

View: Double digit growth in Retail channel; Maintain Accumulate

Bata's Q4FY19 revenues and EBITDA were below our estimates, but APAT was in line. The lower revenue growth in the quarter was due to the below-normal performance in the e-commerce channel and a one-off institutional order in base quarter. However, the retail channel grew in double digits. We have broadly maintained our FY20E and FY21E EPS estimates at ₹ 27.9 and ₹ 31.1, respectively. We value Bata at 45x FY21E EPS to arrive at a TP of ₹ 1,415. We believe that the company has a high growth potential, especially after the recent changes at the stores and strong new brand building campaigns. Therefore, the high valuations for the stock is justified. **Maintain Accumulate.**

Going ahead, we believe that Bata's sales will continue to rise, as the company has addressed most of the issues related to stock management. In addition, steps such as store renovations, online systems at the stores, and ongoing marketing campaigns are likely to benefit the company in the ensuing quarters. Moreover, premiumisation, cost saving measures, and GST rate change (18% to 5% for ₹ 500 – ₹ 1,000) are key triggers to increase profitability.

Revenue and EBITDA missed estimates, APAT in line

Revenue rose 7.4% YoY to ₹ 6.8bn in Q4FY19. The gross margin expanded 120bps to 57.1%. A 50/10 bps expansion in other expense/rent costs was mitigated by a 120/30bps decline in RM costs/employee expenses. Consequently, EBITDA margin expanded 90bps to 13.9%. EBITDA increased 14.8% YoY to ₹ 945mn. APAT jumped 31.2% YoY to ₹ 683mn. RPAT increased 69.5% YoY to ₹ 883mn considering tax reversal of ₹ 199mn.

Results broadly in line with our channel check

Our channel checks across geographies suggested that Bata has high recognition in the domestic footwear market, especially in the mass and mid-premium category. The Power brand continues to gain traction in most of the regions. In addition, Bata has addressed issues related to stock management and old store renovations. Going ahead, we believe that the strategy to invest in brand ambassadors to attract youth and push key categories with refreshed collection should increase sales.

Q4FY19 Result (₹ Mn)

Particulars	Q4FY19	Q4FY18	YoY (%)	Q3FY19	QoQ (%)
Revenue	6,794	6,323	7.4	7,787	(12.8)
Total Expense	5,849	5,500	6.3	6,151	(4.9)
EBITDA	945	823	14.8	1,636	(42.2)
Depreciation	166	169	(1.3)	170	(2.4)
EBIT	779	654	19.0	1,466	(46.9)
Other Income	279	137	103.8	137	103.3
Interest	6	20	(71.2)	9	(36.6)
EBT	1,251	771	19.0	1,594	(21.5)
Tax	369	250	47.3	562	(34.4)
RPAT	883	521	69.5	1,032	(14.4)
APAT	683	521	31.2	1,032	(33.8)
			(bps)		(bps)
Gross Margin (%)	57.1	55.9	121	58.6	(148)
EBITDA Margin (%)	13.9	13.0	89	21.0	(710)
NPM (%)	13.0	8.2	476	13.2	(26)
Tax Rate (%)	29.5	32.5	(300)	35.3	(581)
EBIT Margin (%)	11.5	10.4	111	18.8	(736)

CMP	₹ 1,340
Target / Upside	₹ 1,415 / 6%
BSE Sensex	39,439
NSE Nifty	11,844

Script Details

Equity / FV	₹ 643mn / ₹ 5
Market Cap	₹ 172bn
	US\$ 2bn
52-week High/Low	₹ 1,480/₹ 739
Avg. Volume (no)	811,607
NSE Symbol	BATAINDIA
Bloomberg Code	BATA IN

Shareholding Pattern Mar'19(%)

Promoters	53.0
MF/Banks/FIs	21.6
FII's	11.6
Public / Others	13.9

Valuation (x)

	FY19A	FY20E	FY21E
P/E	55.6	48.0	43.1
EV/EBITDA	34.3	28.9	25.5
ROE (%)	20.4	19.0	18.4
RoACE (%)	19.5	19.3	18.6

Estimates (₹ mn)

	FY19A	FY20E	FY21E
Revenue	29,284	32,945	37,063
EBITDA	4,773	5,561	6,211
PAT	3,297	3,585	3,996
EPS (₹)	24.1	27.9	31.1

