



BATA (INDIA) LTD.

RESEARCH REPORT AS ON 4-06-2022

CMP: 1,845.00 INR

52 Week Range: ₹1,533.25 - 2,262.00

Market Cap: ₹11,114.46 Cr

Business: Retail sale of footwear

Group: Bata - MNC

Headquarters: Kolkata, West Bengal

INTRODUCTION

Bata is one of the world's biggest multinational retailers, manufacturers, and distributors of footwear and accessories.

Incorporated as Bata Shoe Company Private Limited in 1931, the company was set up initially as a small operation in Konnagar (near Calcutta) in 1932. In January 1934, the foundation stone for the first building of Bata's operation - now called the Bata. In the years that followed, the overall site was doubled in area. This township is popularly known as Batanagar. It was also the first manufacturing facility in the Indian shoe industry to receive the ISO: 9001 certification.

The Company went public in 1973 when it changed its name to Bata India Limited. Today, Bata India has established itself as India's largest footwear retailer. Its retail network of over 1526 stores gives it a reach / coverage that no other footwear company can match. The stores are present in good locations and can be found in all the metros, mini-metros and towns.

Bata's smart looking new stores supported by a range of better quality products are aimed at offering a superior shopping experience to its customers.

The Company also operates a large non retail distribution network through its urban wholesale division and caters to millions of customers through over 30,000 dealers.

COMPANY HISTORY

Bata is a family-owned business, founded in 1894, in Czechoslovakia. It was started by a man named Thomas Bata along with his siblings. To overcome his financial difficulties, Tomas decided to sew shoes from canvas instead of leather. The simple, lightweight and affordable footwear became a hit among the locals and the company began to grow.

By 1912, Bata had introduced a mechanised shoe production method, hired more than 600 workers at their factory, and employed hundreds from neighbouring villages to work out of their homes.

Following the outbreak of World War 1, the economy went into a slump, demand was at an all-time low and production had to be cut down. Thomas responded to this crisis by cutting down the price of his shoes by half. This dramatic move drove bigger sales and even allowed them to expand to other countries. In 1924, the company had 112 branches across the world and, finally, in the 1930s they set up a production unit in Kolkata, India.

Bata Corporation is a Czech multinational footwear and fashion accessory manufacturer and retailer founded in Czech Republic. After World War II, its factories in socialist states were nationalized, while its branches in capitalist states remained family-owned. It is now based in Lausanne, Switzerland. The principal subsidiaries are Bata Europe (based in Zlín), Bata North America (based in Toronto), Bata Asia-Pacific-Africa (based in Singapore) and Bata Latin America (based in Mexico City).

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FUN FACT

According to an article by Forbes, in the 1930s the Indian shoe market was dominated by Japanese imports. But, when Bata set up its production unit, in 1932, at a small village named Konnar, near Kolkata, things turned around. Within two years, the demand for Bata shoes was so high that the production site had to be doubled in size, and the region became a township, which came to be known as Batanagar.

By 1939, the company was selling 3,500 pairs of shoes every week and had nearly 4,000 employees. It was in this factory that the iconic, tennis shoes were first designed and manufactured. The shoe was a very simple design made of white canvas. Those who grew up in India in the '70s, '80s, and '90s would have worn these at one point or another because tennis shoes were also school shoes.

Today, India is the second-largest producer and consumer of shoes in the world and Bata, head quartered in Switzerland, remains one of the leading brands to offer comfortable yet stylish footwear at affordable prices.



BRANDS

Hush Puppies®

Bata | RED LABEL

Bubble
gummers.

NORTH
STAR

marie claire.

Scholl®



Bata
COMFIT

NERZAT
TUR
ALIN

ambassador
by Bata

power.

