


Result Update@ Dalal & Broacha
Buy on Dips

Current Price	1288
52 Week Range	1017/1897
Target Price	1360
Upside	6%

Key Share Data

Market Cap (Rs.bn)	165.19
Market Cap (US\$ mn)	2173.55
No of o/s shares (mn)	128.52
Face Value	5
Monthly Avg.	
vol(BSE+NSE) Nos'000	1327.06
BSE Code	500043
NSE Code	BATAINDIA
Bloomberg	BATA IN

Price performance


% Shareholding	Mar-20	Dec-19
Promoters	52.96	52.96
Public	47.04	47.04
Others	0.00	0.00
Total	100.0	100.0

Bata Q4FY20 Results (pre-IND AS116) below estimates on revenue front but in line on profitability front

Please Note, All numbers are PRE-IND AS 116 and thus are comparable on YoY basis

Revenue: de grew by 8.8% YoY to Rs 6197.03mn

January and February 2020 witnessed 8% growth YoY before closure of stores in mid of March 2020.

Volume growth for FY20 stood at 5% ~ 49mn pairs

Retail de-grew in Q4FY20 however for FY20 growth was 2% and **Wholesale** grew by 8% in Q4FY20 and 19% in (full year) FY20.

-Generally **school shoes** is ~10% of revenue (would be more of a deferral); should come back when school re-opens as per guidelines.

Online contributed 5% of Sales v/s 4% YoY.

EBIDTA de grew by 32.4% YoY to Rs. 639.09mn/ **EBIDTA margins** stood at 10.31% v/s 13.9% YoY

As % to Sales

Raw Material: 41.2% v/s 42.9% YoY (this re-emphasizes the premiumization focus as comparing last 3 years Q4 {for seasonal trend} gross margins in Q4FY20 was highest at 58.8%)

Rent: 14.8% v/s 14.3% YoY (important to note that QoQ rent in absolute terms did drop by 6.5% to Rs 918.2 mn). Negotiations continuously on, majority of stores are on fixed rental basis and full efforts are on to increase variable component. New stores which are added are larger-ones and closed smaller irrelevant stores in the current financial year.

Other Expense: 18.8% v/s 16.4% YoY (this would have some fixed component however in absolute terms on a YoY basis there was a drop from Rs 5848mn to Rs 5558mn)

Employee cost grew by 8.3% YoY to Rs 919.03mn (which again on a QoQ basis was down by 6%)

PBT de-grew by 37.4% YoY to Rs 659.01mn

Tax rate stood at 33.2% v/s 16.3% YoY v/s 32.8% in Q3FY20

PAT: de-grew by 50.2% to Rs 439.89mn

EPS at Rs. 3.42 v/s Rs. 6.87

Dividend of Rs. 4 per share announced

FINANCIALS

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	74.9	15.0	19.7
FY19	29,311.0	11.3	4,770.6	16.3%	3,289.9	49.2	25.6	50.2	18.9	23.7
FY20E	30,561.1	4.3	4,993.4	16.3%	3,395.0	3.2	26.4	48.6	17.9	23.0
FY21E	23,678.9	(22.5)	2,349.9	9.9%	1,755.8	(48.3)	13.7	94.1	8.5	8.3
FY22E	34,879.7	47.3	5,710.3	16.4%	4,393.4	150.2	34.2	37.6	18.2	20.8



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KTA's from the result press release

- **Strengthening E-Commerce channels** with delivery available across 1300 cities and 900+ stores/ option for customers to shop via whatsapp chat with neighbourhood stores.
- **Employees:** no employees are being laid off, and salaries being paid in full
- **Cost rationalisations:** rental re-negotiations, closure of unviable stores and digitalization drive across the organisation to eliminate redundancy and bring in efficiency in value chain
- Ram Kumar Gupta has been re-appointed as the Director Finance (CFO, KMP) of the company for 3 more years from 19th August 2020 onwards or till expiry of his contract, whichever is earlier, subject to approval in the AGM

Other Key Takeaways: (Source Management interview in media)

1. Demand Scenario: -Expect it to pick up in different phases / The demand offtake will be slower (especially in fashion), H2FY21 should see some recovery

-slipper sandals and exercise shoes (power) will see demand

- Innovative product i.e. “easy-wash” and “work from home” collection launched.

