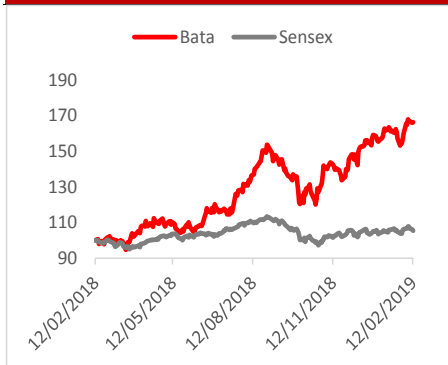



Result Update @ Dalal & Broacha
ACCUMULATE

Current Price	1190
52 Week Range	673/1245

Key Share Data

Market Cap (Rs.bn)	160.08
Market Cap (US\$ mn)	2270.69
No of o/s shares (mn)	128.52
Face Value	5
Monthly Avg.	
vol(BSE+NSE) Nos'000	661.94
BSE Code	500043
NSE Code	BATAINDIA
Bloomberg	BATA IN

Price performance


% Shareholding	Dec-18	Sept -18
Promoters	52.96	52.96
Institutions	32.54	30.95
Others	14.50	16.09
Total	100.0	100.0

Bata Q3FY19 Results better than expectations, Topline increased 15.5% YoY, EBIDTA margins 21% (HIGHEST) v/s 16.5% YoY

Q3FY19 Net Revenues increased by 15.5% YoY to Rs 7787mn. The growth was backed by consumer campaigns, festive sales and retail expansion and renovation.

SSS growth stood at 12% for Q3FY19 and for 9MFY19 stood at 8%.

Retail (~85% of Revenue) grew by 18% YoY in Q3FY19 and **Wholesale** (~15% of Revenue) de-grew by 3%.

Q3FY19 EBIDTA in absolute terms was up by 46.8% YoY to Rs 1636.3mn. EBIDTA margins stood at 21% (**HIGHEST**) vs 16.5% YoY

As % to Revenues:

- Raw Materials cost stood at 41.4% as against 44.9% YoY (on account of cost saving initiatives, bulk buying and long term supply agreements) (majority portion of the gross margins improvement is sustainable going forward)
- Rent stood at 12.5% as against 13.3% YoY
- Other Expenses stood at 14.4% v/s 14.9% YoY on account of cost saving initiatives.

PBT (before exceptional) increased by 50% YoY to Rs 1594mn. Tax rate stood at 35.3% as against 35.9% YoY. PAT increased by 51.3% YoY to Rs 1031.77mn

Other KTA's post Q2FY19 Management interaction

- Contribution of footwear between Rs 500 to Rs 1000 stood at ~22% and below Rs 500 at ~20%.
- **Stores** international 'Red Angela' stores (count 50 now) in multiple cities across India giving international shopping experience, the initial response is good with rising footfalls / Bubblegummer and Power stores in Bengaluru and Indore respectively
- Rolled out a **full Omni** channel consumer facing technology suite after successful testing
- **Brand refreshments** include Power Walking Collection with Memory Foam / new styles in the fashionable Red Label collection / contemporary marriage collection by Hush Puppies / with on-set of cold weather stylish Boots collection for women across Hush Puppies and Naturalizer brands

Valuations @ Rs 1190: 48.5x FY19e EPS of Rs 24.5 and 40.6x FY20e EPS of Rs 29.3. We maintain **Accumulate**

FINANCIALS

Year	Net Sales	%growth	EBIDTA	OPM%	PAT	%growth	EPS	PE(x)	RoE%	RoCE%
FY16	24,227.1	(10.1)	2,706.0	11.2%	1,462.2	(26.8)	11.4	74.0	12.0	16.1
FY17	24,742.6	2.1	2,785.8	11.3%	1,729.6	18.3	13.5	88.4	13.1	16.1
FY18	26,341.7	6.5	3,513.6	13.3%	2,205.1	27.5	17.2	69.4	15.0	19.7
FY19E	29,821.2	13.2	4,948.3	16.6%	3,152.5	43.0	24.5	48.5	18.2	24.7
FY20E	33,928.4	13.8	5,906.8	17.4%	3,767.6	19.5	29.3	40.6	18.6	25.3



