June 3, 2024

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**BSE Security Code: 500043** | **NSE Symbol: BATAINDIA** | **CSE Scrip Code: 10000003**

Dear Sir/Madam,

**Subject: Post Earnings call**

This is further to our letters dated May 24, 2024 and May 31, 2024, on the captioned subject.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended), we are enclosing herewith the transcript of the Post Earnings (Conference) Call held on Friday, May 31, 2024.

The same shall also be made available on our website i.e. *www.bata.in*

This is for your information and records.

Thanking you,

Yours faithfully,
**For BATA INDIA LIMITED**
NITIN BAGARIA Digitally signed by NITIN BAGARIA
**NITIN BAGARIA**
*AVP (Special Projects) – Company Secretary & Compliance Officer*

***Encl.: As Above***

# "Bata India Limited
# Q4 FY'24 Earnings Conference Call"
# May 31, 2024

**MANAGEMENT:** **MR. GUNJAN SHAH – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – BATA INDIA LIMITED**
**MR. ANIL SOMANI – DIRECTOR FINANCE AND CHIEF FINANCIAL OFFICER – BATA INDIA LIMITED**
**MR. NITIN BAGARIA – COMPANY SECRETARY – BATA INDIA LIMITED**

**MODERATOR:** **MR. VARUN SINGH – ICICI SECURITIES**

**Moderator:** Ladies and gentlemen, good day and welcome to the Bata India Q4 and FY '24 Earnings Conference Call on hosted by ICICI Securities Limited. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

And I'll hand the conference over to Mr. Varun Singh from ICICI Securities Limited. Thank you and over to you, sir.

**Varun Singh:** Thank you, Neha. On behalf of ICICI, it's our absolute pleasure to host Bata's 4Q Earnings Conference Call. From the management team, we have Mr. Gunjan Shah, MD and CEO; Mr. Anil Somani, Director of Finance and CFO, and Mr. Nitin Bagaria, Company Secretary.

**Nitin Bagaria:** Thank you. A warm welcome to all of you. We have Gunjan Shah, India's CEO, and we also have Anil Somani, Director of Finance and CFO. We have shared the presentation with the Stock Exchanges earlier today. We'll be taking you through the same. We'll navigate the slides as well as the page numbers to stay synchronized. On slide number two, we have the disclaimer. I'm sure you have gone through the same.

I'll now request Gunjan to take over and thank you once again for joining.

**Gunjan Shah:** Okay. Hi, ladies and gentlemen. Good to meet you again after the quarter. Sorry for that disruption. We had to switch because of some kind of a power blip. But I will start off with slide number four, which is the key drivers that we've been consistently trying to track for and update you on. So some of the key highlights, and I'll touch upon and expand on a few of them in the subsequent slides. The premium segments continue to grow. Red label, comfort, power, all have grown significantly ahead of overall growth, despite the overall sluggish conditions that we still see.

Floats continues to power at a very high level, and now it's reached almost mid-single-digit contribution, almost doubling for the quarter. 16,000 pairs average weekly sales, and obviously the peaks of the season and the monsoon lie ahead of us. Sneaker Studios also helped drive the sneaker growth, reached almost 700 stores now.

On retail expansion, we added almost 24 new doors, slightly lower than what we expected. We would want to have a run rate of almost 40 doors every quarter. Hopefully this quarter we'll make up that run rate.

That's the run rate we have almost achieved for the last two, three quarters. Bata distribution continues to hold pace. As I had mentioned last time, considering the kind of demand scenario on the mass segment, our focus has been towards extraction from the current set of outlets and distributors, and that's where the focus remains.

Renovation facelifts continues at, in fact, three-point, and I think one of the reasons why our franchise openings might have been a little slower. We did almost 70 stores, highest in a quarter, and we hope that gives us basically a significant blip-up in terms of same-store growth going forward. On marketing, we continue to invest. Marketing expenses have been higher. I had mentioned that even in the December quarter, as well as in the March quarter. We continue to invest behind the brand.

We did largest 10-by-10 campaign, both digital, media, as well as in our stores, and did have impact on the brand metric. On the digital footprint, the e-commerce business continues on its trajectory, both in terms of driving growth as well as in terms of profitability increase and all the channels have done extremely well, including our own dotcom channel.

The Omni piece, which is also now spread most probably the widest Omni penetration that we've got, both in terms of points of sale as well as in terms of depth of adoption, I think, in the industry is that, and now has expanded to almost 400 franchise stores also getting looped into it.

