

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

Rating	REDUCE
Sector relative	Neutral
Price (INR)	1,072
12 month price target (INR)	878
52 Week High/Low	1,479/1,025
Market cap (INR bn/USD bn)	138/1.6
Free float (%)	26.0
Avg. daily value traded (INR mn)	336.4

SHAREHOLDING PATTERN

	Sep-25	Jun-25	Mar-25
Promoter	50.16%	50.16%	50.16%
FII	6.89%	6.89%	6.93%
DII	29.39%	29.35%	29.46%
Pledge	0%	0%	0%

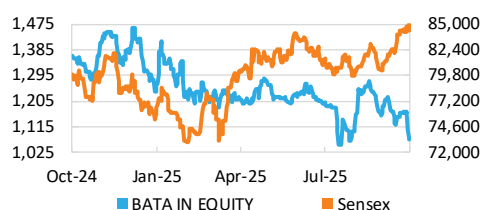
FINANCIALS

(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	34,880	34,812	38,091	41,680
EBITDA	7,474	7,284	8,647	9,624
Adjusted profit	3,284	1,484	2,822	3,625
Diluted EPS (INR)	25.6	11.5	22.0	28.2
EPS growth (%)	26.4	(54.8)	90.2	28.4
RoAE (%)	15.9	9.8	16.2	18.8
P/E (x)	63.7	87.7	48.8	38.0
EV/EBITDA (x)	20.1	17.9	14.7	12.9
Dividend yield (%)	1.8	0.4	0.8	1.1

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	34,812	38,091	-2.6%	-2.6%
EBITDA	7,284	8,647	-11.5%	-3.8%
Adjusted profit	1,484	2,822	-38.7%	-12.6%
Diluted EPS (INR)	11.5	22.0	-38.7%	-12.6%

PRICE PERFORMANCE**Slow showing persists**

Bata's Q2FY26 revenue/EBITDA/adjusted PAT fell 4.3%/17.2%/57.9% YoY impacted by weak productivity, early GST pass-through as discounts, and higher ad spends. The Zero-Based Merchandising system is now active in 200 stores—below management's initial implementation guidance—but has aided inventory improvement alongside markdown sales to clear the old inventory.

The combination of persistent performance deterioration and management's anticipated increase in advertising spend necessitates a reduction in our revenue/PAT estimate for FY26 by -2.6%/-38.7% and for FY27 by -2.6%/-12.6%. This along with a rollover to H1FY28E yields a revised TP of INR878 (earlier INR935); maintain 'REDUCE'.

Revenue contraction owing to early GST benefit pass-through

Bata reported revenue of INR8bn, down 4.3% YoY. Floatz sustained its strong momentum with 32%-plus growth and averaging weekly sales of INR34k. Zero-Based Merchandising (ZBM) was scaled up to 200 stores (adding seven stores QoQ) and is lagging behind management's initial guidance. Management has laid out ZBM implementation plans of reaching 800+ stores by Dec-26E. ZBM is producing exciting results in store and customer metrics. The new Victoria Ballerina campaign played out well. Bata passed on the GST benefits early, much prior to the official implementation date, which led to a contraction in the otherwise flat sales YoY.

Gross margin fell 118bp YoY to 55% due to clearance of aged/discontinued inventory and the company absorbing the GST hit on benefit pass-through to customers earlier than the official implementation date. Employee expenses contracted 2.1% YoY, whereas other overheads increased 1.5% YoY driven by higher marketing spends. There was also a disruption at a key distributor, impacting growth and margins. Management has guided for ad spends staying elevated at 3–4% of sales from the earlier 2%. EBITDA margins contracted to 18.1%, the lowest since Q2FY22, because of lower productivity, GST benefits and increased ad spends. Management introduced VRS in the Batanagar unit, leading to an exceptional expense of INR83mn.

