

Balance Sheet Strength Improves; Post Pandemic Bounce back would be strong



Result better than expectations, Balance Sheet strength improves with Cash and Equivalents up by 13.6% @ Rs 10935mn aided by 30% drop in inventory on a YoY basis.

- Revenue stood at Rs 5899 mn down by 4.8 YoY and 4% QoQ (over Q4FY19 it was down by 13%)
- EBIDTA stood at Rs 1119.8 mn down by 19.3% YoY and 4.4% QoQ
- EBIDTA margins stood at 19% v/s 22.4% YoY and 19.1% QoQ
- PBT (before exceptional) declined by 29.7% and on a QoQ basis was down by 0.6%
- PAT stood at 294.4 mn down by 22% YoY and 3.2% QoQ

Other Details

- RM to Revenue 46.9% v/s 41.2% YoY and 48.5% QoQ
- Employee cost stood at 913 mn flat YoY however grew by 12.6% QoQ.
- Other Expenses to Revenues stood at 18.6% v/s 18.8% YoY and 17.5% QoQ
- Rent Concession for Q4FY21 stood at Rs 158.92mn (netted from Rent Expenses). For FY21 Rent Concession stood at Rs 1010.29 mn (Rs 709.87mn netted off from Rent and 300.42mn from Other income)

Important Key Takeaways

- Positives** Inventory falls by 30% YoY to Rs 6083mn and Cash and Bank +13.6% to Rs 10935mn
- Current Scenario** Second wave of Covid-19 infection resulted in significant disruption to our business
- Retail network** expanded in tier 3-5 towns via franchisee route with 10 new franchisee stores (Total 228 franchise stores). New distributors to serve MBO's
- Dividend** declared Rs 4/- per share

Financial Summary

Y/E Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Net sales	29,311	30,561	17,085	19,793	37,257
growth (%)	11.3	4.3	(44.1)	15.9	88.2
EBIDTA	4,771	8,321	1,622	3,340	9,755
Margins	16	27	9	17	26
PAT(adj)	3,290	3,290	(847)	385	5,009
growth (%)	49.2	(0.0)	(125.7)	(145.4)	1,201.5
EPS (Rs)	25.6	25.6	(6.6)	3.0	39.0
P/E (x)	63.0	63.0	(244.6)	538.3	41.4
P/B (x)	11.9	10.9	11.8	11.9	9.5
EV/EBITDA (x)	41.7	23.7	121.0	59.2	20.1

Source: Company

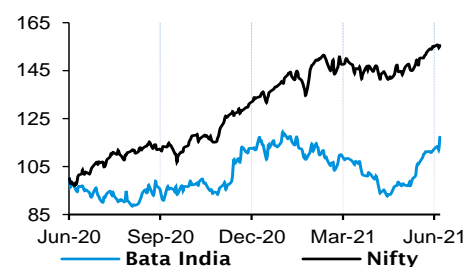
Rating	TP (Rs)	Up/Dn (%)
ACCUMULATE	1755	7

Market data

Current price	Rs	1635
Market Cap (Rs.Bn)	(Rs Bn)	210
Market Cap (US\$ Mn)	(US\$ Mn)	2873
Face Value	Rs	5
52 Weeks High/Low	Rs	1705/1215
Average Daily Volume	('000)	457
BSE Code		500043
Bloomberg		BATA:IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Mar-21	Dec-20
Promoters	52.96	52.96
Public	47.04	47.04
Others	0.00	0.00
Total	100	100

Source: BSE

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Quarterly Snapshot

Particulars (Rs Mns)	Q4FY21	Q4FY20	Growth	Q3FY21	Growth
Net Sales	5899.07	6197.03	(4.8)	6147.38	(4.0)
Other Income	144.71	171.05	(15.4)	132.07	9.6
TOTAL INCOME	6043.78	6368.08	(5.1)	6279.45	(3.8)
Cost of Materials Consumed	-143.87	-967.58	(85.1)	-674.56	(78.7)
Purchase of Stock in Trade	-2392.29	-2875.02	(16.8)	-823.54	190.5
Changes in Inventories	-230.77	1286.37	(117.9)	-1481.93	(84.4)
Employee Cost	-913.34	-919.03	(0.6)	-810.81	12.6
Rent		-169.05	(100.0)	-112.09	(100.0)
Other Expenses	-1099.01	-1164.47	(5.6)	-1073.08	2.4
EXPENDITURE	-4779.28	-4808.78	(0.6)	-4976.01	(4.0)
EBIDTA	1264.5	1559.3	(18.9)	1303.44	(3.0)
EBIDTA (Excl O. Income)	1119.79	1388.25	(19.3)	1171.37	(4.4)
Less: Depreciation	-619.65	-714.36	(13.3)	-652.33	(5.0)
PBIT	644.85	844.94	(23.7)	651.11	(1.0)
Less: Interest Cost	-241.57	-271.2	(10.9)	-250.16	(3.4)
PBT (Before Exceptional)	403.28	573.74	(29.7)	400.95	0.6
Exceptional				-46.1	
PBT (Post Exceptional)	403.28	573.74	(29.7)	354.85	13.6
Tax	-108.89	-197.67	(44.9)	-96.88	12.4
PAT (Reported)	294.39	376.07	(21.7)	257.97	14.1
PAT (Adjusted)	294.39	376.07	(21.7)	304.07	(3.2)
Equity	642.64	642.64	-	642.64	-
FV	5	5		5	
EPS (on adjusted PAT)	2.3	2.9	(21.7)	2.37	(3.2)
OPM	19.0%	22.4%		19.1%	
NPM (Reported PAT)	4.9%	5.9%		4.1%	
Tax Rate	-27.0%	-34.5%		-27.3%	
% of Total Operating Income					
RAW MATERIALS	-46.9%	-41.2%		-48.5%	
Employee Cost	-15.5%	-14.8%		-13.2%	
Rent	0.0%	-2.7%		-1.8%	
Other Expenses	-18.6%	-18.8%		-17.5%	
EXPENDITURE	-81.0%	-77.6%		-80.9%	