On the supply chain side, we did do basically a significant automation of our second-largest warehouse, which is in Mumbai and we also did a large project in terms of monetization of Faridabad land, which is almost on closure. Stay nimble on costs. We continue to be very hawk's eye on fixed costs largely.

We would have loved much higher leverage on basically from a top-line perspective, but even then, they were under reasonable control and helped us manage our profitability at least. And last but not the least, I have mentioned this, almost an 18-month-long project on ERP has gone live successfully and smoothly on 1st of April and we are looking forward to obviously benefits accruing from it in terms of speed, agility, as well as accuracy of business-enabling decisions on commercial side.

Moving further to slide number six, expanding on a few of these quickly, the COCO, as I mentioned, continues to expand. We added net three COCO stores. Obviously, we closed also some unprofitable or non-brand value-adding stores. The larger piece of expansion continues, as you can see in the longer-term trajectory also, is on the franchise side, albeit a little lower than what we would have wanted and we will want to catch up that run rate this quarter onwards.

Obviously, franchise continues to deliver great growth, and we have also on the COCO side significantly made a move, I had mentioned this last quarter, on getting freshness, trendiness, etcetera, into not only the top 500 stores, but also the bottom 800 stores, and there has been a significant headway that we have managed to achieve across categories. And we plan to beef that up with a piece that I will talk about a few slides down the line.

In terms of portfolio expansion, three or four large pockets, largely consistent with the direction that I have given earlier also. First power EBO store has been opened in the north in the quarter that went by. This will be very quickly. In fact, the second one has been opened in April, and we want to quickly ramp that up. On a conservative basis, we look at at least 10 stores by December. Hopefully, it will be even larger.

We will follow a cluster strategy, and we will want to saturate slash go into depth in north first before we expand further. Similarly, power apparel has gained momentum back again after the winter miss that we had, and we are looking forward to not only refurbishing a lot of the learning that we have gained over the last six months, but also ensuring that we now start looking at expansion of 200 stores by December. We also did the launch of Nine West. Nine West we had tied up in 2023 with ABG brands on that front, and the soft launch happened in 40 stores in February in the last quarter.

We will be now following up in this quarter with a significant launch as well as making sure the full range comes through, including the non-footwear, which is expected to be almost half of the entire business and the marketing campaigns plus the expansion should take us to about 70 stores by December 24. Floats is the other piece. While we've seen great response, we have invested in a lot of technology, a lot of new styles, a lot of forward-looking investments in terms of molds, etcetera, that we have put in.

We keep getting great response on this. The speed at which it is putting out of the store is very encouraging. We have now gone to double-digit doors in terms of pop-up stores. We hope to continue that momentum even more aggressively on Floats, even outside the Bata stores. And we should be looking at ambitiously a first EBO on Floats by quarter 3 of this year.

On the e-commerce side, I think as I mentioned, robust growth that we managed to see almost across channels on a reasonably large base that we anyways had last year in this quarter and backed by volume growth and Bata.com also doing well. We did have a record number of Omni business that we did from our stores. Almost a million pairs actually is a great landmark for FY '24 that we crossed to just Omni. There were multiple campaigns, a refresh of the entire Bata.com site that we did and relaunched it. And I'll invite many of you all to also visit it. It's a great site to go to.

On the distribution business side, while the business is still muted, it has been a drag on the overall growth rates even for this quarter. We are seeing some signs of mass market showing some risks, no resuscitation, but still early days for the quarter. It's been a drag. We continue, obviously, the work in terms of key retail outlets and making sure that we are also pushing towards extraction from these outlets.

We did launch the entire and expand on the entire EVA range, which has been, I think, a growth category for almost 18 months. Something that we should have caught on much earlier. But anyway, for the last six months, we have now launched it. It's now very quickly ramped up into the fifth largest category for the distribution business and I think as I mentioned even in floats at the price point that this range sells in distribution business it is not under floats. It will have a significant blip-up in the next couple of quarters because of the seasonality.

As I mentioned we continue to invest behind the brand, multiple campaigns that we ran. I'm on Slide number 11. Bata 10 on 10 was the centerpiece of the entire thing bringing about style and comfort both together in terms of casual as well as occasion. It's consistent with the every walk a ramp walk campaign that we ran the previous quarter and backed by obviously digital campaigns in various ways.

We also, obviously, launched Nine West as I mentioned. A large piece of the marketing piece on Nine West, etcetera, will happen this quarter and this was reinforced with making sure that some of these communications/stories are brought alive in the stores. In terms of brand stories for significant new collections/technologies that we're introducing as well as kids' engagement areas using technology like digital screens, etcetera, and most of the renovated stores.

