

Bata India

BUY

Sales volume nearing to pre-Covid level

Summary

Bata India's (Bata) Q3FY21 result was a beat to our and consensus estimates on key parameters. Though quarterly performance was subdued compared to Q3FY20, the company's sequential net sales growth and EBITDA margin expansion was commendable given challenging business environment. Net sales declined by 25.9% YoY to Rs6,156mn, while EBITDA came in at Rs1,178mn, down by 55.3% YoY. The company reported net profit of Rs264mn, lower by 77.6% YoY. The management guided that healthy demand led by festive season resulted in strong volume growth in Q3FY21 and Bata's overall demand has reached 88% of pre-Covid level. To factor in beat, we have marginally revised our net sales and PAT estimates for FY21E/FY22E/FY23E. We continue to like Bata in organized footwear space given its strong brand recall, extensive reach and superior products portfolio. Maintain BUY with a revised TP Rs1,745 (earlier Rs1,641) assigning 56x PER (unchanged) on FY23E.

Key Highlights and Investment Rationale

Healthy demand revival led by festive season

Bata's healthy sales volume driven by festive season demand led to net sales growth of 67.3% over Q2FY20. The company adopted various customer-centric measures in the wake of Covid-19 in the beginning of Q1FY21, which helped Bata in getting back to recovery path. Sales through digitally enabled platforms like e-commerce, Bata ChatShop and Bata Store on Wheels increased to 15% of the total sales compared to 5% in Q3FY20. In terms of portfolio-mix, formals and fashion categories continued to be subdued as expected due to prevailing market conditions, while casual, fitness & essentials categories bounced back leading to the company's overall volume reaching 88% of pre-Covid levels.

EBITDA margin on improving trend

Though EBITDA margin deteriorated by 1,260bps YoY to 19.1%, we believe sequential growth of 1,400bps has been encouraging. The management guided that the company will continue to optimize its retail network and look for cost-savings across rentals, operations, manufacturing and drive efficiencies in its value chain.

Growth story intact, BUY with a TP of Rs1,745

We continue to like Bata amongst the organized footwear space and we anticipate the company to get back to its earlier growth trajectory sooner than later. Maintain BUY with a TP of Rs1,745.

Q3FY21 Result Review

Key Stock Data

Bloomberg/Reuters	BATA IN / BATA.BO
Sector	Footwear
Shares o/s (mn)	129
Market cap. (Rs mn)	2,01,724
Market cap. (US\$ mn)	2,769
3-m daily avg Trd value(Rs mn)	677.7
52-week high / low	Rs1,840 / 1,017
Nifty / Sensex	51,309 / 15,107

TP Rs1,745
CMP Rs1,508

Potential upside / downside +16%
Previous Rating BUY

V/s Consensus

	EPS (Rs)	FY21E	FY22E	FY23E
IDBI Capital	(2.1)	27.4	31.2	
Consensus	(1.4)	27.1	32.7	
% difference	-	1.2	(4.5)	

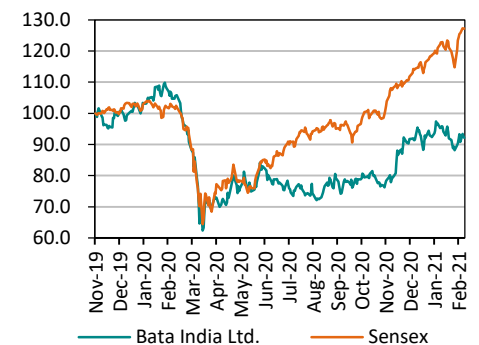
Shareholding Pattern (%)

Promoters	53.0
FII	5.6
DII	26.1
Public	15.4

Price Performance (%)

	-1m	-3m	-12m
Absolute	(4.8)	15.0	(13.9)
Rel to Sensex	(10.0)	(3.6)	(39.1)

Relative to Sensex (%)