THINK CALITDODDPM
WEINBRENNER
- SINCE 1882 -

Bata®

BOARD OF DIRECTORS



MR. ASHWANI WINDLASS

Chairman and Independent Director

Mr. Ashwani Windlass has over four decades of top management stints with first-hand experience in both traditional and new age technology companies and an exceptional track record of value creation. He now mentors top CEOs/Boards. An MBA from FMS, Delhi University, he holds B.Com with a gold medal and a post-graduation in Journalism (B.J.) from Punjab University, Chandigarh. He is on Boards of several leading companies including Hitachi MGRM Net Limited, Vodafone Idea Limited, Hindustan Media Ventures Limited and Jubilant Foodworks Limited. He served on Boards of Max India Limited/Max Financial Services Limited for over 25 years. He has been the Founder Managing Director of Hutchison Max Telecom (later rechristened Vodafone India Limited) and Vice Chairman & Managing Director of Reliance Telecom Limited & Executive Chairman MGRM.



MR. GUNJAN SHAH

Managing Director

Mr. Gunjan Shah is an accomplished leader who has worked across geographies in various industries - Consumer durables, Telecom & FMCG.

He holds a Bachelor of Technology (Computers) from VJTI, Mumbai and a Post Graduate Diploma in Management from Indian Institute of Management, Kolkata.

He spent his early professional years with Asian Paints and Motorola across sales and marketing functions. In 2007, he moved to Britannia and has been with them since.

At Britannia, he has led various functions - Commercial, Sales, Marketing and Supply Chain helping Britannia deliver outstanding business results and a substantial growth & transformation agenda.



MR. SANDEEP KATARIA

Whole-time Director and Chief Executive Officer

Mr. Sandeep Kataria is a business and marketing leader with over 25 years of experience in the consumer products and retail industry across the developing and developed markets. Mr. Kataria has been the CEO of Bata India Ltd. for more than 3 years now. Mr. Kataria has been elevated as Global CEO – Bata Brands.

Under his leadership, Bata India doubled its profits driven by double digit topline growth, and sponsored some of the most ingenious campaigns, including ‘Surprisingly Bata’, that revamped Bata’s image as a more vibrant and contemporary brand, targeted at younger consumers.

With 24 years of experience at Unilever, Yum Brands and Vodafone in India and Europe before joining Bata India as CEO in 2017, he has been directly involved in leading businesses and powerhouse brands that command impressive consumer following and extensive global reach.

Mr. Kataria is an engineer from IIT-Delhi and finished his PGDBM from XLRI in 1993 as the gold medalist of the batch.

RETAIL INDUSTRY

India is the second-largest producer of footwear and third-largest footwear consumer globally. Economists predicted India to become a favourable market for fashion retailers on the back of a large young adult consumer base and increasing disposable income. Growth in the Indian retail industry has been driven by the country's economic fundamentals over the past few years.

Under the “New Normal” as India Inc. shifted to “Work From Home” and with socialising becoming a rare occasion, shoppers are purchasing casual and comfortable open footwear.

The silver lining, however, is the increasing awareness of health, thereby driving the demand for sports footwear. The retail footwear business is expected to improve gradually as economic activity is improving.

The Company is also working aggressively on increasing its reach to customers in Tier 3/4/5 cities through opening of franchise stores.

Men footwear market is growing at a CAGR of 10% while women footwear market is growing at a CAGR of 20%

