

Bata India

Performance Update

Y/E March (₹ cr)	1QFY19	1QFY18	% yoy	4QFY18	% qoq
Net sales	797	736	8.3	632	26.1
EBITDA	132	96	37.9	82	60.2
EBITDA margin (%)	16.5	13.0	355bp	13.0	352bp
Adjusted PAT	83	60	36.6	52	58.5

Source: Company, Angel Research

For 1QFY2019, Bata India (BIL) posted strong set of numbers, exceeding our expectations on bottom-line front. Revenues grew by ~8% yoy (in-line with our estimate). The company's operating margins improvement by robust 355bps yoy. On the bottom-line front, BIL reported growth of ~37% yoy to ₹83cr on the back of strong operating performance.

Healthy volume growth drives top-line: BIL's top-line grew by ~8% yoy to ₹797cr on the back of healthy growth in footwear segment. The growth was mainly due to its high-decibel 'Come & Be Surprised' campaign featuring Kriti Sanon to mark the launch of its New Red Label collection. The number is not comparable to yoy due to the introduction of GST in July 2017. Further, the company is also planning to open 100 new own retail stores and +50 new franchise stores going forward.

Strong operating performance aids profitability: On the operating front, the company reported better margins, up 355bps yoy at 16.5%. On the bottom-line front, BIL reported growth of ~37% yoy to ₹83cr on the back of strong operating performance and healthy volume growth.

Outlook and Valuation: We expect BIL to report net revenue CAGR of ~16% to ~₹3,555cr over FY2018-20E mainly due to increasing brand consciousness among Indian consumers, new product launches, higher number of store additions in tier II/ III cities and focus on high growth women's segment. Further, on the bottom-line front, we expect CAGR of ~21% to ₹323cr over the same period on the back of margin improvement (increasing premium product sales). **Thus, we maintain our Buy recommendation on Bata India with Target Price of ₹955.**

Key Financials

Y/E March (₹ cr)	FY2017	FY2018	FY2019E	FY2020E
Net sales	2,474	2,634	3,063	3,555
% chg	2.1	6.5	16.3	16.0
Adj. Net profit	173	221	275	323
% chg	3.9	27.7	24.9	17.3
EBITDA margin (%)	10.4	13.3	14.0	14.2
EPS (₹)	13.4	17.2	21.4	25.1
P/E (x)	62.7	49.1	39.3	33.5
P/BV (x)	8.2	7.2	6.3	5.5
RoE (%)	13.0	14.8	16.1	16.4
RoCE (%)	14.5	19.5	21.1	21.6
EV/Sales (x)	4.2	3.9	3.3	2.8
EV/EBITDA (x)	40.1	29.1	23.6	19.9

Source: Company, Angel Research Note

BUY

CMP	₹842
Target Price	₹955

Investment Period	12 months
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Stock Info	
Sector	Footwear
Market Cap (Rs cr)	10,825
Net Debt	-591
Beta	0.9
52 Week High / Low	865/567
Avg. Daily Volume	56,135
Face Value (Rs)	5
BSE Sensex	36,135
Nifty	11,010
Reuters Code	BATA.BO
Bloomberg Code	BATA.IN

Shareholding Pattern (%)	
Promoters	53.0
MF / Banks / Indian Fls	24.7
FII / NRIs / OCBs	6.9
Indian Public / Others	15.5

Abs. (%)	3m	1yr	3yr
Sensex	6.0	14.4	28.4
BIL	4.9	47.3	41.5

Historical share price chart



Source: Company, Angel Research

Research Analyst

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Exhibit 1: 1QFY2019 Performance

