

Q1FY22 result review  
and TP revisionConsumer Staples &  
Discretionary

Target price Rs1,500

## Earnings revision

(%)	FY22E	FY23E
Sales	↓ 5.7	↓ 0.1
EBITDA	↓ 12.6	↓ 0.1
PAT	↓ 19.3	↓ 0.1

## Target price revision

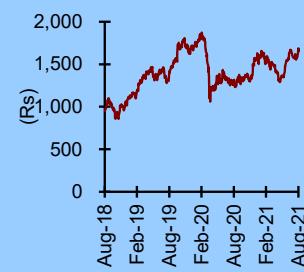
Rs1,500 from Rs1,400

## Shareholding pattern

	Dec '20	Mar '21	Jun '21
Promoters	53.0	53.0	53.0
Institutional investors	31.6	31.3	32.5
MFs and other	14.1	14.3	15.5
Banks / Fls	0.2	0.2	0.1
Insurance co	11.8	11.5	11.7
Fls	5.5	5.3	5.2
Others	15.4	15.7	14.5

Source: BSE

## Price chart



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## Bata India

REDUCE

Maintain

Rs1,666

## Not out of the woods yet

Weak performance continued in 1Q (revenue declined 55%QoQ) due to operating restrictions. Portfolio-specific headwinds (higher formal and fashion salience) continued to hurt; some of the peers have been less impacted though. We note several initiatives by Bata to accelerate recovery – (1) ramping up sales from new channels (ChatShop, Home Delivery, Store on Wheels), (2) capturing semi-urban / rural demand through franchisee stores, and (3) restarting promotional campaigns and new launches. That said, Bata is likely to be a key beneficiary of improved mobility as things normalise. Inferior product mix (away from formals & fashion and more towards open style footwear), is likely to put further pressure on profitability till then. Reiterate REDUCE; TP Rs1,500.

- **Weak operating performance:** Q1FY22 revenue was down 55% QoQ even as Bata didn't really see a good recovery in Q4 (compared to other discretionary categories as well). Product mix would have continued to be unfavourable for the quarter given lower demand of formals (schools were largely closed and offices had strict operating restrictions). Some of the recovery was driven by growth in digitally enabled platforms with e-commerce contributing 15% of sales for the quarter.

Management did highlight that with easing restrictions (in 2QFY22) the footfalls in their retail outlets are seeing a strong recovery.

- **Company initiatives:** Bata continued to scale-up its digital initiatives (Bata website, online marketplaces, Bata ChatShop, Bata Home Delivery and Bata Store on Wheels). It launched 'Work from Home', 'Fitness at Home' and Monsoon collections offering a good blend of comfort and functionality. Bata opened 7 additional franchise stores (total 234 now) in smaller towns and cities.

- **EBITDA margin continued to be weak:** Gross margin expanded 310bps QoQ (a positive surprise) to 56.2% in 1Q while the expansion was much stronger on a YoY basis (on the back of better costs absorption, 1Q was severely impacted). Staff costs and other opex were lower by 3% and 13% QoQ, respectively. EBITDA loss print was Rs340mn compared to the loss of Rs861mn in the previous year (Q1FY21). Management has highlighted efforts to introduce cost savings across operations and manufacturing.

- **Valuation and risks:** Our FY23 earnings estimates are largely unchanged; modelling revenue / EBITDA CAGR of 42 / 145 (%) over FY21-23E. Retain REDUCE with a DCF-based revised target price of Rs1,500. At our target price, the stock will trade at 44x P/E multiple Mar-23E. Key upside risk is faster-than-anticipated recovery in discretionary demand.

