

BATA**RESULT UPDATE****KEY DATA**

Rating	REDUCE
Sector relative	Neutral
Price (INR)	1,260
12 month price target (INR)	1,011
52 Week High/Low	1,633/1,136
Market cap (INR bn/USD bn)	162/1.9
Free float (%)	26.0
Avg. daily value traded (INR mn)	184.8

SHAREHOLDING PATTERN

	Mar-25	Dec-24	Sep-24
Promoter	50.16%	50.16%	50.16%
FII	6.93%	7.48%	8.81%
DII	29.46%	29.15%	27.12%
Pledge	0%	0%	0%

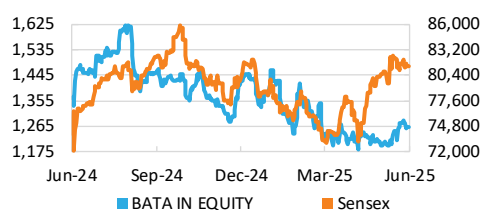
FINANCIALS

(INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	34,784	34,880	38,442	43,156
EBITDA	7,925	7,351	8,540	9,867
Adjusted profit	2,599	3,284	2,991	3,713
Diluted EPS (INR)	20.2	25.6	23.3	28.9
EPS growth (%)	(18.5)	26.4	(8.9)	24.1
RoAE (%)	19.5	15.9	18.1	20.0
P/E (x)	56.7	66.2	54.4	43.9
EV/EBITDA (x)	20.0	21.3	18.1	15.3
Dividend yield (%)	1.1	1.7	0.7	0.9

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	38,442	43,156	-2.5%	-5.3%
EBITDA	8,540	9,867	-5.1%	-8.2%
Adjusted profit	2,991	3,713	-3.7%	-14.3%
Diluted EPS (INR)	23.3	28.9	-3.7%	-14.3%

PRICE PERFORMANCE**ZBM ramp-up quickens; overall weak**

Bata's weak performance persisted in Q4FY25 with revenue contracting 1.2% YoY. While the company rolled out many measures at the back end, they have not yet translated to numbers. With all the cost optimisations in place, growth remains a key ask from the company. Management plans to extend the ZBM initiatives to 300 stores by Q1FY26E, which will cover 45–50% of the retail turnover for the company.

With situation on ground remaining similar to earlier quarters, we are further trimming revenue for FY26E/27E by -2.5%/-5.3% and the resultant PAT by -3.7%/-14.3%. Our revised TP works out to INR1,011 (earlier INR1,180); maintain 'REDUCE'.

ZBM pace picks up; contraction in top line continues

Bata reported revenue of INR7.9bn, contracting 1.2% YoY/14% QoQ. This included mid-single digit YoY volume growth (second consecutive positive volume growth quarter). Floatz format continued its 40%+ growth trajectory. Zero Base Merchandising Project (ZBM) was scaled up to 146 stores (17/8 until Q3/Q2). Although there is a shortfall on the initial guidance, the pace of implementation has picked up in the current quarter. The idea behind ZBM is to increase availability and reduce service time for customers, thereby leading to a reduction in inventory levels on a per-store basis. Bata expects to implement ZBM in 300 stores by end of Q1FY26 as the pace has now increased post-initial difficulties. This implementation is expected to cover 45–50% of the company's retail turnover. Inventory days on COGS have come off by 15 days, whereas on sales, despite the flat growth, have improved by 5%.

Gross margins declined by 213bp YoY to 58%, a trend we saw in H1 as well, due to a change in channel mix, as volume growth has been led by franchisee and e-com channels, which operate at lower margins. Intangible assets increased from INR269mn to INR2,674mn because of a change in accounting treatment for sum paid to one of company's license brands, which was earlier charged to other expenses as royalty. Decline in EBITDA margin was controlled at 16bp and fell 2% on an absolute basis to INR1.76bn. PAT fell 28% YoY on account of lower productivity.

Store expansion to pick up pace

Bata added 19 franchisee stores this quarter and 91 during FY25, taking the count to 624. Overall, store count increased by 9/100 in Q4/FY25, taking the overall count to 1,962. The company has guided for higher store expansion in FY26 split in the ratio of 80:20 for Franchisee: COCO stores.

