

**EQUITY RESEARCH**

Foot Wear

**CMP: Rs.183.00**  
**(As on 03-12- 2009)****03-12-2009****INDIA****Market Cap**  
**Rs.11759.58 mn****BUY****Target Price: Rs.208.00****Bata****Bata India Ltd (BATA)**

- Bata India manufactures different types of footwear including rubber/canvas footwear, leather footwear and plastic footwear. Bata also markets apparel under the brand names of `North Star`, `Power` and `Ambassador`.
- Bata India retails through over 1,200 stores and over 20,000 independent shoe dealers in over 400 cities pan-India.
- The company has targeted to grow to over Rs.10,000 cr. by 2012.
- Bata India, the leading footwear retailer in the country was awarded the Images award for the Most Admired Retailer of the Year – Fashion & Lifestyle.
- Net sales and PAT of the company are expected to grow at a CAGR of 12% and 14% over 2007 to 2010E respectively.

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Key					Key Data	
Financials	CY07	CY08	CY09E	CY10E		
Net Sales					Face Value	Rs.10.00
(Rs.mn)	8674.8	9874.3	10952.3	12266.5	Shares	64.26
EBIDTA					Outstanding	(Millions)
(Rs.mn)	779.3	973.4	1196.6	1418.0	Exchange	BSE
Margin %	9	10	11	12	52 wk. High/Low(Rs.)	208.90/76.50
PAT					2 wk avg. volume	46450
(Rs.mn)	510.9	607.3	327.6	759.8	BSE Code	500043
Margin %	6	6	6	6		



## Peer Group comparison

Name of the Company	52week High/Low(Rs)	C.M.P(Rs)	EPS(Rs)	P/E(x)
Bata India Ltd	208.90/76.50	183.00	9.45	19.36
Mirza International Ltd	22.65/6.62	14.90	3.04	7.31
Liberty Shoes Ltd	113.70/35.00	97.00	5.37	17.98
Crew BOS Products	50.00/16.10	41.55	8.01	5.19

## Company Updates

### + Q3 CY09 Results Update

Bata India reported a small rise in standalone net profit for the quarter ended September 2009. During the quarter, the profit of the company rose 6% to Rs 131.47 million from Rs 124.02 million in the same quarter previous year. Net sales for the quarter for the quarter rose 16% to Rs 2,606.77 million, while total income for the quarter rose 15% to Rs 2,620.02 million, when compared with the prior year period. It reported earnings of Rs 2.05 a share during the quarter, registering 6% growth over previous year period.

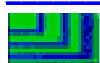
Quarterly Results - standalone (Rs in mn)			
As At	Sept-09	Sept-08	%change
Net sales	2606.77	2252.65	16
Net profit	131.47	124.02	6
Basic EPS	2.05	1.93	6

### + Expansion plans

Footwear major BATA plans to open 60 stores every year to reach out to customers across India. These stores will operate in a four-tiered retail format under a new retail model-up-market flagship stores, smart and trendy city stores and super-stores and traditional family stores. Bata India retails through over 1,200 stores and over 20,000 independent shoe dealers in over 400 cities pan-India.

### + Bata India May Sell Stake In Batanagar Township

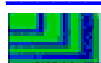
Bata India Ltd may look to selling its stake in Batanagar Township. The stake is valued at Rs. 80 million – Rs. 90 million/acre. Total deal size is expected to be above Rs.10 billion. The company currently holds 50% stake in the 237 acre township.



## Financials Results

### 12 Month Ended Profit& Loss Accounts (Standalone):

Value(Rs.in.mn)	CY07	CY08	CY09E	CY10E
Description	12m	12m	12m	12m
<b>Net sales</b>	<b>8674.80</b>	<b>9874.35</b>	<b>10952.31</b>	<b>12266.59</b>
other income	130.20	107.13	62.49	68.74
Total income	8805.00	9981.48	11014.80	12335.33
Expenditure	-8025.70	-9007.99	-9818.15	-10917.27
<b>Operating profit</b>	<b>779.30</b>	<b>973.49</b>	<b>1196.65</b>	<b>1418.06</b>
Interest	-67.70	-65.08	-39.94	-41.94
Gross profit	711.60	908.41	1156.71	1376.13
Depreciation	-160.10	-190.01	-249.85	-274.84
Profit Before Tax	551.50	718.40	906.86	1101.29
Tax	-40.60	-111.03	-279.23	-341.40
<b>Profit After Tax</b>	<b>510.90</b>	<b>607.37</b>	<b>627.63</b>	<b>759.89</b>
Equity capital	642.60	642.60	642.60	642.60
Reserves	1472.30	1891.72	2519.35	3279.24
Face value (Rs.)	10.00	10.00	10.00	10.00
<b>EPS</b>	<b>7.95</b>	<b>9.45</b>	<b>9.77</b>	<b>11.83</b>

