

Bata India

HOLD

Weathering the storm, long term outlook positive

Summary

Bata India's (Bata) Q1FY22 result was below our and consensus estimates on key parameters. Statewise lockdown amid second wave of Covid-19 led to closure of retail outlets during April and May, resulting in lower net sales. The company's strategic initiatives on alternate sales channels like digital as well e-commerce platform, Bata Chatshop and Bata store on the wheels came to rescue during difficult business environment. On a low base of Q1FY21, net sales improved by 98% YoY to Rs2,671mn, while EBITDA came in at negative Rs315mn. The company's net loss reduced from Rs1,009mn to Rs694mn. We remain positive on the company's long term growth prospects given its strong brand recall, healthy balance sheet and extensive distribution reach. Maintain HOLD with a revised TP of Rs1,907, assigning 56x PER on FY23E.

Key Highlights and Investment Rationale

Net sales rebound on a low base of Q1FY21

Bata reported robust net sales growth on a low base of Q1FY21. The management attributed better performance to preparedness with an agile contingency plan in place which helped the company to navigate adroitly through the changing business landscape amidst infection surge. The management guided that since the ease in lockdown, footfalls in retail outlets have started growing, signaling strong signs of recovery.

Prudent cost management narrowed EBITDA loss

The company's focus on cost optimization in its retail network, cost savings across operations, manufacturing and drive efficiencies in its value chain has aided in narrowing loss at EBITDA level. We believe these initiatives would sustain even after sales normalizes and will drive margins expansions in near term.

Long term growth story remains intact, HOLD with a TP of Rs1,907

We like Bata given its strong brand recall in mid-segment footwear in domestic market, extensive distribution reach, diversified product folio and pedigree of management. HOLD with a TP of Rs1,907.

TP	Rs1,907
CMP	Rs1,675
Potential upside / downside	+14%

V/s Consensus

EPS (Rs)	FY22E	FY23E
IDBI Capital	16.3	34.0
Consensus	15.8	35.6
% difference	3.1	(4.6)

Shareholding Pattern (%)

Promoters	53.0
FII	5.2
DII	27.3
Public	14.5

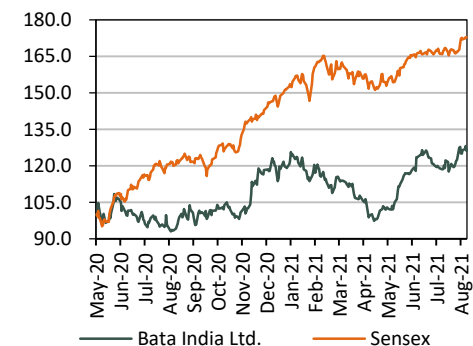
Price Performance (%)

	-1m	-3m	-12m
Absolute	6.6	22.4	36.2
Rel to Sensex	2.5	11.4	(5.8)

Key Stock Data

Bloomberg / Reuters	BATA IN/BATA.BO
Sector	Footwear
Shares o/s (mn)	129
Market cap. (Rs mn)	215,284
Market cap. (US\$ mn)	3,108
3-m daily avg Trd value(Rs mn)	686.8
52-week high / low	Rs1,736 / 1,215
Sensex / Nifty	54,844 / 16,364

Relative to Sensex (%)



Financial snapshot

Year	FY19	FY20	FY21	FY22E	FY23E
Revenue	29,311	30,561	17,085	27,870	35,450
EBITDA	4,771	8,321	1,622	5,289	9,029
EBITDA (%)	16.3	27.2	9.5	19.0	25.5
Adj. PAT	2,891	3,294	(847)	2,091	4,376
EPS (Rs)	22.5	25.6	(6.6)	16.3	34.0
EPS Growth (%)	27.0	13.9	(125.7)	(346.8)	109.3
PE (x)	74.1	65.0	(252.8)	102.4	48.9
Dividend Yield (%)	0.4	0.2	0.2	0.3	0.4
EV/EBITDA (x)	43.1	24.6	125.3	37.8	21.6
RoE (%)	18.0	18.1	(4.6)	11.5	21.2
RoCE (%)	24.9	22.5	(3.7)	9.4	18.4

Source: IDBI Capital Research;

Exhibit 1: Financial snapshot

Particulars (mn)	Q1FY22	Q4FY21	QoQ (%)	Q1FY21	YoY (%)
Total revenues	2,671	5,899	(54.7)	1,351	97.7
Total expenditure	2,986	4,778	(37.5)	2,209	35.1
EBIDTA	(315)	1,121	(128.1)	(859)	63.4
EBIDTA margin (%)	(11.8)	19.0	(3080)bps	-63.6	5180bps
Depreciation	501	620	(19.2)	731	(31.5)
Interest cost	230	242	(4.8)	278	(17.4)
Other income	122	144	(15.1)	520	(76.6)
PBT	(923)	404	(328.5)	-1347	31.5
Tax	(229)	109	(310.2)	-339	32.3
Adj. net profit	(694)	295	(335.2)	-1,009	31.2
Adj. EPS (INR)	(5.4)	2.3	(335.2)	-7.8	31.2

