

Retail Equity Research

Bata India Limited

FMCG

BSE CODE: 500043

NSE CODE: BATAINDIA

Bloomberg CODE: BATA:IN

SENSEX: 60,068

Accumulate

 12Months Investment period Rating as per Mid Cap
 CMP Rs.2,043 TARGET Rs.2,290 RETURN 12% ↑
 (Closing: 04-11-21)

KEY CHANGES:
TARGET ↑
RATING ↔
EARNINGS ↓

Healthy recovery from second wave...

Bata India Ltd (BIL) is the largest retailer and leading manufacturer of footwear in India with ~1,700 retail stores as of Sept 2021.

- We maintain Accumulate rating with a revised Target of Rs.2,290 (earlier Rs1,920) factoring healthy recovery in the quarter.
- Q2FY22 revenue grew by 67%YoY (+130%QoQ) on a low base (de-growth of 49% in Q2FY21) aided by volume recovery.
- EBITDA improved by 556% to Rs.119cr (Vs. loss of Rs.34cr QoQ) while PAT was at Rs.37cr Vs loss of Rs.44cr YoY & loss of 71cr QoQ.
- BIL's cost saving measures across rentals, operations & manufacturing will drive sustainable margin expansion in future.
- Demand outlook is positive given ongoing vaccination, re-opening of markets and GoI's strong focus to revive the economy.
- We believe, BIL will be able to revive its revenue growth trajectory as the economy is back to normal given its strong brand recall & reach. Expect 38% CAGR over FY21-23E. We value BIL at 64x on Dec 2023 EPS.

Witnessing healthy recovery in volumes

Q2FY22 revenue grew by 67% YoY on a low base (de-growth of 49% in Q2FY21 due to Covid-19 first wave) and grew by 130% on a sequential basis as last quarter was impacted by second wave related lockdowns. Now, with the re-opening of markets we expect the volumes recovery momentum to pick up going forward. Sales through digitally enabled services continued to witness uptick and now contribute ~14% of total sales (Vs. ~10% in Q2FY21). To reach smaller towns, the company opens new stores via franchise route and ensures availability in multi-brand outlets via distribution channels. The total franchisee reached 270+ Vs 234 last quarter and targets to open 500 in smaller towns by 2023. The company had introduced other channels like Bata Chatshop, Bata Store on Wheels during Covid period. To generate demand in the current scenario, BIL has launched products to suit work from home, Fitness at home and Monsoon collection. We expect revenue to grow at ~38% CAGR over FY20-23E (44% de-growth in FY21).

Cost saving measures will drive sustainable margin expansion...

BIL reported EBITDA growth of 556% YoY to Rs.119cr Vs loss of Rs.34cr QoQ supported by recovery in volumes due to ease in restrictions. Gross profit margin has improved to 52.9% from 50.4% in YoY quarter. Covid-19 led disruption has changed the consumer preference and impacted the portfolio mix of the company, from Formals (including school business) & Fashion categories to Casual, Fitness & Essentials. This change in mix had negatively impacted the gross margin. However, ease in lockdowns has gradually improved the margins in subsequent period and is likely to improve the product mix going forward. BIL now strongly focuses on cost reduction measures across rentals, operations & manufacturing which will drive sustainable margin expansion when the economy comes back to normal. During FY21, the company got rent concession for Rs.101cr (Rs.49.4cr in H1FY22 Vs Rs.77.6cr in H1FY21)

Valuation & Outlook

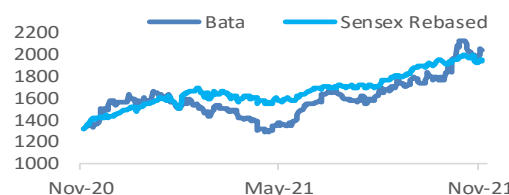
We believe, BIL has capability to revive its revenue growth trajectory when the economy is back to normal. The demand outlook is positive given ongoing vaccination, re-opening of markets and the strong thrust of the GoI to revive the economy. BIL has a strong brand recall & distribution reach and strong balance sheet with a cash balance of ~Rs.869cr as of Q2FY22. We maintain Accumulate rating with a revised Target of Rs.2,290 by valuing at 64x on Dec 2023 EPS factoring healthy recovery.