VP Research: Sachin Bobade

Tel: +91 22 40969731

E-mail: sachinb@dolatcapital.com

Associate: Nikhat Koor

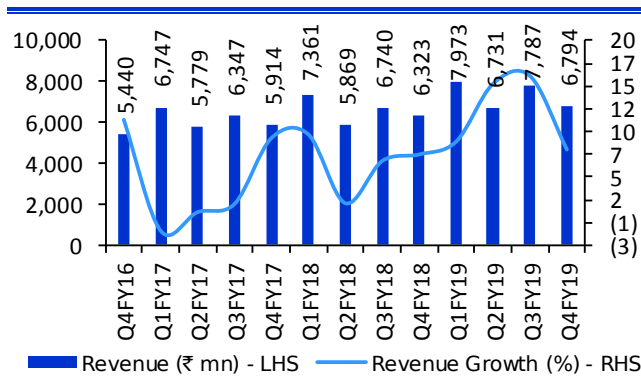
Tel: +91 22 40969764

E-mail: nikhatk@dolatcapital.com

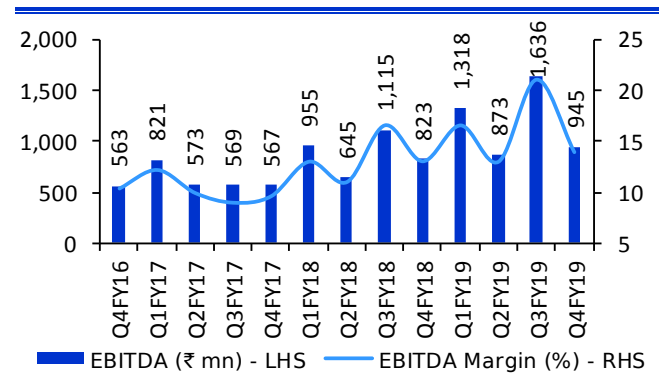
Exhibit 1: Change in estimate

₹ Mn	FY20E			FY21E		
	New	Previous	Chg (%)	New	Previous	Chg (%)
Revenue	32,945	33,414	(1.4)	37,063	37,590	(1.4)
EBITDA	5,561	5,799	(4.1)	6,211	6,479	(4.1)
EBITDA Margin (%)	16.9	17.4	(50)	16.8	17.2	(50)
PAT	3,585	3,661	(2.1)	3,996	4,097	(2.5)
EPS (₹)	27.9	28.5	(2.1)	31.1	31.9	(2.5)

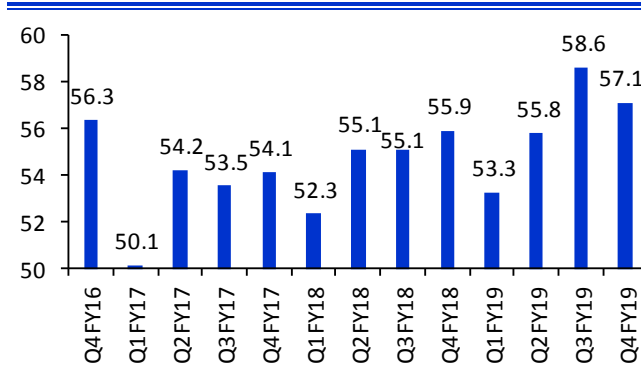
Source: DART, Company

Exhibit 2: Revenue Trend


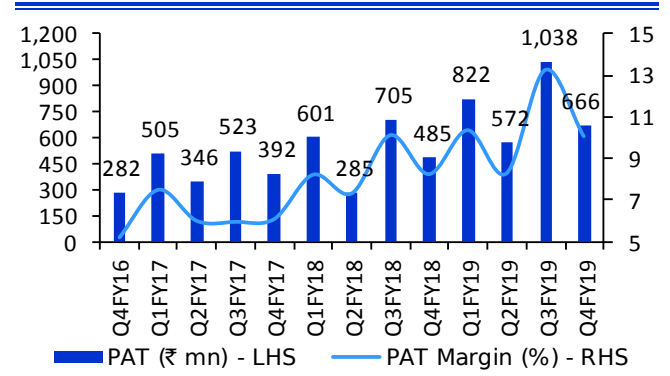
Source: DART, Company

Exhibit 3: EBITDA Trend


Source: DART, Company

Exhibit 4: Gross margin Trend (%)


