel business.



### Other Income Jumps 44% YoY Rs. in mn



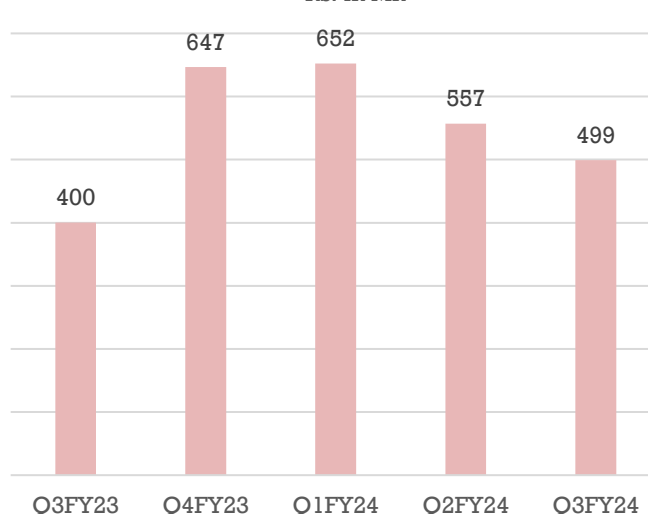
### Higher Advertisement & ERP Implementation Impacts Operating Margin In Q3FY24



## Not Surprisingly Bata

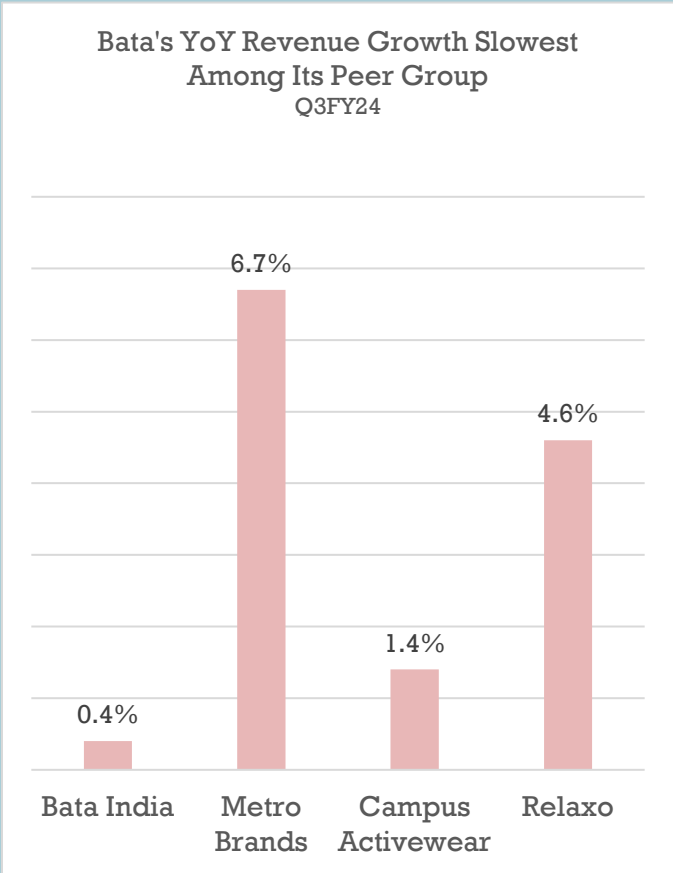
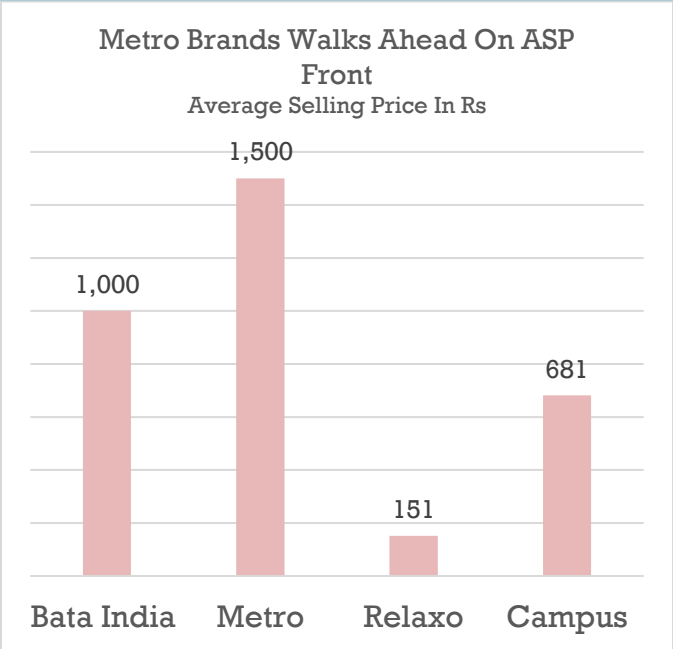
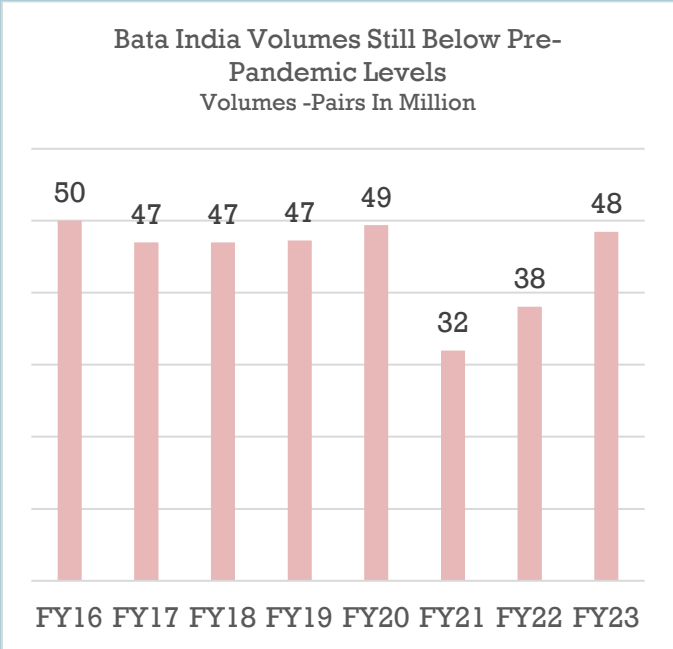
Rs. In Mn	Q3FY24	Q3FY23	CHG%
Cost Of Materials	499	400	25%
Purchases of Stock In Trade	3055	2022	51%
Employee Benefit Expense	1025	1029	0%
Finance Costs	293	286	3%
Depreciation	859	754	14%
Other Expenses	2213	1841	20%

