

Well placed to benefit from demand normalisation

Bata India witnessed a revenue recovery rate (adjusted) reaching 80% in Q4FY21 vs. 74% in Q3FY21. Lower revenues from formal & fashion footwear continued to impact gross margin YoY though QoQ gross margins witnessed an improvement. Revenue fell 5% YoY to ₹ 589.9 crore in Q4FY21. Aligning with the current demand scenario, Bata tweaked its product portfolio from formals & fashion categories to casuals, fitness & essential categories. Gross margins contracted ~570 bps YoY to 53.1% mainly owing to unfavourable product mix. Cost control measures led to lower other expenses. Subsequently, EBITDA margins declined 340 bps YoY to 19%. Absolute EBITDA declined 19% YoY to ₹ 112 crore. Ensuing PAT came in at ₹ 29 crore (down 22%).

Gearing up for recovery post difficult FY21

The impact of the pandemic has been severe on Bata in FY21 as its major product segments of formal and fashion footwear were negatively impacted by a change in demand pattern for footwear. Revenues declined ~ 44% YoY to ₹ 1707 crore while EBITDA declined 80% YoY to ₹ 161 crore. It reported a net loss of ₹ 90 crore (FY20 net profit: ₹ 327 crore). The company continued its efforts to accelerate the recovery by tweaking its product portfolio from Formals & Fashion categories to Casuals, Fitness & Essential categories covering comfortable sneakers, open & sandals styles. Also, Bata continued to focus on channel expansion through franchising, distribution and market places routes. The company has further strengthened its e-commerce and omni-channel facilities to cover pin codes across India. It has also continued to expand retail network in tier 3-5 towns via franchisee route by opening 10 new franchisee stores in Q4FY21 (total 228 franchisee stores) and appointing new distributors to cater to multi brand outlets.

Strong b/s to provide thrust to growth ambitions

On the balance sheet front, better working capital management resulted in release of cash worth ₹ 204 crore. Bata continues to have a healthy balance sheet with surplus cash of ~₹ 1093 crore as on FY21. Strong brand bouquet, pan-India retail reach and sound financial position would act as enablers for Bata to benefit from liquidity stress faced by smaller unorganised footwear manufacturers thereby enhancing opportunity for market share gain.

Valuation & Outlook

Bata appears well placed to benefit from normalisation of demand. Strategies like cost reduction, higher focus on omni channel and calibrated expansion of retail network through asset light franchisee route can be structurally positive for Bata's business. Bata's healthy balance sheet provides it the required ammunition to expand its retail reach to benefit from demand revival. We believe Bata's strong brand patronage, pan-India retail reach, would enable accelerated revenue recovery with revival in margins. We pencil 100 bps margin expansion to 28.2% and RoCE augmentation by 450 bps to 32.7% over FY20-23E. We upgrade the stock from HOLD to **BUY** with a revised target price of ₹ 1925 (48x FY23E EPS, earlier TP: ₹ 1680).

Key Financial Summary

₹ crore	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E)
Net Sales	3,053.5	1,707.3	2,783.2	3,700.0	6.6%
EBITDA	829.8	161.2	681.9	1,043.4	7.9%
PAT	327.0	-90.2	262.4	514.8	16.3%
P/E (x)	64.1	-	79.9	40.7	
EV/Sales (x)	6.6	11.6	7.1	5.3	
EV/EBITDA (x)	24.1	123.3	29.1	19.0	
RoCE (%)	28.2	-5.9	20.4	32.7	
RoE (%)	17.2	-5.1	13.5	23.0	



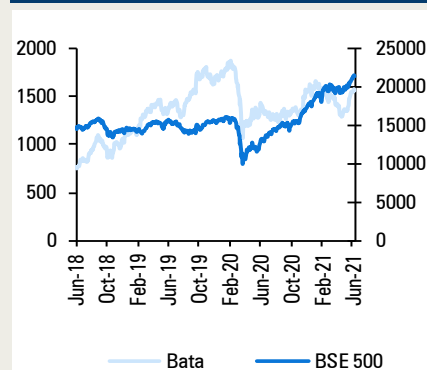
Particulars

Market Capitalisation (₹ Crore)	20,975.8
Debt (FY21) (₹ Crore)	-
Cash (FY21) (₹ Crore)	1,093.8
EV (₹ Crore)	19,882.0
52 week H/L	1705 / 1215
Equity Capital (₹ Crore)	64.3
Face Value (₹)	5