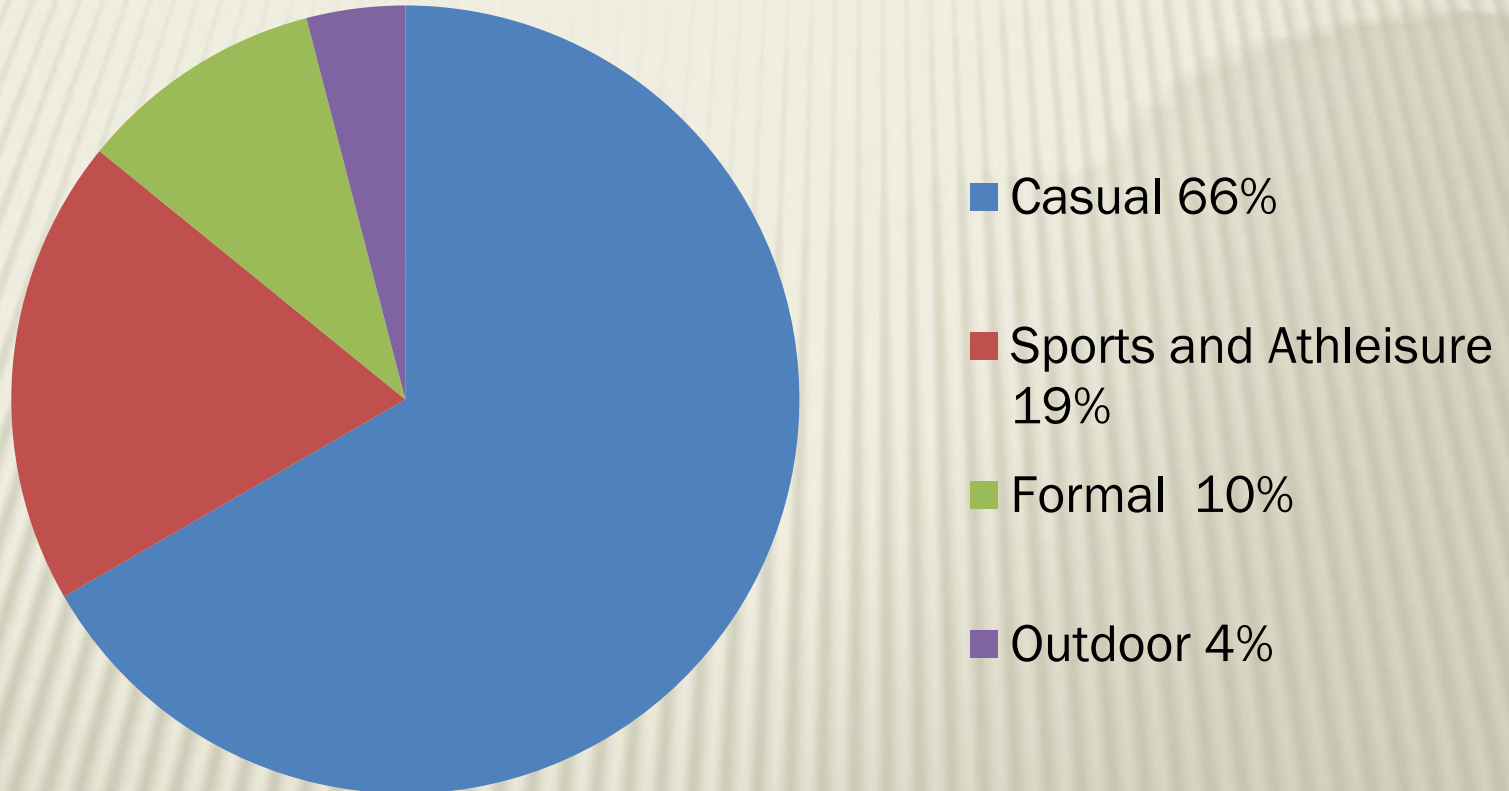
FACTORIES

Factory Locations: Its four state-of-the-art production facilities are located strategically across India, producing a variety of footwear.

- Batanagar, Kolkata, West Bengal.
- Bataganj, Patna, Bihar.
- Peenya Industrial Area, Bengaluru, Karnataka.
- Batashatak, Hosur, Tamil Nadu.



