

**HOLD****SUHANI ADILABADKAR RESEARCH REPORT**16<sup>th</sup> January, 2025**BATA INDIA LTD****Standalone****Q2FY25****CMP**

Rs 1,310.15

**TARGET**

Rs 1,620.00

**QUARTERLY OUTLOOK & RECOMMENDATION**

Bata India Ltd, European footwear giant and India's most trusted Indian footwear brand reported lackluster September Quarter 2024 results amid muted demand and high inflation.

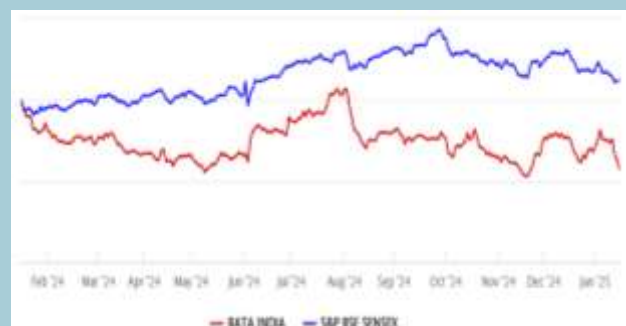
Revenues stood at Rs 8371 million in Q2FY25 compared to Rs 8,191 million same period previous year, a rise of 2% YoY. Earnings before interest, tax, depreciation and amortization (EBITDA) margin was reported at 22.95% in Q2FY25 compared to 24.10% in the same period previous year. Operating margins were impacted by inventory clearance undertaken by the company in September Quarter 2024. Net Profit came in at Rs 524 million in Q2FY25, a rise of 52% YoY due to base effect. Net Profit in Q2FY24 was lower at Rs 345 million, on account of VRS expenses of Rs 409 million during the quarter.

Bata India has maintained its superior product quality and credibility over the past 92 years. The company is known for its high quality affordable footwear. Post Covid, higher demand for athleisure, high competitive intensity with comeback of unorganized players and Goods and Services Tax (GST) hike on economy footwear segment (below Rs 1,000) has impacted Bata India revenue base. GST has been increased from 5% to 12% on footwear below Rs 1,000 from January 2022.

Economy segment constitutes 31% of total Bata India volumes. Floatz, Bata Comfit and Power are growing strongly for Bata India. The company is expanding aggressively through its franchise stores in tier 2-4 cities now touching 600 number in September Quarter 2024. Bata India added 34 new franchise stores in Q2FY25. The company has 1355 company owned company operated (COCO) stores with a total network of 1955 stores as on September 30<sup>th</sup> 2024.

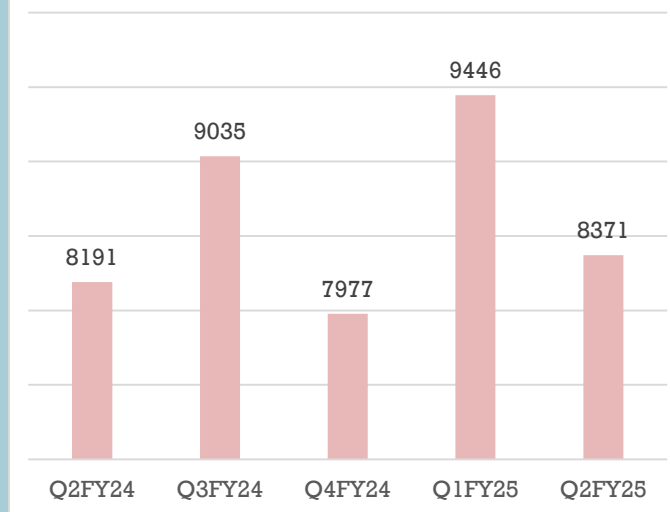
We recommend HOLD with a target price of Rs. 1620 with PE multiple of 59.79 x FY25E & 53.07x FY26E.