Store expansion to pick up pace in coming quarters

Bata added 17 franchisee stores this quarter, taking overall count to 661. Management's patchy disclosures with respect to store counts across quarters remains a key negative along with muted growth. In addition, management has introduced many initiatives at the store level, which are yet to translate to numbers.

Financials

Year to March	Q2FY26	Q2FY25	% Change	Q1FY26	% Change
Net Revenue	8,013	8,371	(4.3)	9,418	(14.9)
EBITDA	1,449	1,750	(17.2)	1,986	(27.0)
Adjusted Profit	220	524	(57.9)	565	(61.0)
Diluted EPS (INR)	1.7	4.1	(57.9)	4.4	(61.0)

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	34,880	34,812	38,091	41,680
Gross profit	19,630	19,321	21,331	23,341
Employee costs	4,616	4,351	4,571	5,002
Other expenses	5,319	5,073	5,493	6,033
EBITDA	7,474	7,284	8,647	9,624
Depreciation	3,712	4,279	4,040	3,999
Less: Interest expense	1,408	1,556	1,638	1,837
Add: Other income	651	660	794	1,046
Profit before tax	3,006	2,109	3,763	4,834
Prov for tax	953	495	941	1,208
Less: Other adj	0	0	0	0
Reported profit	2,053	1,615	2,822	3,625
Less: Excp.item (net)	1,232	(130)	0	0
Adjusted profit	3,284	1,484	2,822	3,625
Diluted shares o/s	129	129	129	129
Adjusted diluted EPS	25.6	11.5	22.0	28.2
DPS (INR)	21.9	4.6	8.8	11.3
Tax rate (%)	31.7	23.5	25.0	25.0

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Total Stores	1,962.0	2,092.0	2,222.0	2,352.0
Store Addition	100.0	130.0	130.0	130.0
Revenue per sq ft	7,302.8	6,861.9	7,160.7	7,484.4
EBITDA margin (%)	21.4	20.9	22.7	23.1
Net profit margin (%)	9.4	4.3	7.4	8.7
Revenue growth (% YoY)	0.3	(0.2)	9.4	9.4
EBITDA growth (% YoY)	(5.7)	(2.5)	18.7	11.3
Adj. profit growth (%)	26.4	(54.8)	90.2	28.4

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Total Space	3.8	4.0	4.2	4.4

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	63.7	87.7	48.8	38.0
Price/BV (x)	10.0	8.3	7.6	6.7
EV/EBITDA (x)	20.1	17.9	14.7	12.9
Dividend yield (%)	1.8	0.4	0.8	1.1

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	643	643	643	643
Reserves	15,016	15,906	17,600	19,775
Shareholders funds	15,659	16,549	18,242	20,418
Minority interest	0	0	0	0
Borrowings	0	0	0	0
Trade payables	3,492	3,548	3,838	4,200
Other liabs & prov	2,159	1,140	1,381	1,645
Total liabilities	37,823	38,424	41,491	45,133
Net block	3,200	2,599	1,958	1,277
Intangible assets	14,784	14,435	14,366	14,378
Capital WIP	145	145	145	145
Total fixed assets	18,129	17,179	16,469	15,800
Non current inv	54	54	54	54
Cash/cash equivalent	6,239	7,668	10,409	13,484
Sundry debtors	1,115	1,113	1,218	1,333
Loans & advances	3,557	3,553	3,756	3,977
Other assets	8,729	8,856	9,586	10,486
Total assets	37,823	38,424	41,491	45,133

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	2,053	1,615	2,822	3,625
Add: Depreciation	3,712	4,279	4,040	3,999
Interest (net of tax)	943	1,042	1,098	1,231
Others	717	(2,327)	(878)	(1,240)
Less: Changes in WC	1,278	(1,090)	(313)	(400)
Operating cash flow	6,147	5,699	7,394	8,015
Less: Capex	825	(500)	(500)	(500)
Free cash flow	6,972	5,199	6,894	7,515