TYPES OF FOOTWEAR AND MARKET SIZES



BUSINESS STRATEGY

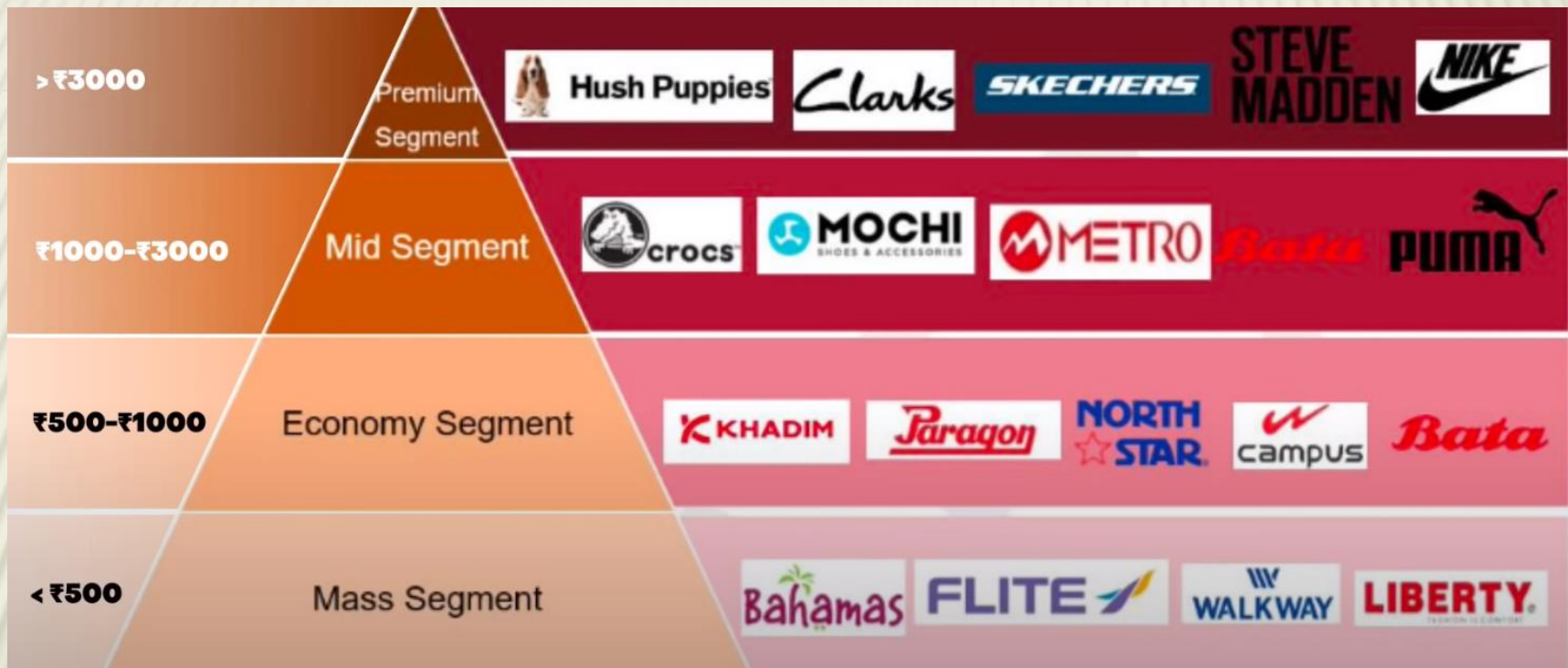
Retail is a heterogeneous sector where different business strategies work.

If we compare business strategy of Bata as compared to its competitors in the industry :

Bata : It caters to all the sectors Economy, Mid and premium. Under premium segment it has brands like Hush Puppies.

Relaxo : It caters to low cost retailers. Its low cost strategy helps the company to cater to masses. In India most of the people prefer economical footwear that is affordable to mass population.

Metro Brands : Its average selling price is 6-7x higher than relaxo. It is focusing on the growing demand of Crocs. It has the exclusive rights to sell crocs.



Around 40% of the market share of footwear will be of Economy and Mid-premium segment by 2025. Most of the brands of Bata caters to these segments. Whereas the market share of mass segment may get reduced from 62% to 50% by 2025. This is because as the middle class grows, the aspirational expenditure will also grow.

The premium segment contributes 9-10% of the market. In this segment, Bata has brands like Hush Puppies.

FRANCHISE OWNED AND FRANCHISE OPERATED

Bata is gradually moving towards Franchise owned and Franchise operated model from Company owned and company operated model. It is a model where the company gives its brand name to the franchise investor for a particular non-refundable sum (franchise fees) and for a pre-agreed time period. The prices and merchandise for the outlet are decided by the brands. So, the franchise investor is the owner of the store, and all the operational costs has to be borne by the franchise itself. Moreover the franchise has to pay some percentage share of revenue (royalty) to the brand as well.

Although the scaling is faster this way but the cons of this model are if a franchise isn't running well and the system isn't functioning well then the customer experience becomes diluted which then causes brand dilution.