Financials

Year to March	Q4FY25	Q4FY24	% Change	Q3FY25	% Change
Net Revenue	7,878	7,977	(1.2)	9,185	(14.2)
EBITDA	1,759	1,794	(2.0)	1,991	(11.6)
Adjusted Profit	436	603	(27.8)	905	(51.9)
Diluted EPS (INR)	3.4	4.7	(27.8)	7.0	(51.9)

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Total operating income	34,784	34,880	38,442	43,156
Gross profit	19,840	19,630	21,720	24,383
Employee costs	4,183	4,616	4,997	5,610
Other expenses	5,570	5,376	5,833	6,372
EBITDA	7,925	7,351	8,540	9,867
Depreciation	3,386	3,712	4,074	4,501
Less: Interest expense	1,259	1,284	1,283	1,460
Add: Other income	615	651	805	1,046
Profit before tax	3,895	3,006	3,988	4,951
Prov for tax	887	953	997	1,238
Less: Other adj	0	0	0	0
Reported profit	3,008	2,053	2,991	3,713
Less: Excp. item	(409)	1,232	0	0
Adjusted profit	2,599	3,284	2,991	3,713
Diluted shares o/s	129	129	129	129
Adjusted diluted EPS	20.2	25.6	23.3	28.9
DPS (INR)	13.5	21.9	9.3	11.6
Tax rate (%)	22.8	31.7	25.0	25.0

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Total Stores	1,862.0	1,962.0	2,092.0	2,222.0
Store Addition	158.0	100.0	130.0	130.0
Revenue per sq ft	7,271.7	7,302.8	7,611.7	8,063.8
EBITDA margin (%)	22.8	21.1	22.2	22.9
Net profit margin (%)	7.5	9.4	7.8	8.6
Revenue growth (% YoY)	0.8	0.3	10.2	12.3
EBITDA growth (% YoY)	(1.1)	(7.2)	16.2	15.5
Adj. profit growth (%)	(18.5)	26.4	(8.9)	24.1

Assumptions (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Total Space	3.7	3.8	4.0	4.2

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted P/E (x)	56.7	66.2	54.4	43.9
Price/BV (x)	10.7	10.4	9.3	8.3
EV/EBITDA (x)	20.0	21.3	18.1	15.3
Dividend yield (%)	1.1	1.7	0.7	0.9

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Share capital	643	643	643	643
Reserves	14,557	15,016	16,811	19,039
Shareholders funds	15,200	15,659	17,453	19,681
Minority interest	0	0	0	0
Borrowings	0	0	0	0
Trade payables	2,984	3,492	3,829	4,299
Other liabs & prov	1,369	1,051	1,407	1,754
Total liabilities	33,153	36,714	39,445	42,873
Net block	3,265	3,200	2,815	2,360
Intangible assets	11,810	14,784	14,541	14,050
Capital WIP	16	145	145	145
Total fixed assets	15,090	18,129	17,501	16,555
Non current inv	49	54	54	54
Cash/cash equivalent	4,029	6,239	8,535	11,446
Sundry debtors	801	1,115	1,229	1,380
Loans & advances	3,047	1,986	2,056	2,149
Other assets	10,137	9,191	10,070	11,288
Total assets	33,153	36,714	39,445	42,873

Free Cash Flow (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Reported profit	3,008	2,053	2,991	3,713
Add: Depreciation	3,386	3,712	4,074	4,501
Interest (net of tax)	843	861	860	978
Others	(4,228)	800	(704)	(1,301)
Less: Changes in WC	(1,988)	1,278	(161)	(369)
Operating cash flow	4,997	6,147	7,382	8,260
Less: Capex	(978)	825	(726)	(726)
Free cash flow	4,019	6,972	6,656	7,534

Key Ratios

Year to March	FY24A	FY25A	FY26E	FY27E
RoE (%)	19.5	15.9	18.1	20.0
RoCE (%)	18.5	14.1	15.9	18.1
Inventory days	96	91	81	80
Receivable days	9	10	11	11
Payable days	37	34	35	34
Working cap (% sales)	24.0	18.1	17.4	17.0
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.3)	(0.4)	(0.5)	(0.6)
Interest coverage (x)	3.6	2.8	3.5	3.7

