

Result were slightly better than expectations.

- **Revenues** increased by 98% YoY to Rs 2671mn (-54.7% QoQ) (**69.7% lower over Q1FY20**)
- **EBIDTA** loss stood at Rs 340mn v/s loss Rs 861mn YoY (QoQ pft @ Rs 1119.8mn)
- **EBIDTA margins** stood at -12.74% v/s -63.9% YoY (QoQ 18.9%)
- **Pat (loss)** stood at Rs 713mn v/s Loss Rs 1011mn YoY (QoQ pft Rs 294mn)

Other Details

- Raw Materials to Revenue stood at 43.8% v/s 59.6% YoY (QoQ 46.9%)
- Employee Cost stood at Rs 888mn +4.8% YoY (QoQ -2.7%)
- Other Expenses to Revenue stood at 35.6% v/s 41.4% YoY (QoQ 18.6%)
- **Rent concession** for Q1FY22 stood at Rs 230.59mn (accounted fully under Rent expenses for Q1FY22) v/s Rs 338.9mn in Q1FY21 (*of which Rs 200.96mn in Rent expenses and Rs 137.89 in other income*)
- **PBT** loss stood at Rs 948.9mn v/s loss Rs 1350mn YoY (QoQ Rs 403mn pft)

Outlook from management during AGM

- Recovery post 2nd wave is much faster and stronger
- Consumer behavior has changed to casualization, online and value buys and Bata is **all-set to adapt to the same**
- Stay nimble on cost in dynamic environment and accelerate via franchise and distribution route.

Financial Summary

Y/E Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Net sales	29,311	30,561	17,085	20,756	37,437
growth (%)	11.3	4.3	(44.1)	21.5	80.4
EBIDTA	4,771	8,321	1,622	4,188	9,742
Margins	16	27	9	20	26
PAT(adj)	3,290	3,290	(847)	1,056	5,100
growth (%)	49.2	(0.0)	(125.7)	(224.7)	383.0
EPS (Rs)	25.6	25.6	(6.6)	8.2	39.7
P/E (x)	68.0	68.0	(264.0)	211.8	43.8
P/B (x)	12.8	11.8	12.7	12.3	9.9
EV/EBITDA (x)	45.1	25.7	131.1	51.0	21.8

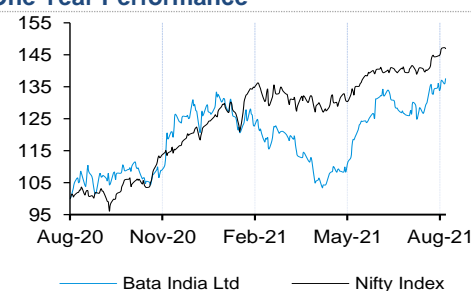
Source: Company

Rating	TP (Rs)	Up/Dn (%)
ACCUMULATE	1985	14

Market data

Current price	Rs	1740
Market Cap (Rs.Bn)	(Rs Bn)	220
Market Cap (US\$ Mn)	(US\$ Mn)	2963
Face Value	Rs	5
52 Weeks High/Low	Rs	1755/1227
Average Daily Volume	('000)	495
BSE Code		500043
Bloomberg		BATA:IN

Source: Bloomberg

One Year Performance

Source: Bloomberg

% Shareholding	Jun-21	Mar-21
Promoters	52.96	52.96
Public	47.04	47.04
Total	100	100