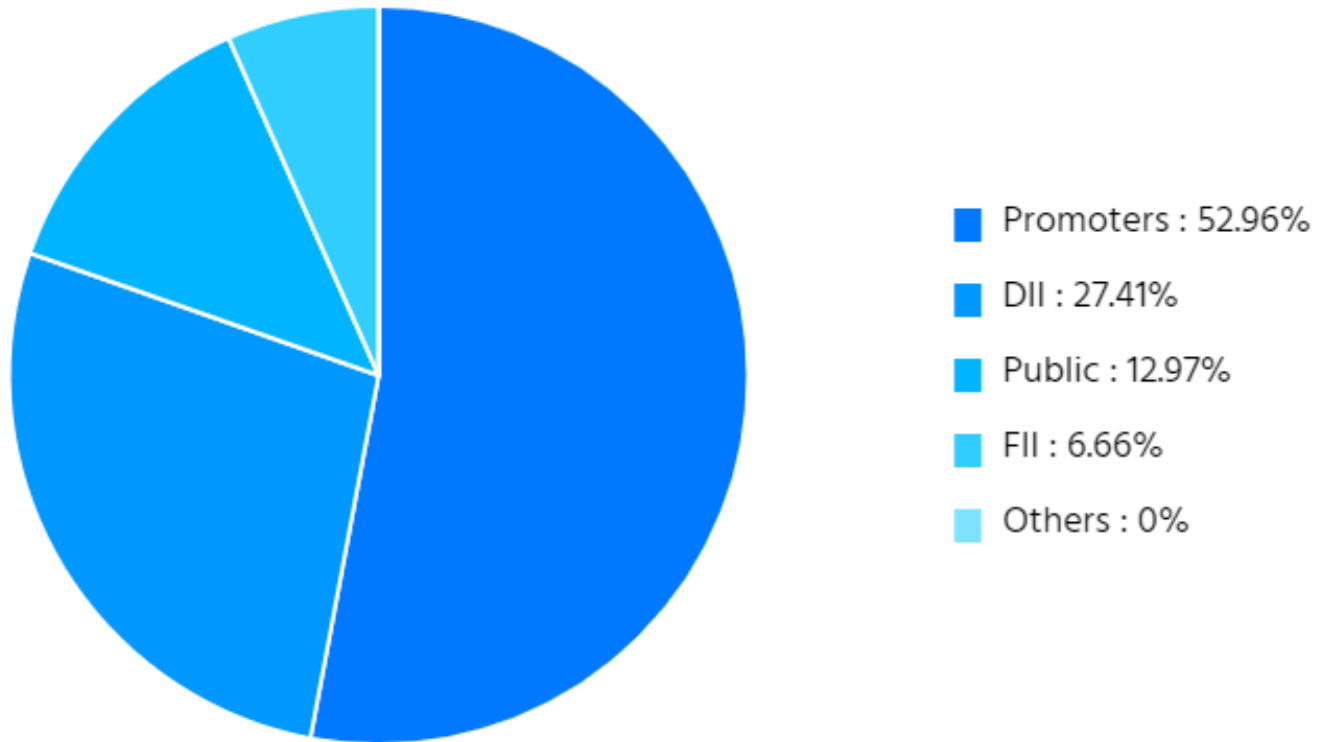
In the next 2-3 years, about 80-90 per cent of footwear major Bata India's new store additions will be through the franchise route.

COVID CHALLENGE

The financial year 2020-21, has been, one of the most challenging years for the entire footwear industry. BATA continued to strengthen its e-commerce facilities by introducing 6000+ styles on website bata.in, expanding its presence on marketplaces like Amazon, Myntra and Flipkart, and scaling up home delivery services to cover more than 19,000 pin codes across India. With the help of innovative 'Bata Shoe Size Finder' service, it succeeded in further simplifying remote shopping for customers and helping in remotely identifying their correct shoe-size.

Footwear are growing fast in E-commerce and it is expected to contribute 9.8% of the industry.

SHARE HOLDING PATTERN



FINANCIALS

Bata.