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	15.9	9.8	16.2	18.8
RoCE (%)	14.5	11.1	15.4	17.7
Inventory days	91	86	83	82
Receivable days	10	12	11	11
Payable days	34	37	35	35
Working cap (% sales)	18.1	21.3	20.8	20.5
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.4)	(0.5)	(0.6)	(0.7)
Interest coverage (x)	2.7	1.9	2.8	3.1

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	26.4	(54.8)	90.2	28.4
RoE (%)	15.9	9.8	16.2	18.8
EBITDA growth (%)	(5.7)	(2.5)	18.7	11.3
Payout ratio (%)	114.6	37.8	40.0	40.0

Q2FY26 conference call: Key takeaways

Q2FY26

- **Volume and ASP:** Revenue decline was reported as largely volume-driven. The Average Selling Price (ASP) remained flat YoY as a favourable premium mix was offset by markdowns from inventory decluttering efforts.
- **Portfolio mix:** The current portfolio is structured with 40% of products below INR1,000, 40% within INR1,000–2,500 and 20% above INR2,500. Management noted that the sub-INR1,000 segment remains under pressure.
- **Demand trends:** Management has seen a positive uptick in demand post-GST cuts and demand being above the average seen in the past many months.

Disruptions and one-off impacts

- **Quantified impact:** Management estimates that revenue would have been flat YoY, rather than down 4%, if not for two significant one-off disruptions during the quarter.
- **GST transition:** The GST rate rationalisation announcement in mid-August caused a deferral of purchases from both consumers and channel partners. Channel partners, in particular, paused buying to avoid working capital blockage related to Input Tax Credit (ITC).
- **Distribution Centre (DC) disruption:** Operations were impacted in July at the company's largest DC in Jabalpur (which handles ~40% of inventory) due to an unplanned transition to a new 3PL partner.
- **Recovery:** Management confirmed that channel buying patterns normalised after September 22nd, when the new GST rates took effect, with some spillover of orders into October.

Strategic initiatives & transformation

- **Inventory health:** This remains a primary strategic focus. Absolute inventory levels saw a double-digit YoY reduction. Inventory freshness (stock less than six months old) is now at a post-COVID high.
- **Inventory turns:** Inventory turns have improved to 2.2x, with a stated target of reaching 2.5x.
- **Zero-Based Merchandising (ZBM):** The ZBM (store revamp) initiative continues to deliver positive results, showing a good delta in like-for-like sales and revenue per square foot when compared to control stores.
- **ZBM Rollout:** Gurgaon and Mumbai are now ~90% converted. The goal is to have 50% of the network's turnover covered by ZBM by the end of Q3FY26.

Channel Strategy: Franchise & SIS

- **Franchise expansion:** The franchise network continues to be a key growth driver. The store count is approaching 700, a significant increase from fewer than 100 stores four years ago.
- **Shop-in-Shop (SIS):** Following a six-month period of consolidation to rework the business model and contracts, the SIS channel is now positioned for significant expansion.

Marketing & Product Strategy

A&P Investment: Marketing (A&P) investments were significantly increased to 3.5% of sales, compared to 1.5% in the base quarter. Management plans to sustain this investment level in the 3–4% range going forward.

Key campaigns: Focused marketing campaigns were launched for Victoria Ballerina (which aided ladies' category), Power Easy Slide and Hush Puppies, which introduced an "Iconic Collection" with price points as high as INR20,000.

