

## Bata India

### Performance Update

Y/E March (₹ cr)	3QFY19	3QFY18	% yoy	2QFY19	% qoq
Net sales	779	674	15.5	673	15.7
EBITDA	164	111	47.3	87	88.0
EBITDA margin (%)	21.1	16.5	455bp	13.0	811bp
Adjusted PAT	104	68	52.2	56	86.4

Source: Company, Angel Research

For 3QFY2019, Bata India (BIL) posted strong set of numbers, exceeding our expectations on bottom-line front. Revenue grew by ~16% yoy (in-line with our estimate). The company's operating margins improved by robust 455bps yoy. On the bottom-line front, BIL reported growth of ~52% yoy to ₹104cr on the back of strong operating performance.

**Healthy volume growth drives top-line:** BIL's top-line grew by ~16% yoy to ₹779cr on the back of healthy growth in footwear segment. The growth was mainly due to successful brand refreshment of various product categories including the Power Walking Collection with Memory Foam, new styles in the fashionable Red Label collection, contemporary marriage collection by Hush Puppies, which in turn gave a boost to festive season sales. The brand also launched Bubblegummer and Power stores in Bengaluru and Indore respectively. In Q3FY2019, Bata introduced Bollywood actor Sushant Singh Rajput as its new face for the Men's casual collection.

**Strong operating performance aids profitability:** On the operating front, the company reported better margins, up 455bps yoy at 21.1%. On the bottom-line front, BIL reported growth of ~52% yoy to ₹104cr 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 ~₹3,497cr 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 ~28% to ₹358cr 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 ₹1,479.**

### Key Financials

Y/E March (₹ cr)	FY2017	FY2018	FY2019E	FY2020E
Net sales	2,474	2,634	3,008	3,497
% chg	2.1	6.5	14.2	16.3
Adj. Net profit	173	221	306	358
% chg	3.9	27.7	38.5	17.2
EBITDA margin (%)	10.4	13.3	16.2	16.4
EPS (₹)	13.4	17.2	23.8	27.9
P/E (x)	88.0	68.9	49.7	42.4
P/BV (x)	11.5	10.2	8.7	7.5
RoE (%)	13.0	14.8	17.5	17.6
RoCE (%)	14.5	19.5	24.1	24.3
EV/Sales (x)	5.9	5.5	4.8	4.1
EV/EBITDA (x)	57.1	41.6	29.6	25.0

Source: Company, Angel Research Note

## BUY

CMP	₹1,189
Target Price	₹1,479
Investment Period	12 months

### Stock Info

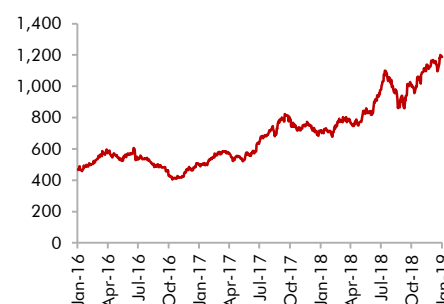
Sector	Footwear
Market Cap (Rs cr)	15,281
Net Debt	(591)
Beta	0.9
52 Week High / Low	1,216/678
Avg. Daily Volume	46,557
Face Value (Rs)	5
BSE Sensex	36,154
Nifty	10,831
Reuters Code	BATA.BO
Bloomberg Code	BATA.IN

### Shareholding Pattern (%)

Promoters	53.0
MF / Banks / Indian FIs	22.4
FII / NRIs / OCBs	10.8
Indian Public / Others	13.9

Abs. (%)	3m	1yr	3yr
Sensex	4.5	6.1	58.6
BIL	15.5	65.8	146.9

### Historical share price chart



Source: Company, Angel Research

### Research Analyst

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**Exhibit 1: 3QFY2019 Performance**

