



## 3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✓	✗
Right Valuation (RV)	✓	✓	✗

+ Positive = Neutral - Negative

## What has changed in 3R MATRIX

	Old		New
RS	✗	↔	✓
RQ	✗	↔	✗
RV	✗	↔	✗

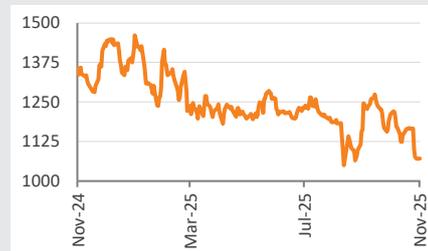
## Company details

Market cap:	Rs. 13,770 cr
52-week high/low:	Rs. 1,477 / 1,026
NSE volume: (No of shares)	2.0 lakh
BSE code:	500043
NSE code:	BATAINDIA
Free float: (No of shares)	6.4 cr

## Shareholding (%)

Promoters	50.2
FII	7.4
DII	29.4
Others	13.0

## Price chart



Source: NSE India, Mirae Asset Sharekhan Research

## Price performance

(%)	1m	3m	6m	12m
Absolute	-11.6	-9.7	-10.5	-21.0
Relative to Sensex	-15.0	-13.3	-14.8	-26.4

Source: Mirae Asset Sharekhan Research, Bloomberg

## Bata India Ltd

## Weak Q2

Consumer Discretionary	Sharekhan code: BATAINDIA		
Reco/View: Hold	↔	CMP: Rs. 1,071	Price Target: Rs. 1,140 ↓

## Summary

- Bata India (Bata) registered yet another quarter of weak performance with revenue falling 4% y-o-y; EBITDA margins down by 282 bps y-o-y to 18.1% and adjusted PAT falling by 62% y-o-y.
- Deferment of purchases due to GST 2.0 implementation and disruption in one of the largest warehouses in July hit revenue growth, while higher markdowns, rising marketing investments and negative operating leverage led to lower margins.
- Bata is cautiously optimistic on a demand recovery in H2FY26, supported by its robust brand equity, extensive retail network, and a steady emphasis on cost optimisation and operational efficiency.
- Stock trades at 61x/54x/45x its FY26E/FY27E/FY28E EPS, respectively. We maintain Hold with a revised PT of Rs. 1,140.

Bata's Q2FY26 numbers were weak, missing estimates on all fronts, with revenues declining in single digits, while PAT plunged. Standalone revenue fell by 4.3% y-o-y (third consecutive quarter of revenue decline) to Rs. 801 crore, missing our expectation of Rs. 858 crore. Deferment of purchases by channel partners and customers since the announcement of GST rate rationalization and disruption in one of the largest warehouses in July impacted performance in Q2. Gross margin and EBITDA margin fell by 118 bps and 282 bps y-o-y to 55.4% and 18.1%, respectively, due to higher markdowns, higher marketing investments and negative operating leverage. EBITDA margin came in lower than our expectation of 23.3%. EBITDA fell by 17% y-o-y to Rs. 145 crore and adjusted PAT decreased by 62% y-o-y to Rs. 20 crore, against our expectation of Rs. 55 crore. Exceptional item includes one-time exceptional charge of ~Rs 8.3 crore related to VRS at one of its factories. Reported PAT stood at Rs. 14 crore. For H1FY26, revenue declined by 2.2% y-o-y to Rs. 1,473 crore, EBITDA margins fell by 132 bps y-o-y to 19.7% and adjusted PAT declined by 42.5% y-o-y to Rs. 75 crore. It opened 17 net franchise stores in Q2 taking the franchise network to 661 stores at Q2FY26-end.

## Key positives

- Floatz sustained its strong momentum with 32% y-o-y growth and averaging weekly sales of Rs. 34,000.
- The Victoria Ballerina campaign delivered strong resonance among female consumers, improving the mix by 100 bps.

## Key negatives

- Gross and EBITDA margins fell by 118 bps/282 bps y-o-y to 55.4%/18.1%, respectively.

## Management Commentary

- Management indicated that GST-related disruptions hit revenue growth by ~400 bps. Excluding this, revenue would have been flat y-o-y. Management expects normalisation in channel inventory and franchise buying from October.
- ZBM 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. Management has laid out ZBM implementation target of reaching 800+ stores by Dec-26. About 90% of Mumbai and Gurgaon stores now operate under ZBM; the company targets ~50% of turnover under ZBM by Q3FY26 and >80% by FY26-end.
- Power category's Easy Slide story is showing strong traction, peaking at almost 4,000 pairs per week, with an ambitious goal to reach 10,000 pairs per week in the current quarter.
- Bata expects margin recovery from Q3FY26, as higher markdowns taken in Q2 will reduce End-of-Season (EOSS) discounts in upcoming quarters.