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Particulars (Rs Mns)	Q3FY19	Q3FY18	Growth	9MFY19	9MFY18	Growth
Net Sales	7786.99	6740.03	15.5%	22490.5	19969.6	12.6%
Other Operating Income				0	0	
Total Operating Income	7786.99	6740.03	15.5%	22490.5	19969.6	12.6%
Other Income	137.41	107.3	28.1%	406.11	371.36	9.4%
TOTAL INCOME	7924.4	6847.33	15.7%	22896.7	20340.9	12.6%
Cost of Materials Consumed	-586.94	-676.45	-13.2%	-2111	-2106.1	0.2%
Purchase of Stock in Trade	-2007	-2027.7	-1.0%	-7684	-7201.8	6.7%
Changes in Inventories	-631.65	-323.47	95.3%	-133.72	138.41	-196.6%
Employee Cost	-830.55	-694.04	19.7%	-2462	-2144.9	14.8%
Rent	-970.1	-896.53	8.2%	-2824.5	-2726.1	3.6%
Other Expenses	-1124.5	-1007	11.7%	-3447.4	-3214.2	7.3%
EXPENDITURE	-6150.7	-5625.2	9.3%	-18663	-17255	8.2%
EBIDTA	1773.67	1222.1	45.1%	4233.97	3086.24	37.2%
EBIDTA (Excl O. Income)	1636.26	1114.8	46.8%	3827.86	2714.88	41.0%
Less: Depreciation	-170.32	-154.21	10.4%	-473.88	-435.66	8.8%
PBIT	1603.35	1067.89	50.1%	3760.09	2650.58	41.9%
Less: Interest Cost	-9.28	-4.95	87.5%	-29.58	-21.59	37.0%
PBT (Before Exceptional)	1594.07	1062.94	50.0%	3730.51	2628.99	41.9%
Exceptional						
PBT (Post Exceptional)	1594.07	1062.94	50.0%	3730.51	2628.99	41.9%
Tax	-562.3	-381.21	47.5%	-1316.6	-914.01	44.0%
PAT (Reported)	1031.77	681.73	51.3%	2413.91	1714.98	40.8%
PAT (Adjusted)	1031.77	681.73	51.3%	2413.91	1714.98	40.8%
Other Comprehensive Income	5.86	22.89		18.42	-124.33	
Total Comprehensive Income	1037.63	704.62		2432.33	1590.65	
Equity	642.64	642.64	0.0%	642.64	642.64	0.0%
FV	5	5		5	5	
EPS (On reported PAT)	8.03	5.30	51.3%	18.78	13.34	-35.1%
EPS (on adjusted PAT)	8.03	5.30	51.3%	18.78	13.34	16.1%
OPM	21.01%	16.5%		17.0%	13.6%	
NPM (Reported PAT)	13.0%	10.0%		10.5%	8.4%	
Tax Rate	-35.3%	-35.9%		-35.3%	-34.8%	
% of Total Operating Income						
Cost of Materials Consumed	-7.5%	-10.0%		-9.4%	-10.5%	
Purchase of Stock in Trade	-25.8%	-30.1%		-34.2%	-36.1%	
Changes in Inventories	-8.1%	-4.8%		-0.6%	0.7%	
RAW MATERIALS	-41.4%	-44.9%		-44.1%	-45.9%	
Employee Cost	-10.7%	-10.3%		-10.9%	-10.7%	
Rent	-12.5%	-13.3%		-12.6%	-13.7%	
Other Expenses	-14.4%	-14.9%		-15.3%	-16.1%	
EXPENDITURE	-79.0%	-83.5%		-83.0%	-86.4%	



