

# Bata India Ltd

Bloomberg Code: BATA IN

India Research - Stock Broking

**BUY**

## Oldest and Largest Shoe Retailer in India with Household Brand: Volume Growth Potential & Rapid Channel Expansion to Drive Top Line

*Bata is all set to capture the Indian markets with its diverse, large and durable merchandise range catering to every individual. Having a capacity of over 1400 stores pan India, Bata is still looking to expand further with a plan to launch over 100 stores in the coming years with a keen attention to the Tier 3 and Tier 4 markets which can facilitate huge volume growth.*

### Carving a niche as a youth brand with a focus on expanding sub-brand EBOs:

Bata is the oldest footwear brand in the country. Bata has been keen on projecting itself as a youth brand through few brands under its 20 brand portfolio. Hush Puppies, Power have been introduced as Exclusive Brand Outlets (EBOs). These brands have been pitched against international brands having presence in India.

**Emphasis on e-Commerce & Digital Multi-channel businesses:** Bata has presence in all the major e-commerce websites. The company is planning to launch exclusive product lines which will be made available only on on-line platform. This initiative will help in controlling the prices better and regulating the same across the business partners and grow further. It has rolled out a digital app on android and iOS platforms.

**Rising disposable income in middle class and women:** The Indian urban middle class has emerged as an important segment; and changing lifestyles pattern among women is anticipated to intensify the opportunities for footwear players in the Indian market, which are responsible for the revenue contribution to Bata.

## Valuation and Outlook

Bata has strong financials with healthy cash flow, strong dividend payout ratios and return ratios which make its valuation attractive. Being a market leader, having rapid growth attempts in the Tier 3 & Tier 4 markets tapping volume growth potential, along with physical and online store expansion, serving all classes of people will contribute to the major growth of the company's revenue. Currently, the stock is trading at 3.4x FY15 BV, 3.3x FY16E BV and 2.9x FY17E BV. We value the stock for a target price of Rs.700 per share, representing an upside of 21% for a period of 9-12 months.

## Key Risks

1) Business risk viz. contingent liability from litigations. 2) Increase in rubber and leather prices. 3) Existing players and new entrants.

### Exhibit 1: Valuation Summary

(Rs. Mn)	CY13	FY15 <sup>#</sup>	FY16E	FY17E	FY18E
Net Sales	20652	26940	24277	26705	28842
EBITDA	3220	3350	3375	3674	4284
EBITDA Margin (%)	15.6	12.4	13.9	13.8	14.9
Net Profit**	1909	2313	2444	2199	2462
EPS (Rs.)	14.8	18.0	19.0	17.1	19.2
RoE (%)	24.8	24.9	22.8	18.2	17.6
PE (x)	24.1	30.3	30.4	33.8	30.1

Source: Company, Karvy Research, \*Represents multiples for CY13, FY15 & FY16 are based on historic market price, # 15 month period, due to change in financial year ending from Dec to Mar, \*\* Note: Net Profit after Exceptional Item

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### Recommendation (Rs.)

CMP (as on May 10, 2016)	577
Target Price	700
Upside (%)	21

### Stock Information

Mkt Cap (Rs.mn/US\$ mn)	74218 / 1113
52-wk High/Low (Rs.)	622 / 438
3M Avg. daily volume (mn)	0.5
Beta (x)	1.1
Sensex/Nifty	25772 / 7888
O/S Shares(mn)	129
Face Value (Rs.)	5.0

### Shareholding Pattern (%)

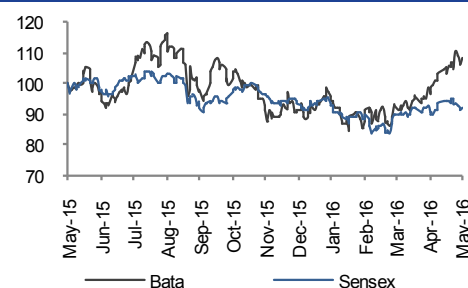
Promoters	53.0
FII's	11.0
DII's	13.3
Others	22.8

### Stock Performance (%)

	1M	3M	6M	12M
Absolute	9	19	23	10
Relative to Sensex	5	9	23	16

Source: Bloomberg

### Relative Performance\*



Source: Bloomberg; \*Index 100

### Analyst Contact

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**Company Financial Snapshot (Y/E Mar)**
**Profit & Loss (Rs. Mn)**

	FY16E	FY17E	FY18E
Net sales	24277	26705	28842
Optg. Exp	20903	23031	24557
EBITDA	3375	3674	4284
Depreciation	741	798	1064
Interest	19	56	60
Other Income	287	462	515
PBT*	3648	3282	3675
Tax	1204	1083	1213
Adj. PAT*	2444	2199	2462

**Profit & Loss Ratios**

EBITDA margin (%)	13.9	13.8	14.9
Net margin (%)	10.1	8.2	8.5
P/E (x)	30.4	33.8	30.1
EV/EBITDA (x)	10.8	10.1	8.6
Dividend yield (%)	1.1	1.1	1.1

Source: Company, Karvy Research, \* Includes exceptional income

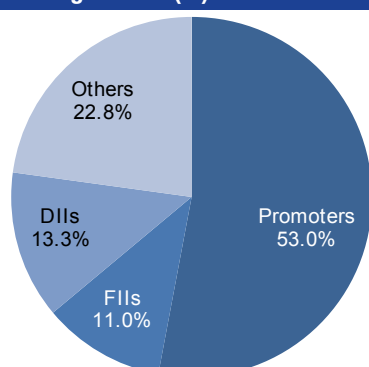
**Balance sheet (Rs. Mn)**

	FY16E	FY17E	FY18E
<b>Total Assets</b>	<b>16084</b>	<b>18515</b>	<b>20433</b>
Net Fixed assets	3159	5111	5666
Current assets	10150	10564	11686
Other assets	2776	2840	3081
<b>Total Liabilities</b>	<b>16084</b>	<b>18515</b>	<b>20433</b>
Networth	11212	12926	15041
Debt	0	0	0
Current Liabilities	4013	4578	4810