Financial snapshot

Year	FY19	FY20	FY21E	FY22E	FY23E
Revenue	29,311	30,561	19,305	31,930	36,151
EBITDA	4,771	8,321	2,451	7,630	8,873
EBITDA (%)	16.3	27.2	12.7	23.9	24.5
Adj. PAT	2,891	3,294	(266)	3,517	4,004
EPS (Rs)	22.5	25.6	(2.1)	27.4	31.2
EPS Growth (%)	27.0	13.9	(108.1)	(1,421.7)	13.9
PE (x)	67.0	58.8	(728.4)	55.1	48.4
Dividend Yield (%)	0.4	0.3	0.1	0.3	0.3
EV/EBITDA (x)	38.9	23.4	78.8	24.7	20.8
RoE (%)	18.0	18.1	(1.4)	17.7	17.5
RoCE (%)	24.9	21.5	(0.8)	15.3	15.7

Source: Company; IDBI Capital Research

Exhibit 1: Financial snapshot

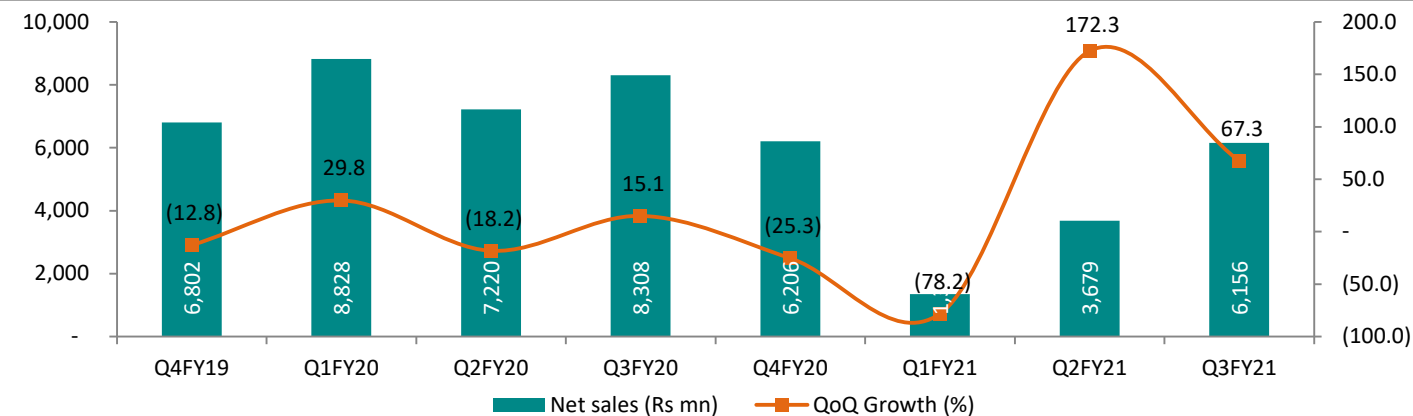
Particulars (mn)	Q3FY21	Q2FY21	QoQ (%)	Q3FY20	YoY (%)
Total revenues	6,156	3,679	67.3	8,308	(25.9)
Total expenditure	4,978	3,497	42.4	5,671	(12.2)
EBIDTA	1,178	182	547.6	2,638	(55.3)
EBIDTA margin(%)	19.1	4.9	1,400 bps	31.7	1,260 bps
Depreciation	652	645	1.2	765	(14.7)
Interest cost	250	265	-5.7	285	(12.2)
Other income	132	144	-8.5	170	(22.4)
PBT	408	(584)	-	1758	(76.8)
Tax	97	(141)	-	576	(83.1)
Adj. net profit	264	(443)	-	1183	(77.6)
Adj. EPS (INR)	2.1	-3.4	-	9.2	(77.6)

