

Bata India

BUY

Improved operational performance

Summary

Bata India's (Bata) Q4FY23 result was broadly in-line with our estimates on all key parameters. Healthy demand, prudent cost rationalization and softening of raw material prices aided better operational performance of the company. Bata reported highest ever store count at 2053 covering 698 cities. Franchised store count increased by 27 in Q4 taking total stores to 419 as on Q4FY23. The management guided total franchised stores to touch the mark of 500 stores soon. Net sales grew by 17% YoY to Rs7,786mn, while EBITDA came in at Rs1,821mn, a growth of 12.3% over Q4FY22. The company reported net profit of Rs656mn, up by 4.2% YoY. We have marginally cut our estimates on net sales/PAT front. Maintain BUY with a revised TP of Rs1,768, assigning 50x PER on FY25E.

Key Highlights and Investment Rationale

- Operationally a good quarter:** Bata continued its improved operational performance in Q4FY23 as low end products below Rs1000 have seen a decline in contribution in total sales. The company's Bata.in sales grew by 1.5X, while ASP increased by 15% YoY. In-Store business too has picked up well with 1.2x increase in net sales. To leverage its brand equity, Bata has ventured into apparel segment with a price point of Rs799-1499. Further, to strengthen Floatz the company has launched Floatz kiosks in malls. Premium brands, sneakerization and new collection will drive sustainable growth for Bata in near term.
- Healthy business recovery on card, BUY with a TP of Rs1,768:** We like Bata among organized footwear retailers given its strong brand recall, healthy balance sheet and extensive distribution reach. We believe the company is poised to benefit from product premiumization, increasing presence on digital platform bodes well for future earnings growth. BUY with a TP of Rs1,768.

TP	Rs1,768
CMP	Rs1,533
Potential upside/downside	15%
Previous Rating	BUY

Price Performance (%)

	-1m	-3m	-12m
Absolute	5.1	7.0	(12.4)
Rel to Sensex	1.6	5.3	(26.1)

V/s Consensus

EPS (Rs)	FY24E	FY25E
IDBI Capital	30	35
Consensus	34	42
% difference	(12.1)	(16.3)

Key Stock Data

Bloomberg / Reuters	BATA IN/BATA.BO
Sector	Footwear
Shares o/s (mn)	129
Market cap. (Rs mn)	197,039
3-m daily avg Trd value(Rs mn)	27.4
52-week high / low	Rs2,004 / 1,381
Sensex / Nifty	61,730 / 18,203

Shareholding Pattern (%)

Promoters	50.2
FII	5.9
DII	30.5
Public	13.4

Financial snapshot

Year	FY21	FY22	FY23E	FY24E	FY25E
Revenue	17,085	23,877	34,516	39,743	44,425
Change (yoy, %)	(44)	40	45	15	12
EBITDA	1,622	4,185	7,938	9,354	10,789
Change (yoy, %)	(81)	158	90	18	15
EBITDA Margin(%)	9.5	17.5	23.0	23.5	24.3
Adj.PAT	(847)	1,030	3,230	3,800	4,545
EPS (Rs)	(7)	8	25	30	35
Change (yoy, %)	(125.7)	(221.6)	213.6	17.7	19.6
PE(x)	(232.8)	191.4	61.0	51.9	43.4
Dividend Yield (%)	0.3	3.6	0.3	0.4	0.5
EV/EBITDA (x)	114.8	44.8	24.2	20.3	17.4
RoE (%)	(4.6)	5.8	19.9	24.0	23.9
RoCE (%)	(3.7)	6.6	19.4	22.6	23.5

Source: IDBI Capital Research

Concall Highlights:

