November 14, 2023

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The Secretary
The Calcutta Stock Exchange Limited
7, Lyons Range,
Kolkata - 700001

BSE Security Code: 500043

NSE Symbol: BATAINDIA

CSE Scrip Code: 10000003

Subject: Post Earnings call

Dear Sir/Madam,

This is further to our letters dated November 2, 2023 and November 9, 2023, 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 Thursday, November 9, 2023.

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

We request you to take the same on record.

Thanking you,

Yours faithfully,
For BATA INDIA LIMITED

NITIN BAGARIA Digitally signed by NITIN BAGARIA

NITIN BAGARIA
AVP-Company Secretary & Compliance Officer

Encl.: As above

Bata India Limited

Q2 FY '24 Earnings Conference Call

November 09, 2023

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. GAURAV JOGANI – AXIS CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Bata India's Q2 FY24 earnings conference call hosted by Axis Capital Limited. As a reminder, all participants live will be in a listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal the operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Gaurav Jogani from Axis Capital.

Gaurav Jogani: Yea, hello everyone. On behalf of Axis Capital, it is my pleasure to host Bata's Q2 FY24 earnings conference call. From the management today, we have with us Mr. Gunjan Shah, Managing Director and Chief Executive Officer, Mr. Anil Somani, Director Finance and Chief Financial Officer, and Mr. Nitin Bagaria, Company Secretary. Thank you and over to you, sir.

Nitin Bagaria: Thanks, Gaurav and Axis Capital. A warm welcome to all of you. We have Gunjan, who is our Indian CEO. We have Mr. Anil, who is Director Finance and CFO. We have shared the presentation with the stock exchanges a little while earlier. We will be taking you along the presentation on this call. We will navigate the slides as well as the page numbers to stay connected. On slide number two, we have the disclaimer. I'm sure you have gone through the same.

I hand over to Gunjan now and thanks again for joining. Hi, everyone.

Gunjan Shah: Hi, everyone. I hope you all are getting my voice. So, I will then start off on slide number three, which is the layout of the entire short presentation that we have for you. And then we will open up for Q&A.

Moving on to the next slide, on some big highlights, before we get on to some operational highlights, the footprint extended to about 2150 in terms of points of sale. We did also in recent past conclude the strategic alliance with Global Brand 9 West to enhance the global style offerings to Indian consumers. Sneaker Studios continues to expand to now almost 600 and plus stores.

Floatz has our casual washable footwear offering, which was started almost about two years back, continues to keep ramping up every quarter. And we are now backed with further manufacturing investments, etcetera. We feel very robustly on it and that continues to grow well. And our technology investments are on track. HbM has already gone live and the merchandising tool has gone live. And the other big piece, which is the ERP, is on track and scheduled to go live as per plan in quarter four of this year.

Moving forward, the strategy chart, as I have mentioned, basically driving portfolio evolution. And I will talk about each of these in some detail going forward in the subsequent charts. Retail excellence, both expansion, renovation, as well as basically in terms of multi-brand outlets.

The third is basically in terms of investments behind Bata Brands to ensure that we bring in saliency on the brand as well as connect with the youth and drive style imagery. E-commerce and therefore digital footprint continues to expand and has been outperformer in a relatively muted quarter that we had. Making sure that the supply chain becomes more and more agile and efficient.

There were a couple of large projects that we have implemented. One was an exceptional item, which is there under VRS as well as in one of our units. And also installation of a significant engineering capability on the IMEVA, which should, amongst others, basically also fuel the float scope.

Staying nimble on costs, overarching all across the entire value chain and trying to bring in variabilization to cost structures. Last but not the least, talent process and technology. I mentioned a couple of projects on that side that have moved forward.

Anyways, I will talk in the subsequent charts. I will quickly move on to slide number eight, which is point of sale. We continue to expand. It's a consistent trajectory, but however, a very prudent trajectory. And I think it stands us in good stead. It's a good mix of COCO Stores, which I had mentioned about three, four quarters back that we have now added net COCO Stores additions, but in a prudent manner.

We will continue our significant expansion on the franchise store additions. There will be obviously additions that we do, which is the smaller ones, which is on SIS. What we have also opened up in the last quarter with some different additions and which should be resulting in much better trading density and sales per square foot is the pop-up stores.

We've opened almost now 10 pop-up stores under the float spanner, one under Hush Puppies also. And these are basically ranging from about 100 square feet to about 250 square feet for Hush Puppies. And we are having strong ambitions going forward on that front. This addition will continue. However, as I said, COCO versus franchise will be in the ratio of about 80-20 at a ballpark level.