- Online will pick-up once the non-essentials deliveries pick-up / Bata Club will help in customer interaction with local stores (via Whatsapp) and get home delivery

2. Stores Operational: As of 25-May-2020, 53% (i.e. ~750) stores are operational. Recovery has been better in stores located in residential areas (with Tier-3,4 and 5 picking up better) as against high-street stores.-More stores will open this week.

-All Stores were completely closed for almost 40 days (some even more)

-Sanitizing and making people equipped

3. In Store processes:

-operating with less than 50% workforce currently (teams working with 1 week roster)

-consumer walk ins are offered with sanitizers to sterilize their hands

-Shoes tried and not bought are isolated for the next 72 hours to reduce any chances of spread

4. Fixed Costs: working with landlords for new agreements, have made new rental deals with some landlords of high street stores for at-least the next 5 months and maybe even longer.



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-Daily touch with store for inventory situation

6. Store expansion plans on hold for next 3 to 6 months / capex for factory to continue.

Valuation and Outlook:

We believe Bata (within the retail space) is a very strong cash-rich company. Cash and equivalent of Rs 9639mn translates to 51% of net worth v/s 48% in FY19. This would definitely demand a Premium valuation in the Retail space. With this strong balance sheet and no major expansion/ capex required Bata would easily tide over this difficult period and come out stronger. We believe the pandemic in a way has given the company an opportunity to re-negotiate rentals costs (12.5% of FY20 Revenue) of many older stores which would have been otherwise difficult in normal course of business, as per our understanding focus is to bring more of the rental agreements on variable costs **At CMP of Rs 1285 Bata trades at 48.6x its FY20e EPS of Rs 26.4, 94x its FY21e EPS of Rs 13.7 and 38x its FY22e EPS of Rs 34.2.** We believe the company would enjoy a premium valuation in the retail space because of the strong balance sheet.

we have revised our earlier estimates and given the current situation giving it a lower PE as the relative valuations of the industry has also come down.

We value Bata at 40x its FY22e EPS of Rs 34.2 and maintain Buy on Dips with target price of Rs 1360.


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Quarterly Result Snapshot

Particulars (Rs Mns)	Q4FY20		Growth (YoY)	FY20 IND		FY19 IND Growth
	Pre IND AS	Q4FY19		AS	AS	
Net Sales	6197.03	6793.9	-8.8%	30534.51	29284.44	11.4%
Other Operating Income				0	0	
Total Operating Income	6197.03	6793.9	-8.8%	30534.51	29284.44	11.4%
Other Income	171.05	279.32	-38.8%	688.41	685.43	34.8%
TOTAL INCOME	6368.08	7073.22	-10.0%	31222.92	29969.87	11.8%
Cost of Materials Consumed	-967.58	-696.24	39.0%	-2569.59	-2807.22	4.2%
Purchase of Stock in Trade	-2875.02	-3177.24	-9.5%	-10736.2	-10861.3	10.4%
Changes in Inventories	1286.37	958.95	34.1%	342.71	825.23	42.5%
Employee Cost	-919.03	-848.81	8.3%	-3764.22	-3310.83	12.1%
Rent	-918.21	-968.89	-5.2%	-3813.92	-3793.39	4.7%
Other Expenses	-1164.47	-1116.69	4.3%	-5023.54	-4564.12	8.1%
EXPENDITURE	-5557.94	-5848.92	-5.0%	-25564.7	-24511.6	7.7%
EBIDTA	810.14	1224.3	-33.8%	5658.21	5458.27	34.9%
EBIDTA (Excl O. Income)	639.09	944.98	-32.4%	4969.8	4772.84	34.9%
Less: Depreciation	-149.12	-166.28	-10.3%	-643.04	-640.16	5.9%
PBIT	661.02	1058.02	-37.5%	5015.17	4818.11	40.0%
Less: Interest Cost	-2.01	-5.88	-65.8%	-23.47	-35.46	-15.5%
PBT (Before Exceptional)	659.01	1052.14	-37.4%	4991.7	4782.65	40.7%
Exceptional				0	0	
PBT (Post Exceptional)	659.01	1052.14	-37.4%	4991.7	4782.65	40.7%
Tax	-219.12	-169.45	29.3%	-1617.08	-1486.05	27.6%
PAT (Reported)	439.89	882.69	-50.2%	3374.62	3296.6	47.4%
PAT (Adjusted)	439.89	882.69	-50.2%	3374.62	3296.6	47%
EPS (On reported PAT)	3.42	6.87	-50.2%	26.26	25.65	-27.0%
EPS (on adjusted PAT)	3.42	6.87	-50.2%	26.26	25.65	18.3%
OPM	10.31%	13.9%		16.3%	16.3%	
NPM (Reported PAT)	6.9%	12.5%		10.8%	11.0%	
Tax Rate	-33.2%	-16.1%		-32%	-31%	
% of Total Operating Income						
RAW MATERIALS	-41.2%	-42.9%		-42.5%	-43.9%	
Employee Cost	-14.8%	-12.5%		-12.3%	-11.3%	
Rent	-14.8%	-14.3%		-12.5%	-13.0%	
Other Expenses	-18.8%	-16.4%		-16.5%	-15.6%	
EXPENDITURE	-89.7%	-86.1%		-83.7%	-83.7%	