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P&L (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E	Cash Flow St. (Rs. mn)	FY17	FY18	FY19E	FY20E	FY21E
Net Operating Income	24,742.6	26,341.7	29,821.2	33,928.4	38,253.5	Net Profit	1,589.5	2,205.1	3,152.5	3,767.6	4,546.0
						Add: Dep. & Amort.	650.4	604.5	674.0	773.7	873.4
						Cash profits	2,239.9	2,809.7	3,826.5	4,541.3	5,419.4
Raw Materials	(11,580.6)	(12,024.0)	(13,061.7)	(14,860.6)	(16,640.3)	(Inc)/Dec in					
Employee Cost	(2,731.9)	(2,956.1)	(3,310.8)	(13,160.9)	(14,608.0)	-Sundry debtors	15.9	(199.4)	76.5	(112.5)	(118.5)
Other Expenses	(7,644.3)	(7,848.0)	(8,500.4)	(28,021.5)	(31,248.3)	-Inventories	(284.4)	(513.8)	(927.0)	(1,181.5)	(1,244.2)
Total Expenses	(21,956.7)	(22,828.1)	(24,872.9)			-Loans/advances	(70.9)	(41.1)	(96.9)	(106.9)	(117.9)
						-Current Assets	95.4	(580.0)	(186.6)	(205.3)	(225.8)
Operating Profit	2,785.8	3,513.6	4,948.3	5,906.8	7,005.2	-Sundry creditors	809.2	711.1	(109.6)	788.6	780.1
Depreciation	(650.4)	(604.5)	(674.0)	(773.7)	(873.4)	-Others	57.6	(32.1)	69.1	74.8	81.1
PBIT	2,135.5	2,909.1	4,274.3	5,133.2	6,131.8	Change in working capital	622.8	(655.2)	(1,174.6)	(742.8)	(845.2)
Other income	460.2	503.3	472.9	532.1	695.2	CF from Oper. activities	2,862.7	2,154.5	2,651.9	3,798.5	4,574.1
Interest	(40.3)	(42.0)	(42.0)	(42.0)	(42.0)	CF from Inv. activities	(396.8)	(712.1)	(850.0)	(850.0)	(850.0)
Extraordinary Items	-	-	-	-	-	CF from Fin. activities	(670.2)	(750.8)	(618.9)	(773.7)	(928.4)
Profit before tax	2,555.3	3,370.4	4,705.3	5,623.3	6,785.1	Cash generated/(utilised)	1,795.6	691.6	1,183.0	2,174.8	2,795.7
Provision for tax	(749.1)	(1,165.3)	(1,552.7)	(1,855.7)	(2,239.1)	Cash at start of the year	3,424.7	5,220.3	5,911.9	7,094.9	9,269.7
Reported PAT	1,806.2	2,205.1	3,152.5	3,767.6	4,546.0	Cash at end of the year	5,220.3	5,911.9	7,094.9	9,269.7	12,065.4
Extraordinary Items	(216.7)	-	-	-	-						
Minority Interest	0.0	0.0	0.0	0.0	0.0	Ratios	FY17	FY18	FY19E	FY20E	FY21E
Adjusted PAT	1,729.6	2,205.1	3,152.5	3,767.6	4,546.0	OPM	11.3	13.3	16.6	17.4	18.3
						NPM	6.9	8.2	10.4	10.9	11.7
Balance Sheet	FY17	FY18	FY19E	FY20E	FY21E	Tax rate	(29.3)	(34.6)	(33.0)	(33.0)	(33.0)
Equity capital	642.6	642.6	642.6	642.6	642.6	Growth Ratios (%)					
Reserves	12,600.6	14,104.3	16,637.9	19,631.9	23,249.5	Net Sales	2.1	6.5	13.2	13.8	12.7
Net worth	13,243.2	14,746.9	17,280.5	20,274.5	23,892.1	Operating Profit	1.0	26.1	40.8	19.4	18.6
						PAT	18.3	27.5	43.0	19.5	20.7
Def. Tax Liab.+Minority Int.	-	-	-	-	-	Per Share (Rs.)					
Longterm Debt	-	-	-	-	-	Net Earnings (EPS) (FV 5)	13.5	17.2	24.5	29.3	35.4
Short Term Debt	-	-	-	-	-	Cash Earnings (CPS)	17.4	21.9	29.8	35.3	42.2
Total debt	-	-	-	-	-	Dividend	3.5	3.5	4.0	5.0	6.0
CAPITAL EMPLOYED	13,243.2	14,746.9	17,280.5	20,274.5	23,892.1	Book Value	103.0	114.7	134.5	157.8	185.9
						Free Cash Flow	20.1	9.6	13.4	22.3	28.4
Total fixed assets	2,977.9	3,085.4	3,261.5	3,337.8	3,314.4	Valuation Ratios					
Goodwill	-	-	-	-	-	P/E(x)	88.4	69.4	48.5	40.6	33.6
Investments	-	-	-	-	-	P/B(x)	11.5	10.4	8.9	7.5	6.4
Inventories	7,138.0	7,651.7	8,578.7	9,760.2	11,004.4	EV/EBIDTA(x)	53.0	41.8	29.5	24.3	20.1
Sundry debtors	694.1	893.5	817.0	929.5	1,048.0	Div. Yield(%)	0.3	0.3	0.3	0.4	0.5
Cash & bank	5,220.3	5,911.9	7,094.9	9,269.7	12,065.4	FCF Yield(%)	1.7	0.8	1.1	1.9	2.4
Loans & advances	909.2	950.3	1,047.2	1,154.1	1,272.0	Return Ratios (%)					
Other current assets	1,286.5	1,866.4	2,053.1	2,258.4	2,484.2	ROE	13.1	15.0	18.2	18.6	19.0
Sundry creditors	(5,124.2)	(5,835.3)	(5,725.7)	(6,514.2)	(7,294.4)	ROCE	16.1	19.7	24.7	25.3	25.7
O. Current Liabilities	(820.5)	(706.8)	(763.3)	(824.4)	(890.4)						
Provisions	(43.5)	(125.1)	(137.6)	(151.4)	(166.5)						
Working capital	9,259.9	10,606.6	12,964.2	15,881.9	19,522.8						
Deferred Tax Assets	1,005.4	1,054.8	1,054.8	1,054.8	1,054.8						
Miscellaneous exp.	-	-	-	-	-						
CAPITAL DEPLOYED	13,243.2	14,746.9	17,280.5	20,274.5	23,892.1						



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