INDUSTRY	FOOTWEAR		
SCRIP CODE	500043/INE176A01028		
FACE VALUE	Rs. 5.00		
MARKET CAP	Rs. 168390.96 Million		
52 WEEK HIGH/LOW	Rs.1,632/Rs.1,269		
SHAREHOLDING PATTERN (%)			
PROMOTER		50.16	
PUBLIC		49.84	
OTHERS		-	
TOTAL		100.00	
Rs In Million	Q2FY25	Q2FY24	CHN%
REVENUE	8371.44	8191.18	2%
PAT	523.62	344.89	52%
EBDITA	1921.11	1974.29	-3%
EPS	4.07	2.68	52%
Rs In Million	FY24A	FY25E	FY26E
REVENUE	34784.13	35479.81	38353.68
PAT	2599.25	2767.88	3120.50
EBDITA	8449.38	8532.80	9298.24
EPS	20.22	21.91	24.69
PE	64.78	59.79	53.07

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

## Lower revenue growth in Q2FY25, Higher traction in lower tier cities & towns

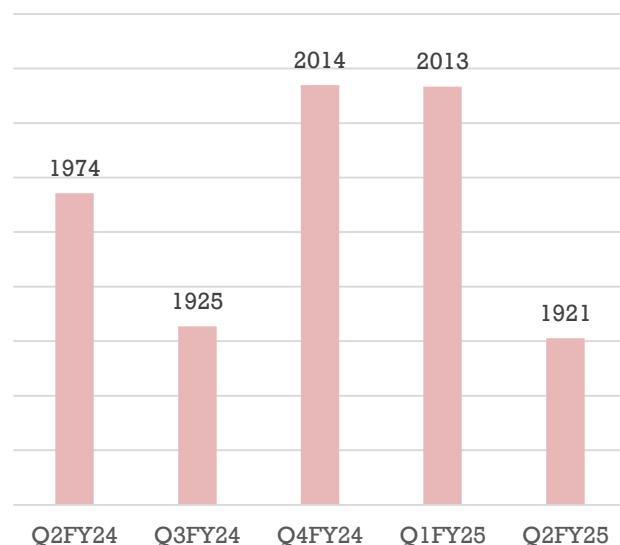
Revenue growth Falls 11.4% QoQ In Q2FY25  
Rs. In Million



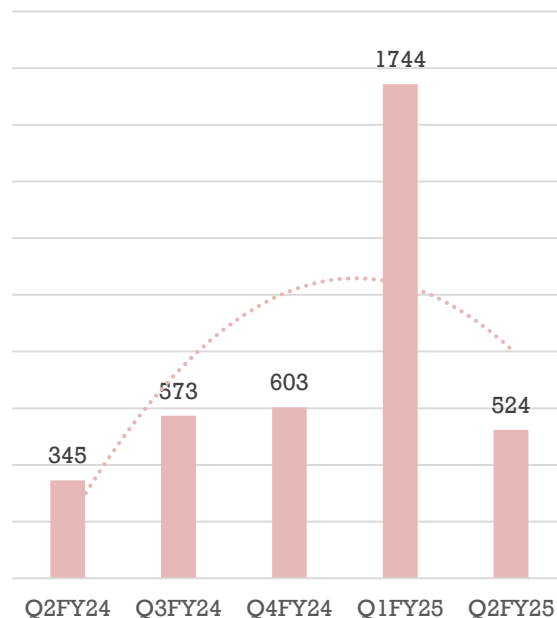
The management is optimistic of a turnaround in the mass segment supported by its strong EBO and franchise network. The mass segment, below Rs 1000 footwear now comprises 30% of total volumes which was nearly 50% in pre-Covid times. GST hike in 2022 led to change in product portfolio mix as lower priced products migrated to premium category. Over the past two years, GST hike and higher raw material inflation especially increase in rubber prices led to higher product prices impacting footwear demand in economy segment. Though Bata India is witnessing muted demand in the mid-mass segment, the premium segment continues to do well.