- Management guided that they have crossed 2000 point of sales for the first time in 700 plus city. Sneaker studios is present across 533 stores, while Floatz recorded highest ever quarterly turnover.
- The company is now more focused to cover retail expansion, renovations and continues to increase the distributorship
- The management guided that there is an expansion front in NPS with 24% additions and continuing the momentum to expand the multi brand outlets in terms of number of distributors, the quality of the distributors, marketing investments
- Management indicated about their premiumizing portfolio which is below Rs1000 was at about Rs50-53crs and now is at about Rs30-45crs. In terms of the contribution to store count, it is now close to 20%.
- Management guided that they don't get splits on the business lines, but ballpark is about 600 to 700 points accreted from a profitability perspective at EBIT or a channel operating margin level and only allocation costs which are neutral across these lines.
- The whole objective of driving franchise expansion is on 3 fronts. 1. It allows company to open up stores in motion where the brand is obviously demanded for, but however, the scale does not justify them opening up the company on store. 2. Contribution per pair is higher than a COCO store. 3. In terms of capital efficiency, it allows company to reflect expansion much faster without fixing up or deploying too much of cash.
- IT technology based capex that company has outlaid for FY24E will be in the range of Rs300mn. And additional Rs300mn for marketing expenditure and company will look at it continuously going up.
- Management guided that regarding dividend policy, while last year was the one off kind of a dividend that was announced at that point in time. The board's policy on dividend is up to 60%.

Exhibit 1: Financial snapshot

Particulars (mn)	Q4FY23	Q3FY23	QoQ (%)	Q4FY22	YoY (%)
Total revenues	7,786	9,002	(13.5)	6,652	17.0
Total expenditure	5,965	6,941	(14.1)	5,031	18.6
EBIDTA	1,821	2,061	(11.7)	1,621	12.3
EBIDTA margin (%)	23.4	22.9	48.9bps	24.4	-99bps
Depreciation	765	754	1.5	718	6.6
Interest cost	272	286	(4.8)	245	10.9
Other income	99	76	30.9	187	(47.0)
PBT	883	1,097	(19.5)	846	4.4
Tax	227	266	(14.6)	216	4.8
Adj. net profit	656	832	(21.1)	630	4.2
Adj. EPS (INR)	5.1	6.4	(21.1)	4.9	4.2

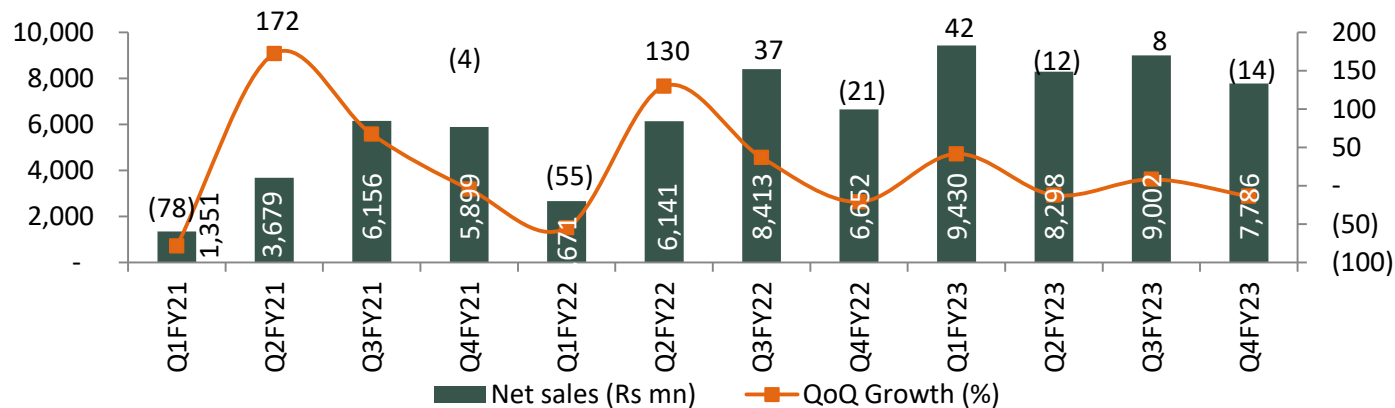
Source: Company; IDBI Capital Research

Exhibit 2: Actual vs. estimates

Particulars (mn)	Q4FY23A	Q4FY23E	Variance (%)
Net Sales	7,786	8,324	-6
EBITDA	1,821	1856	-2
EBITDA Margin (%)	23.4	22.3	108.3bps
Net Profit	656	667	-2
EPS (Rs)	5.1	5.2	-2