Source: Company; IDBI Capital Research

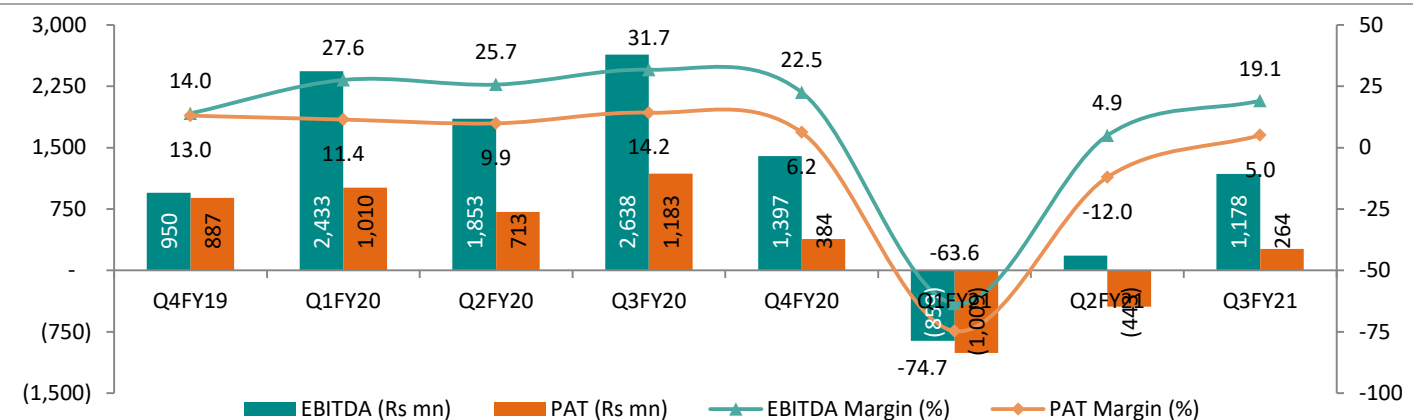
Exhibit 2: Actual vs. estimates

Particulars (mn)	Q3FY21A	Q3FY21E	Variance (%)
Net Sales	6,156	5,317	16
EBITDA	1,178	818	44
<i>EBITDA Margin (%)</i>	<i>19.1</i>	<i>15.4</i>	<i>370bps</i>
Net Profit	264	144	84
EPS (Rs)	2.1	1.1	84

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	FY21E			FY22E			FY23E		
	Earlier	New	% Chg.	Earlier	New	% Chg.	Earlier	New	% Chg.
Net sales	19,169	19,305	0.7	31,509	31,930	1.3	35,353	36,151	2.3
EBITDA	1,937	2,451	26.5	6,764	7,630	12.8	7,907	8,873	12.2
EBITDA Margin (%)	10.1	12.7	260bps	21.5	23.9	240bps	21.8	24.5	270bps
PAT	(295)	(266)	nm	3,171	3,517	10.9	3,768	4,004	6.3
EPS (Rs)	(2.3)	(2.1)	nm	24.6	27.4	10.9	29.3	31.2	6.3

Source: Company; IDBI Capital Research

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY20	FY21E	FY22E	FY23E
Net sales	30,561	19,305	31,930	36,151
<i>Growth (%)</i>	4.3	(36.8)	65.4	13.2
Operating expenses	(22,240)	(16,854)	(24,300)	(27,278)
EBITDA	8,321	2,451	7,630	8,873
<i>Growth (%)</i>	74.4	(70.5)	211.3	16.3
Depreciation	(2,958)	(2,691)	(3,126)	(3,996)
EBIT	5,363	(240)	4,504	4,877
Interest paid	(1,177)	(1,077)	(861)	(689)
Other income	687	961	1,058	1,163
Pre-tax profit	4,872	(402)	4,700	5,351
Tax	(1,579)	90	(1,183)	(1,347)
<i>Effective tax rate (%)</i>	32.4	22.3	25.2	25.2
Minority Interest	-	-	-	-
Net profit	3,294	(312)	3,517	4,004
Exceptional items	-	(46)	-	-
Adjusted net profit	3,294	(266)	3,517	4,004
<i>Growth (%)</i>	13.9	(108.1)	(1,421.7)	13.9
<i>Shares o/s (mn nos)</i>	129	129	129	129

Cash Flow Statement

(Rs mn)

