

Retail Equity Research

Bata India Limited

FMCG

BSE CODE: 500043

NSE CODE: BATAINDIA

Bloomberg CODE: BATA:IN

SENSEX: 57,232

Accumulate

 12Months Investment period Rating as per Mid Cap
 CMP Rs.1,868 TARGET Rs.2,135 RETURN 14% ↑
 (Closing: 23-02-22)

KEY CHANGES:
TARGET ↓
RATING ↔
EARNINGS ↓

Strong recovery, topline crossed pre-covid level...

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

- We maintain our Accumulate rating with a revised Target of Rs. 2,135 (Rs. 2,290 earlier) factoring strong sales recovery in the quarter.
- Q3FY22 revenue grew by 37%YoY (+37%QoQ) on a low base (de-growth of 26% in Q3FY21) and crossed pre-covid level sales first time.
- EBITDA improved by 44%YoY to Rs. 169cr while PAT grew by 180%YoY to Rs. 72cr. Gross margin/EBITDA margin improved to 52.7%/20.0% from 51.5%/19.1% YoY.
- 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. We value BIL at 52x on FY24 EPS.

Strong recovery helped to cross pre-covid level sales

Q3FY22 revenue grew by 37% YoY (+37%QoQ) on a low base (de-growth of 26% in Q3FY21). With the re-opening of markets we expect the volumes to pick up going forward. Topline has crossed pre-covid level sales for the first time. The distribution reach has now crossed 1,000+ towns in Dec 2021 Vs 892 in 2020. 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 284 (200+ towns covered) Vs 250 in Q2FY22 and targets to open 500 in smaller towns by 2023. The company had introduced other channels like Bata Chatshop, Bata Store on Wheels and has launched products to suit work from home, Fitness at home and Monsoon collection to push volumes during Covid period. We expect revenue to grow at ~23% CAGR over FY22E-24E.

Cost saving measures will drive sustainable margin expansion...

BIL reported EBITDA growth of 44%YoY to Rs.169cr (+42%QoQ) supported by recovery in sales. Gross profit margin improved to 52.7% from 51.5% in YoY. 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. The company focuses on adding franchise stores and targets to open 500 by FY23 which will control rental cost (added 34 franchise stores in Q3FY22 Vs 16 in Q2FY22). Also, the company got rent concession for Rs. 54cr in 9MFY22 (Rs. 86cr in 9MFY21 & Rs. 101cr in FY21).

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. We maintain our Accumulate rating with a revised Target of Rs.2,135 (Rs. 2,290 earlier) by valuing at 52x on FY24E EPS, factoring strong sales recovery in the quarter.

Company Data

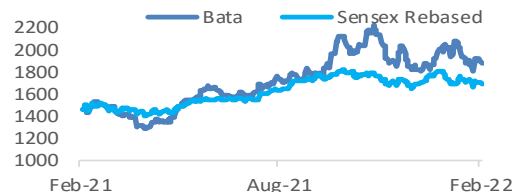
Market Cap (Rs.cr)	24,009
Enterprise Value (Rs.cr)	23,948
Outstanding Shares (cr)	12.9
Free Float	47%
Dividend Yield	0.2%
52 week high Rs.	2,262
52 week low Rs.	1,265
6m average volume (cr)	0.05
Beta	0.9
Face value Rs.	5

Shareholding %	Q1FY22	Q2FY22	Q3FY22
Promoters	53.0	53.0	53.0
FII's	5.23	5.35	6.0
MFs/Insti	27.3	27.95	27.5
Public	11.689	11.3	11.25
Others	2.77	2.15	2.22
Total	99.949	99.71	100

Promotor pledge	NIL	NIL	NIL
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Price Performance	3 Month	6 Month	1 Year
Absolute Return	-7.5%	10.3%	28.3%
Absolute Sensex	-1.9%	2.3%	15.1%
Relative Return*	-5.7%	8.0%	13.2%