### Raw Material Cost To Move Up With Volatile Crude & Higher Rubber Prices Rs. In Mn



Cost of raw material jumped 25% YoY and fell 10% sequentially in Q3FY24. Raw material cost is expected to follow an upward trajectory with rising crude and rubber prices. Major raw materials used by Bata India are rubber, polyurethane (PU) and ethylene vinyl acetate (EVA). PU is sourced from crude based chemicals and crude is on an upswing which might impact the overall raw material basket in the near future. While EVA prices are stable, rubber prices have increased considerably over the past few months. Average rubber prices were at Rs 150/kg levels in 2023 down 9-10% from 2022. Presently, rubber prices are at Rs 180 levels in March 2024. But raw material cost constitutes just 6% of total expenditure and 5.5% of revenues. Other expenses which include advertisement and

promotional expense is a major variable cost which has increased 20% YoY and 18% sequentially amid high competitive intensity. Other expenses constituted 28% of total expenditure in Q3FY24.



Bata's annual revenue CAGR is 4% and PAT CAGR stands at (0.8%) over the past three years. Revenue CAGR for the past three years is lowest for Bata compared to its peers Metro and Campus reporting 19% and 33% respectively. While Campus Activewear is driven by its sports segment, Metro Brand revenue expansion is aided by its strong premium product category. Reason for lower revenue growth for Bata lies in lower presence in semi-premium, premium and sports segment vis-à-vis peers and increasing competition in school shoes segment. Though Bata India has improved its average selling price (ASP) which is around Rs 1,000, it is still low compared to close peer Metro's Rs 1,500 levels in Q3FY24. Increase in ASP can be achieved by high penetration in premium, semi premium segment and reducing its dependence on mass and economy segment (Rs 500 and below). Strong revenue growth in economy/mass segment is tough due to GST hike and return of unorganized players in the footwear industry, three years post Covid-19. Metro Brands in 2023 announced its exit from economy segment.

