

Bata India

Performance Update

Y/E March (₹ cr)	2QFY19	2QFY18	% yoy	1QFY19	% qoq
Net sales	673	587	14.7	797	(15.6)
EBITDA	87	64	35.5	132	(33.7)
EBITDA margin (%)	13.0	11.0	199bp	16.5	(356bp)
Adjusted PAT	56	43	29.8	83	(32.6)

Source: Company, Angel Research

For 2QFY2019, Bata India (BIL) posted strong set of numbers, exceeding our expectations on bottom-line front. Revenues grew by ~15% yoy (in-line with our estimate). The company's operating margins improvement by robust 199bps yoy. On the bottom-line front, BIL reported growth of ~30% yoy to ₹56cr on the back of strong operating performance.

Healthy volume growth drives top-line: BIL's top-line grew by ~15% yoy to ₹673cr on the back of healthy growth in footwear segment. The growth was mainly due to successful new brand campaign 'Be Surprised' featuring Kriti Sanon, the stylish Bollywood actor and youth icon as the new face for Bata's fashion forward women's range and over 100 new styles. Bata India continued the launch of its international 'Red Angela' stores in multiple cities across India. With almost 50 new international design 'Red Angela' stores now open, it has already started to yield positive results by way of footfalls and delighted customers.

Strong operating performance aids profitability: On the operating front, the company reported better margins, up 199bps yoy at 13.0%. On the bottom-line front, BIL reported growth of ~30% yoy to ₹56cr 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 ~₹3,494cr 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 ~22% to ₹329cr 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 ₹1,243.

Key Financials

Y/E March (₹ cr)	FY2017	FY2018	FY2019E	FY2020E
Net sales	2,474	2,634	3,006	3,494
% chg	2.1	6.5	14.1	16.2
Adj. Net profit	173	221	280	329
% chg	3.9	27.7	27.0	17.4
EBITDA margin (%)	10.4	13.3	14.5	14.7
EPS (₹)	13.4	17.2	21.8	25.6
P/E (x)	75.0	58.7	46.3	39.4
P/BV (x)	9.8	8.7	7.6	6.5
RoE (%)	13.0	14.8	16.3	16.6
RoCE (%)	14.5	19.5	21.4	22.0
EV/Sales (x)	5.0	4.7	4.1	3.5
EV/EBITDA (x)	48.4	35.2	28.1	23.6

Source: Company, Angel Research Note

BUY

CMP	₹1,008
Target Price	₹1,243

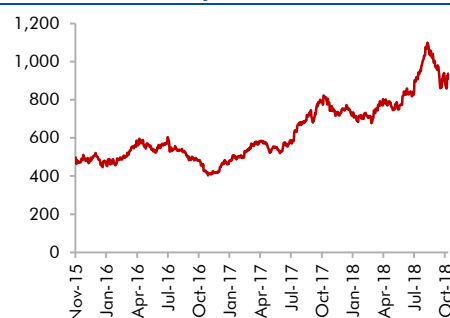
Investment Period	12 months
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Sector	Footwear
Market Cap (Rs cr)	12,951
Net Debt	(591)
Beta	0.9
52 Week High / Low	1,116/657
Avg. Daily Volume	179,938
Face Value (Rs)	5
BSE Sensex	35,012
Nifty	10,553
Reuters Code	BATA.BO
Bloomberg Code	BATA.IN

Shareholding Pattern (%)	
Promoters	53.0
MF / Banks / Indian Fls	16.0
FII / NRIs / OCBs	8.8
Indian Public / Others	22.2

Abs. (%)	3m	1yr	3yr
Sensex	(5.8)	4.3	31.8
BIL	3.8	23.8	100.0

Historical share price chart



Source: Company, Angel Research

Research Analyst

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Exhibit 1: 2QFY2019 Performance

Y/E March (₹ cr)	2QFY19	2QFY18	% yoy	1QFY19	% qoq	1HFY19	1HFY18	% chg
Net Sales	673	587	14.7	797	(15.6)	1470	1330	10.6
Consumption of RM	298	263	13.0	373	(20.1)	670	621	7.9
(% of Sales)	44.2	44.9		46.7		45.6	46.7	
Staff Costs	81	71	13.9	82	(1.7)	163	145	12.4
(% of Sales)	12.0	12.1		10.3		11.1	10.9	
Selling & Adm Expenses	94	100	(5.5)	91	3.7	185	183	1.4
(% of Sales)	14.0	17.0		11.4		12.6	13.8	
Other Expenses	113	88	28.0	120	(5.6)	232	221	5.2
(% of Sales)	16.8	15.0		15.0		15.8	16.6	
Total Expenditure	586	522	12.1	665	(12.0)	1,251	1,170	6.9
Operating Profit	87	64	35.5	132	(33.7)	219	160	37.0
OPM	13.0	11.0		16.5		14.9	12.0	
Interest	1	1	46.4	1	25.4	2	2	22.0
Depreciation	15	14	6.5	15	2.2	30	28	7.9
Other Income	15	15	0.5	12	24.3	27	26	1.8
PBT (excl. Ext Items)	86	64	33.8	128	(32.9)	214	157	36.4
Ext (Income)/Expense	-	-		-		-	-	
PBT (incl. Ext Items)	86	64	33.8	128	(32.9)	214	157	36.4
(% of Sales)	12.7	10.9		16.0		14.5	11.8	
Provision for Taxation	30	21	41.9	45	(33.6)	75	53	41.6
(% of PBT)	35.1	33.1		35.4		35.3	34.0	
Reported PAT	56	43	29.8	83	(32.6)	138	103	33.8
PATM	8.3	7.3		10.4		9.4	7.8	
Minority Interest After NP								
Reported PAT	56	43	29.8	83	(32.6)	138	103	33.8
Extra-ordinary Items								
Adj PAT	56	43	29.8	83	(32.6)	138	103	33.8
Equity shares (cr)	13	13		13		13	13	
FDEPS (₹)	4.3	3.3	29.8	6.4	(32.6)	10.8	8.0	33.8