Lower tier cities and towns are seeing higher traction compared to larger cities. The company is expanding aggressively in tier 3-4 cities through franchisee model. The franchise model requires lower investment but also aggregates lower margins compared to company owned and company operated (COCO) stores.

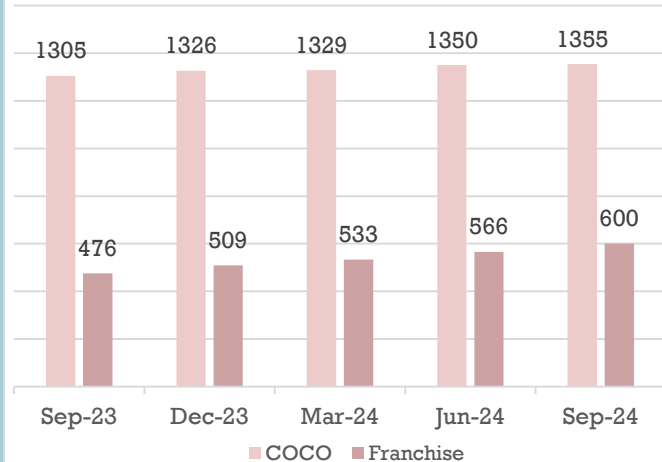
EBDITA Falls 5% QoQ & 3% YoY In Q2FY25



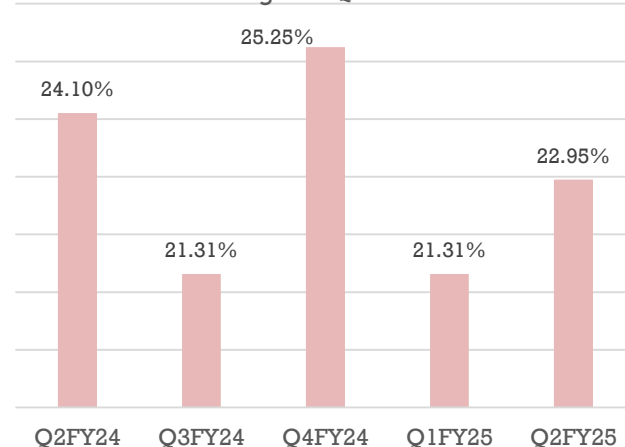
Net Profit Growth Jumps 52% YoY Due To Base Effect  
Rs. In Mn



**Bata India Moves With An Aggressive Franchise Model**



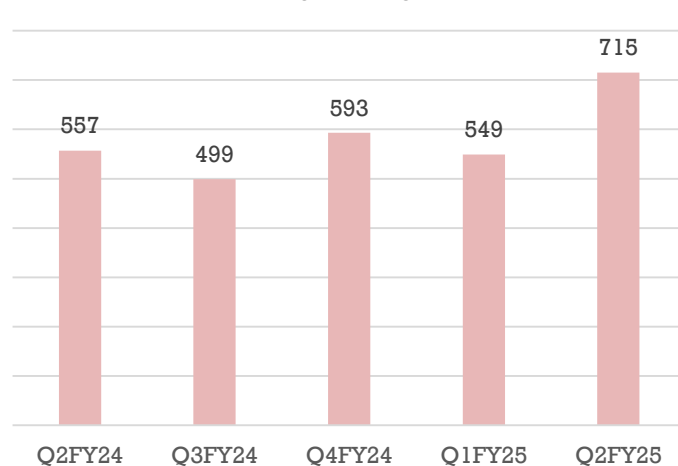
**Inventory Clearance Impacts EBITDA Margin In Q2FY25**