**Balance Sheet Ratios**

RoE (%)	22.8	18.2	17.6
RoCE (%)	24.2	24.0	23.9
Debt/Equity	0.0	0.0	0.0
Equity/Total Assets	0.7	0.7	0.7
P/BV (x)	3.3	2.9	2.5

Source: Company, Karvy Research

**Exhibit 2: Shareholding Pattern (%)**


Source: BSE, Karvy Research

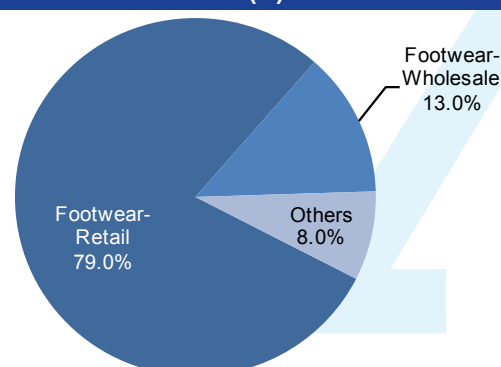
**Company Background**

Bata India Ltd (Bata) is the oldest, largest as well as one of the fastest growing shoe retailers in India. Founded in 1894, the Bata Shoe Organization is a footwear and fashion accessory manufacturer and retailer for men, women and children. Today, it has a presence in 70 countries over five continents. It was incorporated as Bata Shoe Company Pvt Ltd initially at Konnagar (near Kolkata) in 1932 and then changed to Bata India Ltd in 1973 when it went public. Its product portfolio includes leather, rubber, canvas and PVC shoes. The company serves more than 1,50,000 customers daily in its over 1400 stores. The company has five manufacturing facilities in Bihar, Haryana, Karnataka, West Bengal and Tamil Nadu. Bata currently has about 5,000 people on payroll. Over the years, the company has collaborated with various brands. Bata India is continuously increasing its focus on tier III and tier IV cities where the potential for growth is significant. Apart from the footwear business, the company is also involved in surplus property development.

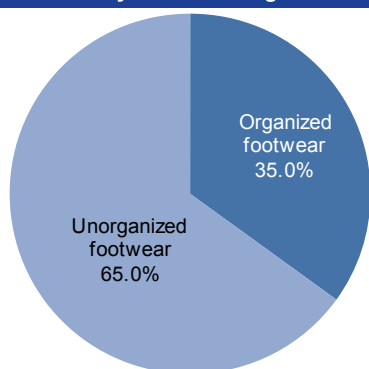
**Cash Flow (Rs. Mn)**

	FY16E	FY17E	FY18E
PBT*	3648	3282	3675
Depreciation	741	798	1064
Interest (net)	(115)	(185)	(206)
Tax	(1204)	(1083)	(1213)
Changes in WC	(1149)	(793)	(648)
Others	297	297	297
<b>CF from Operations</b>	<b>2219</b>	<b>2316</b>	<b>2970</b>
Capex	(1535)	(1715)	(1635)
Investment	65	(373)	(400)
<b>CF from Investing</b>	<b>(1470)</b>	<b>(2088)</b>	<b>(2035)</b>
Change in Debt	0	0	0
Dividends & others	(623)	(742)	(860)
<b>CF from Financing</b>	<b>(623)</b>	<b>(742)</b>	<b>(860)</b>
Change in Cash	125	(515)	74

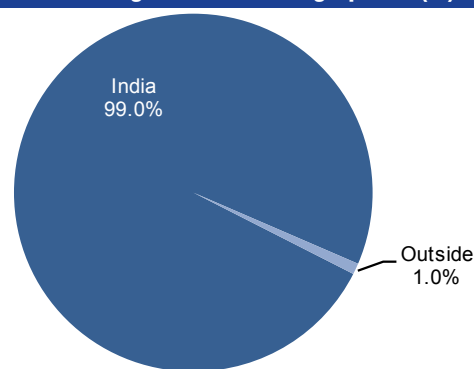
Source: Company, Karvy Research, \* Includes exceptional income

**Exhibit 3: Channel-Wise Revenue Mix (%)**


Source: Company, Karvy Research

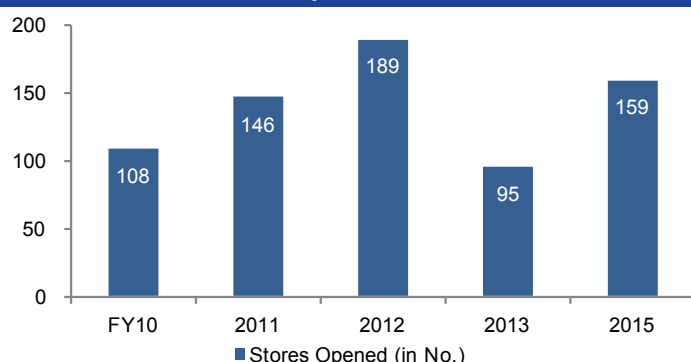
**Exhibit 4: Footwear Industry: Revenue Segmentation (%)**


