

December 11, 2018

Rating: BUY
Ticker: BATA
CMP: Rs. 1031
Target: Rs.1221
Upside: 18%

Key Stock Data

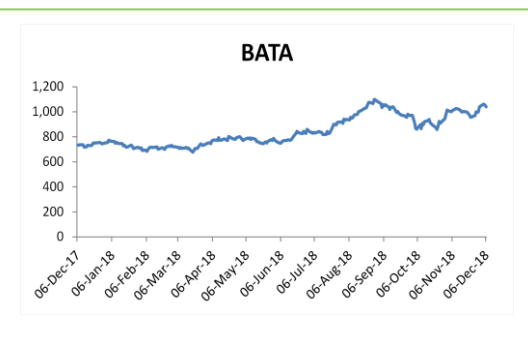
Sector	Footware
No. of shares	12.84 Crs
FV (Rs)	5
MCAP (Rs)	13,572 Crs
MCAP (\$)	194 Crs

Key Financials (Rs. in Crs)

Y/E March	FY18 A	FY19 E	FY20 E
Revenue	2687	3090	3646
EBITDA	404	494	620
PAT	224	278	365
EPS /sh.	17.4	21.65	28.39
BV /sh.	115	127	141
P/BV (x)	9.16	8.33	7.44
PE (x)	60.69	48.75	37.18
ROE	15%	17%	20%

Shareholding Pattern

Promoters	52.96%
FIIs	8.785%
DIIIs	21.96%
Others	16.3%



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Bata India Ltd. - BATA**2QFY19 Result Update**

The Company reported good set of 2QFY19 numbers on all counts on a yearly basis. The topline of the company grew by 14% Y-o-Y to Rs.688 Crs in 2QFY19 as against Rs.602 Crs in 2QFY18. EBITDA for the quarter grew by 29% Y-o-Y to Rs.101 Crs in 2QFY19 as against Rs. 78 Crs in 2QFY18. PAT for the quarter grew by good 30% Y-o-Y to Rs. 56 Crs in 2QFY19 as against Rs. 43 Crs in 2QFY18. EBITDA Margin increased by 172bps Y-o-Y to 14.68% as against 12.96% in 2QFY18. PAT Margin increased by 100 bps Y-o-Y to 8.14% in 2QFY19 as against 7.14% in 2QFY18.

Strong Volume Growth

BATA India reported a top-line growth of 15% on account of a good volume growth. The volume growth was supported by a 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. Keeping up with its commitment to provide a world class shopping experience, Bata India continued the launch of its international 'Red Angela' stores in multiple cities across India. With almost 50 new international designs 'Red Angela' stores now open, it has already started to yield positive results by way of footfalls and delighted customers.

Outlook & Valuations

Bata is one of the best stocks to play on India's strong consumption story. Due to its good product mix, we feel BATA will continue to report 15% CAGR on a top-line over the next two years from FY19-20E. On account of its track record of maintaining stable performance and introduction of various new product launches the stock is trading at 37x FY20E PE. We would like to allot a PE multiple of 43x on an FY20E basis to bring it to a target price of Rs. 1221.

Quarterly Financial Highlight Table (Rs. In Crs)

Particulars	2QFY19	1QFY19	2QFY18	Q/Q	Y/Y	FY2018
Revenue	688	809	602	-15%	14%	2687
EBITDA	101	142	78	-29%	29%	404
PAT	56	83	43	-33%	30%	224
EPS	4.3	6.42	3.34	-33%	29%	17.4
EBITDA M	14.68%	17.55%	12.96%	(287 bps)	172 bps	15%
PAT M	8.14%	10.26%	7.14%	(212 bps)	100 bps	8%

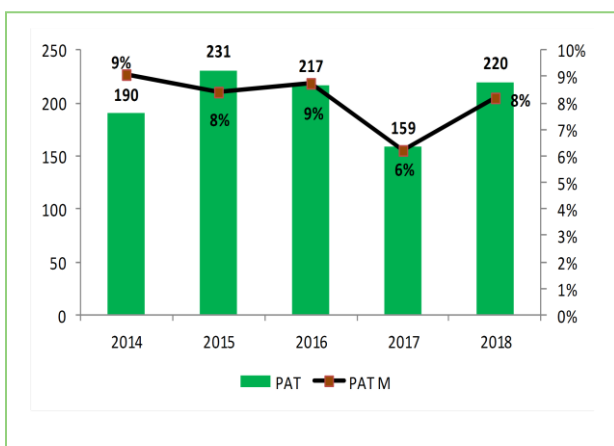
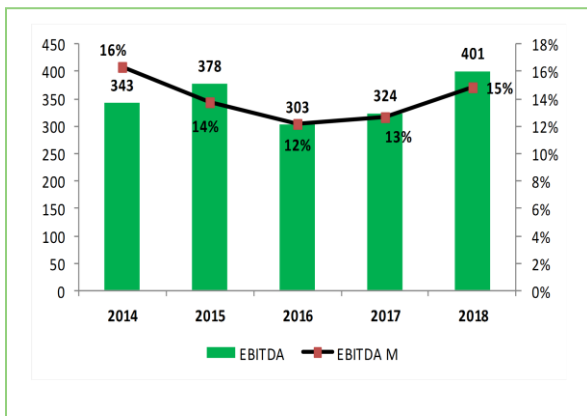
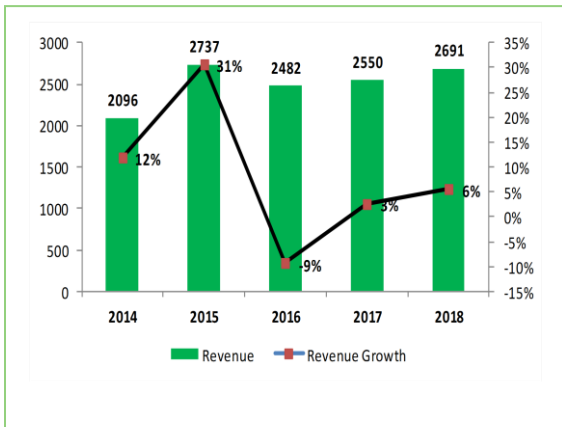
Investment Rationale

