

# Bata India

# ACCUMULATE

Subdued demand weighed on quarterly performance

## Summary

Bata India's (Bata) Q4FY21 result was below our and consensus estimates on key parameters. After a strong recovery in Q3FY21, net sales growth took a pause amid weak demand. Net sales declined by 4.9% YoY to Rs5,899mn, while EBITDA came in at Rs1,121mn, down by 19.7% YoY. The company reported net profit of Rs295mn, lower by 23.2% YoY. Bata resumed its advertising and branding initiatives with a new ad campaign in Q4FY21. The company further strengthened its ecommerce and omni-channel facilities to cover more pin codes across India. It also continued expanding retail network in tier 3-5 towns via franchisee route by opening 10 new franchisee stores and appointing new distributors to serve multi-brand stores. Given second wave of Covid-19 has led to statewide lockdown; we anticipate subdued Q1FY22E earnings for Bata. We have marginally lowered our FY22E earnings, while broadly maintained our FY23E estimates for the company. We now recommend ACCUMULATE with a revised TP of Rs1,790 (earlier Rs1,745) assigning 56x PER on FY23E.

## Key Highlights and Investment Rationale

### ■ Seasonal weakness weighed on net sales

After a robust Q3FY21 performance, Bata witnessed slowdown in demand in Q4, which weighed on its net sales. The company continued to march towards recovery via channel expansion efforts through franchising, distribution and market place route. Given opening up of economy in the beginning of Q4FY21, the company took initiatives to focus on branding with a new ad campaign which focused on work wear. With the second wave forcing people to stay indoors, the company will continue to serve its customers at their doorsteps via multiple channels which were initiated in the beginning of FY21.

### ■ Higher operating cost dented EBITDA margin

EBITDA margin deteriorated by 350bps YoY to 19% owing to higher operating cost. We believe Bata's focus to optimize its retail network and look for cost-savings across rentals, operations, manufacturing and drive efficiencies in its value chain will aid margin expansion as business gets back to normalcy.

### ■ Remains our preferred pick in footwear, ACCUMULATE with a TP of Rs1,790

We continue to like Bata amongst the organized footwear peers. After a recent rally in the stock price, potential upside is capped from current level. ACCUMULATE with a TP of Rs1,790.

## Q4FY21 Result Review

<b>TP</b>	<b>Rs1,790</b>	
<b>CMP</b>	<b>Rs1,635</b>	
Potential upside / downside	+9%	
Previous Rating	BUY	
<b>V/s Consensus</b>		
<b>EPS (Rs)</b>	<b>FY22E</b>	<b>FY23E</b>
IDBI Capital	25.4	32.0
Consensus	28.4	34.4
% difference	(10.6)	(7.1)

## Shareholding Pattern (%)

Promoters	53.0
FII	5.3
DII	26.0
Public	15.7

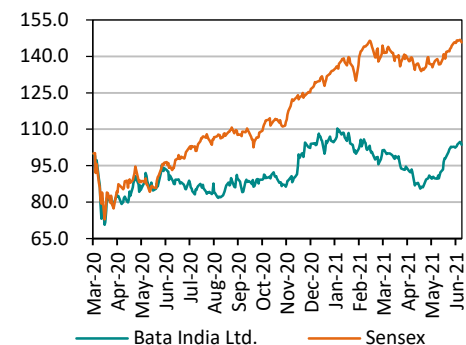
## Price Performance (%)

	<b>-1m</b>	<b>-3m</b>	<b>-12m</b>
Absolute	21.0	8.7	17.2
Rel to Sensex	14.7	6.2	(36.8)

## Key Stock Data

Bloomberg/Reuters	BATA IN / BATA.BO
Sector	Footwear
Shares o/s (mn)	129
Market cap. (Rs mn)	2,10,136
Market cap. (US\$ mn)	2,880
3-m daily avg Trd value(Rs mn)	531.0
52-week high / low	Rs1,705 / 1,215
Nifty / Sensex	52,300 / 15,738

## Relative to Sensex (%)



## Financial snapshot

Year	FY19	FY20	FY21	FY22E	FY23E
Revenue	29,311	30,561	17,085	30,449	35,150
EBITDA	4,771	8,321	1,622	6,855	8,671
EBITDA (%)	16.3	27.2	9.5	22.5	24.7
Adj. PAT	2,891	3,294	(847)	3,263	4,108
EPS (Rs)	22.5	25.6	(6.6)	25.4	32.0
EPS Growth (%)	27.0	13.9	-	-	25.9
PE (x)	69.2	60.8	-	61.4	48.7
Dividend Yield (%)	0.4	0.3	0.3	0.3	0.4
EV/EBITDA (x)	40.2	22.9	116.7	26.9	20.8
RoE (%)	18.0	18.1	(4.6)	17.3	19.0
RoCE (%)	24.9	22.5	(3.7)	14.8	16.7