Next chart on slide number nine is on franchise specifically. I think I had stated that basically by FY25, we wanted about 500 stores. Until three years back, we were less than about 150 or so. You had consistent trajectory as you can see. And that trajectory continues. Last quarter was relatively a little lesser than what I would have expected. But we will see again that ramp up.

I think it's a temporary, how do you say, number that came below 30. But otherwise, we've been adding in the range of about 30 plus every quarter. And we would like to continue that. That fueling continues. We are also now on that front, not only enhancing the bandwidth and therefore the pipeline from franchise additions, but also now moving towards making sure that existing partners open more and more stores. Right now, almost 40% of our new store openings come from existing partners.

We want to ramp it up to almost 60%. And I think that's a good sign that basically partners that are people who understand Bata, people who understand the category are the ones and therefore they mature, those two new stores mature much faster and they are able to realize benefits much faster. On the multi-brand distribution business, while it has been a muted on that front, last quarter, the platform continues.

As I had mentioned, we will now be, and as you can see, and I will talk about it a little more in subsequent quarters also, we will be now wanting to look at depth and extraction. And there are two large levers that we are working on that front. One is on specific categories where we feel that there is a right to win as well as, you know, how do you say, sizable, you know, potential for revenue.

And within that, I think ladies' value added, plastic value added as well as sports is something that we have made some significant seeding. We have seen some very good response. I don't think it has been commensurately impacted on turnover yet, but we are hopeful that in the ongoing quarter as well as the subsequent, we will start seeing benefits.

I think there is a very large benefit there. The second piece on extraction, which is not mentioned here in the chart, but we will track for benefits and therefore share with you, is on control on secondaries and therefore outlets. We are investing in, you know, in technology, in key retail outlet programs, as well as, you know, feet on street, which gives us much better ability to control the way butters presented and showcased to consumers in multi-brand outlet environment, and therefore enables secondaries and therefore better extraction from the kind of distribution reach that we have now made progress on.

So that will be a big pivot that we will see within the distribution business going forward. Moving on to slide number 11, digital. I think it's been relatively outperformer, though I think the growth rates would have got a little muted while it's been strong double-digit growth, would have got muted because of shift of season, and that's obviously a spillover that's gone into October, etcetera, as the partners also started taking in their inventories, but I'm sure it will all flow back into this quarter. It is also backed by a couple of other initiatives besides marketplaces. We have also ensured that we are now penetrated into additional accounts like Tata CLiQ, Nykaa, etcetera. We have also seen some encouraging response.

We have transitioned from butter.in to butter.com in the last quarter, and that has given us some significant benefits of scale that comes from search engine optimization, etcetera. And last but not the least, the Omni-channel business, which is a significant addition in addition to the pie that you see here. We do now almost 4% to 5% of our retail turnover coming from Omni-channel, and that has now been, it was with a toe being done in the COCO business.

Now it has been also the model has been fine-tuned for the franchise, and out of the about close to 500 franchise stores, 300 have been enabled through the home delivery channel. Moving on to slide number 12, what we see here is the campaign that we have driven during this quarter. Some of them were towards the lag end, so I think I'll take them in the reverse sequence.

Basically, Power Apparel is what we launched as a pilot. I talked about it. Power Apparel continues to give encouraging response in the pilot stores of 60 stores that we had launched it in, 62 stores. It is now contributing to almost about 2% to 3% within that range across these stores in terms of same store growths. Our ambition is to make sure that as we get the learning right on one, two fronts, there are several learnings that we have seen. One is on the merchandise front in terms of colors, styles, what works, what doesn't work, the mix between bottoms and tops, ladies and gents, etcetera. And that is something that is being fixed as we replenish the merchandise, etc. The second piece that there is also how is it positioned within stores. There are several learnings within that.

Wherever we have positioned it slightly back end of the store or at the next level, etcetera, we've not seen the similar impact. Therefore, those corrective actions have been taken. In some cases, we have also modified the stores. Our objective on Apparel is to make sure that while the size of the category is large, we get our complete understanding right before we scale it up and leverage across our network. And the thumb rule for that, which I have set for the team, is that we need to see 4% to 5% same store growth from Apparel contribution to the store sales, which gives us a good understanding that we are consistently able to scale this up going forward. So we are well on track on that and we'll update you regularly.

We did run obviously the entire campaign, which is now into three parts, which was Pujo, Red Label, Casual Style campaign, all under the ambit of every walk is a ramp walk. The strategic direction that we wanted to drive through this campaign, it is a very large campaign. It's ongoing as we speak also.