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STOCK BROKING PVT. LTD.

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Bata India Ltd

P&L (Rs mn)	FY18	FY19	FY20E	FY21E	FY22E	Cash Flow St. (Rs. mn)	FY18	FY19	FY20E	FY21E	FY22E
Net Operating Income	26,341.7	29,311.0	30,561.1	23,678.9	34,879.7	Net Profit	2,205.1	3,289.9	3,395.0	1,755.8	4,393.4
						Add: Dep. & Amort.	604.5	640.5	643.4	654.8	692.9
						Cash profits	2,809.7	3,930.4	4,038.4	2,410.6	5,086.4
Raw Materials	(12,024.0)	(12,871.1)	(12,965.8)	(10,063.5)	(14,823.9)	(Inc)/Dec in					
Employee Cost	(2,956.1)	(3,310.8)	(12,602.0)	(11,265.4)	(14,345.5)	-Sundry debtors	(199.4)	230.0	30.8	(16.0)	(306.9)
Other Expenses	(7,848.0)	(8,358.5)	(25,567.8)	(21,329.0)	(29,169.4)	-Inventories	(513.8)	(742.0)	(343.1)	1,989.9	(3,191.5)
Total Expenses	(22,828.1)	(24,540.4)				-Loans/advances	(41.1)	(104.6)	(191.7)	-	(187.0)
Operating Profit	3,513.6	4,770.6	4,993.4	2,349.9	5,710.3	-Current Assets	(580.0)	76.8	(276.8)	-	(310.0)
Depreciation	(604.5)	(640.5)	(643.4)	(654.8)	(692.9)	-Sundry creditors	711.1	324.9	(1,126.3)	(1,036.1)	1,891.1
PBIT	2,909.1	4,130.1	4,350.0	1,695.1	5,017.4	-Others	(32.1)	330.3	(302.0)	-	91.4
Other income	503.3	682.2	686.8	674.7	877.3	-Lease Liability	0	0	2137.68	0	0
Interest	(42.0)	(35.5)	(23.5)	(23.5)	(23.5)	Change in working capital	(655.2)	115.5	(71.4)	937.9	(2,012.8)
Extraordinary Items	-	-	-	-	-	CF from Oper. activities	2,154.5	4,045.9	3,966.9	3,348.5	3,073.6
Profit before tax	3,370.4	4,776.9	5,013.3	2,346.4	5,871.2	CF from Inv. activities	(712.1)	(892.6)	(11,198.8)	(300.0)	(1,000.0)
Provision for tax	(1,165.3)	(1,486.9)	(1,618.3)	(590.6)	(1,477.8)	CF from Fin. activities	(750.8)	(662.1)	8,467.9	(154.9)	(774.7)
Reported PAT	2,205.1	3,289.9	3,395.0	1,755.8	4,393.4	Cash generated/(utilised)	691.6	2,491.2	1,236.1	2,893.5	1,298.9
Extraordinary Items	-	-	-	-	-	Cash at start of the year	5,220.3	5,911.9	8,403.1	9,639.2	12,532.7
Minority Interest	0.0	0.0	0.0	0.0	0.0	Cash at end of the year	5,911.9	8,403.1	9,639.2	12,532.7	13,831.6
Adjusted PAT	2,205.1	3,289.9	3,395.0	1,755.8	4,393.4						