Source: Dalal & Broacha Research, Company

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 put-in a lot of efforts to regain sales momentum and save costs by:

- > Focusing on essential and Fitness wear like Sneakers
- > Digital Initiative: As per Q3FY21 Digital channel including E-Commerce, Bata on wheels and Bata Chatshop continued its high growth momentum, growing 3x YoY and had contributes 15% to revenues in Q3FY21, going forward as well Bata would continue to serve its customer via multiple channels.
- > Rental savings of Rs 1010.3mn in FY21

Various efforts on Sales and cost management did yield results

- > Inventory position down by 30% YoY to Rs 6083mn
- > Cash and Bank at Rs 10935mn (up by 13.6%). **Cash and Bank is 62% of Bata's Networth and ~5% of Market-Cap.**

Bata at CMP of Rs 1612 is trading at 41.4x FY23e EPS of Rs 39. Its peers like Relaxo are trading at much higher premium (~65x FY23) on account of a better performance (supported by product-mix).

We do expect post Un-lock Bata's Sales to bounce back and with its strong balance sheet and much lower capex requirement for growth, Bata would be able to catch-up its lost ground and get re-rated.

We value Bata at 45x FY23e EPS (still lower than its peers) to arrive at a target price of Rs 1755 and revise our estimate from "Buy on Dips" to "**Accumulate**".