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	(18.5)	26.4	(8.9)	24.1
RoE (%)	19.5	15.9	18.1	20.0
EBITDA growth (%)	(1.1)	(7.2)	16.2	15.5
Payout ratio (%)	60.2	114.6	40.0	40.0

Q4FY25 conference call highlights

Q4FY25

- There has been a revival in the contribution from the sub-INR1,000 price segment, which is a positive sign for broader growth.
- Hush Puppies and Power continue to be the company's key brands after Bata, each contributing around 20% to overall sales.
- Demand conditions remain subdued across the market.
- The company is actively working on reducing product clutter at its stores to streamline the assortment.
- One of the licensed brands underwent a change in its agreement, which led to a shift in accounting treatment. Previously recorded under "other expenses (royalty)" it is now recognized as an intangible asset, in line with Ind AS compliance. This will be a recurring accounting change going forward.
- The decline in "other expenses" is partly due to the accounting change mentioned above and partly due to internal cost control initiatives.
- Excluding the impact of gross margins, the overall cost structure has improved and is lower than previous quarters.
- Floatz continues to grow strongly, recording over 40% YoY growth, driven by higher volumes. The brand has increased collaborations with Marvel and is exploring additional partnerships to enhance its appeal among children.
- Hush Puppies is expanding through both franchisee and COCO formats. The Office Sneakers collection, fronted by Vir Das and Sahiba Bali, received a strong response and helped strengthen the brand's position in the semi-formal footwear segment.
- Bata's inventory was reduced by 16.3% YoY in FY25. There is further potential to reduce inventory levels, and management plans to implement this in the coming periods.

Guidance and outlook

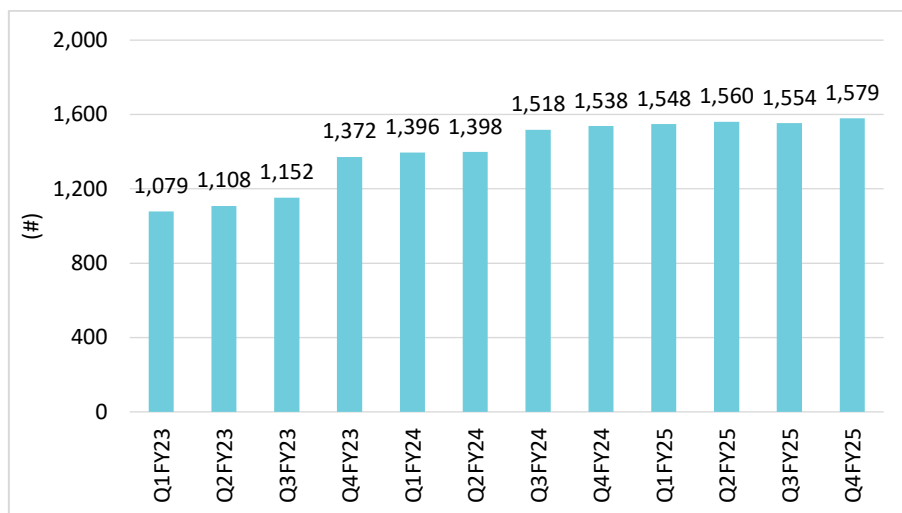
- The pace of ZBM rollout has increased and will continue through the current quarter. By the end of Q1FY26, ZBM is expected to be implemented in 300 stores, covering 45–50% of the company's retail turnover.
- The Power brand will be driven by continued investment in technology and innovation, with plans to increase distribution from 700 to 1,200 stores.
- Stamina, one of the premium segments, is also expected to expand further.
- Store additions in FY26 are projected to be higher than FY25, with an estimated split of 80% Franchisee and 20% COCO formats.
- Floatz is expected to reach approximately INR2bn in sales over the coming year.
- Bata aims to pursue a volume-led revenue growth strategy going forward.
- Enhancing inventory agility will remain a key focus area to support operating leverage and improve profitability.