It has been towards driving the style quotient on led by Bata Red Label and obviously the entire portfolio of brands and products that we offer. It has had a very good response and you will see that in the highlights when I talk about certain categories on the style quotient, etcetera. Moving therefore on to basically the next chart, which is on key categories that have done relatively well in this otherwise muted environment has been North Star, continues to grow in double digits.

Comfit continues to grow in double digits. Hush Puppies show some moderation on a maybe elevated base on the premium front last year, but continues to still be accretive in terms of growth. And Floatz I've already talked about. There is not only growth over last year, which are very attractive, but also sequentially. It also comes at a significant delta margin, which will further get enhanced as we get the in-house manufacturing for Floatz going.

Therefore, then moving on to slide number 14 is some key business highlights is basically gross margins saw some prudent management during this quarter. A combination of basically managing the obviously the channel mix in a way, but more importantly discounts as well as inventory management. And I think that showed up our inventories are actually in a place where we feel very comfortable. And I think it's in the right mix.

And hopefully adding the merchandising tool that we have automated all across which is getting rolled out in this quarter will give us further benefits on much more agility on inventory management. So I think that's one thing that would be a highlight that I thought I'll share with you. Red Label, the style first brand from the Bata banner, I think has been exponentially growing. I'll beat on a low base, but now the bases are no longer small. It contributes just the Red Label brand itself contributes to almost now 4% of our turnover. And we're looking at that continuing to grow and fuel the entire style imagery.

In addition to obviously, associations that we have with brands like Hush Puppies and now even Nine West going forward. I talked about this, which is the IMEVA capability machine. It is about investment that we have done and we have installed in part another and should significantly enhance not only our understanding of this entire product, but bring in significant agility in terms of bringing innovations as well as the freshness into this entire category.

It's been successfully commercialized and we will see commercial production coming out of it in the next few weeks. So it will fuel this entire thing of Floatz, which is basically now inching towards almost 16,000 pairs per week kind of weekly sale. And we are now wanting to push that even further.

As I mentioned, we have also opened up the entire concept of Floatz as an independent brand outside the Bata banner with the Floatz pop up stores. We are now in almost a dozen locations, actually 12 as we speak and ambitions are to take it as fast as possible to about half a century. As we expand our range, bring in much more innovation, etcetera and fuel some of it because of the investment in the back end, we will see this entire thing spawn off even larger as the response goes. In addition to that, we also had a Power apparel that was stabilized, which I've talked about. We also had significant success in the Power Step & Go category.

While we ran out of stocks on that front, but there is active work happening in the next few weeks, we should have stocks getting replenished on it. We had a very exciting response. It was that ASPs, which are 2x of the Power ASP itself and which is, which itself is 2x of the Bata ASP.

So we feel very excited about that category going forward. And Omni business I've talked about, I think it continues to ramp up, it continues to help us manage. In fact, that has got a very strong correlation not only to consumer satisfaction on one side, but inventory management on the other side.

It gives us confidence to tightly manage inventories because we can drive this entire home delivery channel even better going forward. On consumer facing, we are in the process of rolling out brand stories across a very large scale. We've done pilots to some exciting response, primarily anchored around comfort, around the show, as well as around power.

And we will want to see Android label, right? So we will see this now scaling up. This quarter should see about close to 400 stores getting impacted by these, where you have the story that along with a connection coming together and talking to consumers, we will see next year that going into almost about half the network, which is about 600 to 700 stores.

Customer complaints and therefore quality remains under control and a good trajectory. And the store experience score that we keep tracking is at elevated levels, at an overall level between Bata and Hush Puppies. Hush Puppies obviously at the premium side is even higher in the plus 50s band.

On other highlights, PIS, which is in the offing, I think the notifications are out. There are further clarities that are emerging. I think the government has been reasonably helpful on this entire front in making sure that people who have strong domestic manufacturing capabilities, they are enabled and we are well on track.

Several of our source base and manufacturing sites have got certified, and we are well on track to have a very smooth transition into PIS. 3PL implementation, part of the entire variable is variableization of costs is now stabilized in the north depot and shortly we will be going live in one of our largest southern depots. So that's something that should give us continuing leverage going forward.

VRS I have spoken about. We have launched VRS about four months back. We had in one of our south units and that is something that is tracking well as per the plan and which should give us significant leverage on our agility as well as upgraded capabilities which were hitherto not available in that existing factory of ours.

The variable incentive structure continues to progress on the retail storefront. We have now launched a temporary program in last quarter as well as this quarter, which takes up this entire piece to a desired level of at least 30% and which based on response that we see and some modifications, we would like that 30% variableization of store remuneration to structurally get impacted from next year onwards as a continuation.