Financials

P&L (Rs mn)	FY19	FY20	FY21	FY22E	FY23E	Cash Flow St. (Rs. mn)	FY19	FY20	FY21	FY22E	FY23E
Net Operating Incom	29,311.0	30,561.1	17,084.8	19,793.0	37,256.7	Net Profit	3,289.9	3,289.5	(893.1)	384.9	5,008.8
						Add: Dep. & Amort.	640.5	2,958.0	2,647.5	2,612.8	2,789.8
						Cash profits	3,930.4	6,247.5	1,754.4	2,997.7	7,798.6
Raw Materials	(12,871.1)	(12,965.8)	(8,375.0)	(8,708.9)	(16,020.4)	(Inc)/Dec in					
Employee Cost	(3,310.8)	(3,764.2)	(3,398.2)	(3,568.1)	(4,482.1)	-Sundry debtors	230.0	30.8	(161.0)	251.4	(478.5)
Other Expenses	(8,358.5)	(5,510.1)	(3,689.8)	(4,175.6)	(6,999.1)	-Inventories	(742.0)	(343.1)	2,654.0	443.2	(4,976.0)
Total Expenses	(24,540.4)	(22,240.2)	(15,463.0)	(16,452.6)	(27,501.5)	-Loans/advances	(104.6)	(191.7)	(15.0)	(85.0)	(140.3)
						-Current Assets	76.8	(276.8)	763.3	(970.0)	(227.3)
Operating Profit	4,770.6	8,321.0	1,621.8	3,340.3	9,755.2	-Sundry creditors	324.9	(1,126.3)	(636.6)	(937.6)	2,729.0
Depreciation	(640.5)	(2,958.0)	(2,647.5)	(2,612.8)	(2,789.8)	-Others	330.3	(302.0)	163.3	102.4	118.4
PBIT	4,130.1	5,363.0	(1,025.7)	727.5	6,965.4	Change in working capital	115.5	(2,209.1)	2,768.1	(1,195.6)	(2,974.6)
Other income	682.2	686.8	940.9	767.8	664.1	CF from Oper. activities	4,045.9	4,038.4	4,522.4	1,802.0	4,824.0
Interest	(35.5)	(1,177.4)	(1,035.5)	(980.8)	(933.2)	CF from Inv. activities	(892.6)	(13,513.4)	(285.7)	(2,224.2)	(2,473.0)
Extraordinary Items	-	-	-	-	-	CF from Fin. activities	(662.1)	10,711.1	(2,907.8)	(1,059.3)	(1,116.7)
Profit before tax	4,776.9	4,872.4	(1,120.3)	514.5	6,696.2	Cash generated/(utilised)	2,491.2	1,236.1	1,329.0	(1,481.5)	1,234.4
Provision for tax	(1,486.9)	(1,582.8)	273.3	(129.7)	(1,687.5)	Cash at start of the year	5,911.9	8,403.1	9,639.2	10,968.2	9,486.7
Reported PAT	3,289.9	3,289.5	(847.0)	384.9	5,008.8	Cash at end of the year	8,403.1	9,639.2	10,968.2	9,486.7	10,721.1
Extraordinary Items	-	-	-	-	-						
Minority Interest	0.0	0.0	0.0	0.0	0.0						
Adjusted PAT	3,289.9	3,289.5	(847.0)	384.9	5,008.8						
Balance Sheet	FY19	FY20	FY21	FY22E	FY23E	Ratios	FY19	FY20	FY21	FY22E	FY23E
Equity capital	642.6	642.6	642.6	642.6	642.6	OPM	16.3	27.2	9.5	16.9	26.2
Reserves	16,775.8	18,296.6	16,938.3	16,809.0	21,175.2	NPM	11.0	10.5	(4.7)	1.9	13.2
Net worth	17,418.4	18,939.2	17,580.9	17,451.6	21,817.8	Tax rate	(31.1)	(32.5)	(24.4)	(25.2)	(25.2)
Def. Tax Liab.+Minori	-	-	-	-	-	Growth Ratios (%)					
Longterm Debt	-	-	-	-	-	Net Sales	11.3	4.3	(44.1)	15.9	88.2
Short Term Debt	-	-	-	-	-	Operating Profit	35.8	74.4	(80.5)	106.0	192.0
Total debt	-	-	-	-	-	PAT	49.2	(0.0)	(125.7)	(145.4)	1,201.5
Lease Liability	-	10,353.5	8,596.7	8,142.6	7,747.8						
CAPITAL EMPLOYED	17,418.4	29,292.7	26,177.5	25,594.2	29,565.6						
Total fixed assets	3,337.6	3,564.1	3,237.7	3,287.1	3,351.1	Per Share (Rs.)					
Goodwill	-	-	-	-	-	Net Earnings (EPS) (FV5)	25.6	25.6	-6.6	3.0	39.0
Investments	-	-	-	-	-	Cash Earnings (CPS)	30.6	48.6	13.7	23.3	60.7
Inventories	8,393.7	8,736.8	6,082.8	5,639.6	10,615.6	Dividend	4.0	4.0	4.0	4.0	5.0
Sundry debtors	663.5	632.7	793.7	542.3	1,020.7	Book Value	135.5	147.4	136.8	135.8	169.8
Cash & bank	8,403.1	9,639.2	10,968.2	9,486.7	10,721.1	Free Cash Flow	24.2	113.7	49.0	13.6	36.0
Loans & advances	1,054.9	1,246.6	1,261.6	1,346.6	1,486.9						
Other current assets	1,789.6	2,066.4	1,303.1	2,273.1	2,500.4	Valuation Ratios					
Sundry creditors	(6,160.2)	(5,033.9)	(4,397.3)	(3,459.7)	(6,188.7)	P/E(x)	63.0	63.0	(244.6)	538.3	41.4
O. Current Liabilities	(982.8)	(752.6)	(917.2)	(1,008.9)	(1,109.8)	P/B(x)	11.9	10.9	11.8	11.9	9.5
Provisions	(179.4)	(2,245.4)	(1,832.5)	(1,752.0)	(1,690.3)	EV/EBIDTA(x)	41.7	23.7	121.0	59.2	20.1
Working capital	12,982.3	14,289.9	13,262.4	13,067.7	17,356.0	Div. Yield(%)	0.2	0.2	0.2	0.2	0.3
Deferred Tax Assets	1,098.5	1,109.9	1,384.0	1,384.0	1,384.0	FCF Yield(%)	1.5	7.1	3.0	0.8	2.2
Miscellaneous exp.	-	-	-	-	-						
CAPITAL DEPLOYED	17,418.4	18,963.8	17,884.0	17,738.8	22,091.0	Return Ratios (%)					
						ROE	18.9	17.4	(4.8)	2.2	23.0
(All NO.s Pre-IND AS 116)						ROCE (Excluding Financial Liability)	23.7	28.3	(5.8)	4.2	31.9
						ROCE (Excluding Cash & Bank)	45.8	27.3	-6.7	4.5	37.0

Source: Dalal & Broacha Research, Company

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