



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Kunal Bhatia (022) 67141442

Result Update @ Dalal & Broacha

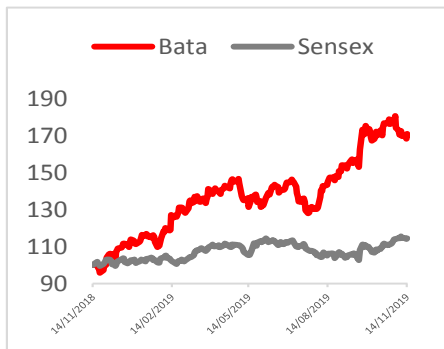
HOLD

Current Price	1729
52 Week Range	833/1815
Target Price	1836
Upside	6%

Key Share Data

Market Cap (Rs.bn)	222
Market Cap (US\$ mn)	3126
No of o/s shares (mn)	128.52
Face Value	5
Monthly Avg.	
vol(BSE+NSE) Nos'000	884.46
BSE Code	500043
NSE Code	BATAINDIA
Bloomberg	BATA IN

Price performance



% Shareholding	Sep-19	Jun-19
Promoters	52.96	52.96
Institutions	32.95	32.72
Others	14.09	14.32
Total	100.0	100.0

Bata Q2FY20 Results in-line with expectations; EBIDTA margins 13.5% v/s 13%
(ALL NO.S PRE-IND AS 116 for comparable purpose)

Net Revenues increased by 7.3% YoY to Rs 7219.6mn. Retail (~85% of revenue) grew by 6% / Wholesale (~15% of revenue) grew by 18%. Volume growth in-case of Wholesale was ~2% and Retail ~5%. **SSS** growth stood at ~4-5%

Q2FY20 EBIDTA increased by 12% YoY to Rs 977.6mn. EBIDTA margins stood at 13.5% vs 12.98% YoY

•As % to Revenues:

1. Raw Material cost stood at 43.6% v/s 44.2% YoY (aided by earlier payments to suppliers who in turn offered cash discount. This is also visible in trade payable which has reduced from Rs 6160mn in FY19 end to Rs 4800mn down by 22%)
2. Rent stood at 13.3% v/s 14% YoY, was managed mainly via strict negotiations on a QoQ basis absolute rent was flat at Rs 959.4mn

- Interest Cost declined by 25% YoY to Rs Rs 8.48 mn v/s 11.3mn.
- Other Income increased by 19.1% YoY to Rs 177.5mn

Q2FY20 PBT increased by 13.2% to Rs 971mn. Tax rate for Q2FY20 stood at 26.8% v/s 35.1%. PAT for Q2FY20 increased by 27.7% YoY to Rs 711.05mn.

Other KTA's:

Store openings (net) 22 in Q2FY20 total and 40 in H1FY20 / Total no of stores 1400+ / **target** of store openings in FY20 stands at ~60-70 and 50 in franchise.

Festive season was satisfactory.

Q2 is generally the lowest quarter in-terms of turnover, Q3FY20 would be crucial as it would include growth coming in from festive season.

New Director and Chairman to take over Mr Uday Khanna: Ashwani Windlass currently serves on Boards Hitachi MGRM Net Limited, Vodafone Idea Limited, Max Financial Services Limited, Max India Limited, Hindustan Media Ventures Limited and Jubilant Food Works Limited.

Outlook: Bata India is the largest revenue contributor to Bata Global. Steps taken by the company in-terms of new design introduction, increasing reach via TV advertisements are paying off well. On margins front the company has been able to manage costs efficiently. We believe the focus of parent company on Indian entity has increased and initiatives taken are with a long-term perspective and will continue generating positive results.