## Crude On The Rise, Store Size Reduced To Control Expenditure

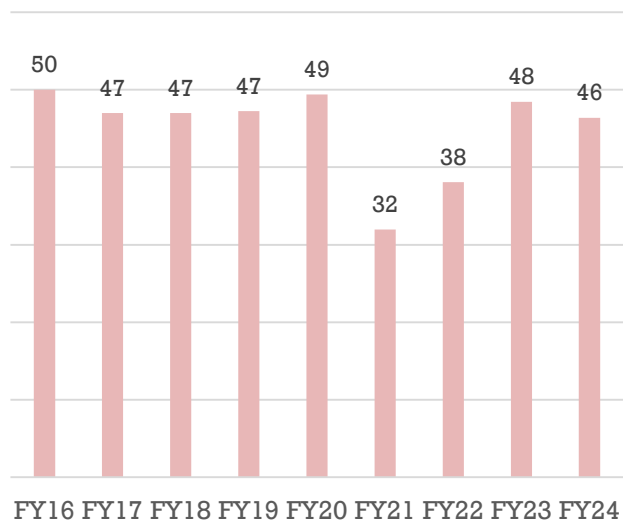
Rs. In Million	Q2FY25	Q2FY24	CHG%
Cost Of Materials	715	557	28%
Purchases of Stock In Trade	2895	3434	-16%
Employee Benefit Expense	1137	1058	7%
Finance Costs	318	284	12%
Depreciation	902	816	11%
Other Expenses	1848	1873	-1%

**Cost of Material Rises 28% YoY In Q2FY25**  
Rs. In Million

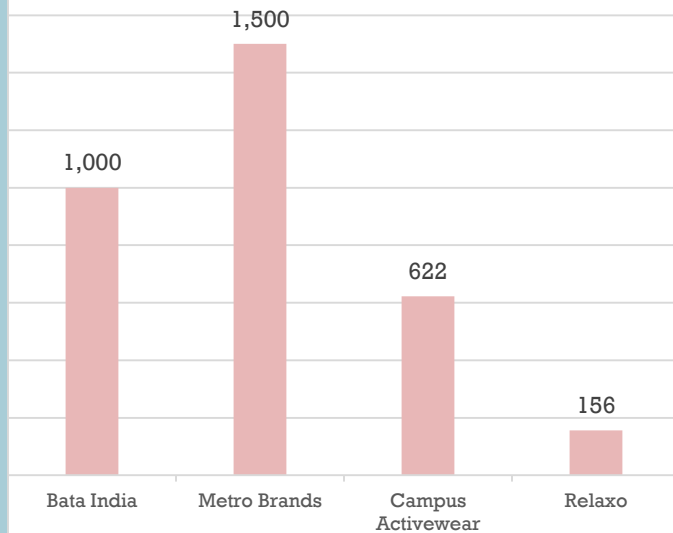


Cost of raw material jumped 28% YoY and rose 30% sequentially in Q2FY25. Major raw materials used by Bata India are rubber, polyurethane (PU) and ethylene vinyl acetate (EVA). PU is sourced from crude based chemicals and crude is rising over the past few days. While EVA prices are stable, rubber prices have fallen considerably from a high of Rs 250 per kg levels in August 2024 to current levels of Rs 180 per kg. But raw material cost constitutes just 9% of total expenditure and 8.5% of revenues. Other expenses which include advertisement and promotional expense is a major variable cost amid high competitive intensity constituting 22% of total expenditure in Q2FY25. The management is controlling expenditure by reducing store size by 30% in malls and 20% on high streets.

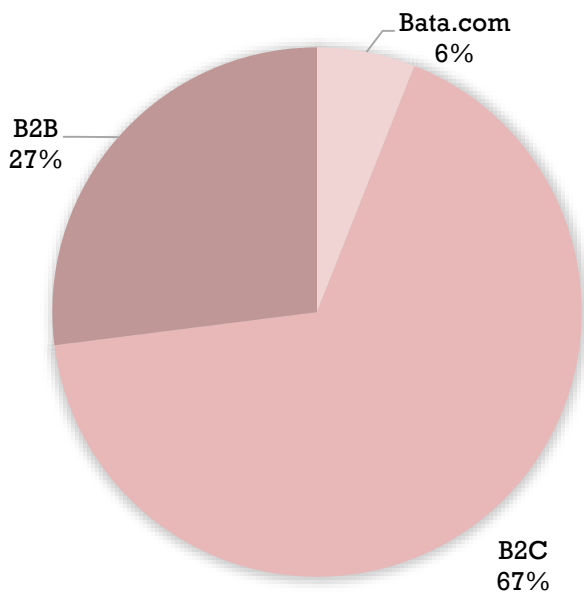
**Bata India Volumes Slides In FY24**  
Volumes -Pairs In Million