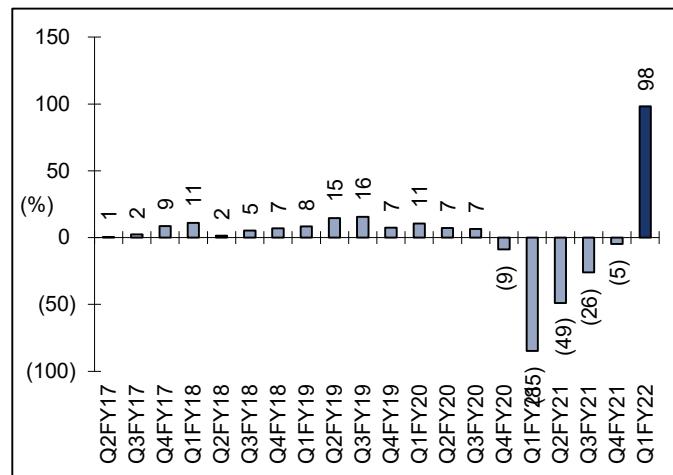
Market Cap	Rs214bn/US\$2.9bn	Year to March	FY20	FY21P	FY22E	FY23E
Reuters/Bloomberg	BATA.BO/BATA IN	Net Revenue (Rs mn)	30,535	17,073	27,542	34,523
Shares Outstanding (mn)	128.5	Net Profit (Rs mn)	3,269	(857)	2,554	4,391
52-week Range (Rs)	1694/1230	Dil. EPS (Rs)	25.4	(6.7)	19.9	34.2
Free Float (%)	47.0	% Chg YoY	5.5	NM	NM	71.9
FII (%)	5.2	P/E (x)	65.5	NM	83.9	48.8
Daily Volume (US\$'000)	13,511	CEPS (Rs)	48.4	13.9	43.5	60.9
Absolute Return 3m (%)	22.0	EV/EBITDA (x)	43.6	NM	64.7	35.4
Absolute Return 12m (%)	35.8	Dividend Yield (%)	0.2	0.2	0.4	0.5
Sensex Return 3m (%)	11.6	RoCE (%)	29.3	(5.7)	19.6	29.7
Sensex Return 12m (%)	43.5	RoE (%)	17.9	(4.7)	13.9	21.0

Please refer to important disclosures at the end of this report

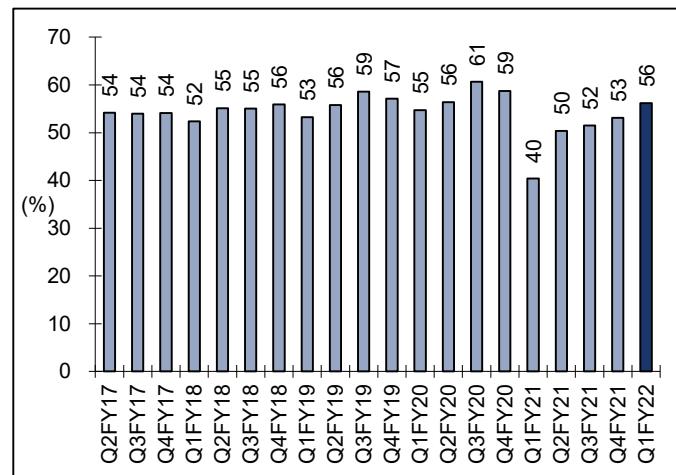
**Table 1: Q1FY22 result review (Standalone – Reported)**

(Rs mn)	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	FY21	FY20	YoY (%)
<b>Net Revenues</b>	<b>2,670</b>	<b>1,348</b>	<b>98</b>	<b>5,899</b>	<b>(55)</b>	<b>17,073</b>	<b>30,535</b>	<b>(44)</b>
COGS	(1,171)	(803)	46	(2,767)	(58)	(8,375)	(12,963)	(35)
<b>Gross profit</b>	<b>1,500</b>	<b>545</b>	<b>175</b>	<b>3,132</b>	<b>(52)</b>	<b>8,698</b>	<b>17,571</b>	<b>(50)</b>
Staff cost	(888)	(848)	5	(913)	(3)	(3,398)	(3,764)	(10)
Other opex	(952)	(558)	71	(1,099)	(13)	(3,688)	(5,510)	(33)
<b>EBITDA</b>	<b>(340)</b>	<b>(861)</b>	<b>(61)</b>	<b>1,120</b>	<b>(130)</b>	<b>1,612</b>	<b>8,297</b>	<b>(81)</b>
Other income	122	520	(77)	145	(16)	940	688	37
Finance cost	(230)	(278)		(242)		(1,035)	(1,177)	(12)
D&A	(501)	(731)	(31)	(620)	(19)	(2,647)	(2,958)	(10)
<b>PBT</b>	<b>(949)</b>	<b>(1,350)</b>	<b>(30)</b>	<b>403</b>	<b>(335)</b>	<b>(1,131)</b>	<b>4,851</b>	<b>(123)</b>
Tax	236	339		(109)		274	(1,582)	
<b>Recurring PAT</b>	<b>(713)</b>	<b>(1,011)</b>	<b>(29)</b>	<b>294</b>	<b>(342)</b>	<b>(857)</b>	<b>3,269</b>	<b>(126)</b>
<b>EPS</b>	<b>(5.5)</b>	<b>(7.9)</b>	<b>(29)</b>	<b>2.3</b>	<b>(342)</b>	<b>(6.7)</b>	<b>25.4</b>	<b>(126)</b>
<b>Costs as a % of sales</b>								
COGS	43.8	59.6	-1576 bps	46.9	-307 bps	49.1	42.5	660 bps
<b>Gross margin (%)</b>	<b>56.2</b>	<b>40.4</b>	<b>1575 bps</b>	<b>53.1</b>	<b>306 bps</b>	<b>50.9</b>	<b>57.5</b>	<b>-661 bps</b>
Staff cost	33.3	62.9	-2963 bps	15.5	1777 bps	19.9	12.3	757 bps
Other opex	35.6	41.4	-578 bps	18.6	1700 bps	21.6	18.0	355 bps
<b>EBITDA margin (%)</b>	<b>(12.7)</b>	<b>(63.9)</b>	<b>5115 bps</b>	<b>19.0</b>	<b>-3172 bps</b>	<b>9.4</b>	<b>27.2</b>	<b>-1774 bps</b>
Income tax rate (%)	24.8	25.1	-26 bps	27.0	-217 bps	24.2	32.6	-837 bps

