

Bata India

Performance Update

Y/E March (₹ cr)	1QFY20	1QFY19	% yoy	4QFY19	% qoq
Net sales	882	797	10.6	679	29.8
EBITDA	243	132	84.3	94	157.1
EBITDA margin (%)	27.5	16.5	1,101bp	13.9	1,363bp
Adjusted PAT	101	83	22.0	88	14.1

Source: Company, Angel Research

For 1QFY2020, Bata India (BIL) posted strong set of numbers, exceeding our expectations on bottom-line front. Revenue grew by ~11% yoy. The company's operating margins improved by robust 141bps yoy (after adjusting rent cost). On the bottom-line front, BIL reported growth of ~22% yoy to ₹101cr on the back of strong operating performance.

Healthy volume growth drives top-line: BIL's top-line grew by ~11% yoy to ₹882cr on the back of healthy growth in footwear segment. The growth was mainly due to successful brand refreshment of various product categories. The growth is attributed to successful execution of "Sweeping Angela Off Her Feet" strategy. Retail channel continued to grow at a steady pace and supported by double digit growth in E- Commerce & Non-retail channel as well.

Strong operating performance aids profitability: On the operating front, the company reported better margins, up 141bps yoy (after adjusting rent cost). On the bottom-line front, BIL reported growth of ~22% yoy to ₹101cr on the back of strong operating performance and healthy top-line growth.

Outlook and Valuation: We expect BIL to report net revenue CAGR of ~15% to ~₹3,805cr over FY2019-21E 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 ~16% to ₹436cr 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 ₹1,525.**

Key Financials

Y/E March (₹ cr)	FY2018	FY2019	FY2020E	FY2021E
Net sales	2,634	2,931	3,309	3,805
% chg	6.5	11.3	12.9	15.0
Adj. Net profit	221	329	374	436
% chg	27.7	49.2	13.8	16.4
EBITDA margin (%)	13.3	16.3	27.2	26.0
EPS (₹)	17.2	25.6	29.1	33.9
P/E (x)	76.4	51.2	45.0	38.6
P/BV (x)	11.4	9.7	8.2	7.0
RoE (%)	15.0	18.9	18.3	18.0
RoCE (%)	19.7	23.7	29.5	28.4
EV/Sales (x)	6.2	5.5	4.8	4.0
EV/EBITDA (x)	46.2	33.5	17.5	15.5

Source: Company, Angel Research Note

BUY

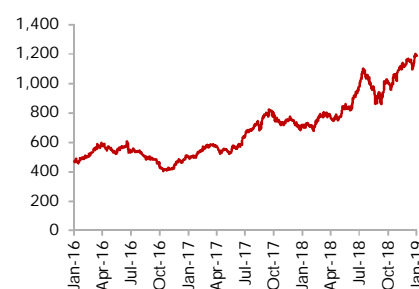
CMP	₹1,310
Target Price	₹1,525
Investment Period	12 months

Stock Info	
Sector	Footwear
Market Cap (Rs cr)	16,839
Net Debt	(844)
Beta	0.9
52 Week High / Low	1,478/833
Avg. Daily Volume	48,806
Face Value (Rs)	5
BSE Sensex	37,118
Nifty	10,997
Reuters Code	BATA.BO
Bloomberg Code	BATA.IN

Shareholding Pattern (%)	
Promoters	52.9
MF / Banks / Indian FIs	15.6
FII / NRIs / OCBs	12.3
Indian Public / Others	19.2

Abs. (%)	3m	1yr	3yr
Sensex	4.8	(0.1)	32.7
BIL	(10.1)	40.4	126.5

Historical share price chart



Source: Company, Angel Research

Research Analyst

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Exhibit 1: 1QFY2020 Performance