*over or under performance to benchmark index



Standalone (cr)	FY22E	FY23E	FY24E
Sales	2,401	3,315	3,706
Growth (%)	40.6	38.1	11.8
EBITDA	396	803	970
EBITDA Margin (%)	16.5	24.2	26.2
Adj. PAT	95	393	528
Growth (%)	NA	314.9	34.4
Adj. EPS	7.4	30.6	41.1
Growth (%)	NA	314.9	34.4
P/E	253.3	61.1	45.4
P/B	13.4	11.2	9.2
EV/EBITDA	60.6	29.6	24.0
ROE (%)	5.3	19.9	22.2
D/E	0.5	0.3	0.1

 Vincent Andrews
 Research Analyst

Quarterly Financials (Standalone)

Profit & Loss

Rs cr)	Q3FY22	Q3FY21	YoY Growth %	Q2FY22	QoQ Growth %	9MFY22	9MFY21	YoY Growth %
Sales	841	615	36.9%	614	37.0%	1722	1117	54.2%
EBITDA	169	117	44.0%	119	41.6%	254	49	415.4%
EBITDA margins %	20.0%	19.1%	(1250bps)	19.4%	(1420bps)	15%	0.4%	(240bps)
Depreciation	62	65	-5.7%	59	5.1%	170	203	-16.1%
EBIT	107	52	106.3%	61	76.9%	84	-154	154.4%
Interest	23	25	-6.7%	22	6.3%	68	79	-14.0%
Other Income	14	13	2.5%	11	18.2%	37	80	53.3%
Exceptional Items	0	-46	NA	0	NA	0	-5	NA
PBT	97	35	174.1%	50	NA	52	-158	133.2%
Tax	25	10	157.2%	13	NA	14	-38	137.4%
Reported PAT	72	26	180.4%	37	NA	38	-120	131.8%
Adjustments	0	5	NA	0	NA	0	5	NA
Adj PAT	72	30	138.0%	37	NA	38	-115	133.1%
No. of Shares	12.85	12.85	0.0%	12.85	NA	12.85	12.85	0.0%
EPS (Rs)	5.6	2.4	138.0%	2.9	NA	3.0	-9.0	-133.1%

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change %	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	2,406	3,274	2,401	3,315	-0.2%	1.3%
EBITDA	485	848	396	803	-18.5%	-5.3%
Margins (%)	20.2%	25.9%	16.5%	24.2%	(370bps)	(170bps)
Adj. PAT	131	402	95	393	-27.6%	-2.2%
EPS	10.2	31.3	7.4	30.6	-27.7%	-2.2%



PROFIT & LOSS

Y.E March (Rs. cr)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	3,053	1,707	2,401	3,315	3,706
% change	4.3	-44.1	40.6	38.1	11.8
EBITDA	828	161	396	803	970
% change	73.5	-80.5	145.3	102.9	20.9
Depreciation	284	265	227	260	273
EBIT	544	-104	168	542	697
Interest	118	104	91	77	61
Other Income	69	94	50	63	74
PBT	495	-118	128	529	710
% change	3.5	-123.8	NA	312.0	34.4
Tax	162.0	-27.4	33.5	135.4	182.0
Tax Rate (%)	32.7%	23.3%	26.1%	25.6%	25.6%
Reported PAT	333.0	-90.2	94.8	393.2	528.4
Adj*	0	-5	0	0	0
Adj PAT	333.0	-85.6	94.8	393.2	528.4
% change	1.0	-125.7	NA	314.9	34.4
No. of shares (cr)	12.9	12.9	12.9	12.9	12.9
Adj EPS (Rs.)	26	-7	7	31	41
% change	1.0	-125.7	NA	314.9	34.4
DPS (Rs.)	4	4	4	4	4
CEPS (Rs.)	48.0	13.9	25.0	50.9	62.4

CASH FLOW

Y.E March (Rs. cr)	FY20A	FY21A	FY22E	FY23E	FY24E
Net inc. + Depn.	384	-44	134	440	578
Non-cash adj.	263	284	268	291	284
Changes in W.C	-68	218	-186	-123	-113
C.F. Operation	580	458	216	607	750
Capital exp.	-86	-36	-91	-160	-160
Change in inv.	-167	-92	209	-10	-150
Other invest.CF	65	78	6	-80	-44
C.F - Investment	-187	-50	124	-250	-354
Issue of equity	0	0	0	0	0
Issue/repay debt	-338	-315	-208	-234	-243
Dividends paid	-97	-51	-52	-52	-52
Other finance.CF	-1	-2	-91	-77	-61
C.F - Finance	-436	-369	-350	-363	-356
Chg. in cash	-44	39	-10	-6	39
Closing cash	15	54	44	38	77