Key Risks

- Extension of lockdown restrictions leading to store closures or restricted movement of people negatively impacting store footfalls leading to lower in-store sales
- Lower-than-expected sales of formal and fashion footwear can negatively impact margins

Price Performance



Research Analyst

Bharat Chhoda
bharat.chhoda@icicisecurities.com

Cheragh Sidhwa
cheragh.sidhwa@icicisecurities.com

Exhibit 1: Variance Analysis

	Q4FY21	Q4FY21E	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	Comments
Revenue	589.9	613.6	619.7	-4.8	614.7	-4.0	Adjusting for base effect, recovery rate improved to 80% vs. 74% in Q3FY21
Raw Material Expense	276.7	288.4	255.6	8.2	298.0	-7.2	
Gross Margin (%)	53.1	53.0	58.8	-565 bps	51.5	157 bps	Gross margins contracted sharply owing to unfavourable product mix
Employee Expense	91.3	85.9	91.9	-0.7	81.1	12.6	
Rental Expenses	0.0	11.7	16.9	-100.0	11.2	-100.0	
Other Expenses	109.9	107.4	116.4	-5.6	107.3	2.4	
EBITDA	112.0	120.3	138.9	-19.3	117.1	-4.4	
EBITDA Margin (%)	19.0	19.6	22.4	-342 bps	19.1	-7 bps	
Depreciation	62.0	66.5	71.4	-13.2	65.2	-5.0	
Interest	24.2	25.5	27.1	-10.8	25.0	-3.3	
Other Income	14.5	13.7	17.1	-15.2	13.2	9.8	
Exceptional Item	0.00	0.00	0.00	NA	-4.61	NA	
PBT	40.3	42.0	57.5	-29.8	35.5	13.6	
Tax Outgo	10.90	10.6	19.8	-44.9	9.7	12.5	
PAT	29.4	31.4	37.7	-21.9	25.8	14.0	

Source: Company, ICICI Direct Research

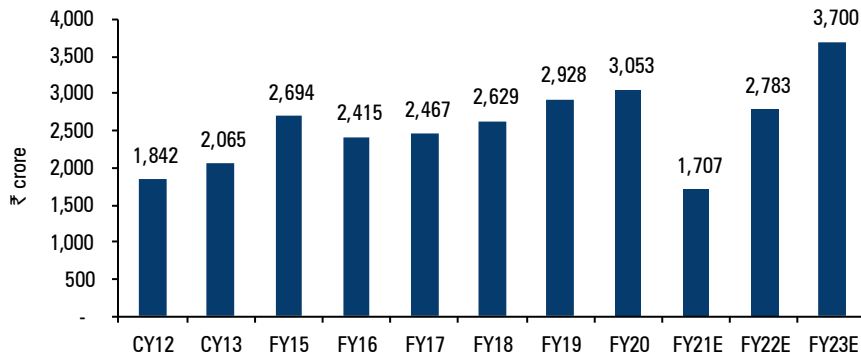
Exhibit 2: Change in estimates

(₹ Crore)	FY21E	FY22E			FY23E		
	Actual	Old	New	% Change	Old	New	% Change
Revenue	1,707.3	3,243.7	2,783.2	-14.2	3,747.7	3,700.0	-1.3
EBITDA	161.2	883.9	681.9	-22.9	1,062.5	1,043.4	-1.8
EBITDA Margin (%)	9.4	27.2	24.5	-275 bps	28.4	28.2	-15 bps
PAT	-90.2	402.5	262.4	-34.8	514.4	514.8	0.1
EPS (₹)	-7.0	31.3	20.4	-34.8	40.1	40.1	0.0