Source: DART, Company

Exhibit 5: Net profit trend


Source: DART, Company

Profit and Loss Account

(₹ Mn)	FY18A	FY19A	FY20E	FY21E
Revenue	26,293	29,284	32,945	37,063
Total Expense	22,755	24,512	27,384	30,852
COGS	11,959	12,843	14,515	16,403
Employees Cost	2,954	3,311	3,698	4,131
Other expenses	7,842	8,358	9,172	10,318
EBIDTA	3,538	4,773	5,561	6,211
Depreciation	604	640	675	691
EBIT	2,934	4,133	4,885	5,520
Interest	42	35	35	35
Other Income	508	685	685	685
Exc. / E.O. items	0	199	0	0
EBT	3,400	4,982	5,535	6,170
Tax	1,164	1,685	1,951	2,174
RPAT	2,236	3,297	3,585	3,996
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	2,236	3,097	3,585	3,996

Balance Sheet

(₹ Mn)	FY18A	FY19A	FY20E	FY21E
Sources of Funds				
Equity Capital	643	643	643	643
Minority Interest	0	0	0	0
Reserves & Surplus	14,145	16,823	19,541	22,570
Net Worth	14,787	17,465	20,183	23,213
Total Debt	0	0	0	0
Net Deferred Tax Liability	5	(72)	(72)	(72)
Total Capital Employed	14,793	17,393	20,111	23,141

Applications of Funds

Net Block	2,945	3,146	3,271	3,380
CWIP	121	173	173	173
Investments	50	50	50	50
Current Assets, Loans & Advances	17,279	20,342	24,497	28,380
Inventories	7,621	8,391	9,007	10,133
Receivables	886	653	866	974
Cash and Bank Balances	5,884	8,390	11,610	14,102
Loans and Advances	1,084	1,149	1,256	1,413
Other Current Assets	1,805	1,759	1,759	1,759
Less: Current Liabilities & Provisions	5,602	6,316	7,878	8,840
Payables	4,820	5,155	6,703	7,541
Other Current Liabilities	783	1,161	1,175	1,299
Net Current Assets	11,677	14,026	16,619	19,539
Total Assets	14,793	17,393	20,111	23,141

E – Estimates

Important Ratios

Particulars	FY18A	FY19A	FY20E	FY21E
(A) Margins (%)				
Gross Profit Margin	54.5	56.1	55.9	55.7
EBIDTA Margin	13.5	16.3	16.9	16.8
EBIT Margin	11.2	14.1	14.8	14.9
Tax rate	34.2	33.8	35.2	35.2
Net Profit Margin	8.5	11.3	10.9	10.8
(B) As Percentage of Net Sales (%)				
COGS	45.5	43.9	44.1	44.3
Employee	11.2	11.3	11.2	11.1
Other	29.8	28.5	27.8	27.8
(C) Measure of Financial Status				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	69.9	116.5	137.8	155.7
Inventory days	106	105	100	100
Debtors days	12	8	10	10
Average Cost of Debt				
Payable days	67	64	74	74
Working Capital days	162	175	184	192
FA T/O	8.9	9.3	10.1	11.0
(D) Measures of Investment				
AEPS (₹)	17.4	24.1	27.9	31.1
CEPS (₹)	22.1	29.1	33.1	36.5
DPS (₹)	4.2	6.2	6.7	7.5
Dividend Payout (%)	24.2	25.7	24.2	24.2
BVPS (₹)	115.1	135.9	157.0	180.6
RoANW (%)	15.9	20.4	19.0	18.4
RoACE (%)	16.2	19.5	19.3	18.6
RoAIC (%)	34.5	46.1	55.8	62.9
(E) Valuation Ratios				
CMP (₹)	1340	1340	1340	1340
P/E	77.0	55.6	48.0	43.1
Mcap (₹ Mn)	172,195	172,195	172,195	172,195
MCap/ Sales	6.5	5.9	5.2	4.6
EV	166,311	163,805	160,585	158,093
EV/Sales	6.3	5.6	4.9	4.3
EV/EBITDA	47.0	34.3	28.9	25.5
P/BV	11.6	9.9	8.5	7.4
Dividend Yield (%)	0.3	0.5	0.5	0.6
(F) Growth Rate (%)				
Revenue	6.6	11.4	12.5	12.5
EBITDA	27.4	34.9	16.5	11.7
EBIT	38.0	40.9	18.2	13.0
PBT	45.6	46.5	11.1	11.5
APAT	23.9	38.5	15.7	11.5
EPS	23.9	38.5	15.7	11.5
Cash Flow				
(₹ Mn)	FY18A	FY19A	FY20E	FY21E
CFO	1,607	4,231	4,922	4,294
CFI	(754)	(893)	(800)	(800)
CFF	(178)	(833)	(902)	(1,002)
FCFF	853	3,339	4,122	3,494
Opening Cash	5,209	5,884	8,390	11,610
Closing Cash	5,884	8,390	11,610	14,102