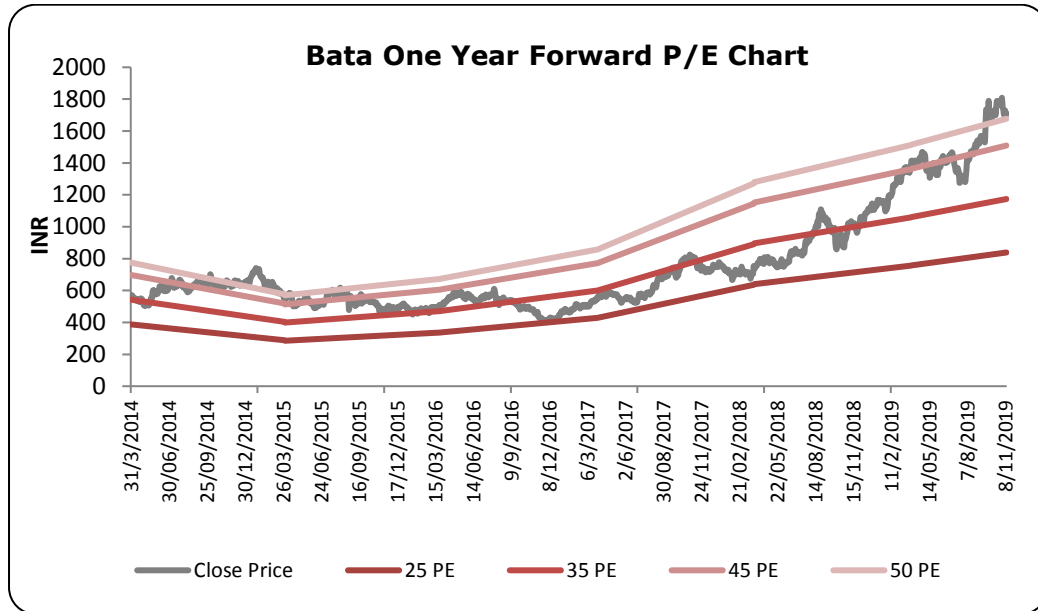
FINANCIALS

Year	Net Sales	%growth	EBIDTA	OPM%	PAT	%growth	EPS	PE(x)	RoE%	RoCE%
FY18	26,341.7	6.5	3,513.6	13.3%	2,205.1	27.5	17.2	99.7	15.0	19.7
FY19	29,311.0	11.3	4,770.6	16.3%	3,289.9	49.2	25.6	66.8	18.9	23.7
FY20E	32,520.0	10.9	5,338.5	16.4%	3,889.1	18.2	30.3	56.5	19.2	22.7
FY21E	36,729.9	12.9	6,264.5	17.1%	4,590.9	18.0	35.7	47.9	19.3	22.8
FY22E	40,835.5	11.2	7,031.4	17.2%	5,248.6	14.3	40.8	41.9	18.8	21.9



Result Update@ Dalal & Broacha

Valuations:



As seen above Bata has already crossed one-year forward PE of 51 times. The premiumization focus continues and realization per-pair is on an up-trend supported by faster introduction of new styles fulling aspirational demands.

At CMP of Rs 1729 the stock trades at 57x FY20e EPS of Rs 30.3 and 48x FY21e EPS of Rs 35.7. We recommend **HOLD** with a target price of Rs 1836 i.e. 45x its FY22e EPS of Rs 40.8.



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Result Update@ Dalal & Broacha

Particulars (Rs Mns)	Q2FY20 PRE IND			H1FY20 PRE IND		
	AS 116	Q2FY19	Growth	AS 116	H1FY19	Growth
Net Sales	7219.61	6730.71	7.3%	16041	14703.6	9.1%
Other Operating Income				0	0	
Total Operating Income	7219.61	6730.71	7.3%	16041	14703.6	9.1%
Other Income	177.46	148.95	19.1%	346.75	268.7	29.0%
TOTAL INCOME	7397.07	6879.66	7.5%	16387.8	14972.3	9.5%
Cost of Materials Consumed	-731.15	-793.82	-7.9%	-1108.7	-1524	-27.3%
Purchase of Stock in Trade	-3302.9	-3190.5	3.5%	-6126	-5677	7.9%
Changes in Inventories	886.15	1007.91	-12.1%	91.97	497.93	-81.5%
Employee Cost	-890.14	-808.9	10.0%	-1870.5	-1631.5	14.7%
Rent	-959.38	-944.24	1.6%	-1913.6	-1854.4	3.2%
Other Expenses	-1244.6	-1127.8	10.4%	-2553.6	-2323	9.9%
EXPENDITURE	-6242	-5857.3	6.6%	-13480	-12512	7.7%
EBIDTA	1155.08	1022.35	13.0%	2907.39	2460.3	18.2%
EBIDTA (Excl O. Income)	977.62	873.4	11.9%	2560.64	2191.6	16.8%
Less: Depreciation	-175.6	-153.43	14.4%	-334.09	-303.56	10.1%
PBIT	979.48	868.92	12.7%	2573.3	2156.74	19.3%
Less: Interest Cost	-8.48	-11.29	-24.9%	-16.52	-20.3	-18.6%
PBT (Before Exceptional)	971	857.63	13.2%	2556.78	2136.44	19.7%
Exceptional				0	0	
PBT (Post Exceptional)	971	857.63	13.2%	2556.78	2136.44	19.7%
Tax	-259.95	-301.02	-13.6%	-815.71	-754.3	8.1%
PAT (Reported)	711.05	556.61	27.7%	1741.07	1382.14	26.0%
PAT (Adjusted)	711.05	556.61	27.7%	1741.07	1382.14	26.0%
Other Comprehensive Income	-13.05	15.83		-14.12	12.56	
Total Comprehensive Income	698	572.44		1726.95	1394.7	
Equity	642.64	642.64		642.64	642.64	0.0%
FV	5	5		5	5	
EPS (On reported PAT)	5.53	4.33	27.7%	13.55	10.75	26.0%
EPS (on adjusted PAT)	5.53	4.33	27.7%	13.55	10.75	26.0%
OPM	13.5%	12.98%		16.0%	14.9%	
NPM (Reported PAT)	9.6%	8.1%		10.6%	9.2%	
Tax Rate	-26.8%	-35.1%		-32%	-35%	
% of Total Operating Income						
Cost of Materials Consumed	-10.1%	-11.8%		-6.9%	-10.4%	
Purchase of Stock in Trade	-45.7%	-47.4%		-38.2%	-38.6%	
Changes in Inventories	12.3%	15.0%		0.6%	3.4%	
RAW MATERIALS	-43.6%	-44.2%		-44.5%	-45.6%	
Employee Cost	-12.3%	-12.0%		-11.7%	-11.1%	
Rent	-13.3%	-14.0%		-11.9%	-12.6%	
Other Expenses	-17.2%	-16.8%		-15.9%	-15.8%	
EXPENDITURE	-86.5%	-87.0%		-84.0%	-85.1%	