Last but not the least, corporate social responsibility is not only in regulatory compliance but also a purpose that we carry across from Bata as a philosophy and one of the cornerstones of that is employee voluntary and we achieved a significant milestone on the Bata founder's day, which involved all our employees contributing a thousand plus hours dealing on that day itself.

Moving to slide number six, the financial highlights. As you can see, revenues were muted at about -1%. I think EBITDA came in relatively stronger at about 12.8% growth. This was, as I said, a combination of two, three things. One is student management in terms of cost margins. I think we did make sure that we were extremely diligent both in terms of the kind of mix that we were selling, premiumization that we were driving for, as well as markdowns and discount and promotions and that finally got leveraged into basically profit before tax.

In addition to that, there were significant initiatives across the organization on cost efficiency. Some of them I've talked about in my previous chart. We did have an exceptional item that gave us a hit of about INR41 crores related to the VRS that I talked about in South Bend, resulting in a depressed back at about INR24 crores for the quarter.

That brings me to the end of my small presentation to you all. Thank you so much. More than happy to take questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question comes from Nihal Mahesh Jham with Nuvama. Please proceed.

Nihal Jham: Good evening, Gunjan. Three questions from my side if I could take it. On the growth part of it, you did allude to that there was a shift in the festive feeling. Would it be possible to get more sense on that from the perspective of what was the for the quarter ballpark and what, in your opinion, was the impact in the shift in the festive one-year performance?

Nitin Bagaria: Nihal, you said SSG, what? Can you just repeat that question, please?

Nihal Jham: I'm so sorry. I was saying that I was looking for what was the ballpark SSG for this quarter, given that we've done quite an aggressive store addition versus last year. Also, excluding the impact of the shift in the festive, what would our growth have looked or SSG either way you want to comment on it?

Gunjan Shah: I think, basically, the piece that is there is on store additions. I have mentioned this because a large number of them come from a franchise, so it cannot be numerically added in terms of weightage. However, on SSG, we were at basically in no single digits negative for the quarter.

Nihal Jham: What would have been if the festive would have not shifted? What, in your opinion, would have been the growth like if you could just give a sense of that?

Gunjan Shah: Should have been positive in our estimation. However, we will have to wait and see how the entire follow-through happens. There is some early signs of impact of the festive season coming through as well as obviously the campaign and initiatives, etcetera. But we'll have to wait and watch on that.

Nihal Jham: Thanks, Gunjan. Gunjan, the second question was on the 9West app that you announced a few days back. If you could just give a colour in terms of, I think Nine West doesn't have its own EBO network, so is it going to be rolled out across our 1700 stores? And what is the kind of revenue potential we are looking at, including margins, manufacturing for that also?

Gunjan Shah: I've understood it while I think the voice got a little muffled. But basically, what you're saying is that what does this entire piece on Nine West entail? So Nine West is roughly about a billion-dollar-plus retail sales brand globally, with obviously a significant part of it coming from the Americas.

It stands for fashion as well as youth and a combination of that and therefore bringing in on-trend styles. And that's the leverage that we are looking for at the premium end and at the youthful end. It is a manufacturing as well as a licensing arrangement. It's the full license arrangement, exclusive for the market of India and therefore will be applicable across our business channels. So whether it's the COCO, whether it is our franchise, whether it is e-commerce or whether it is the multi-brand outlets also, potentially. We will fructify this entire piece in terms of actual rollouts, over a period of time.

But basically, the point is that we will want to expand this across the network as applicable. And by far, the first and foremost will be making sure that it starts rolling out in our top stores, etcetera. But over a period of time, we will see what's the appropriate level of penetration, as well as eventually even bringing in EVOs, etcetera., which is also part of the licensing arrangement.

Nihal Jham: Do we have online sites also for this?

Gunjan Shah: Yes.

Nihal Jham: This is one last question from our side. And Anil, this will be referred to you that if I look at our annual report, I do notice that our rental expenses have increased significantly versus last year. And I don't think, we've added that many EBOs, both from the reported and a cash basis. So any specific aspects there to be add about?

Gunjan Shah: Nihal, if you can just be a little slow on your question, there is some muffling noise coming, so that we can understand the question.

Nitin Bagaria: So your question was in the last annual report. Can you repeat, Nihal, please?

Nihal Jham: I was asking that, when I was looking at a rent cost for this year, both on a cash and a reported basis, I see quite a significant increase on a per square feet basis. Just wanted to check, what is the reason for that, if you could highlight the same.

