

Retail Equity Research

Bata India Ltd.

FMCG

BSE CODE: 500043

NSE CODE: BATAINDIA

Bloomberg CODE: BATA:IN

SENSEX: 76,693

Accumulate

12 Months Investment Period

Rating as per Small Cap

 CMP Rs. 1,466 TARGET Rs. 1,686 RETURN 15% ↑
 (Closing: 07-06-24)

KEY CHANGES:
TARGET ↑

RATING ↔

EARNINGS ↓

Growth in premium segment supports margins.

Bata India Ltd. (BIL) is the largest retailer and leading manufacturer of footwear in India, with 1,862 retail store presence in 1,538 towns.

- We maintain our rating as Accumulate with a revised target price of Rs.1,686, considering the expected gradual improvement in demand.
- Revenue growth was merely 2.5% YoY in Q4FY24, owing to a slowdown in discretionary consumption. However, premium segments recorded strong growth, resulting in gross margin improvement of 160bps YoY. EBITDA margin declined by 50 bps YoY due to higher ad and IT spend.
- To support growth BIL adopts asset-light expansion, adding 114 franchisees in FY24, totaling 533 and has strong focus on E-commerce.
- Business strategy of BIL includes a focus on premium brands like Hush Puppies, Power, Nordstar, Comfit, etc. which currently contributes 40% of revenue. 67 stores were renovated during the quarter, with a significant thrust towards portfolio newness.
- Given its strong brand recall & reach, we believe, BIL can revive its revenue growth trajectory. Expect revenue/PAT to grow at 9%/21% CAGR over FY24-26E. The stock currently trades at 49x FY26 EPS. We value BIL at 49x on FY26 EPS.

Premium categories help to achieve marginal revenue growth.

Revenues grew by 2.5% YoY to Rs. 798 cr with premium categories performing well while mass categories continued to remain under pressure. Improvements in the premium mix also supported realisation. With a strong focus on network expansion, the distribution reach has now reached 1,538 towns (vs. 1372 YoY). With asset light focus, BIL added 24 franchise stores in Q4FY24, and the total number of franchise stores reached 533 (vs. 419 YoY). 'Red Label', 'Comfit', 'Power', 'Floats' and 'Hush Puppies' continued to perform well in Q4FY24 and outperformed company growth. Bata's strong focus on store expansion & distribution reach, along with marketing investments, will drive future volumes. The company launched its first Power EBO (exclusive brand outlets) in Noida. Apparel segment is currently present in 70 stores. Bata aims to reach 100 stores by December 2024. Supported by portfolio addition, casualization and sneakerization, with higher focus on Red Label and Comfit, the company aims to achieve consistent double-digit revenue growth in the medium term.

Gross margins improved due to growth in premium mix.

Gross margin improved by 160bps YoY to 60%, supported by growth in premium segments, while EBITDA margin contracted by 50bps YoY to 22.5% on account of higher expenditure on marketing and technology. Other expenses rose by 13% YoY due to a 107% increase in IT costs and 10% rise in marketing spends. Higher interest costs and depreciation charges led to an 8% YoY decline in PAT to Rs. 60 cr. BIL's efforts on premiumization and cost optimization will support gradual margin improvement. Investment in information technology will improve inventory management, decision-making, and margins.

Valuation & Outlook

The enhanced investments in technology and marketing, cost optimization, and premiumization are likely to bear fruits in the long run. We believe, BIL has the capability to revive its revenue growth trajectory given its strong brand recall & distribution reach, store additions and strong balance sheet. BIL currently trades at 49x 1Yr Fwd P/E. We maintain our Accumulate rating with a revised target price of Rs. 1,686, valuing BIL at 49x on FY26E EPS.

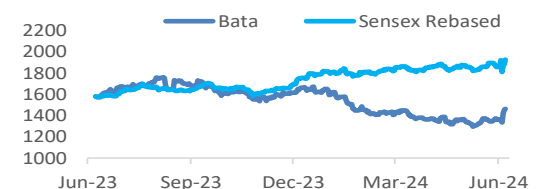
Company Data

Market Cap (Rs.cr)	18,842
Enterprise Value (Rs.cr)	19,564
Outstanding Shares (cr)	12.9
Free Float	50%
Dividend Yield	0.9%
52 week high (Rs.)	1,770
52 week low (Rs.)	1,269
6m average volume (cr)	0.05
Beta	0.9
Face value (Rs.)	5

Shareholding (%)	Q2FY24	Q3FY24	Q4FY24
Promoters	50.2	50.2	50.2
FII's	7.5	7.9	8.2
MFs/Institutions	30.0	29.7	28.3
Public	11.3	11.1	12.2
Others	1.1	1.2	1.1
Total	100.0	100.0	100.0

