

30 May 2020

Q4-FY20 Result Update

- ❑ Bata India Ltd. reported consolidated revenues of ₹6,206 million in Q4FY20, down 8.8% year over year (y/y) mainly due to closure of the company's stores owing to the lockdown in last fortnight of March 2020.
- ❑ Consolidated EBITDA grew 47% y/y to ₹1,397 million while margins improved to 22.5% from 14% in the previous year quarter. The higher margins primarily reflects adoption of Ind-AS 116 by the company.
- ❑ Profit after tax (PAT) declined 56.7% y/y to ₹384 million in Q4FY20. Notably, the previous year quarter included one-time tax reversal of ₹199.3 million.
- ❑ For FY20, consolidated revenues improved 4.3% y/y to Rs. 30,561 million while PAT remained flat at Rs. 3,290 million.
- ❑ The crisis stemming from COVID -19 undoubtedly weighed on the quarterly revenues. Management noted that the company had recorded a growth of about 8% in the month of January and February 2020 before the closure of the stores in mid March due to lockdown. Notably, the company has initiated reopening of the retail stores as per government safety guidelines.
- ❑ In view of the current situation, management stated that the company is expanding its e-commerce presence with enhancing online channels, allowing delivery in more than 1300 cities and rolling out home delivery. Additionally, the company is focused on several cost management efforts including rental negotiations, closure of unviable stores and thrust on digitization across the organization to boost overall operational efficiency.
- ❑ We believe short term growth of the company remains challenged given the current uncertain environment that has affected overall consumer behavior. However, with gradual, albeit slow revival in demand, the company remains well positioned to recover given its strength from its product mix, solid brand recognition, expanding distribution network, debt free business, cost optimization efforts and enhancing digital capabilities.
- ❑ We have incorporated latest quarterly numbers and have revised our estimates for the company. We continue to remain positive on the company and maintain **BUY** rating with a revised target price of **₹1600** per share.

Consolidated Financial Result:

(In ₹ mn)	Q4-FY20	Q4-FY19	Chg	FY20	FY19	Chg
Net Sales	6,206	6,802	-8.8%	30,561	29,311	4.3%
Operating Expense	4,809	5,852	-17.8%	22,240	24,540	-9.4%
EBITDA	1,397	950	47.0%	8,321	4,771	74.4%
Other Income	171	279	-38.7%	687	682	0.7%
Depreciation	714	166		2,958	640	
EBIT	853	1,062	-19.7%	6,050	4,812	25.7%
Interest	271	6		1,177	35	
PBT	582	1,056	-44.9%	4,872	4,777	2.0%
Tax	198	170		1,583	1,487	
Exceptional Items	-	-		-	-	
PAT	384	887	-56.7%	3,290	3,290	0.0%
Minority /Other Adj.	-	-		-	-	
Consolidated PAT	384	887	-56.7%	3,290	3,290	0.0%

Margins	Q4-FY20	Q4-FY19	Chg BPS	FY20	FY19	Chg BPS
Operating Margin %	22.5%	14.0%	854	27.2%	16.3%	1095
Net Margin %	6.2%	13.0%	-685	10.8%	11.2%	-46

Source: Company, Anand Rathi Research

Consolidated Financials:

(In ₹ mn)	FY-19	FY-20	FY-21E	FY-22E
Net Sales	29,311	30,561	31,325	33,205
Operating Expense	24,433	22,240	22,976	24,212
EBITDA	4,878	8,321	8,349	8,993
Other Income	682	687	704	746
Depreciation	640	2,958	3,354	3,508
EBIT	4,920	6,050	5,699	6,231
Interest	143	1,177	1,177	1,177
Misc. items	-	-	-	-
PBT	4,777	4,872	4,522	5,054
Tax	1,487	1,583	1,138	1,272
Minority Interest	-	-	-	-
PAT	3,290	3,290	3,384	3,782

Margins	FY-19	FY-20	FY-21E	FY-22E
Sales Growth %	11.3%	4.3%	2.5%	6.0%
Operating Margin %	16.6%	27.2%	26.7%	27.1%
Net Margin %	11.2%	10.8%	10.8%	11.4%

(In ₹ mn)	FY-19	FY-20	FY-21E	FY-22E
<u>Liabilities</u>				
Equity Share Capital	643	643	643	643
Reserves & Surplus	16,776	18,297	21,681	25,462
Total Shareholder's Funds	17,418	18,939	22,323	26,105
Minority Interest	-	-	-	-
Long-Term Liabilities	1,002	-	-	-
Other Long-term Liabilities	23	10,379	10,379	10,379
Deferred Tax Liability	(1,099)	(1,110)	(1,110)	(1,110)
Short-term Liabilities	6,297	8,007	8,207	8,699
Total	23,642	36,215	39,799	44,073
<u>Assets</u>				
Net Fixed Assets	3,338	13,893	14,496	14,992
Long-Term L&A	1,594	1,175	1,175	1,175
Non Current Investments	-	-	-	-
Other Non-Current Assets	306	1,115	1,115	1,115
Current Asset	18,405	20,032	23,014	26,792
Total	23,642	36,215	39,799	44,073

	FY-19	FY-20	FY-21E	FY-22E
EPS (₹)	25.6	25.6	26.3	29.4
P/E (x)	51.8	51.8	50.4	45.1
P/B (x)	9.8	9.0	7.6	6.5
ROE	25.6	25.6	26.3	29.4

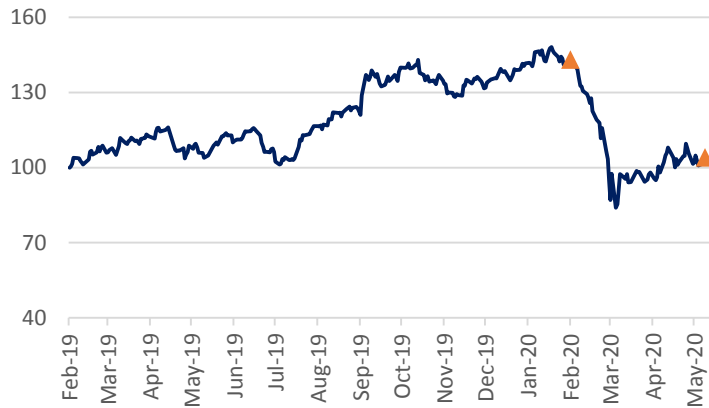
Source: Company, Anand Rathi Research

Key Risks:

- ❑ Volatility in raw material prices may put pressure on profitability.
- ❑ Slowdown in demand.
- ❑ Intense competition.

Rating and Target Price history:

BATA IN rating history & price chart



Source: Bloomberg, Anand Rathi Research

NOTE: Prices are as on 30 May 2020 close.

BATA IN rating details

Date	Rating	Target Price (₹)	Share Price (₹)
20-Feb-2020	BUY	2,180	1,804
30-May-2020	BUY	1,600	1,326

Source: Bloomberg, Anand Rathi Research

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