Company Data	
Market Cap (Rs.cr)	26,258
Enterprise Value (Rs.cr)	26,197
Outstanding Shares (cr)	12.9
Free Float	47%
Dividend Yield	0.2%
52 week high Rs.	2,213
52 week low Rs.	1,265
6m average volume (cr)	0.07
Beta	0.8
Face value Rs.	5

Shareholding %	Q4FY21	Q1FY22	Q2FY22
Promoters	53.0	53.0	53.0
FII's	5.33	5.23	5.4
MFs/Insti	26.01	27.3	28.0
Public	12.89	11.689	11.3
Others	2.82	2.77	2.15
Total	100.01	99.949	100
Promotor pledge	NIL	NIL	NIL

Price Performance	3 Month	6 Month	1 Year
Absolute Return	22.2%	51.2%	55.4%
Absolute Sensex	10.7%	22.1%	47.9%
Relative Return*	11.6%	29.1%	7.5%

*over or under performance to benchmark index



Standalone (cr)	FY21A	FY22E	FY23E
Sales	1,707	2,406	3,274
Growth (%)	-44.1	40.9	36.1
EBITDA	161	485	848
EBITDA Margin (%)	9.4	20.1	25.9
Adj. PAT	-86	131	402
Growth (%)	-125.7	NA	206.1
Adj. EPS	-6.7	10.2	31.3
Growth (%)	-125.7	NA	206.1
P/E	-306.6	200.0	65.4
P/B	15.0	14.3	12.0
EV/EBITDA	162.5	53.7	30.3
ROE (%)	-4.7	7.3	19.9
D/E	0.6	0.4	0.3

 Vincent Andrews
 Research Analyst

Quarterly Financials (Standalone)

Profit & Loss

Rs cr)	Q2FY22	Q2FY21	YoY Growth %	Q1FY22	QoQ Growth %	H1FY22	H1FY21	YoY Growth %
Sales	614	367.9	66.9%	267	130.0%	881	503	75.3%
EBITDA	119.1	18	556.1%	-34	-450.2%	85	-68	-225.3%
EBITDA margins %	19.4%	4.9%	(1250bps)	-12.7%	(1420bps)	1.0%	-1.4%	(240bps)
Depreciation	59	64	-9.1%	50	17.0%	109	138	-21.0%
EBIT	61	-46	-230.7%	-84	-172.0%	-24	-205	88.5%
Interest	22	27	-17.3%	23	-4.5%	45	54	-17.3%
Other Income	11	14	-20.1%	12	-5.9%	24	66	64.4%
Exceptional Items	0	0	NA	0	NA	0	0	NA
PBT	50	-59	-185.5%	-95	NA	-45	-193	76.8%
Tax	13	-14	-191.9%	-24	NA	-11	-48	77.9%
Reported PAT	37	-44	-183.5%	-71	NA	-34	-145	76.4%
Adjustments	0	0	NA	0	NA	0	0	NA
Adj PAT	37	-44	-183.5%	-71	NA	-34	-145	76.4%
No. of Shares	12.85	12.85	0.0%	12.85	NA	12.85	12.85	0.0%
EPS (Rs)	2.9	-3.5	-183.5%	-5.5	NA	-2.7	-11.3	-76.4%

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change %	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	2,493	3,371	2,406	3,274	-3.5%	-2.9%
EBITDA	540	870	485	848	-10.3%	-2.5%
Margins (%)	21.7%	25.8%	20.1%	25.9%	(410bps)	(140bps)
Adj. PAT	186	430	131	402	-29.3%	-6.5%
EPS	14	33	10.2	31.3	-27.0%	-5.3%



PROFIT & LOSS

Y.E March (Rs. cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Revenue	2,928	3,053	1,707	2,406	3,274
% change	11.4	4.3	-44.1	40.9	36.1
EBITDA	477	828	161	485	848
% change	34.9	73.5	-80.5	200.6	75.0
Depreciation	64	284	265	268	281
EBIT	413	544	-104	217	567
Interest	4	118	104	99	100
Other Income	69	69	94	55	75
PBT	478	495	-118	173	542
% change	40.6	3.5	-123.8	NA	213.0
Tax	148.6	162.0	-27.4	42.0	140.7
Tax Rate (%)	31.1%	32.7%	23.3%	24.3%	25.9%
Reported PAT	329.6	333.0	-90.2	131.3	401.8
Adj*	0	0	-5	0	0
Adj PAT	329.6	333.0	-85.6	131.3	401.8
% change	47.4	1.0	-125.7	NA	206.1
No. of shares (cr)	12.9	12.9	12.9	12.9	12.9
Adj EPS (Rs.)	26	26	-7	10	31
% change	47.4	1.0	-125.7	NA	206.1
DPS (Rs.)	4	4	4	4	4
CEPS (Rs.)	30.6	48.0	13.9	31.1	53.1

