

Date: 29th July 2019

Market Data	
CMP	1317
Sector	Leather Products
M.Cap	16921
Div yield	0.47%
OPM	16.7%
PEG	5.07
Debt / Equity	0.00
Shares OS (Crore)	12.85
Avg Vol (in lacs)	10560
52 week H/L	1480 / 833

Valuation	
Book Value	135.8
EPS	25.65
Stock PE	51
P/B	9.7
ROCE	30.67%
ROE	20.52%
EV in Cr.	16082

Parth Kotak
9122 6826 6058
parth@keynotecapitals.net

Brand revamp and macro tailwinds to take Bata to new highs

Bata, the leading footwear manufacturer is witnessing secular growth across segments and improvement in margins led by premiumisation and lower than expected increase in rental expenses. BATA witnessed a strong Revenue / EBITDA CAGR of 8.1% / 30.8% over FY17-FY19.

Bata continues to remain a debt free company and its cash and cash equivalents increased from 522 crores in FY17 to 840 crores in FY19 and are 34% of the total balance sheet.

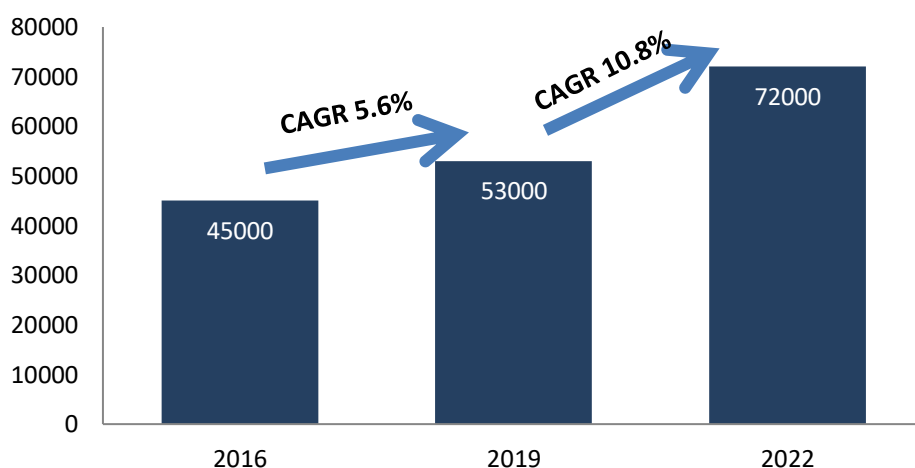
India: BATA's growth engine

India contributes 16% of BATA's worldwide revenues and is 2nd only to Italy. It looks like the company is set to drive growth from sales in Asia with India being at the forefront due to various growth drivers like, demographics, improving GDP, increasing spending capacity, low share of organized footwear manufacturers and many others.

Robust growth for projected for footwear

Indian footwear industry's size is currently ~Rs. 53000 crores. This is expected to increase at 11% CAGR and increase to Rs. 72000 crores by 2022. India remains the second largest footwear manufacturer in the world and the third largest footwear consumer behind China & USA. More than 80% of footwear produced in India is consumed domestically and the domestic pie itself is increasing with entry of premium formal, casual & sports brands. Bata being having the widest network amongst footwear manufacturers' is in the right spot to capitalize on this opportunity.

Footwear Industry India (Cr.)



New store addition to aid topline growth

Bata ended the year with 1415 stores, up from 1375 stores last year. The company targets 140 store openings with 80 being COCO & 40 through the franchise model. This shall aid growth along with same store growth and in volume & increase in average selling price.

Key Financials

Y/E 31 Mar	FY16	FY17	FY18	FY19
Net profit (Rs. Cr.)	141.5	157.5	204.5	329.1
EPS	16.91	12.37	17.16	25.6
EPS growth	17.4%	-26.8%	38.7%	49.2%
ROCE	13.8%	18.2%	21.6%	26.1%
PE	31.9	46.3	44.7	50.4
EV/EBIDTA (x)	19.1	28.0	34.8	28.6

