



DALAL & BROACHA
STOCK BROKING PVT. LTD.

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Result Update@ Dalal & Broacha

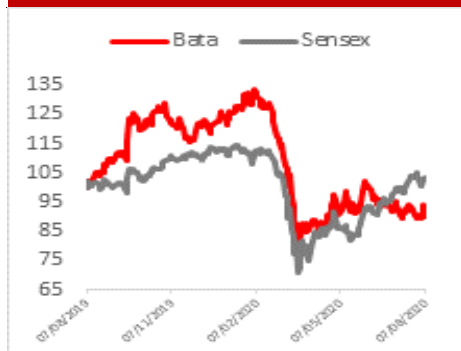
Buy on Dips

Current Price	1237
52 Week Range	1017/1897
Target Price	1271
Upside	3%

Key Share Data

Market Cap (Rs.bn)	159
Market Cap (US\$ mn)	2119
No of o/s shares (mn)	129
Face Value	5
Monthly Avg. vol (BSE+NSE) Nos'000	1236
BSE Code	500043
NSE Code	BATAINDIA
Bloomberg	BATA IN

Price performance



% Shareholding

	June-20	Mar-20
Promoters	52.96	52.96
Public	47.04	47.04
Others	0.00	0.00
Total	100.0	100.0

Results in line with expectations

All Numbers are Post IND AS 116

- **Revenues** -85% YoY to Rs 1348mn
- **EBIDTA** loss at Rs 861mn v/s 2430mn profit YoY
- **PBT loss** Rs 1350mn v/s profit Rs 1555.42mn YoY
- **Net (loss)** Rs 1011mn v/s Net Profit of Rs 1007mn YoY

Other Details

- **Raw Materials to Revenues** 59.6% v/s 45.3% YoY
- **Other Expenses to Revenues** 41.4% v/s 14.8% YoY
- **Employee cost** -13.5% YoY to Rs 848mn and -7.8% QoQ
- **Rent** was '0' as explained: / (**Pre Ind-AS 116 Rent for Q4FY20 stood at Rs 918mn and full year @ Rs 3814mn**)

Rent Concession Q1FY21 stands at Rs 338.89mn: Total rent concessions confirmed till 30th June 2020 of Rs. 501.38 mn (including Rs.162.49 mn unconditional rent concessions pertaining to subsequent quarters) of this A) Rs. 200.96mn accounted under rent expenses (to the extent available) B) Balance of Rs. 300.42mn is reported under Other Income (Other Income excluding Rs 300.42mn stood at Rs 220mn +30% YoY)

- **Depreciation** flat YoY to Rs 731mn
- **Finance cost** -11.2% YoY to Rs 278mn

Other Management Key takeaways

- No production in Q1FY21. Factory operations restarted in July-20
- During the latter part of the current quarter, most stores have resumed operations partially and improvement in business is gradual
- Focus is on controlling costs-related to retail stores, factories, rentals & operations and drive efficiencies in its value chain.
- Scaling up digital presence via bata.in (now delivering +1300 towns and 900 stores provide home delivery) & e-comm partners

Valuation: The current year is going to be tough, however the management is putting all efforts to save cost wherever possible. Bata has a sustainable business with strong balance sheet and it is only external factors that have impacted revenues. We have revised our numbers as per IND AS 116. **At CMP of Rs 1234 the stock trades at 40x its FY22e EPS of Rs 31. We Maintain Buy on Dips with a target price of Rs. 1271.**

FINANCIALS

Year	Net Sales	%growth	EBIDTA	OPM%	PAT	%growth	EPS	PE(x)	RoE%	RoCE%
FY19	29,311.0	11.3	4,770.6	16.3%	3,289.9	49.2	25.6	48.2	18.9	23.7
FY20	30,561.1	4.3	8,321.0	27.2%	3,289.5	(0.0)	25.6	48.3	17.4	28.3
FY21E	17,847.6	(41.6)	3,548.6	19.9%	143.5	(95.6)	1.1	1,105.7	0.8	2.4
FY22E	33,977.5	90.4	9,233.4	27.2%	3,951.8	2,653.0	30.7	40.2	17.9	26.3



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• **Product Launches:** curated collection of relevant portfolios i.e. Fitness-at-home, Easy-wash, Work-from-Home, Power active-wear apparel, Personal Protective Gear (PPG) such as anti-viral face masks.