Source: Company; IDBI Capital Research

**Exhibit 1: Financial snapshot**

Particulars (mn)	Q4FY21	Q3FY21	QoQ (%)	Q4FY20	YoY (%)
<b>Total revenues</b>	<b>5,899</b>	<b>6,156</b>	<b>(4.2)</b>	<b>6,206</b>	<b>(4.9)</b>
Total expenditure	4,778	4,978	(4.0)	4,809	(0.7)
<b>EBIDTA</b>	<b>1,121</b>	<b>1,178</b>	<b>(4.8)</b>	<b>1,397</b>	<b>(19.7)</b>
<b>EBIDTA margin (%)</b>	<b>19.0</b>	<b>19.1</b>	<b>(10)bps</b>	<b>22.5</b>	<b>(350)bps</b>
Depreciation	620	652	(5.0)	714	(13.3)
Interest cost	242	250	(3.4)	271	(11.0)
Other income	144	132	8.9	171	(15.8)
PBT	404	408	(0.8)	582	(30.6)
Tax	109	97	12.4	198	(44.9)
<b>Adj. net profit</b>	<b>295</b>	<b>264</b>	<b>11.6</b>	<b>384</b>	<b>(23.2)</b>
Adj. EPS (INR)	2.3	2.1	11.6	3.0	(23.2)

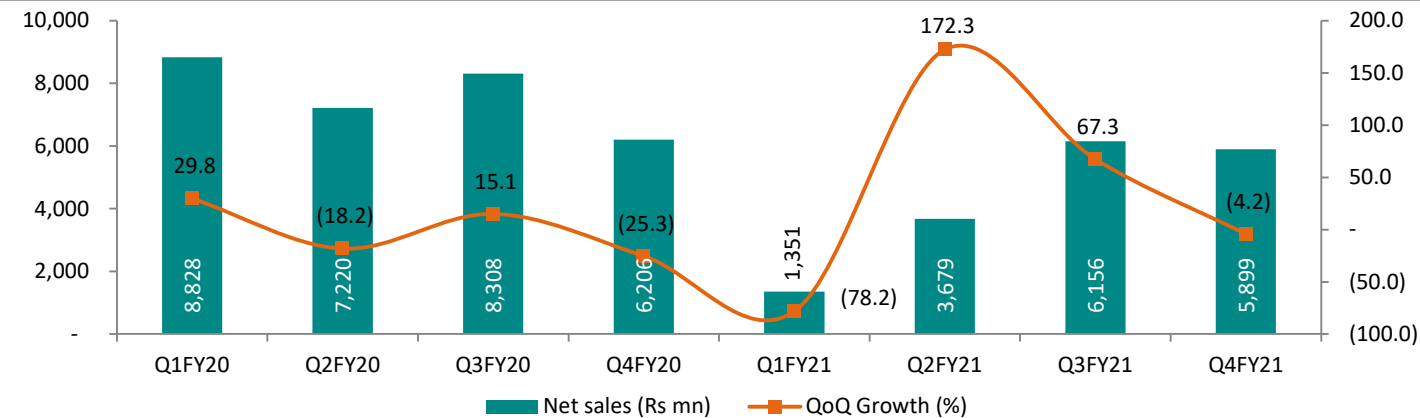
Source: Company; IDBI Capital Research

**Exhibit 2: Actual vs. estimates**

Particulars (mn)	Q4FY21A	Q4FY21E	Variance (%)
Net Sales	5,899	8,120	-27
EBITDA	1,121	1711	-34
<b>EBITDA Margin (%)</b>	<b>19.0</b>	<b>21.1</b>	<b>(210)bps</b>
Net Profit	295	704	-58
EPS (Rs)	2.3	5.5	-58