Source: Company Annual Report, Karvy Research

**Exhibit 5: Bata Revenue Segmentation - Geographical (%)**


Source: Company, Karvy Research

## Volume Growth Potential & Channel Expansion

**Exhibit 6: Number of Stores Opened**


Source: Company, Karvy Research

Bata, being an organized player, is going all out and tapping the potential revenues from the Tier 3 and 4 cities where other organized players are yet to reach out. As far as peers go, only Bata comes in competition as far as these markets are concerned. The company has developed a completely new line of merchandise to tap the unorganized footwear market, which accounts for ~60-65 % of the total market. The Indian footwear industry is highly fragmented with almost 15000 small and medium enterprises operating largely in the unorganized segment; and limited presence of organized segment. The company has plans to open new stores in addition to over 1400 stores that are currently operating in

India and is planning to open over 100 stores in the coming fiscal with a specialized focus on rural markets. The Indian footwear industry is approximately US\$35 Bn size and the share of Bata is approximately two-thirds. Low per capita consumption of 2-3 pairs per annum in India compared to the global average of 5-6 pairs, along with the consideration of 1.3 Bn population of India also further substantiates the expectation of volume growth potential.

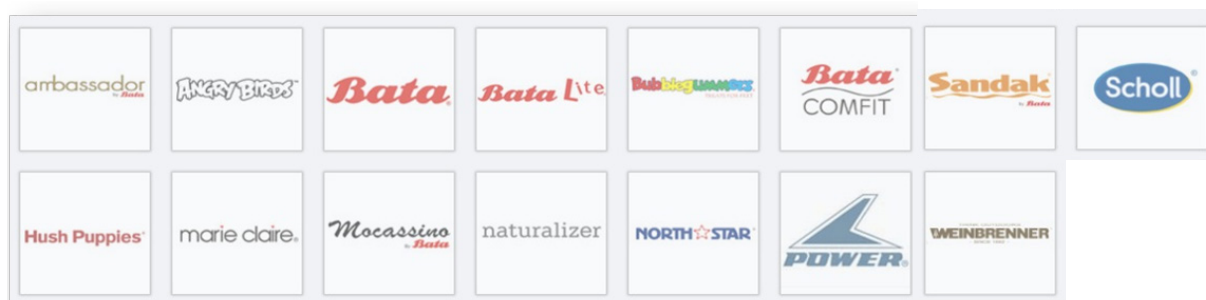
## Carving A Niche As A Youth Brand With A Focus On Expanding Sub-Brand EBOs

Bata is the oldest footwear brand in the country, but despite being so, it was a victim of a perception drag that it is only a brand for the elderly. But introduction of stylish, young brands such as Hush Puppies, Weinbrenner, Northstar, Power, Mocassino and Bubble gummers changed the perception and the company has been successful in attracting the youth over the few past years. The perception of Bata as a mass market brand has been altered to a great extent. The company has also launched BATA CLUB in Metro cities and there are 2.7+ Mn members having presence in 16 cities and over 600 stores to maintain and grow the current level of revenue from the metros. Bata has about 20 brands in its portfolio viz. Bata, Ambassador, Angry Birds, Bata Industrials, Bata Lite, Bata Comfit, Baby Bubbles, Bubble gummers, Marie Claire, Hush Puppies, Mocassino, Naturalizer, North Star, Power, Sandak, Scholl, Weinbrenner, Sparx, Sundrops, Sun Shine etc. The target segment for the company is men, women and children. Of this brand portfolio, Hush Puppies and Power have been the most prominent ones.

**Hush Puppies** has recently completed 20 years in India and has over 90 EBOs pan India apart from shop-in-shops of Bata since first rolled out in 2007. It currently plans to add 30 more stores to the same. The current contribution to the Bata top-line is 15%.

**Power:** Taking cues from the success of Hush Puppies, the company has also focused on the sports segment. The company has pitched the brand against the leading sports footwear brands like Adidas, Nike, Reebok and has priced it 30-40% lower than those global brands. It also competes strongly with the regional brands like Action and Liberty which have already established themselves nationally. It will primarily cater to the middle income segment. The objective is to position Power as the best mid-segment running brand of the country. Following the likes of Nike and Adidas, Power stores will be one-stop shops selling garments and sports accessories along with handbags and ballerinas, catering exhaustively to the customers shopping needs.

The brand has 50 SKUs and Bata aims to open 20 EBOs, average size of each would be ~1000 sqft. It contributes a little less than 10% of the Bata's turnover. The growing consciousness of health and fitness, boosts the demand of athletic footwear.