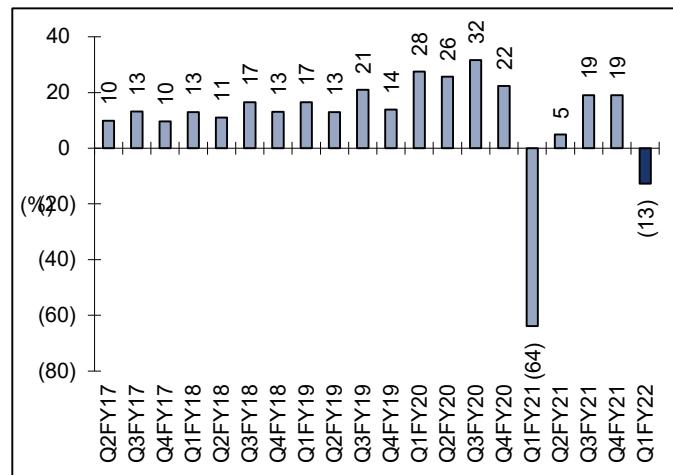
Source: Company data, I-Sec research

**Chart 1: Revenue growth**

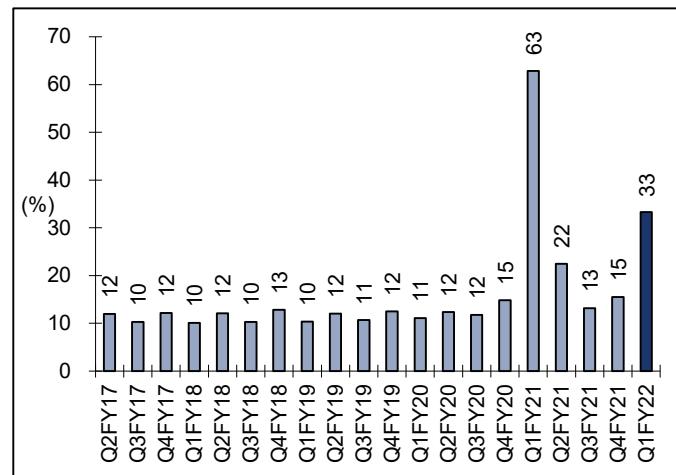
Source: Company data, I-Sec research

**Chart 2: Gross margin**

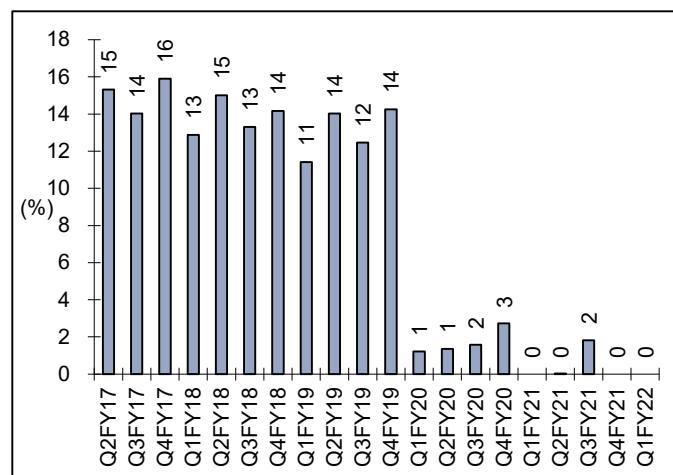
Source: Company data, I-Sec research

**Chart 3: EBITDA margin (Reported)**

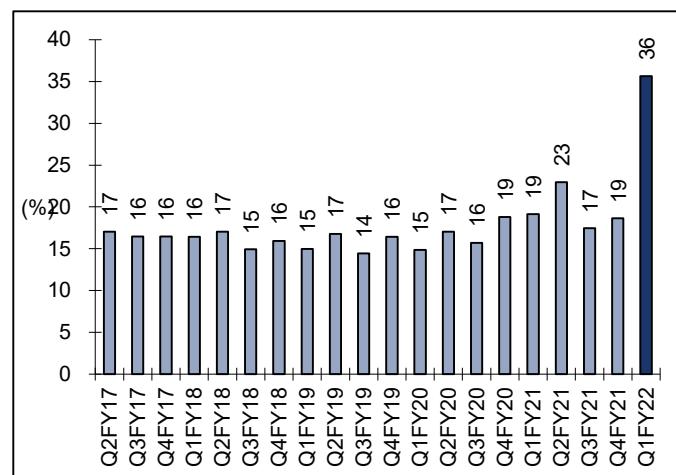
Source: Company data, I-Sec research

**Chart 4: Staff cost / sales**

Source: Company data, I-Sec research

**Chart 5: Rent / sales (Reported)**

Source: Company data, I-Sec research

**Chart 6: Other expenses / sales (Reported)**

Source: Company data, I-Sec research

## Financial summary

**Table 2: Profit & Loss statement**

(Rs mn, year ending March 31)

	FY20	FY21P	FY22E	FY23E
<b>Net Sales</b>	<b>30,535</b>	<b>17,073</b>	<b>27,542</b>	<b>34,523</b>
<b>Operating Expenses</b>	<b>22,237</b>	<b>15,461</b>	<b>20,900</b>	<b>24,867</b>
<b>EBITDA</b>	<b>8,297</b>	<b>1,612</b>	<b>6,642</b>	<b>9,656</b>
% margins	27.2	9.4	24.1	28.0
Depreciation & Amortisation	2,958	2,647	3,036	3,443
Gross Interest	1,177	1,035	1,070	1,137
Other Income	688	940	738	793