On slide number 12, some key accolades across technology, green practices, sustainable practices, marketing campaigns as well as in terms of diversity and that endeavor, obviously, continues. With that, moving to slide number 14 which is the financial section. This finally resulted in I think lower than expected in my mind, growth rates at about 2.4% though better than what we have seen for the last two, three quarters.

We would hope that this trajectory improves even further going forward. Despite that, in slide number 15 as you can see I mentioned that in the last quarter also our investments behind IT and marketing, some of the initiatives I've talked about, ERP has gone live. They continue apace and hopefully set us up for as the demand cycle improves and cycles back, but these will help us, basically, improve our efficacy as well as efficiency in terms of operations.

The last chart on margins, gross margin was protected reasonably well, I would say during this quarter, despite the tough trading conditions and that resulted in leverage into EBITDA. However, overall leverage we still would have desired more from a fixed cost perspective, etcetera, and we will look forward to top line driving us and that's going to be our focus going forward also. That brings me to the end of the presentation. Thank you for listening in and we can have any questions. Thank you.

**Moderator:** The first question is from the line of Girish Pai from Nirmal Bang Equities. Please go ahead.

**Girish Pai:** Yes, thanks for the opportunity. Gunjan in your TV interview in the morning you talked about a demand pickup in March and is that demand pickup sustaining into April and May?

**Gunjan Shah:** Yes so I can't give you forward-looking forecast, Girish. And obviously very soon we'll come back to you for the next quarter, but the piece is that yes we did see an improvement during the quarter from a Jan which was actually much worse, but to March which was a little better, but still not giving us complete clarity in terms of how the underlying conditions have changed. As I mentioned, there are some signs and pockets that we see, but is it lifting the entire boat we will have to see how it comes over a longish period of time. So that will limit the comment of mine right now.

**Girish Pai:** My second question is on the channel mix and channel growth in FY'24 now that the full year is done which have been the channels which have been driving growth for you in FY'24 and which have been the drags and I would want specifically comments on the COCO channel. How has the growth been there?

**Gunjan Shah:** So broadly the growth engines that have delivered in terms of growth would be the ones that is franchise I would say e-commerce and Hush Puppies from a channel mix perspective. The ones that are playing at the lower end of the price point, the biggest drag so COCO would have been just about at par for the overall. It is the distribution business and the lower end price point related business that has been the drag on the growth.

**Girish Pai:** Okay, my last question is with regard to the variability in gross margins across quarters, what is driving this variability and the 60% gross margin is that sustainable going into the future?

**Gunjan Shah:** See it's actually, I would say, a reasonably predictable seasonality. Obviously, there are some variables that do come into get accentuated depending on one is the circumstances of the business as well as more importantly festivals moving from one quarter to another, but broadly there are two large things that create a mixed change. One is EOSS which comes in into basically, let's say, the June quarter as well as the December quarter.

The second one that there is basically a certain mix of a certain kind of a business. So the sneakers goes up that curves with slightly higher margins from a COCO perspective, but you will also have times where in the school business goes up and that time the margins do come down. But they do follow a reasonably predictable pattern if you look at it over longer periods of time and that should not deviate much. The only large deviation that we can possibly have is festival season moving from one quarter to another.

**Girish Pai:** Sorry if I can squeeze in one last question the channel mix in terms of revenue, if you can give that for FY'24?

**Gunjan Shah:** Yes, so COCO would be about 70%. You will have distribution business in the mid-teens, e-commerce in double digits, low double digits, and you will have franchise in the higher single digit.

**Moderator:** Thank you. The next question is from the line of Videesha Sheth from Ambit Capital. Please go ahead.

**Videesha Sheth:** Hi, thank you for the opportunity. My first question was on the product mix. What is the mix of discounted or full-price sales within the revenue and also you've been taking a lot of initiatives on improving the frequency of new launches and even on overall better inventory management. So as a result to what extent can this benefit in terms of increasing the full-price sales?

**Gunjan Shah:** Yes. So there are slightly different objectives Videesha for this question. So the newness is towards driving freshness. People want to see range and fashion in the store and consumers come to us at a frequency of about 3 months to 5 months on an average. And therefore they would like to see new styles and new varieties and wherever applicable new technologies, etcetera, coming through and that's what this concerted drive was.