Exhibit 1: Store count mix

Door Count (%)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Bata	65%	64%	63%	63%	62%
FRN	29%	30%	31%	31%	32%
Hush Puppies	6%	6%	6%	6%	6%
Total door count (stores)	1,862	1,916	1,955	1,953	1,962

Source: Company, Nuvama Research

Exhibit 2: MBO distribution town coverage



Source: Company, Nuvama Research

Exhibit 3: Valuation summary

EPS - FY27	28.9
Target PE	35
TP (INR)	1,011
CMP	1,261
% Upside	-20%

Source: Company, Nuvama Research

Exhibit 4: Quarterly summary

Year to March	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY24	FY25	YoY (%)
Net revenues	7,878	7,977	(1.2)	9,185	(14.2)	34,784	34,880	0.3
Direct costs	3,317	3,190	4.0	4,029	(17.7)	14,945	15,251	2.0
Employee expenses	1,243	1,051	18.2	1,032	20.4	4,183	4,616	10.4
Other expenses	1,559	1,942	(19.7)	2,133	(26.9)	7,732	7,662	(0.9)
EBIDTA	1,759	1,794	(2.0)	1,991	(11.6)	7,925	7,351	(7.2)
Depreciation & Amortisation	1,037	902	15.0	901	15.0	3,386	3,712	9.6
EBIT	722	892	(19.1)	1,089	(33.7)	4,539	3,639	(19.8)
Less: Interest Expense	348	309	12.4	311	11.7	1,259	1,284	2.0
Add: Other income	221	220	0.5	97	127.5	615	651	5.9
Add: Exceptional items	0	0	NM	-108	NM	(409)	1,232	NM
Profit before Tax	595	803	(25.9)	767	(22.4)	3,486	4,237	21.5
Less: Provision for Tax	160	200	(20.1)	186	(13.9)	887	953	7.4
Less: Minority Interest	0	0	NM	0	NM	-	-	NM
Reported Profit	436	603	(27.8)	582	(25.1)	2,599	3,284	26.4
Adjusted Profit	436	603	(27.8)	663	(34.4)	3,008	2,053	(31.8)
No. of Dil. shares outstanding (mn)	129	129	-	129	-	129	129	-
EPS	3	5	(27.8)	5	(25.1)	20	26	26.4
As % of net revenue			bps		bps			bps
Direct costs	42.1	40.0	212.3	43.9	(175.5)	43.0	43.7	75.9
Employee expenses	15.8	13.2	260.0	11.2	454.1	12.0	13.2	121.0
Other expenses	19.8	24.3	(456.0)	23.2	(343.8)	22.2	22.0	(26.0)
EBIDTA	22.3	22.5	(16.3)	21.7	65.2	22.8	21.1	(171.0)
Net profit	5.5	7.6	(202.9)	7.2	(169.5)	8.6	5.9	(276.3)
Tax rate	26.8	24.9	193.0	24.2	264.4	25.4	22.5	(295.6)

Source: Company, Nuvama Research

Company Description

Established in 1931, Bata India is the largest retailer and manufacturer of footwear in India and part of the Bata Shoe Organization. It has a pan-India retail presence with 1,962 stores across cities, including franchisee stores.

The company also offers footwear, accessories and bags across brands such as Bata, Hush Puppies, Naturalizer, Power, Marie Claire, Weinbrenner, North Star, Scholl, and Bubblegummers.

Investment Theme

Sizing up comfort: A journey of ups and downs

Bata has braved ups and downs since the turn of the millennium. The Bata brand's legacy held it in good stead, but soon became its Achilles heel with competition setting in, and the company finding it hard to reinvent its image/perception as a chic and aspirational brand. In the past, utility products and pricing helped Bata become the go-to brand, but its low fashion quotient is averting repeat purchases, and hence growth has been missing. Bata was never a truly aspirational brand, unlike a Jockey. Management has made multiple course corrections, but growth has lagged peers, leading to market share loss, mainly due to: i) brand perception, which has impacted SSSG; ii) under investment in sales & marketing; iii) limited scalability in non-EBO channel; iv) limited athleisure offerings; and v) management churn.