1. Constant increase in retail stores

Store count of BATA increased from 1,263 stores to 1,400 stores by the end of 1HFY19. It is also Most of these franchisees are expected to be in Tier II and Tier III cities. Bata India is the largest footwear retailer in India, offering footwear, accessories and bags across brands like Bata, Hush Puppies, Naturalizer, Power, Marie Claire, Weinbrenner, North Star, Scholl, Bata Comfit and Bubblegummers to name a few. With business presence in over 70 countries, it operates more than 5,000 stores, aptly supported by 26 global production units across 18 countries. Worldwide, over 30,000 footwear specialist of Bata Shoe Organization serve more than 1,000,000 consumers every day. Decent SSG supplemented by increase in store base should lead to sales CAGR of 15% over FY19 – FY20E.

2. Superior Product Mix

BIL launched new products for men and women under categories such as Hush Puppies, Naturalizer, European Collection and North Star. BIL also launched Glidesteam and Airwalk collections during the quarter. BIL also introduced a new category of footwear targeting Tweens (age 10-14 years) in casual, daily-wear, sports and outdoor sub-categories. Apart from this, a new product under Power brand - Phantom – was launched in 4QFY17. It is a high-end product carrying a price of Rs3,500/pair. Our ground research indicated that this product has been introduced in a decent number of stores and has been doing well. All these factors led to improvement in gross margin by 90bps to 55.1%.



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Bata has redefined the modern footwear industry in India.

It sells 48 million pairs of footwear every year and serves to over 120,000 customers almost every day.

It retails in over 1,400 Bata stores, on bata.in and in thousands of multibrand footwear dealer stores pan-India.

Bata is one of the largest retailers and manufacturers of footwear in India.

Due to its good product mix, we feel BATA will continue to report 15% CAGR on a top-line over the next two years from FY19-20E.

On account of its premiumisation of products we feel BATA's premium valuations are justified.

Company Background

Bata has held a unique place in the hearts of Indians for more than 86 years. Probably the only footwear brand that offers footwear and accessories for the entire family, Bata has redefined the modern footwear industry in India. It has established a leadership position in the industry and is the most trusted name in branded footwear. It sells 48 million pairs of footwear every year and serves to over 120,000 customers almost every day. Bata India is the largest footwear retailer in India, offering footwear, accessories and bags across brands like Bata, Hush Puppies, Naturalizer, Power, Marie Claire, Weinbrenner, North Star, Scholl, Bata Comfit and Bubblegummers to name a few. It retails in over 1,400 Bata stores, on bata.in and in thousands of multibrand footwear dealer stores pan-India.

Risk & Concerns

1. Despite of well established brand in Indian footwear market, Bata faces competition from unorganized players and that could dent its profit margins.
2. Tepid economic growth could impair consumer spending which in turn can adversely impact Bata's premium product segment.

Outlook & Valuations

Bata is one of the largest retailers and manufacturers of footwear in India, having strong retail presence with 1,400 stores across 500 cities. Bata is one of the best stocks to play on India's strong consumption story. Due to its good product mix, we feel BATA will continue to report 15% CAGR on a top-line over the next two years from FY19-20E. Currently the stock is trading at a PE multiple of 37x on an FY20 E basis. On account of its track record of maintaining stable performance, introduction of various new product launches, decent SSG and premiumisation of products we feel BATA's premium valuations are justified. We would like to allot a PE multiple of 43x on an FY20E basis to bring it to a target price of Rs. 1221.

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Analyst Stock Rating	
Ratings	Expected absolute returns over 12 months
BUY	>15%
HOLD	10- 15%
REDUCE	<10%

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Indiabulls Ventures Limited is a SEBI Registered Research Analyst having registration number: INH100004906

Disclosure:

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