I think over the last 2 year we would have made significant improvement on it. The initiative that we have been driving for the last two quarters and which is what I tried to give some snapshot in my presentation was to make sure that it percolates across the entire network and earlier a lot of that used to be concentrated in the top 500 stores. We wanted to make sure even the bottom 800 also get equally impacted.

And that's where basically the minimum threshold that I had set which was at least 20% by store, by category should be desirably fresh for the season. The second piece that you mentioned was that how does that help in terms of -- so that's the prime driver. Does that help full price sales? For sure, it does, but a large part of this newness does not necessarily drive volumes. The volumes are driven by the ones that the consumers are repeatedly consuming and some of it is bestsellers and news.

So bestsellers and news which are carryovers from previous seasons that have done well, will be large contributors to volumes and therefore the sales mix comes from those. The last piece on markdown of the portfolio in the range of ballpark as I said it varies. In the previous question I'd answered, it varies by quarter, but in the ballpark of about mid-teens would be the portfolio rate that goes under markdown on an average.

**Videesha Sheth:** That was helpful. And on the second question was on the apparel bit, any incremental update on the apparel portfolio in terms of the response and how are you trying to get incremental SSG from the same? Basically, just trying to understand what is your right to win in this segment and how is the same communication to the consumer?

**Gunjan Shah:** So we've got a going-in hypothesis which is what I'd shared a couple of quarters back when we had launched it which was the going-in hypothesis being basically getting in almost the best kind of technology with obviously the right kind of design as well as comfort fit, etcetera, at a certain value proposition that we wanted to where we felt that the consumers did give us in the consumer did stick response on it.

The piece, however, that we and some of it was the going-in hypothesis there is a lot of learning that we have come. One clear case, I mean, there are maybe a half a dozen more, but one clear case that came was that as soon as we hit October, we were not ready for the winter wear. I mean, it's in retrospectively sounds so obvious, but it is something that we were not ready for. And obviously, we'll make sure we are ready this time around. But the piece was that there are similar learnings on some other pieces.

There's obviously enhancement of our understanding of that piece and therefore technology and proposition that we want to give to consumers. It is -- I would say the last quarter was the best that we have seen till now in terms of apparel contribution in the stores that we have launched. It is still below the threshold that will allow me to expand. But the trajectory gives me confidence, as I mentioned. Therefore, in H2, we want to double the number of store network as we hit the threshold.

**Videesha Sheth:** Got it. That helpful. And just lastly, on the ad spend for the full year, if you could share that number?

**Gunjan Shah:** It's been in the guideline of about 260 basis points. Last quarter, actually, 250 basis points. Last two quarters would be higher than that. And that's something that we have been trying to do to try and navigate some of this sluggishness that we see from a consumer sentiment point of view.

**Videesha Sheth:** And the 2H run rate is something that you would look to continue even in F'25 as well?

**Gunjan Shah:** Sorry, Videesha. Can you just repeat that?

**Videesha Sheth:** Yes, sure. And the 2H run rate, which was relatively elevated, would you continue that run rate in fiscal '25 as well?

**Management:** Investment or marketing?

**Videesha Sheth:** In terms of investments on ad spend?

**Gunjan Shah:** But it's not 2x. I don't know where you got the information.

**Videesha Sheth:** No, in 2H. I meant the second half.

**Gunjan Shah:** The second half run rate. Yes, broadly ballpark, yes, we will run with that run rate. And in fact, we might want to invest a little more. But we will also nimbly play with the overall conditions that we see.

**Videesha Sheth:** Thank you. That's all from my side.

**Gunjan Shah:** Longer-term glide path, we would like to take it to about 3%.

**Videesha Sheth:** Understood. Thank you.

**Gunjan Shah:** Thank you, Videesha.

**Moderator:** Thank you. The next question is from the line of Aniket Sakhare from Metta Capital Advisors LLP. Please go ahead.

**Aniket Sakhare:** Hello, and thank you for the opportunity. So, as we see, sneakers have become a social currency and a symbol of street culture…

**Management:** Your voice, Aniket, is not clear. A little louder, please.

**Aniket Sakhare:** Hello. Thank you for the opportunity. So, as we see, sneakers have become quite trendy right now. So, sir, going ahead, how do we look at the trends in the sneakers and for the industry as well as for our store purpose?

**Gunjan Shah:** Yes. So sneakers, as I mentioned earlier, is actually two, three segments per se, right? One is obviously performance. The second is lifestyle. There is also casual, which falls under the sneaker segment. And our sneaker studios has been an endeavor of bringing it all together. So, hitherto, it used to lie within various parts of the store.