Training hard for a run: Focus on distribution expansion, franchisee

Bata is trying to address each of its pain points, i.e. brand perception, marketing and distribution expansion (online, wholesale and franchisee). Incremental benefit from the online channel shall be limited given current portfolio. Similarly, gains from a widened wholesale channel would be limited as it is a value-driven channel, which is a category where Bata lacks. SSSG uptick shall be a key growth driver. Brand perception has improved, but is still far from being aspirational.

Key Risks

- Muted growth
- Potential royalty hike
- Working capital spike due to channel mix, ERP rollout
- Inflation and slowdown in discretionary spending

Additional Data

Management

CEO	Gunjan Shah
CFO	
COO	
Other	
Auditor	PWC Chartered Accountants LLP

Holdings – Top 10*

	% Holding		% Holding
LIC	10.32	Vanguard Group	1.98
Mirae Asset	5.94	Nippon life AMC	1.74
ICICI Pru AMC	2.58	Fundrock management	1.63
Canara Robeco AMC	2.26	Norges Bank	1.36
Quant Money	2.04	HDFC Life Insurance	1.26

*Latest public data

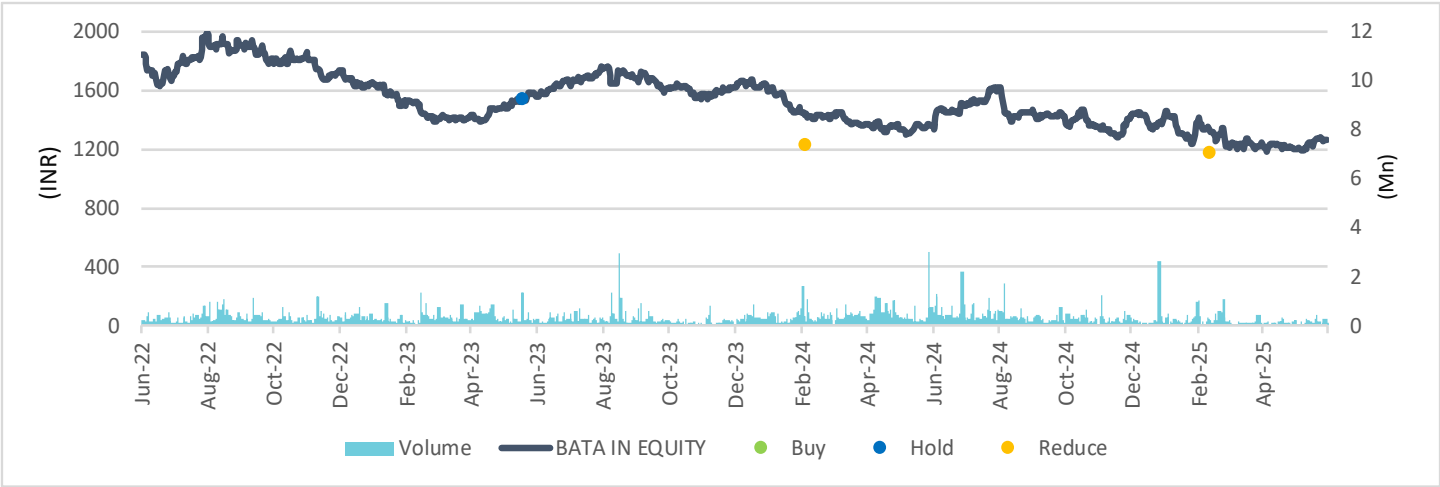
Recent Company Research

Date	Title	Price	Reco
12-Feb-25	Weak growth hides rising volumes; <i>Result Update</i>	1,354	Reduce
08-Nov-24	Muted growth continues; <i>Result Update</i>	1,336	Reduce
09-Aug-24	Predicament of missing growth; <i>Result Update</i>	1,444	Reduce

Recent Sector Research

Date	Name of Co./Sector	Title
30-May-25	Nykaa	BPC remains strong while fashion recover; <i>Result Update</i>
27-May-25	ABFRL	Missing growth in core portfolio; <i>Result Update</i>
24-May-25	Devyani International	Core portfolio delivers muted showing; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	203
Hold	<15% and >-5%	62
Reduce	<-5%	37

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