CASH FLOW

Y.E March (Rs. cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Net inc. + Depn.	394	384	-44	175	448
Non-cash adj.	-87	263	284	312	334
Changes in W.C	37	-68	218	-61	-128
C.F. Operation	344	580	458	426	654
Capital exp.	-87	-86	-36	-91	-160
Change in inv.	-246	-167	-92	0	0
Other invest.CF	56	65	78	6	-58
C.F - Investment	-277	-187	-50	-85	-218
Issue of equity	0	0	0	0	0
Issue/repay debt	0	-338	-315	-225	-235
Dividends paid	-52	-97	-51	-52	-52
Other finance.CF	-4	-1	-2	-99	-100
C.F - Finance	-63	-436	-369	-375	-387
Chg. in cash	4	-44	39	-35	50
Closing cash	59	15	54	20	69

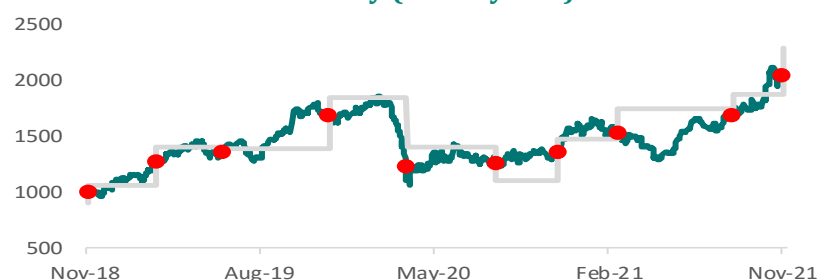
BALANCE SHEET

Y.E March (Rs. cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Cash	839	962	1,094	1,059	1,108
Accounts Receivable	65	61	79	66	81
Inventories	839	874	608	732	961
Other Cur. Assets	289	334	258	254	318
Investments	5	5	5	5	5
Gross Fixed Assets	573	1,906	1,921	2,031	2,191
Net Fixed Assets	311	1,360	1,111	953	832
CWIP	17	20	34	15	15
Intangible Assets	4	7	7	7	7
Def. Tax (Net)	110	111	138	149	149
Other Assets	0	0	0	0	0
Total Assets	2,479	3,735	3,334	3,239	3,476
Current Liabilities	678	572	514	568	681
Provisions	54	17	28	25	34
Debt Funds	0	1,249	1,032	808	573
Other Liabilities	0	0	0	0	0
Equity Capital	64	64	64	64	64
Reserves & Surplus	1,682	1,832	1,696	1,774	2,124
Shareholder's Fund	1,747	1,897	1,760	1,839	2,188
Total Liabilities	2,479	3,735	3,334	3,239	3,476
BVPS (Rs.)	136	148	137	143	170

RATIOS

Y.E March	FY19A	FY20A	FY21A	FY22E	FY23E
Profitab. & Return					
EBITDA margin (%)	16.3	27.1	9.4	20.1	25.9
EBIT margin (%)	14.1	17.8	-6.1	9.0	17.3
Net profit mgn.(%)	11.3	10.9	-5.0	5.5	12.3
ROE (%)	20.4	18.3	-4.7	7.3	19.9
ROCE (%)	0.1	0.1	0.0	0.1	0.1
W.C & Liquidity					
Receivables (days)	9.6	7.6	15.0	11.0	8.2
Inventory (days)	227.5	241.1	323.0	224.2	211.4
Payables (days)	186.7	176.0	236.5	180.9	155.9
Current ratio (x)	2.8	3.8	3.8	3.6	3.5
Quick ratio (x)	0.2	0.1	0.3	0.2	0.2
Turnover & Leverage					
Gross asset T.O (x)	5.5	5.0	2.7	3.6	4.3
Total asset T.O (x)	1.3	1.0	0.5	0.7	1.0
Int. coverage ratio (x)	116.5	4.6	-1.0	2.2	5.7
Adj. debt/equity (x)	0.0	0.7	0.6	0.4	0.3
Valuation					
EV/Sales (x)	8.7	8.7	15.3	10.8	7.9
EV/EBITDA (x)	53.3	32.1	162.5	53.7	30.3
P/E (x)	79.7	78.9	-306.6	200.0	65.4
P/BV (x)	15.1	13.9	15.0	14.3	12.0

Recommendation Summary (Last 3 years)



Source: Bloomberg, Geojit Research

Dates	Rating	Target
3 rd June 2019	Hold	1,390
19 th Nov 2019	Hold	1,850
20 th March 2020	Accumulate	1,400
10 th August 2020	Sell	1,100
17 th Nov 2020	Hold	1,480
16 th Feb 2021	Accumulate	1,750
17 th August 2021	Accumulate	1,920
08 th Nov 2021	Accumulate	2,290

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.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

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