**Exhibit 7: Brands under Bata**


Source: Company, Karvy Research

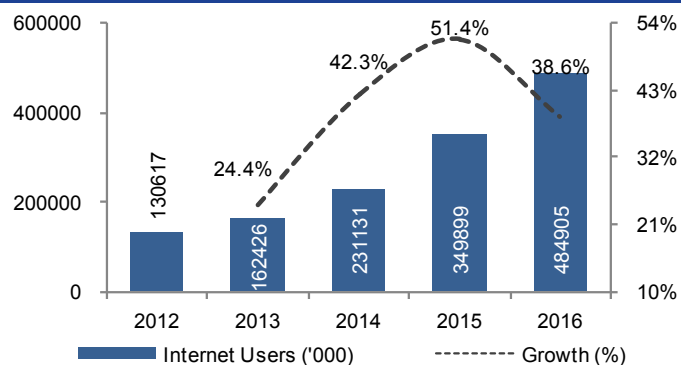
**Exhibit 8: Brand Portfolio**

Brand	Description
AMBASSADOR	Classic Men's Shoes and Wallets. Handcrafted and premium high quality leather
BATA	Shoes and Chappals for Men, Women And Children
BATA PATAPATA	Urban and outdoor Floaters, Slippers and Flip-flops for Casual use for Men
BATA LITE	Floaters, Slippers and Flip flops for Casual
BUBBLE GUMMERS	Children's Shoes, Sandals and Floaters and Accessories
SCHOLL	Comfortable and Stylish range of shoes and sandals for medical use
BATA COMFIT	Ergonomic, Non slip Comfort range- Shoes, Sandals, Floaters for Men, Women and Children
NATURALIZER	Women's stylish shoes range having lightweight, flexible soles, extra cushioning and
BATA SANDAK	Specially molded plastic sandals, shoes, chappals for women. Washable and durable
BATA SCHOOL	School shoes for children
SUNDROPS	All-day, Stylish, light and comfortable footwear for women
SPARX	Casual usage sport shoes
SAFARI	Desert Shoes
BATA INDUSTRIALS	Work safety shoes
WEINNBRENNER	Premium Outdoor Shoes, Sandals for Men & Women
FOOTIN	Casual lifestyle shoes for Men & Women
HUSH PUPPIES	Comfortable casual and dress shoes for men and women
POWER	Stylish and affordable Sports Shoes & Sandals for men, women & children
NORTHSTAR	Stylish, Trendy, Affordable and Outdoor Casual Shoes for Men, Women and Children
MOCASSINO	Premium leather loafers and formal shoes for men and women
MARIE CLAIRE	Shoes, bags & sandals for women

Source: Company, Karvy Research

## E-commerce & Digital Multi-Channel Business

**Exhibit 9: Rise in Internet Users**



Source: Euro Monitor, Karvy Research

In addition to the 1400+ physical stores, Bata has an e-commerce platform on its own website ([www.bata.in](http://www.bata.in)) and has recently upgraded the look and feel of the same. Bata has introduced a digital application for android and iOS platforms already. Apart from this, it has presence in all the major e-commerce websites such as Flipkart, Myntra, Amazon, Snapdeal, Jabong and Indiatimes Shopping. The Click-and-Collect model will sustain the relevance of physical stores where the clients can reserve products online and collect from an outlet near them. Additionally, delivery services are also provided. As a part of the strategy, 'M-Wallet' (mode of payment) service has been launched for the end customers

to facilitate the shopping ease. The company is planning to launch exclusive product lines which will be made available only on on-line platforms. This initiative will help in controlling the prices better and regulating the same across the business partners. Bata has a separate business unit for e-commerce internally including a dedicated revenue target and resource allocation for this sales channel; and leverage, through knowledge-share, on Bata's e-commerce related success in other countries such as Indonesia, Thailand and Singapore.

## EBITDA Margins To Increase on I.T Systems Recovery and Fading Supply Chain Management Glitch:

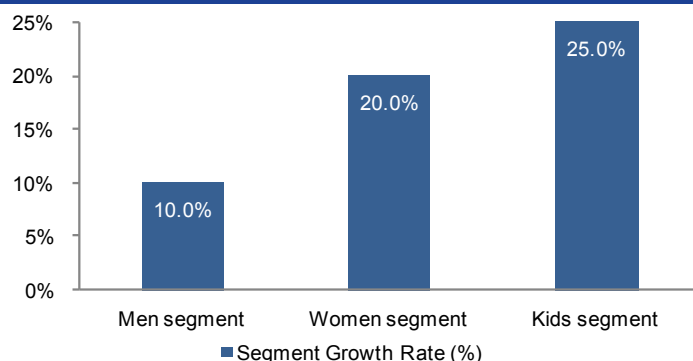
Due to certain unexpected problems with the implementation of new supply chain IT systems, the retail stores of Bata went short of supply. As a result, performance of the company in the Oct'14 to Mar'15 period was affected. The management has taken appropriate steps to address the issues relating to supply chain systems and has resolved the problem.

In order to improve volume and profitability, various steps have been taken i.e. initiatives to achieve same store growth, investment behind new channels and stores, cost control and manpower rationalization which are expected to yield results in the future.

## Women And Kids Segment To Drive The Footwear Market Of India

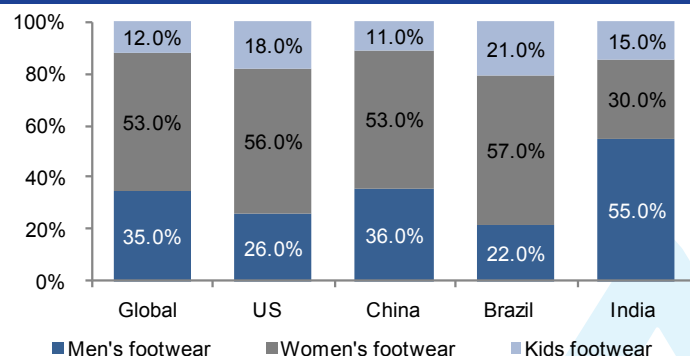
Industry is expected to grow at CAGR of 15% over the next 10 years on the back of rising middle income people and higher consumer spending. The number of women working is estimated to increase fourfold to an estimated 45-50 mn in the age group of 20-40 years in urban India by 2020. Female economy is expected to grow at rapid pace in India which is expected to be one of the major factors behind growth of Indian footwear industry. By 2020, working women population will reach 158 mn and expected to earn \$900 Bn with per capita income of \$5792 compared to 134 mn working women with earnings \$280 Bn and per capita income of \$2089 in 2010. The company has highest product offerings for women with 46% of the total offerings to catch up with market trend where women segment is growing faster than the men's segment.