Source: Company, Angel Research

Outlook and Valuation

We expect BIL to report net revenue CAGR of ~15% to ~₹3,494cr 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 ~22% to ₹329cr 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 ₹1,243.**

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	3,006	3,494
% chg	(10.1)	2.1	6.5	14.1	16.2
Total Expenditure	2,147	2,217	2,283	2,570	2,980
Raw Material	1,152	1,158	1,202	1,371	1,607
Personnel	261	273	296	343	405
Selling & Adm	345	356	362	436	507
Others Expenses	389	430	423	421	461
EBITDA	276	257	351	436	514
% chg	(17.3)	(6.8)	36.8	24.0	17.8
(% of Net Sales)	11.4	10.4	13.3	14.5	14.7
Depreciation & Amortisation	79	65	60	69	79
EBIT	197	192	291	367	435
% chg	(22.5)	(2.6)	51.6	26.2	18.5
(% of Net Sales)	8.1	7.8	11.0	12.2	12.5
Interest & other Charges	2	4	4	4	4
Other Income	101	46	50	55	60
(% of PBT)	34.2	19.7	14.9	13.2	12.2
Recurring PBT	297	234	337	418	491
% chg	(9.8)	(21.1)	44.1	24.0	17.4
Tax	79	75	117	138	162
(% of PBT)	26.7	32.0	34.6	33.0	33.0
PAT (reported)	217	159	221	280	329
Extraordinary Items	51	(14)	-	-	-
ADJ. PAT	166	173	221	280	329
% chg	(20.5)	3.9	27.7	27.0	17.4
(% of Net Sales)	6.9	7.0	8.4	9.3	9.4
Basic EPS (₹)	12.9	13.4	17.2	21.8	25.6
Fully Diluted EPS (₹)	12.9	13.4	17.2	21.8	25.6
% chg	(20.5)	3.9	27.7	27.0	17.4

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	1,651	1,916
Shareholders Funds	1,221	1,324	1,493	1,716	1,980
Total Loans	-	-	-	-	-
Deferred Tax Liability	-	-	-	-	-
Total Liabilities	1,221	1,324	1,493	1,716	1,980
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	1,975	2,322
Inventories	685	714	765	881	1,034
Sundry Debtors	71	69	89	107	134
Cash	342	522	591	704	812
Loans & Advances	59	57	61	78	98
Other Assets	163	163	174	204	245
Current liabilities	512	599	597	670	775
Net Current Assets	809	926	1,084	1,304	1,547
Deferred Tax Asset	89	100	100	100	100
Mis. Exp. not written off	-	-	-	-	-
Total Assets	1,221	1,324	1,493	1,716	1,980

Consolidated Cashflow Statement

Y/E March (₹ cr)	FY2016	FY2017	FY2018	FY2019E	FY2020E
Profit before tax	297	234	337	418	491
Depreciation	79	65	60	69	79
Change in Working Capital	(41)	53	(88)	(108)	(135)
Interest / Dividend (Net)	(24)	(40)	4	4	4
Direct taxes paid	(108)	(65)	(117)	(138)	(162)
Others	1	10	0	0	0
Cash Flow from Operations	204	257	197	245	276
(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	113	108
Opening Cash balances	210	342	522	591	704
Closing Cash balances	342	522	591	704	812

Key Ratio

Y/E March	FY2016	FY2017	FY2018	FY2019E	FY2020E
Valuation Ratio (x)					
P/E (on FDEPS)	77.9	75.0	58.7	46.3	39.4
P/CEPS	43.7	57.8	46.1	37.2	31.8
P/BV	10.6	9.8	8.7	7.6	6.5
Dividend yield (%)	0.3	0.3	0.4	0.4	0.5
EV/Sales	5.2	5.0	4.7	4.1	3.5
EV/EBITDA	45.7	48.4	35.2	28.1	23.6
EV / Total Assets	10.3	9.4	8.3	7.1	6.1
Per Share Data (₹)					
EPS (Basic)	12.9	13.4	17.2	21.8	25.6
EPS (fully diluted)	12.9	13.4	17.2	21.8	25.6
Cash EPS	23.0	17.4	21.9	27.1	31.7
DPS	3.5	3.5	4.0	4.5	5.0
Book Value	95.0	103.0	116.2	133.5	154.1
Returns (%)					
ROCE	16.1	14.5	19.5	21.4	22.0
Angel ROIC (Pre-tax)	22.4	23.9	32.2	36.3	37.2
ROE	13.6	13.0	14.8	16.3	16.6
Turnover ratios (x)					
Asset Turnover (Gross Block)	6.3	6.1	5.2	5.2	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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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%)