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2021

(Amount in INR million)

	Notes	As at 31 March 2021	As at 31 March 2020
ASSETS			
Non-current assets			
Property, plant and equipment	4a	2,834.12	3,295.06
Capital work-in-progress	4c	336.11	198.62
Intangible assets	4b	67.42	70.38
Right of Use Assets	4d	8,293.51	10,328.90
Financial assets			
Loans	5b	1,163.27	1,174.79
Other financial assets	5c	7.37	23.51
Deferred tax assets (net)	6	1,383.99	1,109.86
Other non-current tax assets	7b	559.60	934.53
Other non-current assets	7a	101.41	156.67
		14,746.80	17,292.32
Current assets			
Inventories	8	6,082.80	8,736.81
Financial assets			
Trade receivables	9	793.66	632.71
Cash and cash equivalents	10	544.90	152.11
Bank Balances other than those included in cash and cash equivalents	11	10,423.31	9,487.13
Loans	5b	98.33	71.79
Other financial assets	5c	221.64	477.88
Other current assets	7a	413.10	473.84
		18,577.74	20,032.27
Total assets		33,324.54	37,324.59

EQUITY AND LIABILITIES

Equity			
Equity share capital	12	642.64	642.64
Other equity	13	16,938.27	18,296.64
		17,580.91	18,939.28
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Lease Liability	4d	8,596.65	10,353.46
Provisions	17b	20.64	25.07
		8,617.29	10,378.53
Current liabilities			
Financial liabilities			
Lease Liability	4d	1,726.11	2,137.68
Trade payables			
- Micro, small and medium enterprises	14	288.03	188.92
- Others	14	4,109.25	4,844.99
Other financial liabilities	15	440.50	444.63
Other current liabilities	16	299.92	241.26
Provisions	17b	85.79	82.64
Current tax liabilities (net)	17a	176.74	66.66
		7,126.34	8,006.78
Total equity and liabilities		33,324.54	37,324.59

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2021

(Amount in INR million)

	Notes	For the year ended 31 March 2021	For the year ended 31 March 2020
REVENUE			
Revenue from operations	18	17,084.80	30,561.14
Other income	19	940.85	686.77
Total revenue		18,025.65	31,247.91
EXPENSES			
Cost of raw materials and components consumed	20a	1,099.01	2,569.59
Purchase of stock-in-trade	20b	4,658.65	10,736.15
Changes in inventories of finished goods, work-in-progress and stock-in-trade	21	2,617.29	(339.93)
Employee benefits expense	22	3,398.22	3,764.22
Finance costs	23	1,035.45	1,177.41
Depreciation and amortization expense	24	2,647.50	2,957.97
Other expenses	25	3,689.80	5,510.14
Total expenses		19,145.92	26,375.55
Profit before income tax		(1,120.27)	4,872.36
Exceptional Items	26 (a)	46.10	-
Profit before tax		(1,166.37)	4,872.36

Tax expense:			
Current tax	6	0.87	1,171.36
Deferred tax (credit)	6	(274.13)	411.47
Profit for the year		(893.11)	3,289.53
Other comprehensive income			
Items that will not be reclassified to profit or loss in subsequent periods:			
Re-measurement gains/(losses) on defined benefit plans	26 (b)	65.28	(27.08)
Income tax effect	6	(16.43)	6.81
Other comprehensive income for the year, net of income tax		48.85	(20.27)
Total comprehensive income for the year, net of income tax		(844.26)	3,269.26
Earnings per equity share (nominal value per share INR 5 (Previous year INR 5))			
(1) Basic (INR)	28	(6.95)	25.59
(2) Diluted (INR)	28	(6.95)	25.59

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

(Amount in INR million)