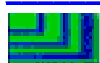


**Quarterly Ended Profit & Loss Account (Standalone):**

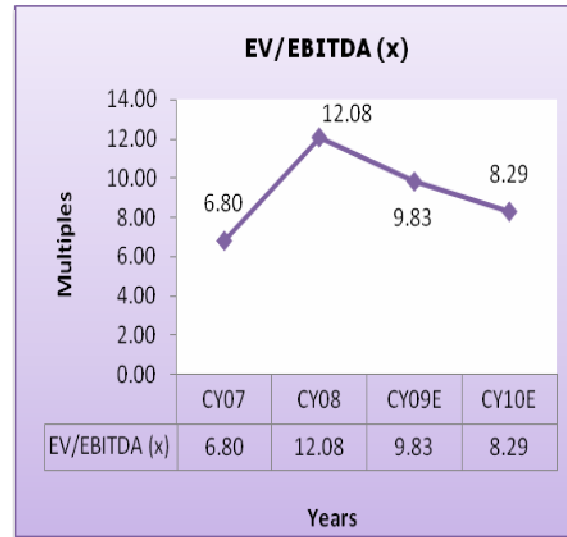
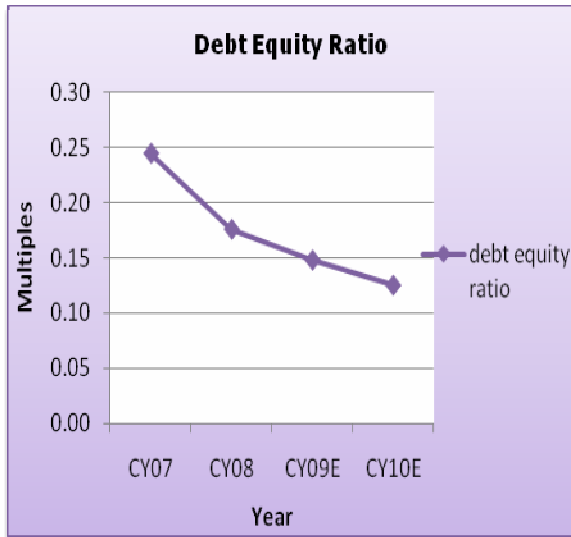
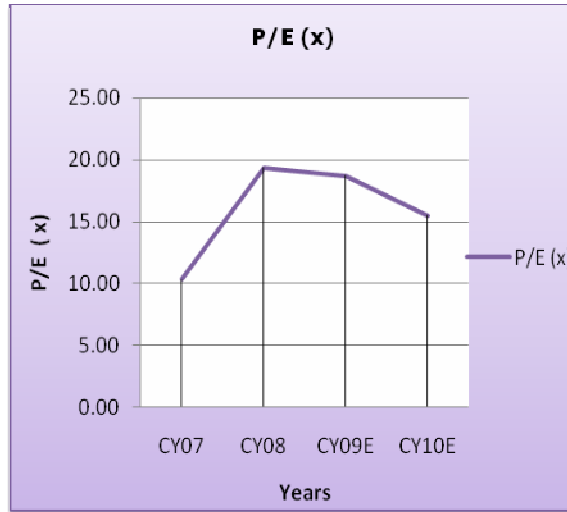
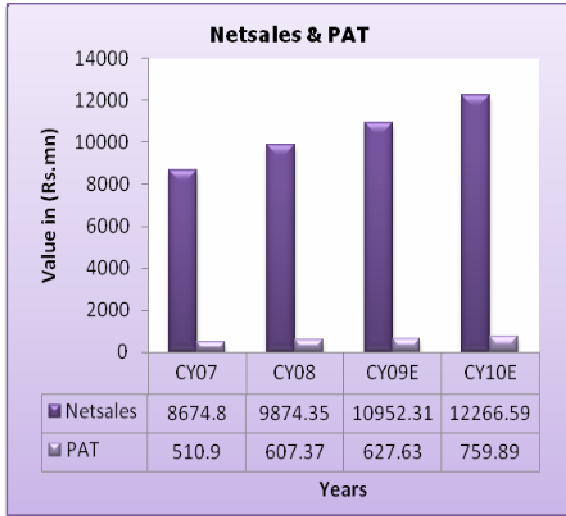
Value(Rs.in.mn)	31-Mar-09	30-Jun-09	30-Sep-09	31-Dec-09E
Description	3m	3m	3m	3m
<b>Net sales</b>	<b>2336.00</b>	<b>3089.96</b>	<b>2606.77</b>	<b>2919.58</b>
Other income	13.08	20.26	13.25	15.90
Total Income	2349.08	3110.22	2620.02	2935.48
Expenditure	-2120.54	-2762.07	-2366.31	-2569.23
<b>Operating profit</b>	<b>228.54</b>	<b>348.15</b>	<b>253.71</b>	<b>366.25</b>
Interest	-12.85	-10.67	-8.01	-8.41
Gross profit	215.69	337.48	245.70	357.84
Depreciation	-53.34	-65.64	-63.84	-67.03
Profit Before Tax	162.35	271.84	181.86	290.81
Tax	-59.05	-88.36	-50.39	-81.43
<b>Profit After Tax</b>	<b>103.30</b>	<b>183.48</b>	<b>131.47</b>	<b>209.38</b>
Equity capital	642.60	642.60	642.40	642.40
Face value (Rs.)	10.00	10.00	10.00	10.00
<b>EPS</b>	<b>1.61</b>	<b>2.86</b>	<b>2.05</b>	<b>3.26</b>

