

# Retail Equity Research

## Bata India Limited

FMCG

BSE CODE: 500043

NSE CODE: BATAINDIA

Bloomberg CODE: BATA:IN

SENSEX: 52,154

12M Investment period

Rating as per Mid Cap

 CMP Rs.1,553 TARGET Rs.1,750 RETURN 13% ↑  
 (Closing: 15-02-21)

**KEY CHANGES:**
**TARGET ↑**
**RATING ↑**
**EARNINGS ↓**

### On the recovery path to normalcy...

Bata India Ltd (BIL) is the largest retailer and leading manufacturer of footwear in India with ~1,600 retail stores as of Dec 2020.

- We upgrade to Accumulate rating with a revised Target of Rs.1,750 (earlier Rs1,480) factoring volumes nearing pre-Covid levels.
- Q3FY21 revenue de-grew by 26%YoY, however, sequential growth was strong at +67%, indicating gradual recovery.
- EBITDA margin improved from 4.9% to 19.1% QoQ which is encouraging though it declined by 1,250bps on YoY basis. PAT was Rs.25.8cr compared to losses in the last two quarters.
- BIL's cost saving measures across rentals, operations & manufacturing will drive sustainable margin expansion in future.
- Demand outlook is positive given GoI's strong focus to revive the economy and vaccine rollout. Expect revenue/PAT to grow at 11%/8% CAGR over FY20-23E.
- We believe, BIL will be able to revive its revenue growth trajectory when the economy is back to normal. We value BIL at 53x on FY23 EPS.

### Volumes nearing pre-Covid levels led by channel expansion

Q3FY21 revenue de-grew by ~26% YoY owing to Covid-19 led disruption, but on a sequential basis, growth was strong at +67% supported by festival demand and company's channel expansion initiatives. The overall volumes reached 88% of pre-Covid levels. Sales through digitally enabled platforms now contributes ~15% of total revenue (10% in Q2FY21). For strengthening E-commerce channel, BIL rolled out 'Bata ChatShop', 'Bata Home Delivery' & 'Bata Stores on Wheels'. To reach smaller towns, the company opens new stores via franchise route and ensures availability in multi-brand outlets via distribution channels. BIL opened 45 new franchise stores in the quarter taking the total franchisee to 221 and targets to open 500 in smaller towns by 2023. To generate demand in the current scenario, BIL has launched two new products to suit work at home. As the economy is coming back to normal, the company witnesses pick up also in Institutional channels and won orders from cement, steel & railway sectors. We expect revenue to grow at ~11% CAGR over FY20-23E.

### EBITDA margin improves sequentially...

Covid-19 led disruption has changed the consumer preference and impacted the portfolio mix of the company. Formals (including school business) & Fashion categories continue to be subdued while Casual Fitness & Essentials are witnessing more demand. This change in portfolio mix has negatively impacted the gross margin (declined to 51.5% in Q3FY21 from 60.7% YoY). Due to high fixed cost structure of the company, EBITDA margin declined steeply (-1,250bps). However, the sequential improvement was significant (19.1% Vs 4.9% QoQ) aided by gradual improvement in volumes and cost saving measures. PAT was Rs.25cr compared to loss in previous two quarters. BIL now strongly focuses on cost reduction measures across rentals, operations & manufacturing which will drive sustainable margin expansion in future when the economy comes back to normal. During the 9MFY21, the company got rent concession for Rs.86cr

### Valuation & Outlook

We believe, BIL will be able to revive its revenue growth trajectory when the economy is back to normal. The demand outlook is positive given the strong thrust of the GoI to revive the economy in the Union budget. BIL has strong cash balance of ~Rs.960cr. Factoring recovery, we upgrade to Accumulate rating with a revised Target of Rs.1,750 (earlier Rs1,480) by valuing at 53x on FY23E PE.

#### Company Data

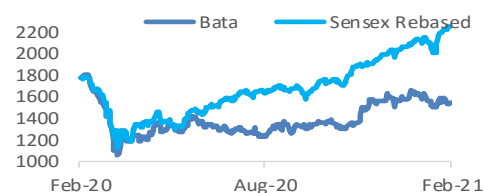
Market Cap (Rs.cr)	19,960
Enterprise Value (Rs.cr)	20,056
Outstanding Shares (cr)	12.9
Free Float	47%
Dividend Yield	0.3%
52 week high Rs.	1,825
52 week low Rs.	1,017
6m average volume (cr)	0.09
Beta	0.8
Face value Rs.	5

Shareholding %	Q1FY21	Q2FY21	Q3FY21
Promoters	53.0	53.0	53.0
FII's	6.91	4.69	5.6
MFs/Insti	24.76	26.35	26.1
Public	12.3	13.25	12.91
Others	2.66	2.75	2.51
Total	100	100	100

Promotor pledge	NIL	NIL	0.0%
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Price Performance	3 Month	6 Month	6 Month
Absolute Return	12.8%	22.2%	-12.9%
Absolute Sensex	18.7%	35.1%	26.4%
Relative Return*	-5.8%	-12.8%	-39.3%