And a part of all this renovation that we do is bringing it all together. I think if you're looking at basically in terms of what is it that we are wanting to invest within this, I think the easiest wins that we have seen over the last about 12, 18 months since we have put a largest push towards the sneakers has been in the casual and lifestyle.

Performance is what we are pushing forward. Power performance last quarter shows that there is signs of it. It is coming from a distinct USP that you deliver to consumers and therefore build your credentials overall from the sneaker perspective. And EBO will also add to it. Our EBO ASP of power is almost 1.5x of the ASP that we have in our stores.

So it just showcases that, that once you're able to display the full range, but it's a journey by itself, right? I mean, developing the kind of performance sports credentials and therefore the tech behind it, while we are leveraging our global parentage as well as the R&D that's going behind it. But that's the space that we want to really tackle well through the EBO route.

**Aniket Sakhare:** So I'm referring to Slide 4 of our PPT. So as you mentioned, we have implemented sneaker studios in 698 additional stores, right? So in terms of numbers, if you can specify that how it is going to supplement our revenues?

**Gunjan Shah:** Yes, that's what I mentioned that these are sneaker studios, which are basically a panel within the Bata stores and that is what we want to make sure that we bring across the entire proposition of sneakers to our consumers and register on them. And that's given us great response. The fastest response has been basically in the lifestyle and casual. So it's not additional stores if that's what you're looking for. It is basically sneaker studios, which are panels within the Bata stores.

**Aniket Sakhare:** Yes, and last question from my side. So as we see, our sales have been quite reduced from the last quarter comparison. But, sir, if we see, our COGS has increased, specifically the raw material. So is it due to price hike in raw material?

**Gunjan Shah:** You're talking sequentially?

**Aniket Sakhare:** Yes.

**Management:** The gross margin piece -- the question is relating to the COGS piece, right?

**Aniket Sakhare:** COGS, yes.

**Management:** Yes, so typically the COGS has -- we have improved our gross margin, which is the impact of both majorly coming from mix and COGS per se has no major change. We need to take into account the COGS plus the change in inventory. Obviously, it would not vary significant.

**Aniket Sakhare:** Okay. Thank you.

**Moderator:** Thank you. Our next question is from the line of Lakshminarayanan from Tunga Investments. Please go ahead.

**Lakshminarayanan:** Thank you. A couple of questions, sir. First is, as an organization, when you actually draw your business plan or strategic plan over the next three years or five years, how do you build in your growth expectations? And what is it based on? How do you do it top-down and bottoms up?

**Gunjan Shah:** So it's a little very broad question, gentlemen, but broadly the piece is being made from, you know, it starts from first principles, which is economic growth. How do we see within that the consumption piece? Then it moves into the industry and therefore what is our ambition juxtapose against these inputs at a top-down level?

Then obviously, it comes down bottoms up in terms of brands. What is our ambition on various brands, the categories within that, and lastly, the channels? So in a very simple form, this is what it will be, but then it'll have manifestations in terms of org structures, supply chain capabilities, technology, etcetera.

**Lakshminarayanan:** So in general, if you look at it -- if you just look at next five years, what kind of industry growth do you actually expect? And when you say that you have performed well, do you have a benchmark saying that, look, we have performed more than some kind of an industry average. So how do you calibrate yourself and say that, look, we have done well or we have not done well, and we should do well?

**Gunjan Shah:** So our endeavor is to make sure that we are edging ahead of the industry growth. The industry growth estimates based on various inputs that we get, but I mean, nominally speaking, it should be GDP growth plus the inflation, minimal, and that works out to almost low-double digits in those lines.

**Lakshminarayanan:** Got it. And the second question is that if I just look at your presentation, it would have been good to have some breakup in terms of your regional sales mix or your price points mix or in terms of leisure, casual, formal, or men, women, children, or something like that. Is it that by design you don't want to share it or is it that you think you can actually share it?

**Gunjan Shah:** No, it's a combination of both. It's also a question of how much we want to load information together. I try and keep it to the highlights, but more than happy to entertain any queries wherever we can offline. Please do contact our investor…

**Lakshminarayanan:** The context is that, as I walk into a Bata showroom, I find a lot of brands. But as an organization, and it depends on whether I walk into Bangalore or Chitradurga or Chennai or Tuticorin, you know, it differs. As an organization, what are the brands you want to push? What is the mid-segment growth? What is the -- is formal growing faster or is premium growing faster? It's something which, you know, I can get into a lot of details, but if you can just help me understand what is a men, women, children mix, for example, that could be helpful?