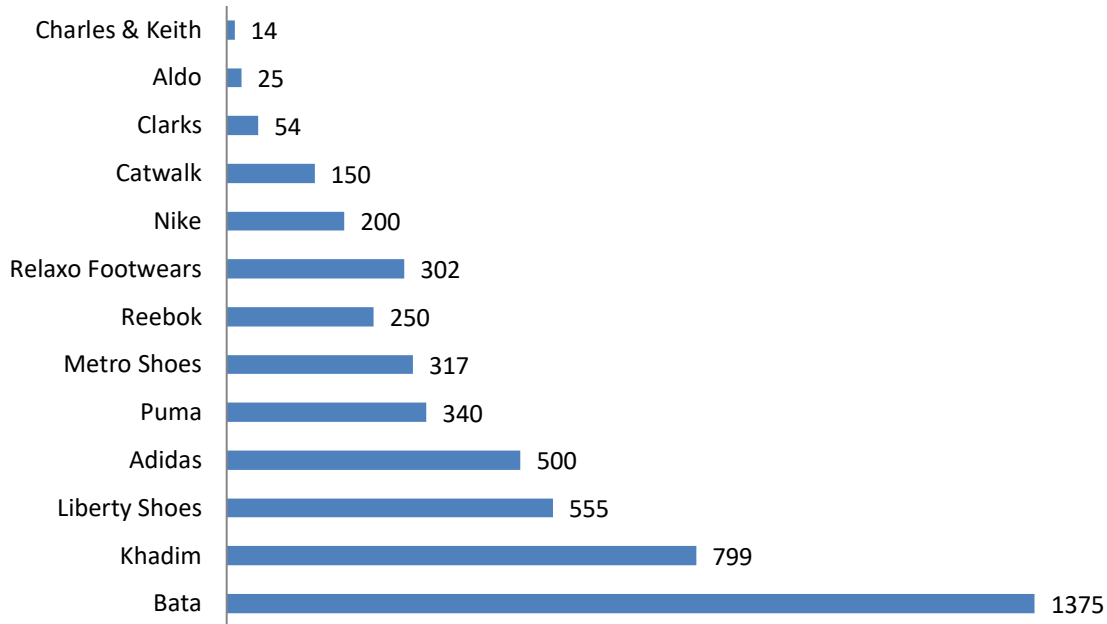
Increased ANP expenditure

Bata have increased their expenditure on Advertising & Promotion in FY19 to lay greater emphasis on casual & fashionable footwear. They have also signed Kriti Sanon & Sushant Singh Rajput as their brand ambassadors who have popularity amongst the youth who are the ideal target market for their new Red label collection. Advertising & promotion expense for FY17 was 24 crores representing 1% of sales. This has increased to 66 crores in FY19 representing 2.3% of sales.

Sale of branded products expected to increase significantly in Tier II & Tier III Cities

70% of Indian population resides in rural areas. But urban areas account for 67% of total demand. Also urban cities are brand centric and hence the share of branded footwear is much higher in urban cities. Tier II & III cities are now catching up and hence the overall sales from these cities is expected to go up. Moreover the share of branded footwear is 45% and unorganized is 55%. As Tier II & III cities become brand centric, the wallet share for branded footwear is expected to substantially and Bata is expected to be major beneficiary due to its wide network presence. Bata has an unparalleled retail network with a total network of 1375 stores as of FY18 while the second player in the industry is far behind at 799 stores.

Footwear Stores In India 2018



Online sales to grow in double digits

Bata's online have helped them sell 15 lakh pairs in FY19. The volume number is up a staggering 68% since FY18 when the sale was 8.9 lakh pairs and sales is up 36%. Total revenue generated from online sales is Rs. 120 crores in FY19 as against Rs. 87.9 crores in FY18. Online sale is expected to increase to 15% of total sales by FY22 and will be of great benefit for the branded footwear players. Bata has tied up with all leading e-commerce players like Amazon, Flipkart, Myntra & Jabong. They also have presence on high-traffic generating websites including TataCliq, ShopClues, Limeroad etc. Besides this, they have also improved their own e-commerce website to add to the sales through other online channels.

Growth from focus brands

Bata is leveraging on strong brand brands like Hush Puppies, Bubblegummers & Power. They have signed Smriti Mandhana as a brand ambassador for Power. Power is the sports brand and the response to sports brands across the country is encouraging. Bubblegummers is a brand to cater to the kids. They have tied up with Disney for designing their product. These include casual shoes, canvas shoes and Ballerinas to everyday wear sandals & chappals. Our country has a huge demographic of kids under the age of 10 being 18% of the total population so Bubblegummers can contribute meaningful revenues going ahead.

