

## Footwear | Q4FY24 Result Update

## Expect gradual recovery; Downgrade to Reduce

- Bata's Q4FY24 results were ahead estimate. Revenue grew by 2.5% with 39% volume growth across e-com channel. On a 4-yr basis, Relaxo exhibited 8.4% growth while Bata registered 6.5% increase.
- The company has continued its sneakerization journey. In Q4FY24, Bata implemented sneaker studios across 698 stores. Further, it launched first Power EBO during the quarter. Moreover, it plans to extend Power brand across categories like apparel (currently present in 70 stores). Bata aims to open 10 Power EBO's and expand apparel reach to 100 stores by Dec'24. In addition, Bata also scaled up its distribution reach across 1,538 towns.
- Bata continued with its retail expansion drive in tier-3/4/5 cities through franchise route and added 24 (net) new stores, taking the franchise store count to 533. Further, the franchise volume growth was ~25%. Going ahead, management aspires to add 40 franchise every quarter.
- We lower our FY25/26E EPS estimates by 7.6/8.2% at Rs 27.2/32.9 to factor Q4 performance. Key triggers are 1) favorable base, 2) new advertising campaigns, 3) continued E-com traction and 4) ramp-up in store openings. Increase in brand investment would pressurize margin in FY25E. Valuing at 45x FY26E EPS we arrive at TP of Rs 1,480. Downgrade to 'Reduce' rating from Accumulate.

## Results above our estimate

Revenues grew by 2.5% YoY to Rs 8.0bn in Q4FY24, 3.5% above our estimate. On 4-yr CAGR basis, Relaxo exhibited 8.4% growth while Bata registered 6.5% increase. GM expanded 160bps to 60.0%. A 160/20bps decline in RM/employee exp was fully offset by 230bps increase in other expenses. Consequently, EBITDA margin contracted by 50bps to 22.5%. EBITDA was flat on YoY basis at Rs 1.8bn, 5.7% above our estimate. APAT de-grew by 8.0% YoY to Rs 603mn and came at 26.3% above our estimate due to higher than anticipated other income.

In Q4, the company added 3/24 COCO+SIS/franchise stores (including relocations). Going ahead, Bata is expected to increase franchise and SIS contribution compared to COCO stores.

## Q4FY24 Result (Rs Mn)

Particulars	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Revenue	7,977	7,786	2.5	9,035	(11.7)
Total Expense	6,183	5,993	3.2	7,217	(14.3)
EBITDA	1,794	1,792	0.1	1,818	(1.3)
Depreciation	902	765	18.0	859	5.0
EBIT	892	1,028	(13.2)	959	(7.0)
Other Income	220	126	74.6	108	104.0
Interest	309	272	13.7	293	5.4
EBT	803	882	(9.0)	773	3.8
Tax	200	226	(11.6)	200	(0.1)
RPAT	603	656	(8.0)	573	5.2
APAT	603	656	(8.0)	573	5.2
			(bps)		(bps)
Gross Margin (%)	60.0	58.4	160	56.0	405
EBITDA Margin (%)	22.5	23.0	(53)	20.1	237
NPM (%)	7.6	8.4	(86)	6.3	121
Tax Rate (%)	24.9	25.7	(75)	25.9	(98)
EBIT Margin (%)	11.2	13.2	(202)	10.6	57

CMP	Rs 1,365
Target / Upside	Rs 1,480 / 8%
NIFTY	22,531
<b>Scrip Details</b>	
Equity / FV	Rs 643mn / Rs 5
Market Cap	Rs 175bn
	USD 2.1bn
52-week High/Low	Rs 1,771 / 1,294
Avg. Volume (no)	4,65,017
Bloom Code	BATA IN
<b>Price Performance</b>	
1M	3M
Absolute (%)	0 (3) (14)
Rel to NIFTY (%)	0 (6) (35)

## Shareholding Pattern

	Sep'23	Dec'23	Mar'24
Promoters	50.2	50.2	50.2
MF/Banks/FIs	30.0	29.7	28.3
FII	7.5	7.9	8.2
Public / Others	12.4	12.3	13.3