**Revision in earnings estimates** - We have reduced our earnings estimates for FY26 and FY27 to factor in yet another quarter of weak performance. We have introduced FY28 estimates through this note.

## Our Call

**View - Maintain Hold with a revised PT of Rs. 1,140:** Bata has been delivering weak numbers for the past several quarters due to weak consumer demand and industry tailwinds. Management expects some uptick in demand with improved momentum during festive and wedding season and GST 2.0 rollout. In the long run, it eyes double-digit growth driven by premiumisation, casualisation, and expansion through the franchisee route. Focus on premiumisation, sourcing efficiencies and technology upgrades would aid margin improvement in the long run. Stock trades at 61x/54x/45x its FY2026E/FY27E/FY28E EPS, respectively. In view of near-term growth headwinds and premium valuations, we maintain Hold with a revised PT of Rs. 1,140 (rolling over to Sept-27 EPS).

## Key Risks

Slowdown in sales due to a change in consumer sentiments or increased competition from large players will affect recovery momentum and will act as a key risk to our earnings estimates.

## Valuation (Standalone)

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Revenues	3,478	3,488	3,558	3,811	4,082
EBITDA margin (%)	22.5	21.5	20.9	21.3	22.5
Adjusted PAT	301	240	227	255	308
% YoY growth	-5.7	-20.1	-5.7	12.3	21.1
EPS (Rs.)	23.4	18.7	17.6	19.8	24.0
P/E (x)	45.8	57.4	60.8	54.1	44.7
P/B (x)	9.1	8.8	8.6	8.2	7.7
EV/EBITDA (x)	18.0	18.9	18.1	16.1	14.0
RoNW (%)	20.3	15.6	14.3	15.5	17.8
RoCE (%)	11.6	9.1	8.5	9.4	10.9

Source: Company; Mirae Asset Sharekhan estimates

**Results (Standalone)**

Particulars	Rs cr				
	Q2FY26	Q2FY25	Y-o-Y (%)	Q1FY26	Q-o-Q (%)
<b>Revenues</b>	<b>801.3</b>	<b>837.1</b>	<b>-4.3</b>	<b>941.8</b>	<b>-14.9</b>
COGS	357.4	363.6	-1.7	438.3	-18.5
Employee expenses	111.4	113.7	-2.1	116.3	-4.2
Other expenses	187.6	184.8	1.5	188.6	-0.5
Total expenses	656.4	662.1	-0.9	743.3	-11.7
<b>EBITDA</b>	<b>144.9</b>	<b>175.0</b>	<b>-17.2</b>	<b>198.6</b>	<b>-27.0</b>
Other Income	21.2	17.1	24.3	16.9	26.0
Interest expenses	33.8	31.8	6.4	34.9	-3.0
Depreciation & Amortization	105.0	90.2	16.4	106.1	-1.0
PBT	27.4	70.1	-61.0	74.5	-63.3
Tax	7.5	17.8	-57.9	19.2	-61.2
<b>Adjusted PAT</b>	<b>19.9</b>	<b>52.4</b>	<b>-62.0</b>	<b>55.3</b>	<b>-64.0</b>
Exceptional items	-6.1	0.0	-	-3.6	-
<b>Reported PAT</b>	<b>13.8</b>	<b>52.4</b>	<b>-73.7</b>	<b>51.7</b>	<b>-73.4</b>
EPS (Rs.)	1.5	4.1	-62.0	4.3	-64.0
			<b>bps</b>		<b>bps</b>
GPM (%)	55.4	56.6	-118	53.5	194
EBITDA margin (%)	18.1	20.9	-282	21.1	-300
NPM (%)	2.5	6.3	-377	5.9	-338
Tax rate (%)	27.3	25.3	197	25.8	145

Source: Company; Mirae Asset Sharekhan Research

## Outlook and Valuation

### ■ Sector Outlook – Long-term growth prospects intact

India is the second-largest footwear manufacturer with a consumption of ~26 billion pairs after China with ~42 billion pairs. The domestic market makes up ~90% of India's overall footwear market. The sector holds an important place in the Make in India Initiative and thus has been chosen as a Champion sector. In the near term, demand is expected to be subdued owing to continued extraordinary inflation hitting consumers' discretionary spends. However, low per capita consumption at 1.9 pairs per annum, footwear now being considered as an important fashion accessory rather than a necessity, the growing trend of premiumisation in the Indian footwear industry and the shift to branded footwear provide a huge opportunity for top brands to scale up operations in the medium to long term. The Indian footwear market is expected to post a CAGR of 15-17% over FY2022-FY2025E as compared to a global market growth of 5.5% CAGR over CY2021-CY2025.