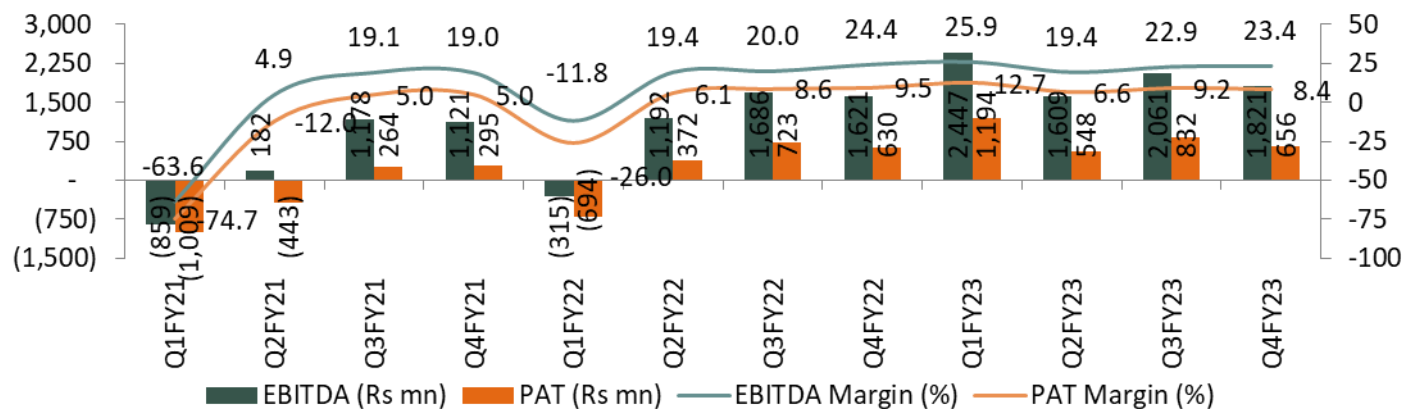
Source: Company; IDBI Capital Research

Exhibit 3: Net sales analysis



Source: Company; IDBI Capital Research

Exhibit 4: EBITDA, PAT and margins trend



Source: Company; IDBI Capital Research

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net sales	30,561	17,085	23,877	34,516	39,743	44,425
<i>Change (yoy, %)</i>	4	(44)	40	45	15	12
Operating expenses	(22,240)	(15,463)	(19,692)	(26,578)	(30,389)	(33,636)
EBITDA	8,321	1,622	4,185	7,938	9,354	10,789
<i>Change (yoy, %)</i>	74	-81	158	90	18	15
<i>Margin (%)</i>	27.2	9.5	17.5	23.0	23.5	24.3
Depreciation	(2,958)	(2,648)	(2,420)	(2,948)	(3,549)	(4,089)
EBIT	5,363	(1,026)	1,765	4,990	5,805	6,700
Interest paid	(1,177)	(1,035)	(928)	(1,079)	(1,152)	(1,094)
Other income	687	941	560	387	426	468
Pre-tax profit	4,872	(1,074)	1,397	4,298	5,079	6,073
Tax	(1,579)	273	(367)	(1,068)	(1,278)	(1,529)
<i>Effective tax rate (%)</i>	32	25	26	25	25	25
Minority Interest	-	-	-	-	-	-
Net profit	3,294	(801)	1,030	3,230	3,800	4,545
Exceptional items	-	46	-	-	-	-
Adjusted net profit	3,294	(847)	1,030	3,230	3,800	4,545
<i>Change (yoy, %)</i>	14	(126)	(222)	214	18	20
EPS	25.6	(6.6)	8.0	25.1	29.6	35.4
Dividend per sh	4	4	55	5	6	7
<i>Dividend Payout (%)</i>	19	(73)	816	24	24	24

Balance Sheet

(Rs mn)