Year-end: March	FY20	FY21E	FY22E	FY23E
Pre-tax profit	4,872	(402)	4,700	5,351
Depreciation	2,958	2,691	3,126	3,996
Tax paid	(1,590)	81	(1,065)	(1,212)
Chg in working capital	(932)	(148)	(19)	(20)
Other operating activities	-	-	-	-
Cash flow from operations (a)	5,309	2,222	6,743	8,116
Capital expenditure	(3,152)	(504)	(1,508)	(3,011)
Chg in investments	(33)	(11)	(8)	(5)
Other investing activities	-	-	-	-
Cash flow from investing (b)	(3,184)	(515)	(1,516)	(3,016)
Equity raised/(repaid)	-	-	-	-
Debt raised/(repaid)	10,353	(2,071)	(1,657)	(1,325)
Dividend (incl. tax)	(617)	(308)	(617)	(771)
Chg in minorities	-	-	-	-
Other financing activities	(10,625)	(31)	(33)	-
Cash flow from financing (c)	(888)	(2,410)	(2,306)	(2,096)
Net chg in cash (a+b+c)	1,236	(703)	2,920	3,004

Balance Sheet (Rs mn)

Year-end: March	FY20	FY21E	FY22E	FY23E
Net fixed assets	3,494	1,306	(312)	(1,297)
Investments	70	81	89	94
Other non-curr assets	12,530	12,542	12,551	12,556
Current assets	21,231	21,378	24,951	28,456
Inventories	8,737	9,348	9,816	10,208
Sundry Debtors	633	683	731	768
Cash and Bank	9,639	8,982	11,902	14,869
Marketable Securities	-	-	-	-
Loans and advances	1,270	1,394	1,506	1,584
Total assets	37,325	35,308	37,279	39,809
Shareholders' funds	18,939	18,365	21,265	24,498
Share capital	643	643	643	643
Reserves & surplus	18,297	17,722	20,622	23,855
Total Debt	10,353	8,283	6,626	5,301
Secured loans	10,353	8,283	6,626	5,301
Unsecured loans	-	-	-	-
Other liabilities	2,138	2,129	2,247	2,382
Curr Liab & prov	5,894	6,532	7,141	7,628
Current liabilities	5,786	6,421	7,026	7,505
Provisions	108	110	115	124
Total liabilities	18,385	16,943	16,014	15,311
Total equity & liabilities	37,325	35,308	37,279	39,809
Book Value (Rs)	21	21	21	21

Source: Company; IDBI Capital Research

Financial Ratios

Year-end: March	FY20	FY21E	FY22E	FY23E
Adj. EPS (Rs)	25.6	(2.1)	27.4	31.2
Adj. EPS growth (%)	13.9	(108.1)	(1,421.7)	13.9
EBITDA margin (%)	27.2	12.7	23.9	24.5
Pre-tax margin (%)	15.9	(2.1)	14.7	14.8
ROE (%)	18.1	(1.4)	17.7	17.5
ROCE (%)	21.5	(0.8)	15.3	15.7
Turnover & Leverage ratios (x)				
Asset turnover (x)	1.0	0.5	0.9	0.9
Leverage factor (x)	1.7	1.9	1.8	1.7
Net margin (%)	10.8	(1.4)	11.0	11.1
Net Debt/Equity (x)	0.0	(0.0)	(0.2)	(0.4)
Working Capital & Liquidity ratio				
Inventory days	104	177	112	103
Receivable days	8	13	8	8
Payable days	83	122	93	89

Valuation

Year-end: March	FY20	FY21E	FY22E	FY23E
P/E (x)	58.8	(728.4)	55.1	48.4
Price / Book value (x)	73.3	73.3	73.3	73.3
PCE (x)	31.0	79.9	29.2	24.2
EV / Net sales (x)	6.4	10.0	5.9	5.1
EV / EBITDA (x)	23.4	78.8	24.7	20.8
Dividend Yield (%)	0.3	0.1	0.3	0.3



Notes

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Key to Ratings Stocks:

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

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