



Head of Research: Kunal Bhatia 022 67141442

Associate: Suraj Nandu – 022 67141438

Q2FY21 Result Update@ Dalal & Broacha

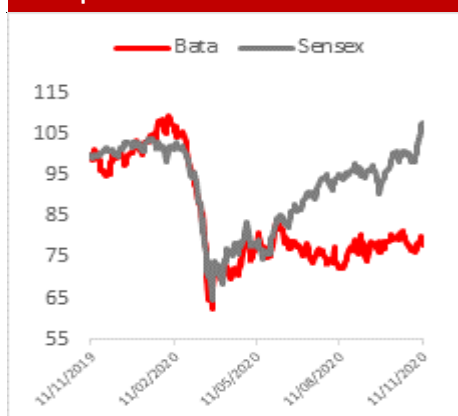
BUY

Current Price	1327
52 Week Range	1017/1897
Target Price	1600
Upside	20%

Key Share Data

Market Cap (Rs.bn)	171
Market Cap (US\$ mn)	2289
No of o/s shares (mn)	129
Face Value	5
Monthly Avg. vol(BSE+NSE) Nos'000	681
BSE Code	500043
NSE Code	BATAINDIA
Bloomberg	BATA IN

Price performance



% Shareholding	Sept-20	June-20
Promoters	52.96	52.96
Public	47.04	47.04
Others	0.00	0.00
Total	100.0	100.0

Bata Q2FY21 Standalone results were in-line with our expectations.

(Standalone nos all post-ind as 116) Important Highlights:

- >New Channel contribute 10% of store revenues
- >Inventory down 11% from March-20 to Rs 7754.04mn
- >Cash and Bank stood at Rs 7984mn v/s 9623.5mn (March-20)

STANDALONE FINANCIALS

- Revenues decreased by 49% YoY to Rs 3678.68mn +173% QoQ.
- EBIDTA declined 90.2% YoY to Rs 181.53mn (Q1FY21 was loss of Rs 861.2mn)
- EBIDTA margins stood at 4.9% as against 25.7% YoY
- PBT loss stood at Rs 585.06mn as against pft of Rs 974.59mn YoY and loss Rs 1350mn QoQ
- PAT (loss) stood at Rs 443.9mn v/s pft of Rs 713.7mn YoY and loss of Rs 1011mn QoQ

Rent Concession for Q2FY21 stood at Rs 274.38mn (included Rs 95.26 for subsequent quarters) netted off from Rent Expenses / Q1FY21 Rent concessions was s 501.38mn (H1FY21 = Rs 775.76mn)

Other Details

- Raw Materials to Revenue stood at 49.6% v/s 43.6% YoY and 59.6% QoQ
- Employee Cost decreased by 7.2% YoY to Rs 826.45mn and declined by 2.5% QoQ
- Other Expenses to Revenue stood at 23% v/s 17% YoY and 41.4% QoQ
- Other Income (does not include any rent concession in Q2FY21) stood at Rs 143mn down by 9.2% YoY
- Depreciation declined by 13.9% YoY to Rs 644.56mn and Int declined by 13.8% YoY to Rs 265.4mn
- Tax credit stood at Rs 141.6mn.

Outlook and Valuation:

- The current year is going to be tough, however management is putting all efforts to save cost wherever possible.
- Q2FY21 inventory reduced by 11% from Mar-20 levels, revenue on a QoQ basis showed healthy recovery (+172%) giving us confidence on returning to normalcy in coming quarters aided by Festive demand.
- Bata's strong balance sheet with Rs ~8bn in cash and equivalents (i.e. 47% of Net-worth and 4.7% of M. Cap) gives us enough safety in this un-certain time of pandemic.
- Bata was quick enough to respond with innovative digital initiatives which now contribute 10% of in-store sales.

FINANCIALS (consolidated)

Year	Net Sales	%growth	EBIDTA	OPM%	PAT	%growth	EPS	PE(x)	RoE%	RoCE%
FY18	26,341.7	6.5	3,513.6	13.3%	2,205.1	27.5	17.2	77.3	15.0	19.7
FY19	29,311.0	11.3	4,770.6	16.3%	3,289.9	49.2	25.6	51.8	18.9	23.7
FY20	30,561.1	4.3	8,321.0	27.2%	3,289.5	(0.0)	25.6	51.8	17.4	28.3
FY21E	17,812.3	(41.7)	3,367.9	18.9%	145.0	(95.6)	1.1	1,176.2	0.8	2.1
FY22E	33,977.5	90.8	9,334.2	27.5%	4,117.5	2,739.7	32.0	41.4	18.2	26.8



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Valuations: At CMP of Rs 1327 Bata trades at 41.4x its FY22e EPS of Rs 32. Considering its strong balance sheet and good recovery in the given situation Bata is a company in the retail-space that would get re-rated as a good post-covid play stock. We revise our recommendation from Buy on Dips to **Buy** (with a target price of Rs 1600) valuing the stock at 50x FY22e EPS of Rs 32.

