



DALAL & BROACHA
STOCK BROKING PVT. LTD.

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Result Update@ Dalal & Broacha

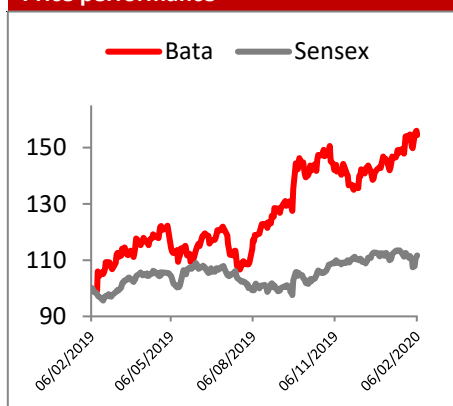
Buy on Dips

Current Price	1842
52 Week Range	1177/1897
Target Price	2090
Upside	13%

Key Share Data

Market Cap (Rs.bn)	236.74
Market Cap (US\$ mn)	3315.69
No of o/s shares (mn)	128.52
Face Value	5
Monthly Avg. vol(BSE+NSE) Nos'000	239.81
BSE Code	500043
NSE Code	BATAINDIA
Bloomberg	BATA IN

Price performance



% Shareholding

	Dec-19	Sep-19
Promoters	52.96	52.96
Institutions	32.46	32.95
Others	14.58	14.09
Total	100.0	100.0

PREMIUMIZATION STORY CONTINUES

Bata Standalone numbers for Q3FY20 Results (pre-IND AS116) was better than expectations. EBIDTA margins at record high at 21.34% with topline growth of 6.5%.

All numbers are PRE-IND AS 116

Revenue increased by 6.5% YoY to Rs 8294.44 mn. **Retail** growth stood at 4.5% in value terms and **wholesale** was 20%. The range of 18-20% growth in case of **Wholesale** has been maintained since few quarters.

SSS growth in Q3FY20 was a bit lower at 2% as compared to 5% to 6% in H1FY20, this should improve going forward.

EBIDTA for Q3FY20 increased by 8.2% YoY to Rs 1770.07mn. **EBIDTA margins** stood at 21.34% as against 21.01% YoY.

Premiumization has led to rise in **gross margins** by 210bps to 60.7%, **raw materials** to **revenue** stood at 39.3% as against 41.4% YoY.

As percentage to sales Rent stood at 11.8% as against 12.5% YoY and other expenses stood at 15.7% v/s 14.4% YoY.

Employee cost increased by 17.4% YoY to Rs 974.66mn.

Q3FY20 PBT increased by 11.4% YoY to Rs 1775.91mn.

Tax rate stood at 32.8% v/s 35.3% YoY (9MFY20 tax rate 32.3% v/s 35.3%) **Adopted new tax regime** which resulted in deferred tax adjustments, Effective **Tax rate** of 25.2% will start from FY21 onwards.

Q3FY20 PAT increased by 15.7% YoY to Rs 1193.66mn.

EPS for Q3FY20 stood at Rs 9.29 v/s Rs 8.03 / 9MFY20 Rs 22.83 v/s 18.78.

Other KTA's

-Rolled out Omni-channel Home delivery offering in more than 60% of its store which aided conversion.

-Small town presence expanded via Franchise and multi-brand outlet presence and started selling in chains like Central, Shoppers Stop and Lifestyle

- Experience centres rolled out which provide 360 degree foot scanning, customized insoles, medicated pedicure and shoe laundry

Valuations: @ Rs 1842, the stock trades at 52x FY21e EPS of Rs 35.2 and 44x FY22e EPS of Rs 41.8. The stock is already trading at 54x one year forward P/E. Bata is a cash-rich company with 48% of Network in Cash and Bank. ROE for FY19 stood at 19% and ROCE (excluding cash and bank) stood at 45.8%.

The recent results re-emphasized our belief that Premiumization (now approximately 50% is + Rs 1000 products) journey will continue going forward.

We roll over our estimates to FY22 earnings and value the company at 50x FY22e EPS of Rs 42 and arrive at a target price of Rs 2090 i.e. upside of 13%. We maintain Buy on Dips.