Source: BSE

Kunal Bhatia
+91 22 67141442
kunal.bhatia@dalal-broacha.com

Miraj Shah
+91 22 67141489
miraj.shah@dalal-broacha.com

Quarterly Snapshot

Particulars (Rs Mns)	Q1FY22	Q1FY21	Growth	Q4FY21	Growth
Net Sales	2670.49	1347.86	98.1	5899.07	(54.7)
Other Income	121.78	520.25	(76.6)	144.71	(15.8)
TOTAL INCOME	2792.27	1868.11	49.5	6043.78	(53.8)
Cost of Materials Consumed	-331.49	-1.74	18,951.1	-143.87	130.4
Purchase of Stock in Trade	-1555.13	-352.08	341.7	-2392.29	(35.0)
Changes in Inventories	715.94	-449.47	(259.3)	-230.77	(410.2)
Employee Cost	-888.24	-847.62	4.8	-913.34	(2.7)
Rent		0			
Other Expenses	-951.68	-558.14	70.5	-1099.01	(13.4)
EXPENDITURE	-3010.6	-2209.05	36.3	-4779.28	(37.0)
EBIDTA	-218.33	-340.94	(36.0)	1264.5	(117.3)
EBIDTA (Excl O. Income)	-340.11	-861.19	(60.5)	1119.79	(130.4)
Less: Depreciation	-500.67	-730.69	(31.5)	-619.65	(19.2)
PBIT	-719	-1071.63	(32.9)	644.85	(211.5)
Less: Interest Cost	-229.86	-278.37	(17.4)	-241.57	(4.8)
PBT (Before Exceptional)	-948.86	-1350	(29.7)	403.28	(335.3)
Exceptional					
PBT (Post Exceptional)	-948.86	-1350	(29.7)	403.28	(335.3)
Tax	235.66	338.74	(30.4)	-108.89	(316.4)
PAT (Reported)	-713.2	-1011.26	(29.5)	294.39	(342.3)
PAT (Adjusted)	-713.2	-1011.26	(29.5)	294.39	(342.3)
Equity	642.64	642.64	-	642.64	-
FV	5	5		5	
EPS (on adjusted PAT)	-5.5	-7.9	(29.5)	2.3	(342.3)
OPM	-12.7%	-63.9%		19.0%	
NPM (Reported PAT)	-25.5%	-54.1%		4.9%	
Tax Rate	-24.8%	-25.1%		-27.0%	

Bata Management KTA's from AGM and Presentation

- Recovery post 2nd wave is faster and stronger than 1st wave
- Management has a clear thought process to “**Adapt to the new Normal**” with more focus on casual/essential footwear.
- **Utilize Brand Equity “Bata” which is larger than the Foot print** and retune front-end business model (*in case where possible*) to a more flexible/variable one. For instance expand more via franchise/MBO's as against COCO stores which according to us will save fixed costs.
- Bata is now available in 25K+ MBO's and has 234 franchise and is available at 21000 pin codes (with 1200 omni-enabled stores) covering 800+ towns.
- Focus remains to penetrate tier-3&4 towns and add 50 more franchise this year.
- **Casualization has become the new attire.** Casual-wear grew by 40% in FY21 and is the new trend even in case of office as well. Casual include performance sports shoes to sneaker & athleisure, slip-on to chappals and homewear.
- **Children as a category** has suffered as schools are shut. (school in general contribute 10% of overall sales as per our previous interaction)
- Hush Puppies too launched sneakers
- **ONLINE:** Pandemic has given the online/digital platform an acceptance which is here to stay. Omni+Bata on wheels+Chat-Shop and e-come (own and 3rd party) contribute ~ 15%.
- **Cost-initiative** taken some of them are sustainable in nature, however marketing and related variable cost are expected to increase.
- **Rent savings** according to us includes a) negotiation from existing land-lords b) re-locations and benefits of the same will continue for few more months.
- Inventory has reached at normalized levels

Valuation & Outlook

Bata's product-mix has higher weightage of high-value merchandise (~60% revenue contribution comes from formal and fashion wear) and due to WFH and lesser social gathering its recovery has been slower v/s peers.

However the Management has put-in a lot of efforts by adapting to the new normal to regain sales momentum and save costs by:

- > Focusing on essential and Casual wear like Sneakers
- > Being nimble on costs and expanding via franchise & distribution route.

Bata at CMP of Rs 1740 is trading at 44x FY23e EPS of Rs 39.7.

We value Bata at 50x FY23e EPS (still lower than its peers) to arrive at a target price of Rs 1985 and maintain "**Accumulate**".

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B (CINU67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services. D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time. SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co- managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, 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 or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Name	Designation	Email	Phone	Sector
Mr.Kunal Bhatia	Head of Research	kunal.bhatia@dalal-broacha.com	022 67141442	Auto Auto ancillary FMCG
Mrs.Charulata Gaidhani	Sr.Analyst	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma Healthcare
Mr.Mayank Babla	Sr.Analyst	mayank.babla@dalal-broacha.com	022 67141412	IT Telecom Media
Mr.Avinash Tanawade	Sr.Analyst	avinash.tanawade@dalal-broacha.com	022 67141449	BFSI
Mr.Akshay Ashok	Analyst	akshay.ashok@dalal-broacha.com	022 67141486	BFSI
Mr.Miraj Shah	Associate	miraj.shah@dalal-broacha.com	022 67141489	FMCG Retail
Mr.Bhavya Gandhi	Associate	bhavya.gandhi@dalal-broacha.com	022 67141444	Chemicals

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.

Tel: 91-22- 2282 2992, 2287 6173, Fax: 91-22-2287 0092

E-mail: equity.research@dalal-broacha.com