**Gunjan Shah:** So what might help, I will answer that. I will answer that, but in case there is a query that you've got, which is a little more detailed or offline, you can please send that across and we'll try and address it. Basically, our contribution of men is in the range of about 40% to 45%. Our ladies mix is about 30%. Children's is in low double-digit and non-footwear is in high-single digits. Lakshminarayanan, is that you?

**Lakshminarayanan:** Yes, sir.

**Gunjan Shah:** But Yes, you can please reach out, as I mentioned, in case there is some more details.

**Lakshminarayanan:** And if you actually look at, as an organization, premium, I mean, what is your cut? Like, how do you say that this is premium? And is there a rupee? At an MRP, you decide it. And if so, what is that cut and how much -- what is the revenue contribution in ballpark?

**Gunjan Shah:** Yes, the premium mix, I have given commentary, Lakshmi, but however, since you have asked it greater than 2,000, which is 2x of our ASP, is what we consider as premium. Obviously, Hush Puppies is, let's say, runs at almost 4,000. But overall, as a basket, that continues to grow faster.

The one that is the lower end, which is, let's say, less than 1,000, less than 500, which is less than now about 10% of our turnover. Now, that's basically the one that's been tracking, as I mentioned in my commentary at the start.

**Lakshminarayanan:** Got it. And last, in terms of your inventory…

**Moderator:** Sorry to interrupt you, sir, I request you to come back for a follow-up question.

**Management:** Thank you.

**Moderator:** Thank you. Our next question is from the line of Jasmine Surana from VT Capital. Please go ahead.

**Jasmine Surana:** Hi, sir. Congratulations on the numbers. Most of my questions have been answered, but I wanted your take on how you are looking at demand and sales on a year-to-year basis, say, in the month of April and May.

**Gunjan Shah:** Yes, so as I mentioned earlier, Jasmine, I will refrain from giving a forward-looking forecast, but we are optimistic in the medium term, and we are hoping that some of this demand cycle, some signs that we have seen in the previous quarter, sustain and consolidate, but we need to see it over a longer period of time.

**Jasmine Surana:** Sure, sir. I just have one more question on the other expenses. I wanted to understand what has been the difference Q-on-Q from quarter three and quarter four by there has been a sudden hike in the expenses last quarter, and what is the sustainable number that would be shared?

**Gunjan Shah:** Okay. Prima facie, Jasmine and if possible, we can share details offline, but there are three large elements. Two of them I have talked about. In fact, all three I commented, but two of them I put up, which is marketing, IT. That's a large expense that we have incurred, not only this quarter, but the last quarter, but for the full year, it's been a large investment, and we have charged off the entire ERP expense during this financial year.

The other piece is obviously marketing investments continue to grow ahead of turnover. The last piece that is there that has been somewhat a function of BIS in some form has been basically freight cost element, and some I think we can do more efficiently, but it's between these three.

**Jasmine Surana:** All right. Thank you so much. I'll take the rest of them offline.

**Gunjan Shah:** Thank you, Jasmine.

**Moderator:** The next question is from the line of Anurag Lodha from Axis Capital. Please go ahead.

**Anurag Lodha:** Yes, thank you for the opportunity. So, sir, you indicated that the demand trends have been improving from Jan to March, right? So I just wanted to understand, how are you looking at demand shaping up for FY'25, and what are the key levers of growth that you foresee?

**Gunjan Shah:** Yes, it will stay consistent to what I have mentioned in my presentation. We will want to make sure that, you know, some of these are focus portfolio additions, portfolio brands, casualization and sneakerization definitely. Red label led fashion as well as Comfit led comfort is basically the focus brands that will drive us.

As I mentioned earlier, while it has been overall a tough trading conditions, even for the quarter that went by, we did see some shift in it between Jan to March. We will have to wait and watch and see how this consolidates over a longish period of time. Our endeavor in the medium term is, you know, as I'd indicated to some other participant was that we want to get to a consistent double-digit revenue growth.

**Moderator:** It seems like our current participants got disconnected. We'll move over to our next participants. So our next question is from the line of Vikas Jain from Equirus Capital. Please go ahead.

**Vikas Jain:** Thank you, sir. Thank you so much for the opportunity. So first question is with respect to this BIS implementation. So in 4Q, was there any impact because of this BIS changes in our either phase or in terms of positioning? Anything that you want to speak about?