Promotor pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	0.9%	-12.1%	-7.5%
Absolute Sensex	3.4%	9.7%	21.9%
Relative Return*	-2.5%	-21.9%	-29.4%

*over or under performance to benchmark index



Standalone (cr)	FY24A	FY25E	FY26E
Sales	3,478	3,828	4,161
Growth (%)	0.8	10.0	8.7
EBITDA	783	919	1,028
EBITDA Margin (%)	22.5	24.0	24.7
Adj. PAT	300	373	437
Growth (%)	-6.0	24.4	17.2
Adj. EPS	23.3	29.0	34.0
Growth (%)	-6.0	24.4	17.2
P/E	62.8	50.5	43.1
P/B	12.6	10.4	8.6
EV/EBITDA	25.3	21.4	18.8
ROE (%)	20.3	22.2	21.5
D/E	0.9	0.8	0.7

Vincent K A

Research Analyst

Quarterly Financials (Standalone)

Profit & Loss

(Rs cr)	Q4FY24	Q4FY23	YoY Growth	Q3FY24	QoQ Growth	FY24	FY23	YoY Growth
Sales	798	779	2.5%	903	-11.7%	3,478	3,452	0.8%
EBITDA	179	179	0.1%	182	-1.3%	783	791	-1.0%
EBITDA margins	22.5%	23.0%	-280bps	20.1%	-210bps	22.5%	22.9%	-40bps
Depreciation	90	76	18.0%	86	5.0%	339	295	14.9%
EBIT	89	103	-13.2%	96	-7.0%	444	496	-10.5%
Interest	31	27	13.7%	29	5.4%	117	108	8.3%
Other Income	22	13	74.6%	11	104.0%	62	37	64.7%
Exceptional Items	0	0	NA	0	NA	-41	0	NA
PBT	80	88	-9.0%	77	NA	348	426	-18.3%
Tax	20	23	-11.6%	20	NA	89	107	-16.7%
Reported PAT	60	66	-8.0%	57	NA	259	319	-18.8%
Adjustments	0	0	NA	0	NA	41	0	NA
Adj PAT	60	66	-8.0%	57	NA	300	319	-6.0%
No. of Shares	12.85	12.85	0.0%	12.85	NA	12.85	12.85	0.0%
EPS (Rs)	4.7	5.1	-8.0%	4.5	NA	23.3	24.8	-6.0%

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	3,811	4,222	3,828	4,161	0.4%	-1.4%
EBITDA	931	1,050	919	1,028	-1.3%	-2.1%
Margins	24.4%	24.9%	24.0%	24.7%	-50bps	-20bps
Adj. PAT	381	458	373	437	-2.1%	-4.5%
EPS	29.7	35.6	29.0	34.0	-2.3%	-4.4%



PROFIT & LOSS

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue	1,707	2,388	3,452	3,478	3,828	4,161
% change	-44.1	39.9	44.6	0.8	10.0	8.7
EBITDA	161	416	791	783	919	1,028
% change	-80.5	157.9	90.3	-1.0	17.4	11.9
Depreciation	265	242	295	339	387	427
EBIT	-104	174	496	444	532	601
Interest	104	93	108	117	123	126
Other Income	94	56	37	62	92	117
PBT	-118	137	426	348	501	592
% change	-123.8	NA	211.1	-18.3	44.0	18.3
Tax	-27.4	35.9	106.5	88.7	127.7	154.9
Tax Rate	23.3%	26.3%	25.0%	25.5%	25.5%	26.2%
Reported PAT	-90.2	100.9	319.1	259.0	373.0	437.3
Adj*	-5	0	0	-41	0	0
Adj PAT	-85.6	100.9	319.1	299.9	373.0	437.3
% change	-125.7	NA	216.3	-6.0	24.4	17.2
No. of shares (cr)	12.9	12.9	12.9	12.9	12.9	12.9
Adj EPS (Rs.)	-7	8	25	23	29	34
% change	-125.7	NA	216.3	-6.0	24.4	17.2
DPS (Rs.)	5	4	55	4	4	4
CEPS (Rs.)	13.9	26.7	47.8	49.7	59.1	67.2