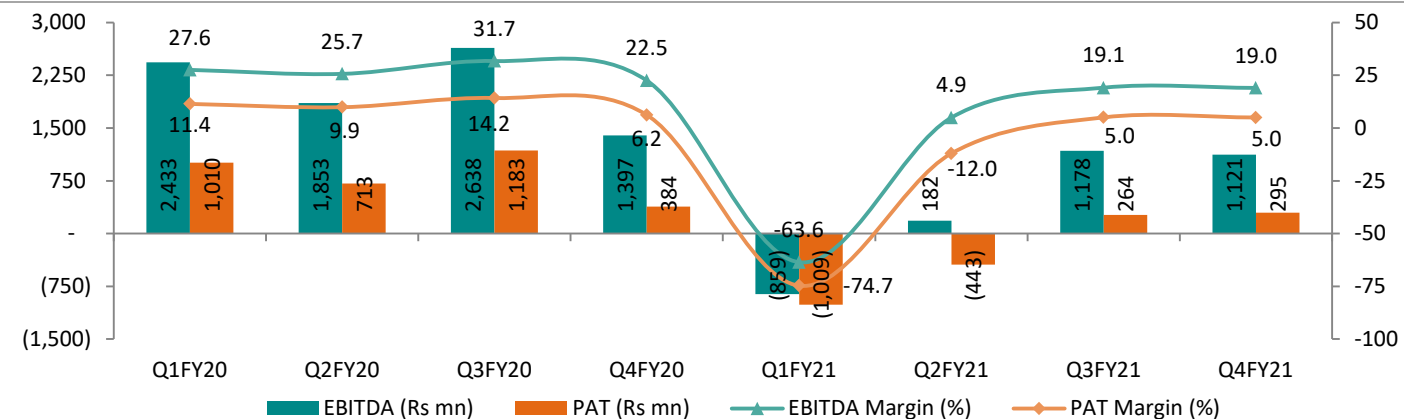
Source: Company; IDBI Capital Research

**Exhibit 3: Net sales analysis**



Source: Company; IDBI Capital Research

**Exhibit 4: EBITDA, PAT and margins trend**



Source: Company; IDBI Capital Research

**Exhibit 5: Change in estimates**

Particulars	FY22E			FY23E		
	Earlier	New	% Change	Earlier	New	% Change
Net sales	31,930	30,449	(4.6)	36,151	35,150	(2.8)
EBITDA	7,630	6,855	(10.2)	8,873	8,671	(2.3)
EBITDA Margin (%)	23.9	22.5	(140)bps	24.5	24.7	20bps
PAT	3,517	3,263	(7.2)	4,004	4,108	2.6
EPS (Rs)	27.4	25.4	(7.2)	31.2	32.0	2.6

Source: Company; IDBI Capital Research

## Financial Summary

### Profit & Loss Account

(Rs mn)

Year-end: March	FY20	FY21	FY22E	FY23E
<b>Net sales</b>	<b>30,561</b>	<b>17,085</b>	<b>30,449</b>	<b>35,150</b>
<i>Growth (%)</i>	4.3	(44.1)	78.2	15.4
Operating expenses	(22,240)	(15,463)	(23,593)	(26,478)
<b>EBITDA</b>	<b>8,321</b>	<b>1,622</b>	<b>6,855</b>	<b>8,671</b>
<i>Growth (%)</i>	74.4	-80.5	322.7	26.5
Depreciation	(2,958)	(2,648)	(2,743)	(3,403)
<b>EBIT</b>	<b>5,363</b>	<b>(1,026)</b>	<b>4,113</b>	<b>5,269</b>
Interest paid	(1,177)	(1,035)	(928)	(1,072)
Other income	687	941	1,176	1,294
<b>Pre-tax profit</b>	<b>4,872</b>	<b>(1,074)</b>	<b>4,360</b>	<b>5,490</b>
Tax	(1,579)	273	(1,097)	(1,382)
<i>Effective tax rate (%)</i>	32.4	25.4	25.2	25.2
Minority Interest	-	-	-	-
<b>Net profit</b>	<b>3,294</b>	<b>(801)</b>	<b>3,263</b>	<b>4,108</b>
Exceptional items	-	46	-	-
<b>Adjusted net profit</b>	<b>3,294</b>	<b>(847)</b>	<b>3,263</b>	<b>4,108</b>
<i>Growth (%)</i>	13.9	(125.7)	(485.2)	25.9
<i>Shares o/s (mn nos)</i>	129	129	129	129

### Cash Flow Statement

(Rs mn)