Hush Puppies was launched for premium men's wear and urban market being its target audience when it was launched. However, increasing spending power, brand acceptance in Tier II & Tier III cities, market created due to e-commerce players and Bata's wide network has given Hush Puppies a wider market to cater to.

Management Profile

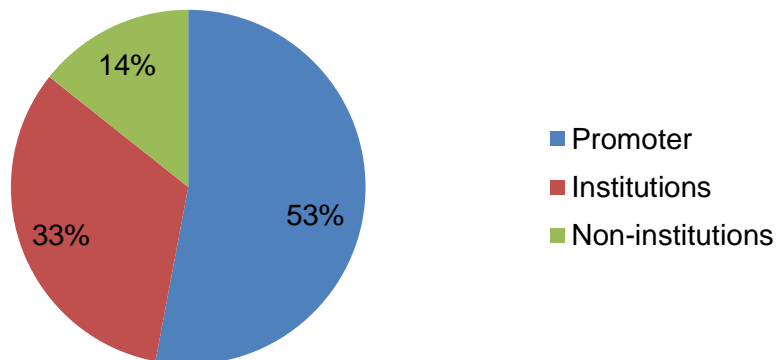
Name	Position	Information
Sandeep Kataria	CEO & Whole-time Director	Is a business leader with more than two and a half decades of experience in the consumer and retail industry across developing and developed markets. Mr. Kataria was appointed as the Country Manager of Bata India Limited with effect from August 1, 2017. He was elevated to the Board of Directors of Bata India Limited with effect from November 14, 2017 as the Whole-time Director and Chief Executive Officer. He has been tasked with the transformation of the footwear giant into a contemporary brand appealing to modern India.
Uday Khanna	Chairman & Independent Director	Mr. Khanna is a Commerce graduate and a Chartered Accountant (FCA). He was the President of the Indo-French Chamber of Commerce & Industry in 2008-2009, and the President of the Bombay Chamber of Commerce & Industry in 2012-2013. He also serves on the Boards of Castrol India Limited, Pfizer Limited, Pidilite Industries Limited, DSP Investment Managers Private Limited and Kotak Mahindra Bank Limited.
Rajeev GopalaKrishnan	Managing Director	Holds a Bachelor's in Mechanical Engineering from the University of Kerala. He joined Bata Shoe Organization (BSO) in the year 1990, and has since been associated with the company. With a rich experience of 29 years, he has previously handled the positions of the Director of Wholesale Channels, Sales & Marketing with Bata International-Canada, and the Vice President of Bata India Limited in Retail Operations and Wholesale Division.
Ram Kumar Gupta	CFO & Director Finance	Holds a Bachelor of Commerce with Honours [B.Com (Hons.)] and a Chartered Accountant (FCA) with over 32 years of experience in different positions in Bata Shoe Organization (BSO).