**Exhibit 10: Segment Growth Rate (%)**



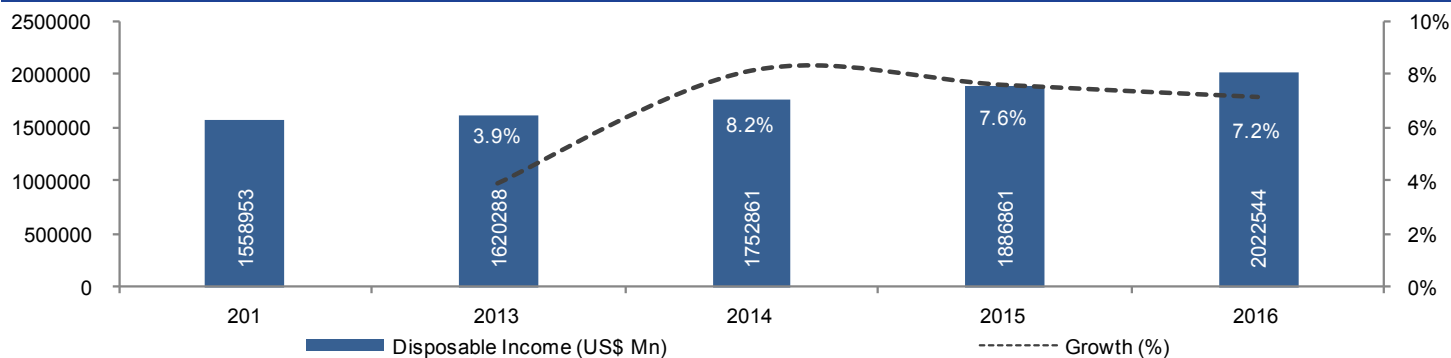
Source: Euro Monitor, Karvy Research

**Exhibit 11: Footwear Market Segmentation (%)**



Source: Euro Monitor, Karvy Research

Globally, women's footwear market accounts for 53% of the footwear industry, followed by 35% men's segment and 12% kids footwear, according to Euro monitor. However, the situation is different in India where men's segment has 55% share and women's & kids segments represent the remaining 45% share. Factors such as rising disposable incomes, change in preferences towards branded products and rise in number of working women are expected to drive the consumption of women's footwear. Kids market is growing rapidly as number of working parents' increase as a result spending on kids increases. With more than 400 Mn children in India and more than 27 Mn new born every year, kids market is expected to grow at 25%, faster than other segments.

**Exhibit 12: Rise in Disposable income**


Source: Euro Monitor, Karvy Research

## Retail Industry Growing At A Faster Pace

According to BCG CII, the overall retail market in India is estimated to be ~US\$ 630 Bn in 2015. The organized market in India is estimated to be 9-10% of the local market i.e. ~US\$ 60 Bn. The sector has grown at ~12% over the last decade; and going forward, it is expected to grow moderately higher. The estimated size of the retail sector by 2020 is supposed to be US\$ 140-160 Bn.

The overall growth would be a result of significant demographic shifts; 70% increase in income levels, 100 Mn youth entering the work force and 35% of the Indians living in urban centres.



**Exhibit 13: Business Assumptions**

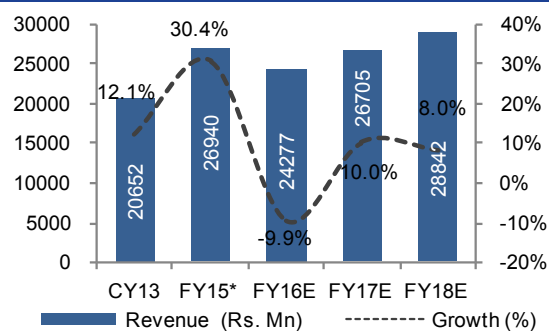
(Rs. Mn)	CY15	FY16E*	FY17E	FY18E	Comments
Revenue	26940	24277	26705	28842	We expect the revenues to grow at a CAGR of 5.9% for the period between FY16E-FY18E on the back of volume growth and penetration into Tier 3 & Tier 4 markets, channel expansion and increased presence in online retail and e-commerce platforms. Bata is also keen to develop its brand among the youth through various brands under its 20 brand portfolio.
Revenue Growth (%)	30.4	(9.9)	10.0	8.0	
EBITDA	3350	3375	3674	4284	EBITDA Margins are expected to improve on huge expansion of EBOs of sub-brands like Hush Puppies and Power.
EBITDA Margins (%)	12.4	13.9	13.8	14.9	
PAT**	2313	2444	2199	2462	PAT is expected to remain tepid as brand BATA is going through an expansion mode. They are increasing their product basket and popularising their brands among the youth. We expect that the net profit to be registered a fair growth during FY18E where the sales would also pick up amid expansion.
PAT Growth (%)	21.2	5.7	(10.0)	12.0	
PAT Margin (%)	8.6	10.1	8.2	8.5	
EPS (Rs.)	18.0	19.0	17.1	19.2	
EPS Growth (%)	8.6	10.1	8.2	8.5	There has been a steady capex on grounds of modernization, growth initiatives and acquiring of new machinery for making the production efficient.
Capex (ex. Acquisition) - cash capex	(1465)	(1535)	(1715)	(1635)	
Net CFO	1188	2219	2316	2970	The company is virtually debt free from the last 3 years and we expect healthy operating cash flows in future.
Debt	0.0	0.0	0.0	0.0	
Free Cash Flow	(277)	684	601	1335	

Source: Company, Karvy Research, \*15 month period, due to change in financial year ending from Dec to Mar, \*\* Includes exceptional items