## Valuation (x)

	FY24P	FY25E	FY26E
P/E	58.3	50.2	41.5
EV/EBITDA	21.9	19.2	16.6
ROE (%)	17.6	21.1	21.5
RoACE (%)	15.7	16.3	17.2

## Estimates (Rs bn)

	FY24P	FY25E	FY26E
Revenue	34.8	37.6	40.6
EBITDA	7.8	8.8	9.9
PAT	3.0	3.5	4.2
EPS (Rs.)	23.4	27.2	32.9

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### Exhibit 1: Actual V/S DART Estimates

Particulars (Rs mn)	Actual	Estimates	Variance (%)	Comments
Revenue	7,977	7,708	3.5	Demand in March was better than estimate
EBITDA	1,794	1,697	5.7	
EBITDA margin %	22.5	22.0	50bps	GM performance was better than estimate
APAT	603	477	26.3	Higher other income and cascading effect of higher EBITDA

Source: DART

### Exhibit 2: Change in estimates

Particulars (Rs mn)	FY25E			FY26E		
	New	Old	Chg. (%)	New	Old	Chg. (%)
Revenue	37,567	37,836	(0.7)	40,572	40,863	(0.7)
EBITDA	8,762	9,048	(3.2)	9,909	10,303	(3.8)
EBITDA margin (%)	23.3	23.9	(60bps)	24.4	25.2	(80bps)
PAT	3,494	3,781	(7.6)	4,228	4,607	(8.2)
EPS (Rs)	27.2	29.4	(7.6)	32.9	35.8	(8.2)

Source: Company DART

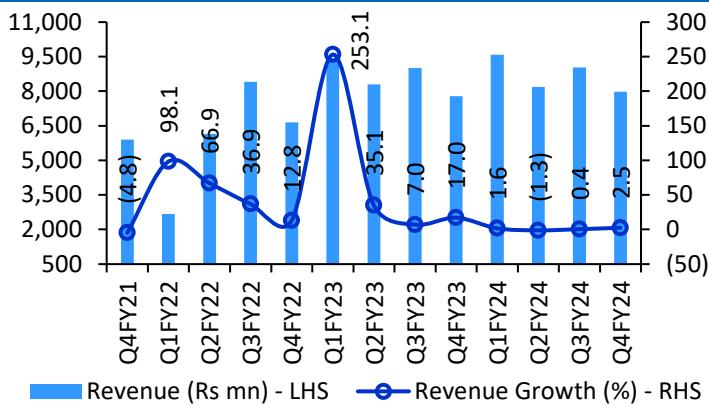
We have downward revised our FY25/26E revenue estimates to factor slowdown in the mass category. Further, we have lowered our EBITDA margin estimates to factor in Q4 performance, increased brand building expenses and lower operating leverage. In-line with the revision in EBITDA, we have revised our EPS estimates.

### Earning call KTA

- During the quarter, sales grew by 2.5% YoY led by growth in premium segment (~40% contribution), however mass segment continued to witness sluggish growth – in line with our channel checks. We believe that Bata would report gradual improvement in demand, going forward.
- GM expanded 160bps YoY to 60.0% led by favorable mix. Increase in GM was re-invested towards marketing expenses (Rs 210mn during Q4FY24 vs Rs 192mn last year), additionally ~107% YoY increase in IT cost was borne towards ERP implementation. Consequently, EBITDA margins contracted by 50ps YoY.
- Sneaker portfolio continued to grow. In line with sneaker strategy, sneaker studios were implemented in 698 stores. We believe continued focus on addition of sneaker studios would drive sneakers growth across brands.
- During Q4FY24, first Power EBO was launched in Noida – aim to open 10 stores by Dec'24. The company believes that the Power EBO's would lead to market share/value gains, going forward. Further, Bata is extending Power brand across categories like apparel. Currently, apparels are present in 70 stores and is expected to reach 100 stores by Dec'24.
- Floatz revenue increased by 96% YoY, while contribution reached mid-single digit. In addition, it attained 16K+ pairs average weekly sales. We believe, favorable monsoon season would garner revenue growth in Q1FY25E. During FY24, Bata opened 11 Floatz kiosks – aims to take to 30 kiosks by Dec'24.
- Bata had entered in a strategic manufacturing and licensing arrangement with Nine West to enhance its global style offering to consumers. Since Feb'24, Nine West brand was launched across 40 Bata stores– it is expected to reach 70 stores by Dec'24. We believe that Nine West brand would help the company accelerate premiumisation journey.
- The ad spends are expected to continue to remain high in FY25E. The management expects to increase ad spends to ~3% in long term.