Y/E March (₹ cr)	1QFY20	1QFY19	% yoy	4QFY19	% qoq	FY2020	FY2019	% chg
Net Sales	882	797	10.6	679	29.8	2931	2634	11.3
Consumption of RM	399	372.7	7.2	291	37.1	1,287	1,202	7.0
(% of Sales)	45.3	46.7		42.9		43.9	45.6	
Staff Costs	98	82	19.2	85	15.5	331	296	12.0
(% of Sales)	11.1	10.3		12.5		11.3	11.2	
Selling & Adm Expenses	11	91	(88.2)	97	(88.9)	379	362	4.7
(% of Sales)	1.2	11.4		14.3		12.9	13.8	
Other Expenses	131	120	9.5	112	17.2	457	423	8.0
(% of Sales)	14.8	15.0		16.4		15.6	16.0	
Total Expenditure	639	665	(4.0)	585	9.3	2,454	2,283	7.5
Operating Profit	243	132	84.3	94	157.1	477	351	35.8
OPM	27.5	16.5		13.9		16.3	13.3	
Interest	31	1	3,383.3	1	5,213.6	4	4	(15.5)
Depreciation	73	15	386.4	17	339.0	64	60	6.0
Other Income	17	12	41.3	28	(39.4)	68	50	35.5
PBT (excl. Ext Items)	156	128	21.6	105	47.8	478	337	41.7
Ext (Income)/Expense	-	-		-		-	-	
PBT (incl. Ext Items)	156	128	21.6	105	47.8	478	337	41.7
(% of Sales)	17.6	16.0		15.5		16.3	12.8	
Provision for Taxation	55	45	20.9	17	223.6	149	117	27.6
(% of PBT)	35.2	35.4		16.1		31.1	34.6	
Reported PAT	101	83	22.0	88	14.1	328.99	221	49.2
PATM	11.4	10.4		13.0		11.2	8.4	
Minority Interest After NP								
Reported PAT	101	83	22.0	88	14.1	329	221	49.2
Extra-ordinary Items								
Adj PAT	101	83	22.0	88	14.1	329	221	49.2
Equity shares (cr)	13	13		13		13	13	
FDEPS (₹)	7.8	6.4	22.0	6.9	14.1	25.6	17.2	49.2

Source: Company, Angel Research

Outlook and Valuation

We expect BIL to report net revenue CAGR of ~15% to ~`3,805cr over FY2019-21E 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 ~16% to ~`436cr 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 `1,525.**

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)	FY2017	FY2018	FY2019	FY2020E	FY2021E
Net Sales	2,474	2,634	2,931	3,309	3,805
% chg	2.1	6.5	11.3	12.9	15.0
Total Expenditure	2,217	2,283	2,454	2,409	2,814
Raw Material	1,158	1,202	1,287	1,449	1,667
Personnel	273	296	331	381	441
Selling & Adm	356	362	379	427	491
Others Expenses	430	423	457	152	216
EBITDA	257	351	477	901	991
% chg	(6.8)	36.8	35.8	88.8	10.0
(% of Net Sales)	10.4	13.3	16.3	27.2	26.0
Depreciation & Amortisation	65	60	64	295	305
EBIT	192	291	413	606	686
% chg	(2.6)	51.6	42.0	46.6	13.2
(% of Net Sales)	7.8	11.0	14.1	18.3	18.0
Interest & other Charges	4	4	4	125	120
Other Income	46	50	68	70	75
(% of PBT)	19.7	14.9	14.3	12.7	11.7
Recurring PBT	234	337	478	551	641
% chg	(21.1)	44.1	41.7	15.3	16.4
Tax	75	117	149	176	205
(% of PBT)	32.0	34.6	31.1	32.0	32.0
PAT (reported)	159	221	329	374	436
Extraordinary Items	(14)	-	-	-	-
ADJ. PAT	173	221	329	374	436
% chg	3.9	27.7	49.2	13.8	16.4
(% of Net Sales)	7.0	8.4	11.2	11.3	11.4
Basic EPS (₹)	13.4	17.2	25.6	29.1	33.9
Fully Diluted EPS (₹)	13.4	17.2	25.6	29.1	33.9
% chg	3.9	27.7	49.2	13.8	16.4