Other Management Key takeaways

- **Footfalls** have increased aided by customer relevant communication and product availability and channel expansion
- **10% of Store revenue contribution from new Digital launched channel** "Bata ChatShop", 'Bata Home delivery' and 'Bata Store-on-Wheels' : aided by expanded range
- **Volume growth leading value growth** due to pick up in casuals, Fitness, & Essential categories covering comfortable sneakers, open & sandals styles v/s formals and fashion.
- **Stores:** 200th franchise store opened as tier2to5 showed good response / with distribution strength it is now available at 30000 MBO's / retails in 1600+ franchise and retail stores
- **New campaign** 'Kick-Out-2020' launched with new collection 'Ready again'
- Overall discretionary spends remained low

Sources of growth going forward post pandemic

1. Institutional and distribution (sale to MBO channel) business was already witnessing double digit growth Pre-Covid
2. Digital enabled business enhance growth
3. Fashion Merchandise to come back



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Quarterly Result Snapshot

Particulars (Rs Mns)	Q2FY21	Q2FY20	Growth	H1FY21	H1FY20	Growth
Net Sales	3678.68	7219.61	-49.0%	5026.54	16041	-68.7%
Other Operating Income						
Total Operating Income	3678.68	7219.61	-49.0%	5026.54	16041	-68.7%
Other Income	143.32	177.46	-19.2%	663.57	346.75	91.4%
TOTAL INCOME	3822	7397.07	-48.3%	5690.11	16387.8	-65.3%
Cost of Materials Consumed	-278.86	-731.15	-61.9%	-280.6	-1108.7	-74.7%
Purchase of Stock in Trade	-1090.7	-3302.9	-67.0%	-1442.8	-6126	-76.4%
Changes in Inventories	-455.12	886.15	-151.4%	-904.59	91.97	-1083.6%
Employee Cost	-826.45	-890.14	-7.2%	-1674.1	-1870.5	-68.7%
Rent	-1.19	-97.32	-98.8%	-1.19	-204.85	-99.4%
Other Expenses	-844.79	-1230.7	-31.4%	-1402.9	-2539.7	-44.8%
EXPENDITURE	-3497.2	-5366.1	-34.8%	-5706.2	-11758	-51.5%
EBIDTA	324.85	2031.01	-84.0%	-16.09	4630.01	-100.3%
EBIDTA (Excl O. Income)	181.53	1853.55	-90.2%	-679.66	4283.26	-115.9%
Less: Depreciation	-644.56	-748.72	-13.9%	-1375.3	-1478.8	-7.0%
PBIT	-319.71	1282.29	-124.9%	-1391.3	3151.22	-144.2%
Less: Interest Cost	-265.35	-307.7	-13.8%	-543.72	-621.21	-12.5%
PBT (Before Exceptional)	-585.06	974.59	-160.0%	-1935.1	2530.01	-176.5%
Exceptional				0	0	
PBT (Post Exceptional)	-585.06	974.59	-160.0%	-1935.1	2530.01	-176.5%
Tax	141.16	-260.85	-154.1%	479.9	-808.97	-159.3%
PAT (Reported)	-443.9	713.74	-162.2%	-1455.2	1721.04	-184.6%
PAT (Adjusted)	-443.9	713.74	-162.2%	-1455.2	1721.04	-184.6%
Other Comprehensive Income	16.07	-13.05		15.32	-14.12	
Total Comprehensive Income	-427.83	700.69		-1439.8	1706.92	
Equity	642.64	642.64		642.64	642.64	0.0%
FV	5	5		5	5	
EPS (On reported PAT)	-3.45	5.55	-162.2%	-11.32	13.39	-184.6%
EPS (on adjusted PAT)	-3.45	5.55	-162.2%	-11.32	13.39	-184.6%
OPM	4.9%	25.7%		-13.5%	26.7%	
NPM (Reported PAT)	-11.6%	9.6%		-25.6%	10.5%	
Tax Rate	-24.1%	-26.8%		-25%	-32%	
% of Total Operating Income						
Cost of Materials Consumed	-7.6%	-10.1%		-5.6%	-6.9%	
Purchase of Stock in Trade	-29.7%	-45.7%		-28.7%	-38.2%	
Changes in Inventories	-12.4%	12.3%		-18.0%	0.6%	
RAW MATERIALS	-49.6%	-43.6%		-52.3%	-44.5%	
Employee Cost	-22.5%	-12.3%		-33.3%	-11.7%	
Rent	0.0%	-1.3%		0.0%	-1.3%	
Other Expenses	-23.0%	-17.0%		-27.9%	-15.8%	
EXPENDITURE	-95.1%	-74.3%		-113.5%	-73.3%	



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Contact	Email ID	Contact No.	Sector
Mr. Kunal Bhatia	kunal.bhatia@dalal-broacha.com	022 67141442	Auto, Auto Ancillary, FMCG
Mrs.Charulata Gaidhani	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma /Healthcare
Mr. Mayank Babla	mayank.babladalal-broacha.com	022 67141412	I.T/Telecom/Media
Mr. Avinash Tanawade	avinash.tanawade@dalal-broacha.com	022 67141449	BFSI
Mr. Akshay Ashok	akshay.ashok@dalal-broacha.com	022 67141486	BFSI
Mr. Suraj Nandu	suraj.nandu@dalal-broacha.com	022 67141438	Associate

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