Expenditure Mix (Rs. In Mn)	Q3FY24	Q2FY24	CGH%	Q2FY24	Q1FY24	CHG %	Q1FY24	Q4FY23	CHG %	Q4FY23	Q3FY23	CHG %
Cost Of Material Consumed	499.06	557.12	-10.4%	557.12	652.41	-15%	652.41	646.77	0.9%	646.77	400.41	61.5%
Purchase Of Stock In Trade	3054.95	3433.68	-11.0%	3433.68	3321.12	3%	3321.12	3205.67	3.6%	3205.67	2022.43	58.5%
Employee Benefit Expense	1025.05	1058.31	-3.1%	1058.31	1047.84	1%	1047.84	1039.35	0.8%	1039.35	1028.92	1.0%
Finance Costs	293.44	283.92	3.4%	283.92	281.36	1%	281.36	272.05	3.4%	272.05	285.76	-4.8%
Depreciation	858.73	815.78	5.3%	815.78	809.60	1%	809.60	764.67	5.9%	764.67	753.79	1.4%
Other Expenses	2213.21	1872.65	18.2%	1872.65	1794.54	4.4%	1794.54	1715.75	4.6%	1715.75	1841.08	-6.8%

## Corporate Profile

Bata has been holding a unique place in the hearts of Indians for more than 93 years. Bata offers footwear and accessories for the entire family. The company has re-defined the modern footwear industry in India. It has established a leadership position in the industry and is the most trusted name in branded footwear. Bata India sold 48 million pairs of footwear in FY23 and serves 120,000 customers almost every day. The company is the largest footwear retailer in India, offering footwear, accessories and bags across brands like Bata, Hush Puppies, Naturalizer, Power, Marie Claire, Weinbrenner, North Star, Scholl, Bata Comfit and Bubblegummers to name a few. It retails in over 1835 Bata stores and thousands of multi-brand footwear dealer stores pan-India.

**Financial Analysis**

**QUARTERLY PROFIT & LOSS STATEMENT OF BATA INDIA LTD FROM 30<sup>th</sup> June 2023 TO 31<sup>st</sup> March 2024E**

VALUE	30- June-23	30-Sep-23	31-Dec-23	31-March-24E
Rs. In Million	3 months	3 months	3 months	3 months
INCOME FROM OPERATIONS	9581.49	8191.18	9034.72	8582.98
OTHER INCOME	132.24	154.45	107.92	113.32
TOTAL INCOME	9713.73	8345.63	9142.64	8696.30
EXPENDITURE	-7178.02	-6371.34	-7217.16	-6784.13
EBDITA	2535.71	1974.29	1925.48	1912.17
DEPRECIATION	-809.60	-815.78	-858.83	-901.77
PROFIT BEFORE INTEREST & TAX	1726.11	1158.51	1066.65	1010.40
INTEREST	-281.36	-283.92	-293.44	-308.11
EXCEPTIONAL ITEM	0.00	-409.00	0.00	0.00
PROFIT BEFORE TAX	1444.75	465.59	773.21	702.29
TAX	-366.33	-120.70	-200.12	-230.14
PROFIT AFTER TAX	1078.42	344.89	573.09	472.15
EQUITY CAPITAL	642.64	642.64	642.64	642.64
FACE VALUE	5.00	5.00	5.00	5.00
EPS	8.39	2.68	4.46	3.67

ANNUAL PROFIT & LOSS STATEMENT OF BATA INDIA LTD FROM 2021 TO 2025E					
VALUE	31- Mar-21	31- Mar-22	31- Mar-23	31-Mar-24E	31-Mar 25E
Rs. In Million	12 months	12 months	12 months	12 months	12 months
INCOME FROM OPERATIONS	17072.99	23877.19	34515.68	35390.37	38929.41
OTHER INCOME	940.35	558.97	373.51	507.93	558.72
TOTAL INCOME	18013.34	24436.16	34889.19	35898.30	39488.13
EXPENDITURE	-15461.49	-19720.2	-26606.96	-27550.65	-30718.98
EBDITA	2551.85	4715.91	8282.23	8347.65	8769.15
DEPRECIATION	-2647.23	-2419.46	-2947.41	-3385.98	-3724.58
PROFIT BEFORE INTEREST & TAX	-95.38	2296.45	5334.82	4961.67	5044.58
INTEREST	-1035.45	-928.18	-1078.52	-1166.83	-1225.17
EXCEPTIONAL ITEM	-46.10	0.00	0.00	-409.00	0.00
PROFIT BEFORE TAX	-1176.93	1368.27	4256.30	3385.84	3819.40
TAX	274.13	-359.40	-1065.13	-917.29	-976.91
PROFIT AFTER TAX	-902.80	1008.87	3191.17	2468.55	2842.49
EQUITY CAPITAL	642.64	642.64	642.64	642.64	642.64
RESERVES	16955.09	17499.64	13696.35	16701.00	19543.49
FACE VALUE	5.00	5.00	5.00	5.00	5.00
EPS	-7.02	7.85	24.83	19.21	22.12