Source: Company, ICICI Direct Research

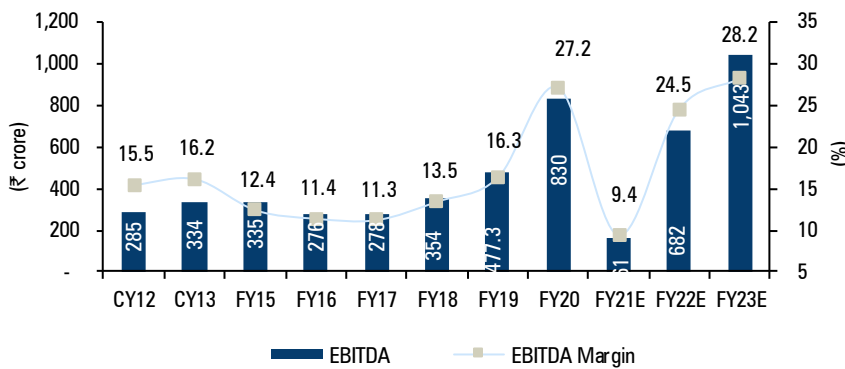
Financial story in charts

Exhibit 3: Revenue trend



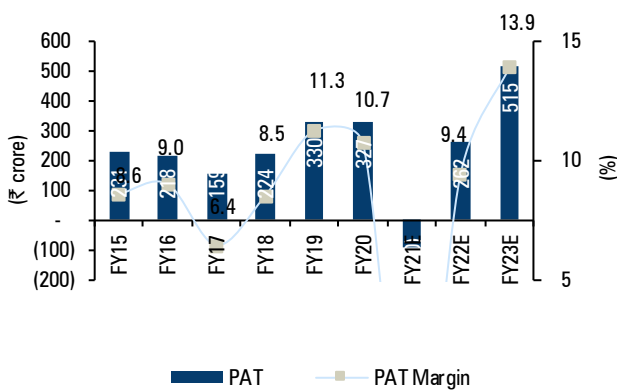
Source: Company, ICICI Direct Research

Exhibit 4: EBITDA trend



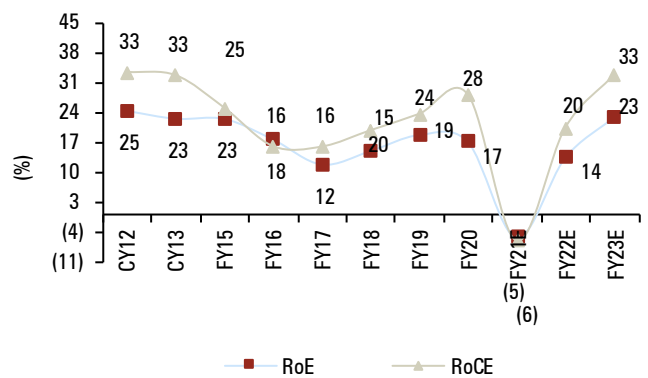
Source: Company, ICICI Direct Research

Exhibit 5: Net profit trend



Source: Company, ICICI Direct Research

Exhibit 6: Return ratio trend



Source: Company, ICICI Direct Research

Exhibit 7: Valuation

	Sales	Growth	EPS	Growth	PE	EV/EBITDA	RoNW	RoCE
	(₹ cr)	(%)	(₹)	(%)	(x)	(x)	(%)	(%)
FY20	3053.5	4.3	25.4	-0.8	64.1	24.1	17.2	28.2
FY21E	1707.3	-44.1	-7.0	PL	NA	123.3	-5.1	-5.9
FY22E	2783.2	63.0	20.4	LP	79.9	29.1	13.5	20.4
FY23E	3700.0	32.9	40.1	96.2	40.7	19.0	23.0	32.7

Source: Company, ICICI Direct Research

Financial summary

Exhibit 8: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Total operating Income	3,053.5	1,707.3	2,783.2	3,700.0
Growth (%)	4.3	-44.1	63.0	32.9
Raw Material Expenses	1,296.3	837.5	1,244.1	1,576.2
Gross Margins (%)	57.5	50.9	55.3	57.4
Employee Expenses	376.4	339.8	356.3	436.6
Mfg, Admin & selling Exps	550.9	368.8	501.0	643.8
Total Operating Expenditure	2,223.6	1,546.1	2,101.3	2,656.6
EBITDA	829.8	161.2	681.9	1,043.4
Growth (%)	73.9	-80.6	323.0	53.0
Depreciation	295.8	264.7	285.7	311.6
Interest	117.7	103.5	109.4	117.6
Other Income	68.8	94.0	64.0	74.0
Exceptional Item	0.0	-4.6	0.0	0.0
PBT	485.2	-117.6	350.8	688.2
Growth (%)	1.4	-123.3	-410.5	96.2
Total Tax	158.2	-27.4	88.4	173.4
PAT	327.0	-90.2	262.4	514.8
Growth (%)	-0.8	-127.6	LP	96.2
EPS (₹)	25.4	-7.0	20.4	40.1