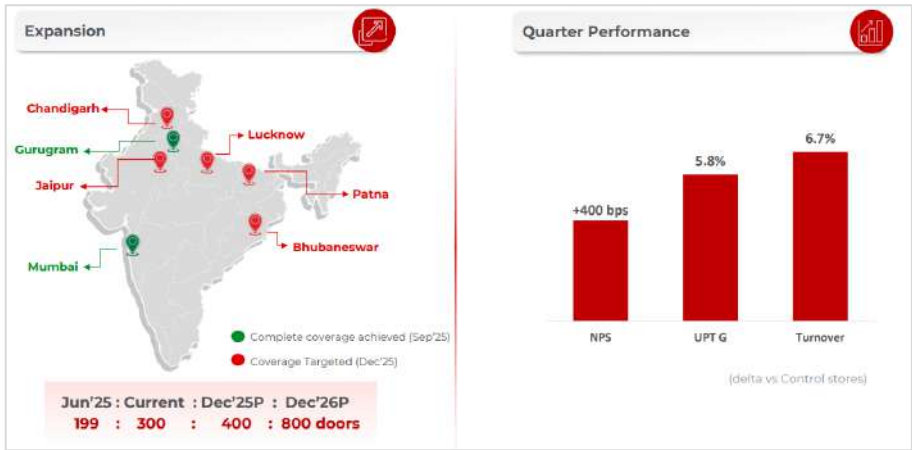
Product Funnel Reimagination: A new initiative is underway to apply more science to the product funnel. This involves using fewer toolkits/moulds and leveraging a variety of uppers to achieve styles, thereby driving economies of scale.

Hush Puppies: This brand remains the key premium driver. Its network has expanded to over 150 stores (from <100 two years ago). Future growth levers identified are non-footwear items and expanding the ladies' category.

Margin and outlook

- **Q2 margin drivers:** The gross margin contraction was attributed to two main factors:
 - Additional incentives offered to channel partners to prevent buying deferrals during the GST transition.
 - A conscious advancement of markdowns to proactively clear aged inventory, rather than waiting for the End of Season Sale (EOSS) period.
- **Q3 margin outlook:** As a result of the proactive markdowns in Q2, management expects a significantly lower markdown impact on gross margins during the upcoming Q3 EOSS period. This is anticipated to lead to better margins in Q3 than the previous year.