**Metro Brand Walks Ahead On ASP Front**  
Average Selling Price In Rs



**DIGITAL SALES CONTRIBUTION**



Bata's annual revenue CAGR is 3.5% and PAT CAGR stands at (4.6%) over the past five years. In Indian footwear industry, 25% of the market is dominated by top 30 players. The remaining footwear market is unorganized and highly fragmented. Bata India is facing tough competition from close peers such as Metro brands and Campus Activewear and also from players like Zudio, catering to both value and fashion conscious customers. The unorganized segment has also come strongly post-Covid giving competition in the mass segment. But the management is confident of strong turnaround in the mass segment in the near future. Bata India is doing well in semi-premium and premium segment. Bata Comfit volume is up 23% YoY in Q2FY25. Floatz is growing at a scorching pace selling 27,000 pairs on weekly basis. Bata Floatz volume increased 64% YoY compared to last year. Floatz brand contributes 3% to Bata India's ecommerce business. Power brand volume growth rose 6% YoY in Q2FY25. Bata India added four Power new exclusive brand outlets (EBOs) in Q2FY25 and targets 100 Power stores by the end of December 2024. Power brand contributes in mid-double-digits to overall Bata India turnover.

Expenditure Mix (Rs. In Mn)	Q2FY25	Q1FY25	CGH%	Q1FY25	Q4FY24	CHG %	Q4FY24	Q3FY24	CHG %	Q3FY24	Q2FY24	CHG %
Cost Of Material Consumed	715.11	549.09	30.2%	549.09	592.93	-7%	592.93	499.06	18.8%	499.06	557.12	-10.4%
Purchase Of Stock In Trade	2895.41	2965.81	-2.4%	2965.81	3169.90	-6%	3169.90	3054.95	3.8%	3054.95	3433.68	-11.0%
Employee Benefit Expense	1137.20	1203.57	-5.5%	1203.57	1051.36	14%	1051.36	1025.05	2.6%	1025.05	1058.31	-3.1%
Finance Costs	317.92	307.74	3.3%	307.74	309.20	0%	309.20	293.44	5.4%	293.44	283.92	3.4%
Depreciation	902.07	871.34	3.5%	871.34	901.93	-3%	901.93	858.83	5.0%	858.83	815.78	5.3%
Other Expenses	1848.32	2122.40	-12.9%	2122.40	1941.94	9.3%	1941.94	2213.21	-12.3%	2213.21	1872.65	18.2%

## Corporate Profile

Bata India, a symbol of trust and quality for Indian consumers, serving 250,000 customers every day has continuously evolved to cater diverse needs and preferences of Indian families to become the largest footwear retailer and manufacturer in the country.

Bata India sells 50 million pairs annually and its expansive retail network consists of more than 1900 stores (company owned company operated and franchise). The company is redefining the intersection of fashion and comfort through its various brands – Bata Red Label for in-trend global styles, Bata Comfit for technology-enabled comfort in daily wear, athleisure brand Power for fitness sneakers and apparel, NorthStar for sneakers inspired by global youth trends, fashionable range of clogs and slip-ons under Floatz, kids brand Bubblegummers and Hush Puppies the global brand that epitomizes comfort and elegance to name a few.