Y/E March (₹ cr)	3QFY19	3QFY18	% yoy	2QFY19	% qoq	9MFY19	9MFY18	% chg
<b>Net Sales</b>	<b>779</b>	<b>674</b>	<b>15.5</b>	<b>673</b>	<b>15.7</b>	<b>2249</b>	<b>2004</b>	<b>12.2</b>
Consumption of RM	323	302.8	6.5	298	8.4	993	924	7.4
(% of Sales)	41.4	44.9		44.2		44.1	46.1	
Staff Costs	83	69	19.7	81	2.7	246	214	14.8
(% of Sales)	10.7	10.3		12.0		10.9	10.7	
Selling & Adm Expenses	97	90	8.2	94	2.7	282	273	3.6
(% of Sales)	12.5	13.3		14.0		12.6	13.6	
Other Expenses	112	101	11.1	113	(0.8)	345	321	7.3
(% of Sales)	14.4	14.9		16.8		15.3	16.0	
<b>Total Expenditure</b>	<b>614</b>	<b>563</b>	<b>9.2</b>	<b>586</b>	<b>4.9</b>	<b>1,866</b>	<b>1,733</b>	<b>7.7</b>
<b>Operating Profit</b>	<b>164</b>	<b>111</b>	<b>47.3</b>	<b>87</b>	<b>88.0</b>	<b>383</b>	<b>272</b>	<b>41.0</b>
OPM	21.1	16.5		13.0		17.0	13.5	
Interest	1	1	85.6	1	(17.8)	3	2	36.9
Depreciation	17	15	10.5	15	11.0	47	44	8.8
Other Income	14	11	28.1	15	(7.7)	41	37	9.3
<b>PBT (excl. Ext Items)</b>	<b>160</b>	<b>106</b>	<b>50.5</b>	<b>86</b>	<b>86.5</b>	<b>373</b>	<b>263</b>	<b>41.9</b>
Ext (Income)/Expense	-	-		-		-	-	
<b>PBT (incl. Ext Items)</b>	<b>160</b>	<b>106</b>	<b>50.5</b>	<b>86</b>	<b>86.5</b>	<b>373</b>	<b>263</b>	<b>41.9</b>
(% of Sales)	20.5	15.8		12.7		16.6	13.1	
Provision for Taxation	56	38	47.5	30	86.8	132	91	44.0
(% of PBT)	35.1	35.9		35.1		35.3	34.8	
<b>Reported PAT</b>	<b>104</b>	<b>68</b>	<b>52.2</b>	<b>56</b>	<b>86.4</b>	<b>241.39</b>	<b>172</b>	<b>40.8</b>
PATM	13.3	10.1		8.3		10.7	8.6	
Minority Interest After NP								
<b>Reported PAT</b>	<b>104</b>	<b>68</b>	<b>52.2</b>	<b>56</b>	<b>86.4</b>	<b>241</b>	<b>172</b>	<b>40.8</b>
Extra-ordinary Items								
<b>Adj PAT</b>	<b>104</b>	<b>68</b>	<b>52.2</b>	<b>56</b>	<b>86.4</b>	<b>241</b>	<b>172</b>	<b>40.8</b>
Equity shares (cr)	13	13		13		13	13	
<b>FDEPS (₹)</b>	<b>8.1</b>	<b>5.3</b>	<b>52.2</b>	<b>4.3</b>	<b>86.4</b>	<b>18.8</b>	<b>13.3</b>	<b>40.8</b>

Source: Company, Angel Research

## Outlook and Valuation

We expect BIL to report net revenue CAGR of ~15% to ~₹3,497cr 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 ~28% to ₹358cr 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 ₹1,479.**

## 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
<b>Net Sales</b>	<b>2,423</b>	<b>2,474</b>	<b>2,634</b>	<b>3,008</b>	<b>3,497</b>
% chg	(10.1)	2.1	6.5	14.2	16.3
<b>Total Expenditure</b>	<b>2,147</b>	<b>2,217</b>	<b>2,283</b>	<b>2,520</b>	<b>2,924</b>
Raw Material	1,152	1,158	1,202	1,323	1,539
Personnel	261	273	296	343	406
Selling & Adm	345	356	362	421	507
Others Expenses	389	430	423	433	472
<b>EBITDA</b>	<b>276</b>	<b>257</b>	<b>351</b>	<b>488</b>	<b>574</b>
% chg	(17.3)	(6.8)	36.8	38.9	17.6
(% of Net Sales)	11.4	10.4	13.3	16.2	16.4
Depreciation & Amortisation	79	65	60	69	79
<b>EBIT</b>	<b>197</b>	<b>192</b>	<b>291</b>	<b>419</b>	<b>495</b>
% chg	(22.5)	(2.6)	51.6	44.1	18.1
(% of Net Sales)	8.1	7.8	11.0	13.9	14.2
Interest & other Charges	2	4	4	4	4
Other Income	101	46	50	55	60
(% of PBT)	34.2	19.7	14.9	11.7	10.9
<b>Recurring PBT</b>	<b>297</b>	<b>234</b>	<b>337</b>	<b>470</b>	<b>551</b>
% chg	(9.8)	(21.1)	44.1	39.5	17.2
Tax	79	75	117	165	193
(% of PBT)	26.7	32.0	34.6	35.0	35.0
<b>PAT (reported)</b>	<b>217</b>	<b>159</b>	<b>221</b>	<b>306</b>	<b>358</b>
Extraordinary Items	51	(14)	-	-	-
<b>ADJ. PAT</b>	<b>166</b>	<b>173</b>	<b>221</b>	<b>306</b>	<b>358</b>
% chg	(20.5)	3.9	27.7	38.5	17.2
(% of Net Sales)	6.9	7.0	8.4	10.2	10.2
<b>Basic EPS (₹)</b>	<b>12.9</b>	<b>13.4</b>	<b>17.2</b>	<b>23.8</b>	<b>27.9</b>
<b>Fully Diluted EPS (₹)</b>	<b>12.9</b>	<b>13.4</b>	<b>17.2</b>	<b>23.8</b>	<b>27.9</b>
% chg	(20.5)	3.9	27.7	38.5	17.2