**Key Ratios:**

Particulars	CY07	CY08	CY09E	CY10E
No. of Shares(In Million)	64.26	64.26	64.26	64.26
EBITDA Margin (%)	9%	10%	11%	12%
PBT Margin (%)	6%	7%	8%	9%
PAT Margin (%)	6%	6%	6%	6%
P/E Ratio (x)	10.38	19.36	18.74	15.48
ROE (%)	24%	24%	20%	19%
ROCE (%)	36%	39%	40%	38%
EV/EBITDA (x)	6.8	12.08	9.83	8.29
Debt equity ratio	0.24	0.18	0.15	0.13
Book Value (Rs.)	32.91	39.44	49.21	61.03
P/BV	2.51	4.64	3.72	3.0



**Charts:**



## Valuation:

- ✚ At the current market price of Rs.183.00, the stock is trading at 18.74 x CY09E and 15.48 x CY10E respectively.
- ✚ Price to Book Value of the stock is expected to be at 3.72 x and 3.00 x respectively for CY09E and CY10E.
- ✚ Earning per share (EPS) of the company for the earnings for CY09E and CY10E is seen at Rs.9.77 and Rs.11.83 respectively.
- ✚ Company has targeted to grow to over Rs.10,000 cr. by 2012.
- ✚ The company having very low debt as compare with its peer group companies.
- ✚ Net Sales and PAT of the company are expected to grow at a CAGR of 12% and 14% over 2007 to 2010E respectively.
- ✚ On the basis of EV/EBITDA, the stock trades at 9.83 x for CY09E and 8.29 x for CY10E.
- ✚ We expect that the company will keep its growth story in the coming quarters also. We recommend 'BUY' in this particular scrip with a target price of Rs.208.00 for Medium to Long term investment.

## Industry Overview

### Footwear Industry

The Footwear Industry is a significant segment of the Leather Industry in India. India ranks second among the footwear producing countries next to China. The industry is labour intensive and is concentrated in the small and cottage industry sectors. While leather shoes and uppers are concentrated in large scale units, the sandals and chappals are produced in the household and cottage sector. India produces more of gents. Footwear while the world's major production is in ladies footwear. In the case of chappals and sandals, use of non-leather material is prevalent in the domestic market. The major production centers India are Chennai, Ranipet, and Ambur in Tamil Nadu, Mumbai in Maharashtra, Kanpur, Jalandhar, Agra and Delhi.

According to industry reports, the Indian footwear industry was said to be worth \$1.48 billion in 2008. The country produces over two billion pairs of different categories of footwear and nearly 95 percent of its production goes to meet its own domestic demand. The export is targeted to reach \$3.43 billion in 2008-09, and is expected to reach \$4.53 billion by 2010-11. India exports footwear to around 30 countries.



## **Retail Industry**

Retail Sector is the most booming sector in the Indian economy. Some of the biggest players of the world are going to enter the industry soon. It is on the threshold of bringing the next big revolution after the IT sector. The sector contributes 10% of the GDP, and is estimated to show 20% annual growth rate by the end of the decade as against the current growth rate of 8.5%.

Led by the rising purchasing power, changing consumption patterns, increased access to information and communication technology and improving infrastructure, the rural retail market is estimated to cross US\$ 45.32 billion mark by 2010 and US\$ 60.43 billion by 2015. As per the National Council of Applied Economic Research (NCAER) reports, there are 720 million consumers across 6, 27,000 villages in rural India. India's rural markets offer a sea of opportunity for the retail sector. The urban-retail split in consumer spending stands at 9:11, with rural India accounting for 55 per cent of private retail consumption. Rural India accounted for almost half of the Indian retail market, which was worth about US\$ 273.64 billion in September 2008. With most of the retail markets getting saturated in tier-I and tier-II cities, the next phase of growth is likely to be seen in the rural markets.

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