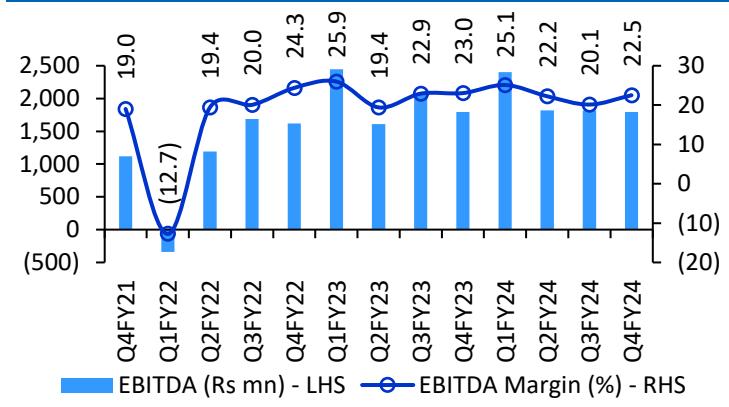
- Bata added 27 (net) new stores and renovated/facelifted 67 stores across franchise and COCO stores during Q4, taking the total store count to 1,862 across 1,538 towns. Further, 24 (net) new franchise stores were added—taking the total count to 533 stores in Q4FY24—the store addition run rate is expected to be 40 stores every quarter. We believe, franchise stores would dominate the expansion journey.
- During the quarter, all digital channels performed well. Marketplaces business/Bata.com grew by +41/31%, further growth in Comfit/Red label on e-com channels have witnessed 50/323% growth. The digital sales contribution in Q4FY24 stands at 11/47/42% in Bata.com/B2C/B2B respectively.
- Bata's omni-channel (home delivery) is the largest omni network in India. It covers 1,700+ Bata stores (COCO and franchise). During FY24, 1mn+ pairs were shipped through the omni-channel services.
- Channel mix: COCO/distribution/E-com/Franchise contributed 70/mid-teens/low double digit/ higher single digits respectively.
- Category mix: Men/Women/Kids/Accessories is 40-45/30/low double digit/high single digit respectively.

**Exhibit 3: Revenue Trend**



Source: Company, DART

**Exhibit 4: EBITDA Trend**



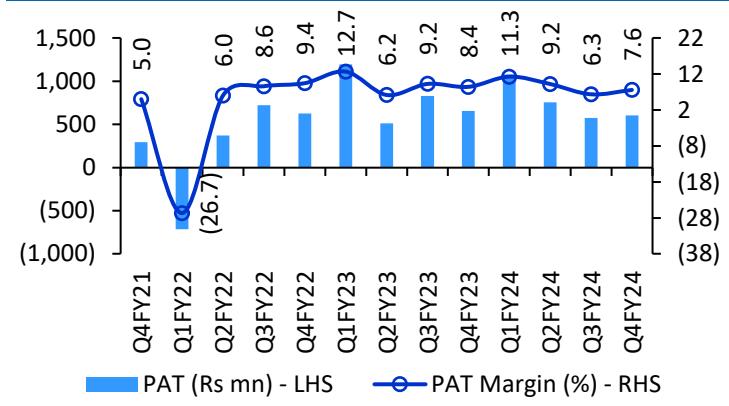
Source: Company, DART

**Exhibit 5: Gross margin Trend (%)**



Source: Company, DART

**Exhibit 6: Net profit trend**



Source: Company, DART

## Financial Performance

### Profit and Loss Account

(Rs Mn)	FY23A	FY24P	FY25E	FY26E
<b>Revenue</b>	<b>34,516</b>	<b>34,784</b>	<b>37,567</b>	<b>40,572</b>
<b>Total Expense</b>	<b>26,607</b>	<b>26,949</b>	<b>28,805</b>	<b>30,663</b>
COGS	15,136	14,945	16,215	17,513
Employees Cost	4,187	4,183	4,442	4,676
Other expenses	7,284	7,822	8,148	8,475
<b>EBIDTA</b>	<b>7,909</b>	<b>7,835</b>	<b>8,762</b>	<b>9,909</b>
Depreciation	2,947	3,386	3,676	3,862
<b>EBIT</b>	<b>4,961</b>	<b>4,449</b>	<b>5,086</b>	<b>6,047</b>
Interest	1,079	1,168	1,226	1,288
Other Income	374	615	665	715
Exc. / E.O. items	0	(409)	0	0
<b>EBT</b>	<b>4,256</b>	<b>3,486</b>	<b>4,524</b>	<b>5,475</b>
Tax	1,065	887	1,030	1,247
<b>RPAT</b>	<b>3,191</b>	<b>2,599</b>	<b>3,494</b>	<b>4,228</b>
Minority Interest	0	0	0	0
Adjustments	0	0	0	0
<b>APAT</b>	<b>3,191</b>	<b>3,008</b>	<b>3,494</b>	<b>4,228</b>

