

Result were better than expectations on topline but margins below expectations

- **Revenues** increased by 67% YoY to Rs 6141.2mn (+130% QoQ) (**15% lower over Q2FY20**)
- **EBIDTA** increased by 556.1% YoY to Rs 1191mn v/s (QoQ loss was Rs 340mn)
- **EBIDTA margins** stood at 19.4% v/s 4.9% YoY (Q2FY20 was 25.7%)
- **Pat** stood at Rs 370.49mn v/s Loss Rs 444mn YoY (QoQ loss Rs 713mn)

Other Details

- Raw Materials to Revenue stood at 47.1% v/s 49.6% YoY and 43.8% QoQ
- Employee Cost stood at Rs 896.8mn was up 8.5% YoY (QoQ flat)
- Other Expenses to Revenue stood at 18.9% v/s 23% YoY (QoQ 35.6%)
- **Rent concession** for Q2FY22 stood at Rs 263.79mn (accounted fully under Rent expenses for Q2FY22) v/s Rs 274.38mn YoY(H1FY22 @ Rs 494.38mn v/s 775.76mn YoY)
- **PBT** stood at Rs 500.2mn v/s loss of Rs 585mn YoY and loss of Rs 949mn QoQ

Outlook

- Volume growth higher than value in H1FY22. Hence ASP are lower.
- Casualization of product portfolio is good; but having a right product at right price with similar level of historic margins is a task.
- Formal wear is bouncing back, recovery was ~60% v/s 85% for company as a whole in Q2FY22.
- Marketing spends to increase going forward to bring youth back
- Pace of footprint expansion via franchise will be in focus as inter-lands have grown faster.
- Management maintains cautious optimism

Financial Summary

Y/E Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Net sales	29,311	30,561	17,085	22,205	37,876
growth (%)	11.3	4.3	(44.1)	30.0	70.6
EBIDTA	4,771	8,321	1,622	3,867	9,575
Margins	16	27	9	17	25
PAT(adj)	3,290	3,290	(847)	652	4,924
growth (%)	49.2	(0.0)	(125.7)	(176.9)	655.6
EPS (Rs)	25.6	25.6	(6.6)	5.1	38.3
P/E (x)	87.3	87.3	(339.0)	440.6	58.3
P/B (x)	16.5	15.2	16.3	16.2	13.1
EV/EBITDA (x)	58.4	33.3	170.3	71.5	28.7

Source: Company

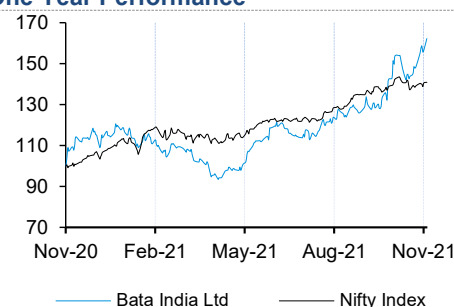
Rating	TP (Rs)	Up/Dn (%)
Booking Partial Profits	1,955	-13

Market data

Current price	Rs	2,234
Market Cap (Rs.Bn)	(Rs Bn)	287
Market Cap (US\$ Mn)	(US\$ Mn)	3,858
Face Value	Rs	5
52 Weeks High/Low	Rs	2,246/1,267
Average Daily Volume	('000)	643
BSE Code		500043
Bloomberg		BATA.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Sep-21	Jun-21
Promoters	52.96	52.96
Public	47.94	47.94
Total	100	100

Source: BSE

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Bata Conference Call KTA's

STORES

- 1250+ Exclusive COCO Stores in ~400 to 500 towns (1250 COCO and 250 franchise) as of Q2FY22
- Towns covered 966 with EBO+MBO+Franchise
- Franchise stores 270+ as on date || March-21 @ 228 || March20 @ 173. Towns covered 150 and vision to reach 500 in 2- 3 years. ROI for a franchise store is ~15-20% around industry average.
- Plan to have 2-3 stores in tier3,4 and 5 where population is 2lac+.
- Total town coverage increased from 687 in FY19 to 966 in Sept 2021
- MBO's contribution @ low teens will reach 20's || present in ~30k outlets industry around 80K to 100K

BREAK-UP of Product Portfolio

- Footwear 92% of which Casual = 40% v/s 30% pre-covid || Formal & premium = 60%
- Accessories ~8%

E-Commerce

- Digital sales 14% H1FY22 v/s 9% YoY was 5% in H1FY20
- 3.7x of Q4FY20
- Bata' digital v/s industry is under indexed
- 5000+ styles now available in Bata.in
- Omni-channel approach has led entire 7000 styles available in any store.

