

Retail Equity Research

Bata India Limited

FMCG

BSE CODE: 500043

NSE CODE: BATAINDIA

Bloomberg CODE: BATA:IN

SENSEX: 59,085

Buy

 12Months Investment period Rating as per Mid Cap
 CMP Rs. 1,859 TARGET Rs. 2,151 RETURN 16% ↑
 (Closing: 24-08-22)

KEY CHANGES:
TARGET ↑
RATING ↑
EARNINGS ↓

Strong recovery in demand...

Bata India Ltd (BIL) is the largest retailer and leading manufacturer of footwear in India with ~1,700 retail stores as of June 2022.

- We upgrade our rating to Buy with a revised Target of Rs. 2,151 factoring strong sales recovery in the quarter.
- Strong recovery in demand along with price growth (+19% YoY) resulted in revenue growth of 253%YoY (+42%QoQ). On a 3yr CAGR basis, revenue grew by +2% from Q1FY20.
- Higher volumes led to recovery in EBITDA margin to 25.9% Vs loss YoY while gross margin improved by 40bps YoY to 56.6%, supported by changes in mix and price growth.
- BIL's cost-saving measures across operations & manufacturing will drive sustainable margin expansion in future while the demand outlook is positive given normalization of the economy.
- Given its strong brand recall & reach, we believe, BIL is capable of reviving its revenue growth trajectory as the economy is back to normal. We value BIL at 53x on FY24 EPS.

Strong recovery helped to cross pre-covid level sales

Q1FY23 revenue grew by 253% YoY (+42%QoQ) on a low base (+2% on a 3yr CAGR basis). With the re-opening of markets, we expect the volumes to pick up going forward. The distribution reach has now crossed 1,079 towns Vs 917 YoY. To reach smaller towns, the company opens new stores via franchise routes and ensures availability in multi-brand outlets via distribution channels. BIL opened 20 new franchise stores in Q1FY23 and the total franchise stores reached 323 (275+ towns covered Vs 234 in Q1FY22) and targets to open 500. The digital penetration increased to 10% Vs 5% in FY20. Continued growth of 'Sneaker' category led the growth recovery. BIL has added 125 (100 QoQ) Sneaker studios to display up to 300 styles across 9 brands, which now contributes ~19% of total revenue, up by 400bps from pre-covid levels. Strong focus on expanding distribution reach, including digital, along with strong marketing investments and casualization of products portfolio will drive volumes going forward. We expect revenue to grow at ~29% CAGR over FY22E-24E.

Cost saving measures will drive sustainable margin expansion...

BIL reported EBITDA at Rs. 245cr Vs Rs. 34cr loss YoY supported by strong recovery in sales. Gross profit margin improved by 40bps to 56.6% aided by price growth and change in Mix. ASP (Average Selling price) increased by 19% YoY for compensating cost and GST increase. BIL now strongly focuses on cost reduction measures across operations & manufacturing including variabilisation of costs which along with improving product mix will drive sustainable margin expansion as the economy comes back to normal. The company focuses on adding franchise stores which will control rental cost (added 75 franchise stores in FY22).

Valuation & Outlook

We believe, BIL has capability to revive its revenue growth trajectory as the economy is back to normal. The demand outlook is positive given normalisation 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 upgrade to Buy rating with a revised Target of Rs. 2,151 by valuing at 53x on FY24E EPS, factoring strong sales recovery in the quarter.

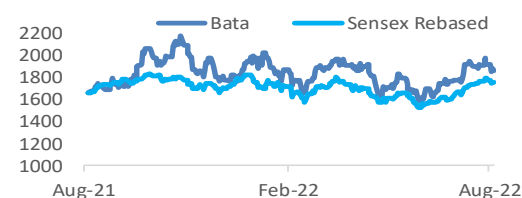
Company Data

Market Cap (Rs.cr)	23,893
Enterprise Value (Rs.cr)	23,832
Outstanding Shares (cr)	12.9
Free Float	47%
Dividend Yield	2.9%
52 week high (Rs.)	2,262
52 week low (Rs.)	1,608
6m average volume (cr)	0.03
Beta	1.0
Face value (Rs.)	5