Y/E March (₹ cr)	1QFY19	1QFY18	% yoy	4QFY18	% qoq	FY2018	FY2017	% chg
Net Sales	797	736	8.3	632	26.1	2629	2467	6.6
Consumption of RM	373	351	6.2	279	33.6	1,196	1,153	3.7
(% of Sales)	46.7	47.7		44.1		45.5	46.7	
Staff Costs	82	74	11.1	81	1.7	295	273	8.3
(% of Sales)	10.3	10.1		12.8		11.2	11.1	
Selling & Adm Expenses	91	95	(4.0)	90	1.6	362	356	1.6
(% of Sales)	11.4	12.9		14.2		13.8	14.4	
Other Expenses	120	121	(1.1)	101	18.8	422	429	(1.7)
(% of Sales)	15.0	16.4		15.9		16.1	17.4	
Total Expenditure	665	641	3.9	550	21.0	2,275	2,211	2.9
Operating Profit	132	96	37.9	82	60.2	354	256	38.2
OPM	16.5	13.0		13.0		13.5	10.4	
Interest	1	1	1.1	2	(55.9)	4	4	4.2
Depreciation	15	14	9.2	17	(11.0)	60	65	(7.1)
Other Income	12	12	3.5	14	(12.6)	51	47	9.0
PBT (excl. Ext Items)	128	92	38.2	77.1	65.8	340	234	45.6
Ext (Income)/Expense	-	-		-		-	-	
PBT (incl. Ext Items)	128	92	38.2	77	65.8	340	234	45.6
(% of Sales)	16.0	12.6		12.2		12.9	9.5	
Provision for Taxation	45	32	41.4	25	81.1	116	75	55.6
(% of PBT)	35.4	34.7		32.5		34.2	32.0	
Reported PAT	83	60	36.6	52	58.5	224	159	40.8
PATM	10.4	8.2		8.2		8.5	6.4	
Minority Interest After NP								
Reported PAT	83	60	36.6	52	58.5	224	159	40.8
Extra-ordinary Items							(14)	
Adj PAT	83	60	36.6	52	58.5	224	172	29.7
Equity shares (cr)	13	13		13		13	13	
FDEPS (₹)	6.4	4.7	36.6	4.1	58.5	17.4	13.4	29.7

Source: Company, Angel Research

Outlook and Valuation

We expect BIL to report net revenue CAGR of ~16% to ~₹3,555cr over FY2018-20E mainly due to increasing brand consciousness among Indian consumers, new product launches, higher number of store additions in tier II/ III cities and focus on high growth women's segment. Further, on the bottom-line front, we expect CAGR of ~21% to ₹323cr over the same period on the back of margin improvement (increasing premium product sales). **Thus, we maintain our Buy recommendation on Bata India with Target Price of ₹955.**

Downside risks to our estimates

- Store expansion from competitors like Khadim and Relaxo could impact the company's sales growth
- Slowdown in economy could hurt the overall profitability of the company

Company Background

BATA India Ltd (BIL) is the largest footwear retailer in India, offering footwear and accessories & bags across brands like Bata, Hush Puppies, Naturalizer, Power, Marie Claire, Weinbrenner, North Star, Scholl, Bata Comfit and Bubblegummers. Currently, the company's ~70% revenue is derived from Men & Kids footwear segment and balance from women's segment. BIL retails in over 1,290 Bata stores on bata.in and has thousands of multi-brand footwear dealer stores pan-India.

Profit & Loss Statement

Y/E March (₹ cr)	FY2016	FY2017	FY2018	FY2019E	FY2020E
Net Sales	2,423	2,474	2,634	3,063	3,555
% chg	(10.1)	2.1	6.5	16.3	16.0
Total Expenditure	2,147	2,217	2,283	2,635	3,050
Raw Material	1,152	1,158	1,202	1,397	1,635
Personnel	261	273	296	349	412
Selling & Adm	345	356	362	460	533
Others Expenses	389	430	423	429	469
EBITDA	276	257	351	429	505
% chg	(17.3)	(6.8)	36.8	22.1	17.7
(% of Net Sales)	11.4	10.4	13.3	14.0	14.2
Depreciation & Amortisation	79	65	60	69	79
EBIT	197	192	291	360	426
% chg	(22.5)	(2.6)	51.6	23.8	18.3
(% of Net Sales)	8.1	7.8	11.0	11.8	12.0
Interest & other Charges	2	4	4	4	4
Other Income	101	46	50	55	60
(% of PBT)	34.2	19.7	14.9	13.4	12.4
Recurring PBT	297	234	337	411	482
% chg	(9.8)	(21.1)	44.1	22.0	17.3
Tax	79	75	117	136	159
(% of PBT)	26.7	32.0	34.6	33.0	33.0
PAT (reported)	217	159	221	275	323
Extraordinary Items	51	(14)	-	-	-
ADJ. PAT	166	173	221	275	323
% chg	(20.5)	3.9	27.7	24.9	17.3
(% of Net Sales)	6.9	7.0	8.4	9.0	9.1
Basic EPS (₹)	12.9	13.4	17.2	21.4	25.1
Fully Diluted EPS (₹)	12.9	13.4	17.2	21.4	25.1
% chg	(20.5)	3.9	27.7	24.9	17.3