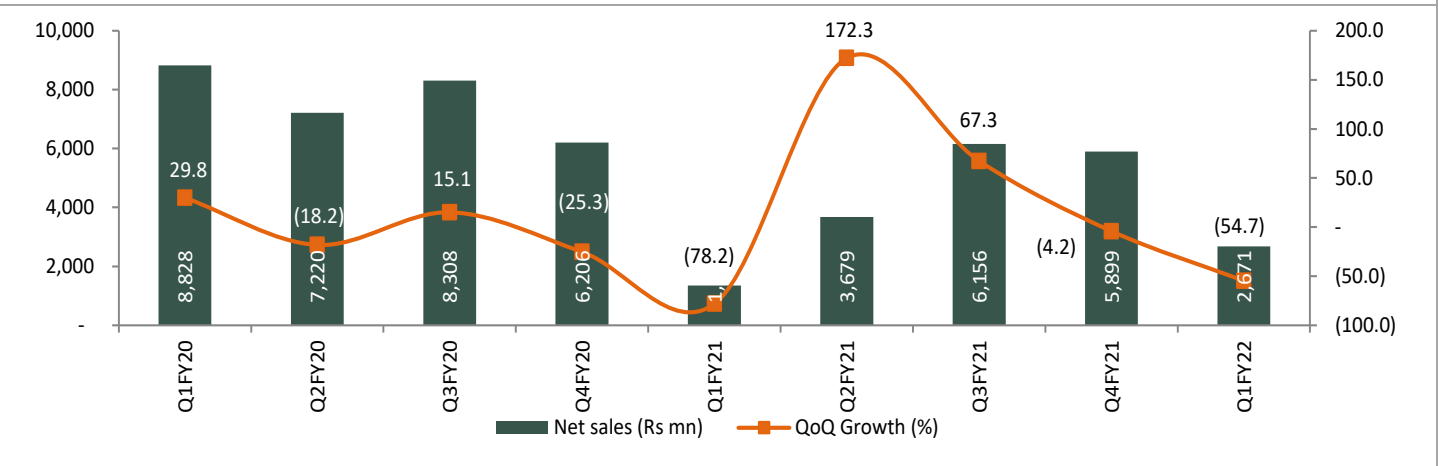
Source: Company; IDBI Capital Research

Exhibit 2: Actual vs. estimates

Particulars (mn)	Q1FY22A	Q1FY22E	Variance (%)
Net Sales	2,671	4,837	-45
EBITDA	(315)	655	-148
EBITDA Margin (%)	(11.8)	13.5	(2530)bps
Net Profit	(694)	70	-1,092
EPS (Rs)	(5.4)	0.5	-1,180