Shareholding (%)	Q3FY22	Q4FY22	Q1FY23
Promoters	53.0	53.0	50.2
FII's	6.0	6.7	6.8
MFs/Insti	27.5	27.4	30.1
Public	11.3	11.2	11.2
Others	2.2	1.8	1.7
Total	100	100.0	100

Price Performance	3 Month	6 Month	1 Year
Absolute Return	7.6%	4.6%	11.7%
Absolute Sensex	8.9%	5.8%	5.6%
Relative Return*	-1.3%	-1.2%	6.1%

*over or under performance to benchmark index



Standalone (cr)	FY22A	FY23E	FY24E
Sales	2,388	3,531	3,999
Growth (%)	39.9	47.9	13.3
EBITDA	416	840	1,037
EBITDA Margin (%)	17.4	23.8	25.9
Adj. PAT	101	390	522
Growth (%)	NA	286.3	33.9
Adj. EPS	7.8	30.3	40.6
Growth (%)	NA	286.3	33.9
P/E	236.8	61.3	45.8
P/B	13.3	11.2	9.2
EV/EBITDA	57.8	28.6	22.9
ROE (%)	5.6	19.6	21.8
D/E	0.6	0.5	0.5

 Vincent Andrews
 Research Analyst

Quarterly Financials (Standalone)

Profit & Loss

Rs cr)	Q1FY23	Q1FY22	YoY Growth %	Q4FY22	QoQ Growth %
Sales	943	267	253.1%	665	41.8%
EBITDA	245	-34	-819.3%	162	51.0%
EBITDA margins %	25.9%	-12.7%	NA	24.3%	160bps
Depreciation	69	50	38.5%	72	-3.4%
EBIT	175	-84	-308.5%	90	94.3%
Interest	25	23	8.3%	25	1.5%
Other Income	9	12	-23.9%	19	-50.5%
Exceptional Items	0	0	NA	0	NA
PBT	160	-95	-268.3%	84	NA
Tax	40	-24	-271.2%	22	NA
Reported PAT	119	-71	-267.3%	63	NA
Adjustments	0	0	NA	0	NA
Adj PAT	119	-71	-267.3%	63	NA
No. of Shares	12.85	12.85	0.0%	12.85	NA
EPS (Rs)	9.3	-5.5	-267.3%	4.9	NA

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change %	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Revenue	3,315	3,706	3,531	3,999	6.5%	7.9%
EBITDA	803	970	840	1037	4.7%	6.9%
Margins (%)	24.2%	26.2%	23.8%	25.9%	(370bps)	(170bps)
Adj. PAT	393	528	390	522	-0.8%	-1.2%
EPS	30.6	41.1	30.3	40.6	-0.9%	-1.2%

PROFIT & LOSS

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23E	FY24E
Revenue	3,053	1,707	2,388	3,531	3,999
% change	4.3	-44.1	39.9	47.9	13.3
EBITDA	828	161	416	840	1,037
% change	73.5	-80.5	157.9	102.2	23.4
Depreciation	284	265	242	291	336
EBIT	544	-104	174	549	702
Interest	118	104	93	98	84
Other Income	69	94	56	67	80
PBT	495	-118	137	519	698
% change	3.5	-123.8	NA	279.1	34.6
Tax	162.0	-27.4	35.9	129.1	176.3
Tax Rate (%)	32.7%	23.3%	26.3%	24.9%	25.3%
Reported PAT	333.0	-90.2	100.9	389.7	521.7
Adj*	0	-5	0	0	0
Adj PAT	333.0	-85.6	100.9	389.7	521.7
% change	1.0	-125.7	NA	286.3	33.9
No. of shares (cr)	12.9	12.9	12.9	12.9	12.9
Adj EPS (Rs.)	26	-7	8	30	41
% change	1.0	-125.7	NA	286.3	33.9
DPS (Rs.)	4	5	4	4	4
CEPS (Rs.)	48.0	13.9	26.7	53.0	66.7