• **Increased focus on franchise store rollouts increased and increased reach in MBO's (reaching 30000 MBO's now)**

Rent: As mentioned above, are full and final settlement, however the management is still exploring possibilities for further negotiations. **90% of the company's rent is on fixed rental basis.**

Demand:

1) **July** saw pick up, **but below expectation**, on a QoQ basis the range of improvement is 20-30%, this year will be tough.

2) Malls and vertical lock-down will have impact (eg W.Bengal pooja period will come, but company not certain of the demand)

Revenue Break-up:

1. **Retail contribution** stood at 82% and **whole sale contribution** stood at 18%.

2. **Volume** was 18% of last year

Further Details

Inventory: Sufficient inventory to service current demand. Company is confident that Inventory levels will normalize, they do not have much in excess, that will have significant issues. (did not disclose any number)

Employee cost: Q1FY21 stood at Rs 847mn -13.5% YoY and going ahead it will remain at around same levels

Bata India AGM & Annual Report Key Takeaways

- 1) **No. of Pairs Sold:** 49.39mn as against 47.27mn in FY19 ; i.e **volume growth of 4.5%**
- 2) **Retail Stores (80% of revenues):** 1550+ (AR20: 1558), covering 700+ stores
- 3) **Franchise Stores:** gross additions at 52, covering 150+ Tier III & IV towns, have an aim for covering 500 towns in next 3 years
- 4) **Experience stores:** opened 5th store this year which consists of 2000 SKU's, happy feet center, 3D foot scanning, customized insole, medicated pedicure & Shoe Spa.
- 5) **Naturalizer stores:** opened 2 exclusive stores in FY20 in DLF Promenade Mall in New Delhi & DLF Avenue, Saket
- 6) /brand very successful in U.S, Middle East & Western Europe/Company believes this brand can mimic the success of their Hush Puppies brand
- 7) **Distribution & Institutional Channel (20% of revenues):** grew by 19% YoY/added 10,000 MBO's this year taking the total to 30,000+ MBO's/added Store in Store (SIS) in key accounts such as D-Mart/company has over 350+ distributors currently



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- 8) **Stores additions:** 52 new franchisee stores in 40 new Tier III & IV towns. Currently company has presence in 150+ towns, and aims to target 500 towns in next 3 years with a population of less than 2 lac people.

Trends witnessed post covid-19

- 1) People are more fearful and hygiene focused which has led to less walk ins and more focus on E-Commerce platform
- 2) Spending pattern suggests curtailment and more value-based buying is happening
- 3) In current times, brand name and trust is most important
- 4) Company believes work from home & contact less will stay for a longer period
- 5) Company is optimistic on the “Power” brand after it witnessed a good uptick in FY20. Another trend is that there is clear shift to Casual footwear in the current Covid filled world, and it is a good opportunity for the company as it is also a premium fashion footwear category.

Efforts taken to mitigate Covid-19 disruptions

- 1) **Omni Channel strategy:** introduced through 2 ways, (i) **Bata Chat** where in customers can chat on WhatsApp and they can video call to showcase the latest products and designs/ this has received good response and (ii) **Bata Store on Wheels:** where they set up small kiosks with their products inside societies, local areas as a way to bring products to customers rather than them walking in stores in current times
- 2) **Free home deliveries:** introduced in 900+ outlets, delivering at 18,000+ pin codes
- 3) **Bata Club:** currently has over 13 million active members, have taken several initiatives such as Bata Chat, integration of technology and Analytics to get better feedback and results. This has resulted into a 5% increase in average monthly repeat rate and campaign walk-ins have also doubled YoY
- 4) **New collections:** WFH collection and easy wash away collection at Rs. 499 each
- 5) **Product re-alignment:** to current demand and needs, have witnessed good growth in casual wear
- 6) **Innovation:** In coming years, 2020 and 2021, company will launch more sustainable stories (Bloom & Power Eco), Comfort blockbusters (Comfort Foam, Comfi Flex & Air vent technology) and Performance (Hydro Lite, Etpu & Floatz).
- 7) **E-Commerce:** Sold more than 1.8mn pairs through online channels garnering revenues of Rs. 1250mn in FY20. Company also launched Endless Aisle, which connects store inventory to online stores and through this, has opened up immense opportunity for growth and thus now ships 95% of orders from “Bata.in” through stores.
- 8) **Hush Puppies:** company in FY20, focused on new product technologies, namely Bounce Max, Bounce and Bounce Plus. Through, this company introduced a huge variety of casual fashion footwear in a brand that is dominated by formal footwear products