\*over or under performance to benchmark index



Standalone (cr)	FY21E	FY22E	FY23E
Sales	1,768	3,016	3,332
Growth (%)	-42.1	70.6	10.5
EBITDA	216	778	905
EBITDA Margin (%)	12.2	25.8	27.2
Adj. PAT	-44	342	425
Growth (%)	-113.1	NA	24.3
Adj. EPS	-3.4	26.6	33.1
Growth (%)	-113.1	NA	24.3
P/E	-456.7	58.3	46.9
P/B	11.1	9.6	8.1
EV/EBITDA	92.6	25.4	21.4
ROE (%)	-2.4	17.6	18.7
D/E	0.6	0.4	0.2

Vincent Andrews  
 Research Analyst

## Quarterly Financials (Standalone)

### Profit & Loss

Rs cr)	Q3FY21	Q3FY20	YoY Growth %	Q2FY21	QoQ Growth %	9MFY21	9MFY20	YoY Growth %
Sales	615	829.6	-25.9%	368	67.1%	1117	2434	-54.1%
EBITDA	117.1	262	-55.3%	18	545.3%	49	689	-92.9%
EBITDA margins %	19.1%	31.6%	(1250bps)	4.9%	(1420bps)	0.4%	2.8%	(240bps)
Depreciation	65	76	-14.7%	64	1.2%	203	224	-9.6%
EBIT	52	186	-72.1%	-46	-212.1%	-154	465	-133.0%
Interest	25	29	-12.2%	27	-5.7%	79	91	-12.4%
Other Income	13	17	-22.6%	14	-7.8%	80	52	53.8%
Exceptional Items	-46	0	NA	0	NA	-5	0	NA
PBT	35	174	-79.6%	-59	NA	-158	426	-137.1%
Tax	10	58	-83.4%	-14	NA	-38	140	-127.3%
Reported PAT	26	116	-77.8%	-44	NA	-120	286	-141.9%
Adjustments	5	0	NA	0	NA	5	0	NA
Adj PAT	30	116	-73.8%	-44	NA	-115	286	-140.3%
No. of Shares	12.85	12.85	0.0%	12.85	NA	12.85	12.85	0.0%
EPS (Rs)	2.4	9.0	-73.8%	-3.5	NA	-9.0	22.2	-140.3%

### Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change %	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	3,193	3,463	3,016	3,332	-5.6%	-3.8%
EBITDA	821	939	778	905	-5.2%	-3.6%
Margins (%) *	25.7%	27.1%	25.8%	27.2%	10bps	10bps
Adj. PAT	379	455	342	425	-9.7%	-6.5%
EPS	29.5	35.4	26.6	33.1	-9.7%	-6.5%



## PROFIT & LOSS

Y.E March (Rs. cr)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>2,928</b>	<b>3,053</b>	<b>1,768</b>	<b>3,016</b>	<b>3,332</b>
% change	11.4	4.3	-42.1	70.6	10.5
<b>EBITDA</b>	<b>477</b>	<b>828</b>	<b>216</b>	<b>778</b>	<b>905</b>
% change	34.9	73.5	-73.9	260.5	16.3
Depreciation	64	284	259	287	319
<b>EBIT</b>	<b>413</b>	<b>544</b>	<b>-43</b>	<b>491</b>	<b>586</b>
Interest	4	118	108	98	88
Other Income	69	69	92	69	77
<b>PBT</b>	<b>478</b>	<b>495</b>	<b>-59</b>	<b>462</b>	<b>575</b>
% change	40.6	3.5	-111.9	NA	24.3
Tax	148.6	162.0	-15.4	120.2	149.5
Tax Rate (%)	31.1%	32.7%	26.0%	26.0%	26.0%
<b>Reported PAT</b>	<b>329.6</b>	<b>333.0</b>	<b>-43.7</b>	<b>342.2</b>	<b>425.4</b>
Adj*	0	0	0	0	0
<b>Adj PAT</b>	<b>329.6</b>	<b>333.0</b>	<b>-43.7</b>	<b>342.2</b>	<b>425.4</b>
% change	47.4	1.0	-113.1	NA	24.3
No. of shares (cr)	12.9	12.9	12.9	12.9	12.9
<b>Adj EPS (Rs.)</b>	<b>26</b>	<b>26</b>	<b>-3</b>	<b>27</b>	<b>33</b>
% change	47.4	1.0	-113.1	NA	24.3
DPS (Rs.)	4	4	4	4	4
CEPS (Rs.)	30.6	48.0	16.8	49.0	57.9