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Result Update@ Dalal & Broacha

P&L (Rs mn)	FY18	FY19	FY20E	FY21E	FY22E	Cash Flow St. (Rs. mn)	FY18	FY19	FY20E	FY21E	FY22E
Net Operating Income	26,341.7	29,311.0	32,520.0	36,729.9	40,835.5	Net Profit	2,205.1	3,289.9	3,889.1	4,590.9	5,248.6
						Add: Dep. & Amort.	604.5	640.5	736.1	831.8	927.4
						Cash profits	2,809.7	3,930.4	4,625.2	5,422.7	6,176.0
Raw Materials	(12,024.0)	(12,871.1)	(14,276.3)	(16,124.4)	(17,926.8)	(Inc)/Dec in					
Employee Cost	(2,956.1)	(3,310.8)	(12,905.2)	(14,340.9)	(15,877.3)	-Sundry debtors	(199.4)	230.0	(227.5)	(115.3)	(112.5)
Other Expenses	(7,848.0)	(8,358.5)	(27,181.5)	(30,465.4)	(33,804.1)	-Inventories	(513.8)	(742.0)	(872.3)	(1,199.5)	(1,169.8)
Total Expenses	(22,828.1)	(24,540.4)				-Loans/advances	(41.1)	(104.6)	(88.6)	(116.5)	(128.4)
						-Current Assets	(580.0)	76.8	(22.0)	(181.2)	(199.3)
Operating Profit	3,513.6	4,770.6	5,338.5	6,264.5	7,031.4	-Sundry creditors	711.1	324.9	176.1	820.3	800.0
Depreciation	(604.5)	(640.5)	(736.1)	(831.8)	(927.4)	-Others	(32.1)	330.3	(298.0)	72.0	78.1
PBIT	2,909.1	4,130.1	4,602.4	5,432.8	6,104.1	Change in working capital	(655.2)	115.5	(1,332.3)	(720.2)	(732.0)
Other income	503.3	682.2	630.2	737.9	945.4	CF from Oper. activities	2,154.5	4,045.9	3,292.9	4,702.5	5,444.0
Interest	(42.0)	(35.5)	(35.5)	(35.5)	(35.5)	CF from Inv. activities	(712.1)	(892.6)	(850.9)	(850.0)	(850.0)
Extraordinary Items	-	-	-	-	-	CF from Fin. activities	(750.8)	(662.1)	(1,007.1)	(1,084.6)	(1,162.0)
Profit before tax	3,370.4	4,776.9	5,197.2	6,135.1	7,014.0	Cash generated/(utilised)	691.6	2,491.2	1,434.9	2,767.9	3,431.9
Provision for tax	(1,165.3)	(1,486.9)	(1,308.1)	(1,544.2)	(1,765.4)	Cash at start of the year	5,220.3	5,911.9	8,403.1	9,838.0	12,605.9
Reported PAT	2,205.1	3,289.9	3,889.1	4,590.9	5,248.6	Cash at end of the year	5,911.9	8,403.1	9,838.0	12,605.9	16,037.9
Extraordinary Items	-	-	-	-	-						
Minority Interest	0.0	0.0	0.0	0.0	0.0	Ratios	FY18	FY19	FY20E	FY21E	FY22E
Adjusted PAT	2,205.1	3,289.9	3,889.1	4,590.9	5,248.6	OPM	13.3	16.3	16.4	17.1	17.2
						NPM	8.2	11.0	11.7	12.3	12.6
Balance Sheet	FY18	FY19	FY20E	FY21E	FY22E	Tax rate	(34.6)	(31.1)	(25.2)	(25.2)	(25.2)
Equity capital	642.6	642.6	642.6	642.6	642.6	Growth Ratios (%)					
Reserves	14,104.3	16,775.8	19,657.8	23,164.1	27,250.7	Net Sales	6.5	11.3	10.9	12.9	11.2
Net worth	14,746.9	17,418.4	20,300.4	23,806.7	27,893.3	Operating Profit	26.1	35.8	11.9	17.3	12.2
						PAT	27.5	49.2	18.2	18.0	14.3
Def. Tax Liab.+Minority Int.	-	-	-	-	-	Per Share (Rs.)					
Longterm Debt	-	-	-	-	-	Net Earnings (EPS) (FV 5)	17.2	25.6	30.3	35.7	40.8