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Quarterly Result Snapshot

Particulars (Rs Mns)	Q1FY21	Q1FY20	Growth
	Post IND AS 116	Post IND AS 116	
Net Sales	1347.86	8821.43	-84.7%
Other Operating Income			
Total Operating Income	1347.86	8821.43	-84.7%
Other Income	520.25	169.29	207.3%
TOTAL INCOME	1868.11	8990.72	-79.2%
Cost of Materials Consumed	-1.74	-377.55	-99.5%
Purchase of Stock in Trade	-352.08	-2823.07	-87.5%
Changes in Inventories	-449.47	-794.18	-43.4%
Employee Cost	-847.62	-980.39	-13.5%
Rent	0	-107.53	-100.0%
Other Expenses	-558.14	-1309	-57.4%
EXPENDITURE	-2209.05	-6391.72	-65.4%
EBIDTA	-340.94	2599	-113.1%
EBIDTA (Excl O. Income)	-861.19	2429.71	-135.4%
Less: Depreciation	-730.69	-730.07	0.1%
PBIT	-1071.63	1868.93	-157.3%
Less: Interest Cost	-278.37	-313.51	-11.2%
PBT (Before Exceptional)	-1350	1555.42	-186.8%
Exceptional			
PBT (Post Exceptional)	-1350	1555.42	-186.8%
Tax	338.74	-548.12	-161.8%
PAT (Reported)	-1011.26	1007.3	-200.4%
PAT (Adjusted)	-1011.26	1007.3	-200.4%
Other Comprehensive Income	-0.75	-1.07	
Total Comprehensive Income	-1012.01	1006.23	
Equity	642.64	642.64	
FV	5	5	
EPS (On reported PAT)	-7.87	7.84	-200.4%
EPS (on adjusted PAT)	-7.87	7.84	-200.4%
OPM	-63.9%	27.5%	
NPM (Reported PAT)	-54.1%	11.2%	
Tax Rate	-25.1%	-35.2%	
% of Total Operating Income			
Cost of Materials Consumed	-0.1%	-4.3%	
Purchase of Stock in Trade	-26.1%	-32.0%	
Changes in Inventories	-33.3%	-9.0%	
RAW MATERIALS	-59.6%	-45.3%	
Employee Cost	-62.9%	-11.1%	
Rent	0.0%	-1.2%	
Other Expenses	-41.4%	-14.8%	
EXPENDITURE	-163.9%	-72.5%	