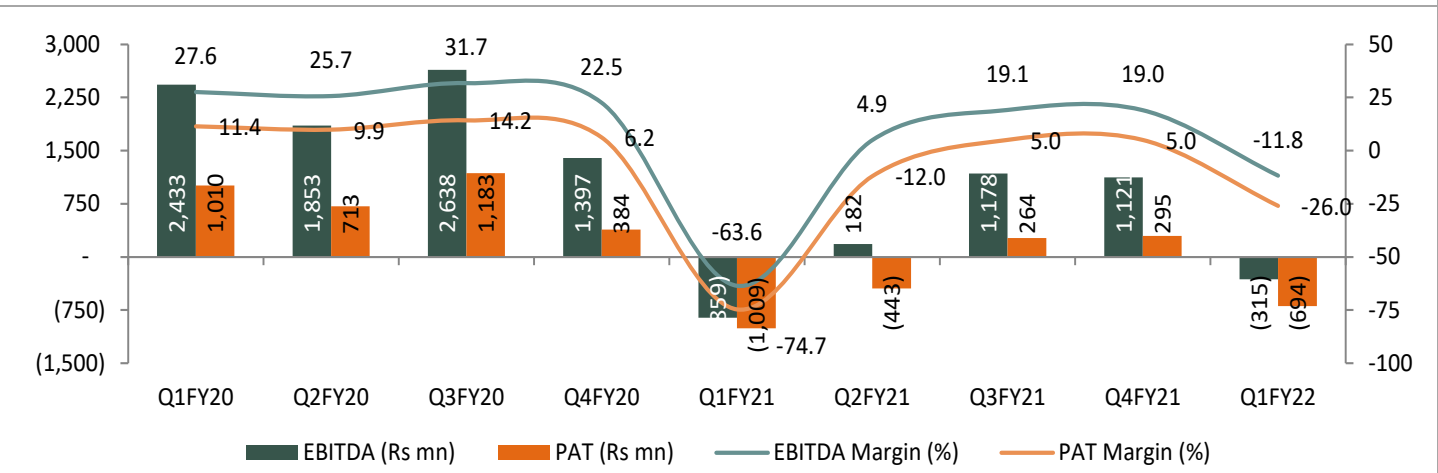
Source: Company; IDBI Capital Research

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: Dec.	FY20	FY21	FY22E	FY23E
Net sales	30,561	17,085	27,870	35,450
<i>Growth (%)</i>	4.3	(44.1)	63.1	27.2
Operating expenses	(22,240)	(15,463)	(22,581)	(26,421)
EBITDA	8,321	1,622	5,289	9,029
<i>Growth (%)</i>	74.4	-80.5	226.1	70.7
Depreciation	(2,958)	(2,648)	(2,743)	(3,403)
EBIT	5,363	(1,026)	2,546	5,627
Interest paid	(1,177)	(1,035)	(928)	(1,072)
Other income	687	941	1,176	1,294
Pre-tax profit	4,872	(1,074)	2,794	5,848
Tax	(1,579)	273	(703)	(1,472)
<i>Effective tax rate (%)</i>	32.4	25.4	25.2	25.2
<i>Minority Interest</i>	-	-	-	-
Net profit	3,294	(801)	2,091	4,376
Exceptional items	-	46	-	-
Adjusted net profit	3,294	(847)	2,091	4,376
<i>Growth (%)</i>	13.9	(125.7)	(346.8)	109.3
<i>Shares o/s (mn nos)</i>	129	129	129	129

Cash Flow Statement

(Rs mn)

Year-end: Dec.	FY20	FY21	FY22E	FY23E
Pre-tax profit	4,872	(1,074)	2,794	5,848
Depreciation	2,958	2,648	2,743	3,403
Tax paid	(1,590)	(1)	(633)	(1,325)
Chg in working capital	1,206	1,609	31	35
Other operating activities	-	-	-	-
Cash flow from operations (a)	7,447	3,182	4,934	7,961
Capital expenditure	(3,152)	(2,324)	(1,513)	(3,017)
Chg in investments	(33)	3	(7)	(4)
Other investing activities	-	-	-	-
Cash flow from investing (b)	(3,184)	(2,321)	(1,520)	(3,022)
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
Cash flow from financing (c)	(3,026)	468	(109)	(26)
Net chg in cash (a+b+c)	1,236	1,329	3,305	4,913

Balance Sheet

(Rs mn)

Year-end: Dec.	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
Current assets	21,231	19,748	23,537	28,846
Inventories	8,737	6,083	6,387	6,642
Sundry Debtors	633	794	849	892
Cash and Bank	9,639	10,968	14,273	19,186
Marketable Securities	-	-	-	-
Loans and advances	1,270	1,269	1,372	1,444
Total assets	37,325	33,325	35,896	40,827
Shareholders' funds	18,939	17,581	18,900	22,351
Share capital	643	643	643	643
Reserves & surplus	18,297	16,938	18,258	21,708
Total Debt	-	-	-	-
Secured loans	-	-	-	-
Unsecured loans	-	-	-	-
Other liabilities	10,353	8,597	9,355	10,430
Curr Liab & prov	8,032	7,147	7,641	8,045
Current liabilities	7,924	7,041	7,530	7,926
Provisions	108	106	111	119
Total liabilities	18,385	15,744	16,995	18,476
Total equity & liabilities	37,325	33,325	35,896	40,827
Book Value (Rs)	21	21	21	21

Source: Company; IDBI Capital Research

Financial Ratios

Year-end: Dec.	FY20	FY21	FY22E	FY23E
Adj EPS (Rs)	25.6	-6.6	16.3	34.0
Adj EPS growth (%)	13.9	-125.7	-346.8	109.3
EBITDA margin (%)	27.2	9.5	19.0	25.5
Pre-tax margin (%)	15.9	-6.3	10.0	16.5
ROE (%)	18.1	-4.6	11.5	21.2
ROCE (%)	22.5	-3.7	9.4	18.4
Turnover & Leverage ratios (x)				
Asset turnover (x)	1.0	0.5	0.8	0.9
Leverage factor (x)	1.7	1.9	1.9	1.9
Net margin (%)	10.8	-5.0	7.5	12.3
Net Debt/Equity (x)	-0.5	-0.6	-0.8	-0.9
Working Capital & Liquidity ratio				
Inventory days	104.3	130.0	83.6	68.4
Receivable days	7.6	17.0	11.1	9.2
Payable days	82.6	103.8	78.2	71.5

Valuation

Year-end: Dec.	FY20	FY21	FY22E	FY23E
PER (x)	65.0	-252.8	102.4	48.9
Price / Book value (x)	81.0	81.0	81.0	81.0
PCE (x)	34.3	118.9	44.3	27.5
EV / Net sales (x)	6.7	11.9	7.2	5.5
EV / EBITDA (x)	24.6	125.3	37.8	21.6
Dividend Yield (%)	0.2	0.2	0.3	0.4



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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