**Exhibit 14: Karvy vs Consensus**

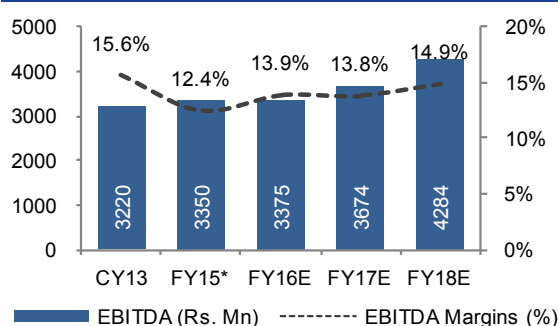
	Karvy	Consensus	Divergence (%)	Comments
<b>Revenues (Rs. Mn)</b>				
FY17E	26705	27459	(0.0)	Penetration into Tier 3 & Tier 4 markets, channel expansion and increase in presence in online retail and e-commerce platforms, we expect the revenues to grow at a CAGR of 6% for the period between FY16E-FY18E on the back of volume growth and Bata is also keen to develop its brand among the youth through various brands under its 20 brand portfolio.
FY18E	28842	31223	(8.3)	
<b>EBITDA (Rs. Mn)</b>				
FY17E	3674	3450	6.1	EBITDA and margins are to improve on the back of increase in the product basket and popularising its brand among the youth. We expect that the EBITDA to see a fair growth during FY18E where the sales would be on uptrend amid expansion. Hush Puppies, Power have been introduced as EBOs already.
FY18E	4284	4272	0.0	
<b>EPS (Rs.)</b>				
FY17E	17.1	16.7	0.0	
FY18E	19.2	20.9	(0.1)	

Source: Bloomberg, Karvy Research

**Exhibit 15: Revenue (Rs. Mn) & Growth (%)**


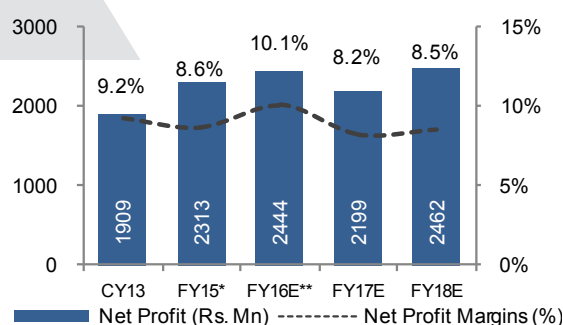
Source: Company, Karvy Research

Net sales rose to Rs. 6172 Mn for Q3FY16, up 15%, compared with Rs.5367 Mn YoY. The revenues fell in July 2014 and continued till March 2015 due to the problems caused in the context of transition from POSS (BATA's proprietary IT system) to SAP – as physical movement of goods from factories to stores was impacted, which led to loss of sales due to delay in dispatches to stores and inadequate supply. Now that the inventory levels are back to normal and the issue seems to be fading, Bata keeps a continuous focus on the Tier 3 & Tier 4 markets. Bata has geared up to gain a greater market share having known the potential volume growth in the industry and a low per capita footwear consumption in the same, we are expecting a revenue growth at a CAGR of 6% during FY16E-FY18E.

**Exhibit 16: EBITDA (Rs. Mn) & EBITDA Margins (%)**


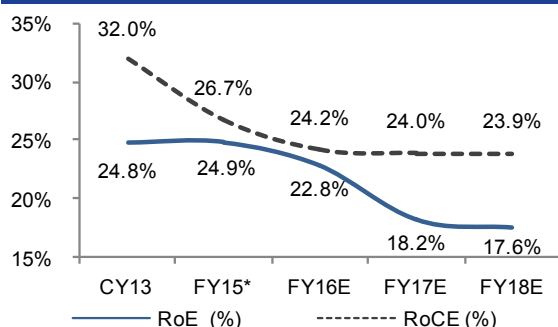
Source: Company, Karvy Research

Bata is already on its toes on expansion of stores and EBOs of sub-brands. Bata has over 1,400 shoe stores located in more than 500 cities across India. The company is also taking care of the competition by creating its presence on major online retail websites like Flipkart, Amazon, Myntra, Indiatimes Shopping and Jabong; and also revamping its own existing website and has introduced a model of Click-and-Collect where the client can reserve his buy on the website, pay and collect later from a physical store, which maintains the relevance of physical stores as well. EBITDA is expected to increase at a CAGR of 8.3% during FY16E-FY18E on the back of both online and physical stores expansion with a wide range of merchandise on disposal that will attract people across all segments.

**Exhibit 17: Net Profit (Rs. Mn) & Margins (%)**


Source: Company, Karvy Research, \*\* Net Profit after Exceptional Item

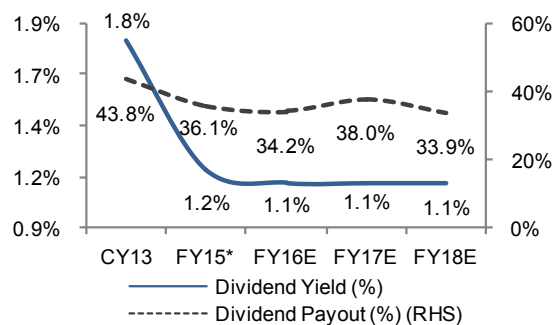
Bata has a growth story in the Indian footwear sector with high gross margin products in the portfolio and better product mix. It has become successful in delivering consistent and high growth in the net profit and also margins in the past years. This is indication of robust growth of the company's business over the period. We expect an uptrend in net profit margins and growth in bottom-line during FY16E-FY18E.

**Exhibit 18: RoE & RoCE (%)**


Source: Company, Karvy Research

The company's RoCE and RoE are expected to improve with EBIT margins. We expect RoE to be at 18.2% and RoCE at 24.0% in FY17E.