### Balance Sheet

(Rs Mn)	FY23A	FY24P	FY25E	FY26E
<b>Sources of Funds</b>				
Equity Capital	643	643	643	643
Minority Interest	0	0	0	0
Reserves & Surplus	13,696	14,557	17,353	20,735
<b>Net Worth</b>	<b>14,339</b>	<b>15,200</b>	<b>17,995</b>	<b>21,377</b>
Total Debt	0	0	0	0
Net Deferred Tax Liability	11,314	12,333	12,333	12,333
<b>Total Capital Employed</b>	<b>25,653</b>	<b>27,533</b>	<b>30,328</b>	<b>33,711</b>

### Applications of Funds

Net Block	<b>13,912</b>	<b>15,075</b>	<b>14,399</b>	<b>13,537</b>
CWIP	16	16	16	16
Investments	49	49	49	49
<b>Current Assets, Loans &amp; Advances</b>	<b>17,537</b>	<b>16,991</b>	<b>28,944</b>	<b>34,223</b>
Inventories	9,043	9,293	16,304	17,609
Receivables	826	801	1,547	1,671
Cash and Bank Balances	5,232	4,029	7,409	11,090
Loans and Advances	950	1,312	2,129	2,299
Other Current Assets	1,487	1,555	1,555	1,555
<b>Less: Current Liabilities &amp; Provisions</b>	<b>5,860</b>	<b>4,596</b>	<b>13,079</b>	<b>14,114</b>
Payables	4,089	2,984	11,452	12,368
Other Current Liabilities	1,772	1,612	1,627	1,746
<i>sub total</i>				
Net Current Assets	11,677	12,394	15,866	20,110
<b>Total Assets</b>	<b>25,653</b>	<b>27,533</b>	<b>30,328</b>	<b>33,711</b>

E – Estimates

**Important Ratios**

Particulars	FY23A	FY24P	FY25E	FY26E
<b>(A) Margins (%)</b>				
Gross Profit Margin	56.1	57.0	56.8	56.8
EBIDTA Margin	22.9	22.5	23.3	24.4
EBIT Margin	14.4	12.8	13.5	14.9
Tax rate	25.0	25.4	22.8	22.8
Net Profit Margin	9.2	7.5	9.3	10.4
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	43.9	43.0	43.2	43.2
Employee	12.1	12.0	11.8	11.5
Other	21.1	22.5	21.7	20.9
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	4.6	3.8	4.1	4.7
Inventory days	96	98	158	158
Debtors days	9	8	15	15
Average Cost of Debt				
Payable days	43	31	111	111
Working Capital days	123	130	154	181
FA T/O	2.5	2.3	2.6	3.0
<b>(D) Measures of Investment</b>				
AEPS (Rs)	24.8	23.4	27.2	32.9
CEPS (Rs)	47.8	49.8	55.8	62.9
DPS (Rs)	54.4	13.5	5.4	6.6
Dividend Payout (%)	219.0	57.5	20.0	20.0
BVPS (Rs)	111.6	118.3	140.0	166.3
RoANW (%)	19.6	17.6	21.1	21.5
RoACE (%)	15.9	15.7	16.3	17.2
RoAIC (%)	25.6	20.3	21.9	26.6
<b>(E) Valuation Ratios</b>				
CMP (Rs)	1365	1365	1365	1365
P/E	55.0	58.3	50.2	41.5
Mcap (Rs Mn)	1,75,498	1,75,498	1,75,498	1,75,498
MCap/ Sales	5.1	5.0	4.7	4.3
EV	1,70,266	1,71,469	1,68,089	1,64,408
EV/Sales	4.9	4.9	4.5	4.1
EV/EBITDA	21.5	21.9	19.2	16.6
P/BV	12.2	11.5	9.8	8.2
Dividend Yield (%)	4.0	1.0	0.4	0.5
<b>(F) Growth Rate (%)</b>				
Revenue	44.6	0.8	8.0	8.0
EBITDA	90.3	(0.9)	11.8	13.1
EBIT	185.5	(10.3)	14.3	18.9
PBT	211.1	(18.1)	29.8	21.0
APAT	216.3	(5.7)	16.1	21.0
EPS	216.3	(5.7)	16.1	21.0

