



Bata India Ltd. (BIL)

- Bata, the largest footwear retailer & leader in footwear industry (enjoying 35% market share) in India, posted impressive performance for Q1 CY 2009 as its strategy of opening large format stores has been successful. It has also focused on providing customers with new trendy collection and better shoe designs. Besides, value pricing, coupled with improved customer service, has helped it grow.
- Net Sales grew @ 6.5% to Rs. 233.03 crore (Rs. 218.2 crore). OPM% improved noticeably to 9.68% (8.27%). Further aided by almost doubled other (operating + other) income of Rs. 1.9 crore (Rs. 96 lakh), PBT (before extra ordinary items) soared up by 34% to Rs. 17.8 crore (Rs. 13.3 crore). However, higher VRS amortisation of Rs. 1.56 crore (just Rs. 15 lakh) and substantial higher average tax rate of 34.5% (11.3%) reversed the picture and PAT dropped by 6.4% to Rs. 10.33 crore.
- BIL, 51% subsidiary of Bata Shoes Organization (BSO), is the largest company for BSO in terms of sales pairs and second largest in terms of revenues. Bata sells wide range of footwear in canvas, rubber, leather and plastic catering to masses. Company has licensed brands (Hush Puppies and Dr Scholl, licensed respectively from Wolverine Worldwide and Dr Scholl's) besides those of its parent (such as Power, Marie Claire and Bubble gummers).
- With rise in disposable income and exposure to international fashion trends, demand for footwear in country, particularly ladies footwear is growing. Consumers today are in lookout for footwear and accessories that are high on fashion aspect, without compromising on quality. Upwardly mobile youth are spending more on shoes and thrust is on variety & international trends. Professional women are increasingly spending more on footwear and hence company is focusing on offering fashionable footwear to women at all price points. Towards this end, BIL introduces new collections on regular basis.
- Company is on high growth trajectory having implemented several forward looking initiatives like
 - ✈ **Aggressive retail expansion mainly in Tier I and II cities with investments in large format stores** :- Bata has opened 32 new retail stores and renovated three existing stores during Q1 CY 2009. It plans to open 240 stores @ investment of Rs 400 crore over 3 years.
 - ✈ Having firmly established itself as a footwear retailer with a sizeable market share, company has moved on to **designing footwear for institutions** (Defence, para-military, airlines, hospitals, etc.), **wholesale trade of footwear** and, recently, **protective industrial shoes** (for mining, construction). In largely unorganised fragmented market, Bata has sizeable brand advantage and presence across a range of price points.
 - ✈ **Trendy collections with more emphasis on high margin products.** Company is to launch a clothing collection by end of 2009 focusing on Bata branded belts and bags.
- Besides operational drivers, one more driver is BIL's 50: 50 joint venture with Calcutta Metropolitan Group to develop 262 acres land in Batanagar into world class integrated township. Development of this land has been split into 2 parts – IT SEZ of 25 acres will be developed by Riverbank Holding Pvt. Ltd and remaining 237 acres will be developed by Riverbank Developers Pvt. Ltd. Project also involves creation of entertainment & shopping zone and a golf course along with redevelopment of river bank. Construction of project has already commenced. **With development of surplus land, company will get substantial funds to expand the business.**

- At CMP of Rs. 116.25, the share (Rs. 10/- paid up) is trading at 11.9 times CY 2009 EPS of Rs. 9.8. Company is expected to grow PBT (before extra ordinary item) at >20% in CY 2009, however impact on bottomline may not be visible as now company has to provide @ nominal tax rate as against MAT earlier owing to unabsorbed past losses. In view of decent growth prospects, we recommend to **"BUY from long term perspective"**.

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