CASH FLOW

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23E	FY24E
Net inc. + Depn.	384	-27	160	463	606
Non-cash adj.	263	267	255	315	335
Changes in W.C	-68	218	-204	-176	-163
C.F. Operation	580	458	212	602	778
Capital exp.	-86	-36	-48	-367	-361
Change in inv.	-167	-92	94	0	0
Other invest.CF	65	78	46	-103	-42
C.F - Investment	-187	-50	93	-471	-404
Issue of equity	0	0	0	0	0
Issue/repay debt	-338	-315	-289	80	50
Dividends paid	-97	-51	-51	-51	-51
Other finance.CF	-1	-2	-1	-98	-84
C.F - Finance	-436	-369	-341	-70	-86
Chg. in cash	-44	39	-37	62	289
Closing cash	15	54	18	79	368

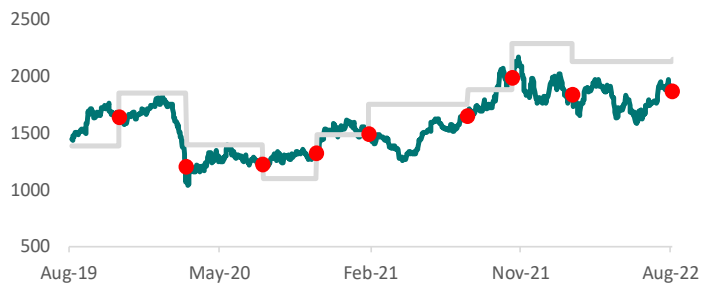
BALANCE SHEET

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23E	FY24E
Cash	962	1,094	965	1,026	1,315
Accounts Receivable	61	79	72	97	110
Inventories	874	608	871	1,215	1,353
Other Cur. Assets	334	258	278	397	449
Investments	5	5	5	5	5
Gross Fixed Assets	1,906	1,921	2,260	2,617	2,979
Net Fixed Assets	1,360	1,111	1,207	1,274	1,300
CWIP	20	34	5	15	15
Intangible Assets	7	7	17	17	17
Def. Tax (Net)	111	138	105	106	106
Other Assets	0	0	0	0	0
Total Assets	3,735	3,334	3,525	4,151	4,668
Current Liabilities	572	514	588	781	773
Provisions	17	28	29	44	49
Debt Funds	1,249	1,032	1,094	1,174	1,224
Other Liabilities	0	0	0	0	0
Equity Capital	64	64	64	64	64
Reserves & Surplus	1,832	1,696	1,750	2,088	2,558
Shareholder's Fund	1,897	1,760	1,814	2,152	2,622
Total Liabilities	3,735	3,334	3,525	4,151	4,668
BVPS (Rs.)	148	137	141	167	204

RATIOS

Y.E March	FY20A	FY21A	FY22A	FY23E	FY24E
Profitab. & Return					
EBITDA margin (%)	27.1	9.4	17.4	23.8	25.9
EBIT margin (%)	17.8	-6.1	7.3	15.6	17.5
Net profit mgn.(%)	10.9	-5.0	4.2	11.0	13.0
ROE (%)	18.3	-4.7	5.6	19.6	21.8
ROCE (%)	0.1	0.0	0.1	0.1	0.1
W.C & Liquidity					
Receivables (days)	7.6	15.0	11.5	8.7	9.4
Inventory (days)	241.1	323.0	248.4	240.3	265.8
Payables (days)	176.0	236.5	184.9	157.7	160.8
Current ratio (x)	3.8	3.8	3.5	3.3	3.9
Quick ratio (x)	0.1	0.3	0.2	0.2	0.6
Turnover & Leverage					
Gross asset T.O (x)	5.0	2.6	3.5	4.6	4.8
Total asset T.O (x)	1.0	0.5	0.7	0.9	0.9
Int. coverage ratio (x)	4.6	-1.0	1.9	5.6	8.4
Adj. debt/equity (x)	0.7	0.6	0.6	0.5	0.5
Valuation					
EV/Sales (x)	7.9	14.0	10.1	6.8	6.0
EV/EBITDA (x)	29.2	147.8	57.8	28.6	22.9
P/E (x)	71.8	-279.1	236.8	61.3	45.8
P/BV (x)	12.6	13.6	13.3	11.2	9.2

Recommendation Summary (Last 3 years)



Source: Bloomberg, Geojit Research

Dates	Rating	Target
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
25 th Aug 2022	Buy	2,151

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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