Exhibit 1: ZBM expansion and impact



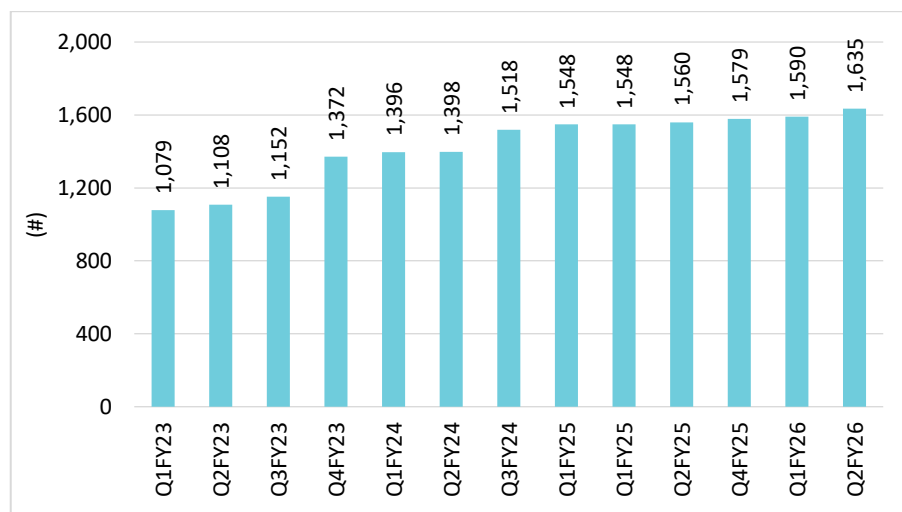
Source: Company

Exhibit 2: GST benefits passed along



Source: Company

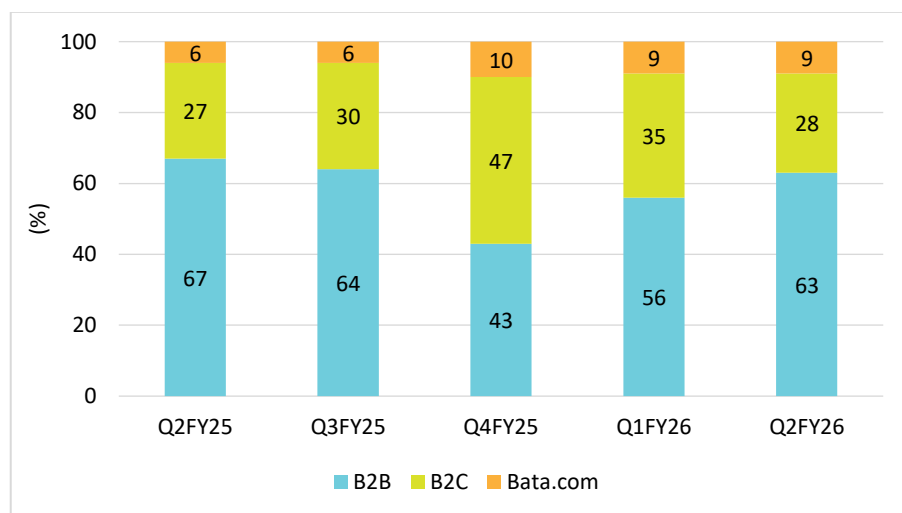
Exhibit 3: MBO distribution town coverage



Source: Company, Nuvama Research

On the online front, the omnichannel now contributes 3.8% of retail turnover. Sales from Bata's own website grew 25%+ YoY. 40% of the company's stores are now enabled for hyperlocal arrangement with a TAT of four hours. Bata is live on Zepto and Swiggy in 25+ cities through 140+ superstores.

Exhibit 4: Digital channel contribution breakdown



Source: Company, Nuvama Research

Exhibit 5: Valuation summary

EPS- H1FY28	25.1
Target PE	35
TP (INR)	878
CMP	1,077
% Upside	-18%

Source: Company, Nuvama Research

Exhibit 6: Quarterly summary (INR mn)

Year to March	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY25	H1FY26	Growth
Net revenues	8,013	8,371	(4.3)	9,418	(14.9)	17,818	17,432	(2.2)
Direct costs	3,574	3,636	(1.7)	4,383	(18.5)	7,904	7,958	0.7
Employee expenses	1,114	1,137	(2.1)	1,163	(4.2)	2,341	2,276	(2.7)
Other expenses	1,876	1,848	1.5	1,886	(0.5)	3,971	3,762	(5.2)
EBIDTA	1,449	1,750	(17.2)	1,986	(27.0)	3,602	3,435	(4.6)
Depreciation & Amortisation	1,050	902	16.4	1,061	(1.0)	1,773	2,111	19.0
EBIT	400	848	(52.9)	925	(56.8)	1,828	1,325	(27.6)
Less: Interest Expense	338	318	6.4	349	(3.0)	626	687	9.8
Add: Other income	212	171	24.3	169	26.0	333	381	14.6
Add: Exceptional items	-83	0	NM	-48	73.1			NM
Profit before Tax	191	701	(72.8)	697	(72.6)	1,535	1,019	(33.7)
Less: Provision for Tax	53	178	(69.9)	180	(70.3)	608	234	(61.6)
Less: Minority Interest	0	0	NM	0	NM			NM
Reported Profit	138	524	(73.7)	517	(73.4)	928	785	(15.4)
Adjusted Profit	197	524	(62.3)	552	(64.3)	2,676	655	(75.5)
No. of Dil. shares outstanding (mn)	129	129	-	129	-	129	129	-
EPS	1	4	(73.7)	4	(73.4)	21	5	(75.5)
As % of net revenue	bps			bps				
Direct costs	44.6	43.4	117.5	46.5	(193.5)	44.4	45.7	1.3
Employee expenses	13.9	13.6	31.4	12.3	155.2	13.1	13.1	(0.1)
Other expenses	23.4	22.1	133.2	20.0	338.2	22.3	21.6	(0.7)
EBIDTA	18.1	20.9	(282.1)	21.1	(299.9)	20.2	19.7	(0.5)
Net profit	2.5	6.3	(379.5)	5.9	(340.5)	15.0	3.8	(11.3)
Tax rate	28.0	25.3	265.8	25.8	213.2	39.6	22.9	(16.6)