Gunjan Shah: You're assuming when you say annual report, you're talking about FY '23 versus FY '22, is that right?

Nihal Jham: Absolutely, yes.

Anil Somani: Okay, so there are obviously one reason, and I will be able to provide more details. But in that year, it was a non-comparable period. In the previous period, many of the retailers, including us, got the benefit of the COVID impact. And as a result of it, the numbers are not comparable.

Nihal Jham: So maybe I'll connect offline to get more details on that.

Anil Somani: Sure.

Nihal Jham: Thank you so much.

Anil Somani: Thank you.

Moderator: Thank you. Our next question comes from Girish Pai with Nirmal Bang Equities. Please go ahead.

Girish Pai: Yes, thanks a lot for the opportunity. Gunjan, we have been speaking about Bata India becoming a sourcing point for Bata Global for its footwear needs. Where are we in that journey? Can you just give some update on that?

Gunjan Shah: Yes. So the journey continues, Girish. Actually, now we have most probably done this year a significant start to it by exporting to almost something like about, half a dozen countries of the Bata footprint. The piece is progressing as per plan. It is also now working on basically also ensuring that whatever was getting connected, there were separate teams that were also sourcing for Bata. That is also getting merged and therefore getting supervised in. And I would say that, this is working pretty aggressively.

And we will keep updating you on that front on how we progress on that. We should be looking at most probably this year under our supervision, we should be looking at about a lakh pairs going out of from India. And even more ramping up next year.

Girish Pai: My second question is on Nine West. From a brand perspective, do you think it could become as big as HP or Hush Puppies say over the next five years to 10 years?

Gunjan Shah: That's exactly the kind of ambition that we have. We do see potential in it. We do see exclusive, how do you say, understanding on styles and therefore style quotient coming through. And obviously, some amount of heritage, as I mentioned, of the global parentage coming through on that front. And that's the whole objective of what Hush Puppies has done largely on the men's side, while Hush Puppies now has almost 30% ladies contribution. But on the fashion side, etcetera, that's what we are expecting Nine West to deliver to us.

Girish Pai: And what has been the recovery on the mass segment side, sub INR1,000 price point, a sub INR500 price point? Those were like weak areas of our business. Has that recovered?

Gunjan Shah: I would say that there is still a mixed bag on that front. We have still not seen a secular recovery on that front. I think also we have tried to, we have also consciously tightened up our purse strings, both in terms of, outstanding as so credit periods, as well as in terms of discounts.

And I think that might have delayed it a little. But my sense is, we are hopeful that I think it is sooner-rather than later actually start converging now in terms of premium versus mass. So that should, as I have been mentioning several quarters now, that these are cycles and we are hopeful that the cycle is showing signs of balancing out.

Girish Pai: My last question is on the COCO part of the business, which is still a fairly substantial part. What do you think should be the growth rate one should be pencilling in and how much of that would be ASP driven, in your opinion over the next three years, four years?

Gunjan Shah: So on the COCO part, we see basically the point is that, we would like to see high single digit safe store growth. And half of it should be coming from, premiumization, I would say, not price increase. Price increase we have largely saved up from for almost now four quarters to five quarters and half of it coming from bearish growth.

Girish Pai: Okay. Thanks a lot.

Moderator: Our next question comes from Varun Singh with ICICI Securities. Please go ahead.

Varun Singh: Yes, thanks for the opportunity. Sir, my first question is on the premiumization bit. So where do we currently stand in our overall sneakerisation and premiumization journey? Because ever since we started setting up sneaker studios in our stores, it has been more than seven quarters, eight quarters. At the same time, our pace of, adding sneaker studios in stores, that has also fallen down significantly since last two quarters. I mean, hardly 30 or 35 to 45 stores is what we are adding up. So can you please give some understanding over there?

Gunjan Shah: Yes. So, Varun, basically the entire piece, there were multiple legs to this entire sneakerization story. So if I dial back a little, almost about 18 months to 20 months back is when we started this entire sneaker studio concept, which was bringing across the entire offering of sneakers under the Bata banners together and make sure that it impacts the consumers.

That was the first leg that fired off. The next piece, I think very closely, but I think came with a slight lag of about, let's say, a quarter or two quarter was basically entire merchandise and bringing in basically fresher styles, etcetera. Largely driven through North Star, and which is what basically is what I highlighted is driving it.