LAUNCHES

- Focus is casualization
- 240 lines launched across clusters
- Sneaker Studio piloted with 9 brands and 300 styles. Primary results positive
- Re-Energized Power and North Star
- Floatz, ultralight washable collection with comfort & style. *Ran out of stock doing extremely well.*

Other KTA's

- 30% contribution from top-10 metros
- 25% of frontline employee salary is variable

Quarterly Snapshot

Particulars (Rs Mns)	Q2FY22	Q2FY21	Growth	Q1FY22	Growth
Net Sales	6141.21	3678.68	66.9	2670.49	130.0
Other Income	114.57	143.32	(20.1)	121.78	(5.9)
TOTAL INCOME	6255.78	3822	63.7	2792.27	124.0
Cost of Materials Consumed	-704.97	-278.86	152.8	-331.49	112.7
Purchase of Stock in Trade	-2608.22	-1090.74	139.1	-1555.13	67.7
Changes in Inventories	419.48	-455.12	(192.2)	715.94	(41.4)
Employee Cost	-896.81	-826.45	8.5	-888.24	1.0
Rent		-1.19			
Other Expenses	-1159.62	-844.79	37.3	-951.68	21.8
EXPENDITURE	-4950.14	-3497.15	41.5	-3010.6	64.4
EBIDTA	1305.64	324.85	301.9	-218.33	(698.0)
EBIDTA (Excl O. Income)	1191.07	181.53	556.1	-340.11	(450.2)
Less: Depreciation	-585.86	-644.56	(9.1)	-500.67	17.0
PBIT	719.78	-319.71	(325.1)	-719	(200.1)
Less: Interest Cost	-219.56	-265.35	(17.3)	-229.86	(4.5)
PBT (Before Exceptional)	500.22	-585.06	(185.5)	-948.86	(152.7)
Exceptional					
PBT (Post Exceptional)	500.22	-585.06	(185.5)	-948.86	(152.7)
Tax	-129.73	141.16	(191.9)	235.66	(155.0)
PAT (Reported)	370.49	-443.9	(183.5)	-713.2	(151.9)
PAT (Adjusted)	370.49	-443.9	(183.5)	-713.2	(151.9)
Equity	642.64	642.64	-	642.64	-
FV	5	5		5	
EPS (on adjusted PAT)	2.9	-3.5	(183.5)	-5.5	(151.9)
OPM	19.4%	4.9%		-12.7%	
NPM (Reported PAT)	5.9%	-11.6%		-25.5%	
Tax Rate	-25.9%	-24.1%		-24.8%	
% of Total Operating Income					
RAW MATERIALS	-47.1%	-49.6%		-43.8%	
Employee Cost	-14.6%	-22.5%		-33.3%	
Rent	0.0%	0.0%		0.0%	
Other Expenses	-18.9%	-23.0%		-35.6%	
EXPENDITURE	-80.6%	-95.1%		-112.7%	

Source: Dalal & Broacha Research

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 change in fashion post pandemic pick-up in core portfolio is slow.

Bata is still under recovery phase from Pre-Pandemic levels with Q2FY22 revenue @ 85% of Q2FY20
> On H1FY22 Bata has is still under a loss of Rs 342.71 mn and EPS of -ve 2.67Rs.

At CMP of Rs 2234 Bata trades at 58x FY23e EPS of Rs 38.3

*We believe until the formal-wear does not pick-up the profitability would remain under pressure, hence would recommend **Booking Partial Profits***

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