Balance Sheet

Y/E March (₹ cr)	FY2017	FY2018	FY2019	FY2020E	FY2021E
SOURCES OF FUNDS					
Equity Share Capital	64	64	64	64	64
Reserves & Surplus	1,260	1,410	1,678	1,985	2,350
Shareholders Funds	1,324	1,475	1,742	2,049	2,414
Total Loans	-	-	-	-	-
Deferred Tax Liability	-	-	-	-	-
Total Liabilities	1,324	1,475	1,742	2,251	2,833
APPLICATION OF FUNDS					
Gross Block	406	490	569	678	778
Less: Acc. Depreciation	138	193	253	331	419
Net Block	268	296	317	347	360
Capital Work-in-Progress	30	12	17	-	-
Investments	-	-	-	-	-
Current Assets	1,525	1,727	2,030	2,544	3,192
Inventories	714	765	839	979	1,136
Sundry Debtors	69	89	66	127	156
Cash	522	591	840	1,114	1,519
Loans & Advances	57	109	94	93	114
Other Assets	163	172	190	232	266
Current liabilities	599	667	732	741	818
Net Current Assets	926	1,061	1,298	1,803	2,373
Deferred Tax Asset	100	105	110	100	100
Mis. Exp. not written off	-	-	-	-	-
Total Assets	1,324	1,475	1,742	2,251	2,833

Consolidated Cashflow Statement

Y/E March (₹ cr)	FY2017	FY2018	FY2019	FY2020E	FY2021E
Profit before tax	234	337	478	551	641
Depreciation	65	60	64	295	305
Change in Working Capital	53	(84)	5	(231)	(165)
Interest / Dividend (Net)	(40)	(45)	(63)	125	120
Direct taxes paid	(65)	(115)	(141)	(176)	(205)
Others	10	8	2	0	0
Cash Flow from Operations	257	160	345	563	695
(Inc.)/ Dec. in Fixed Assets	(48)	(75)	(82)	(100)	(100)
(Inc.)/ Dec. in Investments	(181)	(37)	(195)	0	0
Cash Flow from Investing	(229)	(112)	(278)	(100)	(100)
Issue of Equity	0	0	0	0	0
Inc./(Dec.) in loans	0	0	0	0	0
Dividend Paid (Incl. Tax)	(45)	(45)	(51)	(64)	(71)
Interest / Dividend (Net)	197	66	233	(125)	(120)
Cash Flow from Financing	152	21	182	(189)	(191)
Inc./(Dec.) in Cash	180	69	249	274	405
Opening Cash balances	342	522	591	840	1114
Closing Cash balances	522	591	840	1114	1519

Key Ratio

Y/E March	FY2017	FY2018	FY2019	FY2020E	FY2021E
Valuation Ratio (x)					
P/E (on FDEPS)	97.5	76.4	51.2	45.0	38.6
P/CEPS	75.2	59.9	42.8	25.2	22.7
P/BV	12.7	11.4	9.7	8.2	7.0
Dividend yield (%)	0.3	0.3	0.3	0.4	0.4
EV/Sales	6.6	6.2	5.5	4.8	4.0
EV/EBITDA	63.5	46.2	33.5	17.5	15.5
EV / Total Assets	12.3	11.0	9.2	7.0	5.4
Per Share Data (₹)					
EPS (Basic)	13.4	17.2	25.6	29.1	33.9
EPS (fully diluted)	13.4	17.2	25.6	29.1	33.9
Cash EPS	17.4	21.9	30.6	52.1	57.6
DPS	3.5	4.0	4.5	5.0	5.5
Book Value	103.0	114.7	135.5	159.5	187.9
Returns (%)					
ROCE	14.5	19.7	23.7	29.5	28.4
Angel ROIC (Pre-tax)	23.9	32.9	45.8	64.7	76.6
ROE	13.0	15.0	18.9	18.3	18.0
Turnover ratios (x)					
Asset Turnover (Gross Block)	6.1	5.4	5.1	4.9	4.9
Inventory / Sales (days)	105	106	107	108	109
Receivables (days)	10	12	13	14	15
Payables (days)	62	57	56	56	55
Working capital cycle (ex-cash) (days)	54	61	64	66	69

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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%)
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