Source: Company, ICICI Direct Research

Exhibit 9: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit After Tax	327.0	-90.2	262.4	514.8
Add: Depreciation	295.8	264.7	285.7	311.6
(Inc)/dec in Current Assets	47.2	323.6	-267.8	-348.9
Inc/(dec) in CL and Provisions	-142.9	-47.3	107.6	138.8
Others	0.0	0.0	0.0	0.0
CF from operating activities	527.0	450.8	388.0	616.3
(Inc)/dec in Fixed Assets	-84.4	-18.6	-80.0	-80.0
(Inc)/dec in CWIP	-2.6	-13.7	0.0	0.0
(Inc)/dec in Investments	0.0	0.0	0.0	0.0
Others	-1.2	-27.8	0.0	0.0
CF from investing activities	-88.1	-60.1	-80.0	-80.0
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	0.0	0.0	0.0	0.0
Others	-315.6	-259.2	-294.9	-451.2
CF from financing activities	-315.6	-259.2	-294.9	-451.2
Net Cash flow	123.3	131.4	13.1	85.1
Opening Cash	839.1	962.4	1,093.8	1,106.9
Closing Cash	962.4	1,093.8	1,106.9	1,192.0

Source: Company, ICICI Direct Research

Exhibit 10: Balance sheet				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Liabilities				
Equity Capital	64.3	64.3	64.3	64.3
Reserve and Surplus	1,832.4	1,695.5	1,877.9	2,172.8
Total Shareholders funds	1,896.7	1,759.8	1,942.1	2,237.1
Total Debt	-	-	-	-
Deferred Tax Liability	-	-	-	-
Others	1,249.0	1,032.3	1,032.3	1,032.3
Total Liabilities	3,145.7	2,792.1	2,974.4	3,269.4
Assets				
Gross Block	640.0	658.5	738.5	818.5
Less: Accu Depreciation	305.3	370.3	441.2	521.4
Net Block	334.6	288.2	297.3	297.1
Capital WIP	19.9	33.6	33.6	33.6
Intangible Assets under develop	-	-	-	-
Total Fixed Assets	354.5	321.8	330.9	330.7
Investments	5.0	5.0	5.0	5.0
Inventory	873.7	608.2	823.5	1,064.4
Debtors	61.2	79.4	114.4	152.1
Loans and Advances	239.2	194.7	211.5	281.2
Other Non-Current Assets	1,032.9	829.4	829.4	829.4
Other Current Assets	95.2	63.4	64.0	64.7
Cash	962.4	1,093.8	1,106.9	1,192.0
Total Current Assets	2,231.6	2,039.5	2,320.4	2,754.4
Current Liabilities	578.5	531.3	638.9	777.7
Provisions	10.8	10.7	10.7	10.7
Total Current Liabilities	589.2	542.0	649.6	788.4
Net Current Assets	1,642.4	1,497.5	1,670.8	1,966.0
Deferred Tax Assets	111.0	138.4	138.4	138.4
Application of Funds	3,145.7	2,792.1	2,974.4	3,269.4

Source: Company, ICICI Direct Research

Exhibit 11: Key ratios				
(Year-end March)	FY20	FY21E	FY22E	FY23E
Per share data (₹)				
EPS	25.4	-7.0	20.4	40.1
Cash EPS	48.5	13.6	42.6	64.3
BV	147.6	136.9	151.1	174.1
DPS	6.3	4.0	5.1	14.0
Cash Per Share	74.9	85.1	86.1	92.7
Operating Ratios				
EBITDA Margin (%)	27.2	9.4	24.5	28.2
PBT Margin (%)	15.9	-6.9	12.6	18.6
PAT Margin (%)	10.7	-5.3	9.4	13.9
Inventory days	104.4	130.0	108.0	105.0
Debtor days	7.3	17.0	15.0	15.0
Creditor days	141.7	191.6	160.0	158.0
Return Ratios (%)				
RoE	17.2	-5.1	13.5	23.0
RoCE	28.2	-5.9	20.4	32.7
RoIC	35.2	-13.6	31.6	49.5
Valuation Ratios (x)				
P/E	64.1	-	79.9	40.7
EV / EBITDA	24.1	123.3	29.1	19.0
EV / Net Sales	6.6	11.6	7.1	5.3
Market Cap / Sales	6.9	12.3	7.5	5.7
Price to Book Value	11.1	11.9	10.8	9.4
Solvency Ratios				
Debt/EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	3.8	3.8	3.6	3.5
Quick Ratio	2.3	2.6	2.3	2.1

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

ANALYST CERTIFICATION

I/We, Bharat Chhoda, MBA, Cheragh Sidhwa MBA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number - INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts do not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.