## QUARTERLY PROFIT & LOSS STATEMENT OF BATA INDIA LTD FROM 31<sup>st</sup> March 2024 To 31<sup>st</sup> Dec 2024E

VALUE	31-Mar-24	30-Jun-24	30-Sep-24	31-Dec-24E
Rs. In Million	3 months	3 months	3 months	3 months
INCOME FROM OPERATIONS	7976.74	9446.34	8371.44	9124.87
OTHER INCOME	220.12	161.60	170.98	179.53
TOTAL INCOME	8196.86	9607.94	8542.42	9304.40
EXPENDITURE	-6182.96	-7594.59	-6621.31	-7283.44
EBDITA	2013.90	2013.35	1921.11	2020.96
DEPRECIATION	-901.93	-871.34	-902.07	-920.11
PROFIT BEFORE INTEREST & TAX	1111.97	1142.01	1019.04	1100.85
INTEREST	-309.20	-307.74	-317.92	-324.28
EXCEPTIONAL ITEM	0.00	1339.52	0.00	0.00
PROFIT BEFORE TAX	802.77	2173.79	701.12	776.57
TAX	-199.92	-430.10	-177.50	-195.25
PROFIT AFTER TAX	602.85	1743.69	523.62	581.32
EQUITY CAPITAL	642.64	642.64	642.64	642.64
FACE VALUE	5.00	5.00	5.00	5.00
EPS	4.69	13.57	4.07	4.52

ANNUAL PROFIT & LOSS STATEMENT OF BATA INDIA LTD FROM 2022 TO 2026E					
VALUE	31- Mar-22	31- Mar-23	31- Mar-24	31-Mar-25E	31-Mar 26E
Rs. In Million	12 months	12 months	12 months	12 months	12 months
INCOME FROM OPERATIONS	23877.19	34515.68	34784.13	35479.81	38353.68
OTHER INCOME	558.97	373.51	614.73	676.20	777.63
TOTAL INCOME	24436.16	34889.19	35398.86	36156.02	39131.31
EXPENDITURE	-19720.2	-26606.96	-26949.48	-27623.22	-29833.07
EBDITA	4715.91	8282.23	8449.38	8532.80	9298.24
DEPRECIATION	-2419.46	-2947.41	-3386.14	-3555.45	-3910.99
PROFIT BEFORE INTEREST & TAX	2296.45	5334.82	5063.24	4977.35	5387.24
INTEREST	-928.18	-1078.52	-1167.92	-1202.96	-1275.14
EXCEPTIONAL ITEM	0.00	0.00	-409.00	0.00	0.00
PROFIT BEFORE TAX	1368.27	4256.30	3486.32	3774.39	4112.11
TAX	-359.40	-1065.13	-887.07	-958.04	-938.87
PROFIT AFTER TAX	1008.87	3191.17	2599.25	2816.36	3173.23
EQUITY CAPITAL	642.64	642.64	642.64	642.64	642.64
RESERVES	17499.64	13696.35	14557.32	14107.21	15517.97
FACE VALUE	5.00	5.00	5.00	5.00	5.00
EPS	7.85	24.83	20.22	21.91	24.69

Ratio Analysis

Year	FY 22A	FY23A	FY24A	FY25E	FY26E
EPS	7.85	24.83	20.22	21.91	24.69
NPM	4.23%	9.25%	7.47%	7.94%	8.27%
EBDITA MARGIN	19.75%	24.00%	24.29%	24.05%	24.24%
ROE	5.56%	22.26%	17.10%	18.01%	18.52%
ROCE	8.48%	21.83%	19.43%	18.28%	18.18%
Book Value	141.15	111.56	118.26	121.66	133.33
P/B	9.28	11.74	11.08	11.42	10.42
P/E	166.91	52.77	64.78	59.79	53.07