<b>Recurring PBT</b>	<b>4,851</b>	<b>(1,131)</b>	<b>3,274</b>	<b>5,870</b>
Less: Taxes	1,582	(274)	720	1,479
Less: Minority Interest	-	-	-	-
<b>Net Income (Reported)</b>	<b>3,269</b>	<b>(811)</b>	<b>2,554</b>	<b>4,391</b>
Extraordinaries (Net)	-	46	-	-
<b>Recurring Net Income</b>	<b>3,269</b>	<b>(857)</b>	<b>2,554</b>	<b>4,391</b>

Source: Company data, I-Sec research

**Table 5: Cashflow statement**

(Rs mn, year ending March 31)

	FY20	FY21P	FY22E	FY23E
<b>Operating Cashflow</b>	<b>3,008</b>	<b>(1,188)</b>	<b>2,538</b>	<b>4,450</b>
Working Capital	(679)	2,183	(318)	(1,866)
Changes				
Capital Commitments	(855)	(368)	(1,772)	(1,916)
<b>Free Cashflow</b>	<b>1,474</b>	<b>627</b>	<b>448</b>	<b>667</b>
<b>Cashflow from Investing Activities</b>	<b>(1,873)</b>	<b>(496)</b>	<b>(2,620)</b>	<b>(2,817)</b>
Issue of Share Capital	-	-	-	-
Inc (Dec) in Borrowings	(13)	(11)	(23)	(23)
Dividend paid	(969)	(515)	(900)	(1,028)
<b>Chg. in Cash &amp; Bank balance</b>	<b>(435)</b>	<b>394</b>	<b>(626)</b>	<b>(589)</b>
Closing cash & balance	150	544	(81)	(670)

Source: Company data, I-Sec research

**Table 3: Balance sheet**

(Rs mn, year ending March 31)