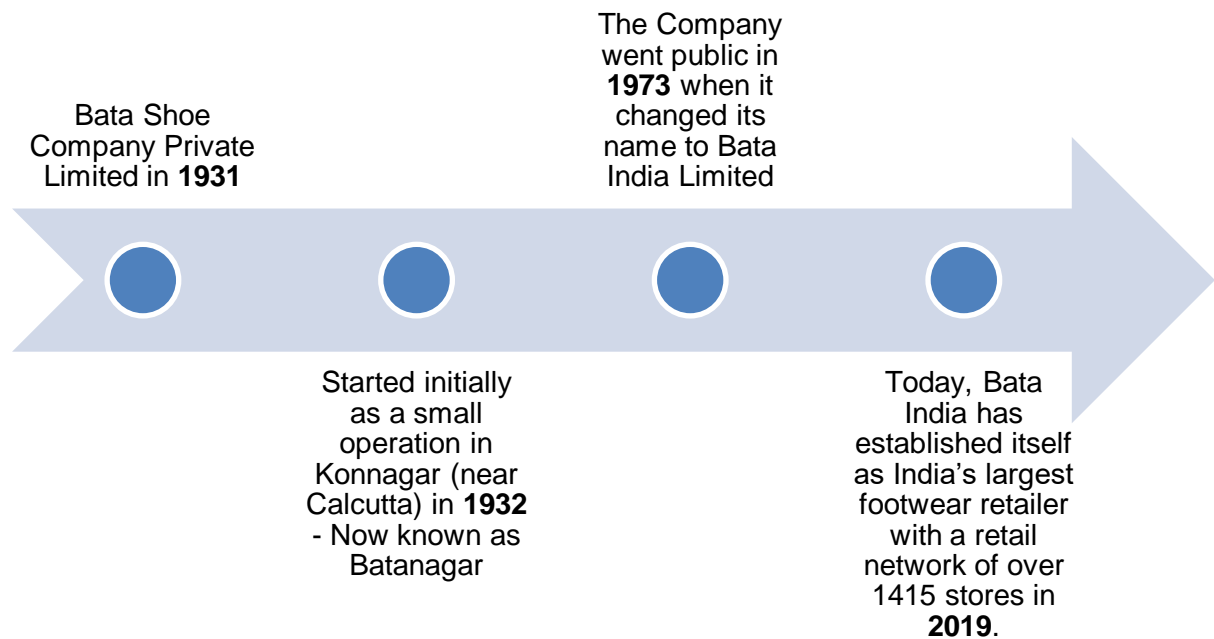
KEYNOTE

Shareholding Information

Bata (BN) B.V.	52.96%
<u>Institutional</u>	11.84%
Kotak Funds	2.20%
Life Insurance Corporation of India	1.85%
Aditya Birla Sun Life Trustee	1.73%
Kotak Standard Multicap Fund	1.28%
Franklin Templeton Mutual Fund	1.09%
IDFC Multi Cap Fund	1.04%
American Century World Mutual Funds	1.03%
Bajaj Holdings and Investment	0.83%
Kotak Mahindra Life Insurance Company	0.79%
Others	35.20%