E – Estimates

**Cash Flow**

Particulars	FY23A	FY24P	FY25E	FY26E
<b>Profit before tax</b>	<b>4,256</b>	<b>3,895</b>	<b>4,524</b>	<b>5,475</b>
Depreciation & w.o.	2,947	3,386	3,676	3,862
Net Interest Exp	1,079	1,168	1,226	1,288
Direct taxes paid	(972)	(947)	(1,030)	(1,247)
Change in Working Capital	(675)	(1,988)	(91)	(563)
Non Cash	(346)	409	0	0
<b>(A) CF from Operating Activities</b>	<b>6,289</b>	<b>5,924</b>	<b>8,305</b>	<b>8,814</b>
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	967	(978)	(3,000)	(3,000)
<b>Free Cash Flow</b>	<b>7,256</b>	<b>4,946</b>	<b>5,305</b>	<b>5,814</b>
(Inc.)/ Dec. in Investments	0	0	0	0
Other	0	0	0	0
<b>(B) CF from Investing Activities</b>	<b>967</b>	<b>(978)</b>	<b>(3,000)</b>	<b>(3,000)</b>
Issue of Equity/ Preference	0	0	0	0
Inc./ (Dec.) in Debt	0	0	0	0
Interest exp net	316	(4)	(1,226)	(1,288)
Dividend Paid (Incl. Tax)	(6,989)	(1,731)	(699)	(846)
Other	(4,999)	(4,413)	0	0
<b>(C) CF from Financing</b>	<b>(11,672)</b>	<b>(6,148)</b>	<b>(1,925)</b>	<b>(2,133)</b>
Net Change in Cash	(4,416)	(1,203)	3,380	3,681
<b>Opening Cash balances</b>	<b>9,648</b>	<b>5,232</b>	<b>4,029</b>	<b>7,409</b>
<b>Closing Cash balances</b>	<b>5,232</b>	<b>4,029</b>	<b>7,409</b>	<b>11,090</b>

E – Estimates

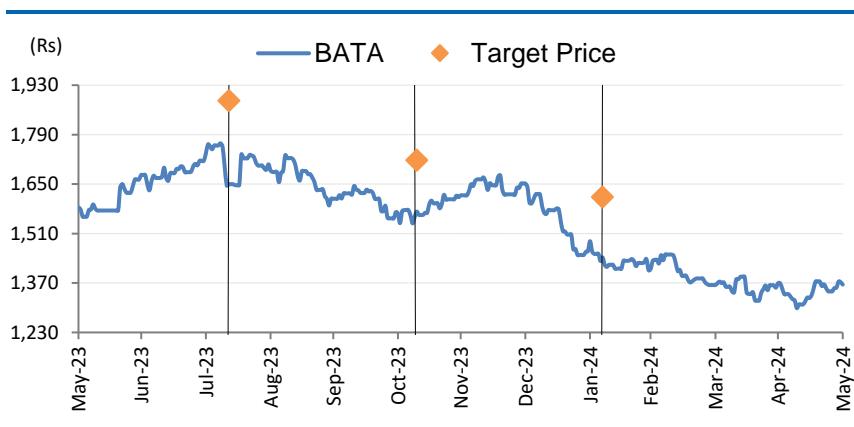
**Notes**

### DART RATING MATRIX

Total Return Expectation (12 Months)

<b>Buy</b>	> 20%
<b>Accumulate</b>	10 to 20%
<b>Reduce</b>	0 to 10%
<b>Sell</b>	< 0%

### Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Aug-23	Accumulate	1,886	1,650
Nov-23	Accumulate	1,717	1,572
Feb-24	Accumulate	1,613	1,442

\*Price as on recommendation date

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