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	107.4	15.0	19.7
FY19	29,311.0	11.3	4,770.6	16.3%	3,289.9	49.2	25.6	72.0	18.9	23.7
FY20E	31,739.4	8.3	5,159.7	16.3%	3,493.7	6.2	27.2	67.8	17.6	22.6
FY21E	35,891.2	13.1	6,087.3	17.0%	4,528.5	29.6	35.2	52.3	19.4	22.9
FY22E	40,623.1	13.2	7,089.8	17.5%	5,372.5	18.6	41.8	44.1	19.5	22.7


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Particulars (Rs Mns)	Q3FY20 Pre IND			9MFY20	9MFY19	Growth
	AS	Q3FY19	Growth			
Net Sales	8296.44	7786.99	6.5%	24337.5	22490.5	8.2%
Other Operating Income				0	0	
Total Operating Income	8296.44	7786.99	6.5%	24337.5	22490.5	8.2%
Other Income	170.61	137.41	24.2%	517.36	406.11	27.4%
TOTAL INCOME	8467.05	7924.4	6.8%	24854.8	22896.7	8.6%
Cost of Materials Consumed	-493.31	-586.94	-16.0%	-1602	-2111	-24.1%
Purchase of Stock in Trade	-1735.2	-2007	-13.5%	-7861.1	-7684	2.3%
Changes in Inventories	-1035.6	-631.65	64.0%	-943.66	-133.72	605.7%
Employee Cost	-974.66	-830.55	17.4%	-2845.2	-2462	15.6%
Rent	-982.11	-970.1	1.2%	-2895.7	-2824.5	2.5%
Other Expenses	-1305.5	-1124.5	16.1%	-3859.1	-3447.4	11.9%
EXPENDITURE	-6526.4	-6150.7	6.1%	-20007	-18663	8.2%
EBIDTA	1940.68	1773.67	9.4%	4848.07	4233.97	14.5%
EBIDTA (Excl O. Income)	1770.07	1636.26	8.2%	4330.71	3827.86	13.1%
Less: Depreciation	-159.83	-170.32	-6.2%	-493.92	-473.88	4.2%
PBIT	1780.85	1603.35	11.1%	4354.15	3760.09	15.8%
Less: Interest Cost	-4.94	-9.28	-46.8%	-21.46	-29.58	-27.5%
PBT (Before Exceptional)	1775.91	1594.07	11.4%	4332.69	3730.51	16.1%
Exceptional						
PBT (Post Exceptional)	1775.91	1594.07	11.4%	4332.69	3730.51	41.9%
Tax	-582.25	-562.3	3.5%	-1398	-1316.6	44.0%
PAT (Reported)	1193.66	1031.77	15.7%	2934.73	2413.91	40.8%
PAT (Adjusted)	1193.66	1031.77	15.7%	2934.73	2413.91	40.8%
Equity	642.64	642.64	0.0%	642.64	642.64	0.0%
FV	5	5		5	5	
EPS (On reported PAT)	9.29	8.03	15.7%	22.83	18.78	-35.1%
EPS (on adjusted PAT)	9.29	8.03	15.7%	22.83	18.78	16.1%
OPM	21.34%	21.01%		17.8%	17.0%	
NPM (Reported PAT)	14.1%	13.0%		11.8%	10.5%	
Tax Rate	-32.8%	-35.3%		-32.3%	-35.3%	
% of Total Operating Income						
Cost of Materials Consumed	-5.9%	-7.5%		-6.6%	-9.4%	
Purchase of Stock in Trade	-20.9%	-25.8%		-32.3%	-34.2%	
Changes in Inventories	-12.5%	-8.1%		-3.9%	-0.6%	
RAW MATERIALS	-39.3%	-41.4%		-42.8%	-44.1%	
Employee Cost	-11.7%	-10.7%		-11.7%	-10.9%	
Rent	-11.8%	-12.5%		-11.9%	-12.6%	
Other Expenses	-15.7%	-14.4%		-15.9%	-15.3%	
EXPENDITURE	-78.7%	-79.0%		-82.2%	-83.0%	