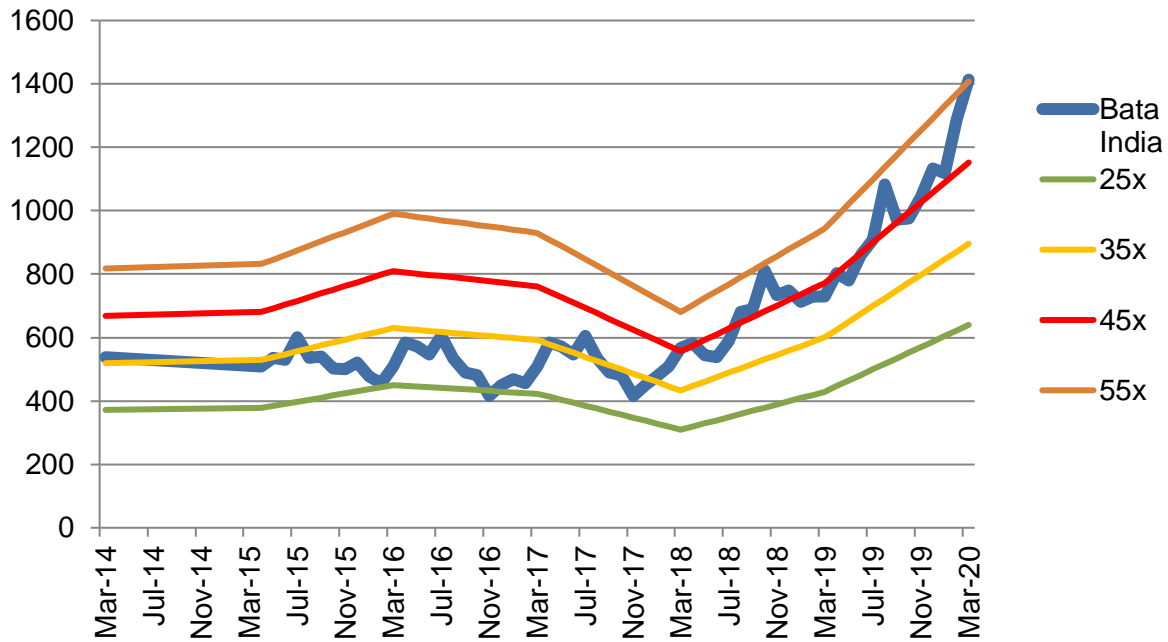
Shareholding





KEYNOTE

TTM PE Bands



Balance sheet (INR Cr.)			
Year ended March 31	FY17	FY18	FY19
Net fixed assets	266.6	294.9	312.7
Investments	0.0	0.0	0.0
Other noncurrent assets	294.7	291.6	320.9
Total Noncurrent assets	561.2	586.5	633.6
Inventory	713.8	765.2	839.4
Debtors	69.4	89.4	66.4
Cash & Bank balance & CI	522.0	591.2	840.3
Loans & advances & others	56.7	109.2	94.5
Current assets	1361.9	1554.9	1840.5
Total assets	1923.1	2141.4	2474.1
Share Capital	64.3	64.3	64.3
Reserves & Surplus	1260.1	1410.4	1677.6
Net Worth	1324.3	1474.7	1741.8
Debt	0.0	0.0	0.0
Deferred tax liabilities	11.4	17.9	35.7
Liabilities	583.1	636.3	678.6
Provisions	4.3	12.5	17.9
Total Liabilities	598.8	666.7	732.2
Total Equity + Liabilities	1923.1	2141.4	2474.1

Past Performance ratios	FY17	FY18	FY19
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ROE	189%	179%	168%
ROCE	18%	22%	26%
ROA	130%	123%	118%

Profit & Loss account (INR Cr.)			
Year ended March 31	FY17	FY18	FY19
Revenue from operations	2504.3	2641.2	2931.1
Total Expenses	2225.8	2289.9	2454.0
Operating Profit	278.6	351.4	477.1
Other income	46.0	50.3	68.2
Interest expense	4.0	4.2	3.5
Depreciation	65.0	60.5	64.0
Profit before tax	255.5	337.0	477.7
Tax expense	74.9	116.5	148.7
Profit after tax	180.6	220.5	329.0

Growth	FY17	FY18	FY19
Sales	2.0%	5.5%	11.0%
EBITDA	7.3%	23.7%	35.7%
PAT	11.4%	38.7%	49.2%

Efficiency Ratios	FY17	FY18	FY19
Asset Turnover	9.4	9.0	9.4
Receivable Days	10.1	12.3	8.3
Inventory Days	894.0	1036.2	1091.4
Payable Days	130.2	140.5	130.3
Cash conversion cycle	773.9	908.1	969.3

Leverage ratios	FY17	FY18	FY19
Debt/Equity	0.0	0.0	0.0
Current Ratio	2.8	2.8	2.9
Interest Coverage Ratio	64.3	81.3	135.7

Valuation Ratios	FY17	FY18	FY19
EPS	194.8	205.5	228.1
EPS Growth	-27.0%	5.5%	11.0%
PE	3.8	5.5	5.6
PEG	-0.1	0.0	0.0
P/B	7.2	9.9	9.4
Dividend Yield	0.0	0.0	0.0
EV/EBITDA	28.0	34.8	28.6

KEYNOTE

EV/EBIT	35.0	40.9	32.4
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Cash Flow Statement (INR Cr.)			
Year ended March 31	FY17	FY18	FY19
PBT	233.9	337.0	477.7
Depreciation	64.6	60.1	63.4
Interest Expense	-39.8	-45.1	-62.9
(Inc)/Dec in Working Capital	58.5	-93.4	14.7
Tax Paid	-65.1	-115.4	-141.0
Less: Int/Div income received	-43.9	-49.3	-66.5
Other operating cash flow	48.3	66.3	59.7
CF from operating activities	256.5	160.3	345.1
Capital Expenditure	-47.7	-75.4	-82.2
Inc/(Dec) in investments	-207.6	-76.3	-244.8
Add: Int/Div received	26.5	39.8	49.4
CF from investing activities	-228.8	-111.9	-277.6
Inc/(Dec) in debt	0.0	0.0	0.0
Others	-228.8	-111.9	-277.6
CF from financing activities	-55.7	-55.6	-63.1
Net Cash Flow	-28.0	-7.2	4.3
Opening balance	91.1	63.1	55.9
Closing balance	63.1	55.9	60.2

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Analyst Name: Parth Kotak; Tel no.: +91 22 6826 6058 Email ID: parth@keynotecapitals.net