### ■ Company Outlook – Recovery to take time

Bata's Q2FY26 numbers were weak, missing estimates on all fronts, with revenues declining in single digits, while PAT fell significantly during the quarter. The company has been focusing on increasing its omni-channel presence and adding relevant products to its portfolio to drive demand in the near term. It is banking on portfolio freshness, consumer/market investments, and higher sales on the digital platform to drive consistent revenue growth. Margins are expected to be under pressure in the near term owing to change in mix, higher marketing spends and technology spends, while are likely to gradually improve driven by improving product mix, recovery in retail sales, operating efficiencies and cost-saving initiatives.

### ■ Valuation – Maintain Hold with a revised price target of Rs. 1,140

Bata has been delivering weak numbers for the past several quarters due to weak consumer demand and industry tailwinds. Management expects some uptick in demand with improved momentum during festive and wedding season and GST 2.0 rollout. In the long run, it eyes double-digit growth driven by premiumisation, casualisation, and expansion through the franchisee route. Focus on premiumisation, sourcing efficiencies and technology upgrades would aid margin improvement in the long run. Stock trades at 61x/54x/45x its FY2026E/FY27E/FY28E EPS, respectively. In view of near-term growth headwinds and premium valuations, we maintain Hold with a revised PT of Rs. 1,140 (rolling over to Sept-27 EPS).

#### Peer Comparison

Particulars	P/E (x)			EV/EBIDTA (x)			RoCE (%)		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Relaxo Footwears	53.9	63.4	52.9	27.0	28.2	26.4	17.2	13.1	14.7
Bata India	57.4	60.8	54.1	18.9	18.1	16.1	9.1	8.5	9.4

Source: Company; Mirae Asset Sharekhan Research

## About company

Bata is the largest footwear retailer in India, offering footwear, accessories, and bags across brands such as Bata, Bata Red Label, Hush Puppies, Naturalizer, Power, Marie Claire, Weinbrenner, North Star, Scholl, Bata Comfit, and Bubble gummers, to name a few. The company has established a leadership position in the industry and is the most-trusted name in branded footwear. The company has a retail network of over 1,950 stores, including 661 franchised stores.

## Investment theme

Bata has rebranded itself as a modern footwear player recently, which will help the company report double-digit revenue growth. To drive growth in the near to medium term, the company has identified certain strategic levers such as the focus on portfolio evolution, accelerating expansion via franchisee and distribution, bringing back marketing investments and getting youth to brand Bata, exploring digital footprint, building an agile and efficient supply chain, and staying nimble on costs in a dynamic environment. We expect the company's revenue and EBITDA to post a CAGR of 5% and 9% over FY25-FY28E, respectively.

## Key Risks

- ◆ Slowdown in discretionary demand: Any slowdown in SSSG due to a fall in demand/footfalls would affect revenue growth.
- ◆ Increased competition in highly penetrated categories: Heightened competition would act as a threat to revenue growth.

## Additional Data

### Key management personnel

Name	Designation
Ashwani Windlass	Chairman
Gunjan Shah	Chief Executive Officer & Managing Director
Amit Aggarwal	Director-Finance and Chief Financial Officer
Nitin Bagaria	Company Secretary & Compliance Officer

Source: Company Website

### Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Life Insurance Corp of India	10.32
2	Mirae Asset Financial Group	8.30
3	Quant Money Managers Ltd.	2.18
4	Vanguard Group Inc.	1.99
5	Nippon Life India Asset Management Ltd.	1.98
6	Canara Robeco AMC Ltd.	1.59
7	ICICI Prudential AMC Ltd.	1.30
8	Norges Bank	1.20
9	Blackrock Inc.	0.94
10	IDFC Mutual Fund	0.87

Source: Bloomberg

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## Understanding the Mirae Asset Sharekhan 3R Matrix

<b>Right Sector</b>	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
<b>Right Quality</b>	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
<b>Right Valuation</b>	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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