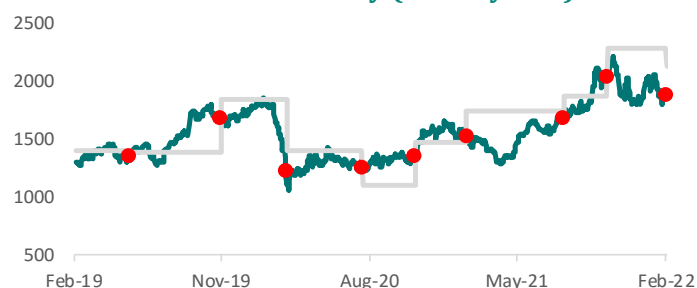
BALANCE SHEET

Y.E March (Rs. cr)	FY20A	FY21A	FY22E	FY23E	FY24E
Cash	962	1,094	874	878	1,067
Accounts Receivable	61	79	79	91	102
Inventories	874	608	799	1,048	1,159
Other Cur. Assets	334	258	253	341	391
Investments	5	5	5	5	5
Gross Fixed Assets	1,906	1,921	2,031	2,191	2,351
Net Fixed Assets	1,360	1,111	994	893	780
CWIP	20	34	15	15	15
Intangible Assets	7	7	7	7	7
Def. Tax (Net)	111	138	148	148	148
Other Assets	0	0	0	0	0
Total Assets	3,735	3,334	3,174	3,425	3,673
Current Liabilities	572	514	523	657	669
Provisions	17	28	25	35	39
Debt Funds	1,249	1,032	825	591	347
Other Liabilities	0	0	0	0	0
Equity Capital	64	64	64	64	64
Reserves & Surplus	1,832	1,696	1,738	2,079	2,554
Shareholder's Fund	1,897	1,760	1,802	2,143	2,619
Total Liabilities	3,735	3,334	3,174	3,425	3,673
BVPS (Rs.)	148	137	140	167	204

RATIOS

Y.E March	FY20A	FY21A	FY22E	FY23E	FY24E
Profitab. & Return					
EBITDA margin (%)	27.1	9.4	16.5	24.2	26.2
EBIT margin (%)	17.8	-6.1	7.0	16.4	18.8
Net profit mgn.(%)	10.9	-5.0	3.9	11.9	14.3
ROE (%)	18.3	-4.7	5.3	19.9	22.2
ROCE (%)	0.1	0.0	0.1	0.1	0.2
W.C & Liquidity					
Receivables (days)	7.6	15.0	12.0	9.3	9.5
Inventory (days)	241.1	323.0	228.9	224.8	247.5
Payables (days)	176.0	236.5	168.5	143.6	148.7
Current ratio (x)	3.8	3.8	3.7	3.4	3.8
Quick ratio (x)	0.1	0.3	0.2	0.2	0.3
Turnover & Leverage					
Gross asset T.O (x)	5.0	2.7	3.6	4.4	4.3
Total asset T.O (x)	1.0	0.5	0.7	1.0	1.0
Int. coverage ratio (x)	4.6	-1.0	1.9	7.1	11.5
Adj. debt/equity (x)	0.7	0.6	0.5	0.3	0.1
Valuation					
EV/Sales (x)	8.0	14.0	10.0	7.2	6.3
EV/EBITDA (x)	29.3	148.6	60.6	29.6	24.0
P/E (x)	72.1	-280.3	253.3	61.1	45.4
P/BV (x)	12.7	13.7	13.4	11.2	9.2

Recommendation Summary (Last 3 years)



Source: Bloomberg, Geojit Research

Dates	Rating	Target
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
23 rd Feb 2022	Accumulate	2,135

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/Neutral			

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/Neutral: 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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