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Bata India Ltd									
P&L (Rs mn)	FY19	FY20	FY21E	FY22E	Cash Flow St. (Rs. mn)	FY19	FY20	FY21E	FY22E
Net Operating Income	29,311.0	30,561.1	17,847.6	33,977.5	Net Profit	3,289.9	3,289.5	143.5	3,951.8
					Add: Dep. & Amort.	640.5	2,958.0	3,098.2	3,425.5
					Cash profits	3,930.4	6,247.5	3,241.8	7,377.3
Raw Materials	(12,871.1)	(12,965.8)	(8,031.4)	(14,406.5)	(Inc)/Dec in				
Employee Cost	(3,310.8)	(9,274.4)	(6,267.5)	(10,337.6)	-Sundry debtors	230.0	30.8	143.7	(441.9)
Other Expenses	(8,358.5)	(22,240.2)	(14,298.9)	(24,744.1)	-Inventories	(742.0)	(343.1)	3,651.5	(4,595.9)
Total Expenses	(24,540.4)				-Loans/advances	(104.6)	(191.7)	-	(187.0)
					-Current Assets	76.8	(276.8)	-	(310.0)
Operating Profit	4,770.6	8,321.0	3,548.6	9,233.4	-Sundry creditors	324.9	(1,126.3)	(1,843.4)	2,532.6
Depreciation	(640.5)	(2,958.0)	(3,098.2)	(3,425.5)	-Others	330.3	(302.0)	-	91.4
PBIT	4,130.1	5,363.0	450.4	5,807.9	-Lease Liability	0	0	0	0
Other income	682.2	686.8	974.7	836.8	Change in working capital	115.5	(2,209.1)	1,951.9	(2,910.8)
Interest	(35.5)	(1,177.4)	(1,233.3)	(1,363.7)	CF from Oper. activities	4,045.9	4,038.4	5,193.6	4,466.4
Extraordinary Items	-	-	-	-	CF from Inv. activities	(892.6)	(13,513.4)	(3,214.9)	(4,525.2)
Profit before tax	4,776.9	4,872.4	191.8	5,281.0	CF from Fin. activities	(662.1)	10,711.1	336.6	372.3
Provision for tax	(1,486.9)	(1,582.8)	(48.3)	(1,329.2)	Cash generated/(utilised)	2,491.2	1,236.1	2,315.3	313.5
Reported PAT	3,289.9	3,289.5	143.5	3,951.8	Cash at start of the year	5,911.9	8,403.1	9,639.2	11,954.5
Extraordinary Items	-	-	-	-	Cash at end of the year	8,403.1	9,639.2	11,954.5	12,268.1
Minority Interest	0.0	0.0	0.0	0.0					
Adjusted PAT	3,289.9	3,289.5	143.5	3,951.8					
Balance Sheet	FY19	FY20	FY21E	FY22E	Ratios	FY19	FY20	FY21E	FY22E
Equity capital	642.6	642.6	642.6	642.6	OPM	16.3	27.2	19.9	27.2
Reserves	16,775.8	18,296.6	18,285.2	21,462.3	NPM	11.0	10.5	0.8	11.4
Net worth	17,418.4	18,939.2	18,927.8	22,104.9	Tax rate	(31.1)	(32.5)	(25.2)	(25.2)
Def. Tax Liab.+Minority Int.	-	-	-	-	Growth Ratios (%)				
Longterm Debt	-	-	-	-	Net Sales	11.3	4.3	(41.6)	90.4
Short Term Debt	-	-	-	-	Operating Profit	35.8	74.4	(57.4)	160.2
Total debt	-	-	-	-	PAT	49.2	(0.0)	(95.6)	2,653.0
Lease Liability	-	10,353.5	10,845.0	11,992.0					
CAPITAL EMPLOYED	17,418.4	29,292.7	29,772.9	34,097.0	Per Share (Rs.)				
Total fixed assets	3,337.6	13,893.0	14,009.7	15,109.4	Net Earnings (EPS) (FV5)	25.6	25.6	1.1	30.7
Goodwill	-	-	-	-	Cash Earnings (CPS)	30.6	48.6	25.2	57.4
Investments	-	-	-	-	Dividend	4.0	4.0	1.0	5.0
Inventories	8,393.7	8,736.8	5,085.3	9,681.3	Book Value	135.5	147.4	147.3	172.0
Sundry debtors	663.5	632.7	489.0	930.9	Free Cash Flow	24.2	33.4	42.3	29.5
Cash & bank	8,403.1	9,639.2	11,954.5	12,268.1					
Loans & advances	1,054.9	1,246.6	1,246.6	1,433.6	Valuation Ratios				
Other current assets	1,789.6	2,066.4	2,066.4	2,376.4	P/E(x)	48.2	48.3	1,105.7	40.2
Sundry creditors	(6,160.2)	(5,033.9)	(3,190.6)	(5,723.1)	P/B(x)	9.1	8.4	8.4	7.2
O. Current Liabilities	(982.8)	(752.6)	(752.6)	(827.8)	EV/EBIDTA(x)	31.5	17.9	41.4	15.9
Provisions	(179.4)	(2,245.4)	(2,245.4)	(2,261.5)	Div. Yield(%)	0.3	0.3	0.1	0.4
Working capital	12,982.3	14,289.9	14,653.4	17,877.7	FCF Yield(%)	2.0	2.7	3.4	2.4
Deferred Tax Assets	1,098.5	1,109.9	1,109.9	1,109.9					
Miscellaneous exp.	-	-	-	-	Return Ratios (%)				
CAPITAL DEPLOYED	17,418.4	29,292.7	29,772.9	34,097.0	ROE	18.9	17.4	0.8	17.9
					ROCE (Excluding Financial Liability)	23.7	28.3	2.4	26.3
					ROCE (Excluding Cash & Bank)	45.8	27.3	2.5	26.6

Note: FY15 is 15 months since company has changed year ending to March from December. Stock Split from Rs 10 to Rs 5/-



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