**Gunjan Shah:** No, as I mentioned, even in the previous quarter, we were ready for even the first Jan implementation, which was the earlier date of the quality control orders under BIS. And while the date has been revised by the government to 1st August, and therefore our readiness remains, we obviously did prepone some imports, etcetera. And since the levy has been given, we have very small quantities, but we don't anticipate any disruption from our operations perspective.

In fact, the supply chain has been extremely agile. One of the first, in fact, actually the first factory to get the BIS license was our Batanagar factory, way back, almost eight months back. And therefore, since then, obviously the entire manufacturing network has got BIS certified as applicable.

**Vikas Jain:** Got it. The second question is with respect to the ERP implementation. So you mentioned that ERP has been running from 1st of April. Now it's almost like three months that ERP is fully active. So any comments you want to make there as to like how, whether any, probably, if at all, is there any disruption that was there, or how has been the integration that across all the stages? Any comments there?

**Gunjan Shah:** Why don't I ask Anil Somani, who's been leading it, from a finance IT perspective to respond to it.

**Anil Somani:** So the overall, you know, the ERP implementation has gone well. All integrations are working fine. We are obviously in a stabilization phase. So once we do that, there would start our journey of, you know, leveraging the data analytics piece and also it's going as per the plan. And we are happy with the progress.

**Gunjan Shah:** And your other question that I understood Vikas was that, is there been any kind of a material business disruption, etcetera? In fact, kudos to the team. There has been zero disruption on that front.

**Anil Somani:** Great, sir. Great to hear that. So in the last question, if at all you could answer, could you share the contribution from the premium brand, that is a Float, or as Hush Puppies and Power, in the product pool, yes? What would be, sorry, the scale that it achieved?

**Gunjan Shah:** They will cumulatively account for almost something like 40% of our turnover.

**Anil Somani:** Perfect, sir. Thank you so much, sir. I'll get back to the question.

**Moderator:** Thank you. The next question is from the line of Varun Gajaria from Boring AMC. Please go ahead.

**Varun Gajaria:** Hi, sir. And thank you for that. Thanks for the opportunity. Okay. So just wanted to, just wanted to understand, so from adding around 100, 150 stores a year, what is the plan as to like, the mode of, the mode in which the stores will be open? Will there be more of the franchise model or will it be more of COCO?

**Gunjan Shah:** No, so I have mentioned this. As you can see, even now from a trend, while there was a period post COVID where for almost about 12 to 18 months, we were still weeding out a lot more stores than we were adding from a COCO front. But that I think largely the exercise is done. Obviously, there is a continuous process of weeding out a non-profitable or non-value-adding stores to the brand. But we are adding net COCO stores that will continue. However, from an aggregate perspective, I think that's the other question that you're indicating towards. We will have predominant franchise store additions, which is in the ratio of 80-20. Does that answer your question? Hello? I think we lost him.

**Moderator:** Hello, Mr. Varun. Further questions from the line of participants? The next question is from the line of Priyank Chheda from Vallum Capital. Please go ahead.

**Priyank Chheda:** Hi. So what are the strategic interventions required in the distribution channel? And despite getting at 39% of the freshness, have we lost any market share in that channel? And what has been the real problem in that channel for us to grow?

**Gunjan Shah:** Yes. By the way, the freshness that I talked about was largely from a retail perspective, COCO as well as franchise, including Hush Puppies. But the other question that you mentioned, which was in terms of the distribution channel, see, there are obviously areas that we can do better. I think the biggest one that was there was basically that about two years back towards the fag end of '21 and obviously a large part of '22, there was significant inflation.

And most of the industry, as well as ourselves, we had to move up prices. And at that price point, which is the mass segment, which is an MRP, which is below INR700, consumers are extremely sensitive to it. And that did create its own, how do you say, struggle from a consumption point of view from the consumers.

We have refrained from price increases now for the almost five quarters or a little more, maybe six quarters now. So middle of, let's say, second half of '22, '23. And that hopefully should at some point in time get absorbed by the consumers and move forward.

Independent of that, which is more a consumption and a pricing environment and an inflation adjustment scenario that I've talked about, there are a couple of things that we are pushing forward. One is basically making sure that we latch on to a few categories that we feel that either are the horses that are running much faster than otherwise.

The second one is ensuring that we are able to extract from the distribution expansion that we have done over the last three years. So as you can see, our weighted distribution, which is making sure the quality of distributors and the size of distributors that we are engaging with has significantly gone up. The number of outlets have gone up. Now we are at almost something like 30,000 MBOs.