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 1,978 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 Rationale

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	Canara Robeco A	1.59
Mirae Asset	8.30	ICICI Pru AMC	1.30
Quant Money Man	2.18	Norges Bank	1.20
Vanguard Group	1.99	Blackrock	0.94
Nippon life AMC	1.98	IDFC MF	0.87

*Latest public data

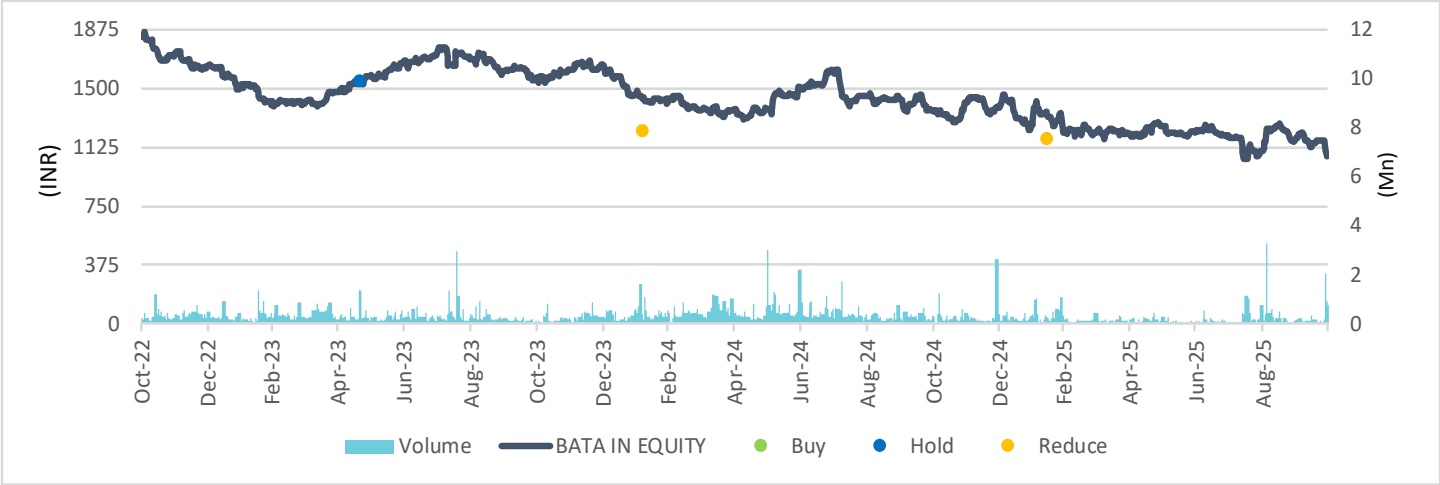
Recent Company Research

Date	Title	Price	Reco
14-Aug-25	Another quarter of missing growth; <i>Result Update</i>	1,055	Reduce
02-Jun-25	ZBM ramp-up quickens; overall weak; <i>Result Update</i>	1,260	Reduce
12-Feb-25	Weak growth hides rising volumes; <i>Result Update</i>	1,353	Reduce

Recent Sector Research

Date	Name of Co./Sector	Title
18-Oct-25	Sapphire	Awaiting growth revival; <i>Result Update</i>
17-Oct-25	Shoppers Stop	Improvement in core business; <i>Result Update</i>
17-Oct-25	P N Gadgil	Legacy and ambition shine out; <i>Initiating Coverage</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%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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