Short Term Debt	-	-	-	-	-	Cash Earnings (CPS)	21.9	30.6	36.0	42.2	48.1
Total debt	-	-	-	-	-	Dividend	3.5	4.0	6.5	7.0	7.5
CAPITAL EMPLOYED	14,746.9	17,418.4	20,300.4	23,806.7	27,893.3	Book Value	114.7	135.5	158.0	185.2	217.0
						Free Cash Flow	9.6	24.2	17.9	28.9	34.7
Total fixed assets	3,085.4	3,337.6	3,452.3	3,470.6	3,393.2	Valuation Ratios					
Goodwill	-	-	-	-	-	P/E(x)	99.7	66.8	56.5	47.9	41.9
Investments	-	-	-	-	-	P/B(x)	14.9	12.6	10.8	9.2	7.9
Inventories	7,651.7	8,393.7	9,266.0	10,465.5	11,635.3	EV/EBIDTA(x)	60.9	44.3	39.3	33.1	29.0
Sundry debtors	893.5	663.5	891.0	1,006.3	1,118.8	Div. Yield(%)	0.2	0.2	0.4	0.4	0.4
Cash & bank	5,911.9	8,403.1	9,838.0	12,605.9	16,037.9	FCF Yield(%)	0.6	1.4	1.0	1.7	2.0
Loans & advances	950.3	1,054.9	1,143.5	1,259.9	1,388.4	Return Ratios (%)					
Other current assets	1,866.4	1,789.6	1,811.6	1,992.8	2,192.1	ROE	15.0	18.9	19.2	19.3	18.8
Sundry creditors	(5,835.3)	(6,160.2)	(6,336.3)	(7,156.6)	(7,956.6)	ROCE	19.7	23.7	22.7	22.8	21.9
O. Current Liabilities	(706.8)	(982.8)	(720.6)	(778.2)	(840.5)						
Provisions	(125.1)	(179.4)	(143.6)	(158.0)	(173.8)						
Working capital	10,606.6	12,982.3	15,749.5	19,237.7	23,401.6						
Deferred Tax Assets	1,054.8	1,098.5	1,098.5	1,098.5	1,098.5						
Miscellaneous exp.	-	-	-	-	-						
CAPITAL DEPLOYED	14,746.9	17,418.4	20,300.4	23,806.7	27,893.3						



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Result Update@ Dalal & Broacha

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B (CIN_U67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, 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 or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Result Update@ Dalal & Broacha

altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B . All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Contact	Email ID	Contact No.	Sector
Mr. Kunal Bhatia	kunal.bhatia@dalal-broacha.com	022 67141442	Auto, Auto Ancillary, FMCG
Ms.Charulata Gaidhani	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma /Healthcare
Ms.Abhilasha Satale	abhilasha.satale@dalal-broacha.com	022 67141435	Mid- cap senior analyst
Mr. Mayank Babla	mayank.babla@dalal-broacha.com	022 67141412	I.T/Media/Telecom
Mr. Avinash Tanawde	avinash.tanawde@dalal-broacha.com	022 67141449	BFSI
Mr. Suraj Nandu	suraj.nandu@dalal-broacha.com	022 67141438	Associate
Mr. Tanush Mehta	tanush.mehta@dalal-broacha.com	022 67141441	Associate
Ms. Nidhi Babaria	nidhi.babaria@dalal-broacha.com	022 67141450	Associate

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021

Tel: 91-22- 2282 2992, 2287 6173, Fax: 91-22-2287 0092

E-mail: research@dalalbroachaindia.com, equity.research@dalal-broacha.com