Now the focus is towards ensuring that we've got depth and penetration, both at the distributor and outlet level, backed by obviously making sure the right kind of categories play that we make. One of the examples that I gave you was the EVA category, which has shown good signs, but there is a long way to go in terms of making an impact in that category, where I think we were delayed by almost 12-18 months.

**Priyank Chheda:** And what has been the like-to-like growth in your retail COCO channel, ex-off-franchise, of course? What has been the like-to-like growth for the full year in COCO channel? At least the revenue growth seems to be, again, very muted in this channel too? So if you can highlight, like you highlighted for distribution channel, what are the, again, the strategic interventions required to get the growth pedal back in the COCO channel also?

**Gunjan Shah:** Thanks for that. We don't share the like-to-like growth, but however, obviously, the overall growth has been muted. The piece that we are working on is on three angles. One is, as I said, this entire piece of making sure that we are able to get more trendiness going. Clubbed with that, we want to also do some kind of rationalization of complexity in store in terms of number of lines.

And H2 will see almost a 20% reduction in terms of number of lines that we want to bring. So one is bringing newness in terms of portfolio, make sure it's penetrated well across the network and simultaneously reduce the complexity. The second biggest piece is driving footfalls and therefore making sure that, you know, for example, right now in this quarter, we are running a never-before-industry-first promo in terms of try and fly and running, obviously, thematic campaigns, highlighting some of our stories and USP.

The last piece was something that, while we are inched forward, I think last quarter, we finally hit what I wanted and which is making sure that the store manpower variable pay for performance hits the benchmark that in my mind was about 30% and that's it there. And that is shown basically encouraging signs on conversion as well as NPS of consumers from store.

**Priyank Chheda:** Sorry, I couldn't get the rationalization of the lines which you said will be done in H2. You mean that you would cut down few brands or within the brands, you have more SKUs which you will have to cut down to get the correct mix.

**Gunjan Shah:** I mean, at a first principle level, it is basically trying to bring in that every product of mine doesn't have a reason for existence or a proposition to the consumer. Right now, that's the idealistic level that I want to get to. Now, effectively, if I've got a sneaker and a sneaker and a sneaker, does it have a color proposition?

Does it have a style proposition? Does it have a technology proposition? Does it have a price point proposition? Now, it has to tick mark on either one of these to make sure that it's got a reason for existence. And outcome of that exercise is basically making sure that we are able to therefore remove redundancies which are maybe not necessarily offering differential propositions for itself to exist in a store.

**Priyank Chheda:** Sorry to harp again on this line. I mean, we have been working on the product effectiveness within the store for now quite some time. So why would, you know, we again rationalize it? And I think rationalization is something which keeps happening every year, every quarter, every day. So is there a very significant rationalization that we should think ahead?

**Gunjan Shah:** Which is what I'm talking about, that we want to. So you are right. It's an ongoing process. The question that we want to basically make sure that we are solving for, as I said, is to make sure that we are looking at first principles all over again. And that is coming out with an impact that is going to be differential to what we anyways do on an ongoing basis, season on season. So you will have end of season sale.

You will liquidate a set of stuff that doesn't work. You will bring in a lot of new stuff to bring in new trends, etcetera. And that's what you mean by basically something that happens on an ongoing basis and does happen. The piece that I'm talking about is differential, which is to make sure that you look at zero base. Is there a proposition that we would like to look at the line from existence perspective?

And simultaneously, as I said earlier in my call, which is making sure that the newness is percolated across categories and across stores. In addition to this, there will be a relook at a couple of a few brands, whether they make sense for a certain cluster of stores, whether up the pop strata or down the pop strata.

**Priyank Chheda:** Perfect. Just the last question from my side, if we can share brand level performance for the full year, the key marquee brands like Bata, Hush Puppies, Power or Nordstar, and as well as if we can share the contribution from the school shoes for the full year would be great.

**Gunjan Shah:** The school shoes contribution is about mid-single-digits. The brands, I will not be able to share immediately all the numbers on it, but as I mentioned earlier, the premium brands that I have talked about, Hush Puppies, Power, Nordstar, Comfit, etcetera. They contribute about 40% of a turnover.

**Priyank Chheda:** Sorry, I was asking for the full year performance. If we can on a qualitative basis?

**Gunjan Shah:** Okay, so let me come back to you offline on that.

**Moderator:** Thank you. Ladies and gentlemen, we'll take this as a last question. I now hand the conference over to the management for closing comments.

**Gunjan Shah:** Thank you everyone for joining. Looking forward to interact again. Thanks a lot.

**Moderator:** Thank you. On behalf of ICICI Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.