	Notes	As at 31 March 2021	As at 31 March 2020
A Cash flow from operating activities			
1 Profit before tax		(1,166.37)	4,872.36
Profit before tax from continuing operations			
2 Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant & equipment and right to use assets	24	2,627.48	2,944.61
Amortisation of intangible assets	24	20.02	13.35
Loss on sale of fixed assets (net)	25	22.01	31.30
Allowance for doubtful debt, loans, advances	25	32.79	5.01
Finance expense (including fair value change in financial instruments)	23	1,035.45	1,177.41
Finance income (including fair value change in financial instruments)	19	(630.49)	(682.55)
Unrealised foreign exchange loss/ (gain)		-	8.40
3 Operating profit before working capital changes (1+2)		1,940.89	8,369.89
4 Movements in Working Capital:			
Decrease/(Increase) in trade & other receivables		(201.53)	(3.62)
Decrease/(Increase) in inventories		2,654.01	(343.14)
Increase/(Decrease) in trade and Other Payables		(636.65)	35.85
Increase/(Decrease) in short term provisions		68.43	(101.11)
Decrease/(Increase) in other current assets		65.07	(303.34)
Decrease/(Increase) in other current financial assets		43.03	(25.18)
Increase/(Decrease) in other current liabilities		58.72	32.16
Increase/(Decrease) in other financial liabilities		15.27	(12.10)
Change in Working Capital		2,066.35	(720.48)

5 Changes in non current assets and liabilities

Decrease/(Increase) in loans

81.88 (127.75)

Increase/(Decrease) in provisions

(4.43) 2.21

Decrease/(Increase) in other non-current assets

58.13 165.23

Decrease/(Increase) in financial assets

- (1.69)

Changes in non current assets and liabilities**135.58 38.00****6 Cash Generated From Operations (3+4+5)****4,142.82 7,687.41****7 Less : Taxes paid**

467.72 (1,870.28)

8 Net cash flow from operating activities (6-7)**4,610.54 5,817.13****B Cash flow from investing activities:**

Purchase of property, plant and equipment

(367.50) (855.49)

Proceeds from sale of property, plant and equipment

10.52 (1.91)

Repayments/(Investments) in bank deposits (having original maturity of more than three months)

(920.05) (1,669.77)

Interest received (finance income)

750.23 637.12

Net cash flow used in Investing Activities:**(526.80) (1,890.05)**

	Notes	As at 31 March 2021	As at 31 March 2020
C Net cash flow from financing activities:			
Dividend paid to equity shareholders	27	(514.89)	(803.89)
Dividend distribution tax	27	-	(165.12)
Payment of lease liability (including interest on lease liability)		(3,151.75)	(3,361.34)
Payment of initial direct cost recognised as Right-of-use asset		(12.88)	(17.87)
Interest paid		(11.43)	(12.54)
Net cash used in financing activities:		(3,690.95)	(4,360.76)
D Net change in cash & cash equivalents (A+B+C)		392.79	(433.68)
E - 1 Cash & cash equivalents as at end of the year		544.90	152.11
E - 2 Cash & cash equivalents as at the beginning of year		152.11	585.79
NET CHANGE IN CASH & CASH EQUIVALENTS (E 1- E 2)		392.79	(433.68)
		As at	As at
		31 March 2021	31 March 2020
Components of cash and cash equivalents			
Cash on hand		0.55	34.49
With banks			
- on current accounts		544.35	117.62
Total cash and cash equivalents		544.90	152.11

PROFIT AND LOSS ANALYSIS

(Amount in INR million)

	2015-16*	2016-17*	2017-18*	2018-19*	2019-20*	2020-21*
PROFIT & APPROPRIATIONS						
Sales & Other Income	24,753.15	25,438.87	26,871.62	29,969.87	31,222.92	18,013.34
Profit before Depreciation, Tax & Prior Period Items	3,754.50	2,985.81	4,004.34	5,422.81	7,808.42	1,470.30
Depreciation	788.01	650.05	604.21	640.16	2,957.65	2,647.23
Profit before Tax & Prior Period Items	2,966.49	2,335.75	3,400.14	4,782.65	4,850.77	(1,176.93)
Taxation	790.54	748.28	1,164.36	1,486.05	1,581.62	(274.13)
Profit after Tax & Prior Period Items	2,175.95	1,587.48	2,235.78	3,296.60	3,269.15	(902.80)
Prior Period Items	-	-	-	-	-	-
Net Profit	2,175.95	1,587.48	2,235.78	3,296.60	3,269.15	(902.80)
Dividend & Dividend Distribution Tax	502.75	541.42	541.42	619.79	514.11	514.11
Retained Earnings	1,673.20	1,046.06	1,694.36	2,676.81	2,755.04	(1,416.91)