**Balance Sheet**

Y/E March (₹ cr)	FY2016	FY2017	FY2018	FY2019E	FY2020E
<b>SOURCES OF FUNDS</b>					
Equity Share Capital	64	64	64	64	64
Reserves & Surplus	1,157	1,260	1,429	1,651	1,916
<b>Shareholders Funds</b>	<b>1,221</b>	<b>1,324</b>	<b>1,493</b>	<b>1,716</b>	<b>1,980</b>
Total Loans	-	-	-	-	-
Deferred Tax Liability	-	-	-	-	-
<b>Total Liabilities</b>	<b>1,221</b>	<b>1,324</b>	<b>1,493</b>	<b>1,716</b>	<b>1,980</b>
<b>APPLICATION OF FUNDS</b>					
Gross Block	382	406	508	578	678
Less: Acc. Depreciation	78	138	199	267	346
Net Block	<b>304</b>	<b>268</b>	<b>309</b>	<b>311</b>	<b>332</b>
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
<b>Net Current Assets</b>	<b>809</b>	<b>926</b>	<b>1,084</b>	<b>1,304</b>	<b>1,547</b>
Deferred Tax Asset	<b>89</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
Mis. Exp. not written off	-	-	-	-	-
<b>Total Assets</b>	<b>1,221</b>	<b>1,324</b>	<b>1,493</b>	<b>1,716</b>	<b>1,980</b>

**Consolidated Cashflow Statement**

Y/E March (₹ cr)	FY2016	FY2017	FY2018	FY2019E	FY2020E
Profit before tax	297	234	337	470	551
Depreciation	79	65	60	69	79
Change in Working Capital	(41)	53	(88)	(105)	(135)
Interest / Dividend (Net)	(24)	(40)	4	4	4
Direct taxes paid	(108)	(65)	(117)	(165)	(193)
Others	1	10	0	0	0
<b>Cash Flow from Operations</b>	<b>204</b>	<b>257</b>	<b>197</b>	<b>273</b>	<b>306</b>
(Inc.)/ Dec. in Fixed Assets	(39)	(48)	(72)	(70)	(100)
(Inc.)/ Dec. in Investments	(75)	(181)	0	0	0
<b>Cash Flow from Investing</b>	<b>(114)</b>	<b>(229)</b>	<b>(72)</b>	<b>(70)</b>	<b>(100)</b>
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)
<b>Cash Flow from Financing</b>	<b>43</b>	<b>152</b>	<b>(56)</b>	<b>(62)</b>	<b>(68)</b>
Inc./(Dec.) in Cash	132	180	69	141	137
<b>Opening Cash balances</b>	<b>210</b>	<b>342</b>	<b>522</b>	<b>591</b>	<b>733</b>
<b>Closing Cash balances</b>	<b>342</b>	<b>522</b>	<b>591</b>	<b>733</b>	<b>870</b>

**Key Ratio**

Y/E March	FY2016	FY2017	FY2018	FY2019E	FY2020E
<b>Valuation Ratio (x)</b>					
P/E (on FDEPS)	91.4	88.0	68.9	49.7	42.4
P/CEPS	51.3	67.8	54.1	40.6	34.8
P/BV	12.4	11.5	10.2	8.7	7.5
Dividend yield (%)	0.3	0.3	0.3	0.4	0.4
EV/Sales	6.1	5.9	5.5	4.8	4.1
EV/EBITDA	53.8	57.1	41.6	29.6	25.0
EV / Total Assets	12.2	11.1	9.8	8.3	7.0
<b>Per Share Data (₹)</b>					
EPS (Basic)	12.9	13.4	17.2	23.8	27.9
EPS (fully diluted)	12.9	13.4	17.2	23.8	27.9
Cash EPS	23.0	17.4	21.9	29.1	34.0
DPS	3.5	3.5	4.0	4.5	5.0
Book Value	95.0	103.0	116.2	135.5	158.3
<b>Returns (%)</b>					
ROCE	16.1	14.5	19.5	24.1	24.3
Angel ROIC (Pre-tax)	22.4	23.9	32.2	41.6	42.5
ROE	13.6	13.0	14.8	17.5	17.6
<b>Turnover ratios (x)</b>					
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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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

<b>Ratings (Returns):</b>	Buy (> 15%) Reduce (-5% to -15%)	Accumulate (5% to 15%) Sell (< -15%)	Neutral (-5 to 5%)
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