## BALANCE SHEET

Y.E March (Rs. cr)	FY19A	FY20A	FY21E	FY22E	FY23E
Cash	839	962	1,015	975	1,164
Accounts Receivable	65	61	39	62	73
Inventories	839	874	603	903	978
Other Cur. Assets	289	334	196	318	324
Investments	5	5	5	5	5
Gross Fixed Assets	573	1,906	1,966	2,166	2,366
Net Fixed Assets	311	1,360	1,161	1,074	955
CWIP	17	20	15	15	15
Intangible Assets	4	7	7	7	7
Def. Tax (Net)	110	111	141	145	149
Other Assets	0	0	0	0	0
<b>Total Assets</b>	<b>2,479</b>	<b>3,735</b>	<b>3,182</b>	<b>3,504</b>	<b>3,670</b>
Current Liabilities	678	572	325	578	626
Provisions	54	17	18	31	35
Debt Funds	0	1,249	1,039	805	547
Other Liabilities	0	0	0	0	0
Equity Capital	64	64	64	64	64
Reserves & Surplus	1,682	1,832	1,736	2,026	2,399
Shareholder's Fund	1,747	1,897	1,800	2,090	2,463
<b>Total Liabilities</b>	<b>2,479</b>	<b>3,735</b>	<b>3,182</b>	<b>3,504</b>	<b>3,670</b>
<b>BVPS (Rs.)</b>	<b>136</b>	<b>148</b>	<b>140</b>	<b>163</b>	<b>192</b>

## CASH FLOW

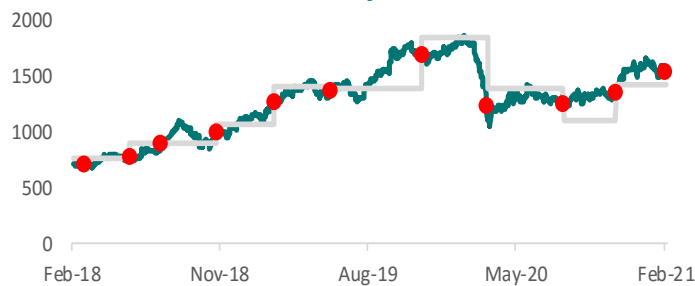
Y.E March (Rs. cr)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Net inc. + Depn.</b>	<b>394</b>	<b>384</b>	<b>5</b>	<b>396</b>	<b>486</b>
Non-cash adj.	-87	263	288	328	341
Changes in W.C	37	-68	68	-76	-40
<b>C.F. Operation</b>	<b>344</b>	<b>580</b>	<b>361</b>	<b>647</b>	<b>788</b>
Capital exp.	-87	-86	-55	-200	-200
Change in inv.	-246	-167	0	0	0
Other invest.CF	56	65	117	-103	-1
<b>C.F - Investment</b>	<b>-277</b>	<b>-187</b>	<b>62</b>	<b>-303</b>	<b>-201</b>
Issue of equity	0	0	0	0	0
Issue/repay debt	0	-338	-210	-234	-258
Dividends paid	-52	-97	-52	-52	-52
Other finance.CF	-4	-1	-108	-98	-88
<b>C.F - Finance</b>	<b>-63</b>	<b>-436</b>	<b>-371</b>	<b>-384</b>	<b>-398</b>
Chg. in cash	4	-44	53	-40	188
Closing cash	59	15	68	28	216

## RATIOS

Y.E March	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	16.3	27.1	12.2	25.8	27.2
EBIT margin (%)	14.1	17.8	-2.4	16.3	17.6
Net profit mgn.(%)	11.3	10.9	-2.5	11.3	12.8
ROE (%)	20.4	18.3	-2.4	17.6	18.7
ROCE (%)	0.1	0.1	0.0	0.1	0.1
<b>W.C &amp; Liquidity</b>					
Receivables (days)	9.6	7.6	10.3	6.1	7.4
Inventory (days)	227.5	241.1	318.4	208.4	240.4
Payables (days)	186.7	176.0	193.3	124.9	153.9
Current ratio (x)	2.8	3.8	5.4	3.7	3.8
Quick ratio (x)	0.2	0.1	0.3	0.2	0.5
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	5.5	5.0	2.7	4.1	4.0
Total asset T.O (x)	1.3	1.0	0.5	0.9	0.9
Int. coverage ratio (x)	116.5	4.6	-0.4	5.0	6.7
Adj. debt/equity (x)	0.0	0.7	0.6	0.4	0.2
<b>Valuation</b>					
EV/Sales (x)	6.5	6.6	11.3	6.6	5.8
EV/EBITDA (x)	40.1	24.5	92.6	25.4	21.4
P/E (x)	60.6	59.9	-456.7	58.3	46.9
P/BV (x)	11.5	10.6	11.1	9.6	8.1



## Recommendation Summary



Source: Bloomberg, Geojit Research

Dates	Rating	Target
5 <sup>th</sup> Nov 2018	Hold	1,068
20 <sup>th</sup> Feb 2019	Accumulate	1,404
3 <sup>rd</sup> June 2019	Hold	1,390
19 <sup>th</sup> Nov 2019	Hold	1,850
20 <sup>th</sup> March 2020	Accumulate	1,400
10 <sup>th</sup> August 2020	Sell	1,100
17 <sup>th</sup> Nov 2020	Hold	1,480
16 <sup>th</sup> Feb 2021	Accumulate	1,750

## Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated			

### Definition:

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note.

**accumulate:** Partial buying or to accumulate as CMP dips in the future.

**Hold:** Hold the stock with the expected target mentioned in the note.

**Reduce:** Reduce your exposure to the stock due to limited upside.

**Sell:** Exit from the stock.

**Not rated:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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