Compounded Sales Growth	
10 Years:	4%
5 Years:	-1%
3 Years:	-7%
TTM:	40%

Compounded Profit Growth	
10 Years:	-4%
5 Years:	-10%
3 Years:	-32%
TTM:	225%

The operations and consequential financial performance of the Company remained impacted throughout the year due to the Covid-19 pandemic. During the financial year ended March 31, 2021, Company achieved a turnover of Rs. 17072.99 Million as compared to the turnover of Rs. 30,534.51 Million recorded during the previous financial year. Revenue from operations was lower by 44% mainly on account of lower sales due to disruptions owing to the pandemic resulting in continued slowdown of the economy including decline in consumption of non-essential goods.

It reports a loss of 902.80 Million for the financial year ended March 31, 2021 as against the Net Profit of Rs. 3,269.15 Million for the financial year ended March 31, 2020.

PE ratio: BATA has a PE ratio of 230 which is high and overvalued.

BATA INDIA Q4 RESULTS: NET JUMPS OVER TWO-FOLD TO RS 63 CR; NET SALES UP 13% TO RS 665 CR

Its revenue from operations increased 12.77 percent to Rs 665.24 crore during the quarter under review, as against Rs 589.90 crore in the corresponding quarter of 2020-21.

The company continued the focus on key thrust areas of franchise & MBO expansion, consumer-relevant communication, portfolio casualisation and digital footprint expansion. All these have resulted in increase in footfalls across retail outlets, along with significant growth driven via e-commerce platforms and expansion in Tier 3-5 towns,

Bata has opened 22 new Franchise stores taking the total number over 300, expanded availability via distribution channels that continued to scale up to over 1,000 towns.

For the fiscal ended March 2022, Bata India's consolidated net profit was at Rs 102.99 crore. It had reported a net loss of Rs 89.31 crore in fiscal year 2020-21.

KEY RATIOS

Sl. No.	Particulars	2020-21	2019-20
(i)	Debtors to Sales (in days)	17	7
(ii)	Inventory to Turnover Ratio (in months)	2.81	3.43
(iii)	Interest Coverage Ratio	(0.70)	4.54
(iv)	Current ratio	2.61	2.50
(v)	Debt Equity Ratio*	-	-
(vi)	Operating Profit Margin (%)	(4.25)	17.49
(vii)	Net Profit Margin (%)	(5.29)	10.64
(viii)	Return on Net worth (%)	(5.13)	17.13

The significant changes over previous year across all ratios is due to lower sales, slower realisations, stores remaining closed due to lockdowns and other economic disruptions caused by the Covid-19 pandemic.

KEY RATIO

Profitability Ratios

	2016-17	2017-18	2018-19	2019-20	2020-21
a) Profit before Tax / Sales (%)	9.35	12.90	16.33	15.89	(6.89)
b) Profit after Tax / Sales (%)	6.36	8.48	11.26	10.71	(5.29)

Return on Equity

Return on Equity	
10 Years:	14%
5 Years:	11%
3 Years:	6%
Last Year:	6%

Return on Equity (ROE): ROE measures the ability of a firm to generate profits from its shareholders investments in the company. In other words, the return on equity ratio shows how much profit each rupee of common stockholders' equity generates. Bata has low return on equity of 6.47% for last 3 years.

Return on Capital Employed : The ROCE measures the ability of a firm to generate profits from its total capital (shareholder capital plus debt capital) employed in the company. BATA has very poor ROCE 8% for the latest year.

CONCLUSION

With the rapid rise of consumer spending and the constantly changing consumer perspective towards style and comfortableness of footwear products, the global footwear market is expected to experience higher growth over the near future.

Around 40% of the market share of footwear will be of Economy and Mid-premium segment. Most of the brands of Bata caters to these segments. Hence, offering huge growth opportunity to Bata.

Bata's focus on cost reduction, omni channel, change in product mix (higher proportion of casual footwear) and calibrated expansion of retail network through asset light franchisee route is expected to be structurally positive.