Year-end: March	FY20	FY21	FY22E	FY23E
Pre-tax profit	4,872	(1,074)	4,360	5,490
Depreciation	2,958	2,648	2,743	3,403
Tax paid	(1,590)	(1)	(988)	(1,244)
Chg in working capital	1,206	1,609	31	35
Other operating activities	-	-	-	-
<b>Cash flow from operations (a)</b>	<b>7,447</b>	<b>3,182</b>	<b>6,146</b>	<b>7,684</b>
Capital expenditure	(3,152)	(2,324)	(1,513)	(3,017)
Chg in investments	(33)	3	(7)	(4)
Other investing activities	-	-	-	-
<b>Cash flow from investing (b)</b>	<b>(3,184)</b>	<b>(2,321)</b>	<b>(1,520)</b>	<b>(3,022)</b>
Equity raised/(repaid)	-	-	-	-
Debt raised/(repaid)	-	-	-	-
Dividend (incl. tax)	(617)	(617)	(771)	(925)
Chg in minorities	-	-	-	-
Other financing activities	(2,409)	1,085	662	899
<b>Cash flow from financing (c)</b>	<b>(3,026)</b>	<b>468</b>	<b>(109)</b>	<b>(26)</b>
<b>Net chg in cash (a+b+c)</b>	<b>1,236</b>	<b>1,329</b>	<b>4,516</b>	<b>4,636</b>

**Balance Sheet** (Rs mn)

Year-end: March	FY20	FY21	FY22E	FY23E
Net fixed assets	3,494	3,170	1,941	1,556
Investments	70	67	74	79
Other non-curr assets	12,530	10,339	10,344	10,347
<b>Current assets</b>	<b>21,231</b>	<b>19,748</b>	<b>24,749</b>	<b>29,780</b>
Inventories	8,737	6,083	6,387	6,642
Sundry Debtors	633	794	849	892
Cash and Bank	9,639	10,968	15,485	20,120
Marketable Securities	-	-	-	-
Loans and advances	1,270	1,269	1,372	1,444
<b>Total assets</b>	<b>37,325</b>	<b>33,325</b>	<b>37,107</b>	<b>41,761</b>
<b>Shareholders' funds</b>	<b>18,939</b>	<b>17,581</b>	<b>20,072</b>	<b>23,255</b>
Share capital	643	643	643	643
Reserves & surplus	18,297	16,938	19,430	22,613
<b>Total Debt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Secured loans	-	-	-	-
Unsecured loans	-	-	-	-
Other liabilities	10,353	8,597	9,394	10,461
<b>Curr Liab &amp; prov</b>	<b>8,032</b>	<b>7,147</b>	<b>7,641</b>	<b>8,045</b>
Current liabilities	7,924	7,041	7,530	7,926
Provisions	108	106	111	119
<b>Total liabilities</b>	<b>18,385</b>	<b>15,744</b>	<b>17,035</b>	<b>18,506</b>
<b>Total equity &amp; liabilities</b>	<b>37,325</b>	<b>33,325</b>	<b>37,107</b>	<b>41,761</b>
<b>Book Value (Rs)</b>	<b>147</b>	<b>137</b>	<b>156</b>	<b>181</b>

Source: Company; IDBI Capital Research

**Financial Ratios**

Year-end: March	FY20	FY21	FY22E	FY23E
Adj. EPS (Rs)	25.6	(6.6)	25.4	32.0
Adj. EPS growth (%)	13.9	-	-	25.9
EBITDA margin (%)	27.2	9.5	22.5	24.7
Pre-tax margin (%)	15.9	(6.3)	14.3	15.6
ROE (%)	18.1	(4.6)	17.3	19.0
ROCE (%)	22.5	(3.7)	14.8	16.7
<b>Turnover &amp; Leverage ratios (x)</b>				
Asset turnover (x)	1.0	0.5	0.9	0.9
Leverage factor (x)	1.7	1.9	1.9	1.8
Net margin (%)	10.8	(5.0)	10.7	11.7
Net Debt/Equity (x)	(0.5)	(0.6)	(0.8)	(0.9)
<b>Working Capital &amp; Liquidity ratio</b>				
Inventory days	104	130	77	69
Receivable days	8	17	10	9
Payable days	83	104	75	71

**Valuation**

Year-end: March	FY20	FY21	FY22E	FY23E
P/E (x)	60.8	-	61.4	48.7
Price / Book value (x)	11.0	11.9	10.4	9.0
PCE (x)	32.0	111.2	33.3	26.7
EV / Net sales (x)	6.2	11.1	6.1	5.1
EV / EBITDA (x)	22.9	116.7	26.9	20.8
Dividend Yield (%)	0.3	0.3	0.3	0.4



# Notes

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**BUY:** Absolute return of 15% and above; **ACCUMULATE:** 5% to 15%; **HOLD:** Upto  $\pm 5\%$ ; **REDUCE:** -5% to -15%; **SELL:** -15% and below.

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