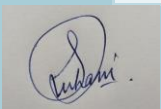
Ratio Analysis

Year	FY 21A	FY22A	FY23A	FY24E	FY25E
EPS	-7.02	7.85	24.83	19.21	22.12
NPM	-5.29%	4.23%	9.25%	6.98%	7.30%
EBDITA MAGIN	14.95%	19.75%	24.00%	23.59%	22.53%
ROE	-5.13%	5.56%	22.26%	14.23%	14.08%
BOOK VALUE	136.92	141.15	111.56	134.94	157.06
P/BV	9.96	9.66	12.23	10.11	8.69
PE	-194.22	173.80	54.95	71.03	61.69



**BALANCE SHEET OF BATA INDIA LTD FROM 2021-2025E**

<b>CAPITAL &amp; LIABILITIES</b> <b>(Rs. In Mn)</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>
<b>Share Capital</b>	642.64	642.64	642.64	642.64	642.64
<b>Retained Earnings</b>	16955.09	17499.64	13696.35	16701.00	19543.49
<b>NETWORTH</b>	17597.73	18142.28	14338.99	17343.64	20186.13
<b>NON CURRENT LIABILITIES</b>					
<b>Provisions</b>	20.64	20.27	0.00	48.75	58.50
<b>Lease Liabilities</b>	8596.65	8912.92	10093.42	9790.62	10280.15
<b>Other Financial Liabilities</b>	0.00	0.00	4.72	5.14	5.45
<b>TOTAL NON CURRENT LIABILITIES</b>	8617.29	8933.19	10098.14	9844.51	10344.10
<b>CURRENT LIABILITIES</b>					
<b>Trade Payables</b>	4395.69	4560.77	4088.80	4497.68	4767.54
<b>Lease Liability</b>	1726.11	2029.18	2356.68	3134.38	3604.54
<b>Other Financial Liabilities</b>	440.50	912.14	1054.75	1075.85	1129.64
<b>Other Current Liabilities</b>	299.87	402.28	631.60	663.18	742.76
<b>Current Tax Liabilities</b>	176.74	176.74	9.35	10.29	11.31
<b>Provisions</b>	85.79	89.82	75.94	288.57	317.43
<b>Current Tax Net Liabilities</b>	0.00	0.00	0.00	0.00	0.00
<b>TOTAL CURRENT LIABILITIES</b>	7124.70	8170.93	8217.12	6535.56	6968.68
<b>TOTAL EQUITY &amp; LIABILITIES</b>	33339.72	35246.40	32654.25	33723.71	37498.91
<b>ASSETS (Rs. In Mn)</b>					
<b>NON CURRENT ASSETS</b>					
<b>Property, Plant &amp; Equipment</b>	2815.32	2866.44	3202.47	3715.16	4271.82
<b>Capital Work In Progress</b>	291.48	37.23	16.14	19.37	23.24
<b>Right Of Use Asset</b>	8293.51	9206.58	10545.84	12127.72	13583.04
<b>Intangible Assets Under Development</b>	44.63	14.52	21.57	23.73	26.10
<b>Other Intangible Assets</b>	67.43	167.39	142.22	156.44	179.91
<b>Investments</b>	49.51	48.51	48.51	48.51	48.51
<b>Other Financial Assets</b>	1163.11	1227.02	1214.88	1275.62	1339.41
<b>Loans</b>	0.00	0.00	0.00	0.00	0.00
<b>Deferred Tax Assets</b>	1383.99	1048.51	1140.49	1254.54	1329.81
<b>Current Tax Assets</b>	558.99	586.27	230.09	115.05	120.80
<b>Other Non Current Assets</b>	101.41	84.50	41.92	134.14	147.56
<b>TOTAL NON CURRENT ASSETS</b>	14769.38	15286.97	16604.13	17594.65	19730.79
<b>CURRENT ASSETS</b>					
<b>Inventories</b>	6082.80	8709.08	9042.58	9494.70	10349.22
<b>Trade Receivables</b>	793.66	717.18	825.54	990.65	1109.53
<b>Cash &amp; Cash Equivalents</b>	544.33	177.29	745.47	931.84	1290.40
<b>Other Bank balances</b>	10391.31	9470.92	4486.44	3589.15	3804.50
<b>Loans</b>	33.89	0.00	0.00	29.25	30.71
<b>Other Current Financial Assets</b>	311.44	262.39	376.91	508.83	569.89
<b>Other Current Assets</b>	412.91	622.57	573.18	584.64	613.88
<b>TOTAL CURRENT ASSETS</b>	18570.34	19959.43	16050.12	16129.06	17768.13
<b>TOTAL ASSETS</b>	33339.72	35246.40	32654.25	33723.71	37498.91



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