

September 25 2019

|                |            |
|----------------|------------|
| <b>Rating:</b> | <b>BUY</b> |
| Ticker:        | BATAINDIA  |
| CMP:           | Rs.1705    |
| Target:        | Rs.2000    |
| Upside:        | 17%        |
| Tenure:        | 12 Months  |

**Key Stock Data**

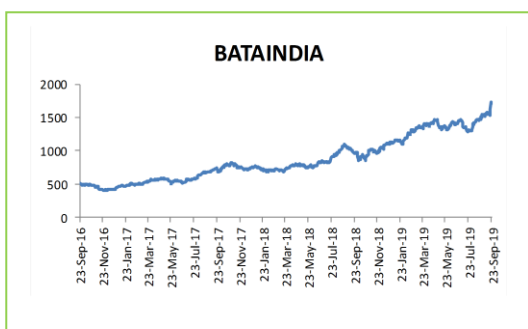
|               |            |
|---------------|------------|
| Sector        | Footwear   |
| No. of shares | 12.84 Crs  |
| FV (Rs)       | 5          |
| MCAP (Rs)     | 22,032 Crs |
| MCAP (\$)     | 1884 Crs   |

**Key Financials (Rs. in Crs)**

| Y/E March | FY19 A | FY20 E | FY21 E |
|-----------|--------|--------|--------|
| Revenue   | 2931   | 3371   | 3876   |
| EBITDA    | 476    | 708    | 892    |
| PAT       | 328    | 438    | 581    |
| EPS /sh.  | 25.60  | 34.13  | 45.28  |
| BV /sh.   | 136    | 161    | 195    |
| P/BV (x)  | 12.71  | 10.69  | 8.82   |
| PE (x)    | 67.34  | 50.52  | 38.07  |

**Shareholding Pattern**

|           |        |
|-----------|--------|
| Promoters | 52.96% |
| FIIIs     | 12.31% |
| DIIIs     | 20.30% |
| Others    | 14.43% |



Source: All above data from BSE Website and Capital Line

Research Analyst

Foram Parekh

[Foram.parekh@indiabulls.com](mailto:Foram.parekh@indiabulls.com)**Bata India Ltd. – BATAINDIA****1QFY20 Result Update**

The Company reported a very good set of 1QFY20 numbers on all counts on both quarterly as well as on a yearly basis. The top line of the company grew by 30% Q-o-Q and 11% Y-o-Y to Rs. 883 Crs in 1QFY20 as against Rs.798Crs in 1QFY19. EBITDA for the quarter grew by 154% Q-o-Q and 84% Y-o-Y to Rs. 243 Crs in 1QFY20 as against Rs.132 Crs in 1QFY19. PAT for the quarter grew by 15% Q-o-Q to Rs. 100 Crs in 1QFY20 as against Rs. 82 Crs in 1QFY19 and 87 Crs in 4QFY19. EBITDA Margin increased by 1348bps Q-o-Q to 27.52% as against 14.04% in 4QFY19.

**Strong Volume Growth**

BATAINDIA reported top-line growth of 11% on account of 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. BATAINDIA has successfully revamped its product portfolio and is now positioned as one of the most successful footwear brand which is adhering to global standards.

**Outlook & Valuations**

BATAINDIA is one of the best stocks to play on India's strong consumption story. Due to its good product mix, we feel BATAINDIA will continue to report 15% CAGR on a top-line over the next two years from FY20-21E. On account of its track record of maintaining stable performance and the introduction of various new product launches, the stock is trading at 38x FY21E PE. We would like to allot a PE multiple of 45x on an FY20E basis to bring it to a target price of Rs. 2000.

**Quarterly Financial Highlight Table (Rs. In Crs)**

| Particulars | 1QFY20 | 4QFY19 | 1QFY19 | Q/Q       | Y/Y      | FY2019 |
|-------------|--------|--------|--------|-----------|----------|--------|
| Revenue     | 883    | 680    | 798    | 30%       | 11%      | 2931   |
| EBITDA      | 243    | 96     | 132    | 154%      | 84%      | 476    |
| PAT         | 100    | 87     | 82     | 15%       | 22%      | 328    |
| EPS         | 7.86   | 6.90   | 6.41   | 15%       | 22%      | 25.60  |
| EBITDA M    | 27.52% | 14.04% | 16.53% | 1348 bps  | 1099 bps | 16%    |
| PAT M       | 11.33% | 12.79% | 10.28% | (146 bps) | 105 bps  | 8%     |

Source: BSE Website

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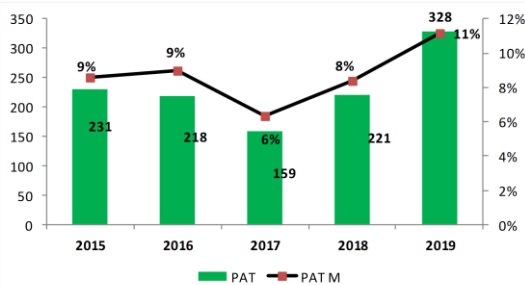
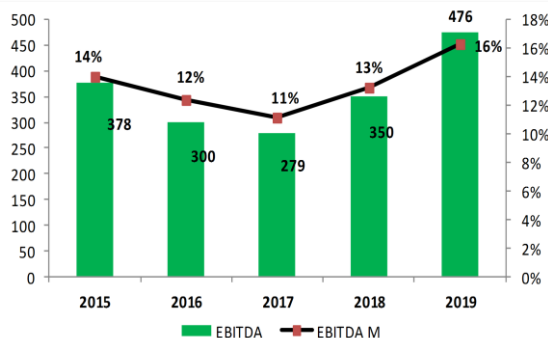
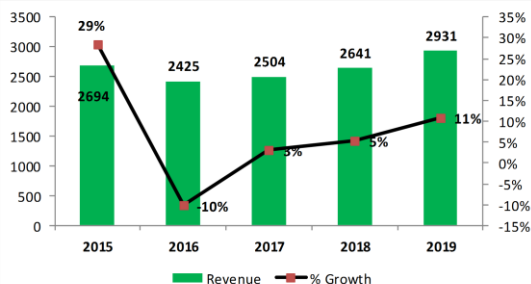
## Investment Rationale

### 1. Constant increase in retail stores

Store count of BATA increased from 1,263 stores to 1,400 stores by the end of Q1FY20. It is also Most of these franchises 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 a 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 specialists of the Bata Shoe Organization serve more than 1,000,000 consumers every day. Decent SSG supplemented by an increase in store base should lead to sales CAGR of 15% over FY20 – FY21E.

### 2. Superior Product Mix

BATAINDIA 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. BATAINDIA 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 which is yielding good results. It is a high-end product carrying a price of Rs. 3,500/pair. The introduction of this product is done in a decent number of stores and has been doing well. All these factors led to an improvement in gross margin steeply and we believe will continue to do good on a higher base.



Source: Company's Annual Reports

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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 1,300 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 FY20-21E.

## 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 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 1,300 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 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 FY20-21E. On account of its track record of maintaining stable performance and the introduction of various new product launches the stock is trading at 38x FY21E PE. We would like to allot a PE multiple of 45x on an FY20E basis to bring it to a target price of Rs. 2000.

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

Note: Our target price is within 12 months perspective. Returns stated in the rating scale are our internal benchmark.

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