I think the piece that we are now wanting to basically drive this even further is going to be making sure that Power comes alive. And therefore, as I talked about, I think bringing in not only the Power products through, I think some of the work that we have been talking about in terms of technology, etcetera and bringing in unique propositions, which is that we want Power to stand as the, how do you say, democratizing fitness and technology is something that you will see fructifying over the next few months.

And that's where the next leg that we see on this front, what will also happen along with this is that we will want to make sure that Power also is going to be the anchor of our proposition to consumers from a brand perspective. And we will see significant investments coming through on that front also. So we had sneakers studios, we had unlimited sneakers as a campaign, which was bringing a life to consumers and registering it.

That gave us a big shift in terms of almost 400 to 500 basis points in terms of contribution of sneakers, making sure that we bring in lifestyle and therefore much better styles and colors under North Star. And I think the next journey or leg of the journey will be Power. So that's how I see this journey on sneakerisation.

It will continue. I don't see any reason why we should not be participating because this is the fastest growing. And I think there is still a lot of backlog that we need to clear on this front.

Varun Singh: Understood. Sir, actually my question was that in how many more stores we want to implement this program or are we largely done with regards to how many stores we would have aspired?

Gunjan Shah: No, I got that. I missed answering on that front. So the initial piece when we did the sneaker studios was basically driving this across obviously our source. What we are now doing is that we are now doing it along with the entire innovation so that it becomes more efficiently. So yes, you are right in terms of seeing that the pace of the sneaker studios is going to now come at a slightly lower level. But I think the Pareto contribution stores, etcetera, have been activated. So now the next fever is basically in terms of merchandise as well as brand proposition, etcetera, to consumers, which is what I commented on. But you are right in your observation.

Varun Singh: Got it, sir. Very clear. And sir, a follow up on this is what would be our revenue contribution from sneakers as on today and compared to maybe like a year back?

Gunjan Shah: So from two years back, we would be about 500 basis points higher. From a year back, it would be slightly muted. And that is largely because the piece that was there in terms of Power is still to be completely slipped. I think in September onwards, once the Step&Go, etcetera. so the merchandise started filtering in, we have started seeing that coming back. So about 500 basis points over two years.

Varun Singh: Understood. And sir, my last question is like on the premiumization slide, we see a strong growth in almost all the brands, excluding Hush Puppies compared to last quarter, 5% growth. So like what explains this relative underperformance in this brand?

Gunjan Shah: I think it's also that Hush Puppies saw extremely high growth last year. Varun, basically saw extremely high growth. I think there was some amount of COVID and maybe post COVID bounce that I think might have resulted in some mutedness. But our ambition on Hush Puppies, in fact, I think this year, we are likely to exit December with about 120 plus stores of Hush Puppies and next year is going to be even stronger addition.

So a large part of this addition that we are talking will start also now Hush Puppies will have a significant contribution. The other big piece that we are also going to invest in Hush Puppies is renovation of stores. A large part of the renovation that we have done have been in Bata stores. Hush Puppies has not been invested in as much from a store experience point of view and that will undergo a big change.

The first new concept has been opened in Southern India, in Kerala and there will be a whole bunch of work that's lined up for the next two quarters. So Hush Puppies will continue. This quarter might be an aberration.

Moderator: Thank you. We now are going to have a question with Mr. Gaurav Jogani. Please proceed.

Gaurav Jogani: So my question is with regards to, if we see that while the premium part of the portfolio is seeing good growth rates, both Floats, Hush Puppies, even if I consider the base, and the North Star piece as well, which means that the value end of the segment, is it declining in high double digits or maybe mid teens kind of a number? Would that understanding be right?

Gunjan Shah: And especially when you look at the one that is below INR500, yes, you are right. But as I mentioned to someone else just a few minutes back, we are slowly seeing that now narrowing down the gap that we had, let's say about three quarters, four quarters back of premium significantly outstripping the mass. I think that the trends are now slowly converging.

And that I mentioned it, that these go through cycles, and we are hopeful that they will, how do you say the mass market should also start bouncing back. I think consumers have seen a lot of inflation, we have taken up prices, let's say two years back or so, one and a half years back. We have very consciously stayed away at a very broad level of any price increases for almost now four quarters, five quarters.

And we see raw materials stabilizing. And therefore, I don't foresee that consumers will get a little more comfortable in terms of the decrease in expense coming over, provided the overall macros work well.

Gaurav Jogani: So, sir, my follow up question to this is, given the fact that in the morning on the TV interaction, also, you mentioned that you will be targeting double digit growth rates. And if I have to bifurcate the growth rates between, the premium portfolio, and the mass end of the portfolio, how would you'll be looking at, be the mass portfolio now given a low base to grow a bit higher, and the premium portfolio, maybe take a little backseat, or both will continue to grow at the same pace?