Balance Sheet	FY18	FY19	FY20E	FY21E	FY22E	Ratios	FY18	FY19	FY20E	FY21E	FY22E
Equity capital	642.6	642.6	642.6	642.6	642.6	OPM	13.3	16.3	16.3	9.9	16.4
Reserves	14,104.3	16,775.8	18,296.6	19,897.5	23,516.3	NPM	8.2	11.0	10.9	7.2	12.3
Net worth	14,746.9	17,418.4	18,939.2	20,540.1	24,158.9	Tax rate	(34.6)	(31.1)	(32.3)	(25.2)	(25.2)
Def. Tax Liab.+Minority Int.	-	-	-	-	-	Growth Ratios (%)					
Longterm Debt	-	-	-	-	-	Net Sales	6.5	11.3	4.3	(22.5)	47.3
Short Term Debt	-	-	-	-	-	Operating Profit	26.1	35.8	4.7	(52.9)	143.0
Total debt	-	-	-	-	-	PAT	27.5	49.2	3.2	(48.3)	150.2
Lease Liability	-	-	10,353.5	10,353.5	10,353.5	Per Share (Rs.)					
CAPITAL EMPLOYED	14,746.9	17,418.4	29,292.7	30,893.6	34,512.3	Net Earnings (EPS) (FV5)	17.2	25.6	26.4	13.7	34.2
Total fixed assets	3,085.4	3,337.6	13,893.0	13,538.2	13,845.2	Cash Earnings (CPS)	21.9	30.6	31.4	18.8	39.6
Goodwill	-	-	-	-	-	Dividend	3.5	4.0	4.0	1.0	5.0
Investments	-	-	-	-	-	Book Value	114.7	135.5	147.4	159.8	188.0
Inventories	7,651.7	8,393.7	8,736.8	6,746.9	9,938.3	Free Cash Flow	9.6	24.2	(57.4)	22.4	14.8
Sundry debtors	893.5	663.5	632.7	648.7	955.6	Valuation Ratios					
Cash & bank	5,911.9	8,403.1	9,639.2	12,532.7	13,831.6	P/E(x)	74.9	50.2	48.6	94.1	37.6
Loans & advances	950.3	1,054.9	1,246.6	1,246.6	1,433.6	P/B(x)	11.2	9.5	8.7	8.0	6.8
Other current assets	1,866.4	1,789.6	2,066.4	2,066.4	2,376.4	EV/EBIDTA(x)	45.3	32.9	31.1	64.9	26.5
Sundry creditors	(5,835.3)	(6,160.2)	(5,033.9)	(3,997.8)	(5,888.9)	Div. Yield(%)	0.3	0.3	0.3	0.1	0.4
O. Current Liabilities	(706.8)	(982.8)	(752.6)	(752.6)	(827.8)	FCF Yield(%)	0.8	1.9	(4.5)	1.7	1.1
Provisions	(125.1)	(179.4)	(2,245.4)	(2,245.4)	(2,261.5)	Return Ratios (%)					
Working capital	10,606.6	12,982.3	14,289.9	16,245.6	19,557.2	ROE	15.0	18.9	17.9	8.5	18.2
Deferred Tax Assets	1,054.8	1,098.5	1,109.9	1,109.9	1,109.9	ROCE (Excluding Financial Liability)	19.7	23.7	23.0	8.3	20.8
Miscellaneous exp.	-	-	-	-	-	ROCE (Excluding Cash & Bank)	32.9	45.8	22.1	9.2	24.3
CAPITAL DEPLOYED	14,746.9	17,418.4	29,292.7	30,893.6	34,512.3						

(All NO.s Pre-IND AS 116)

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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