Bata India (BATIND)

₹ 575

Shifting focus to women's segment...

At the company's 84th annual general meeting (AGM), the management discussed various long term prospects. Bata plans to add 100 new company owned-company controlled (COCO) stores and around ~ 50 new franchisee outlets. The COCO stores are expected to open in malls and high street locations while the company will expand its presence in Tier II and Tier III cities via the franchisee route. Bata is planning to increase the share of women's footwear from existing 26% to 35% over the next two years. To achieve the same, Bata is planning an aggressive advertising campaign to boost revenues from the women's category.

Aggressive store expansion, focus on online presence to boost sales

During FY17, Bata added 100 new retail stores and 23 franchisee outlets across India taking the total store count to 1293. To tap the opportunities and expand its footprints in Tier II and Tier III markets, it intends to open 50 new stores in FY18 via franchisee route. Alongside, the company also plans to add 100 new retail stores via the COCO format to increase its presence in malls and high-street locations. The capex per store required would be around ₹ 2-2.5 crore including the inventory. Bata also plans to refurbish 50 existing stores. The company has adopted a dual strategy of driving same stores sales growth (SSSG) while adding new stores every year. In addition, Bata is also focusing on increasing its online presence through innovations to provide a user friendly shopping experience on mobile application and websites with interactive interfaces. Bata plans to expand its online presence via placement of online kiosks in major retail stores, tie-up with payment banks and increasing the presence of product offerings through partner websites. In FY17, it sold 6.3 lakh pairs of footwear through online channel and achieved revenue of ₹ 69.2 crore.

Focusing on women centric designs

The women's market will be the new focus area for Bata in FY18. It intends to increase the share of women's contribution from 26% in FY17 to 35% over the next two years. The company will introduce newer and trendier styles of footwear for the women's category. In addition, Bata is also planning an aggressive advertising campaign. In FY17, men's footwear contributed 50% of revenues while children's footwear and accessories contributed 15% and 9%, respectively.

Bata to be key beneficiary of GST rollout

Since ~60% of the footwear industry is still dominated by unorganised players, GST would be positive for organised players like Bata as higher compliance cost for unorganised players would create a level playing field, which may lead to market share gains for Bata. The company's efforts have been in the right direction with increasing focus on youth and women centric designs. In addition, Bata's retail expansion via franchisee route in tier II and a tier III city augurs well. The company is planning to increase its advertisement spend as part of its brand building strategy. Aggressive retail expansion and enhanced product portfolio would aid in boosting revenue growth. We revise our revenues and earnings estimates upwards for FY19E. Accordingly, we upgrade the stock to **BUY** rating with a revised target price of ₹ 650 (based on 30x FY19E EPS of ₹ 21.7).

Rating matrix

Rating	:	Buy
Target	:	₹ 650
Target Period	:	12 months
Potential Upside	:	13%

What's Changed?

Target	Changed from ₹ 585 to ₹ 650
EPS FY18E	Unchanged
EPS FY19E	Changed from ₹ 20.2 to ₹ 21.7
Rating	Changed from Hold to Buy

Key financials

(₹ crore)	FY16	FY17	FY18E	FY19E
Net Sales	2,418	2,467	2,755	3,158
EBITDA	270	278	325	400
Net Profit	218	159	219	279
EPS (₹)	17.0	12.4	17.0	21.7

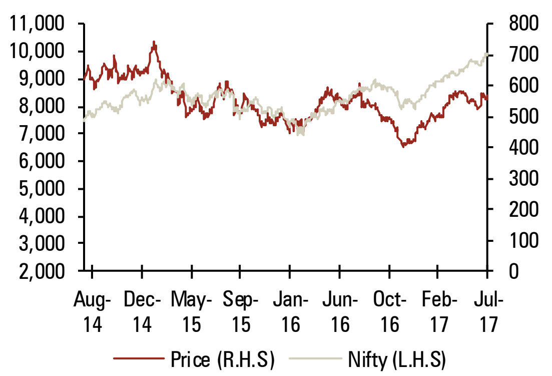
Valuation summary

	FY16	FY17	FY18E	FY19E
P/E	33.8	46.6	33.8	26.5
Target P/E	38.3	52.7	38.3	30.0
EV to EBITDA	26.1	24.7	21.1	17.1
Price to book	6.2	5.6	5.1	4.6
RONW (%)	18.5	12.0	15.2	17.5
ROCE (%)	16.5	16.0	17.8	20.6

Stock data

Particular	Amount
Market Capitalisation (₹ Crore)	7,390.4
Debt (FY17) (₹ Crore)	-
Cash (FY17) (₹ Crore)	520.8
EV (₹ Crore)	6,869.6
52 week H/L	613 / 400
Equity Capital (₹ Crore)	64.3
Face Value (₹)	5

Price Chart (₹)



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ANALYST CERTIFICATION

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