Year-end: March	FY20	FY21	FY22	FY23E	FY24E	FY25E
Shareholders' funds	18,939	17,581	18,147	14,382	17,257	20,722
Share capital	643	643	643	643	643	643
Reserves & surplus	18,297	16,938	17,504	13,739	16,615	20,080
Total Debt	-	-	-	-	-	-
Other liabilities	10,353	8,597	8,913	10,105	9,728	9,401
Curr Liab & prov	8,032	7,147	8,192	8,224	8,579	8,980
Current liabilities	7,924	7,041	8,082	8,149	8,496	8,890
Provisions	108	106	110	76	83	89
Total liabilities	18,385	15,744	17,105	18,330	18,307	18,381
Total equity & liabilities	37,325	33,325	35,251	32,712	35,564	39,103
Net fixed assets	3,494	3,170	2,937	3,254	2,706	1,618
Investments	70	67	-	-	-	-
Other non-curr assets	12,530	10,339	12,314	13,323	13,435	13,586
Current assets	21,231	19,748	20,000	16,135	19,423	23,899
Inventories	8,737	6,083	8,709	9,046	10,583	12,700
Sundry Debtors	633	794	717	826	991	1,209
Cash and Bank	9,639	10,968	9,688	5,312	6,897	9,038
Loans and advances	1,270	1,269	-	-	-	-
Total assets	37,325	33,325	35,251	32,712	35,564	39,103

Cash Flow Statement

(Rs mn)

Year-end: March	FY20	FY21	FY22	FY23E	FY24E	FY25E
Pre-tax profit	4,872	(1,074)	1,397	4,298	5,079	6,073
Depreciation	2,958	2,648	2,420	2,948	3,549	4,089
Tax paid	(1,590)	(1)	(25)	(1,160)	(1,151)	(1,376)
Chg in working capital	1,206	1,609	(236)	(412)	(1,348)	(1,934)
Other operating activities	-	-	-	-	-	-
Cash flow from operations (a)	7,447	3,182	3,556	5,674	6,129	6,853
Capital expenditure	(3,152)	(2,324)	(2,186)	(3,265)	(3,001)	(3,001)
Chg in investments	(33)	3	67	-	-	-
Other investing activities	-	-	-	-	-	-
Cash flow from investing (b)	(3,184)	(2,321)	(2,119)	(3,265)	(3,001)	(3,001)
Equity raised/(repaid)	-	-	-	-	-	-
Debt raised/(repaid)	-	-	-	-	-	-
Dividend (incl. tax)	(617)	(617)	(8,406)	(771)	(925)	(1,080)
Chg in minorities	-	-	-	-	-	-
Other financing activities	(2,409)	1,085	5,688	(6,014)	(617)	(631)
Cash flow from financing (c)	(3,026)	468	(2,718)	(6,785)	(1,542)	(1,711)
Net chg in cash (a+b+c)	1,236	1,329	(1,280)	(4,376)	1,586	2,141

Financial Ratios

Year-end: March	FY20	FY21	FY22	FY23E	FY24E	FY25E
Book Value (Rs)	21	21	21	21	21	21
Adj EPS (Rs)	25.6	-6.6	8.0	25.1	29.6	35.4
Adj EPS growth (%)	14	-126	-222	214	18	20
EBITDA margin (%)	27.2	9.5	17.5	23.0	23.5	24.3
Pre-tax margin (%)	16	-6	6	12	13	14
Net Debt/Equity (x)	-0.5	-0.6	-0.5	-0.4	-0.4	-0.4
ROCE (%)	22	-4	7	19	23	23
ROE (%)	18.1	-4.6	5.8	19.9	24.0	23.9

DuPont Analysis

Asset turnover (x)	1.0	0.5	0.7	1.0	1.2	1.2
Leverage factor (x)	1.7	1.9	1.9	2.1	2.2	2.0
Net margin (%)	10.8	-5.0	4.3	9.4	9.6	10.2

Working Capital & Liquidity ratio

Inventory days	104	130	133	96	97	104
Receivable days	8	17	11	9	9	10
Payable days	83	104	85	56	52	50

Valuations

Year-end: March	FY20	FY21	FY22	FY23E	FY24E	FY25E
PER (x)	59.9	-232.8	191.4	61.0	51.9	43.4
Price/Book value (x)	74.6	74.6	74.6	74.6	74.6	74.6
EV/Net sales (x)	6.1	10.9	7.9	5.6	4.8	4.2
EV/EBITDA (x)	23	115	45	24	20	17
Dividend Yield (%)	0.3	0.3	3.6	0.3	0.4	0.5

Source: Company; IDBI Capital Research



Notes

Dealing

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Key to Ratings Stocks:**BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.**IDBI Capital Markets & Securities Ltd.****Equity Research Desk**

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