Gunjan Shah: No, both will continue to grow. I would say yes, there might be a quarter or so, where there might be some rebalancing, but at a slightly more medium term, which is where my commentary was, I would say that our premiumization journey will continue. And therefore, I don't see why premiumization, a premium part of our portfolio should be at least 1.5x of our overall growth.

Gaurav Jogani: Sir, on answer the second and the last question, is with regards to the growth rates, again, I mean, I understand, that the addition largely has been on the franchisee part of the business, which is again, a lower contributing in terms of the reported numbers. So if you can bifurcate for us, what kind of growth rate drag you see from the franchisee piece of the business in the overall numbers?

Gunjan Shah: Okay, so I think while there, while even at the end, so we track growth rates of franchisees at multiple levels. And now the network is large. However, as you rightly said, and as I mentioned it, the reported turnover that comes through comes to a discounted level, right. And these are smaller consumer cohorts, which I thought we could not access to through a COCO format. So all of this I've spoken about. Notwithstanding that it's now becoming reasonably sizable, it is now close to double digit in terms of contribution to our sales.

And we are looking for basically this continuing to expand significantly going forward. It is, inorganic and organic combined, it is growing in very high double digits for the last several quarters now. It's also, as I mentioned, significantly upgraded from a capital as well as fixed cost perspective. And therefore, from our EBITDA level.

Analyst: Sure. So just one clarification, when you say double digits, you mean the SSG growth rates or the overall growth rates?

Gunjan Shah: Both. Last quarter, though the SSG would have been still positive, better, but it would have been a little more muted, considering the overall discretionary demand. But let's say over four quarters, it has been in double digits on SSG also.

Analyst: Sure. Thank you. And that's all from me, sir.

Gunjan Shah: Thank you.

Moderator: Thank you. Our next question comes from Abhishek Getam with Alpha Invesco. Please proceed.

Abhishek Getam: Thank you for the opportunity, sir. So my question is, I wanted to understand our strategy and initiatives on Tier 2s and beyond. So I do understand our renovations and sneaker studio launches and pre-management for Tier 1. But how are we looking to grow in Tier 2s and beyond?

Gunjan Shah: Okay. Can you just, Abhishek, repeat that question? It was a little muffled.

Abhishek Getam: Yea. I said it's very heartening to see our sneakerization and premiumization story. But I was asking, how do we look to grow in Tier 2? What are our initiatives and strategies for that?

Gunjan Shah: Okay. So multiple legs, Abhishek, on that front. So first and foremost is what I was just talking to the previous caller, which was on the franchise expansion, a large part of the franchise expansion. So let's say, for example, over the last four quarters, we would have added almost about 120-odd stores in franchise alone.

I think of almost 90% of those have come in Tier 3 and below towns. Right. And that's where in many of these towns, we are the first branded store of footwear that's opening up, etcetera. And that does give us inorganic first mover advantage on that front. The ASP at a retail price level of these stores also is not very different from our COCO ASPs, but at about 20% lower than our Metro ASPs. So it's not so low.

At a margin level, in terms of profile of products, etcetera, it is reasonably at par, leaving aside obviously the fixed costs and the capital costs leverage that I get on the franchise model. So that's on one side, which is expansion, sustainable, profitable side.

The second piece is basically that we want to also make sure while we are now devised mechanisms of trying to track, and there's been a lot of effort, especially post-COVID of driving newness and freshness into our stores on regular season and within season drops. We are now wanting to percolate it down the top strata, down to the last, even the COCO store as well as which go down the tier. Therefore, making sure that every season, at least 20% of the portfolio across each category minimum is refreshed and therefore consumers see freshness.

The last piece that is there in this is this entire Omni piece, which opens up the entire portfolio of Bata without me having to necessarily invest in inventory all across all styles and all sizes. And which, as I mentioned in my presentation, that we are not only now successfully penetrated across the entire COCO network to a significant level, but also now opened up the entire franchise network to it, which allows the franchisee to also access the entire portfolio of ours without having to take the risk on some slow moving or high premium articles. So premiumization will also be driven down top strata, leveraged by obviously, as I said, freshness, etcetera.

Abhishek Getam: That's very heartening to hear. I just wanted to understand that just to get the number right, in Tier 2 and beyond or Tier 3 and beyond, our ASPs would be roughly, or most of the products would be open footwear? Or how would that mix be?

Gunjan Shah: I don't have it handy in terms of, did I hear you right? Open footwear?