BALANCE SHEET

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24	FY25E	FY26E
Cash	1,094	965	523	403	665	999
Accounts Receivable	79	72	83	80	94	103
Inventories	608	871	904	929	1,048	1,136
Other Cur. Assets	258	278	244	287	294	319
Investments	5	5	5	5	5	5
Gross Fixed Assets	1,921	2,260	2,722	3,164	3,640	4,087
Net Fixed Assets	1,111	1,207	1,375	1,478	1,567	1,587
CWIP	34	5	4	4	10	15
Intangible Assets	7	17	14	27	27	27
Def. Tax (Net)	138	105	114	127	127	127
Other Assets	0	0	0	0	0	0
Total Assets	3,334	3,525	3,265	3,340	3,836	4,317
Current Liabilities	514	588	578	450	501	544
Provisions	28	29	9	14	16	17
Debt Funds	1,032	1,094	1,245	1,355	1,478	1,530
Other Liabilities	0	0	0	0	0	0
Equity Capital	64	64	64	64	64	64
Reserves & Surplus	1,696	1,750	1,370	1,456	1,777	2,163
Shareholder's Fund	1,760	1,814	1,434	1,520	1,841	2,227
Total Liabilities	3,334	3,525	3,265	3,340	3,836	4,317
BVPS (Rs.)	137	141	112	118	143	173

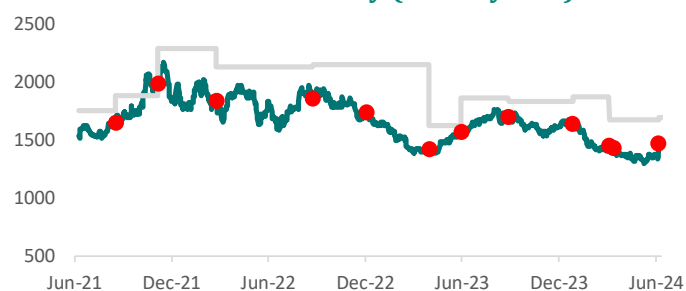
CASH FLOW

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24	FY25E	FY26E
Net inc. + Depn.	-27	160	381	329	444	507
Non-cash adj.	267	255	325	334	439	483
Changes in W.C	218	-204	-78	-199	-69	-60
C.F. Operation	458	212	629	459	814	929
Capital exp.	-36	-48	-94	-98	-482	-452
Change in inv.	-92	94	501	94	0	0
Other invest.CF	78	46	32	39	-18	-18
C.F - Investment	-50	93	438	33	-500	-470
Issue of equity	0	0	0	0	0	0
Issue/repay debt	-315	-289	-206	-229	122	52
Dividends paid	-51	-51	-699	-173	-51	-51
Other finance.CF	-2	-1	-106	-114	-123	-126
C.F - Finance	-369	-341	-1,011	-517	-52	-125
Chg. in cash	39	-37	57	-25	262	334
Closing cash	54	18	75	49	311	645

RATIOS

Y.E March	FY21A	FY22A	FY23A	FY24	FY25E	FY26E
Profitab. & Return						
EBITDA margin (%)	9.4	17.4	22.9	22.5	24.0	24.7
EBIT margin (%)	-6.1	7.3	14.4	12.8	13.9	14.5
Net profit mgn.(%)	-5.0	4.2	9.2	8.6	9.7	10.5
ROE (%)	-4.7	5.6	19.6	20.3	22.2	21.5
ROCE (%)	0.4	6.8	11.9	11.2	12.5	12.3
W.C & Liquidity						
Receivables (days)	15.0	11.5	8.2	8.5	8.3	8.6
Inventory (days)	323.0	248.4	214.0	223.9	217.0	221.1
Payables (days)	236.5	184.9	140.5	125.6	104.4	105.7
Current ratio (x)	3.8	3.5	3.0	3.7	4.1	4.6
Quick ratio (x)	0.3	0.2	0.3	0.3	0.8	1.4
Turnover & Leverage						
Gross asset T.O (x)	2.6	3.5	4.5	4.0	4.1	4.2
Total asset T.O (x)	0.5	0.7	1.0	1.1	1.1	1.0
Int. coverage ratio (x)	-1.0	1.9	4.6	3.8	4.3	4.8
Adj. debt/equity (x)	0.6	0.6	0.9	0.9	0.8	0.7
Valuation						
EV/Sales (x)	11.0	7.9	5.7	5.7	5.1	4.7
EV/EBITDA (x)	116.5	45.6	24.7	25.3	21.4	18.8
P/E (x)	-220.1	186.8	59.0	62.8	50.5	43.1
P/BV (x)	10.7	10.5	13.3	12.6	10.4	8.6

Recommendation Summary (Last 3 years)



Source: Bloomberg, Geojit Research

Dates	Rating	Target
26 th Aug 2022	Buy	2,151
6 th Dec 2022	Buy	2,155
31 st Mar 2023	Accumulate	1,620
01 st June 2023	Buy	1,826
28 th Aug 2023	Hold	1,867
27 th Dec 2023	Buy	1,870
12 th March 2024	Accumulate	1,670
10 th June 2024	Accumulate	1,686

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note; **Reduce:** Reduce your exposure to the stock due to limited upside; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review

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