	FY20	FY21P	FY22E	FY23E
<b>Assets</b>				
Total Current Assets	18,973	17,812	20,404	22,591
of which cash & cash eqv.	150	544	(81)	(670)
Total Current Liabilities & Provisions	5,423	4,958	7,033	7,396
<b>Net Current Assets</b>	<b>13,550</b>	<b>12,854</b>	<b>13,371</b>	<b>15,195</b>
Investments	2,948	2,191	2,405	3,002
Net Fixed Assets	13,605	11,109	12,741	14,389
Capital Work-in-Progress	269	404	404	404
<b>Total Assets</b>	<b>30,372</b>	<b>26,557</b>	<b>28,921</b>	<b>32,989</b>
<b>Liabilities</b>				
<b>Borrowings</b>	<b>12,516</b>	<b>10,343</b>	<b>11,053</b>	<b>11,759</b>
<b>Deferred Tax Liability</b>	<b>(1,110)</b>	<b>(1,384)</b>	<b>(1,384)</b>	<b>(1,384)</b>
Minority Interest	-	-	-	-
Equity Share Capital	643	643	643	643
Face Value per share (Rs)	2	2	2	2
Reserves & Surplus*	18,323	16,955	18,609	21,972
Less: Misc. Exp. n.w.o.				
<b>Net Worth</b>	<b>18,966</b>	<b>17,598</b>	<b>19,252</b>	<b>22,615</b>
<b>Total Liabilities</b>	<b>30,372</b>	<b>26,557</b>	<b>28,921</b>	<b>32,989</b>

Source: Company data, I-Sec research

**Table 4: Quarterly trends**

(Rs mn, year ending March 31)

	Sep 20	Dec 20	Mar 21	Jun 21
<b>Net sales</b>	<b>3,679</b>	<b>6,147</b>	<b>5,899</b>	<b>2,670</b>
% growth (YoY)	(49.0)	(25.9)	(4.8)	98.1
<b>EBITDA</b>	<b>182</b>	<b>1,171</b>	<b>1,120</b>	<b>(340)</b>
Margin (%)	4.9	19.1	19.0	(12.7)
Other income	143	132	145	122
Extraordinaries (Net)	-	(46)	-	-
<b>Net profit</b>	<b>(444)</b>	<b>304</b>	<b>294</b>	<b>(713)</b>

Source: Company data, I-Sec research

**Table 6: Key ratios**

(Year ending March 31)

	FY20	FY21P	FY22E	FY23E
<b>Per Share Data (Rs)</b>				
EPS	25.4	(6.7)	19.9	34.2
Cash EPS	48.4	13.9	43.5	60.9
Dividend per share (DPS)	4.0	4.0	7.0	8.0
Book Value per share (BV)	147.6	136.9	149.8	176.0
<b>Growth (%)</b>				
Net Sales	4.3	(44.1)	61.3	25.3
EBITDA	73.8	(80.6)	312.2	45.4
PAT	29.2	NM	NM	72.3
DPS	(36.0)	-	75.0	14.3
<b>Valuation Ratios (x)</b>				
P/E	65.5	NM	83.9	48.8
P/CEPS	34.4	119.6	38.3	27.3
P/BV	11.3	12.2	11.1	9.5
EV / EBITDA	43.6	NM	64.7	35.4
EV / Sales	6.9	12.3	7.6	6.1
<b>Operating Ratios</b>				
Raw Material / Sales (%)	42.5	49.1	43.3	41.5
Employee cost / Sales (%)	12.3	19.9	13.5	12.2
Other exps / Sales (%)	16.4	20.9	17.9	17.2
Other Income / PBT (%)	14.2	(83.2)	22.6	13.5
Effective Tax Rate (%)	32.6	24.2	22.0	25.2
Working Capital (days)	81.6	86.8	58.0	66.0
Inventory Turnover (days)	104.4	130.0	110.0	105.0
Receivables (days)	7.3	17.0	10.0	8.0
Payables (days)	60.2	94.0	85.0	70.0
Net D/E (x)	(0.5)	(0.6)	(0.6)	(0.5)
<b>Profitability Ratios (%)</b>				
Net Income Margins	10.7	(5.0)	9.3	12.7
RoACE	29.3	(5.7)	19.6	29.7
RoAE	17.9	(4.7)	13.9	21.0
Dividend Payout	15.7	(56.9)	35.2	23.4
Dividend Yield	0.2	0.2	0.4	0.5
EBITDA Margins	27.2	9.4	24.1	28.0

Source: Company data, I-Sec research

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