**Exhibit 19: Dividend Yield & Dividend Payout (%)**


Source: Company, Karvy Research

For Exhibits 15-19: \*15 month period, due to change in financial year ending from Dec to Mar

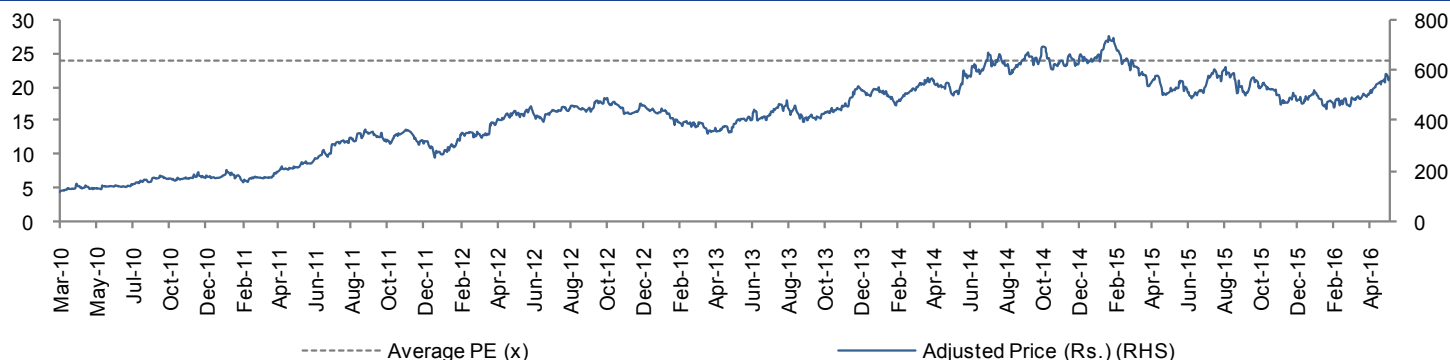
The company has maintained a healthy dividend payout in the past years and is expected to continue in future. Being virtually a debt free company and a market leader in footwear industry, we expect the company to continue paying dividends in the future.

**Exhibit 20: Company Snapshot (Ratings)**

	Low					High
	1	2	3	4	5	
Quality of Earnings			✓			
Domestic Sales				✓		
Exports	✓					
Net Debt/Equity						✓
Working Capital Requirement				✓		
Quality of Management				✓		
Depth of Management				✓		
Promoter				✓		
Corporate Governance				✓		

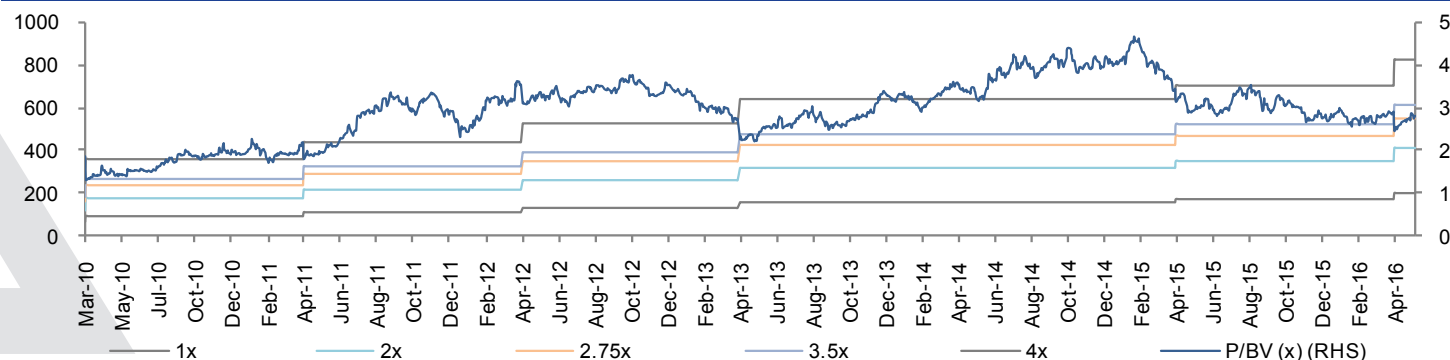
Source: Company, Karvy Research

## Valuation & Outlook

**Exhibit 21: Average PE Band**


Source: BSE, Karvy Research

Bata is diversifying its business segments and projecting itself as a youth brand through various brands under its 20 brand portfolio and is expected to witness high growth during the next couple of years amid growth in the disposable income of the individuals. At CMP of Rs.577, the stock is trading at P/E of 33.8x and 30.1x of FY17E & FY18E EPS respectively, we initiate the coverage on the company with **“BUY”** recommendation for a target price of Rs. 700 per share which represents an upside potential of ~21% for the period of 9-12 months.

**Exhibit 22: P/BV Band**


Source: BSE, Karvy Research

Bata has strong financials with healthy cash flow, strong dividend payout ratios and return ratios which make its valuation attractive. Being a market leader, having rapid growth attempts in the Tier 3 & Tier 4 markets tapping volume growth potential, along with physical and online store expansion, serving all classes of people will contribute to the major growth of the company's revenue. Currently, the stock is trading at 3.4x FY15 BV, 3.3x FY16E BV and 2.9x FY17E BV. We value the stock for a target price of Rs.700 per share, representing an upside of 21% for a period of 9-12 months.

## Key Risks

- Business risk viz. contingent liability from litigations.
- Increase in rubber and leather prices.
- Existing players and new entrants in both organized and unorganized sectors.
- Entry of foreign players and their increasing presence.
- High rate of inflation.
- Rapid lifestyle changes.
- Ever increasing demand at affordable prices.