**BALANCE SHEET OF BATA INDIA LTD FROM 2022-2026E**

<b>CAPITAL &amp; LIABILITIES</b> <b>(Rs. In Million)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025E</b>	<b>2026E</b>
<b>Share Capital</b>	642.64	642.64	642.64	652.64	652.64
<b>Retained Earnings</b>	17499.64	13696.35	14557.32	14107.21	15517.97
<b>NETWORTH</b>	18142.28	14338.99	15199.96	14749.85	16160.61
<b>NON CURRENT LIABILITIES</b>					
<b>Provisions</b>	20.27	0.00	0.00	0.00	0.00
<b>Lease Liabilities</b>	8912.92	10093.42	10813.78	12435.85	13430.71
<b>Other Financial Liabilities</b>	0.00	4.72	46.91	46.19	46.91
<b>TOTAL NON CURRENT LIABILITIES</b>	8933.19	10098.14	10860.69	12482.04	13477.62
<b>CURRENT LIABILITIES</b>					
<b>Trade Payables</b>	4560.77	4088.80	2984.24	6058.01	6663.81
<b>Lease Liability</b>	2029.18	2356.68	2739.29	3478.90	3896.37
<b>Other Financial Liabilities</b>	912.14	1054.75	1011.08	920.08	966.09
<b>Other Current Liabilities</b>	402.28	631.60	461.06	622.43	715.79
<b>Current Tax Liabilities</b>	176.74	9.35	0.00	0.00	0.00
<b>Provisions</b>	89.82	75.94	139.82	128.63	141.50
<b>Current Tax Net Liabilities</b>	0.00	0.00	0.00	0.00	0.00
<b>TOTAL CURRENT LIABILITIES</b>	8170.93	8217.12	7335.49	7729.15	8487.19
<b>TOTAL EQUITY &amp; LIABILITIES</b>	35246.40	32654.25	33396.14	34961.04	38125.42
<b>ASSETS (Rs. In Million)</b>					
<b>NON CURRENT ASSETS</b>					
<b>Property, Plant &amp; Equipment</b>	2866.44	3202.47	3264.97	3297.62	3462.50
<b>Capital Work In Progress</b>	37.23	16.14	15.65	70.43	84.51
<b>Right Of Use Asset</b>	9206.58	10545.84	11519.16	13016.65	14578.65
<b>Intangible Assets Under Development</b>	14.52	21.57	21.57	0.00	0.00
<b>Other Intangible Assets</b>	167.39	142.22	268.93	271.62	285.20
<b>Investments</b>	48.51	48.51	48.51	59.18	62.14
<b>Other Financial Assets</b>	1227.02	1214.88	1284.26	1438.37	1510.29
<b>Loans</b>	0.00	0.00	0.00	0.00	0.00
<b>Deferred Tax Assets</b>	1048.51	1140.49	1266.73	1456.74	1602.41
<b>Current Tax Assets</b>	586.27	230.09	155.33	240.76	264.84
<b>Other Non Current Assets</b>	84.50	41.92	115.23	103.71	114.08
<b>TOTAL NON CURRENT ASSETS</b>	15286.97	16604.13	17960.34	18516.71	20454.33
<b>CURRENT ASSETS</b>					
<b>Inventories</b>	8709.08	9042.58	9293.24	8375.40	8951.61
<b>Trade Receivables</b>	717.18	825.54	801.13	1682.35	1934.70
<b>Cash &amp; Cash Equivalents</b>	177.29	745.47	490.77	809.06	849.51
<b>Other Bank balances</b>	9470.92	4486.44	3538.57	4175.51	4417.69
<b>Loans</b>	0.00	0.00	0.00	29.25	30.71
<b>Other Financial Assets</b>	262.39	376.91	363.39	454.24	522.37
<b>Other Current Assets</b>	622.57	573.18	752.91	918.52	964.49
<b>TOTAL CURRENT ASSETS</b>	19959.43	16050.12	15240.01	16444.33	17671.09
<b>Assets Classified As held For Sale</b>	0.00	0.00	195.79	0.00	0.00
<b>TOTAL ASSETS</b>	35246.40	32654.25	33396.14	34961.04	38125.42

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