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Bata India Ltd											
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	31,739.4	35,891.2	40,623.1	Net Profit	2,205.1	3,289.9	3,493.7	4,528.5	5,372.5
						Add: Dep. & Amort.	604.5	640.5	658.7	744.2	829.8
						Cash profits	2,809.7	3,930.4	4,152.4	5,272.8	6,202.3
Raw Materials	(12,024.0)	(12,871.1)	(13,584.5)	(15,433.2)	(17,468.0)	(Inc)/Dec in					
Employee Cost	(2,956.1)	(3,310.8)	(12,995.2)	(14,370.7)	(16,065.4)	-Sundry debtors	(199.4)	230.0	(206.1)	(113.7)	(129.6)
Other Expenses	(7,848.0)	(8,358.5)	(26,579.6)	(29,803.9)	(33,533.3)	-Inventories	(513.8)	(742.0)	(649.9)	(1,183.0)	(1,348.3)
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	5,159.7	6,087.3	7,089.8	-Sundry creditors	711.1	324.9	(130.9)	820.5	903.1
Depreciation	(604.5)	(640.5)	(658.7)	(744.2)	(829.8)	-Others	(32.1)	330.3	(298.0)	72.0	78.1
PBIT	2,909.1	4,130.1	4,501.1	5,343.1	6,260.0	Change in working capital	(655.2)	115.5	(1,395.5)	(701.8)	(824.5)
Other income	503.3	682.2	672.2	744.2	955.1	CF from Oper. activities	2,154.5	4,045.9	2,756.9	4,571.0	5,377.8
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	5,137.9	6,051.8	7,179.6	Cash generated/(utilised)	691.6	2,491.2	898.9	2,636.4	3,365.8
Provision for tax	(1,165.3)	(1,486.9)	(1,644.1)	(1,523.2)	(1,807.1)	Cash at start of the year	5,220.3	5,911.9	8,403.1	9,302.0	11,938.4
Reported PAT	2,205.1	3,289.9	3,493.7	4,528.5	5,372.5	Cash at end of the year	5,911.9	8,403.1	9,302.0	11,938.4	15,304.2
Extraordinary Items	-	-	-	-	-						
Minority Interest	0.0	0.0	0.0	0.0	0.0						
Adjusted PAT	2,205.1	3,289.9	3,493.7	4,528.5	5,372.5						
Balance Sheet	FY18	FY19	FY20E	FY21E	FY22E	Ratios	FY18	FY19	FY20E	FY21E	FY22E
Equity capital	642.6	642.6	642.6	642.6	642.6	OPM	13.3	16.3	16.3	17.0	17.5
Reserves	14,104.3	16,775.8	19,262.4	22,706.4	26,916.9	NPM	8.2	11.0	10.8	12.4	12.9
Net worth	14,746.9	17,418.4	19,905.0	23,349.0	27,559.5	Tax rate	(34.6)	(31.1)	(32.0)	(25.2)	(25.2)
Def. Tax Liab.+Minority Int.	-	-	-	-	-	Growth Ratios (%)					
Longterm Debt	-	-	-	-	-	Net Sales	6.5	11.3	8.3	13.1	13.2
Short Term Debt	-	-	-	-	-	Operating Profit	26.1	35.8	8.2	18.0	16.5
Total debt	-	-	-	-	-	PAT	27.5	49.2	6.2	29.6	18.6
CAPITAL EMPLOYED	14,746.9	17,418.4	19,905.0	23,349.0	27,559.5	Per Share (Rs.)					
Total fixed assets	3,085.4	3,337.6	3,529.8	3,635.5	3,655.7	Net Earnings (EPS) (FV 5)	17.2	25.6	27.2	35.2	41.8
Goodwill	-	-	-	-	-	Cash Earnings (CPS)	21.9	30.6	32.3	41.0	48.3
Investments	-	-	-	-	-	Dividend	3.5	4.0	6.5	7.0	7.5
Inventories	7,651.7	8,393.7	9,043.5	10,226.5	11,574.8	Book Value	114.7	135.5	154.9	181.7	214.4
Sundry debtors	893.5	663.5	869.6	983.3	1,113.0	Free Cash Flow	9.6	24.2	13.8	27.9	34.2
Cash & bank	5,911.9	8,403.1	9,302.0	11,938.4	15,304.2	Valuation Ratios					
Loans & advances	950.3	1,054.9	1,143.5	1,259.9	1,388.4	P/E(x)	107.4	72.0	67.8	52.3	44.1
Other current assets	1,866.4	1,789.6	1,811.6	1,992.8	2,192.1	P/B(x)	16.1	13.6	11.9	10.1	8.6
Sundry creditors	(5,835.3)	(6,160.2)	(6,029.3)	(6,849.8)	(7,752.9)	EV/EBIDTA(x)	65.7	47.9	44.1	36.9	31.2
O. Current Liabilities	(706.8)	(982.8)	(720.6)	(778.2)	(840.5)	Div. Yield(%)	0.2	0.2	0.4	0.4	0.4
Provisions	(125.1)	(179.4)	(143.6)	(158.0)	(173.8)	FCF Yield(%)	0.5	1.3	0.7	1.5	1.9
Working capital	10,606.6	12,982.3	15,276.8	18,615.0	22,805.3	Return Ratios (%)					
Deferred Tax Assets	1,054.8	1,098.5	1,098.5	1,098.5	1,098.5	ROE	15.0	18.9	17.6	19.4	19.5
Miscellaneous exp.	-	-	-	-	-	ROCE	19.7	23.7	22.6	22.9	22.7
CAPITAL DEPLOYED	14,746.9	17,418.4	19,905.0	23,349.0	27,559.5	ROCE (Excluding Cash & Bank)	32.9	45.8	42.5	46.8	51.1

(All NO.s Pre-IND AS 116)

Note: FY15 is 15 months since company has changed year ending to March from December.

Stock Split from Rs 10 to Rs 5/-



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