Abhishek Getam: Yea, I mean, I was thinking that more towards open footwear sales in those areas, in Tier 2 region?

Gunjan Shah: I don't have it handy. My gut feel would be yes, it might be a few percentage points higher, but not significantly. Yes, to the premium Top 100 stores, my open footwear would be significantly lower. But overall, let's say metro and Tier 1 towns, and let's say, Tier 3 and below, the ratio will not be significantly different. But ASPs would be obviously the merchandise mix, etcetera. would be a little more different. And that's what I mentioned. That's about 20% ASP lower.

Abhishek Getam: Right. And assuming that ASPs in this town or cities would be around 500, 600 for us, is it? I mean, you did say that it is almost at same profitable level for COCO and franchisee, but could you give some light on the numbers on the margin side?

Gunjan Shah: Okay. So one is, let me correct it. Our overall ASP of the retail network is in the range of about INR1,000 now. Right. So it's been a premiumization journey that continues. Within that, I think the Tier 3 and below would be in the range of about, some rule about INR800. So it's not, you know, the INR500 or INR600 that you mentioned. The margin profile is similar. Maybe it's about 20 basis points lower. So it's to do with, the product profile is different, right? So I'm saying the amount of value addition that I do in the product, and therefore the price that I charge from the consumer is the equation both and therefore the margin is still reasonably stable.

Abhishek Getam: Understood. So thank you for the detailed answer. The last question, to grow more or to grow more on the touch points side, in the, all over India. So do you think opening and franchising would be the way ahead or going via MBOs or partnering more with distributors is the way to go ahead? I'm going on a large, larger base.

Gunjan Shah: Yea. Yea. No. So, see, I think there is opportunities, both ways or actually three ways, right? Two, you have mentioned, which is franchise and MBOs. There is this entire piece of online, that is a third channel and that's very important. And I think overall is also a very large focus. And I think that will especially some of these muted times will help us is focused on same store growth. So all three or four of them will be worked upon and are part of the priority that I just mentioned when I showed the top levers in my presentation.

Abhishek Getam: Right. Sorry. Additional question to that is, just for the next one or two years, growing on individual store basis, I mean, growing on Bata stores, it is still be a profitable business for our franchise, right, in Tier 3 or beyond? Even our growth goes [inaudible]. Understood. Thanks.

Moderator: Thank you. Our next question comes from Ankit Babel with Subhkam Ventures.

Ankit Babel: Good evening, sir. So my first question is just a clarification. You did mention in your TV interview today that you are targeting a double digit growth. So, are you targeting this group even in this year, FY '24?

Gunjan Shah: No. So my comment was on what's the medium term vision that we carry. And that is obviously that we want to make sure that we have a double digit growth, a profitable growth is what I mentioned. Right. So, we will stay with it. That's the vision and the levers and the plans that we carry. As I mentioned, like last two quarters, we've seen obviously some up and downs, so those will correct for themselves, but we will stay with that vision.

Ankit Babel: Okay. And second is the INR5,000 crore revenue target for 2025. Just a clarification, this is a calendar year target or, I mean, like FY ‘26 target?

Gunjan Shah: I think this is some quick calculation that, journalists does at times. So, Ankit, but, we will stay with our vision of double digit growth. So that will eventually translate to INR5,000 crores at the right time.

Ankit Babel: Okay. And last question is, sir, once you achieve this double digit revenue growth in the medium term, can our margins be back to the pre-COVID levels?

Gunjan Shah: We don't give forward-looking forecast. The reason that I mentioned also on this commentary that I made on the revenue growth perspective is to just say that these are all the various levers that we'll work on, which should show us, basically impact in that form. We always, as I mentioned, we would like to have sustainable, profitable growth.

So our desire is to make sure that we maintain margins as well as be prudent about it, even more so in these tough times that we have seen recently. All the more reason, as I mentioned in my presentation at the start, that we would like to be very conscious of various fast lines, both fixed as well as variable.

Ankit Babel: Okay. Thank you, sir.

Moderator: Thank you. Our next question comes from Sanjeev Pandiya. We apologize. We didn't receive his audio. As there are no further questions, I would now like to hand the conference over to the management for its closing comments.

Nitin Bagaria: So thank you everyone for joining us. Looking forward to interacting with you again. Thank you everyone. Thanks forum.

Moderator: Thank you. On behalf of Axis Capital Limited, that does conclude this conference. Thank you for joining us and you may now disconnect your lines.

Disclaimer: While we have made our best attempt to prepare a verbatim transcript of the proceedings of the Earnings' Call, however, this may not be a word-to-word reproduction.