## Financials

### Exhibit 23: Income Statement

(Rs. Mn)	CY13	FY15*	FY16E	FY17E	FY18E
Revenues	20652	26940	24277	26705	28842
Growth (%)	12.1	30.4	(9.9)	10.0	8.0
Operating Expenses	17432	23590	20903	23031	24557
EBITDA	3220	3350	3375	3674	4284
Growth (%)	4.5	(20.2)	11.8	(1.0)	8.0
Depreciation & Amortization	592	793	741	798	1064
Other Income	315	434	287	462	515
EBIT	2942	2992	2921	3338	3735
Interest Expenses	13	18	19	56	60
PBT (after exceptional item)	2829	3289	3648	3282	3675
Tax	920	976	1204	1083	1213
PAT after exceptional item	1909	2313	2444	2199	2462
Growth (%)	10.9	21.2	5.7	(10.0)	12.0

Source: Company, Karvy Research, \*15 month period, due to change in financial year ending from Dec to Mar

### Exhibit 24: Balance Sheet

(Rs. Mn)	CY13	FY15*	FY16E	FY17E	FY18E
Cash & Cash Equivalents	2558	2101	2291	1402	1877
Sundry Debtors	509	584	782	609	864
Inventory	5827	7047	6474	7790	8298
Loans & Advances	1413	2087	2444	2659	2777
Gross Block	5613	6012	6940	10190	11825
Net Block	2483	3403	2852	4768	5339
CWIP	237	166	307	343	327
Miscellaneous	793	982	935	944	952
<b>Total Assets</b>	<b>13820</b>	<b>16370</b>	<b>16084</b>	<b>18515</b>	<b>20433</b>
Current Liabilities & Provisions	4629	5180	4013	4578	4810
Debt	0	0	0	0	0
Other Liabilities	793	978	859	1011	582
<b>Total Liabilities</b>	<b>5421</b>	<b>6158</b>	<b>4872</b>	<b>5589</b>	<b>5392</b>
Shareholders Equity	643	643	643	643	643
Reserves & Surplus	7756	9569	10570	12284	14398
<b>Total Network</b>	<b>8399</b>	<b>10212</b>	<b>11212</b>	<b>12926</b>	<b>15041</b>
<b>Total Network &amp; Liabilities</b>	<b>13820</b>	<b>16370</b>	<b>16084</b>	<b>18515</b>	<b>20433</b>

Source: Company, Karvy Research, \*15 month period, due to change in financial year ending from Dec to Mar

**Exhibit 25: Cash Flow Statement**

(Rs. Mn)	CY13	FY15*	FY16E	FY17E	FY18E
PBT	2829	3289	3648	3282	3675
Depreciation	592	793	741	798	1064
Interest paid	13	18	0	0	0
Tax Paid	(1106)	(1435)	(1204)	(1083)	(1213)
Inc/dec in Net WC	(609)	(1215)	(1149)	(793)	(648)
Other Income	(185)	(250)	(115)	(185)	(206)
Other non cash items	291	(12)	297	297	297
<b>Cash flow from operating activities</b>	<b>1825</b>	<b>1188</b>	<b>2219</b>	<b>2316</b>	<b>2970</b>
Inc/dec in capital expenditure	(787)	(1336)	(1535)	(1715)	(1635)
Others	(394)	676	65	(373)	(400)
<b>Cash flow from investing activities</b>	<b>(1182)</b>	<b>(660)</b>	<b>(1470)</b>	<b>(2088)</b>	<b>(2035)</b>
Dividend paid	(449)	(487)	(611)	(729)	(847)
Interest paid	(13)	(18)	(12)	(13)	(13)
<b>Cash flow from financing activities</b>	<b>(462)</b>	<b>(504)</b>	<b>(623)</b>	<b>(742)</b>	<b>(860)</b>
Net change in cash	181	23	125	(515)	74

Source: Company, Karvy Research, \*15 month period, due to change in financial year ending from Dec to Mar

**Exhibit 26: Key Ratios**

	CY13	FY15*	FY16E	FY17E	FY18E
EBITDA Margin (%)	15.6	12.4	13.9	13.8	14.9
EBIT Margin (%)	14.2	11.1	12.0	12.5	12.9
Net Profit Margin (%)	9.2	8.6	10.1	8.2	8.5
Dividend Payout Ratio (%)	43.8	36.1	34.2	38.0	33.9
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0
RoE (%)	24.8	24.9	22.8	18.2	17.6
RoCE (%)	32.0	26.7	24.2	24.0	23.9

Source: Company, Karvy Research, \*15 month period, due to change in financial year ending from Dec to Mar

**Exhibit 27: Valuation Parameters**

	CY13	FY15**	FY16E	FY17E	FY18E
EPS (Rs.)	14.8	18.0	19.0	17.1	19.2
DPS (Rs.)	6.5	6.5	6.5	6.5	6.5
BV (Rs.)	130.7	158.9	174.5	201.1	234.0
PE (x)	24.1	30.3	30.4	33.8	30.1
P/BV (x)	2.7	3.4	3.3	2.9	2.5
EV/EBITDA (x)	7.0	10.3	10.8	10.1	8.6
EV/Sales (x)	1.1	1.3	1.5	1.4	1.3

Source: Company, Karvy Research; \*Represents multiples for CY13, FY15 & FY16 are based on historic market price

\*\*15 month period, due to change in financial year ending from Dec to Mar

Stock Ratings	Absolute Returns
Buy	: > 15%
Hold	: 5-15%
Sell	: <5%

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