Balance Sheet

Y/E March (₹ cr)	FY2016	FY2017	FY2018	FY2019E	FY2020E
SOURCES OF FUNDS					
Equity Share Capital	64	64	64	64	64
Reserves & Surplus	1,157	1,260	1,429	1,647	1,905
Shareholders Funds	1,221	1,324	1,493	1,711	1,970
Total Loans	-	-	-	-	-
Deferred Tax Liability	-	-	-	-	-
Total Liabilities	1,221	1,324	1,493	1,711	1,970
APPLICATION OF FUNDS					
Gross Block	382	406	508	578	678
Less: Acc. Depreciation	78	138	199	267	346
Net Block	304	268	309	311	332
Capital Work-in-Progress	19	30	-	-	-
Investments	-	-	-	-	-
Current Assets	1,321	1,525	1,680	1,981	2,323
Inventories	685	714	765	898	1,052
Sundry Debtors	71	69	89	109	136
Cash	342	522	591	686	787
Loans & Advances	59	57	61	80	100
Other Assets	163	163	174	208	249
Current liabilities	512	599	597	682	786
Net Current Assets	809	926	1,084	1,300	1,537
Deferred Tax Asset	89	100	100	100	100
Mis. Exp. not written off	-	-	-	-	-
Total Assets	1,221	1,324	1,493	1,711	1,970

Consolidated Cashflow Statement

Y/E March (₹ cr)	FY2016	FY2017	FY2018	FY2019E	FY2020E
Profit before tax	297	234	337	411	482
Depreciation	79	65	60	69	79
Change in Working Capital	(41)	53	(88)	(121)	(137)
Interest / Dividend (Net)	(24)	(40)	4	4	4
Direct taxes paid	(108)	(65)	(117)	(136)	(159)
Others	1	10	0	0	0
Cash Flow from Operations	204	257	197	227	269
(Inc.)/ Dec. in Fixed Assets	(39)	(48)	(72)	(70)	(100)
(Inc.)/ Dec. in Investments	(75)	(181)	0	0	0
Cash Flow from Investing	(114)	(229)	(72)	(70)	(100)
Issue of Equity	0	0	0	0	0
Inc./(Dec.) in loans	0	0	0	0	0
Dividend Paid (Incl. Tax)	(42)	(45)	(51)	(58)	(64)
Interest / Dividend (Net)	85	197	(4)	(4)	(4)
Cash Flow from Financing	43	152	(56)	(62)	(68)
Inc./(Dec.) in Cash	132	180	69	95	101
Opening Cash balances	210	342	522	591	686
Closing Cash balances	342	522	591	686	787

Key Ratio

Y/E March	FY2016	FY2017	FY2018	FY2019E	FY2020E
Valuation Ratio (x)					
P/E (on FDEPS)	65.1	62.7	49.1	39.3	33.5
P/CEPS	36.5	48.3	38.5	31.5	27.0
P/BV	8.9	8.2	7.2	6.3	5.5
Dividend yield (%)	0.4	0.4	0.5	0.5	0.6
EV/Sales	4.3	4.2	3.9	3.3	2.8
EV/EBITDA	38.0	40.1	29.1	23.6	19.9
EV / Total Assets	8.6	7.8	6.9	5.9	5.1
Per Share Data (₹)					
EPS (Basic)	12.9	13.4	17.2	21.4	25.1
EPS (fully diluted)	12.9	13.4	17.2	21.4	25.1
Cash EPS	23.0	17.4	21.9	26.8	31.2
DPS	3.5	3.5	4.0	4.5	5.0
Book Value	95.0	103.0	116.2	133.1	153.3
Returns (%)					
ROCE	16.1	14.5	19.5	21.1	21.6
Angel ROIC (Pre-tax)	22.4	23.9	32.2	35.2	36.0
ROE	13.6	13.0	14.8	16.1	16.4
Turnover ratios (x)					
Asset Turnover (Gross Block)	6.3	6.1	5.2	5.3	5.2
Inventory / Sales (days)	103	105	106	107	108
Receivables (days)	11	10	12	13	14
Payables (days)	51	62	57	56	56
Working capital cycle (ex-cash) (days)	63	54	61	64	66

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Disclosure of Interest Statement

Bata India

1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

Ratings (Returns):

Buy (> 15%)

Reduce (-5% to -15%)

Accumulate (5% to 15%)

Sell (< -15%)

Neutral (-5 to 5%)