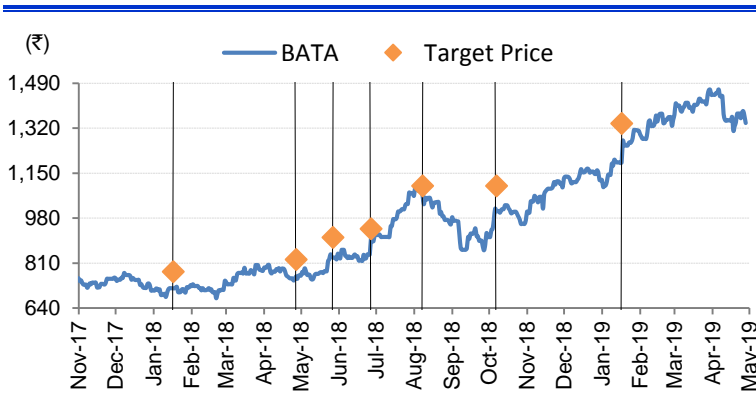
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (₹)	Price (₹)
Feb-18	Accumulate	778	715
May-18	Accumulate	824	760
Jun-18	Accumulate	908	831
Jul-18	Accumulate	940	904
Sep-18	Accumulate	1,103	1,064
Nov-18	Accumulate	1,103	1,007
Feb-19	Accumulate	1,339	1,191

*Price as on recommendation date

DART Team

Purvag Shah	Managing Director	purvag@dolatcapital.com	+9122 4096 9747
Amit Khurana, CFA	Head of Equities	amit@dolatcapital.com	+9122 4096 9745

CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kartik Sadagopan	VP - Equity Sales	kartiks@dolatcapital.com	+9122 4096 9762
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Ashwani Kandoi	AVP – Equity Sales	ashwanik@dolatcapital.com	+9122 4096 9725
Lekha Nahar	Manager – Equity Sales	lekhan@dolatcapital.com	+9122 4096 9740
Equity Trading	Designation	E-mail	
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

Dolat Capital Market Private Limited.

Sunshine Tower, 28th Floor, Senapati Bapat Marg, Dadar (West), Mumbai 400013

Analyst(s) Certification

The research analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

I. Analyst(s) and Associate (S) holding in the Stock(s): (Nil)**II. Disclaimer:**

This research report has been prepared by Dolat Capital Market Private Limited. to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies) solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of Dolat Capital Market Private Limited. This report has been prepared independent of the companies covered herein. Dolat Capital Market Private Limited. and its affiliated companies are part of a multi-service, integrated investment banking, brokerage and financing group. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, financing or any other advisory services to the company(ies) covered herein. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have received or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services. Research analysts and sales persons of Dolat Capital Market Private Limited. may provide important inputs to its affiliated company(ies) associated with it. While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and Dolat Capital Market Private Limited. does not warrant its accuracy or completeness. Dolat Capital Market Private Limited. may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision. The investment discussed or views expressed herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and Dolat Capital Market Private Limited. reserves the right to make modifications and alterations to this statement as they may deem fit from time to time. Dolat Capital Market Private Limited. and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction. This report is not directed or intended for distribution to, or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Dolat Capital Market Private Limited. and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

For U.S. Entity/ persons only: This research report is a product of Dolat Capital Market Private Limited., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Dolat Capital Market Private Limited. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person or entity.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Dolat Capital Market Private Limited. has entered into an agreement with a U.S. registered broker-dealer Ltd Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer/Entity as informed by Dolat Capital Market Private Limited. from time to time.

Dolat Capital Market Private Limited.

Corporate Identity Number: U65990DD1993PTC009797

Member: BSE Limited and National Stock Exchange of India Limited.

SEBI Registration No: BSE - INB010710052 & INF010710052, NSE - INB230710031& INF230710031, Research: INH000000685

Registered office: Office No. 141, Centre Point, Somnath, Daman – 396 210, Daman & Diu

Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com
